$14,325,000
State of Maine
General Obligation Bond Anticipation Notes
(the "Notes")
Dated October 29, 2009

Closing Date: October 29, 2009

INDEX OF DOCUMENTS

1. Certificate of the Secretary of State as to election results and effective dates of certain Acts of the State of Maine (the "State") authorizing the issuance of the Notes. (OST)

2. Order of the Governor of the State approving the issuance of the Notes. (OST)

3. Official Statement dated October 22, 2009 (the "Official Statement"). (PFM)

4. Preliminary Official Statement dated October 20, 2009. (PFM)

5. Certificate of the Treasurer of the State. (EAP&D)

6. Tax Certificate. (EAP&D)

7. IRS Form 8038-G. (EAP&D)

8. Specimen Note. (EAP&D)

9. Receipts.

    (a) Certificate of Delivery and Payment with respect to the Notes; (EAP&D) and

    (b) Receipt for the Notes. (EAP&D)

10. Approving Opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel, with reliance letter. (EAP&D)

11. Opinion of the Department of Attorney General of the State Concerning Litigation and other matters. (OAG)

12. Evidence of Ratings.

13. DTC Letter of Representations. (EAP&D)

14. Closing Memorandum. (EAP&D)

(OST) – Office of the State Treasurer
(OAG) – Office of the Attorney General
(EAP&D) – Edwards Angell Palmer & Dodge LLP, Bond Counsel
(PFM) – Public Financial Management, Financial Advisor

Bureau of Corporations, Elections and Commissions

Department of
the Secretary of State

Matthew Dunlap
Secretary of State

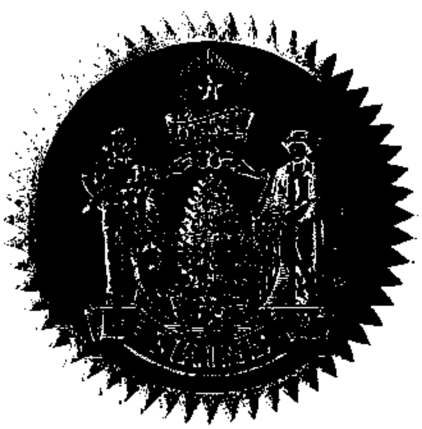
Julie L. Flynn
Deputy Secretary of State

June 3, 2009

According to the records of the Secretary of State of the State of Maine, the following acts were presented to the voters of the State of Maine for consideration and by majority vote were passed on the following election dates and became law on the following effective dates.

Year	Chapter	Type of Law	Date of Election	Effective Date
1997	718	Public	November 3, 1998	December 23, 1998
1999	514	Public	November 2, 1999	December 22, 1999
1999	37	Private and Special	November 2, 1999	December 22, 1999
1999	40	Private and Special	November 2, 1999	December 22, 1999
1999	57	Private and Special	November 2, 1999	December 22, 1999
1999	60	Private and Special	November 2, 1999	December 22, 1999
2001	674	Public	June 11, 2002	July 31, 2002
2001	33	Private and Special	November 6, 2001	December 26, 2001
2001	35	Private and Special	November 6, 2001	December 26, 2001
2001	37	Private and Special	November 6, 2001	December 26, 2001
2001	38	Private and Special	November 6, 2001	December 26, 2001
2001	41	Private and Special	November 6, 2001	December 26, 2001
2001	71	Private and Special	November 5, 2002	December 26, 2002
2001	73	Private and Special	June 11, 2002	July 31, 2002
2003	50	Public	June 10, 2003	July 23, 2003
2003	33, Part A	Private and Special	November 4, 2003	January 3, 2004
2003	33, Part B	Private and Special	November 4, 2003	January 3, 2004
2003	33, Part C	Private and Special	November 4, 2003	January 3, 2004

Year	Chapter	Type of Law	Date of Election	Effective Date
2005	462, Part A	Public	November 8, 2005	December 28, 2005
2005	462, Part B	Public	November 8, 2005	December 28, 2005
2005	462, Part D	Public	November 8, 2005	December 28, 2005
2005	462, Part F	Public	November 8, 2005	December 28, 2005
2007	39, Part A	Public	June 12, 2007	July 22, 2007
2007	39, Part B	Public	June 12, 2007	July 22, 2007
2007	39, Part C	Public	November 6, 2007	December 26, 2007
2007	39, Part D	Public	November 6, 2007	December 26, 2007
2007	39, Part E	Public	November 6, 2007	December 26, 2007
2007	39, Part G	Public	June 10, 2008	July 27, 2008
2007	673	Public	November 4, 2008	December 24, 2008



Matthew Dunlap
Secretary of State, State of Maine

State of Maine
Executive Department
FINANCIAL ORDER

COPY

05469F10

10/15/09

APPROVED
OCT 15 2009
BY GOVERNOR

ORDERED,

That that the Treasurer of State be and hereby is authorized and empowered to negotiate the sale of and adopt the most advantageous terms for a note issue on or about October 29, 2009 and to issue registered notes maturing not later than June 30, 2010 in an aggregate principal amount up to $14,422,000. The legislative authorizations and purposes of the note issue are set forth as attached.

