

MAINE



*Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2016*

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

STATE OF MAINE



FOR THE FISCAL YEAR ENDED JUNE 30, 2016

PAUL R. LEPAGE
Governor

RICHARD W. ROSEN
Commissioner
Department of Administrative & Financial Services

DOUGLAS E. COTNOIR, CPA, CIA
State Controller

Prepared by the Office of the State Controller

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

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

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

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

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

<http://www.maine.gov>

STATE OF MAINE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

INTRODUCTORY SECTION

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

FINANCIAL SECTION

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

Basic Financial Statements:

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

Required Supplementary Information:

Budgetary Comparison Schedule – Major Governmental Funds.....	116
Budgetary Comparison Schedule – Budget to GAAP Reconciliation.....	119
Notes to Required Supplementary Information – Budgetary Reporting.....	120
Required Supplementary Information – State Retirement Plan.....	122
Required Supplementary Information – Other Post-Employment Benefits Plans.....	130
Information About Infrastructure Assets Reported Using the Modified Approach.....	132

TABLE OF CONTENTS (CONTINUED)

Combining and Individual Fund Financial Statements and Schedules:

Non-Major Governmental Funds.....	135
Combining Balance Sheet.....	136
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	137
Other Governmental Funds.....	139
Combining Balance Sheet – Non-Major Special Revenue Funds.....	140
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Special Revenue Funds.....	141
Combining Balance Sheet – Non-Major Permanent Funds.....	142
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Permanent Funds.....	143
Budgetary Comparison Schedule – General Fund by Agency.....	144
Budgetary Comparison Schedule – Highway Fund by Agency.....	147
Budgetary Comparison Schedule – Federal Fund by Agency.....	148
Budgetary Comparison Schedule – Other Special Revenue Fund by Agency.....	150
Non-Major Enterprise Funds.....	153
Combining Statement of Net Position.....	154
Combining Statement of Revenues, Expenses and Changes in Net Position.....	156
Combining Statement of Cash Flows.....	158
Internal Service Funds.....	161
Combining Statement of Net Position.....	162
Combining Statement of Revenues, Expenses and Changes in Net Position.....	166
Combining Statement of Cash Flows.....	170
Fiduciary Funds.....	173
Combining Statement of Fiduciary Net Position – Pension (and Other Employee Benefit) Trusts.....	174
Combining Statement of Changes in Fiduciary Net Position – Pension (and Other Employee Benefit) Trusts.....	176
Combining Statement of Fiduciary Net Position – Private Purpose Trust Funds.....	178
Combining Statement of Changes in Fiduciary Net Position – Private Purpose Trust Funds.....	179
Combining Statement of Fiduciary Net Position – Agency Funds.....	181
Combining Statement of Changes in Assets and Liabilities – Agency Funds.....	182
Non-Major Component Units.....	185
Combining Statement of Net Position – Non-Major Component Units.....	186
Combining Statement of Activities – Non-Major Component Units.....	188

TABLE OF CONTENTS (CONTINUED)

STATISTICAL SECTION

Statistical Section Narrative and Table of Contents.....	193
Schedule 1 – Net Position by Activities, Last Ten Fiscal Years.....	194
Schedule 2 – Changes in Net Position by Activities, Last Ten Fiscal Years.....	196
Schedule 3 – Fund Balances, Governmental Funds, Last Ten Fiscal Years.....	200
Schedule 4 – Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years.....	202
Schedule 5 – Changes in Fund Balances, General Fund, Last Ten Fiscal Years.....	204
Schedule 6 – Individual Income Tax and Tax Rates on Taxable Income, Last Ten Calendar Years.....	206
Schedule 7 – Individual Income Tax Filers and Tax Liability by Maine Adjusted Gross Income, Tax Years 2015 and 2006.....	209
Schedule 8 – Taxable Sales and Sales Tax Rates, Last Ten Calendar Years.....	210
Schedule 9 – Calculation of Legal Debt Margin, Last Ten Fiscal Years.....	213
Schedule 10 – Ratios of Outstanding Debt by Type, Last Ten Fiscal Years.....	214
Schedule 11 – Pledged Future Revenue Coverage, Last Ten Fiscal Years.....	216
Schedule 12 – Demographic Information, Last Ten Fiscal Years.....	218
Schedule 13 – Principal Employers – Top 10, Current Year and Ten Years Ago.....	221
Schedule 14 – Schedule of State Government Full Time Equivalent Employees by Policy Area, Last Ten Fiscal Years.....	222
Schedule 15 – Operating Indicators and Capital Information, Last Ten Fiscal Years.....	224
Schedule 16 – Capital Assets by Function, Last Ten Fiscal Years.....	226



INTRODUCTORY SECTION

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

RICHARD W. ROSEN
COMMISSIONER



DOUGLAS E. COTNOIR, CPA, CIA
STATE CONTROLLER

December 22, 2016

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

We are pleased to present the State of Maine's Fiscal Year 2016 Comprehensive Annual Financial Report (CAFR) prepared in accordance with Generally Accepted Accounting Principles (GAAP). The annual CAFR, required by Title 5 MRSA § 1547, is compiled and published by the Office of the State Controller (OSC). The report is the primary means of reporting the State's financial activities. The objective of this report is to provide a clear picture of our government as a single, unified entity, as well as providing traditional fund based financial statements.

INTRODUCTION TO THE REPORT

Responsibility

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

Adherence to Generally Accepted Accounting Principles

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

Format of Report

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

OFFICE LOCATED ON 4TH FLOOR, BURTON M. CROSS BUILDING
PHONE: (207) 626-8420

FAX: (207) 626-8422

WWW.MAINE.GOV

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

Internal Control Structure

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

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

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

Independent Auditors

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

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

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

Management's Discussion and Analysis (MD&A)

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

PROFILE OF THE GOVERNMENT

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

Reporting Entity

The Governor and Legislature govern all funds and accounts for every executive agency, board, commission, public trust, authority and component unit. The State of Maine financial reporting entity reflected in the CAFR, which is more fully described in Note 1 to the Basic Financial Statements, includes these funds, agencies, organizations, boards, commissions, authorities and major component units in accordance with GASB Statement No. 14 as amended by GASB Statement No. 39 and GASB Statement No. 61. There are 7 major component units, 12 non-major component units, one blended component units, and one fiduciary component unit included in the CAFR. The major component units are discretely presented in the financial statements, and the blended component unit is included as separate funds in the fund financial statements. The fiduciary component unit is presented in the fiduciary fund and similar component unit financial statements, along with the other fiduciary activities of the State. The fiduciary activities are not included in the government-wide financial statements because the resources of these funds are not available to support the State's own programs.

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

Budgetary Control

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

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

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

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

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

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

Maine Budget Stabilization Fund

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

Balances in the fund do not lapse; but carry forward each year. The money in the fund may be invested with any earnings credited to the fund except when the fund is at its statutory cap. In addition to interest earnings, the fund is capitalized at the close of each fiscal year. In fiscal year 2016, a net \$1.3 million was transferred into the fund, resulting in an ending balance of \$112.4 million.

MAJOR INITIATIVES AND FUTURE PROJECTS

Fiscal Stability

Governor Paul R. LePage, recognized by the Cato Institute in fiscal year 2014 and again in fiscal year 2016 as one of the nation's top Governors for fiscal management, has led a combination of comprehensive reforms that has stabilized the State's structural balance and continues to rebuild the reserves in the Maine Budget Stabilization Fund. At the same time, the State's budget provided for the needs of a number of varying State policy issues to include comprehensive reforms to support the State's efforts toward Maine's opiate crisis, veterans' services expansion, and wage increases to address recruitment and retention of the State's law enforcement personnel. Favorable fiscal year 2016 financial performance has provided the State with the ability to begin to phase out several smaller accruals for tax revenues for budgetary purposes. The State's cash position has continued to show significant improvement and internal borrowing for cash flow purposes was limited to four out of the twelve months of the 2016 fiscal year. Finally, the State's Consensus Economic Forecasting Committee and Revenue Forecasting Committee updated Maine's fiscal year 2001 stress test of Sales and Individual tax revenues, for fiscal year 2017 through fiscal year 2019, as part of the continuing assessment of Maine's capacity to address both economic and financial uncertainties.

Tax Reform

In fiscal year 2016, Governor LePage continues to lead with the goal of tax reduction and reform to ensure that the "State of Maine is competitive, attracting new job creators, retaining existing businesses by lowering taxes, reducing energy costs and providing a welcome atmosphere for businesses and capital investment." In addition to the historic tax reduction in the 2012-2013 biennium, and the compromise version of the tax reform package of the State's 2016-2017 biennial budget, presented by the Governor in January of 2015, the State has moved further forward to address additional relief provided through: an expansion of the Opportunity Maine Tax Credit to retain and attract young people to the State of Maine; the refunding of sales tax for fuel used in commercial agriculture and fishing; legislation conforming to federal tax law for 2015 tax returns; and, making the State's earned income tax credit refundable.

Medicaid Reform

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

Education

In fiscal year 2016, the Commission to Reform Public Education Funding and Improve Student Performance in Maine was created by Public Law 2015, chapter 389, which also provided \$15 million in additional one-time education funding for local schools. Based on the Commission's work, two reports to the Governor and the Legislature will be submitted in January of 2017 and in January of 2018 that includes findings and recommendations for action to reform public education funding and improve student performance in the State. Additionally, the Administration has continued to lead innovative education funding initiatives, including the establishment of the Maine National Guard Postsecondary Fund to provide for a 100% tuition waiver at any State institution and alignment preparation of students for greater success in school and the workforce, strengthening career and technical education and allowing students to earn post-secondary credit while still in high school to

develop technical and life skills for success in college, careers and civic life through the Bridge Year program. In fiscal year 2016, the State contributed slightly less than \$1 billion to the cost of K-12 education, comprised of a General Fund appropriation and a portion of funding received from Casino revenues. The State contributed 50.08% of the total cost of education including teacher retirement, retired teachers' health insurance and retired teacher's life insurance.

Transportation

The Maine Department of Transportation (MaineDOT) receives and maximizes its funding from the State Highway Fund, State funds from the TransCap Trust Fund, federal funds, proceeds from authorized bond sales, and other sources. In 2016, MaineDOT released the Department's \$2.2 billion dollar work plan for all MaineDOT work activities for calendar years 2016 through 2018. The work plan consists of \$1.4 billion in capital work over three years, consisting of \$1.1 billion for highway and bridge projects and \$370 million in multi-modal projects. The plan includes \$124 million for 78 miles of highway construction and rehabilitation, \$96 million for 268 miles of preservation paving, and \$26 million for 600 miles of light capital paving. Recent new federal legislation, Fix America's Transportation Act (FAST Act) provides additional federal funding to increase pavement preservation work and increase investment in Maine's bridges, which will further the recommendations in the latest "Keeping our Bridges Safe Report" issued in 2014. The work plan focuses on one of the Department's primary goals, maintaining the existing system. Additionally, the Department is working to collaborate with public/private partners to create new opportunities for Maine workers on upcoming projects, such as a new interchange on Interstate 95 in Waterville.

Transparency

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

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

OTHER INFORMATION

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the State of Maine for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This is the ninth time that Maine has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

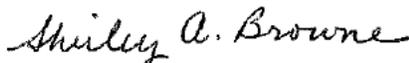
State government continues to have many accomplishments of which it can be proud. Consistent with the vision of Governor LePage to improve and enhance the fiscal administration of governmental operations, the Office of the State Controller continues to improve and refine its skills to meet the challenges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

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

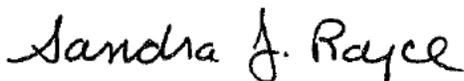
Sincerely,



Douglas E. Cotnoir, CPA, CIA
State Controller



Shirley A. Browne, CIA
Deputy State Controller



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





STATE OF MAINE

OFFICIALS OF STATE GOVERNMENT

AS OF JUNE 30, 2016

EXECUTIVE

Paul R. LePage, *Governor*

LEGISLATIVE

Michael D. Thibodeau, *President of the Senate*

Mark W. Eves, *Speaker of the House*

Constitutional/Statutory Officers

Janet T. Mills, *Attorney General*

Pola Buckley, *State Auditor*

Matthew Dunlap, *Secretary of State*

Terry Hayes, *State Treasurer*

JUDICIAL

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



STATE OF MAINE ORGANIZATION CHART AS OF JUNE 30, 2016

MAINE VOTERS

LEGISLATIVE BRANCH

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

EXECUTIVE BRANCH

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

The Governor
appoints all
Judicial Officers

JUDICIAL BRANCH

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

CONSTITUTIONAL OFFICERS

Secretary of State
State Treasurer
State Attorney General

STATUTORY OFFICER

State Auditor

CABINET LEVEL DEPARTMENTS

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

MISCELLANEOUS BOARDS & COMMISSIONS

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

MAJOR COMPONENT UNITS

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



Government Finance Officers Association

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

Presented to

State of Maine

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO



FINANCIAL SECTION
INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS



STATE OF MAINE

OFFICE OF THE STATE AUDITOR

66 STATE HOUSE STATION
AUGUSTA, ME 04333-0066

TEL: (207) 624-6250

Pola A. Buckley, CPA, CISA
State Auditor

Heidi C. McDonald, CPA
Deputy State Auditor

Francis M. Wiltuck, CPA
Chief of Staff

INDEPENDENT AUDITOR'S REPORT

To the Honorable Michael D. Thibodeau, President of the Senate, and
The Honorable Sara Gideon, Speaker of the House of Representatives

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Maine, as of and for the year ended June 30, 2016, 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). Those 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 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, 2016, 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, 2016, adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. The State of Maine implemented the requirements of GASB Statement No. 72 in accordance with the required effective date. See Note 3 in the accompanying financial statements for the impact of the standards' implementation. Our opinion is not modified with respect to this matter.

Additionally, as described in Notes 3 and 18 to the financial statements, for the year ended June 30, 2016, the State adopted a change in accounting principle related to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – 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 changed its method for allocating pension costs to the individual funds. 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 5 to 16, and Budgetary Comparison Information, State Retirement Plans, Other Post-employment Benefit Plans, and Information about Infrastructure Assets Reported Using the Modified Approach on pages 114 to 134, 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 combining and individual non-major fund financial statements on pages 136 to 189 are the responsibility of management and were derived from and related 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

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



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

December 22, 2016

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, 2016. 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 19.5 percent from the previous fiscal year. Net position of Governmental Activities increased by \$296.1 million, while net position of Business-Type Activities increased by \$39.7 million. The State's assets and deferred outflows exceeded its liabilities and deferred inflows by \$2.1 billion at the close of fiscal year 2016. Of this amount \$2.0 billion was reported as negative "unrestricted" net position. A negative balance means that it would be necessary to convert restricted assets (e.g., capital assets) to unrestricted assets if all ongoing obligations were immediately due and payable. Component units reported net position of \$2.9 billion, an increase of \$86.1 million (3.0 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 \$819.5 million, an increase of \$179.5 million from the previous year. The General Fund's total fund balance was a 45.3 million, an improvement of \$119.1 million from the previous year. The Highway Fund total fund balance was \$50.0 million, an improvement of \$9.9 million from the prior year.
- The proprietary funds reported net position at year-end of \$595.4 million, an increase of \$47.2 million from the previous year. The increase is primarily the result of an increase in the Employment Securities Fund of \$31.6 million and an increase in the Maine Military Authority (MMA) fund of \$5.9 million. See Footnote 18 for Special Item discussion for MMA.

Long-term Debt:

- The State's liability for general obligation bonds increased by \$33.5 million during the fiscal year, which represents the difference between new issuances and payments of outstanding debt. During the year, the State issued \$112.0 million in bonds and made principal payments of \$78.5 million.

Additional information regarding the government-wide, fund level, and long-term debt activities can be found beginning on page 9.

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 19 other component units (7 major and 12 non-majors) 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 19.5 percent to \$2.1 billion at June 30, 2016, as detailed in Tables A-1 and A-2. The increase is primarily due to an increase in net revenue for governmental and business-type activities.

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

	Governmental		Business-Type		Total	
	Activities		Activities		Primary Government	
	2016	2015	2016	2015	2016	2015
Current and other noncurrent assets	\$ 2,109,524	\$ 1,965,233	\$ 439,516	\$ 403,707	\$ 2,549,040	\$ 2,368,940
Capital assets	4,129,530	4,083,965	38,658	42,658	4,168,188	4,126,623
Total Assets	<u>6,239,054</u>	<u>6,049,198</u>	<u>478,174</u>	<u>446,365</u>	<u>6,717,228</u>	<u>6,495,563</u>
Deferred Outflows of Resources	<u>312,593</u>	<u>369,143</u>	<u>3,184</u>	<u>3,258</u>	<u>315,777</u>	<u>372,401</u>
Current liabilities	1,061,722	1,043,654	36,899	29,862	1,098,621	1,073,516
Long-term liabilities	3,714,327	3,339,673	29,744	40,431	3,744,071	3,380,104
Total Liabilities	<u>4,776,049</u>	<u>4,383,327</u>	<u>66,643</u>	<u>70,293</u>	<u>4,842,692</u>	<u>4,453,620</u>
Deferred Inflows of Resources	<u>134,369</u>	<u>689,903</u>	<u>1,534</u>	<u>5,848</u>	<u>135,903</u>	<u>695,751</u>
Net position (deficit):						
Net investment in capital assets	3,435,465	3,362,340	38,658	42,658	3,474,123	3,404,998
Restricted	132,972	215,520	398,342	366,766	531,314	582,286
Unrestricted (deficit)	(1,927,208)	(2,232,749)	(23,819)	(35,942)	(1,951,027)	(2,268,691)
Total Net Position	<u>\$ 1,641,229</u>	<u>\$1,345,111</u>	<u>\$ 413,181</u>	<u>\$ 373,482</u>	<u>\$ 2,054,410</u>	<u>\$1,718,593</u>

Changes in Net Position

The State's fiscal year 2016 revenues totaled \$8.0 billion. (See Table A-2) Taxes and operating grants and contributions accounted for most of the State's revenue by contributing 47.3 percent and 36.2 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 \$7.6 billion for the year 2016. (See Table A-2) These expenses are predominantly (68.0 percent) related to health & human services and education activities. The State's governmental support & operations activities accounted for 6.2 percent of total costs. Total net position increased by \$335.8 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	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues:						
Charges for Services	\$ 572,734	\$ 539,457	\$ 601,718	\$ 587,545	\$ 1,174,452	\$ 1,127,002
Operating Grants/Contributions	2,875,849	2,817,929	7,948	7,383	2,883,797	2,825,312
Capital Grants/Contributions	-	-	-	-	-	-
General Revenues:						
Taxes	3,766,871	3,793,488	-	-	3,766,871	3,793,488
Other	145,366	152,463	-	-	145,366	152,463
Total Revenues	7,360,820	7,303,337	609,666	594,928	7,970,486	7,898,265
Expenses						
Governmental Activities:						
Governmental Support	477,351	357,029			477,351	357,029
Education	1,614,477	1,543,947			1,614,477	1,543,947
Health & Human Services	3,587,573	3,595,418			3,587,573	3,595,418
Justice & Protection	412,088	412,718			412,088	412,718
Transportation Safety	590,437	553,321			590,437	553,321
Other	438,833	453,331			438,833	453,331
Interest	44,822	50,639			44,822	50,639
Business-Type Activities:						
Employment Security			110,912	129,697	110,912	129,697
Lottery			217,556	200,457	217,556	200,457
Military Equip. Maint.			11,610	9,342	11,610	9,342
Dirigo Health			12	1,137	12	1,137
Other			140,333	131,299	140,333	131,299
Total Expenses	7,165,581	6,966,403	480,423	471,932	7,646,004	7,438,335
Excess (Deficiency) before Special Items and Transfers	195,239	336,934	129,243	122,996	324,482	459,930
Special Items	-	28,849	11,335	-	11,335	28,849
Transfers	100,879	100,627	(100,879)	(100,627)	-	-
Increase (Decrease) in Net Position	296,118	466,410	39,699	22,369	335,817	488,779
Net Position, beginning of year (As Restated)	1,345,111	878,701	373,482	351,113	1,718,593	1,229,814
Ending Net Position	<u>\$ 1,641,229</u>	<u>\$ 1,345,111</u>	<u>\$ 413,181</u>	<u>\$ 373,482</u>	<u>\$ 2,054,410</u>	<u>\$ 1,718,593</u>

Governmental Activities

Revenues for the State's Governmental Activities totaled \$7.4 billion while total expenses equaled \$7.2 billion. The increase in net position for Governmental Activities was \$296.1 million in 2016, much of which was the result of an increase in charges for services and operating grants and contributions of \$91.2 million, and current year transfers from the State's Business-Type Activities of \$100.9 million. Additionally, the State's Business-Type Activities transferred \$100.9 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 Revenue Bonds. These transfers are discussed further on page 12.

The users of the State's programs financed \$572.7 million of the cost. The federal and State governments subsidized certain programs with grants and contributions of \$2.9 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 2016

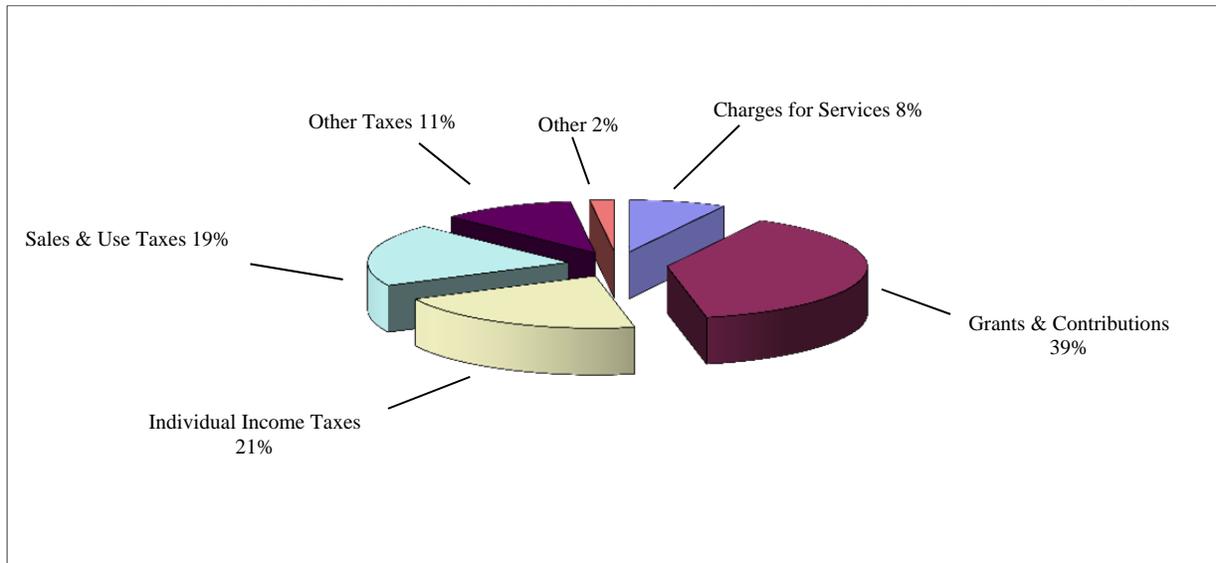
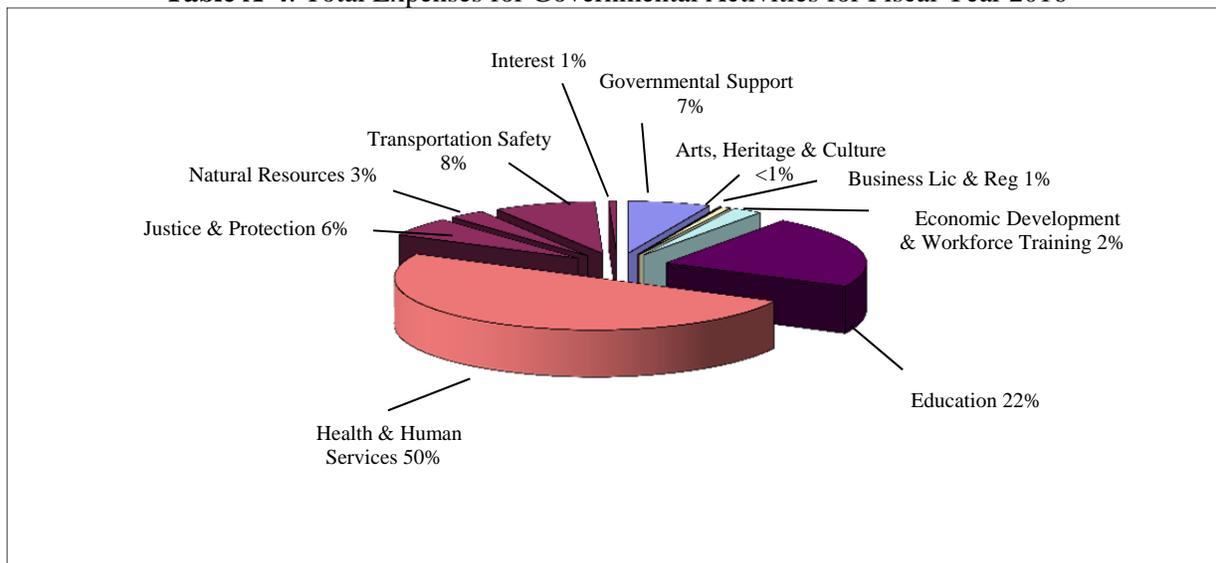


Table A-4: Total Expenses for Governmental Activities for Fiscal Year 2016



Business-Type Activities

Revenues for the State's Business-Type Activities totaled \$609.7 million while expenses totaled \$480.4 million. The increase in net position for Business-Type Activities was \$39.7 million in 2016, due primarily to an increase in lottery and alcoholic beverages 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		Net (Cost) Revenue	
	2016	2015	2016	2015
Employment Security	\$ 110,912	\$ 129,697	\$ 34,627	\$ 35,309
Alcoholic Beverages	120,373	111,265	46,379	46,104
Lottery	217,556	200,457	60,898	54,426
Military Equip. Maint.	11,610	9,342	(5,471)	(4,027)
Dirigo Health	12	1,137	479	(1,133)
Other	19,960	20,034	(7,669)	(7,683)
Total	<u>\$ 480,423</u>	<u>\$ 471,932</u>	<u>\$ 129,243</u>	<u>\$ 122,996</u>

The cost of all Business-Type Activities this year was \$480.4 million. The users of the State's programs financed most of the cost. The State's net revenue from Business-Type Activities was \$129.2 million, with Alcoholic Beverages and Lottery making up \$46.4 and \$60.9 million of the total. The State's Business-Type Activities transferred \$100.9 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 Revenue Bonds. Additionally, the Governmental Activities contributed \$37 thousand 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	2016	2015	Change
General	\$ 45,334	\$ (73,799)	\$ 119,133
Highway	49,972	40,049	9,923
Federal	37,137	23,254	13,883
Other Special Revenue	507,648	488,803	18,845
Other Governmental	179,425	161,679	17,746
Total	<u>\$ 819,516</u>	<u>\$ 639,986</u>	<u>\$ 179,530</u>

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$819.5 million, an increase of \$179.5 million in comparison with the prior year. Of this total amount, \$27.8 million (3.4 percent) is classified as non-spendable, either due to its form or legal constraints, and \$634.8 million (77.5 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 \$35.2 million, an improvement of \$45.2 million.

General Fund revenues and other sources surpassed General Fund expenditures and other uses resulting in an increase in the fund balance by \$119.1 million. Revenues and other sources of the General Fund decreased by approximately \$8.8 million (0.2 percent) which is mainly attributed to a decrease in service

charges of \$7.5 million. General Fund expenditures and other financing uses increased by \$13.7 million (0.4 percent). This is due, primarily, to a decrease in expense for health and human services.

The fund balance of the Highway Fund increased \$9.9 million from fiscal year 2015, due mainly to the increase in the Highway Fund's assessments and other revenues of \$6.1 million.

Budgetary Highlights

For the 2016 fiscal year, the final legally adopted budgeted expenditures for the General Fund amounted to \$3.41 billion, an increase of about \$40 million from the original legally adopted budget of approximately \$3.37 billion. Actual expenditures on a budgetary basis amounted to approximately \$126.8 million less than those authorized in the final budget. After deducting the encumbered obligations and other commitments that will come due in fiscal year 2016, including the budgeted starting balance for Fiscal Year 2016, there were funds remaining of \$22.1 million to distribute in Fiscal Year 2016. Actual revenues exceeded final budget forecasts by \$29.4 million. The year-end cascade transferred \$707 thousand to the Budget Stabilization Fund. Interest earnings along with year-end cascade increased the balance in the Fund to \$112.4 million as of June 30, 2016. 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 2016, 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 2016, the State acquired or constructed more than \$116.0 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		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Land	\$ 611,830	\$ 591,764	\$ 2,387	\$ 2,387	\$ 614,217	\$ 594,151
Buildings	772,193	692,889	4,655	4,655	776,848	697,544
Equipment	293,396	272,774	32,571	32,572	325,967	305,346
Improvements	96,251	80,725	42,757	41,124	139,008	121,849
Software	73,059	74,621	-	-	73,059	74,621
Infrastructure	2,824,703	2,788,032	-	-	2,824,703	2,788,032
Construction in Progress	38,188	130,856	391	2,838	38,579	133,694
Total Capital Assets	4,709,620	4,631,661	82,761	83,576	4,792,381	4,715,237
Accumulated Depreciation	580,090	547,696	44,103	40,918	624,193	588,614
Capital Assets, net	<u>\$ 4,129,530</u>	<u>\$ 4,083,965</u>	<u>\$ 38,658</u>	<u>\$ 42,658</u>	<u>\$ 4,168,188</u>	<u>\$ 4,126,623</u>

Modified Approach for Infrastructure

As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets – highways and bridges. Under this alternative

method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Utilization of this approach requires the State to: 1) maintain an asset management system that includes an up-to-date inventory of infrastructure assets; 2) perform condition assessments that use a measurement scale and document that the infrastructure assets are being preserved at or above the condition level established; and 3) estimate the annual amounts that must be expended to preserve and maintain the infrastructure at the condition level established by the State. As long as the State meets these requirements, any additions or improvements to infrastructure are capitalized and all other maintenance and preservation costs are expensed.

Highways and bridges are included in the State's infrastructure. There are 8,809 highway miles or 17,911 lane miles within the State. Bridges have a deck area of 12.2 million square feet among 2,967 total bridges. The State has established a policy to maintain its highways at an average condition assessment of 60. At June 30, 2016, the actual average condition was 75.3. Its policy for bridges is an average sufficiency rating condition assessment of 60. The actual average condition for bridges was 76.0 at June 30, 2016. Preservation costs for fiscal year 2016 totaled \$115.6 million compared to estimated preservation costs of \$122.2 million.

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 429, PL 2013, \$26 million in General fund bonds were spent during FY2016. Of the amount authorized by Chapter 305, PL 2015, \$20 million in General fund bonds were spent during FY2016.

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	
	2016	2015	2016	2015	2016	2015
General Obligation						
Bonds	\$ 442,610	\$ 420,800	\$ -	\$ -	\$ 442,610	\$ 420,800
Unmatured Premiums	21,834	10,147	-	-	21,834	10,147
Other Long-Term						
Obligations	1,254,558	1,286,841	4,994	5,685	1,259,552	1,292,526
Total	<u>\$ 1,719,002</u>	<u>\$ 1,717,788</u>	<u>\$ 4,994</u>	<u>\$ 5,685</u>	<u>\$ 1,723,996</u>	<u>\$ 1,723,473</u>

During the year, the State reduced outstanding long-term obligations by \$78.5 million for outstanding general obligation bonds and \$476.4 million for other long-term debt. Also during fiscal year 2016, the State incurred \$555.4 million of additional long-term obligations.

Credit Ratings

The State's credit was rated during fiscal year 2016 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 have generally improved since the Consensus Economic Forecasting Commission (CEFC) last met in January 2016, although growth in Maine's economy continues to lag national growth in some areas. Maine's real GDP increased 0.6 percent in the first quarter of 2016. This was the fourth consecutive quarter of real GDP growth. Personal income in Maine grew 3.9 percent from the first half of 2015 to the first half of 2016, while wage and salary income, which is the largest component of total personal income, grew 4.9 percent over the same period. The Consumer Price Index was up 1.5 percent in September 2016 from a year ago, held down by the declines in energy prices.

The price of crude oil seems to have leveled out around \$47 per barrel as prices in the third quarter of 2016 were unchanged from the second quarter. As a result of the declines in crude oil prices, heating oil prices and gasoline prices have seen substantial declines as well. Heating oil was below \$2 per gallon for much of the 2015-2016 heating season and has started the 2016-2017 season around \$2 per gallon. Gasoline is currently averaging \$2.35 per gallon.

Existing single-family home sales in Maine were up 6.1 percent in September 2016 compared to the same month last year and housing permits for the September 2015 – August 2016 year were 33 percent higher than the previous 12-month period. The median home price in the Portland-South Portland Metropolitan Statistical Area (which encompasses all of York, Cumberland, and Sagadahoc counties) increased 3.8 percent year-over-year in the second quarter of 2016. Mortgage delinquency rates in Maine have been declining but at a slower pace than nationally. The foreclosure rate in Maine was 0.49 percent in the second quarter of 2016 and has been above the national rate for fifteen of the past sixteen quarters.

The Commission remains concerned about the demographic situation in Maine and the resulting impacts on workforce availability. These concerns were again reinforced in comments provided by representatives from a variety of business sectors in the Commission's data gathering session that preceded the forecast deliberations.

The forecast for wage and salary employment was left unchanged, with the forecasts for 2020 and 2021 continuing the 0.0 percent employment growth forecast for 2019. The 2019-2021 employment level is just shy of the 2007 pre-recession peak. CPI was also left unchanged, with 2020 and 2021 forecast at 2.5 percent and 2.4 percent growth, respectively. Total personal income was revised upward by 0.3 percentage points in 2015 with the release of new actual data from the U.S. Bureau of Economic Analysis. The forecasts for 2016-2018 were revised downward by 0.1, 0.4, and 0.1 percentage points, respectively, while 2019 was revised upward by 0.1 percentage points. 2020 was forecast at 3.4 percent and 2021 was forecast at 3.5 percent. Wage and salary income for 2015 was revised upward by 0.7 percentage points with the release of actual data. The forecasts for 2016, 2018, and 2019 were left unchanged, while the forecast for 2017 was revised downward 0.2 percentage points to reflect the risk of some possible high-wage job losses in the manufacturing and finance industries. 2020 and 2021 were both forecast at 3.5 percent growth.

General Fund revenue estimates were revised upward by \$34.2 million for FY17 but downward by \$1.5 million for FY18 and \$30.1 million for FY19 (downward by \$31.6 million for the 2018-2019 biennium). The revised forecast reduces the overall rate of growth for General Fund revenue for FY18 from 3.6

percent to 2.5 percent and for FY19 from 4.2 percent to 3.4 percent. The new projections for FY20 assume a much smaller overall growth rate of 0.6 percent, largely the result of Municipal Revenue Sharing returning to the 5 percent level under current law from the 2 percent level in place for FY16 through FY19.

At June 30, 2016, the State of Maine reported an ending fund balance of \$45.3 million in the General Fund on a GAAP basis. This is the first time since fiscal year 2005 that the General Fund reflected a positive balance on a GAAP basis.

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

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

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

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

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

BASIC FINANCIAL STATEMENTS

STATE OF MAINE
STATEMENT OF NET POSITION

June 30, 2016
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ 541,872	\$ 9,720	\$ 551,592	\$ 44,371
Cash and Cash Equivalents	266	2,207	2,473	78,622
Cash with Fiscal Agent	68,269	-	68,269	-
Investments	95,868	-	95,868	618,201
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	61,014	-	61,014	-
Restricted Deposits and Investments	3,918	370,440	374,358	404,140
Inventories	7,636	4,382	12,018	3,548
Receivables, Net of Allowance for Uncollectibles:				
Taxes Receivable	376,300	-	376,300	-
Loans & Notes Receivable	5,711	-	5,711	82,377
Other Receivables	270,377	58,568	328,945	76,147
Internal Balances	10,694	(10,694)	-	-
Due from Other Governments	273,860	-	273,860	159,359
Due from Primary Government	-	-	-	16,737
Loans receivable from primary government	-	-	-	45,928
Due from Component Units	61,901	-	61,901	-
Other Current Assets	8,250	818	9,068	30,068
Total Current Assets	<u>1,785,936</u>	<u>435,441</u>	<u>2,221,377</u>	<u>1,559,498</u>
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	227,149	4,075	231,224	18,600
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	25,576	-	25,576	-
Restricted Deposits and Investments	-	-	-	344,760
Pension Assets	3,517	-	3,517	-
Investments	-	-	-	505,499
Receivables, Net of Current Portion:				
Taxes Receivable	61,766	-	61,766	-
Loans and Notes Receivable	-	-	-	1,968,929
Other Receivables	1,457	-	1,457	6,229
Due from Other Governments	3,792	-	3,792	1,269,923
Loans receivable from primary government	-	-	-	379,271
Due From Primary Government	-	-	-	921
Post-Employment Benefit Asset	331	-	331	13,096
Other Noncurrent Assets	-	-	-	13,159
Capital Assets:				
Land, Infrastructure and Other Non-Depreciable Assets	3,474,721	2,778	3,477,499	636,059
Buildings, Equipment and Other Depreciable Assets, Net	654,809	35,880	690,689	1,072,723
Total Noncurrent Assets	<u>4,453,118</u>	<u>42,733</u>	<u>4,495,851</u>	<u>6,229,169</u>
Total Assets	<u>6,239,054</u>	<u>478,174</u>	<u>6,717,228</u>	<u>7,788,667</u>
Deferred Outflows of Resources	<u>\$ 312,593</u>	<u>\$ 3,184</u>	<u>\$ 315,777</u>	<u>\$ 118,641</u>

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

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 452,746	\$ 14,710	\$ 467,456	\$ 63,943
Accrued Payroll	44,169	822	44,991	4,308
Tax Refunds Payable	209,089	-	209,089	-
Due to Component Units	20,737	-	20,737	-
Due to Primary Government	-	-	-	61,901
Current Portion of Long-Term Obligations:				
Compensated Absences	6,005	132	6,137	3,041
Due to Other Governments	91,030	-	91,030	2,409
Amounts Held under State & Federal Loan Programs	-	-	-	48,959
Claims Payable	30,887	-	30,887	-
Bonds and Notes Payable	82,987	-	82,987	231,896
Revenue Bonds Payable	20,221	-	20,221	35,717
Obligations under Capital Leases	5,490	-	5,490	2,927
Certificates of Participation and Other Financing Arrangements	37,985	-	37,985	-
Loans Payable to Component Unit	45,928	-	45,928	-
Accrued Interest Payable	4,835	-	4,835	31,356
Unearned Revenue	2,551	183	2,734	65,310
Other Current Liabilities	7,062	21,052	28,114	68,822
Total Current Liabilities	1,061,722	36,899	1,098,621	620,589
Long-Term Liabilities:				
Compensated Absences	38,727	958	39,685	-
Due to Component Units	921	-	921	-
Due to Other Governments	-	-	-	4,340
Amounts Held under State & Federal Loan Programs	-	-	-	40,963
Claims Payable	48,532	-	48,532	-
Bonds and Notes Payable	381,457	-	381,457	3,332,261
Revenue Bonds Payable	152,152	-	152,152	703,495
Obligations under Capital Leases	31,189	-	31,189	3,581
Certificates of Participation and Other Financing Arrangements	31,580	-	31,580	-
Loans Payable to Component Unit	379,271	-	379,271	-
Unearned Revenue	12,522	-	12,522	-
Net Pension Liability	2,211,385	24,882	2,236,267	83,513
Other Post-Employment Benefit Obligation	387,770	3,904	391,674	2,625
Pollution Remediation and Landfill Obligations	38,821	-	38,821	-
Other Noncurrent Liabilities	-	-	-	155,089
Total Long-Term Liabilities	3,714,327	29,744	3,744,071	4,325,867
Total Liabilities	4,776,049	66,643	4,842,692	4,946,456
Deferred Inflows of Resources	\$ 134,369	\$ 1,534	\$ 135,903	\$ 30,659
Net Position				
Net Investment in Capital Assets	3,435,465	38,658	3,474,123	1,134,737
Restricted:				
Business Licensing & Regulation	36,969	-	36,969	-
Employment Security	-	398,342	398,342	-
Other Purposes	-	-	-	1,179,305
Funds Held as Permanent Investments:				
Expendable	71,601	-	71,601	-
Nonexpendable	24,402	-	24,402	243,726
Unrestricted	(1,927,208)	(23,819)	(1,951,027)	372,425
Total Net Position	\$ 1,641,229	\$ 413,181	\$ 2,054,410	\$ 2,930,193

STATE OF MAINE
STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Governmental Support & Operations	\$ 477,351	\$ 91,136	\$ 2,007	\$ -
Arts, Heritage & Cultural Enrichment	10,815	890	2,970	-
Business Licensing & Regulation	51,207	74,634	113	-
Economic Development & Workforce Training	169,201	10,934	79,666	-
Education	1,614,477	38,691	207,235	-
Health & Human Services	3,587,573	17,553	2,250,956	-
Justice & Protection	412,088	87,183	53,018	-
Natural Resources Development & Protection	207,610	92,054	55,111	-
Transportation Safety & Development	590,437	159,659	224,773	-
Interest Expense	44,822	-	-	-
Total Governmental Activities	<u>7,165,581</u>	<u>572,734</u>	<u>2,875,849</u>	<u>-</u>
Business-Type Activities:				
Employment Security	110,912	137,593	7,946	-
Alcoholic Beverages	120,373	166,752	-	-
Lottery	217,556	278,454	-	-
Ferry Services	12,782	4,138	2	-
Military Equipment Maintenance	11,610	6,139	-	-
Dirigo Health	12	491	-	-
Other	7,178	8,151	-	-
Total Business-Type Activities	<u>480,423</u>	<u>601,718</u>	<u>7,948</u>	<u>-</u>
Total Primary Government	<u>\$ 7,646,004</u>	<u>\$ 1,174,452</u>	<u>\$ 2,883,797</u>	<u>\$ -</u>
Component Units:				
Finance Authority of Maine	48,293	26,226	22,247	-
Maine Community College System	136,378	15,917	58,812	6,375
Maine Health & Higher Educational Facilities Authority	35,602	32,610	5,393	-
Maine Municipal Bond Bank	64,579	52,192	12,319	23,502
Maine State Housing Authority	209,587	68,909	147,196	-
Maine Turnpike Authority	96,340	128,198	-	-
University of Maine System	677,695	289,270	158,574	2,881
All Other Non-Major Component Units	196,463	48,451	111,721	20,801
Total Component Units	<u>\$ 1,464,937</u>	<u>\$ 661,773</u>	<u>\$ 516,262</u>	<u>\$ 53,559</u>

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
\$ (384,208)	\$ -	\$ (384,208)	\$ -
(6,955)	-	(6,955)	-
23,540	-	23,540	-
(78,601)	-	(78,601)	-
(1,368,551)	-	(1,368,551)	-
(1,319,064)	-	(1,319,064)	-
(271,887)	-	(271,887)	-
(60,445)	-	(60,445)	-
(206,005)	-	(206,005)	-
(44,822)	-	(44,822)	-
<u>(3,716,998)</u>	<u>-</u>	<u>(3,716,998)</u>	<u>-</u>
-	34,627	34,627	-
-	46,379	46,379	-
-	60,898	60,898	-
-	(8,642)	(8,642)	-
-	(5,471)	(5,471)	-
-	479	479	-
-	973	973	-
<u>-</u>	<u>129,243</u>	<u>129,243</u>	<u>-</u>
<u>\$ (3,716,998)</u>	<u>\$ 129,243</u>	<u>\$ (3,587,755)</u>	<u>\$ -</u>
-	-	-	180
-	-	-	(55,274)
-	-	-	2,401
-	-	-	23,434
-	-	-	6,518
-	-	-	31,858
-	-	-	(226,970)
-	-	-	(15,490)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(233,343)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (233,343)</u>
108,395	-	108,395	-
1,534,620	-	1,534,620	-
245,299	-	245,299	-
58,450	-	58,450	-
1,437,916	-	1,437,916	-
382,191	-	382,191	-
7,335	-	7,335	4,774
-	-	-	303,406
85,948	-	85,948	11,050
-	-	-	194
52,083	-	52,083	-
-	11,335	11,335	-
100,879	(100,879)	-	-
<u>4,013,116</u>	<u>(89,544)</u>	<u>3,923,572</u>	<u>319,424</u>
296,118	39,699	335,817	86,081
1,345,111	373,482	1,718,593	2,844,112
<u>\$ 1,641,229</u>	<u>\$ 413,181</u>	<u>\$ 2,054,410</u>	<u>\$ 2,930,193</u>



GOVERNMENTAL FUND FINANCIAL STATEMENTS

MAJOR FUNDS

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

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

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

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

NON-MAJOR FUNDS

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

Other governmental funds are presented, by fund type, beginning on page 136.

**STATE OF MAINE
BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2016
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Treasurer's Cash Pool	\$ 149,841	\$ 54,019	\$ 13,876	\$ 362,577	\$ 135	\$ 580,448
Cash and Short-Term Investments	106	117	-	41	-	264
Cash with Fiscal Agent	8,874	734	-	53,583	-	63,191
Investments	-	-	-	-	95,868	95,868
Restricted Assets:						
Restricted Equity in Treasurer's Cash Pool	-	-	-	-	86,590	86,590
Inventories	2,484	-	439	-	-	2,923
Receivables, Net of Allowance for Uncollectibles:						
Taxes Receivable	402,950	23,052	-	12,064	-	438,066
Loans Receivable	1	-	-	5,710	-	5,711
Other Receivable	98,005	2,701	92,119	75,728	-	268,553
Due from Other Funds	12,113	11,679	176	14,063	-	38,031
Due from Other Governments	-	-	273,287	-	-	273,287
Due from Component Units	25	-	-	61,871	-	61,896
Other Assets	493	3	117	232	-	845
Working Capital Advances Receivable	111	-	-	-	-	111
Total Assets	\$ 675,003	\$ 92,305	\$ 380,014	\$ 585,869	\$ 182,593	\$ 1,915,784
Liabilities						
Accounts Payable	\$ 137,885	\$ 23,768	\$ 221,495	\$ 21,355	\$ 1,812	\$ 406,315
Accrued Payroll	20,521	8,138	4,457	8,270	-	41,386
Tax Refunds Payable	209,089	-	-	-	-	209,089
Due to Other Governments	-	-	90,981	-	-	90,981
Due to Other Funds	52,750	3,976	17,214	5,338	23	79,301
Due to Component Units	2,007	917	6,725	2,147	1,330	13,126
Unearned Revenue	-	4,792	439	9,218	3	14,452
Pollution Remediation and Landfill Obligations	-	-	-	1,243	-	1,243
Other Accrued Liabilities	4,267	-	1,517	2,496	-	8,280
Total Liabilities	426,519	41,591	342,828	50,067	3,168	864,173
Deferred Inflows of Resources	203,150	742	49	28,154	-	232,095
Fund Balances						
Nonspendable:						
Permanent Fund Principal	-	-	-	-	24,402	24,402
Inventories and Prepaid Items	2,665	-	492	206	-	3,363
Restricted	12,865	49,972	36,645	380,341	155,023	634,846
Committed	64,959	-	-	65,957	-	130,916
Assigned	-	-	-	61,144	-	61,144
Unassigned	(35,155)	-	-	-	-	(35,155)
Total Fund Balances	45,334	49,972	37,137	507,648	179,425	819,516
Total Liabilities, Deferred Inflows and Fund Balances	\$ 675,003	\$ 92,305	\$ 380,014	\$ 585,869	\$ 182,593	\$ 1,915,784

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, 2016
Expressed in Thousands

Total fund balances for governmental funds		\$ 819,516
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.	4,300,904	
Less: Accumulated depreciation	374,765	3,926,139
Pension assets		3,517
Pension related deferred outflows		298,707
Other post-employment benefit assets are not financial resources		331
Refunded bond deferred outflows		1,523
Pollution remediation receivable		1,597
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	(636,817)	
Interest payable related to long-term financing	(3,157)	
Certificates of participation and other financing arrangements	(39,001)	
Capital leases	(2,647)	
Loans payable to component unit	(425,199)	
Compensated absences	(40,948)	
Pension liability	(2,138,366)	
Pension related deferred inflows	(129,876)	
Other post-employment benefit obligation	(374,953)	
Pollution remediation and landfill obligations	(37,578)	(3,828,542)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		236,271
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.		182,170
Net position of governmental activities		\$ 1,641,229

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, 2016
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 3,305,720	\$ 221,348	\$ -	\$ 286,714	\$ -	\$ 3,813,782
Assessments and Other Revenue	105,216	96,846	-	161,121	-	363,183
Federal Grants and Reimbursements	1,952	-	2,862,170	11,922	-	2,876,044
Service Charges	38,984	4,442	406	152,953	-	196,785
Investment Income	2,439	255	15	2,879	870	6,458
Miscellaneous Revenue	14,360	245	-	118,595	-	133,200
Total Revenues	3,468,671	323,136	2,862,591	734,184	870	7,389,452
Expenditures						
Current:						
Governmental Support & Operations	230,692	1,509	3,003	104,604	239	340,047
Economic Development & Workforce Training	39,885	-	80,795	44,672	10,175	175,527
Education	1,422,871	-	205,450	41,510	18,210	1,688,041
Health and Human Services	1,107,675	-	2,225,919	314,176	-	3,647,770
Business Licensing & Regulation	-	-	69	56,706	-	56,775
Natural Resources Development & Protection	73,225	28	56,571	103,396	614	233,834
Justice and Protection	320,810	25,931	56,137	47,187	1,727	451,792
Arts, Heritage & Cultural Enrichment	7,623	-	3,049	1,075	-	11,747
Transportation Safety & Development	-	283,211	187,217	128,478	3,817	602,723
Debt Service:						
Principal Payments	80,405	15,300	15,680	31,780	-	143,165
Interest Payments	20,309	2,993	4,259	14,604	-	42,165
Capital Outlay	-	-	-	-	58,185	58,185
Total Expenditures	3,303,495	328,972	2,838,149	888,188	92,967	7,451,771
Revenue over (under) Expenditures	165,176	(5,836)	24,442	(154,004)	(92,097)	(62,319)
Other Financing Sources (Uses)						
Transfer from Other Funds	91,809	25,846	13,191	189,081	1,436	321,363
Transfer to Other Funds	(146,996)	(10,822)	(23,750)	(40,802)	(3,557)	(225,927)
COP's and Other	9,144	735	-	3,380	-	13,259
Bonds Issued	-	-	-	21,190	97,705	118,895
Refunding Bonds Issued	-	-	-	41,115	-	41,115
Premiums on Bond Issuance	-	-	-	2,404	14,259	16,663
Payments to Refunded Bond Escrow Agent	-	-	-	(43,519)	-	(43,519)
Net Other Finance Sources (Uses)	(46,043)	15,759	(10,559)	172,849	109,843	241,849
Net Change in Fund Balances	119,133	9,923	13,883	18,845	17,746	179,530
Fund Balances at Beginning of Year	(73,799)	40,049	23,254	488,803	161,679	639,986
Fund Balances at End of Year	\$ 45,334	\$ 49,972	\$ 37,137	\$ 507,648	\$ 179,425	\$ 819,516

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, 2016
(Expressed in Thousands)

Net change in fund balances - total governmental funds \$ 179,530

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	81,501	
Depreciation expense	(36,158)	45,343

The net effect of various transactions involving capital assets (i.e. sales, trade-ins and contributions) is to increase net position. (922)

Pension assets (2,727)
Pension related deferred outflows (58,261)

Refunded bond deferred outflows 1,523

Post-employment benefit asset funding, net (325)

Pollution Remediation Receivable 111

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	(160,010)	
Premium on bonds issued	(16,663)	
Proceeds from other financing arrangements	(13,238)	
Payment to Refund Bond Escrow Agent	43,519	
Repayment of bond principal	95,705	
Repayment of other financing debt	25,132	
Repayment of pledged revenue principal	51,989	
Repayment of capitalized lease principal	529	
Accrued interest (Manual Entry)	(205)	
Amortization of bond premiums	2,572	29,330

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	(662)	
Pension liability	(379,894)	
Pension related deferred inflows	541,535	
Other post-employment benefit obligation	(13,896)	
Pollution remediation and landfill obligations	(7,063)	140,020

Certain revenues are earned but not available and therefore are not reported in the governmental fund statements. (44,983)

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. 7,479

Changes in net position of governmental activities \$ 296,118

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



PROPRIETARY FUND FINANCIAL STATEMENTS

MAJOR FUND

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

NON-MAJOR FUNDS

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

Non-major enterprise funds are presented beginning on page 153.

Combining fund statements for the internal service funds, whose combined totals are presented on these statements, begin on page 161.

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

June 30, 2016
(Expressed in Thousands)

	Business-Type Activities			Governmental Activities Internal Service Funds
	Enterprise Funds			
	Major Employment Security	Non-Major Other Enterprise	Total	
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ -	\$ 9,720	\$ 9,720	\$ 132,873
Cash and Short-Term Investments	1,451	756	2,207	2
Cash with Fiscal Agent	-	-	-	5,078
Restricted Assets:				
Restricted Deposits and Investments	370,440	-	370,440	3,918
Inventories	-	4,382	4,382	4,713
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	29,774	28,794	58,568	1,727
Due from Other Funds	323	1,362	1,685	25,619
Due from Component Units	-	-	-	5
Other Current Assets	-	818	818	7,405
Total Current Assets	<u>401,988</u>	<u>45,832</u>	<u>447,820</u>	<u>181,340</u>
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	-	4,075	4,075	55,700
Capital Assets - Net of Depreciation	-	38,658	38,658	203,391
Total Noncurrent Assets	<u>-</u>	<u>42,733</u>	<u>42,733</u>	<u>259,091</u>
Total Assets	<u>401,988</u>	<u>88,565</u>	<u>490,553</u>	<u>440,431</u>
Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ 3,184</u>	<u>\$ 3,184</u>	<u>\$ 12,363</u>
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 2,951	\$ 11,759	\$ 14,710	\$ 13,189
Accrued Payroll	-	822	822	2,783
Due to Other Funds	-	12,041	12,041	7,138
Due to Component Units	-	-	-	8,532
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	-	-	-	11,659
Obligations Under Capital Leases	-	-	-	4,961
Claims Payable	-	-	-	30,887
Compensated Absences	-	132	132	454
Unearned Revenue	-	183	183	300
Accrued Interest Payable	-	-	-	165
Other Accrued Liabilities	695	20,357	21,052	295
Total Current Liabilities	<u>3,646</u>	<u>45,294</u>	<u>48,940</u>	<u>80,363</u>
Long-Term Liabilities:				
Working Capital Advances Payable	-	-	-	111
Unearned Revenue	-	-	-	321
Certificates of Participation and Other Financing Arrangements	-	-	-	18,905
Obligations Under Capital Leases	-	-	-	29,071
Claims Payable	-	-	-	48,532
Compensated Absences	-	958	958	3,330
Net Pension Liability	-	24,882	24,882	73,019
Other Post-Employment Benefit Obligation	-	3,904	3,904	12,817
Total Long-Term Liabilities	<u>-</u>	<u>29,744</u>	<u>29,744</u>	<u>186,106</u>
Total Liabilities	<u>3,646</u>	<u>75,038</u>	<u>78,684</u>	<u>266,469</u>
Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ 1,534</u>	<u>\$ 1,534</u>	<u>\$ 4,493</u>
Net Position				
Net Investment in Capital Assets	-	38,658	38,658	144,397
Restricted for:				
Unemployment Compensation	398,342	-	398,342	-
Other Purposes	-	-	-	1,788
Unrestricted	-	(23,481)	(23,481)	35,647
Total Net Position	<u>\$ 398,342</u>	<u>\$ 15,177</u>	<u>\$ 413,519</u>	<u>\$ 181,832</u>

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

(338)
\$ 413,181

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, 2016
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	Major	Non-Major		
	Employment Security	Other Enterprise	Total	
Operating Revenues				
Charges for Services	\$ -	\$ 464,535	\$ 464,535	\$ 431,039
Assessments	137,488	-	137,488	-
Miscellaneous Revenues	105	447	552	267
Total Operating Revenues	137,593	464,982	602,575	431,306
Operating Expenses				
General Operations	-	365,635	365,635	385,678
Depreciation	-	3,210	3,210	25,566
Claims/Fees Expense	110,912	-	110,912	14,808
Other Operating Expenses	-	-	-	764
Total Operating Expenses	110,912	368,845	479,757	426,816
Operating Income (Loss)	26,681	96,137	122,818	4,490
Nonoperating Revenues (Expenses)				
Investment Revenue (Expense) - net	7,946	-	7,946	877
Interest Expense	-	-	-	(9,637)
Other Nonoperating Revenues (Expenses) - net	-	(855)	(855)	(1,000)
Total Nonoperating Revenues (Expenses)	7,946	(855)	7,091	(9,760)
Income (Loss) Before Capital Contributions, Transfers and Special Items	34,627	95,282	129,909	(5,270)
Capital Contributions, Transfers and Special Items				
Capital Contributions from (to) Other Funds	-	37	37	1,892
Transfers from Other Funds	495	5,112	5,607	24,668
Transfers to Other Funds	(3,546)	(102,977)	(106,523)	(14,477)
Special Items	-	11,335	11,335	-
Total Capital Contributions, Transfers and Special Items	(3,051)	(86,493)	(89,544)	12,083
Change in Net Position	31,576	8,789	40,365	6,813
Net Position - Beginning of Year	366,766	6,388	373,154	175,019
Net Position - End of Year	<u>\$ 398,342</u>	<u>\$ 15,177</u>		<u>\$ 181,832</u>
Amounts reported for business-type activities in the government-wide Statement of Activities are different due to elimination of the State's internal business-type activities			(666)	
Changes in Business-Type Net Assets			<u>\$ 39,699</u>	

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

STATE OF MAINE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

June 30, 2016
(Expressed in Thousands)

	Business-Type Activities			Governmental Activities Internal Service Funds
	Enterprise Funds			
	Major Employment Security	Non-Major Other Enterprise	Totals	
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 141,531	\$ 457,311	\$ 598,842	\$ 38,425
Other Operating Cash Receipts (Payments)				
Cash Received from Interfund Services	1,789	7,778	9,567	395,715
Payments of Benefits	(109,643)	-	(109,643)	-
Payments to Prize Winners	-	(179,768)	(179,768)	-
Payments to Suppliers	-	(155,048)	(155,048)	(283,638)
Payments to Employees	-	(20,830)	(20,830)	(61,604)
Payments for Interfund Goods and Services	-	(17,682)	(17,682)	(42,593)
Net Cash Provided (Used) by Operating Activities	<u>33,677</u>	<u>91,761</u>	<u>125,438</u>	<u>46,305</u>
Cash Flows from Noncapital Financing Activities				
Transfers from Other Funds	495	5,112	5,607	10,326
Transfers to Other Funds	(3,546)	(102,977)	(106,523)	(135)
Negative Cash Balance Implicitly Financed	-	3,005	3,005	(211)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(3,051)</u>	<u>(94,860)</u>	<u>(97,911)</u>	<u>9,980</u>
Cash Flows from Capital and Related Financing Activities				
Payments for Acquisition of Capital Assets	-	(40)	(40)	(26,276)
Proceeds from Financing Arrangements	-	-	-	5,813
Principal and Interest Paid on Financing Arrangements	-	-	-	(26,012)
Proceeds from Sale of Capital Assets	-	-	-	458
Net Cash Provided (Used) by Capital Financing Activities	<u>-</u>	<u>(40)</u>	<u>(40)</u>	<u>(46,017)</u>
Cash Flows from Investing Activities				
Interest Revenue	7,946	12	7,958	877
Net Cash Provided (Used) by Investing Activities	<u>7,946</u>	<u>12</u>	<u>7,958</u>	<u>877</u>
Net Increase (Decrease) in Cash/Cash Equivalents	38,572	(3,127)	35,445	11,145
Cash/Cash Equivalents - Beginning of Year	333,319	17,678	350,997	186,426
Cash/Cash Equivalents - End of Year	<u>\$ 371,891</u>	<u>\$ 14,551</u>	<u>\$ 386,442</u>	<u>\$ 197,571</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ 26,681	\$ 96,137	\$ 122,818	\$ 4,490
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation Expense	-	3,210	3,210	25,566
Decrease (Increase) in Assets				
Accounts Receivable	5,944	(14)	5,930	787
Interfund Balances	(217)	(8,624)	(8,841)	7,677
Due From Component Units	-	-	-	(5)
Inventories	-	(623)	(623)	(1,078)
Other Assets	-	(501)	(501)	(4,754)
Deferred Outflows	-	74	74	(188)
Increase (Decrease) in Liabilities				
Accounts Payable	574	4,394	4,968	5,343
Accrued Payroll Expenses	-	(248)	(248)	(1,795)
Due to Other Governments	-	-	-	4,217
Compensated Absences	-	36	36	54
Deferred Inflows	-	(4,314)	(4,314)	(13,999)
Net Pension Liability	-	1,345	1,345	1,555
Other Accruals	695	889	1,584	18,435
Total Adjustments	<u>6,996</u>	<u>(4,376)</u>	<u>2,620</u>	<u>41,815</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 33,677</u>	<u>\$ 91,761</u>	<u>\$ 125,438</u>	<u>\$ 46,305</u>
Non Cash Investing, Capital and Financing Activities				
Property Leased, Accrued or Acquired	-	-	-	791
Contributed Capital Assets	-	37	37	1,892
Special Item	-	11,335	11,335	-

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

FIDUCIARY FUND FINANCIAL STATEMENTS

Pension (and Other Employee Benefit) Trusts – accounts for funds held by the Maine Public Employees Retirement System (the System), a component unit included with Fiduciary Funds per GASB Statement No. 34. The System provides pension, death, and disability benefits to its members, including State employees, some public school employees, and employees of approximately 300 local municipalities and other public entities in Maine.

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

A listing of fiduciary funds and combining fund statements for private-purpose trusts and agency funds begins on page 173.

STATE OF MAINE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2016
(Expressed in Thousands)

	Pension (and Other Employee Benefit) Trusts	Private Purpose Trusts	Agency Funds
Assets			
Equity in Treasurer's Cash Pool	\$ -	\$ 559	\$ 17,285
Cash and Short-Term Investments	31,215	-	28
Receivables, Net of Allowance for Uncollectibles:			
State and Local Agency Contributions	4,000	-	-
Interest and Dividends	3,018	-	-
Due from Brokers for Securities Sold	209	-	-
Other	27,328	-	-
Investments at Fair Value:			
Equity Securities	2,579,694	-	-
Common/Collective Trusts	10,136,710	-	-
Other	-	16,855	-
Restricted Deposits and Investments	-	-	323
Securities Lending Collateral	108,480	-	-
Due from Other Funds	-	33,242	-
Investments Held on Behalf of Others	-	-	54,422
Capital Assets - Net of Depreciation	7,370	-	-
Other Assets	-	3,899	2,101
Total Assets	<u>12,898,024</u>	<u>54,555</u>	<u>74,159</u>
Liabilities			
Accounts Payable	\$ 6,787	\$ 56	\$ 1,202
Due to Other Funds	-	3	94
Agency Liabilities	-	-	72,816
Obligations Under Securities Lending	108,480	-	-
Other Accrued Liabilities	18,331	-	47
Total Liabilities	<u>133,598</u>	<u>59</u>	<u>74,159</u>
Net Position			
Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes	<u>12,764,426</u>	<u>54,496</u>	<u>-</u>
Total Net Position	<u>\$ 12,764,426</u>	<u>\$ 54,496</u>	<u>\$ -</u>

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

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

Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	Pension (and Other Employee Benefit) Trusts	Private Purpose Trusts
Additions:		
Contributions:		
Members	\$ 182,320	\$ -
State and Local Agencies	325,629	-
Other Contributing Entity	112,478	-
Investment Income (Loss):		
Net Increase (Decrease) in the Fair Value of Investments	67,136	73
Interest and Dividends	61,960	194
Securities Lending Income	771	-
Less Investment Expense:		
Investment Activity Expense	76,169	-
Securities Lending Expense	(928)	-
Net Investment Income (Loss)	<u>54,626</u>	<u>267</u>
Miscellaneous Revenues	-	7,890
Transfers In	<u>-</u>	<u>616</u>
Total Additions	<u>675,053</u>	<u>8,773</u>
Deductions:		
Benefits Paid to Participants or Beneficiaries	949,632	103
Refunds and Withdrawals	23,834	-
Administrative Expenses	11,619	175
Claims Processing Expense	1,076	-
Transfers Out	<u>-</u>	<u>5,327</u>
Total Deductions	<u>986,161</u>	<u>5,605</u>
Net Increase (Decrease)	(311,108)	3,168
Net Position:		
Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:		
Beginning of Year	<u>13,075,534</u>	<u>51,328</u>
End of Year	<u>\$ 12,764,426</u>	<u>\$ 54,496</u>

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



COMPONENT UNIT FINANCIAL STATEMENTS

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

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

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

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

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

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

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

Non-Major Component Units combining fund statements begin on page 185.

STATE OF MAINE
STATEMENT OF NET POSITION
COMPONENT UNITS

June 30, 2016
(Expressed in Thousands)

	Finance Authority of Maine	Maine Community College System	Maine Health and Higher Educational Facilities Authority	Maine Municipal Bond Bank
Current Assets:				
Equity in Treasurer's Cash Pool	\$ 20,349	\$ 6,459	\$ 3,599	\$ -
Cash and Cash Equivalents	3,856	12,393	3,458	111
Investments	54,041	46,075	12,154	22,888
Restricted Assets:				
Restricted Deposits and Investments	-	-	24,872	266,483
Inventories	-	1,083	-	-
Receivables, Net of Allowance for Uncollectibles:				
Loans and Notes Receivable	15,439	-	35,509	-
Other Receivables	2,202	5,875	1,168	918
Due from Other Governments	241	-	-	135,756
Due from Primary Government	-	1,041	-	-
Loans Receivable from Primary Government	-	-	-	45,928
Other Current Assets	1,026	1,907	745	17,460
Total Current Assets	97,154	74,833	81,505	489,544
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	8,530	2,707	1,509	-
Restricted Assets:				
Restricted Deposits and Investments	18,553	659	87,313	176,310
Investments	-	13,154	25,239	-
Receivables, Net of Current Portion:				
Loans and Notes Receivable	99,179	-	621,167	-
Other Receivables	-	-	-	-
Due from Other Governments	-	-	-	1,269,923
Due from Primary Government	-	-	-	-
Loans Receivable from Primary Government	-	-	-	379,271
Post-Employment Benefit Asset	-	13,096	-	-
Capital Assets - Net of Depreciation	1,491	180,949	-	436
Other Noncurrent Assets	-	-	-	-
Total Noncurrent Assets	127,753	210,565	735,228	1,825,940
Total Assets	224,907	285,398	816,733	2,315,484
Deferred Outflows of Resources	\$ 829	\$ 19,816	\$ -	\$ 41,551
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 3,816	\$ 3,096	\$ 63	\$ 235
Accrued Payroll	-	-	-	-
Compensated Absences	-	2,253	-	-
Due to Other Governments	-	-	352	423
Due to Primary Government	-	-	-	60,661
Amounts Held Under State & Federal Loan Programs	-	-	-	48,959
Bonds and Notes Payable	6,945	131	35,680	151,249
Obligations Under Capital Leases	-	2,209	-	-
Accrued Interest Payable	462	-	14,687	11,557
Unearned Revenue	1,171	2,264	3,112	3,934
Other Current Liabilities	25,259	6,260	-	-
Total Current Liabilities	37,653	16,213	53,894	277,018
Long-Term Liabilities:				
Due to Other Governments	1,983	-	62	585
Amounts Held Under State & Federal Loan Programs	40,963	-	-	-
Bonds and Notes Payable	100,843	21,153	703,390	1,384,234
Obligations Under Capital Leases	-	27	-	-
Net Pension Liability	-	68,007	-	1,059
Other Post-Employment Benefits Obligation	-	-	-	-
Other Noncurrent Liabilities	-	-	-	-
Total Long-Term Liabilities	143,789	89,187	703,452	1,385,878
Total Liabilities	181,442	105,400	757,346	1,662,896
Deferred Inflows of Resources	\$ -	\$ 14,193	\$ -	\$ 341
Net Position				
Net Investment in Capital Assets	1,491	158,087	-	436
Restricted	17,933	38,165	-	616,690
Unrestricted	24,870	(10,631)	59,387	76,672
Total Net Position	\$ 44,294	\$ 185,621	\$ 59,387	\$ 693,798

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
\$ -	\$ -	\$ 12,656	\$ 1,308	\$ 44,371
959	6,499	1,907	49,439	78,622
258,634	-	215,799	8,610	618,201
-	85,730	-	27,055	404,140
-	1,604	-	861	3,548
29,841	-	63	1,525	82,377
15,324	4,639	40,359	5,662	76,147
5,893	-	10,727	6,742	159,359
1,103	-	4,959	9,634	16,737
-	-	-	-	45,928
-	1,008	5,352	2,570	30,068
<u>311,754</u>	<u>99,480</u>	<u>291,822</u>	<u>113,406</u>	<u>1,559,498</u>
-	-	5,305	549	18,600
-	40,238	1,411	20,276	344,760
96,348	13,050	338,424	19,284	505,499
1,187,050	-	41,177	20,356	1,968,929
1,490	70	3,015	1,654	6,229
-	-	-	-	1,269,923
-	-	715	206	921
-	-	-	-	379,271
-	-	-	-	13,096
686	569,355	706,833	249,032	1,708,782
4,882	7,329	-	948	13,159
<u>1,290,456</u>	<u>630,042</u>	<u>1,096,880</u>	<u>312,305</u>	<u>6,229,169</u>
1,602,210	729,522	1,388,702	425,711	7,788,667
\$ 21,706	\$ 20,725	\$ 9,370	\$ 4,644	\$ 118,641
\$ 13,468	\$ 8,968	\$ 14,777	\$ 19,520	\$ 63,943
-	2,773	-	1,535	4,308
-	-	-	788	3,041
305	-	-	1,329	2,409
-	-	-	1,240	61,901
-	-	-	-	48,959
42,540	18,700	10,897	1,471	267,613
-	-	690	28	2,927
4,650	-	-	-	31,356
3,247	9,072	10,692	31,818	65,310
-	9,677	26,727	899	68,822
<u>64,210</u>	<u>49,190</u>	<u>63,783</u>	<u>58,628</u>	<u>620,589</u>
-	-	-	1,710	4,340
-	-	-	-	40,963
1,232,615	425,439	151,705	16,377	4,035,756
-	-	3,516	38	3,581
3,768	-	-	10,679	83,513
-	-	-	2,625	2,625
13,977	32,615	108,284	213	155,089
<u>1,250,360</u>	<u>458,054</u>	<u>263,505</u>	<u>31,642</u>	<u>4,325,867</u>
1,314,570	507,244	327,288	90,270	4,946,456
\$ 2,566	\$ 6,565	\$ 1,388	\$ 5,606	\$ 30,659
686	199,595	544,721	229,721	1,134,737
279,789	37,010	359,979	73,465	1,423,031
26,305	(167)	164,696	31,293	372,425
<u>\$ 306,780</u>	<u>\$ 236,438</u>	<u>\$1,069,396</u>	<u>\$ 334,479</u>	<u>\$ 2,930,193</u>

STATE OF MAINE
STATEMENT OF ACTIVITIES
COMPONENT UNITS

Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	Finance Authority of Maine	Maine Community College System	Maine Health and Higher Educational Facilities Authority	Maine Municipal Bond Bank
Expenses	\$ 48,293	\$ 136,378	\$ 35,602	\$ 64,579
Program Revenues				
Charges for Services	26,226	15,917	32,610	52,192
Program Investment Income	252	106	5,393	11,849
Operating Grants and Contributions	21,995	58,706	-	470
Capital Grants and Contributions	-	6,375	-	23,502
Net Revenue (Expense)	180	(55,274)	2,401	23,434
General Revenues				
Unrestricted Investment Earnings	765	49	156	162
Non-program Specific Grants, Contributions and Appropriations	-	58,820	-	-
Miscellaneous Income	-	1,147	141	1,831
Gain (Loss) on Assets Held for Sale	-	-	-	-
Total General Revenues	765	60,016	297	1,993
Change in Net Position	945	4,742	2,698	25,427
Net Position, Beginning of the Year (as restated)	43,349	180,879	56,689	668,371
Net Position, End of Year	\$ 44,294	\$ 185,621	\$ 59,387	\$ 693,798

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
\$ 209,587	\$ 96,340	\$ 677,695	\$ 196,463	\$1,464,937
68,909	128,198	289,270	48,451	661,773
3,944	-	(13,717)	105	7,932
143,252	-	172,291	111,616	508,330
-	-	2,881	20,801	53,559
6,518	31,858	(226,970)	(15,490)	(233,343)
14	260	2,561	807	4,774
-	-	225,077	19,509	303,406
-	5,780	-	2,151	11,050
-	(104)	(1,813)	2,111	194
14	5,936	225,825	24,578	319,424
6,532	37,794	(1,145)	9,088	86,081
300,248	198,644	1,070,541	325,391	2,844,112
<u>\$ 306,780</u>	<u>\$ 236,438</u>	<u>\$1,069,396</u>	<u>\$ 334,479</u>	<u>\$2,930,193</u>



NOTES TO THE FINANCIAL STATEMENTS

INDEX
NOTES TO THE FINANCIAL STATEMENTS

	<u>Page</u>
Note 1 - Summary of Significant Accounting Policies	
A. Reporting Entity	45
B. Government-Wide and Fund Financial Statements	47
C. Measurement Focus, Basis of Accounting and Financial Statement Presentation	48
D. Fiscal Year-Ends	50
E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance	50
F. Revenues and Expenditures/Expenses	54
Note 2 – Budgeting and Budgetary Control, and Legal Compliance	54
Note 3 – Accounting Changes and Restatements	58
Note 4 – Deficit Fund Balances/Net Position	58
Note 5 – Deposits and Investments	59
Note 6 – Receivables	67
Note 7 – Interfund Transactions	68
Note 8 – Capital Assets	70
Note 9 – Maine Public Employees Retirement System	71
Note 10 – Other Postemployment Benefits	81
Note 11 – Long-Term Obligations	88
Note 12 – Self-Insurance	
A. Risk Management	98
B. Unemployment Insurance	100
C. Workers’ Compensation	100
D. Employee Health Insurance	101
Note 13 – Joint Ventures	101
Note 14 – Related Party Transactions	103
Note 15 – Deferred Outflows and Deferred Inflows	105
Note 16 – Commitments and Contingencies	105
Note 17 – Subsequent Events	112
Note 18 - Special Items	114

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. REPORTING ENTITY

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

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

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

Blended Component Units

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

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

Discrete Component Units

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

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

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

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

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

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

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

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

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

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

commissioners are the Treasurer of State and the Director of the Maine State Housing Authority, both of whom serve *ex officio*. The Authority's fiscal year ends on December 31.

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

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

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

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

Related Organizations

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

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

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

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

Restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Constraints placed on restricted components of net position are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$531.3 million of restricted net position, of which \$435 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 \$102 million of Workers' Compensation, \$51.9 million of Bureau of Insurance, and \$33.8 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 of resources.

Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers. Incurred but not paid (IBNP) Medicaid claims settlements are actuarially estimated. The IBNP estimate recorded at June 30, 2016 is \$184.5 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, 2016 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 constrained by the State's intent to be used for a specific purpose, but are neither restricted nor committed. The State has two types of intent authorized by statute. Management decisions are made in accordance with statutory powers and duties, including encumbrances. Legislative assignments include formal actions passed into law that lapse with the passage of time and do not require additional legislation. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not restricted or committed.

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

F. REVENUES AND EXPENDITURES/EXPENSES

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

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

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

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

NOTE 2 – BUDGETING AND BUDGETARY CONTROL, AND LEGAL COMPLIANCE

Appropriation Limits

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

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

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

Budget Stabilization Fund

The Maine Budget Stabilization Fund, a fund designation established under Title 5 MRSA C. 142, is included in the negative \$35.2 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 sixth 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 2016.