Statement of Fact

A bond issue to be executed before the close of the fiscal year will retire the note.

Signature of Department Head

David G. Lemoine, Treasurer of State

Name and Title

FOR BUREAU OF THE BUDGET USE ONLY

Signature of State Budget Officer

"NO 30 DAY WAIT"
OK
10/2/09

Policy Area: 00 - Governmental Support and Operations
Umbrella: TRE00 - (OFFICE OF) TREASURER OF STATE
Agency Contact: Kristi L. Carlow
Agency Phone: (207) 624-7468

TRE00-0001

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Agency	Law	Description	Acct Codes	Total Tax Exempt Oct BAN	Total Taxable Oct BAN
DEP	2007 PL, Chapter 39	Waste Water Construction grants	018-06A-0248-47	$ 500,000	$ -
DEP	2007 PL, Chapter 39	Community Grants	018-06A-0248-48	$ 250,000	$ -
DEP	2007 PL, Chapter 39	Hazardous Waste	018-06A-0247-51	$ 700,000	$ -
DEP	2007 PL, Chapter 673	wastewater treatment	018-06A-0248-49	$ 1,700,000	$ -
DIFW	2007 PL, Chapter 39	Hatchery Rehab	018-09A-0535-02	$ 200,000	$ -
DOC	2007 PL, Chapter 39	Bureau of Parks and Lands. Provides funds to make necessary capital improvements in the State's parks and historic sites.	018-04A-0246-49	$ 1,197,000	$ -
DOT	2007 PL, Chapter 39	Ferry and Port-Casco Bay Island Transit District, Bulkhead and wharf	018-17C-0346-67	$ 200,000	$ -
MCCS	2007 PL, Chapter 39	Provides funds for interior and exterior building renovations, improvements and additions at all campuses of the Maine Community College System.	018-99T-0560-17	$ 1,500,000	$ -
MSCAF	2005 PL, Chapter 462	Provides funds for the New Century Community Program	018-94O-0904-25	$ 50,000	$ -
MSCAF	2007 PL, Chapter 39	New Century Community program. Provides funds to revitalize downtown areas, preserve and strengthen state and community historic and cultural assets and expand acces to digital and educational resources.	018-940-0904-26	$ 625,000	$ -
SPO	2007 PL, Chapter 39	Land for Maine's Future Board. Provides funds in order to leverage $8,500,000 in other funds to be used for the acquisition of land and interest in	018-07B-0060-05	$ 1,500,000	$ -

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OK
[illegible]
10/7/09

SPO	2007 PL, Chapter 39	Provides funds to be used for working waterfront preservation in order to leverage $3,000,000 in other funds.	018-07B-0060-06	$ 1,000,000	$ -
UMS	2005 PL, Chapter 462	Provides funds for the Laboratory for Surface Science Technology	017-78A-0361-07	$ -	$ [illegible]00,000
UMS	2007 PL, Chapter 39	Provides funds for interior and exterior building renovations, improvements and additions at all campuses of the University of Maine System.	018-78A-0361-15	$ 5,000,000	$ -
				$ -	$ -
				$ 14,422,000	$ 200,000
		* The taxable portion will be borrowed internally from the state cash pool.			

COPY

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OK [signature]
10/7/09

NEW ISSUE

In the opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel to the State of Maine, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986. Interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, and is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Notes is excluded from gross income for State income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See "TAX MATTERS" herein.

$14,325,000
STATE OF MAINE
General Obligation Bond Anticipation Notes

Dated: Date of Delivery **Due:** June 15, 2010

The Notes will be issued by the State of Maine (the "State") in fully registered form only, without coupons, and when issued will be registered in the name of Cede & Co., as the nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository") of the Notes. Individual purchases will be made in book-entry form only in the principal amount of $5,000 or any whole multiple thereof. Purchasers of the Notes will not receive certificates representing their interests in the Notes purchased.

The Notes will be general obligations of the State and the full faith and credit of the State are pledged to the punctual payment of principal of and interest on the Notes, as more fully described herein. The Notes will be issued to finance the carrying out of certain public purposes in the State.