The statutory cap for the fund is 18 percent of the total General Fund revenue received in the immediately preceding fiscal year. At the close of the fiscal year, the cap is based on the revenue received in the fiscal year being closed. Based on fiscal year 2016 actual General Fund revenue, the statutory cap at the close of fiscal year 2016 and during fiscal year 2016 was \$605.9 million. At the close of fiscal year 2016, the balance of the Maine Budget Stabilization Fund was \$112.4 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	\$ 111,083
Increase in fund balance	1,269
Balance, end of year	\$ 112,352

Budget and Budgetary Expenditures

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

Except in specific instances, only the Legislature may transfer appropriations between departments. Changes in appropriation, allocation, or funding for new programs are presented to the Legislature as supplemental budgets or separate pieces of legislation. For the year ended June 30, 2016, the Legislature decreased appropriations to the General Fund by \$3.4 million.

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

Governmental Fund Balances – Restricted, Committed and Assigned

The State's fund balances represent: (1) restricted purposes, which include balances legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (2) committed purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature; (3) assigned purposes, which includes balances that are constrained by government's intent to be used for specific purposes, but are neither restricted nor committed. A summary of the nature and purpose of these fund balance types at June 30, 2016 are detailed on the following page.

Governmental Fund Balances
(Expressed in Thousands)

	NSIF	Restricted	Committed	Assigned
General Fund:				
Education	\$ -	\$ -	\$ 21,081	\$ -
Governmental Support & Operations	-	7,509	40,451	-
Public Safety	-	1,365	-	-
Justice & Protection	-	-	1,149	-
Inland Fisheries & Wildlife	-	3,991	-	-
Agriculture & Conservation	-	-	2,278	-
All Other	2,665	-	-	-
Total	<u>\$ 2,665</u>	<u>\$ 12,865</u>	<u>\$ 64,959</u>	<u>\$ -</u>
Highway Fund:				
Transportation Safety & Development	\$ -	\$ 11,943	\$ -	\$ -
Light Highway & Bridge Capital	-	21,664	-	-
Transportation - Highway & Bridge Construction	-	15,663	-	-
All Other	-	702	-	-
Total	<u>\$ -</u>	<u>\$ 49,972</u>	<u>\$ -</u>	<u>\$ -</u>
Federal Fund:				
HHS Centers for Disease Control	\$ -	\$ 2,342	\$ -	\$ -
HHS Office of Family Independence	-	18,822	-	-
HHS Substance Abuse & Mental Health	-	2,562	-	-
HHS Office of Child & Family Services	-	5,120	-	-
Justice & Protection	-	1,107	-	-
Transportation - Highway & Bridge Construction	-	3,667	-	-
All Other	492	3,025	-	-
Total	<u>\$ 492</u>	<u>\$ 36,645</u>	<u>\$ -</u>	<u>\$ -</u>
Other Special Revenue Fund:				
Professional & Financial Regulation	\$ -	\$ 64,103	\$ -	\$ -
Education	-	5,212	-	-
Economic Development & Workforce Training	-	6,063	3,073	-
Governmental Support & Operations	-	51,512	12,296	22,094
Public Utilities Commission	-	9,804	-	14,002
Workers Compensation Board	-	12,308	-	-
Liquor Bond	-	7,864	-	-
Fund for Healthy Maine	-	-	15,800	-
HHS Licensing & Regulatory Services	-	3,743	-	-
Office of Family Independence	-	2,664	36	-
Substance Abuse & Mental Health	-	-	9,261	-
Centers for Disease Control & Prevention	-	904	7,260	-
MaineCare	-	21,891	-	-
Defense, Veterans & Emergency Management	-	-	2,446	-
Justice & Protection	-	4,059	118	5,012
Public Safety	-	15,332	-	-
Agriculture & Conservation	-	8,660	1,482	15,216
Environmental Protection	-	22,757	1,116	-
Inland Fisheries & Wildlife	-	11,319	-	-
Marine Resources	-	5,475	-	2,294
Highway & Bridge Capital	-	23,362	-	-
Motor Vehicles	-	5,625	-	-
Multimodal Transportation	-	829	13,069	11
Bonds for Highway & Bridge Construction	-	94,978	-	-
All Other	206	1,876	-	2,516
Total	<u>206</u>	<u>380,341</u>	<u>65,957</u>	<u>61,144</u>
Other Governmental Funds:				
Capital Projects - Agriculture & Conservation	\$ -	\$ 4,080	\$ -	\$ -
Capital Projects - Higher Education	-	6,343	-	-
Capital Projects - Highway & Bridge Construction	-	29,721	-	-
Capital Projects - Justice & Protection	-	10,124	-	-
Capital Projects - Multimodal Transportation	-	18,548	-	-
Capital Projects - Economic & Community Development	-	9,734	-	-
Capital Projects - Environmental Protection	-	4,725	-	-
Capital Projects - Other	-	147	-	-
Permanent Funds - Baxter Park	-	-	6,905	-
Permanent Funds - All Others	-	-	17,497	-
Special Revenue Funds - Baxter Park	-	71,453	-	-
Special Revenue Funds - All Other	-	148	-	-
Total	<u>\$ -</u>	<u>\$ 155,023</u>	<u>\$ 24,402</u>	<u>\$ -</u>

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

During fiscal year ended June 30, 2016, the State implemented the following accounting standard:

GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the uses of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, addresses accounting and financial reporting for certain external investment pools and pool participants. There was no impact on the State's financial statements as a result of implementing GASB 79.

Change in Accounting Estimate

GASB Statements No. 68 and 71 were implemented in fiscal year 2015. These Statements established standards for recognizing pension related costs to each employer and non-contributing entity of the plan. The Statements did not establish specific requirements for an employers to use as a basis for allocating the costs to individual funds. For fiscal year 2015, the State allocated pension costs to individual funds using an average of seven years worth of salary costs. After reconsideration, management changed its allocation basis to reflect a five year rolling average allocation of employer contributions made by each fund. Management believes the new measure more accurately aligns the pension costs, which are directly related to and expected to be paid from, each fund. The impact was a \$9.1 million increase (2015 year-end pension costs) being recognized in the Governmental Funds and a matching \$9.1 million decrease in the Business Activities Funds.

See Note 18 – Special Items for additional discussion.

Restatements - Component Units

GASB Statements No. 68 and No. 71 were implemented for component units with December 31 year ends. The cumulative effect of implementing GASB Statements No. 68 and No. 71 reduced beginning net position of Maine State Housing Authority and Maine Turnpike Authority by \$4.7 million and \$10.2 million, respectively. Maine Educational Center for the Deaf and Hard of Hearing, a non-major component unit, restated its opening pension deferred outflows and inflows balances, decreasing its beginning net position by \$.3 million.

The Legislature enacted S.P. 544-LD 1443, entitled “An Act to Merge the Maine Educational Loan Authority with the Finance Authority of Maine”. As a result, the Maine Educational Loan Authority (MELA), a non-major component unit with a December 31 year end, ceased to exist and its operations were merged into the Finance Authority of Maine (FAME), a component unit with a June 30 year end. The combination was treated as a government merger as if it occurred at the beginning of FAME's fiscal year end. The merger increased FAME's beginning net position by \$3.1 million and reduced MELA's by the same amount. The six months of MELA's operations showed an \$8 thousand beginning net position that was reduced to zero as a result of the merger.

Three non-major discretely presented component units reduced their beginning net position as a result of correcting their capital asset balances. Northern New England Passenger Rail Authority increased its

beginning net position \$.9 million, Maine Port Authority increased its net position by \$.2 million, and Midcoast Regional Redevelopment Authority increased its net position by \$84 thousand.

NOTE 4 - DEFICIT FUND BALANCES/NET POSITION

Five internal service funds showed deficits for the fiscal year ended June 30, 2016. The Workers' Compensation Fund reported a deficit of \$28.2 million, which reflects accruals for actuarially determined claims payable. The Leased Space Fund had a deficit of \$3.8 million because rates charged were insufficient to cover expenses incurred. The Postal, Printing & Supply fund reported a deficit of \$4.3 million because expenses are recognized when incurred; however, related revenue is not earned until jobs are satisfactorily completed. All of the deficits mentioned above are expected to be funded by future service charges. The remaining two internal service funds, Financial and Personnel Services and Information Services, reported deficits of \$19.7 million and \$14.1 million, respectively. The deficit for those funds is the result of the implementation of GASB Statement No. 68 in Fiscal Year 2015, which requires the recognition of the entire net pension liability.

Three enterprise funds showed deficits for the fiscal year ended June 30, 2016. Maine Military Authority, Dirigo Health and Consolidated Emergency Communication Fund reported deficits of \$17.7 million, \$858 thousand and \$4 million, respectively. The deficit for Maine Military Authority is due primarily to the implementation of GASB Statement No. 68 in fiscal year 2015 which requires the recognition of the entire net pension liability. The remainder of the deficit, \$3.9 million, is anticipated to be funded through future service charges. The deficit for Dirigo Health and Consolidated Emergency Communication Fund is the result of the implementation of GASB Statement No. 68 in fiscal year 2015 which requires the recognition of the entire net pension liability.

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

Investment policies of the permanent trusts are governed by Title 5 MRSA § 138. The Treasurer, with the approval of the Commissioner of Administrative and Financial Services, the Superintendent of Financial

Institutions and the Attorney General, shall invest the funds in securities that are legal investments in accordance with Title 9-B MRSA. The investments need not be segregated to the separate trusts, but the identity of each trust must be maintained. The Treasurer may enter into custodial care and servicing contracts or agreements negotiated in accordance with the laws of this State for the handling of funds held in trust.

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

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

The Primary Government's Deposits and Investments, excluding component units that are fiduciary in nature, at June 30, 2016 are as follows:

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	\$ 769,021	\$ 13,795	\$ 559	\$ 17,285	\$ 800,660
Cash and Cash Equivalents	266	2,207	-	28	2,501
Cash with Fiscal Agent	68,269	-	-	-	68,269
Investments	95,868	-	16,855	-	112,723
Restricted Equity in Treasurer's Cash Pool	86,590	-	-	-	86,590
Restricted Deposits and Investments	3,918	370,440	-	323	374,681
Investments Held on Behalf of Others	-	-	-	54,422	54,422
Total Primary Government	\$ 1,023,932	\$ 386,442	\$ 17,414	\$ 72,058	\$ 1,499,846

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, 2016:

	Maturities in Years						Fair Value
	Less than 1	1 - 5	6 - 10	11 - 20	More than 20	No Maturity	
(Expressed in Thousands)							
<i>Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds</i>							
US Instrumentalities	\$ 9,335	\$119,683	\$ -	\$ -	\$ -	\$ -	\$ 129,018
US Treasury Notes	-	117,044	-	-	-	-	117,044
Corporate Notes and Bonds	-	18,009	-	-	-	-	18,009
Commercial Paper	105,750	-	-	-	-	-	105,750
Certificates of Deposit	53,601	18,096	-	-	-	-	71,697
Cash and Cash Equivalents	749	-	-	-	-	433,531	434,280
Unemployment Fund	-	-	-	-	-	370,440	370,440
<i>Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds</i>							
US Instrumentalities	192	2,391	301	20	966	-	3,870
US Treasury Notes	3,881	9,760	2,022	3,137	96	1,197	20,092
Corporate Notes and Bonds	96	1,639	736	8,776	562	38,877	50,686
Other Fixed Income							
Securities	10,970	-	8,471	-	-	17,032	36,473
Commercial Paper	2,170	-	-	-	-	-	2,170
Certificates of Deposit	10,414	431	-	-	-	4,199	15,044
Money Market	-	-	-	-	-	2,656	2,656
Cash and Cash Equivalents	-	-	-	-	-	18,413	18,413
Equities	-	-	-	-	-	31,776	31,776
Other	-	-	-	-	-	4,159	4,159
	<u>\$197,158</u>	<u>\$287,053</u>	<u>\$11,530</u>	<u>\$11,933</u>	<u>\$ 1,623</u>	<u>\$ 922,279</u>	<u>\$1,431,577</u>
Other Assets							
Cash with Fiscal Agent							68,269
Total Primary Government							<u><u>\$1,499,846</u></u>

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

The Primary Government's total investments by credit quality rating as of June 30, 2016 are presented below:

	Standard & Poor's Credit Rating (Expressed in Thousands)							Total
	A1	A	AA	AAA	BB	BBB	Not Rated	
<i>Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds</i>								
US Instrumentalities	\$ -	\$ -	\$ 125,849	\$ -	\$ -	\$ -	\$ 3,169	\$ 129,018
US Treasury Notes	-	-	117,044	-	-	-	-	117,044
Corporate Notes and Bonds	-	-	-	18,009	-	-	-	18,009
Commercial Paper	105,750	-	-	-	-	-	-	105,750
<i>Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds</i>								
US Instrumentalities	-	-	2,583	-	-	-	1,287	3,870
US Treasury Notes	-	-	3,296	-	-	-	16,796	20,092
Corporate Notes and Bonds	-	753	433	405	-	994	48,101	50,686
Commercial Paper	2,170	-	-	-	-	-	-	2,170
Money Market	-	-	-	-	-	-	2,656	2,656
Other Fixed Income Securities	-	-	-	-	-	-	4,159	4,159
Total Primary Government	<u>\$ 107,921</u>	<u>\$ 753</u>	<u>\$ 249,205</u>	<u>\$ 18,414</u>	<u>\$ -</u>	<u>\$ 994</u>	<u>\$ 76,168</u>	<u>\$ 453,454</u>

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State limits concentration of credit risk in its trusts by requiring that no single stock represent more than seven percent of the total portfolio. There is no concentration of credit risk policy for the Treasurer's Cash Pool. At June 30, 2016, 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 \$80.3 million invested in non-negotiable certificates of deposit, certain CD's exceeded the FDIC insured amounts for the institutions at which they were held. However, certificates of deposits, money market accounts and regular cash deposits are all collateralized at a minimum of 100% with pledged securities or a Federal Home Loan Bank letter of credit. The State does not have a policy regarding custodial credit risk for its trusts. The Percival P. Baxter Trust is held by the counterparty's trust department, but not in the State's name.

The fair value of the trust's investments as of June 30, 2016 was \$71.4 million and was comprised of the following (expressed in thousands):

U.S. Instrumentalities	\$ 1,287
US Treasury Notes	894
Corporate Notes and Bonds	2,324
Other Fixed Income Securities	10,970
Equities	52,187
Cash and Equivalents	1,118
Other	2,604
Total	<u>\$ 71,384</u>

The State and certain vendors contract with a fiscal intermediary, Clareon, for electronic disbursements from the State to its vendors. During fiscal year 2016 these disbursements, on average, exceeded \$168 million per month. The funds in transit are not collateralized and are not held by the State Treasurer. Until the vendor receives payment, the State retains some liability.

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

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

Level 2 – Inputs to the valuation method include:

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

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

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

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

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

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

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

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

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

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

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

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

The following table set forth by level, within the fair value hierarchy, the State of Maine's assets carried at fair value on a recurring basis as of June 30, 2016:

Fair Value Measurement

(Expressed in Thousands)

	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Cash and Cash Equivalents	\$ -	\$ 1,118	\$ -
Commercial Paper	-	107,920	-
Corporate Bonds and Notes	-	20,702	-
U.S. Instrumentalities	-	129,719	-
U.S. Treasury Notes	894	119,446	-
Other Fixed Income Securities	10,970	8,471	-
Equities	52,187	31,776	-
Other	-	-	2,604
Total	\$ 64,051	\$ 419,153	\$ 2,604

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, 2016, the System did not have any derivative 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, 2016 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, 2016 was \$173.2 million and \$168.7 million, respectively.

The system did not have any derivative investments as of June 30, 2016 or during the year then ended.

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 9 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 \$63 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 \$12.4 million, consisting of Finance Authority of Maine component unit fiduciary funds that, because of GASB Statement No. 34 reporting criteria, are not shown in the accompanying financial statements as invested in the Treasurer's Cash Pool.

NOTE 6 - RECEIVABLES

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

Primary Government – Receivables
(Expressed in Thousands)

	<u>Taxes</u>	<u>Accounts</u>	<u>Loans</u>	<u>Allowance for Uncollectibles</u>	<u>Net Receivables</u>
Governmental Funds:					
General	\$ 518,106	\$ 160,026	\$ 1	\$ (177,177)	\$ 500,956
Highway	23,099	2,722	-	(68)	25,753
Federal	-	126,872	-	(34,753)	92,119
Other Special Revenue	12,451	92,340	5,761	(17,050)	93,502
Other Governmental Funds	-	-	-	-	-
Total Governmental Funds	553,656	381,960	5,762	(229,048)	712,330
Allowance for Uncollectibles	(115,590)	(113,407)	(51)		
Net Receivables	<u>\$ 438,066</u>	<u>\$ 268,553</u>	<u>\$ 5,711</u>		<u>\$ 712,330</u>
Proprietary Funds:					
Employment Security	\$ -	\$ 54,122	\$ -	\$ (24,348)	\$ 29,774
Nonmajor Enterprise	-	28,995	-	(201)	28,794
Internal Service	-	1,727	-	-	1,727
Total Proprietary Funds	-	84,844	-	(24,549)	60,295
Allowance for Uncollectibles	-	(24,549)	-		
Net Receivables	<u>\$ -</u>	<u>\$ 60,295</u>	<u>\$ -</u>		<u>\$ 60,295</u>

Component Units – Receivables
(Expressed in Thousands)

	<u>Accounts</u>	<u>Loans and Notes</u>	<u>Allowance For Uncollectibles</u>	<u>Net Receivables</u>
Finance Authority of Maine	\$ 2,202	\$ 118,902	\$ (4,284)	\$ 116,820
Maine Community College System	6,981	-	(1,106)	5,875
Maine Health and Educational Facilities Authority	1,284	656,676	(116)	657,844
Maine Municipal Bond Bank	918	-	-	918
Maine State Housing Authority	16,814	1,227,019	(10,128)	1,233,705
Maine Turnpike Authority	4,709	-	-	4,709
University of Maine System	49,289	42,751	(7,426)	84,614

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, 2016 were:

Interfund Receivables
(Expressed in Thousands)

Due from Other Funds	Due to Other Funds				
	General	Highway	Federal	Other Special Revenue	Other Governmental
General	\$ -	\$ -	\$ 873	\$ -	\$ -
Highway	11	14	11,647	1	-
Federal	10	1	156	9	-
Other Special Revenue	6,960	321	1,116	802	23
Other Governmental	-	-	-	-	-
Employment Security	-	-	277	-	-
Non-Major Enterprise	1,349	13	-	-	-
Internal Service	11,178	3,627	3,145	4,526	-
Fiduciary	33,242	-	-	-	-
Total	\$ 52,750	\$ 3,976	\$ 17,214	\$ 5,338	\$ 23

Due from Other Funds	Employment Security	Non-Major Enterprise	Internal Service	Fiduciary	Total
	General	\$ -	\$ 6,305	\$ 4,852	\$ 83
Highway	-	-	6	-	11,679
Federal	-	-	-	-	176
Other Special Revenue	-	4,641	200	-	14,063
Other Governmental	-	-	-	-	-
Employment Security	-	46	-	-	323
Non-Major Enterprise	-	-	-	-	1,362
Internal Service	-	1,049	2,080	14	25,619
Fiduciary	-	-	-	-	33,242
Total	\$ -	\$ 12,041	\$ 7,138	\$ 97	\$ 98,577

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 2016, 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 \$1.8 and \$1.0 million, respectively, to the unappropriated surplus of the General Fund. The General Fund transferred \$13.4 million to the Other Special Revenue Cost Recovery Fund within the Public Utilities Commission.

Interfund transfers for the year ended June 30, 2016, consisted of the following:

Interfund Transfers
(Expressed in Thousands)

Transferred To	Transferred From				
	General	Highway	Federal	Other Special Revenue	Other Governmental
General	\$ -	\$ -	\$ 4,451	\$ 14,962	\$ -
Highway	1,555	-	17,665	6,626	-
Federal	75	-	-	9,570	-
Other Special Revenue	135,080	5,710	1,139	9,639	1,505
Other Governmental Funds	-	-	-	-	1,436
Employment Security	-	-	495	-	-
Non-Major Enterprise	-	5,112	-	-	-
Internal Service	10,286	-	-	5	-
Fiduciary	-	-	-	-	616
Total	\$ 146,996	\$ 10,822	\$ 23,750	\$ 40,802	\$ 3,557

Transferred To	Transferred From				
	Employment Security	Non-Major Enterprise	Internal Service	Fiduciary	Total
General	\$ -	\$ 67,612	\$ 100	\$ 4,684	\$ 91,809
Highway	-	-	-	-	25,846
Federal	3,546	-	-	-	13,191
Other Special Revenue	-	35,365	-	643	189,081
Other Governmental Funds	-	-	-	-	1,436
Employment Security	-	-	-	-	495
Non-Major Enterprise	-	-	-	-	5,112
Internal Service	-	-	14,377	-	24,668
Fiduciary	-	-	-	-	616
Total	\$ 3,546	\$ 102,977	\$ 14,477	\$ 5,327	\$ 352,254

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, 2016:

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	\$ 591,764	\$ 20,521	\$ 455	\$ 611,830
Construction in progress	130,856	20,682	113,350	38,188
Infrastructure	2,788,032	36,671	-	2,824,703
Total capital assets not being depreciated	3,510,652	77,874	113,805	3,474,721
Capital assets being depreciated:				
Buildings	692,889	82,043	2,739	772,193
Equipment	272,774	51,040	30,418	293,396
Improvements other than buildings	80,725	15,558	32	96,251
Software	74,621	1,171	2,733	73,059
Total capital assets being depreciated	1,121,009	149,812	35,922	1,234,899
Less accumulated depreciation for:				
Buildings	290,042	23,214	2,602	310,654
Equipment	181,613	26,310	26,696	181,227
Improvements other than buildings	46,337	3,855	32	50,160
Software	29,704	8,345	-	38,049
Total accumulated depreciation	547,696	61,724	29,330	580,090
Total capital assets being depreciated, net	573,313	88,088	6,592	654,809
Governmental Activities Capital Assets, net	\$ 4,083,965	\$ 165,962	\$ 120,397	\$ 4,129,530
	Beginning Balance	Net Additions	Net Deletions	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 2,387	\$ -	\$ -	\$ 2,387
Construction in progress	2,838	37	2,484	391
Total capital assets not being depreciated	5,225	37	2,484	2,778
Capital assets being depreciated:				
Buildings	4,655	-	-	4,655
Equipment	32,572	39	40	32,571
Improvements other than buildings	41,124	1,633	-	42,757
Total capital assets being depreciated	78,351	1,672	40	79,983
Less accumulated depreciation for:				
Buildings	2,501	134	-	2,635
Equipment	11,535	1,529	24	13,040
Improvements other than buildings	26,882	1,546	-	28,428
Total accumulated depreciation	40,918	3,209	24	44,103
Total capital assets being depreciated, net	37,433	(1,537)	16	35,880
Business-Type Activities Capital Assets, net	\$ 42,658	\$ (1,500)	\$ 2,500	\$ 38,658

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

Governmental Activities – Depreciation Expense
(Expressed in Thousands)

	<u>Amount</u>
Governmental Activities:	
Arts, Heritage and Cultural Enrichment	\$ 75
Business Licensing and Regulation	415
Economic Development and Workforce Training	1,598
Education	336
Governmental Support and Operations	16,143
Health and Human Services	8,998
Justice and Protection	17,628
Natural Resources Development and Protection	4,120
Transportation Safety and Development	12,411
Total Depreciation Expense – Governmental Activities	<u>\$ 61,724</u>

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, 2016, there were 74 employers participating in these plans. The 1,034 participants individually direct the \$29.1 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, 2016 report may be obtained from the Maine Public Employees Retirement System, PO Box 349, Augusta, ME 04332-0349 or on-line at www.maineopers.org.

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, 2015. 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, 2016 there were 236 employers, including the State of Maine, participating in the plan.

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

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

Membership in each single employer defined benefit plan consisted of the following at the measurement date of June 30, 2015:

Employees of single employer covered by benefit terms

	<u>Judicial</u>	<u>Legislative</u>
Inactive employees or beneficiaries currently receiving benefits	71	170
Terminated participants:		
Vested	3	127
Inactive employees due refunds	1	115
Active employees	<u>56</u>	<u>180</u>
Total participants	131	592

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 rates¹ in effect for the fiscal years ended June 30, 2016 and June 30, 2015 are as follows:

	June 30, 2016	Measurement Date June 30, 2015
SETP - State Employees		
Employees ²	7.65 - 8.65%	7.65 - 8.65%
Employer ¹	21.64 - 41.59%	18.43 - 41.05%
SETP - Teachers		
Employees ²	7.65%	7.65%
Employer ¹	2.65%	2.65%
Non-employer entity ¹	10.02%	13.03%
Judicial Plan		
Employees ²	7.65%	7.65%
Employer ¹	14.99%	13.24%
Legislative Plan		
Employees ²	7.65%	7.65%
Employer ¹	0.00%	0.00%
Consolidated Participating Local Entities		
Employees ²	4.0 - 9.0%	3.5 - 8.5%
Employer ¹	4.4 - 14.0%	4.0 - 13.4%

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

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

For the year ended June 30, 2016, 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	\$ 121,035
3 Discrete Non-major Component Units	<u>8,251</u>
Subtotal State & Component Unit Members	129,286
Teacher Members (Non-employer contribution)	\$ 152,928

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, 2015, and the total pension liability used to calculate the net pension liability was determined by a March 2016 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, 2015	\$ 54,561	\$ 57,190	\$ (2,629)	\$ 7,505	\$ 11,120	\$ (3,615)
Changes for the year:						
Service Cost	1,606		1,606	451		451
Interest	3,863		3,863	545		545
Changes in Benefit Terms	28		28	4		4
Differences Between Expected and Actual Experience	2,238		2,238	(508)		(508)
Benefit Payments, Including Refunds	(3,384)	(3,384)	-	(439)	(439)	-
Employer Contributions		979	(979)		4	(4)
Member Contributions		550	(550)		193	(193)
Net Investment Income		1,055	(1,055)		206	(206)
Administrative Expense		(49)	49		(9)	9
Net Changes	4,351	(849)	5,200	53	(45)	98
Balances at June 30, 2016	\$ 58,912	\$ 56,341	\$ 2,571	\$ 7,558	\$ 11,075	\$ (3,517)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability			95.6%			146.5%
Covered Employee Payroll			\$ 7,186			\$ 2,528
Net Pension Liability as a Percentage of Covered Employee Payroll			35.8%			-139.2%

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, 2015, and the total pension liability used to calculate the net pension liability was determined by a March 2016 actuarial valuation as of that date. The State's net pension liability is measured as the proportionate share of the net pension liability. The State's proportion of the net pension liability was based on a projection of the State's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers and non-employer contributors, actuarially determined. The State's proportionate share of the collective net pension liability for each plan at June 30, 2016 and June 30, 2015 is as follows:

(Expressed in Thousands)

Pension Plan	Proportionate Share June 30, 2015	Proportionate Share June 30, 2016	Net Pension Asset June 30, 2016	Net Pension Liability June 30, 2016
SETP - State Employees	¹ 92.853946%	92.825250%	\$ -	\$ 950,597
SETP - Teachers	² 95.069591%	95.036038%	-	1,283,099
Total Primary Government			\$ -	\$ 2,233,696
SETP - 3 Non-major Discrete Component Units	¹ 7.146054%	7.174750%	\$ -	\$ 73,475

1 Percentage of State Employees in the SETP

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

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

Proportion	June 30, 2015	June 30, 2016	Change Increase (Decrease)
Governmental Funds	89.31%	89.70%	0.39%
Internal Service Funds	8.12%	7.68%	-0.44%
Enterprise Funds	2.57%	2.62%	0.05%

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	Combined Totals for 3			
	SETP State of Maine	Non-major Discrete Component Units	Total State of Maine Employees SETP	SETP Teachers
Total Pension Liability				
Service Cost	\$ 68,570	\$ 5,300	\$ 73,870	\$ 117,658
Interest	281,653	21,770	303,423	558,259
Changes in Benefit Terms	3,898	-	3,898	5,880
Differences Between Expected and Actual Experience	(31,819)	(2,459)	(34,278)	(10,009)
Benefit Payments, Including Refunds of Member Contributions	(259,181)	(20,033)	(279,214)	(443,359)
Net Change in Total Pension Liability	63,121	4,578	67,699	228,429
Beginning Total Pension Liability	4,047,976	291,875	4,339,851	7,980,308
Ending Total Pension Liability	4,111,097	296,453	4,407,550	8,208,737
Plan Fiduciary Net Position				
Employer Contributions	120,290	8,996	129,286	38,405
Non-employer Contributions	-	-	-	152,928
Member Contributions	32,754	2,531	35,285	88,243
Net Investment Income	58,902	4,552	63,454	128,369
Benefit Payments, Including Refunds of Member Contributions	(259,181)	(20,033)	(279,214)	(443,359)
Administrative Expense	(2,758)	(213)	(2,971)	(5,945)
Net Change in Plan Fiduciary Net Position	(49,993)	4,167	(54,160)	(41,359)
Beginning Plan Fiduciary Net Position	3,205,240	232,398	3,437,638	6,899,978
Ending Plan Fiduciary Net Position	3,155,247	236,565	3,383,478	6,858,619
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	(5,253)	5,253	-	-
Ending Net Pension Liability	\$ 950,597	\$ 65,141	\$ 1,024,072	\$ 1,350,118
Proportion				
June 30, 2016	92.825250%	7.110363%	100%	95.036038%
June 30, 2015	92.853946%	7.146054%	100%	95.069591%
Change - Increase (Decrease)	0.028696%	0.035691%	0%	0.033553%

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

All Plans

Valuation dates 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

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%

Investment rate of return 7.125%

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	<u>PLD</u>			
	<u>SETP</u>	<u>(The State is not an employer in this plan)</u>	<u>Judicial</u>	<u>Legislative</u>
Amortization method	Level percent of payroll, closed 16-year amortization of the 2012 UAL	Corridor method, amortize liability outside of 90% corridor 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 2015 Investment rate of return	N/A	7.125%	N/A	N/A

ANNUAL PENSION COST AND NET PENSION LIABILITY

For the year ended June 30, 2016, the State recognized pension expense of \$140,053 which includes \$58,341 of teacher pensions recorded in grant expense. At June 30, 2016, the State reported \$314,254 of deferred outflows of resources and \$135,903 of deferred inflows of resources related to its pension plans. Deferred outflows of resources of \$258,407 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense over the next four years. Information by pension plan is as follows:

(Expressed in Thousands)

	SEIP State of Maine		Combined Totals for 3 Non-Major Discrete Component Units		Total State of Maine Employees SEIP		SEIP 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	\$ -	\$ 25,577	\$ -	\$ 1,977	\$ -	\$ 27,554	\$ -	\$ 8,909	\$ -	\$ 254	\$ 1,119
Changes of assumptions	17,342	-	1,341	-	18,683	-	35,354	-	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	30,090	-	2,326	-	32,416	-	58,019	-	94	-	527
Changes in proportion and differences between State contributions and proportionate share of contributions	1,186	2,808	1,883	261	3,069	3,069	846	9,625	-	-	-	-
State and component unit contributions subsequent to the measurement date	145,174	-	8,303	-	153,477	-	112,155	-	9	-	1,069	-
Total	\$163,702	\$ 58,475	\$11,527	\$ 4,564	\$175,229	\$ 63,039	\$148,355	\$ 76,553	\$ 9	\$ 348	\$ 2,188	\$ 527
For the Year Ended												
2017	(20,235)		169		(20,066)		(21,060)		(324)		746	
2018	(31,616)		(2,430)		(34,046)		(45,204)		(70)		(372)	
2019	(20,997)		(1,623)		(22,620)		(41,965)		(70)		(372)	
2020	32,901		2,544		35,445		67,876		116		590	
2021	-		-		-		-		-		-	

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equities	20%	5.2%
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%	0.7%

The discount rate used to measure the collective total pension liability was 7.125 percent for the 2015 and 2014 actuarial valuations for the State Employee and Teacher Plan. The PLD Plan used 7.125 percent for the 2015

actuarial valuation and 7.25 percent for the 2014 actuarial valuation. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at actuarially determined, contractually required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate used for all plans is 7.125 percent.

(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	\$ 1,410,329	\$ 950,597	\$ 562,507
Maine Community College System	100,897	68,007	40,242
Maine Educational Center for the Deaf and Hard of Hearing	7,025	4,735	2,802
Northern New England Passenger Rail Authority	1,087	733	434
Subtotal State & Component Unit Members	1,519,338	1,024,072	605,985
Teacher Members	2,363,737	1,350,118	505,891
Total State Employee and Teacher Pension Plan	<u>\$ 3,883,075</u>	<u>\$ 2,374,190</u>	<u>\$ 1,111,876</u>
Judicial Pension Plan	7,745	2,571	(1,946)
Legislative Pension Plan	(2,736)	(3,517)	(4,174)
Consolidated Participating Local Districts Plan	635,636	319,047	18,901

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 2015, 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. There were no changes in assumptions for the Legislative, Judicial Plans and State Employee and Teacher Plans. For the PLD Plan, the discount rate was decreased from 7.25 percent to 7.125 percent and the cost of living benefit increase assumption was changed from 3.12% to 2.55.

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.

See Note 17 regarding plan assumptions changed for the June 30, 2016 actuarial valuations.

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:

	<u>State Employees</u>	<u>Teachers</u>	<u>First Responders</u>	<u>Ancillary Groups</u>
Actives	12,299	27,039	913	77
Retirees	<u>10,160</u>	<u>10,386</u>	<u>98</u>	<u>42</u>
Total	<u>22,459</u>	<u>37,425</u>	<u>1,011</u>	<u>119</u>
Number of employers	1	229	58	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 42 retirees of two non-major component units: Maine Educational Center for the Deaf and Hard of Hearing and the Northern New England Passenger Rail Authority. All active employees participate in the State Employee Group Health Insurance Plan. All eligible retired employees who elect coverage are included in this plan. The State Employee Health Commission establishes premiums annually.

ANNUAL OPEB COST

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

	(Expressed in Thousands)		
	State Employees	Teachers	First Responders
Annual required contribution	\$ 88,000	\$ 48,000	\$ 1,883
Interest on net OPEB obligation	9,000	9,000	268
Adjustment to annual required contribution	(18,000)	(17,000)	(496)
Annual OPEB cost	79,000	40,000	1,655
Contributions made	67,000	27,000	669
Increase (decrease) in net healthcare obligation	12,000	13,000	986
Net healthcare obligation beginning of year	148,000	211,000	6,688
Net healthcare obligation end of year	<u>\$ 160,000</u>	<u>\$ 224,000</u>	<u>\$ 7,674</u>

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

Analysis of Funding Progress
(Expressed in Thousands)

<u>Plan</u>	<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
State Employees	6/30/2016	79,000	84.81%	160,000
	6/30/2015	75,000	89.33%	148,000
	6/30/2014	92,000	68.73%	140,000
Teachers	6/30/2016	40,000	67.50%	224,000
	6/30/2015	38,000	68.42%	211,000
	6/30/2014	38,000	65.67%	199,000
First Responders	6/30/2016	1,655	40.42%	7,674
	6/30/2015	1,782	42.42%	6,688
	6/30/2014	1,611	36.81%	5,662

FUNDED STATUS AND FUNDING PROGRESS

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

<u>Plan</u>	<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Accrued Liability (AAL)</u>	<u>(b-a) Unfunded AAL (UAAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Annual Covered Payroll</u>	<u>(b-a)/c UAAL (as a percentage of covered payroll)</u>
State Employees (in millions)	June 30, 2015	184	1,275	1,157	14.43%	561	206.24%
	June 30, 2014	167	1,224	1,057	13.64%	543	194.66%
	June 30, 2013	150	1,166	1,016	12.86%	518	196.14%
Teachers (in millions)	June 30, 2015	0	739	739	0.00%	1,142	64.71%
	June 30, 2014	0	684	684	0.00%	1,106	61.84%
	June 30, 2013	0	685	685	0.00%	1,194	57.37%
First Responders (in thousands)	June 30, 2015	0	21,822	21,822	0.00%	54,030	40.39%
	June 30, 2014	0	24,055	24,055	0.00%	54,967	43.76%
	June 30, 2013	0	22,369	22,369	0.00%	53,366	41.92%

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:

	<u>State Employees</u>	<u>Teachers</u>	<u>First Responders</u>
Valuation date	June 30, 2016	June 30, 2016	June 30, 2015
Date the valuation was issued	December 2016	December 2016	November 2016
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	21	21	22
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%	4.00%	4.00%
	7.25% ultimate	7.25% ultimate	
Projected salary increases	3.25%	3.25%	3.5% - 9.5%
Inflation rate	3.00%	3.00%	3.00%
Healthcare inflation rate	initial - actual premiums ultimate 5.00% ¹	initial - actual premiums ultimate 5.00% ¹	7.5% at 2016 for Portland; ultimate CPI plus 3% 7.5% for non-Portland; ultimate 5.00% at 2026
Most recent review of plan experience	2016	2016	
Mortality Table	RP-2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used.	RP-2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used.	RP2000 Tables projected forward to 2015 using Scale AA
Former actuarial assumptions:			
Healthcare inflation rate			7.25% at 2015 reducing to an ultimate rate of 5% at 2024
Most recent review of plan experience	2011	2011	
Mortality Table	RP2000 Tables projected forward to 2015 using Scale AA	RP2000 Tables projected forward to 2015 using Scale AA set back two years	

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

CONTRIBUTIONS AND RESERVES

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

INVESTMENTS

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

POST RETIREMENT GROUP LIFE INSURANCE BENEFIT PLAN

The Maine Public Employees Retirement System (the System) is a component unit of the State of Maine. For financial reporting purposes, the System administers 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, 2016 report may be obtained from the Maine Public Employees Retirement System, PO Box 349, Augusta, ME 04332-0349.

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

Group life insurance funds managed by the System are constitutionally restricted and held in trust for the payment of benefits to participants or their beneficiaries. The System's Board of Trustees, in its fiduciary capacity, establishes the System's investment policies and their overall implementation. The System maintains separate reserves and accounts for each participating entity and performs a single actuarial valuation that provides separate data for each participating 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	\$ 4,995	\$ 3,160
Interest on net OPEB obligation	(47)	-
Adjustment to annual required contribution	47	-
Annual OPEB cost	4,995	3,160
Contributions made	4,670	3,160
Increase (decrease) in net healthcare obligation	325	-
Net (asset) obligation beginning of year	(656)	-
Net (asset) obligation end of year	\$ (331)	\$ -

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	6/30/2016	4,995	93.48%	(331)
	6/30/2015	4,931	86.73%	(656)
	6/30/2014	4,760	88.21%	(1,310)
Teachers	6/30/2016	3,160	100.00%	-
	6/30/2015	3,660	100.00%	-
	6/30/2014	3,440	100.00%	-

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plan as of June 30, 2016 was as follows:

		(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)
State Employees	June 30, 2016	32,300	89,900	57,600	35.93%	578,279	9.96%
	June 30, 2015	32,300 *	89,500 *	57,200	36.09%	556,900 *	10.27%
	June 30, 2014 * restated	31,800	87,300	55,500	36.43%	556,900 *	9.97%
Teachers	June 30, 2016	49,800	85,700	35,900	58.11%	698,700	5.14%
	June 30, 2015	48,000	79,000	31,000	60.76%	666,200	4.65%
	June 30, 2014	45,100	75,600	30,500	59.66%	666,200	4.58%

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, October 2016, 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, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent open
Asset valuation method	market
Actuarial assumptions:	
Investment rate of return	6.875%
Projected salary increases - State employees	2.75% - 8.75%
Projected salary increases - Teachers	2.75% - 14.5%
Inflation rate	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	7.125%

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 2016 were:

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

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
General Obligation Debt:					
General Fund	\$ 343,880	\$ 97,705	\$ 60,595	\$ 380,990	\$ 59,415
Special Revenue Fund	76,920	-	15,300	61,620	21,015
Unamortized Premiums:					
General Fund	10,147	14,259	2,572	21,834	2,557
Total	<u>\$ 430,947</u>	<u>\$ 111,964</u>	<u>\$ 78,467</u>	<u>\$ 464,444</u>	<u>\$ 82,987</u>

Debt service requirements (principal and interest) for all outstanding general obligation bonds of the primary government, from June 30, 2016 until maturity, are summarized in the following table:

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

Fiscal Year	Principal	Interest	Total
2017	\$ 80,430	\$ 18,221	\$ 98,651
2018	74,315	15,620	89,935
2019	63,910	12,749	76,659
2020	50,580	10,153	60,733
2021	44,890	8,259	53,149
2022-2026	128,485	14,644	143,129
Total	<u>\$ 442,610</u>	<u>\$ 79,645</u>	<u>\$ 522,255</u>
Unamortized Premiums	21,834		
Total Principal	<u>\$ 464,444</u>		

General fund, special revenue and other general obligation bonds issued and outstanding at June 30, 2016 are as follows:

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

	<u>Amounts Issued</u>	<u>Outstanding June 30, 2016</u>	<u>Fiscal Year Maturities</u>		<u>Interest Rates</u>
			<u>First Year</u>	<u>Last Year</u>	
General Fund:					
Series 2006	\$ 52,390	\$ -	2007	2016	4.00% - 5.51%
Series 2007	33,975	3,395	2008	2017	4.00% - 5.50%
Series 2008	46,525	9,300	2009	2018	3.00% - 5.13%
Series 2009	96,035	26,110	2011	2019	2.50% - 5.00%
Series 2010	31,755	290	2011	2020	1.41% - 4.00%
Series 2011	86,010	33,125	2012	2021	1.625% - 5.00%
Series 2012	49,265	28,415	2013	2022	1.00% - 5.00%
Series 2014	112,945	90,355	2015	2024	0.20% - 5.00%
Series 2015	102,555	92,295	2016	2025	0.85% - 5.00%
Series 2016	97,705	97,705	2017	2026	1.00% - 5.00%
		380,990			
Plus Unamortized Bond Premium		21,834			
Total General Fund		\$ 402,824			
Special Revenue Fund:					
Series 2007	\$ 27,000	\$ 2,700	2008	2017	4.00% - 5.50%
Series 2008	57,550	11,510	2009	2018	3.00% - 5.13%
Series 2009	37,310	13,885	2011	2019	2.50% - 5.00%
Series 2010	25,080	22,475	2011	2020	1.41% - 4.00%
Series 2011	22,125	11,050	2012	2021	1.625% - 5.00%
Total Special Revenue		\$ 61,620			

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, 2016, general obligation bonds authorized and unissued totaled \$49.9 million.

REVENUE BONDS OF THE MAINE GOVERNMENTAL FACILITIES AUTHORITY

The State included \$172.4 million in other financing arrangements to reflect revenue bonds issued by the Maine Governmental Facilities Authority (MGFA), a blended component unit. Payment of the bonds is subject to, and dependent upon, biennial appropriations being made by the State Legislature. Debt issued by MGFA is not debt of the State or any political subdivision within the State. The State is not obligated for such debt, nor is the full faith and credit of the State pledged for such debt. MGFA may not issue securities in excess of \$616.1 million outstanding, at any one time, except for the issuance of certain revenue refunding securities.

During the fiscal year ended June 30, 2016, MGFA issued \$41.1 million in 2015A bonds with an average coupon rate of 4.89 percent to defease a total of \$42.5 million of 2004A and 2005A series bonds. The net proceeds of approximately \$43.5 million, after payment of underwriting fees and other issuance costs, were used to purchase U.S. Governmental securities which provided for all debt service payments on defeased bonds through their respective call dates, all of which were in fiscal 2016. Although the in-substance defeasance resulted in the recognition of a deferred accounting loss of approximately \$2.4 million in the year ended June 30, 2016, the State in effect reduced aggregate debt service approximately \$2.5 million over the next eight years and obtained an economic gain (difference between the present value of the old and new debt service payments) of approximately \$2.4 million.

Also during the fiscal year ended June 30, 2016, MGFA issued \$21.2 million in 2015B bonds with interest rates between 2.00 percent and 5.00 percent.

At June 30, 2016, there were no MGFA in-substance defeased bonds outstanding.

CERTIFICATES OF PARTICIPATION AND OTHER FINANCING ARRANGEMENTS

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

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

SHORT-TERM OBLIGATIONS

The State of Maine did not issue or retire Bond Anticipation Notes during fiscal year 2016. Short-term obligations are used to meet temporary operating cash flow needs. At June 30, 2016 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, 2016, are summarized as follows:

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

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Governmental Activities:					
MGFA Revenue Bonds	\$ 170,870	\$ 64,709	\$ 63,206	\$ 172,373	\$ 20,221
COP's and Other Financing	88,696	19,050	38,181	69,565	37,985
Compensated Absences	44,016	6,625	5,909	44,732	6,005
Claims Payable	73,966	205,333	199,880	79,419	30,887
Capital Leases	40,533	795	4,649	36,679	5,490
Loans Payable to Component Unit	477,188	-	51,989	425,199	45,928
Other Post-Employment Benefit Obligation	361,057	119,707	92,994	387,770	-
Pollution Remediation and Landfill	30,515	11,126	2,820	38,821	-
Total Governmental Activities	\$ 1,286,841	\$ 427,345	\$ 459,628	\$ 1,254,558	\$ 146,516
Business-Type Activities:					
Compensated Absences	\$ 1,054	\$ 162	\$ 126	\$ 1,090	\$ 132
Other Post-Employment Benefit Obligation	4,631	948	1,675	3,904	-
Total Business-Type Activities	\$ 5,685	\$ 1,110	\$ 1,801	\$ 4,994	\$ 132

Debt service requirements (principal and interest) for COP's and other financing arrangements of the primary government, from June 30, 2016 until maturity, are summarized as follows:

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

Fiscal Year	Governmental Funds			Internal Service Funds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 26,326	\$ 135	\$ 26,461	\$ 31,878	\$ 7,039	\$ 38,917
2018	6,839	95	6,934	27,963	6,084	34,047
2019	2,791	54	2,845	25,979	5,179	31,158
2020	1,514	33	1,547	21,331	4,290	25,621
2021	1,532	14	1,546	12,603	3,636	16,239
2022 - 2026	-	-	-	47,001	12,290	59,291
2027 - 2031	-	-	-	27,515	4,556	32,071
2032 - 2034	-	-	-	8,665	483	9,148
Total	\$ 39,002	\$ 331	\$ 39,333	\$ 202,935	\$ 43,557	\$ 246,492

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 2016 were:

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

	Balance			Balance	Due Within
	July 1, 2015	Additions	Reductions	June 30, 2016	One Year
Loans Payable to Components Unit:					
Federal Funds	\$ 119,656	\$ -	\$ 16,603	\$ 103,053	\$ 12,310
Special Revenue Fund	357,532	-	35,386	322,146	33,618
Total	<u>\$ 477,188</u>	<u>\$ -</u>	<u>\$ 51,989</u>	<u>\$ 425,199</u>	<u>\$ 45,928</u>

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

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

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

GARVEE, TransCap and Liquor Operations Revenue bonds issued and outstanding at June 30, 2016 are as follows:

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

	Amounts Issued	Outstanding June 30, 2016	Fiscal Year Maturities		Interest Rates
			First Year	Last Year	
Federal Funds:					
Series 2008	\$ 50,000	\$ 23,460	2009	2020	3.25% - 4.00%
Series 2010A	25,915	8,425	2011	2017	2.00% - 5.00%
Series 2010B	24,085	24,085	2018	2022	4.52% - 5.32%
Series 2014A	44,810	42,590	2015	2026	2.00% - 5.00%
Total Federal Funds		<u>\$ 98,560</u>			
Special Revenue Fund:					
Series 2008	\$ 50,000	\$ 10,265	2009	2023	3.00% - 5.50%
Series 2009A	105,000	50,335	2010	2023	2.50% - 5.00%
Series 2009B	30,000	5,990	2010	2024	2.00% - 5.00%
Series 2011A	55,000	51,100	2012	2026	2.00% - 5.00%
Series 2013	220,660	181,130	2015	2024	1.07% - 4.35%
Series 2015A	54,680	54,680	2019	2024	4.00% - 5.00%
Total Special Revenue Funds		<u>\$ 353,500</u>			

Total principal and interest requirements over the life of the 2008 GARVEE bonds are \$63.1 million, with annual requirements of up to \$5.2 million; for 2010 GARVEE bonds total principal and interest requirements are \$66.3 million, with annual requirements of up to \$5.6 million; for 2014 GARVEE bonds total principal and interest requirements are \$59.0 million, with annual requirements of up to \$5.0 million. Total federal highway transportation funds received in federal fiscal year 2016 were \$217 million. Current year payments to MMBB for GARVEE bonds were \$20.1 million (9.3 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 principal and interest requirements over the life of the 2015A TransCap Revenue bond are \$74.4 million, with annual requirements up to \$16.2 million. Total revenue received for revenue sources used as pledged revenues were \$39.7 million in fiscal year 2016.

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 \$26.8 million (which is net of \$7.0 million of capitalized interest). Total revenue received for revenue sources used as pledged revenue were \$39.7 million in fiscal year 2016.

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, 2016 capital assets include capitalized buildings of \$78.9 million in Governmental Activities, net of related accumulated depreciation of \$44.8 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 \$2.6 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
2017	\$ 5,490	\$ 2,464
2018	5,296	2,149
2019	4,411	1,933
2020	3,908	1,758
2021	3,305	1,568
2022 - 2026	9,077	4,054
2027 - 2031	4,686	857
2032 - 2036	2,222	540
2037 - 2041	1,636	601
2042 - 2046	1,368	687
2047- 2051	-	651
2052 - 2056	-	240
Total Minimum Payments	<u>41,399</u>	<u>\$ 17,502</u>
Less: Amount Representing Interest	4,720	
Present Value of Future Minimum Payments	<u>\$ 36,679</u>	

MGFA REVENUE BONDS, COP'S AND OTHER FINANCING ARRANGEMENTS

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

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, 2016 but paid after the fiscal year end is also reported in the funds.

COMPONENT UNITS

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

Component Unit Bonds Outstanding
(Expressed in Thousands)

<u>Component Unit</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Maturity Dates</u>
Finance Authority of Maine	1.0 - 5.875%	106,903	2016 - 2039
Maine Community College System	2.5 - 5.0%	21,284	2016 - 2035
Maine Health and Higher Educational Facilities Authority	2.0 - 6.0%	739,070	2016 - 2040
Maine Municipal Bond Bank	.5 - 6.12%	1,535,483	2016 - 2045
Maine State Housing Authority	0.02 - 5.55%	1,275,155	2016 - 2045
Maine Turnpike Authority	2.0 - 6.0%	444,139	2016 - 2042
University of Maine System	1.5 - 5.0%	162,602	2016 - 2037

As part of the merger of MELA into FAME, the Authority issued student loan revenue bonds to finance the purchase and origination of educational loans to Maine residents for the purpose of higher education. As of June 30, 2016, the Authority had \$106.9 million in net bonds payable outstanding. The Authority retired \$8.2 million of the Series 2009, 2010, and 2012 bonds upon schedule maturity and mandatory redemptions during fiscal 2016.

At June 30, 2016, the University of Maine System had \$24.2 million principal outstanding related to debt refunded through in-substance defeasance.

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. On June 28, 2016, MHHEFA issued \$64.8 million in series 2016A reserve resolution bonds with an average interest

rate of 4.17 percent, all of which was used to defease \$75.8 million of outstanding reserve fund maturities within the 2006B and 2006F bond series. The net proceeds of approximately \$31.3 and \$77.7 million, respectively, including other sources of funds and after payment of underwriting fees, insurance and other issuance costs, were used to purchase U.S. Government securities which will provide for all future debt service payments on defeased bonds. The economic benefits associated with the refunding inure to the respective institutions. At June 30, 2016 there were approximately \$188.4 million of defeased bonds remaining outstanding with respect to all advance-refunding issues within the reserve fund resolution.

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

On November 3, 2015, the Maine Municipal Bond Bank (MMBB) issued \$53.6 million in General Tax-Exempt Series 2015 D bonds with an average interest rate of 4.65 percent to in-substance defease \$57.9 million of various outstanding maturities of the 2005 A bonds. The net proceeds of approximately \$58.1 million, including a bond premium of approximately \$4.8 million and after payment of approximately \$3 million in underwriting fees and other issuance 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 \$.9 million in the year ending June 30, 2016, MMBB in effect reduced its aggregate debt service payments by approximately \$4.7 million over the next six years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately \$4.4 million. As a result of the in-substance defeasance, MMBB will reduce future debt service requirements of borrowers by approximately \$3.4 million over a period of six years.

On May 26, 2016, MMBB issued \$62.8 million in General Tax-Exempt Series 2016 B bonds with an average interest rate of 4.16 percent to in-substance defease \$66.0 million of various outstanding maturities of the 2009 B, 2009 D, 2009 G, and 2009 H bonds. The net proceeds of approximately \$74.3 million, including a bond premium of approximately \$11.9 million and after payment of approximately \$.4 million in underwriting fees and other issuance 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 \$5.9 million in the year ending June 30, 2016, MMBB in effect reduced its aggregate debt service payments by approximately \$8.1 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 \$7.2 million. As a result of the in-substance defeasance, MMBB will reduce future debt service requirements of borrowers by approximately \$7.7 million over a period of twenty-four years.

On October 22, 2015, MMBB issued \$54.7 million in Transportation Infrastructure 2015A series bonds with an average interest rate of 4.96 percent to in-substance defease \$56.8 million of various outstanding maturities of the 2008A, 2009A and 2009B bonds. The net proceeds of approximately \$65.0 million including a bond premium of approximately \$10.8 million and after payment of approximately \$.5 million in underwriting fees and other issuance costs, were 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 \$10.3 million in the year ended June 30, 2016, MMBB in effect reduced the Transportation Infrastructure Fund Group's aggregate debt service approximately \$3.8 million over the next eight years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately \$3.4 million. The gain and economic benefit of this transaction inure to the State of Maine and not MMBB.

At June 30, 2016 the remaining balances of the General Tax-Exempt Fund Group in-substance defeased bonds total approximately \$209.7 million. At June 30, 2016, the remaining balances of the Transportation Infrastructure Fund Group in-substance defeased bonds total approximately \$56.8 million.

In June of 2016, Maine Community College System (MCCS) issued \$19.0 million of revenue bonds through MHHEFA with an average annual interest rate of 4.0 percent and a final maturity in July 2035. MHHEFA requires that \$1.5 million of the bond proceeds be transferred to a debt reserve fund. The amount transferred to the debt reserve fund is retained by MHHEFA in an interest bearing account and will be used to make the final payment of principal and interest in 2035. Accordingly, funds transferred to MHHEFA are not included as assets and are deducted from the amounts owed. The bonds were issued at a premium of \$2.5 million. This revenue bond was used to refund the MHHEFA Bond 2006F originally issued in September 2006.

For the period ended December 31, 2015, the Maine State Housing Authority redeemed prior to maturity \$297.0 million of its Mortgage Purchase Fund Group bonds from surplus revenues and the proceeds of refunding bonds. Mortgage Purchase Fund losses of \$0.4 million were attributed to recognition of the bond discount and debt issuance expenses associated with the redeemed bonds.

For the year ended December 31, 2015, the Maine Turnpike Authority issued \$144.9 million of Series 2015 Revenue Refunding Bonds. The proceeds from the bonds were used to advance refund \$43.8 million of principal amounts of the Series 2005, Series 2007, and Series 2009 bonds outstanding which mature between 2016 and 2035. 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 \$7.5 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 \$33.4 million and an economic gain of \$24.6 million.

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
2017	\$ 6,973	\$ 116,449	\$ 131	\$ 42,540	\$ 18,700	\$ 8,793	\$ 35,680
2018	6,879	134,824	827	62,450	19,830	9,798	39,660
2019	6,679	134,460	870	54,080	20,640	9,339	40,040
2020	6,805	127,195	833	51,755	14,945	10,104	40,925
2021	11,456	127,160	880	51,005	16,015	8,975	40,670
2021 - 2026	25,630	514,875	5,006	238,480	96,880	42,688	192,175
2027 - 2031	14,793	219,561	5,969	263,930	121,520	40,360	179,205
2032 - 2036	24,600	57,730	4,219	252,855	56,355	20,060	113,535
2037 - 2041	4,885	9,630	-	202,630	30,905	445	57,180
2042 - 2046	-	3,400	-	53,950	8,365	-	-
2047 - 2051	-	-	-	-	-	-	-
Net Unamortized Premium							
or (Deferred Amount)	(1,797)	90,199	2,549	1,480	39,984	12,040	-
Total Principal Payments	<u>\$ 106,903</u>	<u>\$1,535,483</u>	<u>\$ 21,284</u>	<u>\$1,275,155</u>	<u>\$ 444,139</u>	<u>\$ 162,602</u>	<u>\$ 739,070</u>

NOTE 12 - SELF-INSURANCE

A. RISK MANAGEMENT

The State maintains several types of insurance plans and accounts for them in two funds that are combined for financial statement purposes as the Risk Management Fund. The Risk Management Division provides insurance advice and services to State governmental agencies. The State-Administered Fund offers similar services to quasi-governmental entities. Statute requires the Self-Insurance Fund to be replenished by

appropriation if the fund balance drops below \$1 million. The State-Administered Fund balance has no similar provision; however, statutes prevent it from being used for any purpose other than providing insurance services.

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

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

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

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

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

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

² Excess insurance is only for out of state travel.

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

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

All risk-financing liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims liabilities represent the estimated cost of claims as of March 31, 2016. 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, 2016 and 2015, the present value of the claims payable for the State's self-insurance plan was estimated at \$8.0 million and \$4.2 million, respectively. The actuary calculated this based on the State's rate on investments.

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

	<u>2016</u>	<u>2015</u>
Liability at Beginning of Year	\$ 4,228	\$ 4,294
Current Year Claims and Changes in Estimates	8,829	2,007
Claims Payments	5,041	2,073
Liability at End of Year	<u>\$ 8,016</u>	<u>\$ 4,228</u>

As of June 30, 2016, fund assets of \$26.2 million exceeded fund liabilities of \$8.8 million by \$17.4 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 \$696 thousand for the fiscal year ended June 30, 2016.

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, 2016:

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

	<u>2016</u>	<u>2015</u>
Liability at Beginning of Year	\$ 47,045	\$ 44,749
Current Year Claims and Changes in Estimates	9,766	12,091
Claims Payments	8,618	9,795
Liability at End of Year	<u>\$ 48,193</u>	<u>\$ 47,045</u>

Based on the actuarial calculation as of June 30, 2016, the State is liable for unfunded claims, and incurred but not reported claims, of approximately \$58.6 million. The discounted amount is \$48.2 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 37,300 covered individuals. This total includes 29,350 active employees and dependents and 7,950 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, 2016 the State recorded a receivable of \$1.3 million for an overpayment of health care premiums.

Expenses and liabilities for incurred but not reported claims, based on an actuarial analysis of claim lag pattern, have been recorded as liabilities in the amount of \$23.2 million. Changes in the Employee Health Insurance and Retiree Health Insurance claims liability for the fiscal year ending June 30, 2016 follows:

(Expressed in Thousands)

	<u>Employee Health Fund</u>	<u>Retiree Health Fund</u>
Liability at Beginning of Year	\$ 17,020	\$ 5,673
Current Year Claims and Changes in Estimates	153,317	33,421
Claims Payments	152,930	33,291
Liability at End of Year	<u>\$ 17,407</u>	<u>\$ 5,803</u>

The table above reflects actual activity of the employee health and retiree health insurance programs. In accordance with GASB Statement No. 45, certain costs reported above were reclassified for financial statement purposes. Retiree healthcare costs of \$48.1 million were reclassified from the internal service fund to the OPEB Trust Fund, a fiduciary fund. Additionally, \$15.0 million of active employee healthcare costs were reclassified from the internal service fund to the OPEB Trust Fund to reflect age-adjusted claims.

NOTE 13 – JOINT VENTURES

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

Tri-State Lotto Commission

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

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

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

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

The Tri-State Lotto Commission financial report for fiscal year 2016, 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	\$ 12,297
Noncurrent Assets	30,471
Total Assets	<u>\$ 42,768</u>
Current Liabilities	\$ 10,395
Long-term Liabilities	23,541
Total Liabilities	<u>33,936</u>
Designated Prize Reserves	4,346
Reserve for Unrealized Gains	4,486
Total Net Position	<u>8,832</u>
Total Liabilities and Net Position	<u>\$ 42,768</u>
Total Revenue	\$ 58,557
Total Expenses	39,124
Allocation to Member States	19,433
Change in Unrealized Gain on Investments Held for Resale	447
Change in Net Position	<u>\$ 447</u>

Multi-State Lottery Association

The Maine State Lottery became a member of the Multi-State Lottery Association (MUSL) in July 2004. The MUSL currently has 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 2016 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	\$ 373,330
Investments in US Government Securities	66,335
US Government Securities Held for Prize Annuities	83,445
Due from Party Lotteries	36,249
Patent, net of accumulated amortization	6,583
Other Assets	894
Total Assets	<u>\$ 566,836</u>
Amount Held for Future Prizes	\$ 472,578
Grand Prize Annuities Payable	83,596
Other Liabilities	3,719
	<u>559,893</u>
Net Position, Unrestricted	6,943
Total Liabilities and Net Position	<u>\$ 566,836</u>
Total Revenue	\$ 4,618
Total Expenses	6,135
Excess of revenue over expenses	<u>(1,517)</u>
Net Position, beginning	8,460
Net Position, ending	<u>\$ 6,943</u>

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

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

COMPONENT UNITS

The State provided appropriations and grant monies to the following discretely presented component units: University of Maine System, \$243.7 million; Maine Community College System, \$71.7 million; Maine Municipal Bond Bank, \$39.9 million; Finance Authority of Maine, \$16.0 million; and Maine State Housing Authority, \$15.9 million.

FAME administers several revolving loan funds on behalf of the State of Maine. FAME recorded these funds, which total \$29.4 million at June 30, 2016, 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 2016, the State expended \$3.3 million to FAME for State revolving loan funds. 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. FAME paid approximately \$9.2 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 2016, the amount billed totaled \$5.9 million.

NOTE 15 – DEFERRED OUTFLOWS AND DEFERRED INFLOWS

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

(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
Deferred Outflows of Resources:				
Accumulated Decrease in Fair Value of Hedging Derivatives	\$ -	\$ -	\$ -	\$ 13,977
Refunding of Debt	1,523	-	1,523	66,776
Pension Related	311,070	3,184	314,254	37,888
Total Deferred Outflows of Resources	<u>\$ 312,593</u>	<u>\$ 3,184</u>	<u>\$ 315,777</u>	<u>\$ 118,641</u>
Deferred Inflows of Resources:				
Grant Income	\$ -	\$ -	\$ -	\$ 1,833
Loan Origination Fees	-	-	-	611
Pension Related	134,369	1,534	135,903	28,215
Total Deferred Inflows of Resources	<u>\$ 134,369</u>	<u>\$ 1,534</u>	<u>\$ 135,903</u>	<u>\$ 30,659</u>

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

Governmental Funds
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Deferred Inflows of Resources:						
Tax Revenue or Assessments	\$ 203,150	\$ 742	\$ 49	\$ 28,154	\$ -	\$ 232,095
Total Deferred Inflows of Resources	<u>\$ 203,150</u>	<u>\$ 742</u>	<u>\$ 49</u>	<u>\$ 28,154</u>	<u>\$ -</u>	<u>\$ 232,095</u>

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.(D. Me). 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.

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

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 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 lower court has ruled in favor of the Governor. The case is currently on appeal to the First Circuit Court of Appeals. The probability that this case will result in future losses to the State in excess of \$1 million is undetermined at this time.

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

John F Murphy Homes v. State of Maine (Law Court). This lawsuit is in the amount of \$7+ million for payments allegedly due for educational services over the last dozen years. The Superior Court ruled in favor of the State. The case is currently on appeal to the Maine Supreme Judicial Court. The probability that this case will result in future losses to the State in excess of \$1 million is undetermined at this time.

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

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

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

ENCUMBRANCES

Encumbrances are reported in the restricted, committed, and assigned fund balances of the governmental funds. General fund, highway fund, federal fund, other special revenue fund and other governmental funds balances are \$47.3 million, \$1.5 million, \$144.2 million, \$23.9 million and \$1.9 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, 2016 is \$22.3 million. Superfund sites account for approximately \$8.3 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 \$549 thousand. Currently the State shares the costs with Environmental Protection Agency (EPA) in a cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in September of 2018, the State will assume 100 percent of the operation and maintenance and long-term monitoring costs.

Eastern Surplus – The State recorded a liability for pollution remediation activities of approximately \$1.4 million. Beginning in August of 2012, the State assumed 100 percent of the operation and maintenance and monitoring costs. As of June 30, 2016 the State has received \$2.1 million in recoveries from the Department of Defense. The State expects to recover additional costs of \$140 thousand.

Callahan Mine – The State recorded a liability for pollution remediation activities of approximately \$6.4 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 million (net of unrealized recoveries of \$827 thousand) related to five uncontrolled hazardous substance sites. The State expects to recover \$1.5 million in costs. The Uncontrolled Hazardous Substance Sites Program was created in response to the threats and potential threats to human health and the environment posed primarily by abandoned hazardous waste sites. The Uncontrolled Hazardous Substance Sites program is the State's equivalent to the Federal Superfund Program.

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

MUNICIPAL SOLID WASTE LANDFILLS

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

The Dolby Landfill no longer accepts solid waste. In calendar year 2016 the first of phase of a multi-year plan to cap approximately 100 acres at the facility was completed. The State allocated \$6 million of current bond

funds and anticipates another \$6 million in bonds funds to complete the closure of the facility. In addition to the closure of the facility, the State anticipates additional post-closure maintenance and monitoring costs of approximately \$6 million over the next 30 years. Actual costs may be higher due to inflation, changes in technology or changes in applicable laws or regulations.

Cost-Sharing Program – Title 38 M.R.S.A., §1310-F establishes within the Department of Environmental Protection (DEP) a cost-sharing program for the closure and remediation of municipal solid waste landfills that pose a potential hazard and that meet other qualifying criteria. The law provides for reimbursement of 75 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 FY2016 the DEP received \$994 thousand from the CDD fee. 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 FY16, DEP's total outstanding reimbursement obligation to municipalities was \$7.5 million. At the end of FY16 the outstanding match obligation was \$6.9 million. Although, the overall outstanding debt during the year decreased, additional debt was incurred due primarily to landfill remediation expenses which were submitted over the course of the year. DEP incurred the oldest outstanding match obligations in 2008.

SAND AND SALT STORAGE PROGRAM

The State estimates the potential aggregate cost to comply with the environmental requirements associated with the Sand and Salt Storage program to be \$5.1 million. This consists of approximately \$2.1 million for State-owned facilities and approximately \$3 million for the State's share, under a cost sharing arrangement, for municipal facilities.

POLLUTION ABATEMENT PROGRAM

Title 38 MRSA §411, §411-A, and §412 establish within DEP cost-sharing programs for pollution abatement projects. Subject to funding by the Legislature and the approval of the Commissioner, the State may contribute to the planning of municipal pollution abatement facilities; the design, engineering, and construction of private, commercial, and municipal pollution abatement facilities; and make payments to the Maine Municipal Bond Bank to supply the State's share of the revolving loan fund established by Title 30-A §6006-A. During the 2016 fiscal year, \$465 thousand of general obligation bond funds and \$2.1 million of Liquor Operation Revenue Funds were expended for pollution abatement projects. As of June 30, 2016 amounts encumbered for pollution abatement projects totaled \$137 thousand, and general obligation bonds authorized for these projects, but not yet encumbered, totaled \$2.4 million. As of June 30, 2016, 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 48.1 percent of the annual payments. As of June 30, 2016 outstanding commitments by municipalities for school bond issues that are eligible for State subsidy totaled \$775.9 million.

At June 30, 2016, the Department of Transportation had contractual commitments of approximately \$262.3 million for construction of various highway projects. The State's share of that amount is expected to be approximately \$40.7 million. Of these amounts, \$6.3 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 2016, Maine received a total of \$51.8 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, 2016, the Fund included \$3.9 million of securities not yet liquidated that were not subject to transfer to the General Fund. Net collections from inception (1979) to June 30, 2016 of approximately \$225.1 million represent a contingent liability to the State since claims for refund may be filed by the owners of such property.

A liability representing the probable amount of escheat property that will be reclaimed and paid to claimants and other third parties is reported in the Fund. To the extent that the assets in the Fund are less than the claimant liability, a receivable (due from other funds) is reported in that Fund and an equal liability (due to other funds) is reported in the General Fund. At June 30, 2016, the amount reported in the Fund for claimant liability is \$37.6 million. The General Fund shows a \$33.2 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, 2016, loans outstanding pursuant to these authorizations are \$79.1 million, less than \$1 million, and \$3.4 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, 2016.

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, 2016, 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, 2016.

MORAL OBLIGATIONS

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

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

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

The following summarizes information regarding outstanding moral obligations:

Moral Obligation Bonds				
(Expressed in Thousands)				
Issuer	Bonds Outstanding	Required Debt Reserve	Obligation Debt Limit	Legal Citation
Maine Health and Higher Educational Facilities Authority	\$ 739,070	\$ 65,954	no limit	22 MRSA § 2075
Finance Authority of Maine	45,291	-	\$ 642,000	10 MRSA §1032, 1053
	-	-	50,000	20-A MRSA §11449
	-	-	50,000	38 MRSA §2221
	107,815	11,962	225,000	20-A MRSA §11424
Loring Development Authority *	-	-	100,000	5 MRSA §13080-N
Maine Municipal Bond Bank	1,141,508	143,714	no limit	30-A MRSA §6006
Maine State Housing Authority	1,235,250	101,438	2,150,000	30-A MRSA §4906
Total	<u>\$ 3,268,934</u>	<u>\$ 323,068</u>		

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

COMPONENT UNITS

CONSTRUCTION CONTRACTS

At June 30, 2016, UMS had outstanding commitments on uncompleted construction contracts that totaled \$10.8 million.

At June 30, 2016, MCCA had \$7.1 million remaining in construction and renovation contracts.

At December 31, 2015, the Maine Turnpike Authority had \$35.0 million remaining in commitments on outstanding construction projects for improvements and maintenance.

MORTGAGE COMMITMENTS

Mortgage commitments are agreements to lend provided there is no violation of any term or condition of the agreement. Generally, once exercised, the loans made under the terms of such commitments are secured by a lien on the related property and other collateral as deemed necessary. At December 31, 2015 Maine State Housing Authority (MSHA) had outstanding commitments to originate multi-family loans of approximately \$45.7 million.

MSHA, under its single-family program, enters into purchase agreements to lenders to purchase mortgage loans. At December 31, 2015, single-family loans being processed by lenders totaled \$23.6 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, 2016, FAME had insurance outstanding for commercial loans under the Loan Insurance Program totaling approximately \$112.0 million. At June 30, 2016, FAME was insuring loans with an aggregate outstanding principle balance approximating \$1.9 million which were 90 or more days delinquent. The aggregate insured balance of these loans was approximately \$1.2 million at June 30, 2016. In

addition, FAME has entered into commitments to insure loans at some future date. At June 30, 2016, these commitments under the Loan Insurance Program were approximately \$5.4 million.

FEDERAL STUDENT LOAN RESERVE FUND

FAME holds and administers the Federal Student Loan Reserve Fund for the US Department of Education. Total outstanding guarantees issued under the FFELP approximated \$440.9 million at June 30, 2016. A portion of the defaults on FFELP loan guarantees are paid by the US Department of Education. At June 30, 2016, the reserve level was approximately \$2.6 million.

NOTE 17 - SUBSEQUENT EVENTS**PRIMARY GOVERNMENT**

On October 6, 2016, the Maine Governmental Facilities Authority issued \$25.0 million of Series 2016A Lease Revenue Refunding Bonds. The bonds bear interest rates from 3.0 percent to 5.0 percent and maturities from 2018 to 2029, all of which will be used to in-substance defease \$26.8 million of outstanding maturities within the 2007A, 2008A and 2009A bond series. The Authority will reduce its aggregate debt service payments and the State's aggregate lease payments by approximately \$3.0 million over the next thirteen years, resulting in an economic gain (difference between present value of the old debt and new debt service payments) to the State of approximately \$2.6 million. The bonds do not constitute a legal debt or obligation of the State.

On October 6, 2016, the Maine Governmental Facilities Authority issued \$18.0 million of Series 2016B Lease Revenue Bonds to fund various State projects. The bonds bear interest rates from 3.0 percent to 5.0 percent and maturities from 2017 to 2036. The bonds do not constitute a legal debt or obligation of the State.

On November 16, 2016, the Maine Municipal Bond Bank (MMBB) issued \$44.1 million of Series 2016A Grant Anticipation Bonds on behalf of the Maine Department of Transportation. The bonds bear interest rates from 2.6 percent to 5.0 percent and maturities from 2017 to 2028. The bonds do not constitute a legal debt or obligation of the State.

Maine Public Employees Retirement System (MPERS) updated their experience study from 2012 to 2015. MPERS' board of directors approved changes to the actuarial pension calculations and assumptions for June 30, 2016. The most significant ones include:

	State Employees, including judges and legislators	Teachers	PLD Employees
Investment Rate of Return	6.875% per annum, compounded annually; 7.125% was used for the year ended June 30, 2015		
Inflation Rate	2.75%; 3.50% was used for the year ended June 30, 2015		
Annual Salary Increases, including inflation	For the year ended June 30, 2016		
	2.75% - 8.75%	2.75% - 14.50%	2.75% - 9.00%
	For the year ended June 30, 2015		
	3.50% - 10.50%	3.50% - 13.50%	3.50% - 9.50%
Mortality Rates	For the year ended June 30, 2016		
	For active members and non-disabled retirees for the State employees, legislative, judicial, and PLD plans, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used.		
	For the year ended June 30, 2015		
	For active members and non-disabled retirees for the State employees, legislative, judicial, and PLD plans, the RP2000 Tables projected forward to 2015 using Scale AA are used; the ages are set back two years for employees of the teacher plan. For all recipients of disability benefits, the Revenue Ruling 96-7 Disabled Mortality Table for Males and Females is used.		

COMPONENT UNITS

Through March 29, 2016, Maine State Housing Authority (MSHA) issued at par \$65.0 million of bonds in the General Mortgage Purchase Bond Resolution. Through March 29, 2016, MSHA redeemed, at par \$19.6 million of bonds in the General Mortgage Purchase Bond Resolution. Between March 30, 2016 and December 22, 2016, MSHA issued, at par \$150.0 million of bonds in the General Mortgage Purchase Bond Resolution. Between March 30, 2016 and December 22, 2016, MSHA redeemed at par \$131.4 million of bonds in the General Mortgage Purchase Bond Resolution. On December 28, 2016, MSHA will issue at par, \$28.0 million of bonds in the General Mortgage Purchase Bond Resolution.

On November 3, 2016, MMBB issued \$29.9 million of Series 2016C General Resolution Tax Exempt bonds for making loans to several municipal governments. MMBB is currently working on a \$100.5 million General Resolution stand-alone issue for Sanford School Department. The bond issue is expected to close in late January or early February 2017.

On July 13, 2016, MHHEFA issued \$170.8 million of bonds for Eastern Maine Health Systems under the General Bond resolution with an average interest rate of 4.57% and a final maturity date of July 1, 2046. The borrower also contributed \$6.3 million of equity for the project.

NOTE 18 – SPECIAL ITEMS

Change in Accounting Estimate

As stated in Note 3 – Accounting Changes and Restatements, the State changed the allocation methodology for allocating pension costs to funds. For fiscal year 2015, the State allocated pension costs to individual funds using an average of seven years worth of salary costs. After reconsideration, management changed its allocation basis to reflect a five year rolling average allocation of employer contributions made by each fund. Management believes the new measure more accurately aligns the pension costs, which are directly related to and expected to be paid from, each fund. The result on the Maine Military Authority, a non-major enterprise fund, was a decrease of \$11.3 million of pension liability. Given the significant impact on that fund a special item has been recorded to reflect that adjustment.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

Required Supplementary Information - Budgetary Reporting

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

Fiscal Year Ended June 30, 2016
(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	\$ 3,174,020	\$ 3,227,484	\$ 3,244,441	\$ 16,957	\$ 220,812	220,812	\$ 221,173	\$ 361
Assessments and Other	100,343	102,019	104,803	2,784	89,130	91,710	96,465	4,755
Federal Grants	1,895	2,030	1,952	(78)	-	-	-	-
Service Charges	39,322	39,962	38,984	(978)	6,380	6,497	5,997	(500)
Income from Investments	439	1,076	2,045	969	337	245	255	10
Miscellaneous Revenue	4,122	4,444	14,200	9,756	2,813	3,474	3,617	143
Total Revenues	<u>3,320,141</u>	<u>3,377,015</u>	<u>3,406,425</u>	<u>29,410</u>	<u>319,472</u>	<u>322,738</u>	<u>327,507</u>	<u>4,769</u>
Expenditures								
Governmental Support and Operations	276,519	276,590	258,258	18,332	1,437	2,418	2,205	213
Economic Development & Workforce Training	42,465	42,513	39,865	2,648	-	-	-	-
Education	1,434,900	1,446,429	1,420,893	25,536	-	-	-	-
Health and Human Services	1,190,371	1,204,588	1,154,944	49,644	-	-	-	-
Business Licensing & Regulation	-	-	-	-	-	-	-	-
Natural Resources Development & Protection	76,944	77,824	74,296	3,528	33	33	27	6
Justice and Protection	342,732	356,647	330,344	26,303	28,721	28,435	26,410	2,025
Arts, Heritage & Cultural Enrichment	8,606	8,388	7,614	774	-	-	-	-
Transportation Safety & Development	-	-	-	-	286,402	342,013	304,840	37,173
Total Expenditures	<u>3,372,537</u>	<u>3,412,979</u>	<u>3,286,214</u>	<u>126,765</u>	<u>316,593</u>	<u>372,899</u>	<u>333,482</u>	<u>39,417</u>
Revenues Over (Under) Expenditures	<u>(52,396)</u>	<u>(35,964)</u>	<u>120,211</u>	<u>156,175</u>	<u>2,879</u>	<u>(50,161)</u>	<u>(5,975)</u>	<u>44,186</u>
Other Financing Sources (Uses)								
Operating Transfers Net	(23,932)	(35,847)	(47,219)	(11,372)	-	-	15,209	15,209
Other Budgeted Resources								
Proceeds from Pledged Future Revenues								
Net Other Financing Sources (Uses)	<u>(23,932)</u>	<u>(35,847)</u>	<u>(47,219)</u>	<u>(11,372)</u>	<u>-</u>	<u>-</u>	<u>15,209</u>	<u>15,209</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (76,328)</u>	<u>\$ (71,811)</u>	<u>\$ 72,992</u>	<u>\$ 144,803</u>	<u>\$ 2,879</u>	<u>\$ (50,161)</u>	<u>\$ 9,234</u>	<u>\$ 59,395</u>
Fund Balances at Beginning of Year			314,857				63,199	
Fund Balances at End of Year			<u>\$ 387,849</u>				<u>\$ 72,433</u>	

Federal Funds				Other Special Revenue Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ 289,439	\$ 285,782	\$ 284,412	\$ (1,370)
-	-	-	-	184,159	186,736	162,343	(24,393)
2,990,420	3,113,026	2,578,411	(534,615)	12,982	13,068	11,922	(1,146)
483	483	406	(77)	185,133	195,172	257,729	62,557
-	-	15	15	967	961	513	(448)
13,110	12,937	7,341	(5,769)	252,022	282,008	290,064	8,056
<u>3,004,013</u>	<u>3,126,446</u>	<u>2,586,173</u>	<u>(540,273)</u>	<u>924,702</u>	<u>963,727</u>	<u>1,006,983</u>	<u>43,256</u>
5,424	5,892	2,437	3,455	141,232	154,792	144,738	10,054
117,508	130,859	81,888	48,971	49,667	56,495	44,915	11,580
296,333	297,909	201,839	96,070	48,170	46,795	38,589	8,206
2,315,282	2,355,343	1,981,252	374,091	489,819	501,953	451,820	50,133
117	117	75	42	67,091	70,094	58,565	11,529
61,137	76,297	51,276	25,021	126,887	156,695	105,734	50,961
156,964	143,034	54,741	88,293	47,588	57,383	44,435	12,948
3,472	4,351	3,094	1,257	2,086	2,210	1,119	1,091
194,238	233,220	204,469	28,751	77,892	153,512	126,455	27,057
<u>3,150,475</u>	<u>3,247,022</u>	<u>2,581,071</u>	<u>665,951</u>	<u>1,050,432</u>	<u>1,199,929</u>	<u>1,016,370</u>	<u>183,559</u>
<u>(146,462)</u>	<u>(120,576)</u>	<u>5,102</u>	<u>125,678</u>	<u>(125,730)</u>	<u>(236,202)</u>	<u>(9,387)</u>	<u>226,815</u>
75	75	(17,665)	(17,740)	94,552	111,663	(16,033)	(127,696)
				42,510	63,510	46,455	(17,055)
75	75	(17,665)	(17,740)	137,062	175,173	30,422	(144,751)
<u>\$ (146,387)</u>	<u>\$ (120,501)</u>	<u>\$ (12,563)</u>	<u>\$ 107,938</u>	<u>\$ 11,332</u>	<u>\$ (61,029)</u>	<u>\$ 21,035</u>	<u>\$ 82,064</u>
		29,233				330,319	
		<u>\$ 16,670</u>				<u>\$ 351,354</u>	



Required Supplementary Information - Budgetary Reporting

STATE OF MAINE BUDGETARY COMPARISON SCHEDULE BUDGET TO GAAP RECONCILIATION

Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Federal Funds</u>	<u>Special Revenue Fund</u>
Fund Balances - Non-GAAP Budgetary Basis	\$ 387,849	\$ 72,433	\$ 16,670	\$ 351,354
Basis Differences				
Revenue Accruals/Adjustments:				
Taxes Receivable	211,369	1,802	-	12,204
Intergovernmental Receivables	-	-	271,819	-
Other Receivables	56,836	2,644	91,030	64,432
Inventories	2,475	-	439	-
Due from Component Units	25	-	-	63,859
Due from Other Funds	16,291	15,590	-	77,107
Other Assets	183	-	67	206
Unearned Revenues	-	(4,792)	(439)	21,536
Deferred Inflows - Taxes and Assessment Revenues	(203,150)	(742)	(49)	(28,154)
Total Revenue Accruals/Adjustments	84,029	14,502	362,867	211,190
Expenditure Accruals/Adjustments:				
Accounts Payable	(138,183)	(24,824)	(222,719)	(20,772)
Due to Component Units	(1,744)	(25)	(5,516)	(3,972)
Accrued Liabilities	(20,521)	(8,138)	(5,970)	(8,270)
Taxes Payable	(209,089)	-	-	-
Intergovernmental Payables	-	-	(90,981)	-
Pollution Remediation and Landfill Obligation	-	-	-	(1,243)
Due to Other Funds	(57,007)	(3,976)	(17,214)	(20,639)
Total Expenditure Accruals/Adjustments	(426,544)	(36,963)	(342,400)	(54,896)
Fund Balances - GAAP Basis	\$ 45,334	\$ 49,972	\$ 37,137	\$ 507,648

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, 2016, the legislature decreased appropriations to the General Fund by \$3.4 million.

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

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

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

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

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

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

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

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

Generally accepted accounting principles (GAAP) require that the final legal budget be reflected in the “final budget” column. Therefore updated revenue estimates available for appropriations as of June 30, 2016 rather than the amounts shown in the original budget, are reported.

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

Compliance at the Legal Level of Budgetary Control

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

Required Supplementary Information - State Retirement Plans
--

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

June 30, 2016

(Expressed in Thousands)

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

Required Supplementary Information - State Retirement Plans
--

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

June 30, 2016

(Expressed in Thousands)

	<u>2016</u>	<u>2015</u>
Service Cost	\$ 451	\$ 450
Interest	545	503
Changes in Benefit Terms	4	4
Differences Between Expected and Actual Experience	(508)	(93)
Changes of Assumptions	-	86
Benefit Payments, Including Refunds of Member Contributions	(439)	(318)
Net Change in Total Pension Liability	53	632
Beginning Total Pension Liability	7,505	6,873
Ending Total Pension Liability	<u>7,558</u>	<u>7,505</u>
Plan Fiduciary Net Position		
Employer Contributions	4	4
Member Contributions	193	140
Net Investment Income	206	1,622
Benefit Payments, Including Refunds of Member Contributions	(439)	(318)
Administrative Expense	(9)	(8)
Net Change in Plan Fiduciary Net Position	(45)	1,440
Beginning Plan Fiduciary Net Position	11,120	9,680
Ending Plan Fiduciary Net Position	<u>11,075</u>	<u>11,120</u>
Ending Net Pension Liability	<u>\$ (3,517)</u>	<u>\$ (3,615)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	146.5%	148.2%
Covered-employee Payroll	\$ 2,528	\$ 2,590
Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll	-139.2%	-139.6%

Required Supplementary Information - State Retirement Plans

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

Last Three Fiscal Years
(Expressed in Thousands)

	2016	2015	2014
Judicial Pension Plan			
Actuarially Determined Contribution	\$ 1,078	\$ 951	\$ 932
Contributions in Relation to the Actuarially Determined Employer Contribution	(1,078)	(951)	(932)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 7,188	\$ 7,186	\$ 6,742
Contributions as a percentage of covered-employee payroll	14.99%	13.24%	13.83%
Legislative Pension Plan			
Actuarially Determined Contribution	\$ -	\$ -	\$ -
Contributions in Relation to the Actuarially Determined Employer Contribution	-	-	(4)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ (4)
Covered-employee payroll	\$ 2,590	\$ 2,528	\$ 2,535
Contributions as a percentage of covered-employee payroll	0.00%	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.

Required Supplementary Information - State Retirement Plans
--

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

Last Two Fiscal Years
(Expressed in Thousands)

	2016	2015
State Employees		
Proportion of the Collective Net Pension Liability	92.825250%	92.853946%
Proportionate Share (Amount) of the Collective Net Pension Liability	\$ 950,597	\$ 837,743
Covered-employee Payroll	\$ 520,115	\$ 525,765
Proportionate Share of the Net Pension Liability As a Percentage of Its Covered-Employee Payroll	182.77%	159.34%
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	76.80%	79.21%
Maine Community College System		
Proportion of the Collective Net Pension Liability	6.640831%	6.618303%
Proportionate Share (Amount) of the Collective Net Pension Liability	\$ 68,007	\$ 59,710
Covered-employee Payroll	\$ 32,008	\$ 31,679
Proportionate Share of the Net Pension Liability As a Percentage of Its Covered-Employee Payroll	212.47%	188.48%
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	76.80%	79.21%
Maine Educational Center for the Deaf and Hard of Hearing		
Proportion of the Collective Net Pension Liability	0.462378%	0.455434%
Proportionate Share (Amount) of the Collective Net Pension Liability	\$ 4,735	\$ 4,108
Covered-employee Payroll	\$ 3,492	\$ 3,359
Proportionate Share of the Net Pension Liability As a Percentage of Its Covered-Employee Payroll	135.60%	122.30%
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	76.80%	79.21%
Northern New England Passenger Rail Authority		
Proportion of the Collective Net Pension Liability	0.071541%	0.072317%
Proportionate Share (Amount) of the Collective Net Pension Liability	\$ 733	\$ 652
Covered-employee Payroll	\$ 435	\$ 417
Proportionate Share of the Net Pension Liability As a Percentage of Its Covered-Employee Payroll	168.51%	156.35%
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	76.80%	79.21%
Total SETP - State of Maine Employees		
Proportion of the Collective Net Pension Liability	100.000000%	100.000000%
Proportionate Share (Amount) of the Collective Net Pension Liability	\$ 1,024,072	\$ 902,213
Covered-employee Payroll	\$ 556,050	\$ 561,220
Proportionate Share of the Net Pension Liability As a Percentage of Its Covered-Employee Payroll	184.17%	160.76%
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	76.80%	79.21%

Notes to Schedule:

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

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.

Required Supplementary Information - State Retirement Plans
--

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 Three Fiscal Years
(Expressed in Thousands)

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

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 - State Retirement Plans
--

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

Last Two Fiscal Years
(Expressed in Thousands)

	<u>2016</u>	<u>2015</u>
Non-employer Contributing Entity's Proportion of:		
Percentage of the Collective Net Pension Liability	95.036038%	95.069591%
Amount of the Collective Net Pension Liability	\$ 1,350,118	\$ 1,027,065
 Plan's Fiduciary Net Position As a Percentage of the Total Pension Liability	 83.60%	 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.

Required Supplementary Information - State Retirement Plans

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

Last Three Fiscal Years
(Expressed in Thousands)

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

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, 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)	(b)	(b-a)	(a/b)	(c)	(b-a)/c
		Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL (as a percentage of covered payroll)
State Employees (in millions)	June 30, 2015	184	1,275	1,157	14.43%	561	206.24%
	June 30, 2014	167	1,224	1,057	13.64%	543	194.66%
	June 30, 2013	150	1,166	1,016	12.86%	518	196.14%
Teachers (in millions)	June 30, 2015	0	739	739	0.00%	1,142	64.71%
	June 30, 2014	0	684	684	0.00%	1,106	61.84%
	June 30, 2013	0	685	685	0.00%	1,194	57.37%
First Responders (in thousands)	June 30, 2015	0	21,822	21,822	0.00%	54,030	40.39%
	June 30, 2014	0	24,055	24,055	0.00%	54,967	43.76%
	June 30, 2013	0	22,369	22,369	0.00%	53,366	41.92%

Group Life Insurance Plans

(Expressed in Thousands)

Plan	Actuarial Valuation Date	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c
		Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL (as a percentage of covered payroll)
State Employees	June 30, 2016	32,300	89,900	57,600	35.93%	578,279	9.96%
	June 30, 2015	32,300 *	89,500 *	57,200	36.09%	556,900 *	10.27%
	June 30, 2014	31,800	87,300	55,500	36.43%	556,900 *	9.97%
* restated							
Teachers	June 30, 2016	49,800	85,700	35,900	58.11%	698,700	5.14%
	June 30, 2015	48,000	79,000	31,000	60.76%	666,200	4.65%
	June 30, 2014	45,100	75,600	30,500	59.66%	666,200	4.58%

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

Schedule of Employer Contributions

(Expressed in Thousands)

Fiscal Year Ended June 30,	State Employees		Teachers		First Responders	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
Healthcare - 2016	\$88,000	76.14%	\$48,000	56.25%	\$1,883	35.53%
Healthcare - 2015	84,000	79.76%	46,000	56.52%	1,976	38.26%
Healthcare - 2014	99,000	63.87%	45,000	55.46%	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 - 2016	4,670	93.49%	3,160	100.00%	-	-
Group Life - 2015	4,935	86.67%	3,660	100.00%	-	-
Group Life - 2014	4,768	88.07%	3,440	100.00%	-	-
Group Life - 2013	4,591	101.79%	3,099	100.00%	-	-
Group Life - 2012	3,250	144.13%	2,959	100.00%	-	-

<p>Required Supplementary Information – Information about Infrastructure Assets Reported Using the Modified Approach</p>

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 8,809 highway miles or 17,911 lane miles of roads and 2,967 bridges having a total deck area of 12.2 million square feet that the State is responsible to maintain.

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

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

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

Highways

Measurement Scale for Highways

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

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

Bridges

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

Data Element	Point Rating (%)	Description
Structural Adequacy and Safety	55	This category considers inventory rating, superstructure, substructure and culverts.
Serviceability and Functional Obsolescence	30	Serviceability and functional obsolescence that addresses the number of lanes, average daily traffic, roadway width, bridge width, deck condition, under clearances, waterway adequacy, alignment, and defense highway designation.
Essentiality for Public Use	15	This considers detour length, average daily traffic, and defense highway designation.
Special 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
2016	75.3	76.0
2015	75.5	78.0
2014	75.5	78.0

Comparison of Estimated-to-Actual Preservation Costs

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

Actual Preservation Costs (Expressed in millions)					
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Highways	\$ 110.7	\$ 110.2	\$ 163.0 ¹	\$ 90.5	\$ 91.5
Bridges	4.9	5.5	71.0 ¹	14.7	13.2
Total	<u>\$ 115.6</u>	<u>\$ 115.7</u>	<u>\$ 234.0</u>	<u>\$ 105.2</u>	<u>\$ 104.7</u>

Estimated Preservation Costs (Expressed in millions)					
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Highways	\$ 113.4	\$ 71.9	\$ 24.7	\$ 84.1	\$ 155.0
Bridges	8.8	3.9	3.1	13.7	30.0
Total	<u>\$ 122.2</u>	<u>\$ 75.8</u>	<u>\$ 27.8</u>	<u>\$ 97.8</u>	<u>\$ 185.0</u>

¹ As restated

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

Transportation Bonds

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 429, PL 2013, \$26 million in General fund bonds were spent during FY2016. Of the amount authorized by Chapter 305, PL 2015, \$20 million in General fund bonds were spent during FY

**COMBINING AND
INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

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

June 30, 2016
(Expressed in Thousands)

	Special Revenue	Capital Projects	Permanent Funds	Total Other Governmental Funds
Assets				
Equity in Treasurer's Cash Pool	\$ 135	\$ -	\$ -	\$ 135
Investments	71,466	-	24,402	95,868
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	-	86,590	-	86,590
Total Assets	\$ 71,601	\$ 86,590	\$ 24,402	\$ 182,593
Liabilities and Fund Balances				
Accounts Payable	\$ -	\$ 1,812	\$ -	\$ 1,812
Due to Other Funds	-	23	-	23
Due to Component Units	-	1,330	-	1,330
Unearned Revenue	-	3	-	3
Total Liabilities	-	3,168	-	3,168
Fund Balances				
Non-spendable Legal or Contractual	-	-	24,402	24,402
Restricted	71,601	83,422	-	155,023
Total Fund Balances	71,601	83,422	24,402	179,425
Total Liabilities and Fund Balances	\$ 71,601	\$ 86,590	\$ 24,402	\$ 182,593

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

Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent Funds</u>	<u>Total Other Governmental Funds</u>
Revenues				
Investment Income (Loss)	\$ (375)	\$ -	\$ 1,245	\$ 870
Total Revenues	<u>(375)</u>	<u>-</u>	<u>1,245</u>	<u>870</u>
Expenditures				
Governmental Support & Operations	239	-	-	239
Economic Development & Workforce Training	-	10,175	-	10,175
Education	-	18,210	-	18,210
Natural Resources Development & Protection	-	614	-	614
Justice and Protection	-	1,727	-	1,727
Transportation, Safety & Development	-	3,817	-	3,817
Debt Service:				
Capital Outlay	-	58,185	-	58,185
Total Expenditures	<u>239</u>	<u>92,728</u>	<u>-</u>	<u>92,967</u>
Revenue over (under) Expenditures	<u>(614)</u>	<u>(92,728)</u>	<u>1,245</u>	<u>(92,097)</u>
Other Financing Sources (Uses)				
Transfers from Other Funds	1,436	-	-	1,436
Transfers to Other Funds	(3,552)	-	(5)	(3,557)
Bonds Issued	-	97,705	-	97,705
Premium on Bonds Issued	-	14,259	-	14,259
Net Other Finance Sources (Uses)	<u>(2,116)</u>	<u>111,964</u>	<u>(5)</u>	<u>109,843</u>
Net Change in Fund Balances	<u>(2,730)</u>	<u>19,236</u>	<u>1,240</u>	<u>17,746</u>
Fund Balances at Beginning of Year	<u>74,331</u>	<u>64,186</u>	<u>23,162</u>	<u>161,679</u>
Fund Balances at End of Year	<u>\$ 71,601</u>	<u>\$ 83,422</u>	<u>\$ 24,402</u>	<u>\$ 179,425</u>



OTHER GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

Permanent Funds

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

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

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

June 30, 2016
(Expressed in Thousands)

	<u>Baxter Park</u>	<u>Revenue on Permanent Funds</u>	<u>Total Special Revenue Funds</u>
Assets			
Equity in Treasurer's Cash Pool	\$ -	\$ 135	\$ 135
Investments	<u>71,453</u>	<u>13</u>	<u>71,466</u>
Total Assets	<u>\$ 71,453</u>	<u>\$ 148</u>	<u>\$ 71,601</u>
Liabilities and Fund Balances			
Liabilities:			
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted	<u>71,453</u>	<u>148</u>	<u>71,601</u>
Total Fund Balances	<u>71,453</u>	<u>148</u>	<u>71,601</u>
Total Liabilities and Fund Balances	<u>\$ 71,453</u>	<u>\$ 148</u>	<u>\$ 71,601</u>

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

Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	<u>Baxter Park</u>	<u>Revenue on Permanent Funds</u>	<u>Total Special Revenue Funds</u>
Revenues			
Investment Income (Loss)	\$ (733)	\$ 358	\$ (375)
Total Revenues	<u>(733)</u>	<u>358</u>	<u>(375)</u>
Expenditures			
Current:			
General Government	-	239	239
Debt Service:			
Total Expenditures	<u>-</u>	<u>239</u>	<u>239</u>
Revenue over (under) Expenditures	<u>(733)</u>	<u>119</u>	<u>(614)</u>
Other Financing Sources (Uses)			
Transfer from Other Funds	-	1,436	1,436
Transfer to Other Funds	<u>(2,052)</u>	<u>(1,500)</u>	<u>(3,552)</u>
Net Other Finance Sources (Uses)	<u>(2,052)</u>	<u>(64)</u>	<u>(2,116)</u>
Net Change in Fund Balances	<u>(2,785)</u>	<u>55</u>	<u>(2,730)</u>
Fund Balances at Beginning of Year	<u>74,238</u>	<u>93</u>	<u>74,331</u>
Fund Balances at End of Year	<u>\$ 71,453</u>	<u>\$ 148</u>	<u>\$ 71,601</u>

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

June 30, 2016
(Expressed in Thousands)

	<u>Baxter Trust</u>	<u>Other Trusts</u>	<u>Total Permanent Funds</u>
Assets			
Investments	\$ 6,905	\$ 17,497	\$ 24,402
Total Assets	<u>\$ 6,905</u>	<u>\$ 17,497</u>	<u>\$ 24,402</u>
Fund Balances			
Non-spendable Legal or Contractual	<u>\$ 6,905</u>	<u>\$ 17,497</u>	<u>\$ 24,402</u>

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

Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	<u>Baxter Trust</u>	<u>Other Trusts</u>	<u>Total Permanent Funds</u>
Revenues			
Investment Income (Loss)	\$ (22)	\$ 1,267	\$ 1,245
Total Revenues	<u>(22)</u>	<u>1,267</u>	<u>1,245</u>
Expenditures			
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) Expenditures	<u>(22)</u>	<u>1,267</u>	<u>1,245</u>
Transfers to Other Funds			
	<u>-</u>	<u>(5)</u>	<u>(5)</u>
Net Other Finance Sources (Uses)	<u>-</u>	<u>(5)</u>	<u>(5)</u>
Revenues and Other Sources over (under) Expenditures and Other Uses	<u>(22)</u>	<u>1,262</u>	<u>1,240</u>
Fund Balances at Beginning of Year	<u>6,927</u>	<u>16,235</u>	<u>23,162</u>
Fund Balances at End of Year	<u>\$ 6,905</u>	<u>\$ 17,497</u>	<u>\$ 24,402</u>

STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND EXPENDITURES BY AGENCY

Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	Final Budget	Actual	Variance with Final Budget
Department of Administrative and Financial Services			
Administrative Services	\$ 18,352	\$ 14,915	\$ 3,437
Financial Services	118,284	114,745	3,539
Human Resources	2,006	1,970	36
Financial and Personnel Services	159	-	159
Liquor and Lottery	1,288	1,159	129
Purchasing	1,008	900	108
Bureau of Information Services	15,098	10,590	4,508
State Employee Health Commission	793	594	199
	<u>156,988</u>	<u>144,873</u>	<u>12,115</u>
Department of Agriculture, Conservation and Forestry			
	<u>32,903</u>	<u>30,586</u>	<u>2,317</u>
Attorney General			
	<u>19,779</u>	<u>18,095</u>	<u>1,684</u>
Department of Audit			
	<u>1,589</u>	<u>1,383</u>	<u>206</u>
Department of Corrections			
Corrections	98,557	83,404	15,153
Maine State Prison	35,234	33,102	2,132
Maine Correctional Center	23,924	23,767	157
Downeast Correctional Facility	4,923	4,806	117
Charleston Correctional Facility	17,628	16,993	635
Long Creek Youth Development Center	15,625	15,019	606
	<u>195,891</u>	<u>177,091</u>	<u>18,800</u>
Department of Economic and Community Development			
	<u>12,379</u>	<u>10,495</u>	<u>1,884</u>
Department of Environmental Protection			
	<u>7,734</u>	<u>7,454</u>	<u>280</u>
Department of Human Services			
Human Services	864,228	833,137	31,091
Behavioral and Developmental Services	288,003	274,992	13,011
Riverview Psychiatric Center	22,703	20,378	2,325
Dorothea Dix Psychiatric Center	9,845	8,938	907
Office of Substance Abuse	18,105	16,132	1,973
	<u>1,202,884</u>	<u>1,153,577</u>	<u>49,307</u>
Department of Labor			
Labor	11,111	10,414	697
Labor Relations Board	494	426	68
	<u>11,605</u>	<u>10,840</u>	<u>765</u>
Defense, Veterans and Emergency Management			
	<u>8,017</u>	<u>6,929</u>	<u>1,088</u>
Department of Education			
Education	1,165,657	1,141,312	24,345
Education - Unorganized Territory	12,758	11,588	1,170
	<u>1,178,415</u>	<u>1,152,900</u>	<u>25,515</u>
General Government			
Office of the Governor	4,569	4,106	463
Ombudsman Program	158	75	83
	<u>4,727</u>	<u>4,181</u>	<u>546</u>

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Department of Inland Fisheries and Wildlife	\$ 26,845	\$ 26,369	\$ 476
Judicial Department	68,126	67,225	901
Legislative Department			
Legislative	24,766	23,160	1,606
Law and Legislative Reference Library	1,479	1,444	35
Statehouse Preservation and Maintenance	1,433	987	446
Program Evaluation and Government Accountability	1,145	912	233
	<u>28,823</u>	<u>26,503</u>	<u>2,320</u>
Department of Marine Resources	10,252	9,796	456
Department of Public Safety	44,530	41,835	2,695
Secretary of State			
Secretary of State	3,294	2,882	412
Archives Services	1,230	1,049	181
	<u>4,524</u>	<u>3,931</u>	<u>593</u>
Treasurer of State	79,199	76,685	2,514
Other Agencies			
Maine Maritime Academy	8,890	8,890	-
University of Maine	200,588	200,588	-
Board of Education	164	144	20
State Charter School Commission	2	1	1
Maine Fire Protection Service Commission	2	2	-
Com. On Governmental Ethics and Election Practices	154	125	29
Finance Authority of Maine	15,692	15,692	-
Saco River Corridor Commission	47	47	-
Human Rights Commission	705	663	42
Maine Indian Tribal State Council	112	112	-
Board of Property Tax Review	87	81	6
Museum	1,727	1,490	237
Maine Municipal Bond Bank	69	69	-
Maine State Cultural Affairs Council	62	59	3
Maine Historic Preservation Commission	522	322	200
Library	3,502	3,256	246
Maine State Retirement System	317	317	-
Arts and Humanities Administration	977	888	89
Dirigo Health	1,462	1,138	324
Commission on Indigent Legal Services	19,097	18,004	1,093
Maine Humanities Council	53	53	-
Centers for Innovation	118	118	-
NE International Water Pollution Control Commission	8	8	-
Downeast Institute Appl Marine	13	13	-
St. Croix International Waterway	23	23	-
Disability Rights Center	126	126	-
Maine Historical Society	45	45	-
Maine Hospice Counsel	64	64	-
Maine Development Foundation	58	58	-
Maine Public Broadcasting Corporation	1,500	1,500	-
Maine State Housing Authority	2,500	2,500	-
Foundation for Blood Research	52	39	13
Maine Potato Board	161	161	-
Pine Tree Legal	500	500	-
Maine Community College System	58,370	58,370	-
	<u>317,769</u>	<u>315,466</u>	<u>2,303</u>
Grand Total	\$ 3,412,979	\$ 3,286,214	\$ 126,765



STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
HIGHWAY FUND EXPENDITURES BY AGENCY

Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<i>Department of Administrative and Financial Services</i>			
Administrative Services	\$ 1,591	\$ 1,540	\$ 51
Financial Services	814	768	46
	<u>2,405</u>	<u>2,308</u>	<u>97</u>
<i>Department of Environmental Protection</i>			
	<u>33</u>	<u>27</u>	<u>6</u>
<i>Legislative Department</i>			
Legislative	13	-	13
	<u>13</u>	<u>-</u>	<u>13</u>
<i>Department of Transportation</i>			
Transportation	302,689	268,259	34,430
Rail/Van Pool	604	604	-
	<u>303,293</u>	<u>268,863</u>	<u>34,430</u>
<i>Department of Public Safety</i>			
	<u>28,435</u>	<u>26,410</u>	<u>2,025</u>
<i>Secretary of State</i>			
Motor Vehicles	<u>38,720</u>	<u>35,874</u>	<u>2,846</u>
<i>Grand Total</i>	<u>\$ 372,899</u>	<u>\$ 333,482</u>	<u>\$ 39,417</u>

STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
FEDERAL FUND EXPENDITURES BY AGENCY

Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Department of Administrative and Financial Services			
Bureau of Information Services	\$ 41	\$ -	\$ 41
Financial Services	5	-	5
Financial and Personnel Services	673	585	88
State Employee Health Commission	8	-	8
	<u>727</u>	<u>585</u>	<u>142</u>
Department of Agriculture, Conservation and Forestry	<u>30,502</u>	<u>18,784</u>	<u>11,718</u>
Attorney General	<u>2,060</u>	<u>1,037</u>	<u>1,023</u>
Department of Corrections			
Corrections	4,183	1,974	2,209
Maine State Prison	1	-	1
Maine Correctional Center	105	25	80
Downeast Correctional Facility	1	-	1
Charleston Correctional Facility	239	60	179
Long Creek Youth Development Center	295	239	56
	<u>4,824</u>	<u>2,298</u>	<u>2,526</u>
Department of Economic and Community Development	<u>28,312</u>	<u>11,302</u>	<u>17,010</u>
Department of Environmental Protection	<u>20,055</u>	<u>14,682</u>	<u>5,373</u>
Department of Human Services			
Human Services	2,326,252	1,962,554	363,698
Behavioral and Developmental Services	16,571	10,071	6,500
Office of Substance Abuse	11,411	7,582	3,829
	<u>2,354,234</u>	<u>1,980,207</u>	<u>374,027</u>
Department of Labor	<u>102,731</u>	<u>70,587</u>	<u>32,144</u>
Department of Transportation			
Transportation	230,884	203,984	26,900
Air Transportation	1,886	341	1,545
Ferry Service/Ports and Marine	350	144	206
Rail/Van Pool	100	-	100
	<u>233,220</u>	<u>204,469</u>	<u>28,751</u>
Defense, Veterans and Emergency Management	<u>118,401</u>	<u>40,322</u>	<u>78,079</u>
Department of Education			
Education	297,483	201,484	95,999
Education - Unorganized Territory	427	355	72
	<u>297,910</u>	<u>201,839</u>	<u>96,071</u>
General Government			
Office of the Governor	2,347	335	2,012
Ombudsman Program	78	37	41
	<u>2,425</u>	<u>372</u>	<u>2,053</u>
Department of Inland Fisheries and Wildlife	<u>20,107</u>	<u>13,236</u>	<u>6,871</u>
Judicial Department	<u>3,552</u>	<u>2,554</u>	<u>998</u>
Department of Marine Resources	<u>5,633</u>	<u>4,574</u>	<u>1,059</u>
Department of Professional and Financial Regulation			
Professional and Financial Regulation	57	54	3
Board of Nursing	10	-	10
	<u>67</u>	<u>54</u>	<u>13</u>
Department of Public Safety	<u>13,621</u>	<u>8,170</u>	<u>5,451</u>

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Public Utilities Commission	\$ 50	\$ 21	\$ 29
Secretary of State			
Secretary of State	1,323	885	438
Motor Vehicles	1,094	303	791
Archives Services	28	15	13
	<u>2,445</u>	<u>1,203</u>	<u>1,242</u>
Treasurer of State	<u>296</u>	<u>276</u>	<u>20</u>
Other Agencies			
Maine Health Data Organization	1,106	1,046	60
Human Rights Commission	393	360	33
Museum	131	34	97
Maine Historic Preservation Commission	1,218	710	508
Library	1,939	1,624	315
Arts and Humanities Administration	1,063	725	338
	<u>5,850</u>	<u>4,499</u>	<u>1,351</u>
Grand Total	<u>\$ 3,247,022</u>	<u>\$ 2,581,071</u>	<u>\$ 665,951</u>

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

Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	Final Budget	Actual	Variance with Final Budget
Department of Administrative and Financial Services			
Administrative Services	\$ 5,066	\$ 1,893	\$ 3,173
Bureau of Information Services	745	555	190
Financial Services	29,710	28,443	1,267
Human Resources	5	-	5
Financial and Personnel Services	30	3	27
Liquor and Lottery	19	9	10
State Employee Health Commission	75	-	75
Purchasing	4	-	4
	<u>35,654</u>	<u>30,903</u>	<u>4,751</u>
Department of Agriculture, Conservation and Forestry	<u>83,349</u>	<u>60,192</u>	<u>23,157</u>
Attorney General	<u>16,091</u>	<u>12,653</u>	<u>3,438</u>
Department of Audit	<u>2,403</u>	<u>2,008</u>	<u>395</u>
Department of Corrections			
Corrections	2,404	899	1,505
Maine State Prison	125	55	70
Maine Correctional Center	231	91	140
Downeast Correctional Facility	33	8	25
Charleston Correctional Facility	154	78	76
Long Creek Youth Development Center	39	5	34
	<u>2,986</u>	<u>1,136</u>	<u>1,850</u>
Department of Economic and Community Development	<u>17,550</u>	<u>13,572</u>	<u>3,978</u>
Department of Environmental Protection			
Environmental Protection	<u>52,151</u>	<u>30,557</u>	<u>21,594</u>
Department of Human Services			
Human Services	432,034	390,924	41,110
Behavioral and Developmental Services	28,956	26,841	2,115
Riverview Psychiatric Center	20,120	15,144	4,976
Dorothea Dix Psychiatric Center	14,043	13,519	524
Office of Substance Abuse	4,436	3,608	828
	<u>499,589</u>	<u>450,036</u>	<u>49,553</u>
Department of Labor			
Labor	13,175	9,796	3,379
Labor Relations Board	134	112	22
	<u>13,309</u>	<u>9,908</u>	<u>3,401</u>
Department of Transportation			
Transportation	146,846	123,350	23,496
Air Transportation	2,103	1,163	940
Ferry Service/Ports & Marine	377	153	224
Rail/Van Pool	4,186	1,788	2,398
	<u>153,512</u>	<u>126,454</u>	<u>27,058</u>
Defense, Veterans and Emergency Management	<u>4,253</u>	<u>2,815</u>	<u>1,438</u>
Department of Education			
Education	38,706	31,146	7,560
Education - Unorganized Territory	8	-	8
	<u>38,714</u>	<u>31,146</u>	<u>7,568</u>
General Government			
Office of the Governor	268	156	112
Public Advocate	2,044	1,884	160
	<u>2,312</u>	<u>2,040</u>	<u>272</u>
Department of Inland Fisheries and Wildlife	<u>7,776</u>	<u>4,524</u>	<u>3,252</u>

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Judicial Department	\$ 6,491	\$ 4,238	\$ 2,253
Legislative Department			
Legislative	22	-	22
Department of Marine Resources	9,250	6,476	2,774
Department of Professional and Financial Regulation			
Professional and Financial Regulation	29,042	23,530	5,512
Board of Dental Examiners	533	448	85
Board of Nursing	1,160	1,062	98
Board of Optometry	75	68	7
Board of Osteopathic Examination and Registration	235	232	3
Board of Professional Engineers	293	273	20
Board of Registration in Medicine	1,724	1,314	410
	<u>33,062</u>	<u>26,927</u>	<u>6,135</u>
Department of Public Safety	26,690	22,812	3,878
Public Utilities Commission	20,339	15,571	4,768
Secretary of State			
Secretary of State	465	249	216
Motor Vehicles	1,372	1,270	102
Archives Services	32	11	21
	<u>1,869</u>	<u>1,530</u>	<u>339</u>
Treasurer of State	68,518	67,356	1,162
Other Agencies			
Maine Maritime	151	140	11
University of Maine	4,152	3,930	222
Worker's Compensation Board	11,603	11,161	442
Maine Health Data Organization	2,317	1,778	539
Maine Charter School	298	220	78
Baxter State Park Authority	4,119	3,934	185
Com. On Governmental Ethics and Election Practices	4,824	3,100	1,724
Finance Authority of Maine	5,348	3,683	1,665
Saco River Corridor Commission	51	51	-
Human Rights Commission	23	16	7
Board of Property Tax Review	3	-	3
Museum	415	229	186
Maine Municipal Bond Bank	41,232	39,686	1,546
Maine State Cultural Affairs Council	65	-	65
Maine Historic Preservation Commission	619	331	288
Library	919	426	493
Lobster Promotion Council	2,686	1,885	801
Arts and Humanities Administration	191	133	58
Maine Efficiency Trust	3,046	3,023	23
State Board of Correction	1	-	1
Commission on Indigent Legal Services	848	766	82
Maine Children's Trust Incorporated	48	3	45
Maine State Housing Authority	13,952	13,341	611
Harness Racing Promotion Board	189	61	128
Maine Potato Board	1,586	771	815
Maine Community College System	3,478	3,153	325
Wild Blueberry Commission of Maine	1,875	1,695	180
	<u>104,039</u>	<u>93,516</u>	<u>10,523</u>
Grand Total	\$ 1,199,929	\$ 1,016,370	\$ 183,559



NON-MAJOR ENTERPRISE FUNDS

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

Alcoholic Beverages Fund - This fund was established to license and regulate the sale of alcoholic beverages. During fiscal year 2014, the State entered into a ten-year contract with a vendor to manage and operate wholesale liquor distribution as the State's agent.

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

Departments of Defense, Army, Air Force, Navy and Treasury.

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

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

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

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

STATE OF MAINE
COMBINING STATEMENT OF NET POSITION
NON-MAJOR ENTERPRISE FUNDS

June 30, 2016
(Expressed in Thousands)

	<u>Lottery</u>	<u>Alcoholic Beverages</u>	<u>Maine Military Authority</u>	<u>Ferry Service</u>
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ -	\$ 6,516	\$ -	\$ 1,513
Cash and Short-Term Investments	750	-	-	3
Inventories	-	-	2,222	157
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	23,721	4,143	747	100
Due from Other Funds	1,334	-	-	2
Other Current Assets	106	-	712	-
Total Current Assets	<u>25,911</u>	<u>10,659</u>	<u>3,681</u>	<u>1,775</u>
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	-	2,732	-	634
Capital Assets - Net of Depreciation	-	-	4,064	34,549
Total Noncurrent Assets	<u>-</u>	<u>2,732</u>	<u>4,064</u>	<u>35,183</u>
Total Assets	<u>25,911</u>	<u>13,391</u>	<u>7,745</u>	<u>36,958</u>
Deferred Outflows of Resources	<u>\$ 255</u>	<u>\$ 35</u>	<u>\$ 1,058</u>	<u>\$ 923</u>
Liabilities				
Current Liabilities:				
Accounts Payable	1,459	6,570	2,892	743
Accrued Payroll	55	8	201	362
Due to Other Funds	631	2,817	8,395	110
Current Portion of Long-Term Obligations:				
Compensated Absences	14	1	51	44
Unearned Revenue	121	-	62	-
Other Accrued Liabilities	20,356	-	-	-
Total Current Liabilities	<u>22,636</u>	<u>9,396</u>	<u>11,601</u>	<u>1,259</u>
Long-Term Liabilities:				
Compensated Absences	100	5	370	321
Other Post-Employment Benefit Obligation	267	13	1,624	974
Net Pension Liability	1,562	41	12,128	5,190
Total Long-Term Liabilities	<u>1,929</u>	<u>59</u>	<u>14,122</u>	<u>6,485</u>
Total Liabilities	<u>24,565</u>	<u>9,455</u>	<u>25,723</u>	<u>7,744</u>
Deferred Inflows of Resources	<u>96</u>	<u>2</u>	<u>749</u>	<u>319</u>
Net Position				
Net Investment in Capital Assets	-	-	4,064	34,549
Unrestricted	1,505	3,969	(21,733)	(4,731)
Total Net Position	<u>\$ 1,505</u>	<u>\$ 3,969</u>	<u>\$ (17,669)</u>	<u>\$ 29,818</u>

			Total	
Prison Industries	Dirigo Health	Consolidated Emergency Communications Fund	Other Enterprise Funds	
\$ 365	\$ 30	\$ 1,296	\$ 9,720	
3	-	-	756	
2,003	-	-	4,382	
82	-	1	28,794	
6	-	20	1,362	
-	-	-	818	
<u>2,459</u>	<u>30</u>	<u>1,317</u>	<u>45,832</u>	
153	13	543	4,075	
45	-	-	38,658	
<u>198</u>	<u>13</u>	<u>543</u>	<u>42,733</u>	
2,657	43	1,860	88,565	
<u>\$ 55</u>	<u>\$ 15</u>	<u>\$ 843</u>	<u>\$ 3,184</u>	
49	-	46	11,759	
16	-	180	822	
7	6	75	12,041	
-	-	22	132	
-	-	-	183	
1	-	-	20,357	
<u>73</u>	<u>6</u>	<u>323</u>	<u>45,294</u>	
-	-	162	958	
33	87	906	3,904	
220	775	4,966	24,882	
<u>253</u>	<u>862</u>	<u>6,034</u>	<u>29,744</u>	
326	868	6,357	75,038	
14	48	306	1,534	
45	-	-	38,658	
<u>2,327</u>	<u>(858)</u>	<u>(3,960)</u>	<u>(23,481)</u>	
<u>\$ 2,372</u>	<u>\$ (858)</u>	<u>\$ (3,960)</u>	<u>\$ 15,177</u>	

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

Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	<u>Lottery</u>	<u>Alcoholic Beverages</u>	<u>Maine Military Authority</u>	<u>Ferry Service</u>
Operating Revenues				
Charges for Services	\$ 278,434	\$ 166,751	\$ 6,160	\$ 4,980
Miscellaneous Revenues	-	1	-	-
Total Operating Revenues	<u>278,434</u>	<u>166,752</u>	<u>6,160</u>	<u>4,980</u>
Operating Expenses				
General Operations	217,556	120,373	11,129	9,391
Depreciation	-	-	481	2,725
Total Operating Expenses	<u>217,556</u>	<u>120,373</u>	<u>11,610</u>	<u>12,116</u>
Operating Income (Loss)	<u>60,878</u>	<u>46,379</u>	<u>(5,450)</u>	<u>(7,136)</u>
Nonoperating Revenues (Expenses)				
Other Nonoperating Revenues (Expenses) - net	<u>20</u>	<u>-</u>	<u>(21)</u>	<u>(840)</u>
Total Nonoperating Revenues (Expenses)	<u>20</u>	<u>-</u>	<u>(21)</u>	<u>(840)</u>
Income (Loss) Before Capital Contributions, Transfers and Special Items	<u>60,898</u>	<u>46,379</u>	<u>(5,471)</u>	<u>(7,976)</u>
Capital Contributions, Transfers and Special Items				
Capital Contributions from Other Funds	-	-	-	37
Transfers from Other Funds	-	-	-	5,112
Transfers to Other Funds	(57,577)	(44,400)	-	-
Special Items	-	-	11,335	-
Total Capital Contributions, Transfers In (Out) and Special Items	<u>(57,577)</u>	<u>(44,400)</u>	<u>11,335</u>	<u>5,149</u>
Change in Net Position	3,321	1,979	5,864	(2,827)
Net Position - Beginning of Year	<u>(1,816)</u>	<u>1,990</u>	<u>(23,533)</u>	<u>32,645</u>
Net Position - End of Year	<u>\$ 1,505</u>	<u>\$ 3,969</u>	<u>\$ (17,669)</u>	<u>\$ 29,818</u>

			<u>Total</u>	
<u>Prison Industries</u>	<u>Dirigo Health</u>	<u>Consolidated Emergency Communications Fund</u>	<u>Other Enterprise Funds</u>	
\$ 2,292	\$ 45	\$ 5,873	\$ 464,535	
-	446	-	447	
<u>2,292</u>	<u>491</u>	<u>5,873</u>	<u>464,982</u>	
1,646	12	5,528	365,635	
2	-	2	3,210	
<u>1,648</u>	<u>12</u>	<u>5,530</u>	<u>368,845</u>	
644	479	343	96,137	
2	-	(16)	(855)	
2	-	(16)	(855)	
<u>646</u>	<u>479</u>	<u>327</u>	<u>95,282</u>	
-	-	-	37	
-	-	-	5,112	
-	(1,000)	-	(102,977)	
-	-	-	11,335	
-	(1,000)	-	(86,493)	
646	(521)	327	8,789	
<u>1,726</u>	<u>(337)</u>	<u>(4,287)</u>	<u>6,388</u>	
<u>\$ 2,372</u>	<u>\$ (858)</u>	<u>\$ (3,960)</u>	<u>\$ 15,177</u>	

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

June 30, 2016
(Expressed in Thousands)

	<u>Lottery</u>	<u>Alcoholic Beverages</u>	<u>Maine Military Authority</u>	<u>Ferry Service</u>
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 281,457	\$ 164,504	\$ 4,469	\$ 4,974
Other Operating Cash Receipts (Payments)				
Cash Received from Interfund Services	-	607	399	13
Payments to Prize Winners	(179,768)	-	-	-
Payments to Suppliers	(30,798)	(119,333)	(145)	(2,870)
Payments to Employees	(1,617)	(262)	(7,431)	(5,890)
Payments for Interfund Goods and Services	(11,717)	(3,639)	(275)	(682)
Net Cash Provided (Used) by Operating Activities	<u>57,557</u>	<u>41,877</u>	<u>(2,983)</u>	<u>(4,455)</u>
Cash Flows from Noncapital Financing Activities				
Transfers from Other Funds	-	-	-	5,112
Transfers to Other Funds	(57,577)	(44,400)	-	-
Negative Cash Balance Implicitly Financed	-	-	3,005	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(57,577)</u>	<u>(44,400)</u>	<u>3,005</u>	<u>5,112</u>
Cash Flows from Capital and Related Financing Activities				
Payments for Acquisition of Capital Assets	-	-	(1)	(5)
Net Cash Provided (Used) by Capital Financing Activities	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(5)</u>
Cash Flows from Investing Activities				
Interest Revenue	20	-	(21)	11
Net Cash Provided (Used) by Investing Activities	<u>20</u>	<u>-</u>	<u>(21)</u>	<u>11</u>
Net Increase (Decrease) in Cash/Cash Equivalents	-	(2,523)	-	663
Cash/Cash Equivalents - Beginning of Year	750	11,771	-	1,487
Cash/Cash Equivalents - End of Year	<u>\$ 750</u>	<u>\$ 9,248</u>	<u>\$ -</u>	<u>\$ 2,150</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	<u>\$ 60,878</u>	<u>\$ 46,379</u>	<u>\$ (5,450)</u>	<u>\$ (7,136)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation Expense	-	-	481	2,725
Decrease (Increase) in Assets & Liabilities:				
Accounts Receivable	2,839	(2,248)	(608)	6
Interfund Balances	(8,105)	(2,964)	2,518	12
Inventories	-	-	(319)	174
Other Assets	184	-	(686)	-
Deferred Outflows	(4)	(5)	(30)	50
Increase (Decrease) in Liabilities				
Accounts Payable	573	666	2,661	470
Accrued Payroll Expenses	(44)	(8)	(122)	88
Compensated Absences	5	3	47	3
Deferred Inflows	(343)	2	(1,672)	(1,121)
Net Pension Liability	19	41	977	189
Other Accruals	1,555	11	(780)	85
Total Adjustments	<u>(3,321)</u>	<u>(4,502)</u>	<u>2,467</u>	<u>2,681</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 57,557</u>	<u>\$ 41,877</u>	<u>\$ (2,983)</u>	<u>\$ (4,455)</u>
Non Cash Investing, Capital and Financing Activities				
Contributed Capital Assets	-	-	-	37
Special Item	-	-	11,335	-

<u>Prison Industries</u>	<u>Dirigo Health</u>	<u>Consolidated Emergency Communications</u>	<u>Totals Other Enterprise Funds</u>
\$ 1,393	\$ 45	\$ 469	\$ 457,311
920	446	5,393	7,778
-	-	-	(179,768)
(1,049)	(407)	(446)	(155,048)
(254)	(51)	(5,325)	(20,830)
<u>(808)</u>	<u>(33)</u>	<u>(528)</u>	<u>(17,682)</u>
202	-	(437)	91,761
-	-	-	5,112
-	(1,000)	-	(102,977)
-	-	-	3,005
-	(1,000)	-	(94,860)
(34)	-	-	(40)
(34)	-	-	(40)
2	-	-	12
2	-	-	12
170	(1,000)	(437)	(3,127)
351	1,043	2,276	17,678
<u>\$ 521</u>	<u>\$ 43</u>	<u>\$ 1,839</u>	<u>\$ 14,551</u>
\$ 644	\$ 479	\$ 343	\$ 96,137
2	-	2	3,210
(2)	-	(1)	(14)
15	(33)	(67)	(8,624)
(478)	-	-	(623)
-	-	1	(501)
(15)	35	43	74
(12)	-	36	4,394
2	-	(164)	(248)
(13)	-	(9)	36
(46)	(90)	(1,044)	(4,314)
101	(340)	358	1,345
4	(51)	65	889
(442)	(479)	(780)	(4,376)
<u>\$ 202</u>	<u>\$ -</u>	<u>\$ (437)</u>	<u>\$ 91,761</u>
-	-	-	37
-	-	-	11,335



INTERNAL SERVICE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Industrial Drive Facility Fund – This fund accounts for the managing and operation of the facility at 66 Industrial Drive in Augusta. The facility will consolidate agencies performing similar work in an effort to promote resource sharing.

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

June 30, 2016
(Expressed in Thousands)

	Motor Transport Service	Postal Printing & Supply	Information Services	Risk Management
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ 572	\$ -	\$ 5,790	\$ 17,775
Cash and Short-Term Investments	-	1	-	-
Cash with Fiscal Agent	101	383	-	-
Restricted Assets:				
Restricted Deposits and Investments	-	-	-	-
Inventories	4,423	216	29	-
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	13	44	78	13
Due from Other Funds	62	2,117	10,823	424
Due from Component Units	-	-	3	-
Other Current Assets	-	105	6,306	492
Total Current Assets	<u>5,171</u>	<u>2,866</u>	<u>23,029</u>	<u>18,704</u>
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	240	-	2,427	7,451
Receivables, Net of Allowance for Uncollectibles:				
Capital Assets - Net of Depreciation	<u>61,435</u>	<u>23</u>	<u>8,458</u>	<u>-</u>
Total Noncurrent Assets	<u>61,675</u>	<u>23</u>	<u>10,885</u>	<u>7,451</u>
Total Assets	<u>66,846</u>	<u>2,889</u>	<u>33,914</u>	<u>26,155</u>
Deferred Outflows of Resources	<u>\$ 1,416</u>	<u>\$ 290</u>	<u>\$ 6,800</u>	<u>\$ 66</u>
Liabilities				
Current Liabilities:				
Accounts Payable	381	87	1,358	11
Accrued Payroll	509	72	1,438	11
Due to Other Funds	260	4,162	1,284	137
Due to Component Units	-	-	-	-
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	8	102	-	-
Obligations Under Capital Leases	-	-	-	-
Claims Payable	-	-	-	-
Compensated Absences	45	10	277	3
Unearned Revenue	-	-	-	152
Other Accrued Liabilities	-	295	-	-
Total Current Liabilities	<u>1,203</u>	<u>4,728</u>	<u>4,357</u>	<u>314</u>
Long-Term Liabilities:				
Working Capital Advances Payable	-	111	-	-
Unearned Revenue	-	-	-	-
Certificates of Participation and Other Financing Arrangements	-	287	-	-
Obligations Under Capital Leases	-	-	-	-
Claims Payable	-	-	-	8,016
Compensated Absences	332	71	2,033	18
Other Post-Employment Benefit Obligation	1,628	333	7,130	69
Net Pension Liability	9,144	1,854	38,979	438
Total Long-Term Liabilities	<u>11,104</u>	<u>2,656</u>	<u>48,142</u>	<u>8,541</u>
Total Liabilities	<u>12,307</u>	<u>7,384</u>	<u>52,499</u>	<u>8,855</u>
Deferred Inflows of Resources	<u>562</u>	<u>114</u>	<u>2,398</u>	<u>27</u>
Net Position				
Net Investment in Capital Assets	61,528	17	8,982	-
Restricted for:				
Other Purposes	-	-	-	-
Unrestricted	<u>(6,135)</u>	<u>(4,336)</u>	<u>(23,165)</u>	<u>17,339</u>
Total Net Position	<u>\$ 55,393</u>	<u>\$ (4,319)</u>	<u>\$ (14,183)</u>	<u>\$ 17,339</u>

<u>Workers' Compensation</u>	<u>Central Fleet Management</u>	<u>Leased Space</u>	<u>Revenue Services</u>	<u>Retiree Health Insurance</u>	<u>Employee Health Insurance</u>	<u>Statewide Radio & Network Systems</u>
\$ 14,863	\$ -	\$ -	\$ 20	\$ 70,772	\$ 20,667	\$ 596
-	1	-	-	-	-	-
-	3,799	-	-	-	-	795
-	-	-	-	-	-	-
-	45	-	-	-	-	-
-	33	-	-	50	1,479	-
738	1,576	550	-	2,707	6,599	-
-	-	-	-	-	-	-
487	-	-	-	15	-	-
<u>16,088</u>	<u>5,454</u>	<u>550</u>	<u>20</u>	<u>73,544</u>	<u>28,745</u>	<u>1,391</u>
6,231	-	-	9	29,667	8,664	250
-	17,097	30,326	-	-	-	51,088
<u>6,231</u>	<u>17,097</u>	<u>30,326</u>	<u>9</u>	<u>29,667</u>	<u>8,664</u>	<u>51,338</u>
22,319	22,551	30,876	29	103,211	37,409	52,729
<u>\$ 233</u>	<u>\$ 153</u>	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 179</u>	<u>\$ -</u>
864	9	50	-	6,151	4,187	-
39	36	10	-	-	34	-
54	665	227	15	5	31	-
-	-	-	-	8,532	-	-
-	5,148	-	-	-	-	6,401
-	-	4,961	-	-	-	-
7,677	-	-	-	5,803	17,407	-
4	7	3	-	-	3	-
-	12	-	-	-	-	-
-	40	-	-	-	-	-
<u>8,638</u>	<u>5,917</u>	<u>5,251</u>	<u>15</u>	<u>20,491</u>	<u>21,662</u>	<u>6,401</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	6,558	-	-	-	-	12,060
-	-	29,071	-	-	-	-
40,516	-	-	-	-	-	-
33	54	21	-	-	22	-
205	168	47	-	-	152	-
1,302	932	281	-	-	1,002	-
<u>42,056</u>	<u>7,712</u>	<u>29,420</u>	<u>-</u>	<u>-</u>	<u>1,176</u>	<u>12,060</u>
<u>50,694</u>	<u>13,629</u>	<u>34,671</u>	<u>15</u>	<u>20,491</u>	<u>22,838</u>	<u>18,461</u>
80	58	18	-	-	62	-
-	9,190	(3,706)	-	-	-	33,422
-	-	-	-	-	-	846
<u>(28,222)</u>	<u>(173)</u>	<u>(57)</u>	<u>14</u>	<u>82,720</u>	<u>14,688</u>	<u>-</u>
<u>\$ (28,222)</u>	<u>\$ 9,017</u>	<u>\$ (3,763)</u>	<u>\$ 14</u>	<u>\$ 82,720</u>	<u>\$ 14,688</u>	<u>\$ 34,268</u>

(continued)

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

June 30, 2016
(Expressed in Thousands)

	Financial & Personnel Services	Transportation Facilities Fund	Governmental Facilities Authority	Industrial Drive Facility Fund	Total Internal Service Funds
Assets					
Current Assets:					
Equity in Treasurer's Cash Pool	\$ 1,581	\$ 237	\$ -	\$ -	\$ 132,873
Cash and Short-Term Investments	-	-	-	-	2
Cash with Fiscal Agent	-	-	-	-	5,078
Restricted Assets:					
Restricted Deposits and Investments	-	-	3,918	-	3,918
Inventories	-	-	-	-	4,713
Receivables, Net of Allowance for Uncollectibles:					
Other Receivable	-	10	7	-	1,727
Due from Other Funds	23	-	-	-	25,619
Due from Component Units	2	-	-	-	5
Other Current Assets	-	-	-	-	7,405
Total Current Assets	<u>1,606</u>	<u>247</u>	<u>3,925</u>	<u>-</u>	<u>181,340</u>
Noncurrent Assets:					
Equity in Treasurer's Cash Pool	662	99	-	-	55,700
Receivables, Net of Allowance for Uncollectibles:					
Capital Assets - Net of Depreciation	8	21,868	-	13,088	203,391
Total Noncurrent Assets	<u>670</u>	<u>21,967</u>	<u>-</u>	<u>13,088</u>	<u>259,091</u>
Total Assets	<u>2,276</u>	<u>22,214</u>	<u>3,925</u>	<u>13,088</u>	<u>440,431</u>
Deferred Outflows of Resources	<u>\$ 3,176</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,363</u>
Liabilities					
Current Liabilities:					
Accounts Payable	27	45	8	11	13,189
Accrued Payroll	634	-	-	-	2,783
Due to Other Funds	291	-	-	7	7,138
Due to Component Units	-	-	-	-	8,532
Current Portion of Long-Term Obligations:					
Certificates of Participation and Other Financing Arrangements	-	-	-	-	11,659
Obligations Under Capital Leases	-	-	-	-	4,961
Claims Payable	-	-	-	-	30,887
Compensated Absences	102	-	-	-	454
Unearned Revenue	-	-	136	-	300
Other Accrued Liabilities	-	-	125	-	460
Total Current Liabilities	<u>1,054</u>	<u>45</u>	<u>269</u>	<u>18</u>	<u>80,363</u>
Long-Term Liabilities:					
Working Capital Advances Payable	-	-	-	-	111
Unearned Revenue	-	-	321	-	321
Certificates of Participation and Other Financing Arrangements	-	-	-	-	18,905
Obligations Under Capital Leases	-	-	-	-	29,071
Claims Payable	-	-	-	-	48,532
Compensated Absences	746	-	-	-	3,330
Other Post-Employment Benefit Obligation	3,085	-	-	-	12,817
Net Pension Liability	19,087	-	-	-	73,019
Total Long-Term Liabilities	<u>22,918</u>	<u>-</u>	<u>321</u>	<u>-</u>	<u>186,106</u>
Total Liabilities	<u>23,972</u>	<u>45</u>	<u>590</u>	<u>18</u>	<u>266,469</u>
Deferred Inflows of Resources	<u>1,174</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,493</u>
Net Position					
Net Investment in Capital Assets	8	21,868	-	13,088	144,397
Restricted for:					
Other Purposes	-	-	942	-	1,788
Unrestricted	(19,702)	301	2,393	(18)	35,647
Total Net Position	<u>\$ (19,694)</u>	<u>\$ 22,169</u>	<u>\$ 3,335</u>	<u>\$ 13,070</u>	<u>\$ 181,832</u>



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

Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	Motor Transport Service	Postal Printing & Supply	Information Services	Risk Management
Operating Revenues				
Charges for Services	\$ 34,537	\$ 30,133	\$ 94,690	\$ 4,915
Miscellaneous Revenues	-	103	-	-
Total Operating Revenues	<u>34,537</u>	<u>30,236</u>	<u>94,690</u>	<u>4,915</u>
Operating Expenses				
General Operations	23,399	29,850	92,912	3,371
Depreciation	7,590	22	1,316	-
Claims/Fees Expense	-	-	-	5,041
Other Operating Expenses	-	-	-	-
Total Operating Expenses	<u>30,989</u>	<u>29,872</u>	<u>94,228</u>	<u>8,412</u>
Operating Income (Loss)	<u>3,548</u>	<u>364</u>	<u>462</u>	<u>(3,497)</u>
Nonoperating Revenues (Expenses)				
Investment Revenue (Expense) - net	6	(23)	22	131
Interest Expense	-	-	(1)	-
Other Nonoperating Revenues (Expenses) - net	(1,033)	-	(46)	-
Total Nonoperating Revenues (Expenses)	<u>(1,027)</u>	<u>(23)</u>	<u>(25)</u>	<u>131</u>
Income (Loss) Before Capital Contributions, Transfers and Special Items	<u>2,521</u>	<u>341</u>	<u>437</u>	<u>(3,366)</u>
Capital Contributions, Transfers and Special Items				
Capital Contributions from Other Funds	-	-	-	-
Transfers from (to) Other Funds	(381)	-	-	-
Total Capital Contributions, Transfers In (Out) and Special Items	<u>(381)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	2,140	341	437	(3,366)
Net Position - Beginning of Year	<u>53,253</u>	<u>(4,660)</u>	<u>(14,620)</u>	<u>20,705</u>
Net Position - End of Year	<u>\$ 55,393</u>	<u>\$ (4,319)</u>	<u>\$ (14,183)</u>	<u>\$ 17,339</u>

Workers' Compensation	Central Fleet Management	Leased Space	Revenue Services	Retiree Health Insurance	Employee Health Insurance	Statewide Radio & Network Systems
\$ 14,257	\$ 11,828	\$ 23,662	\$ 262	\$ 45,538	\$ 149,114	\$ 250
146	18	-	-	-	-	-
<u>14,403</u>	<u>11,846</u>	<u>23,662</u>	<u>262</u>	<u>45,538</u>	<u>149,114</u>	<u>250</u>
6,576	7,012	9,979	151	36,171	155,828	1
-	3,654	3,756	-	-	-	7,739
9,767	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>16,343</u>	<u>10,666</u>	<u>13,735</u>	<u>151</u>	<u>36,171</u>	<u>155,828</u>	<u>7,740</u>
(1,940)	1,180	9,927	111	9,367	(6,714)	(7,490)
113	1	6	-	408	190	-
-	(148)	(9,488)	-	-	-	-
-	(152)	-	-	-	-	-
<u>113</u>	<u>(299)</u>	<u>(9,482)</u>	<u>-</u>	<u>408</u>	<u>190</u>	<u>-</u>
(1,827)	881	445	111	9,775	(6,524)	(7,490)
-	-	-	-	-	-	-
-	-	5	(100)	4,000	-	6,286
-	-	5	(100)	4,000	-	6,286
(1,827)	881	450	11	13,775	(6,524)	(1,204)
(26,395)	8,136	(4,213)	3	68,945	21,212	35,472
<u>\$ (28,222)</u>	<u>\$ 9,017</u>	<u>\$ (3,763)</u>	<u>\$ 14</u>	<u>\$ 82,720</u>	<u>\$ 14,688</u>	<u>\$ 34,268</u>

(continued)

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

Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

					<u>Total</u>
	<u>Financial & Personnel Services</u>	<u>Transportation Facilities Fund</u>	<u>Governmental Facilities Authority</u>	<u>Industrial Drive Facility Fund</u>	<u>Internal Service Funds</u>
Operating Revenues					
Charges for Services	\$ 19,002	\$ 1,034	\$ 1,388	\$ 429	\$ 431,039
Miscellaneous Revenues	-	-	-	-	267
Total Operating Revenues	<u>19,002</u>	<u>1,034</u>	<u>1,388</u>	<u>429</u>	<u>431,306</u>
Operating Expenses					
General Operations	19,793	81	225	329	385,678
Depreciation	2	688	-	799	25,566
Claims/Fees Expense	-	-	-	-	14,808
Other Operating Expenses	-	-	764	-	764
Total Operating Expenses	<u>19,795</u>	<u>769</u>	<u>989</u>	<u>1,128</u>	<u>426,816</u>
Operating Income (Loss)	<u>(793)</u>	<u>265</u>	<u>399</u>	<u>(699)</u>	<u>4,490</u>
Nonoperating Revenues (Expenses)					
Investment Revenue (Expense) - net	-	2	21	-	877
Interest Expense	-	-	-	-	(9,637)
Other Nonoperating Revenues (Expenses) - net	-	458	-	(227)	(1,000)
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>460</u>	<u>21</u>	<u>(227)</u>	<u>(9,760)</u>
Income (Loss) Before Capital Contributions, Transfers and Special Items	<u>(793)</u>	<u>725</u>	<u>420</u>	<u>(926)</u>	<u>(5,270)</u>
Capital Contributions, Transfers and Special Items					
Capital Contributions from Other Funds	-	1,892	-	-	1,892
Transfers from (to) Other Funds	-	(13,615)	-	13,996	10,191
Total Capital Contributions, Transfers In (Out) and Special Items	<u>-</u>	<u>(11,723)</u>	<u>-</u>	<u>13,996</u>	<u>12,083</u>
Change in Net Position	<u>(793)</u>	<u>(10,998)</u>	<u>420</u>	<u>13,070</u>	<u>6,813</u>
Net Position - Beginning of Year	<u>(18,901)</u>	<u>33,167</u>	<u>2,915</u>	<u>-</u>	<u>175,019</u>
Net Position - End of Year	<u>\$ (19,694)</u>	<u>\$ 22,169</u>	<u>\$ 3,335</u>	<u>\$ 13,070</u>	<u>\$ 181,832</u>



STATE OF MAINE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

June 30, 2016
(Expressed in Thousands)

	Motor Transport Service	Postal Printing & Supply	Information Services	Risk Management
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 342	\$ 2,941	\$ 1,593	\$ 134
Other Operating Cash Receipts (Payments)				
Cash Received from Interfund Services	33,404	27,205	92,729	4,855
Payments to Suppliers	(9,220)	(19,950)	(45,066)	(683)
Payments to Employees	(7,619)	(1,668)	(33,930)	(297)
Payments for Interfund Goods and Services	(7,790)	(8,207)	(15,394)	(3,615)
Net Cash Provided (Used) by Operating Activities	9,117	321	(68)	394
Cash Flows from Noncapital Financing Activities				
Transfers from Other Funds	-	-	-	35
Transfers to Other Funds	-	-	-	(35)
Negative Cash Balance Implicitly Financed	-	(265)	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	-	(265)	-	-
Cash Flows from Capital and Related Financing Activities				
Payments for Acquisition of Capital Assets	(12,644)	(39)	(4,090)	-
Proceeds From Financing Arrangements	-	413	-	-
Principal and Interest Paid on Financing Arrangements	-	(24)	(1,044)	-
Proceeds from Sale of Capital Assets	-	-	-	-
Net Cash Provided (Used) by Capital Financing Activities	(12,644)	350	(5,134)	-
Cash Flows from Investing Activities				
Interest Revenue	6	(23)	22	131
Net Cash Provided (Used) by Investing Activities	6	(23)	22	131
Net Increase (Decrease) in Cash/Cash Equivalents	(3,521)	383	(5,180)	525
Cash/Cash Equivalents - Beginning of Year	4,434	1	13,397	24,701
Cash/Cash Equivalents - End of Year	\$ 913	\$ 384	\$ 8,217	\$ 25,226
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ 3,548	\$ 364	\$ 462	\$ (3,497)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation Expense	7,590	22	1,316	-
Decrease (Increase) in Assets				
Accounts Receivable	8	5	(14)	29
Interfund Balances	168	(5)	4,280	113
Due From Component Units	-	-	(3)	-
Inventories	(914)	(144)	(11)	-
Other Assets	-	20	(4,764)	(8)
Deferred Outflows	180	36	(149)	1
Increase (Decrease) in Liabilities				
Accounts Payable	102	55	(546)	4
Accrued Payroll Expenses	52	(52)	(1,168)	(9)
Due to Other Governments	-	-	-	-
Compensated Absences	(13)	7	56	(2)
Deferred Inflows	(2,065)	(419)	(7,618)	(80)
Net Pension Liability	(1,167)	(171)	976	91
Other Accruals	1,628	603	7,115	3,752
Total Adjustments	5,569	(43)	(530)	3,891
Net Cash Provided (Used) by Operating Activities	\$ 9,117	\$ 321	\$ (68)	\$ 394
Non Cash Investing, Capital and Financing Activities				
Property Leased, Accrued or Acquired	-	-	-	-
Contributed Capital Assets	-	-	-	-
Transfer of Fixed Assets between Proprietary Funds	(381)	-	-	-

<u>Workers' Compensation</u>	<u>Central Fleet Management</u>	<u>Leased Space</u>	<u>Revenue Services</u>	<u>Retiree Health Insurance</u>	<u>Employee Health Insurance</u>	<u>Statewide Radio & Network Systems</u>
\$ 227	\$ 161	\$ 20	\$ -	\$ 1,016	\$ 30,577	\$ 1
14,260	11,912	23,619	262	46,169	120,182	250
(13,034)	(3,190)	(9,616)	-	(28,047)	(150,292)	(1)
(1,043)	(883)	(254)	-	-	(809)	-
(1,108)	(2,857)	(243)	(152)	(1,674)	(142)	-
<u>(698)</u>	<u>5,143</u>	<u>13,526</u>	<u>110</u>	<u>17,464</u>	<u>(484)</u>	<u>250</u>
-	-	5	-	4,000	-	6,286
-	-	-	(100)	-	-	-
-	37	11	-	-	-	-
<u>-</u>	<u>37</u>	<u>16</u>	<u>(100)</u>	<u>4,000</u>	<u>-</u>	<u>6,286</u>
-	(5,202)	(735)	-	-	-	(1,908)
-	5,400	-	-	-	-	-
-	(5,845)	(12,813)	-	-	-	(6,286)
-	-	-	-	-	-	-
<u>-</u>	<u>(5,647)</u>	<u>(13,548)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,194)</u>
113	1	6	-	408	190	-
113	1	6	-	408	190	-
(585)	(466)	-	10	21,872	(294)	(1,658)
21,679	4,266	-	19	78,567	29,625	3,299
<u>\$ 21,094</u>	<u>\$ 3,800</u>	<u>\$ -</u>	<u>\$ 29</u>	<u>\$ 100,439</u>	<u>\$ 29,331</u>	<u>\$ 1,641</u>
<u>\$ (1,940)</u>	<u>\$ 1,180</u>	<u>\$ 9,927</u>	<u>\$ 111</u>	<u>\$ 9,367</u>	<u>\$ (6,714)</u>	<u>\$ (7,490)</u>
-	3,654	3,756	-	-	-	7,739
-	1	-	-	150	617	-
74	256	(26)	(1)	1,513	1,026	-
-	-	-	-	-	-	-
-	(9)	-	-	-	-	-
1	-	-	-	(11)	7	1
9	11	(7)	-	-	(25)	-
(312)	2	(151)	-	2,098	4,063	-
(47)	(27)	(9)	-	-	(27)	-
-	-	-	-	4,217	-	-
5	6	-	-	-	(11)	-
(222)	(202)	(62)	-	-	(150)	-
381	86	51	-	-	-	191
1,353	185	47	-	130	539	-
<u>1,242</u>	<u>3,963</u>	<u>3,599</u>	<u>(1)</u>	<u>8,097</u>	<u>6,230</u>	<u>7,740</u>
<u>\$ (698)</u>	<u>\$ 5,143</u>	<u>\$ 13,526</u>	<u>\$ 110</u>	<u>\$ 17,464</u>	<u>\$ (484)</u>	<u>\$ 250</u>
-	-	791	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-

(continued)

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

June 30, 2016
(Expressed in Thousands)

	Industrial Drive Facility	Financial & Personnel Services	Transportation Facilities Fund	Governmental Facilities Authority	Internal Service Funds
Cash Flows from Operating Activities					
Receipts from Customers and Users	\$ -	\$ -	\$ 25	\$ 1,388	\$ 38,425
Other Operating Cash Receipts (Payments)					
Cash Received from Interfund Services	429	19,439	1,000	-	395,715
Payments to Suppliers	(224)	(3,317)	(8)	(990)	(283,638)
Payments to Employees	-	(15,101)	-	-	(61,604)
Payments for Interfund Goods and Services	(93)	(1,258)	(60)	-	(42,593)
	<u>112</u>	<u>(237)</u>	<u>957</u>	<u>398</u>	<u>46,305</u>
Net Cash Provided (Used) by Operating Activities					
Cash Flows from Noncapital Financing Activities					
Transfers from Other Funds	-	-	-	-	10,326
Transfers to Other Funds	-	-	-	-	(135)
Negative Cash Balance Implicitly Financed	6	-	-	-	(211)
	<u>6</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,980</u>
Net Cash Provided (Used) by Noncapital Financing Activities					
Cash Flows from Capital and Related Financing Activities					
Payments for Acquisition of Capital Assets	(118)	-	(1,540)	-	(26,276)
Proceeds From Financing Arrangements	-	-	-	-	5,813
Principal and Interest Paid on Financing Arrangements	-	-	-	-	(26,012)
Proceeds from Sale of Capital Assets	-	-	458	-	458
	<u>(118)</u>	<u>-</u>	<u>(1,082)</u>	<u>-</u>	<u>(46,017)</u>
Net Cash Provided (Used) by Capital Financing Activities					
Cash Flows from Investing Activities					
Interest Revenue	-	-	2	21	877
	<u>-</u>	<u>-</u>	<u>2</u>	<u>21</u>	<u>877</u>
Net Cash Provided (Used) by Investing Activities					
Net Increase (Decrease) in Cash/Cash Equivalents	-	(237)	(123)	419	11,145
Cash/Cash Equivalents - Beginning of Year	-	2,480	459	3,499	186,426
Cash/Cash Equivalents - End of Year	<u>\$ -</u>	<u>\$ 2,243</u>	<u>\$ 336</u>	<u>\$ 3,918</u>	<u>\$ 197,571</u>
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities					
Operating Income (Loss)	\$ (699)	\$ (793)	\$ 265	\$ 399	\$ 4,490
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation Expense	799	2	688	-	25,566
Decrease (Increase) in Assets					
Accounts Receivable	-	-	(9)	-	787
Interfund Balances	1	279	(1)	-	7,677
Due to Component Units	-	(2)	-	-	(5)
Inventories	-	-	-	-	(1,078)
Other Assets	-	-	-	-	(4,754)
Deferred Outflows	-	(244)	-	-	(188)
Increase (Decrease) in Liabilities					
Accounts Payable	11	2	14	1	5,343
Accrued Payroll Expenses	-	(508)	-	-	(1,795)
Due to Other Governments	-	-	-	-	4,217
Compensated Absences	-	6	-	-	54
Deferred Inflows	-	(3,181)	-	-	(13,999)
Net Pension Liability	-	1,117	-	-	1,555
Other Accruals	-	3,085	-	(2)	18,435
	<u>811</u>	<u>556</u>	<u>692</u>	<u>(1)</u>	<u>41,815</u>
Total Adjustments					
Net Cash Provided (Used) by Operating Activities	<u>\$ 112</u>	<u>\$ (237)</u>	<u>\$ 957</u>	<u>\$ 398</u>	<u>\$ 46,305</u>
Non Cash Investing, Capital and Financing Activities					
Property Leased, Accrued or Acquired	-	-	-	-	791
Contributed Capital Assets	-	-	1,892	-	1,892
Transfer of Fixed Assets between Proprietary Funds	13,996	-	(13,615)	-	-

FIDUCIARY FUNDS

Pension (and Other Employee Benefit) Trusts

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

employment benefit trusts and defined contribution plans.

Private Purpose Trust Funds

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

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

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

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

Agency Funds

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

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

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

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

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

June 30, 2016
(Expressed in Thousands)

	State/Teacher Defined Benefit Pension Plan	Judicial Defined Benefit Pension Plan	Legislative Defined Benefit Pension Plan	PLD Consolidated Pension Plan
Assets				
Cash and Short-Term Investments	\$ 29,056	\$ 178	\$ 47	\$ 944
Receivables, Net of Allowance for Uncollectibles:				
Interest and Dividends	2,420	15	2	573
Due from Brokers for Securities Sold	168	1	-	40
Other	16,586	-	-	9,846
Due from Primary Government	-	-	-	-
Investments at Fair Value:				
Equity Securities	2,068,111	12,664	2,244	489,690
Common Collective Trust	7,855,455	48,101	8,525	1,860,026
Securities Lending Collateral	86,969	532	94	20,592
Capital Assets - Net of Depreciation	5,910	36	6	1,399
Total Assets	<u>10,064,675</u>	<u>61,527</u>	<u>10,918</u>	<u>2,383,110</u>
Liabilities				
Accounts Payable	5,420	33	5	1,283
Obligations Under Securities Lending	86,969	532	94	20,592
Other Accrued Liabilities	11,940	72	12	2,826
Total Liabilities	<u>104,329</u>	<u>637</u>	<u>111</u>	<u>24,701</u>
Net Position				
Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes	<u>9,960,346</u>	<u>60,890</u>	<u>10,807</u>	<u>2,358,409</u>
Total Net Position	<u>\$ 9,960,346</u>	<u>\$ 60,890</u>	<u>\$ 10,807</u>	<u>\$ 2,358,409</u>

					<u>Total</u>
<u>PLD Agent Pension Plan</u>	<u>Healthcare OPEB</u>	<u>MainePERS OPEB Trust</u>	<u>Group Life Insurance OPEB</u>	<u>Defined Contribution Plans</u>	<u>Pension (and Other Employee Benefit) Trusts</u>
\$ 76	\$ -	\$ -	\$ 906	\$ 8	\$ 31,215
8	-	-	-	-	3,018
-	-	-	-	-	209
84	-	-	752	60	27,328
-	4,000	-	-	-	4,000
6,985	-	-	-	-	2,579,694
26,536	199,151	11,946	97,890	29,080	10,136,710
293	-	-	-	-	108,480
19	-	-	-	-	7,370
<u>34,001</u>	<u>203,151</u>	<u>11,946</u>	<u>99,548</u>	<u>29,148</u>	<u>12,898,024</u>
18	-	-	28	-	6,787
293	-	-	-	-	108,480
39	63	1,305	2,068	6	18,331
<u>350</u>	<u>63</u>	<u>1,305</u>	<u>2,096</u>	<u>6</u>	<u>133,598</u>
<u>33,651</u>	<u>203,088</u>	<u>10,641</u>	<u>97,452</u>	<u>29,142</u>	<u>12,764,426</u>
<u>\$ 33,651</u>	<u>\$ 203,088</u>	<u>\$ 10,641</u>	<u>\$ 97,452</u>	<u>\$ 29,142</u>	<u>\$ 12,764,426</u>

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

Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	<u>State/Teacher Defined Benefit Pension Plan</u>	<u>Judicial Defined Benefit Pension Plan</u>	<u>Legislative Defined Benefit Pension Plan</u>	<u>PLD Consolidated Pension Plan</u>
Additions:				
Contributions:				
Members	\$ 125,529	\$ 6,891	\$ 138	\$ 40,861
State and Local Agencies	199,213	1,078	-	47,624
Other Contributing Entity	112,478	-	-	-
Investment Income (Loss):				
Net Increase (Decrease) in the Fair Value of Investments	50,531	150	59	12,489
Interest and Dividends	49,673	303	54	11,762
Securities Lending Income	620	3	-	146
Less Investment Expense:				
Investment Activity Expense	61,027	333	66	14,373
Securities Lending Expense	(745)	(5)	-	(176)
Net Investment Income (Loss)	<u>40,542</u>	<u>128</u>	<u>47</u>	<u>10,200</u>
Total Additions	<u>477,762</u>	<u>8,097</u>	<u>185</u>	<u>98,685</u>
Deductions:				
Benefits Paid to Participants or Beneficiaries	734,064	3,501	367	135,051
Refunds and Withdrawals	16,806	-	77	5,085
Administrative Expenses	8,649	47	9	2,028
Claims Processing Expense	-	-	-	-
Total Deductions	<u>759,519</u>	<u>3,548</u>	<u>453</u>	<u>142,164</u>
Net Increase (Decrease)	(281,757)	4,549	(268)	(43,479)
Net Position:				
Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:				
Beginning of Year	<u>10,242,103</u>	<u>56,341</u>	<u>11,075</u>	<u>2,401,888</u>
End of Year	<u>\$ 9,960,346</u>	<u>\$ 60,890</u>	<u>\$ 10,807</u>	<u>\$ 2,358,409</u>

<u>PLD Agent Pension Plan</u>	<u>Healthcare OPEB</u>	<u>MainePERS OPEB Trust</u>	<u>Group Life Insurance OPEB</u>	<u>Defined Contribution Plans</u>	<u>Total Pension (and Other Employee Benefit) Trusts</u>
\$ 84	\$ -	\$ -	\$ 4,972	\$ 3,845	\$ 182,320
784	68,727	6	8,149	48	325,629
-	-	-	-	-	112,478
149	2,448	143	901	266	67,136
167	-	-	1	-	61,960
2	-	-	-	-	771
208	60	6	57	39	76,169
(2)	-	-	-	-	(928)
<u>112</u>	<u>2,388</u>	<u>137</u>	<u>845</u>	<u>227</u>	<u>54,626</u>
<u>980</u>	<u>71,115</u>	<u>143</u>	<u>13,966</u>	<u>4,120</u>	<u>675,053</u>
2,779	63,142	275	10,453	-	949,632
-	-	-	-	1,866	23,834
29	5	-	635	217	11,619
-	-	-	984	92	1,076
<u>2,808</u>	<u>63,147</u>	<u>275</u>	<u>12,072</u>	<u>2,175</u>	<u>986,161</u>
(1,828)	7,968	(132)	1,894	1,945	(311,108)
<u>35,479</u>	<u>195,120</u>	<u>10,773</u>	<u>95,558</u>	<u>27,197</u>	<u>13,075,534</u>
<u>\$ 33,651</u>	<u>\$ 203,088</u>	<u>\$ 10,641</u>	<u>\$ 97,452</u>	<u>\$ 29,142</u>	<u>\$ 12,764,426</u>

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

June 30, 2016
(Expressed in Thousands)

	<u>Abandoned Property</u>	<u>revenue on Private Purpose Trusts</u>	<u>Lands Reserved</u>	<u>Permanent School</u>	<u>Total Private Purpose Trusts</u>
Assets					
Equity in Treasurer's Cash Pool	\$ 500	\$ 59	\$ -	\$ -	\$ 559
Investments at Fair Value:					
Other	-	6	13,387	3,462	16,855
Receivables, Net of Allowance for Uncollectibles:					
Due from Other Funds	33,242	-	-	-	33,242
Other Assets	3,899	-	-	-	3,899
Total Assets	<u>37,641</u>	<u>65</u>	<u>13,387</u>	<u>3,462</u>	<u>54,555</u>
Liabilities					
Accounts Payable	56	-	-	-	56
Due to Other Funds	3	-	-	-	3
Total Liabilities	<u>59</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59</u>
Net Position					
Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes	<u>37,582</u>	<u>65</u>	<u>13,387</u>	<u>3,462</u>	<u>54,496</u>
Total Net Position	<u>\$ 37,582</u>	<u>\$ 65</u>	<u>\$ 13,387</u>	<u>\$ 3,462</u>	<u>\$ 54,496</u>

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

Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	Abandoned Property	revenue on Private Purpose Trusts	Lands Reserved	Permanent School	Total Private Purpose Trusts
Additions:					
Investment Income (Loss):					
Net Increase (Decrease) in the Fair Value of Investments	\$ -	\$ -	\$ 84	\$ (11)	\$ 73
Interest and Dividends	40	154	-	-	194
Net Investment Income (Loss)	40	154	84	(11)	267
Miscellaneous Revenues	7,890	-	-	-	7,890
Transfers In	-	616	-	-	616
Total Additions	7,930	770	84	(11)	8,773
Deductions:					
Benefits Paid to Participants or Beneficiaries	-	103	-	-	103
Administrative Expenses	175	-	-	-	175
Transfers Out	4,684	643	-	-	5,327
Total Deductions	4,859	746	-	-	5,605
Net Increase (Decrease)	3,071	24	84	(11)	3,168
Net Position:					
Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:					
Beginning of Year	34,511	41	13,303	3,473	51,328
End of Year	\$ 37,582	\$ 65	\$ 13,387	\$ 3,462	\$ 54,496



STATE OF MAINE
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS

June 30, 2016
(Expressed in Thousands)

	<u>Payroll Withholding</u>	<u>Private Trusts</u>	<u>Other Agency</u>	<u>Treasurer's Agency</u>	<u>Total Agency Funds</u>
Assets					
Equity in Treasurer's Cash Pool	\$ -	\$ 9,094	\$ 8,191	\$ -	\$ 17,285
Cash and Short-Term Investments	-	27	1	-	28
Restricted Deposits and Investments	-	-	323	-	323
Investments Held on Behalf of Others	-	54,422	-	-	54,422
Other Assets	131	1,970	-	-	2,101
Total Assets	<u>\$ 131</u>	<u>\$ 65,513</u>	<u>\$ 8,515</u>	<u>\$ -</u>	<u>\$ 74,159</u>
Liabilities					
Accounts Payable	\$ 1	\$ 1,200	\$ 1	\$ -	\$ 1,202
Agency Liabilities	-	64,313	8,503	-	72,816
Due to Other Funds	83	-	11	-	94
Other Accrued Liabilities	47	-	-	-	47
Total Liabilities	<u>\$ 131</u>	<u>\$ 65,513</u>	<u>\$ 8,515</u>	<u>\$ -</u>	<u>\$ 74,159</u>

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

Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
Payroll Withholding				
Assets				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ -	\$ 293,494	\$ 293,494	\$ -
Other Assets	3,881	-	3,750	131
Total Assets	<u>\$ 3,881</u>	<u>\$ 293,494</u>	<u>\$ 297,244</u>	<u>\$ 131</u>
Liabilities				
Accounts Payable & Other Accrued Liabilities	\$ 44	\$ 719,898	\$ 719,894	\$ 48
Due to Other Funds	3,837	-	3,754	83
Total Liabilities	<u>\$ 3,881</u>	<u>\$ 719,898</u>	<u>\$ 723,648</u>	<u>\$ 131</u>
Private Trusts				
Assets				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ 8,900	\$ 26,787	\$ 26,566	\$ 9,121
Investments Held on Behalf of Others	56,139	1,828	3,545	54,422
Other Assets	1,610	451	91	1,970
Total Assets	<u>\$ 66,649</u>	<u>\$ 29,066</u>	<u>\$ 30,202</u>	<u>\$ 65,513</u>
Liabilities				
Accounts Payable & Other Accrued Liabilities	\$ 1,117	\$ 2,528	\$ 2,445	\$ 1,200
Agency Liabilities	65,532	11,212	12,431	64,313
Total Liabilities	<u>\$ 66,649</u>	<u>\$ 13,740</u>	<u>\$ 14,876</u>	<u>\$ 65,513</u>

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
Other Agency				
Assets				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ 9,463	\$ 9,832	\$ 10,780	\$ 8,515
Total Assets	<u>\$ 9,463</u>	<u>\$ 9,832</u>	<u>\$ 10,780</u>	<u>\$ 8,515</u>
Liabilities				
Accounts Payable & Other Accrued Liabilities	\$ 11	\$ 9,900	\$ 9,910	\$ 1
Agency Liabilities	9,440	13,230	14,167	8,503
Due to Other Funds	<u>12</u>	<u>4</u>	<u>5</u>	<u>11</u>
Total Liabilities	<u>\$ 9,463</u>	<u>\$ 23,134</u>	<u>\$ 24,082</u>	<u>\$ 8,515</u>
Treasurer's Agency				
Assets				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ -	\$ 292,671	\$ 292,671	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 292,671</u>	<u>\$ 292,671</u>	<u>\$ -</u>
Liabilities				
Agency Liabilities	\$ -	\$ 292,671	\$ 292,671	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ 292,671</u>	<u>\$ 292,671</u>	<u>\$ -</u>
Totals - All Agency Funds				
Assets				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ 18,363	\$ 622,784	\$ 623,511	\$ 17,636
Investments Held on Behalf of Others	56,139	1,828	3,545	54,422
Other Assets	<u>5,491</u>	<u>451</u>	<u>3,841</u>	<u>2,101</u>
Total Assets	<u>\$ 79,993</u>	<u>\$ 625,063</u>	<u>\$ 630,897</u>	<u>\$ 74,159</u>
Liabilities				
Accounts Payable & Other Accrued Liabilities	\$ 1,172	\$ 732,326	\$ 732,249	\$ 1,249
Agency Liabilities	74,972	317,113	319,269	72,816
Due to Other Funds	<u>3,849</u>	<u>4</u>	<u>3,759</u>	<u>94</u>
Total Liabilities	<u>\$ 79,993</u>	<u>\$ 1,049,443</u>	<u>\$ 1,055,277</u>	<u>\$ 74,159</u>



NON-MAJOR COMPONENT UNIT FINANCIAL STATEMENTS

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

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

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

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

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

Maine Educational Loan Authority – was created to grant educational loans primarily using funds acquired through issuance of long-term bonds payable. See Note 3 showing MELA merged with a major component unit, Finance Authority of Maine.

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

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

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

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

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

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

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

June 30, 2016
(Expressed in Thousands)

	Child Development Services	ConnectME Authority	Efficiency Maine Trust	Loring Development Authority	Maine Educational Center for the Deaf and Hard of Hearing	Maine Educational Loan Authority
Assets						
Current Assets:						
Equity in Treasurer's Cash Pool	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and Cash Equivalents	1,573	-	3,642	1,072	90	-
Investments	-	-	-	-	-	-
Restricted Assets:						
Restricted Deposits and Investments	-	-	27,055	-	-	-
Inventories	-	-	-	-	-	-
Receivables, Net of Allowance for Uncollectibles:						
Loans and Notes Receivable	-	-	-	302	-	-
Other Receivables	-	701	647	753	123	-
Due from Other Governments	-	14	-	-	-	-
Due from Primary Government	3,559	-	446	681	4,326	-
Other Current Assets	410	-	36	10	73	-
Total Current Assets	<u>5,542</u>	<u>715</u>	<u>31,826</u>	<u>2,818</u>	<u>4,612</u>	<u>-</u>
Noncurrent Assets:						
Equity in Treasurer's Cash Pool	-	-	-	-	-	-
Restricted Assets:						
Restricted Deposits and Investments	-	1,380	-	-	-	-
Investments	-	-	-	-	925	-
Receivables, Net of Current Portion:						
Loans and Notes Receivable	-	-	15,079	1,562	-	-
Other Receivables	-	-	-	-	-	-
Due from Primary Government	-	-	-	-	-	-
Capital Assets - Net of Depreciation	1,132	-	-	61,508	528	-
Other Noncurrent Assets	-	-	-	-	-	-
Total Noncurrent Assets	<u>1,132</u>	<u>1,380</u>	<u>15,079</u>	<u>63,070</u>	<u>1,453</u>	<u>-</u>
Total Assets	<u>6,674</u>	<u>2,095</u>	<u>46,905</u>	<u>65,888</u>	<u>6,065</u>	<u>-</u>
Deferred Outflows of Resources						
	\$ -	\$ -	\$ -	\$ -	\$ 827	\$ -
Liabilities						
Current Liabilities:						
Accounts Payable	5,067	80	5,424	139	303	-
Accrued Payroll	1,148	-	-	-	387	-
Compensated Absences	583	-	-	26	83	-
Due to Other Governments	-	-	-	-	-	-
Due to Primary Government	-	-	30	-	-	-
Bonds and Notes Payable	-	-	-	1,424	-	-
Obligations under Capital Leases	24	-	-	-	-	-
Unearned Revenue	4	-	26	-	-	-
Other Current Liabilities	-	-	124	71	-	-
Total Current Liabilities	<u>6,826</u>	<u>80</u>	<u>5,604</u>	<u>1,660</u>	<u>773</u>	<u>-</u>
Long-Term Liabilities:						
Due to Other Governments	-	-	-	-	-	-
Bonds and Notes Payable	-	-	-	1,788	-	-
Obligations under Capital Leases	26	-	-	-	-	-
Net Pension Liability	-	-	-	-	4,735	-
Other Post-Employment Benefit Obligation	-	-	-	-	2,625	-
Other Noncurrent Liabilities	-	-	-	-	-	-
Total Long-Term Liabilities	<u>26</u>	<u>-</u>	<u>-</u>	<u>1,788</u>	<u>7,360</u>	<u>-</u>
Total Liabilities	<u>6,852</u>	<u>80</u>	<u>5,604</u>	<u>3,448</u>	<u>8,133</u>	<u>-</u>
Deferred Inflows of Resources						
	-	407	-	1,421	949	-
Net Position						
Net Investment in Capital Assets	1,082	-	-	59,024	528	-
Restricted	6	1,608	41,301	-	651	-
Unrestricted	(1,266)	-	-	1,995	(3,369)	-
Total Net Position	<u>\$ (178)</u>	<u>\$ 1,608</u>	<u>\$ 41,301</u>	<u>\$ 61,019</u>	<u>\$ (2,190)</u>	<u>\$ -</u>

Maine Maritime Academy	Maine Port Authority	Midcoast Regional Redevelopment Authority	Maine Technology Institute	Northern New England Passenger Rail Authority	Small Enterprise Growth Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,308	\$ 1,308
4,854	1,943	4,837	29,992	1,338	98	49,439
8,610	-	-	-	-	-	8,610
-	-	-	-	-	-	27,055
861	-	-	-	-	-	861
666	-	442	115	-	-	1,525
1,399	375	1,647	7	2	8	5,662
-	-	2,568	-	4,160	-	6,742
-	-	271	-	351	-	9,634
542	-	487	58	949	5	2,570
<u>16,932</u>	<u>2,318</u>	<u>10,252</u>	<u>30,172</u>	<u>6,800</u>	<u>1,419</u>	<u>113,406</u>
-	-	-	-	-	549	549
18,440	-	141	-	315	-	20,276
11,890	-	-	1,771	-	4,698	19,284
2,851	-	-	427	-	437	20,356
1,648	-	-	-	-	6	1,654
-	-	-	-	206	-	206
25,573	17,441	126,992	160	15,698	-	249,032
854	-	94	-	-	-	948
<u>61,256</u>	<u>17,441</u>	<u>127,227</u>	<u>2,358</u>	<u>16,219</u>	<u>5,690</u>	<u>312,305</u>
<u>78,188</u>	<u>19,759</u>	<u>137,479</u>	<u>32,530</u>	<u>23,019</u>	<u>7,109</u>	<u>425,711</u>
\$ 3,588	\$ -	\$ -	\$ -	\$ 229	\$ -	\$ 4,644
4,145	185	1,141	117	2,919	-	19,520
-	-	-	-	-	-	1,535
-	-	58	-	38	-	788
-	-	1,329	-	-	-	1,329
-	132	1,078	-	-	-	1,240
37	-	10	-	-	-	1,471
-	-	-	4	-	-	28
418	-	-	31,370	-	-	31,818
306	-	365	-	-	33	899
<u>4,906</u>	<u>317</u>	<u>3,981</u>	<u>31,491</u>	<u>2,957</u>	<u>33</u>	<u>58,628</u>
1,710	-	-	-	-	-	1,710
105	-	14,484	-	-	-	16,377
-	-	-	12	-	-	38
5,211	-	-	-	733	-	10,679
-	-	-	-	-	-	2,625
-	-	-	-	213	-	213
<u>7,026</u>	<u>-</u>	<u>14,484</u>	<u>12</u>	<u>946</u>	<u>-</u>	<u>31,642</u>
<u>11,932</u>	<u>317</u>	<u>18,465</u>	<u>31,503</u>	<u>3,903</u>	<u>33</u>	<u>90,270</u>
<u>2,671</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>153</u>	<u>-</u>	<u>5,606</u>
25,439	17,441	112,499	-	13,708	-	229,721
26,849	1,144	-	-	1,906	-	73,465
14,885	852	6,515	1,027	3,578	7,076	31,293
<u>\$ 67,173</u>	<u>\$ 19,437</u>	<u>\$ 119,014</u>	<u>\$ 1,027</u>	<u>\$ 19,192</u>	<u>\$ 7,076</u>	<u>\$ 334,479</u>

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

Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	Child Development Services	ConnectME Authority	Efficiency Maine Trust	Loring Development Authority	Maine Educational Center for the Deaf and Hard of Hearing	Maine Educational Loan Authority
Expenses	\$ 38,212	\$ 2,328	\$ 47,862	\$ 3,643	\$ 7,264	\$ 4,441
Program Revenues						
Charges for Services	565	-	-	1,482	276	4,431
Program Investment Income	9	-	-	-	-	2
Operating Grants and Contributions	35,313	2,218	45,555	-	50	-
Capital Grants and Contributions	-	-	-	173	-	-
Net Revenue (Expense)	<u>(2,325)</u>	<u>(110)</u>	<u>(2,307)</u>	<u>(1,988)</u>	<u>(6,938)</u>	<u>(8)</u>
General Revenues						
Unrestricted Investment Earnings	-	1	-	4	10	-
Non-program Specific Grants, Contributions and Appropriations	-	-	-	956	6,671	-
Miscellaneous Income	-	-	-	78	-	-
Gain (Loss) on Assets Held for Sale	-	-	-	-	-	-
Total General Revenues	<u>-</u>	<u>1</u>	<u>-</u>	<u>1,038</u>	<u>6,681</u>	<u>-</u>
Change in Net Position	(2,325)	(109)	(2,307)	(950)	(257)	(8)
Net Position, Beginning of the Year (as restated)	<u>2,147</u>	<u>1,717</u>	<u>43,608</u>	<u>61,969</u>	<u>(1,933)</u>	<u>8</u>
Net Position, End of Year	<u>\$ (178)</u>	<u>\$ 1,608</u>	<u>\$ 41,301</u>	<u>\$ 61,019</u>	<u>\$ (2,190)</u>	<u>\$ -</u>

Maine Maritime Academy	Maine Port Authority	Midcoast Regional Redevelopment Authority	Maine Technology Institute	Northern New England Passenger Rail Authority	Small Enterprise Growth Fund	Total
\$ 40,639	\$ 2,762	\$ 14,765	\$ 12,145	\$ 21,564	\$ 838	\$ 196,463
25,485	1,811	5,042	211	9,148	-	48,451
-	-	-	-	-	94	105
3,439	1,385	592	11,683	10,749	632	111,616
2,063	-	5,037	-	13,528	-	20,801
(9,652)	434	(4,094)	(251)	11,861	(112)	(15,490)
330	36	-	394	8	24	807
11,882	-	-	-	-	-	19,509
853	109	827	6	278	-	2,151
-	-	2,111	-	-	-	2,111
13,065	145	2,938	400	286	24	24,578
3,413	579	(1,156)	149	12,147	(88)	9,088
63,760	18,858	120,170	878	7,045	7,164	325,391
<u>\$ 67,173</u>	<u>\$ 19,437</u>	<u>\$ 119,014</u>	<u>\$ 1,027</u>	<u>\$ 19,192</u>	<u>\$ 7,076</u>	<u>\$ 334,479</u>



STATISTICAL SECTION



STATISTICAL SECTION NARRATIVE AND TABLE OF CONTENTS

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

CONTENTS

FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the State’s financial performance and fiscal health have changed over time. Fund perspective schedules are presented for the last ten years. Schedules included are:

ENTITY WIDE PERSPECTIVE:

Schedule 1 – Net Position by Activities, Last Ten Fiscal Years.....	194
Schedule 2 – Changes in Net Position by Activities, Last Ten Fiscal Years.....	196

FUND PERSPECTIVE:

Schedule 3 – Fund Balances, Governmental Funds, Last Ten Fiscal Years.....	200
Schedule 4 – Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years.....	202
Schedule 5 – Changes in Fund Balances, General Fund, Last Ten Fiscal Years.....	204

REVENUE CAPACITY

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

Schedule 6 – Individual Income Tax and Tax Rates on Taxable Income, Last Ten Calendar Years.....	206
Schedule 7 – Individual Income Tax Filers and Tax Liability by Maine Adjusted Gross Income, Tax Years 2015 and 2006.....	209
Schedule 8 – Taxable Sales and Sales Tax Rates, Last Ten Calendar Years.....	210

DEBT CAPACITY

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

Schedule 9 – Calculation of Legal Debt Margin, Last Ten Fiscal Years.....	213
Schedule 10 – Ratios of Outstanding Debt by Type, Last Ten Fiscal Years.....	214
Schedule 11 – Pledged Future Revenue Coverage, Last Ten Fiscal Years.....	216

DEMOGRAPHIC AND ECONOMIC INFORMATION

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

Schedule 12 – Demographic Information, Last Ten Fiscal Years.....	218
Schedule 13 – Principal Employers – Top 10, Current Year and Ten Years Ago.....	221
Schedule 14 – Schedule of State Government Full Time Equivalent Employees by Policy Area, Last Ten Fiscal Years.....	222
Schedule 15 – Operating Indicators and Capital Information, Last Ten Fiscal Years.....	224
Schedule 16 – Capital Assets by Function, Last Ten Fiscal Years.....	226

STATE OF MAINE NET POSITION BY ACTIVITIES

Last Ten Fiscal Years
(Expressed in Thousands)

	2016	2015	2014	2013
Primary Government				
Governmental Activities				
Net Investment in Capital Assets	\$ 3,435,465	\$ 3,362,340	\$ 3,326,722	³ \$ 3,262,047
Restricted	132,972	215,520	² 168,085	³ 403,837
Unrestricted	<u>(1,927,208)</u>	<u>(2,232,749)</u>	² <u>(2,616,106)</u>	³ <u>(464,331)</u>
Total Governmental Activities Net Position	<u>\$ 1,641,229</u>	<u>\$ 1,345,111</u>	<u>\$ 878,701</u>	³ <u>\$ 3,201,553</u>
Business-Type Activities				
Net Investment in Capital Assets	\$ 38,658	\$ 42,658	\$ 44,462	\$ 55,340
Restricted	398,342	366,766	331,799	321,112
Unrestricted	<u>(23,819)</u>	<u>(35,942)</u>	² <u>(25,148)</u>	³ <u>2,860</u>
Total Business-Type Activities Net Position	<u>\$ 413,181</u>	<u>\$ 373,482</u>	<u>\$ 351,113</u>	³ <u>\$ 379,312</u>
Total Primary Government				
Net Investment in Capital Assets	\$ 3,474,123	\$ 3,404,998	\$ 3,371,184	³ \$ 3,317,387
Restricted	531,314	582,286	499,884	³ 724,949
Unrestricted	<u>(1,951,027)</u>	<u>(2,268,691)</u>	<u>(2,641,254)</u>	³ <u>(461,471)</u>
Total Primary Government Activities Net Position	<u>\$ 2,054,410</u>	<u>\$ 1,718,593</u>	<u>\$ 1,229,814</u>	³ <u>\$ 3,580,865</u>

¹ The methodology of calculating infrastructure capital assets changed in 2014.

² Implementation of Statement No. GASB 68 and 71

³ As restated.

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

SCHEDULE 1

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 4,408,377	\$ 4,165,760	\$ 3,945,510	\$ 3,767,895	\$ 3,632,073	\$ 3,519,371
398,122	376,044	383,576	162,240	200,888	198,786
<u>(514,820)</u>	<u>(324,465)</u>	<u>(346,646)</u>	<u>(150,054)</u>	<u>(98,830)</u>	<u>50,153</u>
<u>\$ 4,291,679</u>	<u>\$ 4,217,339</u>	<u>\$ 3,982,440</u>	<u>\$ 3,780,081</u>	<u>\$ 3,734,131</u>	<u>\$ 3,768,310</u>
<hr/>					
\$ 152,763	\$ 146,357	\$ 97,635	\$ 96,667	\$ 95,905	\$ 90,361
295,632	300,287	320,648	383,970	493,733	489,677
<u>675</u>	<u>(6,623)</u>	<u>(35,010)</u>	<u>(67,030)</u>	<u>(89,400)</u>	<u>(74,054)</u>
<u>\$ 449,070</u>	<u>\$ 440,021</u>	<u>\$ 383,273</u>	<u>\$ 413,607</u>	<u>\$ 500,238</u>	<u>\$ 505,984</u>
<hr/>					
\$ 4,561,140	\$ 4,312,117	\$ 4,043,145	\$ 3,864,562	\$ 3,727,978	\$ 3,609,732
693,754	676,331	704,224	546,210	694,621	688,463
<u>(514,145)</u>	<u>(331,088)</u>	<u>(381,656)</u>	<u>(217,084)</u>	<u>(188,230)</u>	<u>(23,901)</u>
<u>\$ 4,740,749</u>	<u>\$ 4,657,360</u>	<u>\$ 4,365,713</u>	<u>\$ 4,193,688</u>	<u>\$ 4,234,369</u>	<u>\$ 4,274,294</u>

STATE OF MAINE
CHANGES IN NET POSITION BY ACTIVITIES

Last Ten Fiscal Years
(Expressed in Thousands)

	2016	2015	2014	2013
Expenses				
Governmental Activities:				
Governmental Support & Operations	\$ 477,351	\$ 357,029	\$ 377,269	\$ 428,001
Arts, Heritage & Cultural Enrichment	10,815	11,457	11,401	10,538
Business Licensing & Regulation	51,207	67,348	73,016	63,406
Economic Development & Workforce Training	169,201	169,192	175,338	240,485
Education	1,614,477	1,543,947	1,676,908	1,581,556
Health & Human Services	3,587,573	3,595,418	3,669,552	3,657,573
Justice & Protection	412,088	412,718	410,641	401,656
Natural Resources Development & Protection	207,610	205,334	208,970	201,979
Transportation, Safety & Development	590,437	553,321	524,024	384,852
Interest Expense	44,822	50,639	47,271	46,541
Total Governmental Activities	<u>7,165,581</u>	<u>6,966,403</u>	<u>7,174,390</u>	<u>7,016,587</u>
Business-Type Activities:				
Employment Security	110,912	129,697	159,058	169,334
Alcoholic Beverages	120,373	111,265	19	-
Lottery	217,556	200,457	180,087	176,094
Transportation	-	-	-	-
Ferry Services	12,782	12,338	11,849	12,030
Military Equipment Maintenance	11,610	9,342	11,466	36,971
Dirigo Health	12	1,137	26,863	56,229
Other	7,178	7,696	7,540	7,183
Total Business-Type Activities	<u>480,423</u>	<u>471,932</u>	<u>396,882</u>	<u>457,841</u>
Total Primary Government Expenses	<u>7,646,004</u>	<u>7,438,335</u>	<u>7,571,272</u>	<u>7,474,428</u>
Program Revenues				
Governmental Activities:				
Charges for Services:				
Governmental Support & Operations	91,136	99,959	96,712	89,374
Arts, Heritage & Cultural Enrichment	890	955	1,315	869
Business Licensing & Regulation	74,634	69,790	74,799	69,196
Economic Development & Workforce Training	10,934	7,863	7,410	7,910
Education	38,691	37,016	37,467	26,098
Health & Human Services	17,553	15,988	11,953	18,801
Justice & Protection	87,183	80,028	82,347	83,173
Natural Resources Development & Protection	92,054	95,922	88,035	93,531
Transportation, Safety & Development	159,659	131,936	128,635	119,087
Operating Grants and Contributions	2,875,849	2,817,929	2,831,956	3,047,714
Capital Grants and Contributions	-	-	-	-
Total Governmental Activities Program Revenues	<u>3,448,583</u>	<u>3,357,386</u>	<u>3,360,629</u>	<u>3,555,753</u>
Business-Type Activities:				
Employment Security	137,593	157,623	163,352	188,833
Alcoholic Beverages	166,752	157,369	12,539	12,533
Lottery	278,454	254,883	232,420	229,565
Transportation	-	-	-	-
Ferry Services	4,138	4,831	4,912	4,584
Military Equipment Maintenance	6,139	5,315	10,102	35,814
Dirigo Health	491	4	25,802	65,454
Other ¹	8,151	7,520	8,020	7,143
Operating Grants and Contributions	7,948	7,383	7,036	7,032
Capital Grants and Contributions	-	-	-	-
Total Business-Type Activities Program Revenues	<u>609,666</u>	<u>594,928</u>	<u>464,183</u>	<u>550,958</u>
Net (Expense)/Revenue				
Governmental Activities	(3,716,998)	(3,609,017)	(3,813,761)	(3,460,834)
Business-Type Activities	<u>129,243</u>	<u>122,996</u>	<u>67,301</u>	<u>93,117</u>
Total Primary Governmental Net (Expense)/Revenue	<u>(3,587,755)</u>	<u>(3,486,021)</u>	<u>(3,746,460)</u>	<u>(3,367,717)</u>

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

SCHEDULE 2

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$	456,622	\$ 448,917	\$ 445,972	\$ 451,246	\$ 506,726	\$ 427,752
	11,507	11,807	11,761	13,430	12,406	12,994
	68,697	69,288	74,243	66,155	63,417	60,506
	302,614	374,473	400,166	229,838	149,970	161,427
	1,610,095	1,706,305	1,752,041	1,689,036	1,669,353	1,622,653
	3,750,402	3,522,341	3,511,572	3,428,680	3,290,482	2,989,001
	401,740	415,450	412,263	419,027	407,879	358,718
	208,463	204,379	196,780	224,609	186,214	179,670
	376,689	371,374	327,536	334,236	363,977	300,557
	45,551	43,202	48,594	40,148	35,524	36,246
	<u>7,232,380</u>	<u>7,167,536</u>	<u>7,180,928</u>	<u>6,896,405</u>	<u>6,685,948</u>	<u>6,149,524</u>
	187,703	203,693	235,301	225,181	122,518	120,215
	-	-	1	-	-	-
	176,837	167,956	166,721	163,030	178,419	180,722
	9,310	11,082	8,173	8,473	7,432	4,218
	11,458	12,711	10,817	10,210	9,292	9,405
	35,058	44,765	45,004	71,380	80,306	35,140
	56,702	47,980	50,952	58,861	76,860	65,178
	7,662	7,597	9,749	8,877	8,598	8,972
	<u>484,730</u>	<u>495,784</u>	<u>526,718</u>	<u>546,012</u>	<u>483,425</u>	<u>423,850</u>
	<u>7,717,110</u>	<u>7,663,320</u>	<u>7,707,646</u>	<u>7,442,417</u>	<u>7,169,373</u>	<u>6,573,374</u>
	80,534	105,851	106,164	82,738	86,178	76,507
	1,006	749	1,075	1,172	1,303	818
	75,633	57,772	71,592	56,042	69,845	52,033
	7,175	5,972	6,846	4,531	2,361	3,202
	6,897	4,470	7,487	2,053	3,653	4,865
	20,018	18,252	11,844	12,573	11,694	9,656
	86,583	83,093	88,166	90,497	89,580	80,435
	93,991	102,084	95,318	91,562	92,737	81,305
	116,995	110,401	103,759	111,429	102,729	97,761
	3,160,241	3,355,823	3,525,858	3,081,827	2,559,533	2,361,828
	-	-	-	-	-	6,434
	<u>3,649,073</u>	<u>3,844,467</u>	<u>4,018,109</u>	<u>3,534,424</u>	<u>3,019,613</u>	<u>2,774,844</u>
	176,645	173,416	127,438	97,362	106,536	112,482
	12,532	12,533	12,528	12,530	12,527	12,525
	231,015	218,081	219,966	213,073	228,980	231,628
	4,692	4,182	1,929	3,961	2,089	2,169
	4,695	4,649	4,951	4,347	4,116	3,837
	35,104	42,473	49,487	75,784	77,229	30,656
	70,296	71,396	65,609	68,704	54,507	63,339
	5,945	8,619	7,126	7,150	7,213	6,882
	7,823	11,253	44,629	20,170	22,950	21,386
	-	-	-	-	-	4,143
	<u>548,747</u>	<u>546,602</u>	<u>533,663</u>	<u>503,081</u>	<u>516,147</u>	<u>489,047</u>
	(3,583,307)	(3,323,069)	(3,162,819)	(3,361,981)	(3,666,335)	(3,374,680)
	64,017	50,818	6,945	(42,931)	32,722	65,197
	<u>(3,519,290)</u>	<u>(3,272,251)</u>	<u>(3,155,874)</u>	<u>(3,404,912)</u>	<u>(3,633,613)</u>	<u>(3,309,483)</u>

(continued)

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

Last Ten Fiscal Years
(Expressed in Thousands)

	2016	2015	2014	2013
General Revenues and Other Changes in Net Position:				
Governmental Activities:				
Taxes:				
Corporate ²	\$ 108,395	\$ 196,586	\$ 194,770	\$ 294,333
Individual Income	1,534,620	1,553,043	1,399,238	1,508,024
Fuel	245,299	247,900	237,439	235,112
Property	58,450	54,276	51,684	49,444
Sales & Use	1,437,916	1,351,498	1,257,376	1,140,645
Other ²	382,191	390,185	383,026	313,154
Unrestricted Investment Earnings	7,335	7,826	19,950	10,288
Miscellaneous Income	85,948	96,578	118,043	100,329
Loss on Assets Held for Sale	-	-	(53)	-
Tobacco Settlement	52,083	48,059	57,749	50,723
Special Items	-	28,849	48,861	92,401
Transfers - Internal Activities	100,879	100,627	193,192	54,916
Total Governmental Activities	<u>4,013,116</u>	<u>4,075,427</u>	<u>3,961,275</u>	<u>3,849,369</u>
Business-Type Activities:				
Miscellaneous Income	-	-	-	-
Special Items	11,335	-	(48,861)	(108,288)
Transfers - Internal Activities	(100,879)	(100,627)	(193,192)	(54,916)
Total Business-Type Activities	<u>(89,544)</u>	<u>(100,627)</u>	<u>(242,053)</u>	<u>(163,204)</u>
Total Primary Government	<u>3,923,572</u>	<u>3,974,800</u>	<u>3,719,222</u>	<u>3,686,165</u>
Change in Net Position				
Governmental Activities	296,118	466,410	147,514	388,535
Business-Type Activities	39,699	22,369	(174,752)	(70,087)
Total Change in Net Position - Primary Government	<u>\$ 335,817</u>	<u>\$ 488,779</u>	<u>\$ (27,238)</u>	<u>\$ 318,448</u>

² Realignment of corporate and other taxes occurred in 2014.

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

SCHEDULE 2 (continued)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$	334,818	\$ 310,693	\$ 282,998	\$ 266,551	\$ 291,463	\$ 292,255
	1,459,039	1,455,959	1,297,568	1,374,681	1,552,412	1,478,542
	245,815	241,710	240,734	223,953	228,438	231,727
	45,902	45,882	46,627	39,120	43,672	48,339
	1,113,952	1,097,900	1,066,957	1,090,578	1,142,485	1,141,714
	273,062	283,715	258,775	250,297	254,297	255,550
	2,543	17,051	12,378	6,417	5,857	39,599
	76,360	107,017	92,536	91,528	120,109	123,036
	-	-	-	(57)	(1,016)	(445)
	51,188	48,554	51,601	61,388	64,399	48,978
	-	(36,931)	(11,728)	-	(100,000)	-
	54,968	(13,016)	37,279	43,700	38,470	40,979
	<u>3,657,647</u>	<u>3,558,534</u>	<u>3,375,725</u>	<u>3,448,156</u>	<u>3,640,586</u>	<u>3,700,274</u>
	-	-	-	-	2	2
	-	(7,086)	-	-	-	-
	(54,968)	13,016	(37,279)	(43,700)	(38,470)	(40,979)
	<u>(54,968)</u>	<u>5,930</u>	<u>(37,279)</u>	<u>(43,700)</u>	<u>(38,468)</u>	<u>(40,977)</u>
	<u>3,602,679</u>	<u>3,564,464</u>	<u>3,338,446</u>	<u>3,404,456</u>	<u>3,602,118</u>	<u>3,659,297</u>
	74,340	235,465	212,906	86,175	(25,749)	325,594
	9,049	56,748	(30,334)	(86,631)	(5,746)	24,220
\$	<u>83,389</u>	<u>\$ 292,213</u>	<u>\$ 182,572</u>	<u>\$ (456)</u>	<u>\$ (31,495)</u>	<u>\$ 349,814</u>

STATE OF MAINE

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(Expressed in Thousands)

	2016	2015	2014	2013
General Fund				
Nonspendable:				
Permanent Fund Principal	\$ -	\$ -	\$ -	\$ -
Inventories and Prepaid Items	2,665	4,154	3,807	3,341
Restricted	12,865	2,425	2,064	3,534
Committed	64,959	-	-	-
Assigned	-	-	-	-
Unassigned	(35,155)	(80,378)	(221,307)	(151,250)
Total General Fund	\$ 45,334	\$ (73,799)	\$ (215,436)	\$ (144,375)
All Other Governmental Funds:				
Nonspendable:				
Permanent Fund Principal	\$ 24,402	\$ 23,162	\$ 21,895	\$ 17,794
Inventories and Prepaid Items	698	932	1,340	1,556
Restricted	621,981	627,003	548,591	502,108
Committed	65,957	51,951	48,381	-
Assigned	61,144	10,737	15,987	-
Unassigned (deficit)	-	-	-	(132,447)
Total All Other Governmental Funds	\$ 774,182	\$ 713,785	\$ 636,194	\$ 389,011
Total Governmental Fund Balances	\$ 819,516	\$ 639,986	\$ 420,758	\$ 244,636
<hr/>				
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Total General Fund	\$ -	\$ -	\$ -	\$ -
All Other Governmental Funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	-	-	-	-
Total All Other Governmental Funds	\$ -	\$ -	\$ -	\$ -
Total Governmental Fund Balances	\$ -	\$ -	\$ -	\$ -

SOURCE: State of Maine Comprehensive Annual Financial Reporting System.

Modified accrual basis of accounting.

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

SCHEDULE 3

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,965	3,846	-	-	-	-
2,989	3,344	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(355,889)</u>	<u>(243,559)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (349,935)</u>	<u>\$ (236,369)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 16,328	\$ 14,961	\$ -	\$ -	\$ -	\$ -
1,563	1,578	-	-	-	-
527,811	493,094	-	-	-	-
38,436	38,444	-	-	-	-
12,489	17,149	-	-	-	-
<u>(2,300)</u>	<u>(4,374)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 594,327</u>	<u>\$ 560,852</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 244,392</u>	<u>\$ 324,483</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 102,770	\$ 116,986	\$ 165,402	\$ 127,136
<u>-</u>	<u>-</u>	<u>(411,018)</u>	<u>(390,379)</u>	<u>(403,874)</u>	<u>(283,485)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (308,248)</u>	<u>\$ (273,393)</u>	<u>\$ (238,472)</u>	<u>\$ (156,349)</u>
\$ -	\$ -	\$ 547,669	\$ 442,613	\$ 458,238	\$ 424,965
<u>-</u>	<u>-</u>	<u>67,964</u>	<u>32,736</u>	<u>(31,858)</u>	<u>4,270</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 615,633</u>	<u>\$ 475,349</u>	<u>\$ 426,380</u>	<u>\$ 429,235</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 307,385</u>	<u>\$ 201,956</u>	<u>\$ 187,908</u>	<u>\$ 272,886</u>

**STATE OF MAINE
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

Last Ten Fiscal Years
(Expressed in Thousands)

	2016	2015	2014	2013
Revenues:				
Taxes	\$ 3,813,782	\$ 3,756,622	\$ 3,530,357	\$ 3,558,881
Assessments and Other Revenue	363,183	353,148	350,758	351,510
Federal Grants and Reimbursements	2,876,044	2,816,224	2,830,083	3,048,069
Service Charges	196,785	173,050	164,461	141,358
Investment Income (Loss)	6,458	7,205	17,767	9,921
Miscellaneous Revenue	133,200	142,375	154,219	130,615
Total Revenues	<u>7,389,452</u>	<u>7,248,624</u>	<u>7,047,645</u>	<u>7,240,354</u>
Expenditures				
Current:				
Governmental Support & Operations	340,047	332,237	332,180	402,006
Economic Development & Workforce Training	175,527	169,949	173,868	241,126
Education	1,688,041	1,668,409	1,701,248	1,590,595
Health and Human Services	3,647,770	3,638,366	3,681,004	3,676,832
Business Licensing & Regulation	56,775	70,277	72,020	62,883
Natural Resources Development & Protection	233,834	209,293	195,526	208,453
Justice and Protection	451,792	444,889	417,896	392,352
Arts, Heritage & Cultural Enrichment	11,747	11,891	11,154	10,298
Transportation Safety & Development	602,723	540,218	536,995	584,201
Debt Service:				
Principal Payments	143,165	144,230	125,325	143,229
Interest Payments	42,165	42,617	34,820	38,791
Capital Outlays	58,185	66,903	35,227	7,753
Total Expenditures	<u>7,451,771</u>	<u>7,339,279</u>	<u>7,317,263</u>	<u>7,358,519</u>
Revenue over (under) Expenditures	<u>(62,319)</u>	<u>(90,655)</u>	<u>(269,618)</u>	<u>(118,165)</u>
Other Financing Sources (Uses):				
Transfer from Other Funds	321,363	442,207	426,724	472,313
Transfer to Other Funds	(225,927)	(340,283)	(379,767)	(399,791)
COPS and Other	13,259	11,216	77,821	6,371
Proceeds from Component Unit Loan Payable	-	50,000	183,482	-
Bonds Issued	118,895	105,455	123,000	30,290
Refunding Bonds Issued	41,115	-	-	-
Premium on Bonds Issued	16,663	11,288	14,175	2,210
Bonds Defeased	-	-	(4,500)	-
Payments to Refunded Bond Escrow Agent	(43,519)	-	-	-
Net Other Finance Sources (Uses)	<u>241,849</u>	<u>279,883</u>	<u>440,935</u>	<u>111,393</u>
Special Items:				
Transfer of STAR Fund	-	-	-	7,016
Return of Excess Equity from Retiree Health Insurance Fund	-	-	-	-
Other	-	30,000	59	-
Net Special Items	<u>-</u>	<u>30,000</u>	<u>59</u>	<u>7,016</u>
Net Change in Fund Balance	<u>\$ 179,530</u>	<u>\$ 219,228</u>	<u>\$ 171,376</u>	<u>\$ 244</u>
<hr/>				
Debt Service as a Percentage of NonCapital Expenditures	2.51%	2.58%	2.21%	2.56%

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

SCHEDULE 4

2012	2011	2010	2009	2008	2007
\$ 3,469,925	\$ 3,398,030	\$3,215,299	\$ 3,240,269	\$3,510,637	\$ 3,430,669
331,862	314,447	334,656	322,239	320,363	289,301
3,162,059	3,366,618	3,535,224	3,092,757	2,569,632	2,386,317
147,379	155,491	159,854	148,904	145,091	123,249
1,299	16,250	11,273	(264)	2,356	26,740
<u>127,327</u>	<u>132,411</u>	<u>144,509</u>	<u>138,740</u>	<u>134,110</u>	<u>161,676</u>
<u>7,239,851</u>	<u>7,383,247</u>	<u>7,400,815</u>	<u>6,942,645</u>	<u>6,682,189</u>	<u>6,417,952</u>
408,730	400,580	410,269	433,723	469,060	411,803
301,827	375,234	401,839	229,090	152,403	162,003
1,616,987	1,717,991	1,776,207	1,702,917	1,681,096	1,637,848
3,771,099	3,571,466	3,608,645	3,448,401	3,356,683	3,066,272
65,876	67,700	73,807	65,235	65,470	61,540
204,353	211,168	224,598	222,947	195,330	204,204
383,123	398,911	415,689	445,389	415,645	372,674
10,981	11,544	11,613	13,208	12,717	13,215
566,540	657,528	568,639	557,684	550,819	494,586
134,886	121,995	120,087	85,759	81,015	83,680
40,133	38,131	39,332	23,271	19,575	20,334
<u>25,729</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>7,530,264</u>	<u>7,572,248</u>	<u>7,650,725</u>	<u>7,227,624</u>	<u>6,999,813</u>	<u>6,528,159</u>
<u>(290,413)</u>	<u>(189,001)</u>	<u>(249,910)</u>	<u>(284,979)</u>	<u>(317,624)</u>	<u>(110,207)</u>
426,135	395,679	352,719	315,508	312,154	352,896
(365,936)	(332,250)	(309,596)	(254,300)	(225,695)	(279,691)
2,625	5,244	40,520	4,474	50,542	35,543
58,726	51,710	142,857	100,000	-	-
82,265	108,135	70,110	133,345	104,075	60,975
-	-	-	-	-	-
6,507	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>210,322</u>	<u>228,518</u>	<u>296,610</u>	<u>299,027</u>	<u>241,076</u>	<u>169,723</u>
-	-	-	-	-	-
-	(22,520)	63,115	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>(22,520)</u>	<u>63,115</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (80,091)</u>	<u>\$ 16,997</u>	<u>\$ 109,815</u>	<u>\$ 14,048</u>	<u>\$ (76,548)</u>	<u>\$ 59,516</u>
2.40%	2.19%	2.17%	1.56%	1.47%	1.64%

STATE OF MAINE
CHANGES IN FUND BALANCES
GENERAL FUND

Last Ten Fiscal Years
(Expressed in Thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenues:				
Taxes	\$ 3,305,720	\$ 3,237,598	\$ 3,027,088	\$ 3,077,321
Assessments and Other Revenue	105,216	104,795	97,622	106,086
Federal Grants and Reimbursements	1,952	2,064	1,988	1,726
Service Charges	38,984	46,466	50,580	46,281
Investment Income (Loss)	2,439	1,170	716	356
Miscellaneous Revenue	14,360	11,736	23,706	10,467
Total Revenues	<u>3,468,671</u>	<u>3,403,829</u>	<u>3,201,700</u>	<u>3,242,237</u>
Expenditures				
Current:				
Governmental Support & Operations	230,692	218,279	219,125	265,160
Economic Development & Workforce Training	39,885	31,501	32,635	31,922
Education	1,422,871	1,401,594	1,404,149	1,332,688
Health and Human Services	1,107,675	1,119,182	1,159,000	907,141
Business Licensing & Regulation	-	-	3,797	992
Natural Resources Development & Protection	73,225	68,870	66,684	64,184
Justice and Protection	320,810	302,133	283,477	258,969
Arts, Heritage & Cultural Enrichment	7,623	7,358	7,459	6,932
Transportation Safety & Development	-	-	-	-
Debt Service:				
Principal Payments	80,405	84,875	85,735	103,840
Interest Payments	20,309	19,167	18,163	20,657
Total Expenditures	<u>3,303,495</u>	<u>3,252,959</u>	<u>3,280,224</u>	<u>2,992,485</u>
Revenue over (under) Expenditures	<u>165,176</u>	<u>150,870</u>	<u>(78,524)</u>	<u>249,752</u>
Other Financing Sources (Uses):				
Transfer from Other Funds	91,809	171,771	169,095	181,932
Transfer to Other Funds	(146,996)	(183,793)	(206,907)	(230,298)
Other	9,144	2,789	45,275	4,174
Net Other Finance Sources (Uses)	<u>(46,043)</u>	<u>(9,233)</u>	<u>7,463</u>	<u>(44,192)</u>
Special Items:				
Return of Excess Equity from Retiree Health Insurance Fund	-	-	-	-
Net Special Items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 119,133</u>	<u>\$ 141,637</u>	<u>\$ (71,061)</u>	<u>\$ 205,560</u>

Debt Service as a Percentage of NonCapital Expenditures	2.5%	2.7%	2.7%	3.8%
---	------	------	------	------

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

SCHEDULE 5

2012	2011	2010	2009	2008	2007
\$ 2,990,353	\$ 2,926,972	\$ 2,756,435	\$ 2,808,997	\$ 3,079,706	\$ 3,003,382
103,292	107,878	117,119	120,682	116,742	109,336
3,377	11,832	11,047	14,844	11,041	16,762
49,008	46,206	50,852	44,211	47,262	36,717
1,413	(54)	567	8,425	2,562	9,653
17,047	15,805	12,284	9,892	7,872	25,099
<u>3,164,490</u>	<u>3,108,639</u>	<u>2,948,304</u>	<u>3,007,051</u>	<u>3,265,185</u>	<u>3,200,949</u>
255,191	238,729	257,093	273,595	280,871	262,721
33,561	34,504	35,646	35,751	39,360	40,280
1,335,736	1,389,383	1,419,891	1,451,223	1,478,192	1,438,605
1,126,805	933,047	758,808	786,512	1,063,499	972,875
-	-	22	6	-	-
65,332	64,972	67,324	67,669	72,709	70,373
253,226	264,792	270,581	270,594	267,117	245,592
7,117	7,081	7,311	8,096	8,632	8,958
-	7,000	-	1	-	-
98,340	89,835	92,035	65,685	66,250	69,350
21,714	21,425	24,103	15,179	16,058	17,369
<u>3,197,022</u>	<u>3,050,768</u>	<u>2,932,814</u>	<u>2,974,311</u>	<u>3,292,688</u>	<u>3,126,123</u>
<u>(32,532)</u>	<u>57,871</u>	<u>15,490</u>	<u>32,740</u>	<u>(27,503)</u>	<u>74,826</u>
134,722	179,795	106,694	87,178	101,092	115,292
(216,827)	(167,274)	(205,768)	(155,566)	(152,813)	(190,074)
1,071	1,487	382	727	5,531	23,346
<u>(81,034)</u>	<u>14,008</u>	<u>(98,692)</u>	<u>(67,661)</u>	<u>(46,190)</u>	<u>(51,436)</u>
-	-	48,347	-	-	-
-	-	48,347	-	-	-
<u>\$ (113,566)</u>	<u>\$ 71,879</u>	<u>\$ (34,855)</u>	<u>\$ (34,921)</u>	<u>\$ (73,693)</u>	<u>\$ 23,390</u>
3.3%	3.2%	3.5%	2.4%	2.1%	2.4%

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

Last Ten Calendar Years
(Expressed in Thousands)

	2015	2014	2013	2012
Individual Income Tax Liability	\$ 1,492,954	\$ 1,393,286	\$ 1,311,617	\$ 1,433,654
Personal Income	\$ 56,893,803	\$ 54,860,192	\$ 52,724,616	\$ 52,877,607
Average Effective Tax Rate	2.6%	2.5%	2.5%	2.7%

	2015	2014	2013	2012
Income Bracket Tax Rate	\$0 - \$5,199 0.0%	\$0 - \$5,199 0.0%	\$0 - \$5,199 0.0%	\$0 - \$5,099 2.0%
Income Bracket Tax Rate	\$5,200 - \$20,899 6.5%	\$5,200 - \$20,899 6.5%	\$5,200 - \$20,899 6.5%	\$5,100 - \$10,149 4.5%
Income Bracket Tax Rate				\$10,150 - \$20,349 7.0%
Income Bracket Tax Rate	\$20,900+ 7.95%	\$20,900+ 7.95%	\$20,900+ 7.95%	\$20,350+ 8.5%

Individual income tax brackets are indexed for inflation beginning in tax year 2003. Inflation adjustments are suspended for tax years 2014 and 2015.

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

SOURCE: Maine Revenue Services.

SCHEDULE 6

2011	2010	2009	2008	2007	2006
\$ 1,343,096	\$ 1,310,748	\$ 1,231,328	\$ 1,327,007	\$ 1,441,838	\$ 1,364,514
\$ 51,714,022	\$ 49,827,077	\$ 49,130,870	\$ 49,226,384	\$ 47,187,502	\$ 45,402,329
2.6%	2.6%	2.5%	2.7%	3.1%	3.0%

2011	2010	2009	2008	2007	2006
\$0 - \$4,999 2.0%	\$0 - \$4,949 2.0%	\$0 - \$5,049 2.0%	\$0 - \$4,849 2.0%	\$0 - \$4,749 2.0%	\$0 - \$4,549 2.0%
\$5,000 - \$9,949 4.5%	\$4,950 - \$9,849 4.5%	\$5,050 - \$10,049 4.5%	\$4,850 - \$9,699 4.5%	\$4,750 - \$9,450 4.5%	\$4,550 - \$9,099 4.5%
\$9,950 - \$19,949 7.0%	\$9,850 - \$19,749 7.0%	\$10,050 - \$20,149 7.0%	\$9,700 - \$19,449 7.0%	\$9,450 - \$18,950 7.0%	\$9,100 - \$18,249 7.0%
\$19,950+ 8.5%	\$19,750+ 8.5%	\$20,150+ 8.5%	\$19,450+ 8.5%	\$18,950+ 8.5%	\$18,250+ 8.5%



SCHEDULE 7

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

(Tax Liability Expressed in Millions)

2015 Tax Year

Income Level	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
\$0 and below	18,137	2.6%	\$ (3.35)	-0.2%
\$1 - \$ 10,000	96,682	14.1%	(4.85)	-0.3%
\$10,001 - \$ 20,000	102,109	14.9%	0.79	0.1%
\$20,001 - \$ 30,000	94,743	13.8%	28.45	1.9%
\$30,001 - \$ 50,000	130,811	19.1%	122.18	8.2%
\$50,001 - \$ 75,000	93,214	13.6%	193.68	13.0%
\$75,001 - \$100,000	55,831	8.1%	194.49	13.0%
\$100,001 - \$200,000	67,915	9.9%	425.68	28.5%
\$200,001 and higher	27,067	3.9%	535.88	35.9%
Total	686,509	100.0%	\$ 1,492.95	100.0%

(Tax Liability Expressed in Millions)

2006 Tax Year

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

SOURCE: Maine Revenue Services.

STATE OF MAINE TAXABLE SALES AND SALES TAX RATES

Last Ten Calendar Years
(Expressed in Thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Business Operating	\$ 2,274,758	\$ 2,205,300	\$ 2,144,569	\$ 2,071,027
Building Supply	2,389,625	2,275,309	2,184,879	2,062,162
Food Store	1,791,703	1,724,835	1,654,251	1,624,714
General Merchandise	3,210,403	3,153,868	3,107,412	3,086,232
Other Retail	2,308,153	2,216,658	2,169,047	2,105,616
Auto/Transportation	4,552,275	4,211,761	3,947,689	3,665,555
Restaurant/Lodging	<u>3,367,607</u>	<u>3,185,843</u>	<u>3,040,446</u>	<u>2,927,667</u>
Total	<u>\$ 19,894,524</u>	<u>\$ 18,973,574</u>	<u>\$ 18,248,292</u>	<u>\$ 17,542,972</u>

Sales and Use Tax Rates:

General Sales & Use	5.5%	5%	5%	5%
Lodging & Prepared Food	8%	7%	7%	7%
Short-term Auto Rental	10%	10%	10%	10%

Effective October 1, 2013: (1) general sales and use tax increased to 5.5% (2) 7% rate on meals and lodging increases to 8%.

Tax rates. The current general sales tax rate of 5.5% remains in place, as does the current 8% rate on lodging, meals and liquor and the 10% rate on short-term automobile rentals. The tax rate on lodging increases from 8% to 9% on January 1, 2016. 36 M.R.S. §§ 1811; LD 1019, PL 2015, c. 267, Pt. OOOO, § 5.

SOURCE: Maine Revenue Services.

SCHEDULE 8

2011	2010	2009	2008	2007	2006
\$ 2,013,955	\$ 1,918,061	\$ 1,847,283	\$ 2,213,683	\$ 2,194,081	\$ 2,099,287
2,080,002	1,952,148	1,935,346	2,310,659	2,421,975	2,526,623
1,575,567	1,549,563	1,524,577	1,488,989	1,451,665	1,404,216
3,027,034	3,035,792	2,961,966	3,074,233	3,140,754	3,097,387
2,094,362	2,018,804	1,956,601	1,994,361	1,943,510	1,936,040
3,482,008	3,301,937	3,238,984	3,468,340	3,689,403	3,613,741
2,762,278	2,673,050	2,549,563	2,603,360	2,575,752	2,451,376
\$ 17,035,206	\$ 16,449,356	\$ 16,014,320	\$ 17,153,624	\$ 17,417,140	\$ 17,128,670

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



SCHEDULE 9

STATE OF MAINE CALCULATION OF LEGAL DEBT MARGIN FOR THE TEN YEARS ENDED JUNE 30, 2016

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

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

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

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

(Dollar Amounts Expressed in Thousands)

Year	Temporary Loans Outstanding During the Year*	Total Governmental Funds Revenue	% of Total Governmental Funds Revenue	10% of Total Governmental Funds Revenue Limit Amount	Total Valuation	% of Total Valuation	1 % of Total Valuation Limit Amount
2016	\$ 37,185	\$ 7,287,606	0.51%	\$ 728,761	\$ 162,950,100	0.02%	\$ 1,629,501
2015	\$ 38,150	\$ 7,103,637	0.54%	\$ 710,364	\$ 159,770,050	0.02%	\$ 1,597,701
2014	\$ 65,000	\$ 7,315,155	0.89%	\$ 731,516	\$ 158,661,600	0.04%	\$ 1,586,616
2013	\$ -	\$ 6,959,426	0.00%	\$ 695,943	\$ 160,011,900	0.00%	\$ 1,600,119
2012	\$ -	\$ 6,947,865	0.00%	\$ 694,787	\$ 163,424,200	0.00%	\$ 1,634,242
2011	\$ 68,455	\$ 7,190,530	0.95%	\$ 719,053	\$ 166,990,700	0.04%	\$ 1,669,907
2010	\$ 41,245	\$ 7,083,733	0.58%	\$ 708,373	\$ 170,336,350	0.02%	\$ 1,703,364
2009	\$ 112,110	\$ 6,827,987	1.64%	\$ 682,799	\$ 168,006,150	0.07%	\$ 1,680,062
2008	\$ 88,820	\$ 6,406,302	1.39%	\$ 640,630	\$ 162,744,550	0.05%	\$ 1,627,446
2007	\$ 55,840	\$ 6,230,265	0.90%	\$ 623,027	\$ 148,946,200	0.04%	\$ 1,489,462

STATE OF MAINE RATIOS OF OUTSTANDING DEBT BY TYPE

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Governmental Activities Debt				
General Obligation Bonds	\$ 464,444	\$ 430,947	\$ 399,190	\$ 369,725
MGFA Revenue Bonds	172,373	170,870	187,175	199,910
COPS and Other Financing Arrangements	69,565	88,696	106,810	47,938
Obligations Under Capital Leases	36,679	40,533	35,215	34,741
Loans Payable to Component Unit ¹	425,199	477,188	472,976	304,045
Total Governmental Activities Debt	<u>1,168,260</u>	<u>1,208,234</u>	<u>1,201,366</u>	<u>956,359</u>
Business-Type Activities Debt	-	-	-	-
Total Primary Government Debt	<u>\$ 1,168,260</u>	<u>\$ 1,208,234</u>	<u>\$ 1,201,366</u>	<u>\$ 956,359</u>
Debt Ratios				
Ratio of Total Debt to Personal Income ² Per Capita ³	2.0%	2.2%	2.2%	1.8%
	\$ 879	\$ 908	\$ 904	\$ 720
Net General Obligation Bonded Debt				
Gross Bonded Debt	\$ 636,817	\$ 601,817	\$ 586,365	\$ 569,635
Less: Debt Service Funds	-	-	-	-
Net Bonded Debt	<u>\$ 636,817</u>	<u>\$ 601,817</u>	<u>\$ 586,365</u>	<u>\$ 569,635</u>
Ratio of Net Bonded Debt to Estimated Property Value ⁴ Per Capita ³	0.4%	0.4%	0.4%	0.4%
	\$ 479	\$ 452	\$ 441	\$ 429

¹ Federal and other revenue streams associated with qualified transportation projects are pledged as security for GARVEE and TransCap bonds. These pledged future revenues offset the unspent proceeds of the bond received by a component unit. Profit from the Alcoholic Beverages Enterprise Fund are pledged as security for the Liquor bonds. See Schedule 11.

² Personal income data can be found in Schedule 12.

³ Population data can be found on Schedule 12.

⁴ Estimated property value can be found on Schedule 9

SCHEDULE 10

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 472,055	\$ 520,230	\$ 500,100	\$ 529,990	\$ 475,835	\$ 448,760
187,865	172,150	189,080	192,935	208,560	182,605
52,097	71,830	76,291	50,079	66,493	79,886
29,778	33,690	33,329	37,634	37,522	41,751
<u>328,131</u>	<u>290,919</u>	<u>258,394</u>	<u>131,769</u>	<u>38,338</u>	<u>42,353</u>
<u>1,069,926</u>	<u>1,088,819</u>	<u>1,057,194</u>	<u>942,407</u>	<u>826,748</u>	<u>795,355</u>
-	-	-	-	-	-
<u>\$ 1,069,926</u>	<u>\$ 1,088,819</u>	<u>\$ 1,057,194</u>	<u>\$ 942,407</u>	<u>\$ 826,748</u>	<u>\$ 795,355</u>
2.0%	2.1%	2.1%	1.9%	1.7%	1.7%
\$ 805	\$ 819	\$ 796	\$ 709	\$ 621	\$ 599
\$ 659,920	\$ 692,380	\$ 689,180	\$ 722,925	\$ 684,395	\$ 631,365
-	-	-	-	-	-
<u>\$ 659,920</u>	<u>\$ 692,380</u>	<u>\$ 689,180</u>	<u>\$ 722,925</u>	<u>\$ 684,395</u>	<u>\$ 631,365</u>
0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
\$ 497	\$ 521	\$ 519	\$ 544	\$ 514	\$ 476

STATE OF MAINE PLEGGED FUTURE REVENUE COVERAGE

Last Ten Fiscal Years
(Expressed in Thousands)

	2016	2015	2014	2013
Grant Anticipation Revenue Vehicle (GARVEE) Bonds¹				
Federal Aid Revenues	\$ 216,915	\$ 195,830	\$ 210,870	\$ 223,076
Annual Debt Service	\$ 20,143	\$ 16,416	\$ 15,951	\$ 15,921
Debt Service Coverage	9.29%	8.38%	7.56%	7.14%

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

Transportation Infrastructure Revenue (TRANSCAP) Bonds²

Pledged Revenue Stream	\$ 39,634	\$ 38,866	\$ 38,340	\$ 40,154
Annual Debt Service	\$ 19,789	\$ 20,273	\$ 20,268	\$ 20,268
Debt Service Coverage	49.93%	52.16%	52.86%	50.48%

SOURCE: Department of Transportation.

The State has committed the profit of the Alcoholic Beverages Enterprise Fund as pledged revenue until such time as the bond liability is paid in full, pursuant to 28-A MRSA § 90. In FY 2014 only interest payments were due.

Liquor Revenue Bonds³

Pledged Revenue Stream	\$ 44,400	\$ 44,094	\$ -
Annual Debt Service	\$ 26,812	\$ 26,823	\$ 5,306
Debt Service Coverage	60.39%	60.83%	0.00%

¹ Based on Federal Fiscal Year End

² Based on State Fiscal Year End

³ The profit from the Alcoholic Beverages Enterprise Fund began being deposited 7/1/15.

SCHEDULE 11

2012	2011	2010	2009	2008	2007
\$ 206,952	\$ 186,326	\$ 150,868	\$ 147,530	\$ 146,454	\$ 168,499
\$ 15,100	\$ 11,191	\$ 10,650	\$ 6,384	\$ 5,521	\$ 5,579
7.30%	6.01%	7.06%	4.33%	3.77%	3.31%
\$ 38,171	\$ 38,136	\$ 38,124	\$ 5,000	\$ -	\$ -
\$ 17,467	\$ 16,951	\$ 7,567	\$ 658	\$ -	\$ -
45.76%	44.45%	19.85%	13.16%	-	-

STATE OF MAINE DEMOGRAPHIC INFORMATION

Last Ten Fiscal Years

	2016	2015	2014	2013
Maine:				
Population (in thousands) ¹	1,329	1,331	1,330	1,328
Total Personal Income (in millions) ¹	57,990	54,926	55,958	54,359
Per Capita Personal Income ²	43,638	41,273	42,074	40,933
Unemployment Rate ³	3.7%	4.7%	5.5%	6.8%
United States:				
Population (in thousands) ¹	322,704	320,064	318,857	316,129
Total Personal Income (in millions) ¹	15,725,128	14,991,944	14,708,582	14,151,427
Per Capita Personal Income ²	48,729	46,840	46,129	44,765
Unemployment Rate ³	4.9%	5.3%	6.1%	7.6%

¹ FY16 and FY15's source is the preliminary average of the last 4 quarters reported in the Quarterly Personal Income Summary last updated February 2016 or September 2015, respectively. FY13 - FY10 source is SA1 Personal Income Summary: Personal Income, Population, Per Capita Personal Income use state population estimates released in December, 2013, while 2014 estimates reflect the December 2014 release.

² Calculation total personal income/population

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

SCHEDULE 12

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
1,329	1,328	1,328	1,330	1,331	1,327
52,958	51,524	49,395	48,939	48,771	47,122
39,848	38,798	37,195	36,796	36,642	35,510
7.5%	7.8%	8.0%	8.6%	5.0%	4.5%
313,875	311,583	309,326	306,772	304,094	301,231
13,873,161	13,189,935	12,417,659	12,073,738	12,429,284	11,990,244
44,200	42,332	40,144	39,357	40,873	39,804
8.2%	8.9%	9.5%	9.2%	5.5%	4.6%



SCHEDULE 13

**STATE OF MAINE
PRINCIPAL EMPLOYERS - TOP 10
Not Seasonally Adjusted**

Current Year and Ten Years Ago

Employer	2016				2007		
	Range of Employees		Rank	Percentage of Total State Employment	Average Number of Employees	Rank	Percentage of Total State Employment
Maine State Government	14,001 -	14,500	1	2.4%	15,800	1	2.6%
MaineHealth	8,501 -	9,000	2	1.4%			
Hannaford Brothers Co.	8,001 -	8,500	3	1.4%	7,500	2	1.2%
Department of Defense	7,001 -	7,500	4	1.2%	6,300	4	1.0%
Wal Mart/Sam's Club	7,001 -	7,500	5	1.2%	7,500	3	1.2%
Bath Iron Works Corporation	5,501 -	6,000	6	1.0%	5,500	6	0.9%
L L Bean, Inc	4,001 -	4,500	7	0.7%	5,500	7	0.9%
Eastern Maine Medical Center	3,501 -	4,000	8	0.6%	3,300	9	0.5%
MaineGeneral Medical Center	3,001 -	3,500	9	0.5%			
Central Maine Healthcare Corp.	3,001 -	3,500	10	0.5%			
Maine Medical Center	-	-			5,500	5	0.9%
US Post Office	-	-			4,300	8	0.7%
Shaws Supermarkets	-	-			3,300	10	0.5%
Total	63,510 -	68,500		10.9%	64,500		10.7%

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

Note:

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

**STATE OF MAINE
SCHEDULE OF STATE GOVERNMENT FULL TIME
EQUIVALENT EMPLOYEES BY POLICY AREA**

Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Arts, Heritage & Cultural Enrichment	91.6	89.1	89.6	89.6
Business Licensing & Regulation	394.5	389.0	389.0	395.0
Economic Development & Workforce Training	584.0	581.5	557.5	558.5
Education	191.3	193.5	192.5	190.6
Governmental Support & Operations	2,099.9	2,100.1	2,106.1	2,128.4
Health and Human Services	3,440.9	3,494.4	3,475.4	3,468.4
Justice and Protection	2,999.8	2,962.8	2,959.3	2,960.3
Natural Resources Development & Protection	1,421.3	1,447.8	1,448.8	1,461.0
Transportation Safety & Development	<u>2,047.3</u>	<u>2,046.9</u>	<u>2,045.8</u>	<u>2,072.4</u>
 Total Full Time Equivalentents	 <u>13,270.6</u>	 <u>13,304.9</u>	 <u>13,264.0</u>	 <u>13,324.2</u>

SOURCE: Maine Bureau of Budget.

SCHEDULE 14

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
90.3	92.1	94.1	95.9	105.4	107.4
395.6	406.0	413.0	411.5	420.0	413.2
555.0	593.6	594.6	604.6	614.6	624.1
185.6	194.3	195.3	201.6	207.9	209.6
2,162.4	2,214.3	2,217.8	2,239.5	2,246.0	2,247.5
3,477.4	3,645.1	3,718.1	3,691.6	3,777.4	3,738.9
2,969.8	2,986.6	2,988.6	2,986.1	2,990.6	2,937.6
1,446.4	1,481.8	1,490.9	1,498.4	1,530.0	1,523.2
<u>2,072.4</u>	<u>2,123.2</u>	<u>2,123.2</u>	<u>2,277.5</u>	<u>2,277.5</u>	<u>2,300.7</u>
<u>13,354.9</u>	<u>13,737.1</u>	<u>13,835.8</u>	<u>14,006.7</u>	<u>14,169.5</u>	<u>14,102.2</u>

STATE OF MAINE OPERATING INDICATORS AND CAPITAL INFORMATION

Fiscal Years Ended June 30

Operating Indicators by Function:	2016	2015	2014	2013	2012
Education					
Students enrolled in the free/reduced lunch program ⁴	86,746	85,794	86,500	85,731	84,717
Economic Development & Workforce Training					
Unemployed persons	26,220	32,809	39,300	48,500	52,900
Governmental Support & Operations					
Return on investments	0.52%	0.33%	0.28%	0.29%	0.35%
Lottery tickets sales, in millions	272	253	230	228	228
Health and Human Services					
Percentage of population enrolled in MaineCare ¹	21%	22%	24%	26%	26%
Number of TANF cases ²	5,401	5,401	7,617	9,342	13,260
Number of members served by Dirigo Health ⁵	0	0	40,565	40,388	38,070
Justice and Protection					
Average Number of Adult Inmates	2,189	2,091	2,089	2,016	2,043
Average Number of Juvenile Inmates	95	157	144	155	170
Number of guard troops	3,145	3,285	3,236	3,169	3,124
Number of cases tried in the court system	204,330	216,460	229,365	237,596	242,710
Natural Resources and Development					
Number of park passes purchased ³	16,881	16,734	14,039	12,498	12,117
Number of visitors to State parks	2,626,416	2,539,754	2,553,638	2,519,849	2,648,484
Number of hunting and fishing licenses sold ³	557,123	545,359	529,615	516,442	497,712
Transportation Safety & Development					
Number of construction projects	197	121	227	218	194

¹ Based on the average enrollees over the fiscal year.

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

³ As of December.

⁴ As of October of the school year.

SCHEDULE 15

2011	2010	2009	2008	2007
83,625	82,372	75,358	73,130	71,536
52,500	54,200	59,100	36,400	30,700
0.24%	0.59%	1.52%	4.19%	5.16%
216	217	211	229	234
26%	27%	26%	25%	26%
14,151	13,686	12,849	12,479	12,631
35,105	31,323	29,936	28,745	24,110
2,124	2,167	2,177	2,038	2,060
186	195	184	199	203
3,065	3,070	3,199	3,277	3,168
260,171	285,567	292,295	282,980	278,088
11,288	11,443	10,073	10,963	10,092
2,528,900	2,443,640	2,243,606	1,930,186	2,063,356
503,487	503,425	499,821	500,367	494,231
238	173	124	116	271

STATE OF MAINE CAPITAL ASSETS BY FUNCTION

Fiscal Years Ended June 30

Capital Assets by Function:	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Governmental Support & Operations				
Vehicles controlled by Central Fleet Management	2,158	2,096	2,114	2,116
Health and Human Services				
Number of regional offices	16	16	16	16
Justice and Protection				
Number of correctional facilities	8	8	8	8
Number of armories and AFR's	18	21	21	21
Number of State police barracks	8	8	8	8
Number of vehicles in Public Safety	541	575	487	420
Natural Resources and Development				
Total acreage of State parks	85,680	85,680	98,831	98,832
Number of State park buildings	562	563	569	567
Transportation Safety & Development				
Number of DOT vehicles and equipment	1,229	1,226	1,219	1,188
Number of regional DOT active buildings	555	575	568	564

SCHEDULE 16

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
2,037	1,922	1,977	1,596	1,665	1,738
17	18	18	18	18	18
9	9	9	9	9	8
18	16	16	16	16	17
8	8	8	8	8	8
439	504	515	605	654	541
97,948	97,942	97,387	97,300	100,540	100,092
556	553	552	533	530	526
1,457	1,193	1,308	1,268	1,446	1,625
564	577	587	586	574	612