The Notes will bear interest from the date of their delivery until maturity at which time the principal of and interest on the Notes will be payable by the State, as Paying Agent, to the Securities Depository, which will in turn remit such principal and interest to its Participants (as defined herein), which will in turn remit such principal and interest to the Beneficial Owners (as defined herein) of the Notes, as described herein.

The Notes are not subject to redemption prior to maturity.

Principal Amount	Interest Rate	Yield	CUSIP No.
$14,325,000	1.50%	0.35%	56052A VX1

The Notes are offered when, as and if issued by the State and received by the original purchaser, subject to the final approving opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel, Boston, Massachusetts and to certain other conditions referred to in the Notice of Sale. It is expected that the Notes in definitive form will be available for delivery to the Securities Depository in New York, New York on October 29, 2009.

Goldman, Sachs & Co.

October 22, 2009

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TABLE OF CONTENTS

Governor

John E. Baldacci
State House
Augusta, Maine

Treasurer of State

David G. Lemoine
39 State House Station
Augusta, Maine 04333

Commissioner of Administrative and Financial Services

Ryan Low
State Offices
Augusta, Maine

Department of the Attorney General of the State of Maine

Janet T. Mills, Attorney General of the State of Maine
William H. Laubenstein, III, Assistant Attorney General
State Offices
Augusta, Maine

Bond Counsel

Edwards Angell Palmer & Dodge LLP
Boston, Massachusetts

Financial Advisor

Public Financial Management, Inc.
Boston, Massachusetts

$14,325,000
STATE OF MAINE
GENERAL OBLIGATION BOND ANTICIPATION NOTES

INTRODUCTION

This Official Statement, including the cover page hereof and the Appendices hereto, sets forth certain information in connection with the issuance by the State of Maine (the "State" or "Maine") of its $14,325,000 General Obligation Bond Anticipation Notes, (the "Notes"). The Notes are authorized by, and are being issued pursuant to, Article IX, Section 14, of the Constitution of the State and certain laws of the State which were ratified by voters of the State voting in elections thereon. See Appendix D hereto. The Notes will be general obligations of the State which are expected to be paid from the proceeds of general obligation bonds to be issued by the State.

DESCRIPTION OF THE NOTES

General Description

The Notes will bear interest at the rates set forth on the cover page hereof from the date of delivery of the Notes. Principal of and interest on the Notes will be payable at maturity on June 15, 2010 from funds made available by the State to The Depository Trust Company, New York, New York ("DTC"). So long as DTC or its nominee is the registered owner of the Notes, disbursement of such payments to DTC is the responsibility of the State, disbursement of such payments to the DTC Participants (hereinafter defined) is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (hereinafter defined) is the responsibility of the DTC Participants or Indirect Participants (hereinafter defined) as more fully described herein. See "The Depository Trust Company" herein. Interest on the Notes will be computed on the basis of a 30-day month and a 360-day year.

The Notes are not subject to redemption prior to maturity.

The Notes are general obligations of the State and the full faith and credit of the State are pledged to the punctual payment of principal of and interest on the Notes.

Principal of and interest on the Notes are payable from the General Fund of the State. Article V, Part Third, Section 5 of the Constitution of the State provides that if sufficient funds are not appropriated to pay the principal of and interest on the Notes when due, then the Treasurer of State is obligated to set apart from the first General Fund revenues received an amount sufficient to make payment of principal of and interest on the Notes as such principal and interest become due.

The Notes will be issued to finance the carrying out of certain public purposes in the State. See Appendix D hereto.

INFORMATION CONCERNING THE STATE

Certain information regarding the State is included as Appendix A hereto. Certain information with respect to revenues of the State is included in Appendix C hereto. Certain information regarding authorized and outstanding debt of the State is included in Appendix D hereto.

LITIGATION

There is no controversy or litigation of any nature now pending or, to the knowledge of the Department of the Attorney General, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Notes, or in any way contesting or affecting the validity of the Notes, or any law or other authorization with respect to the issuance or sale of the Notes, or the payment of the Notes, or the existence or powers of the State, or the title to their respective offices of the present officers of the State who are responsible for the issuance, sale, execution or delivery of the Notes. See "Litigation" in Appendix A hereto.

TAX MATTERS

In the opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel to the State of Maine ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code").

On February 17, 2009, the President signed the American Recovery and Reinvestment Act of 2009 (the "Recovery Act") into law. The Recovery Act includes changes which modify the treatment under the alternative minimum tax of interest on certain bonds of state and local government entities. Interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes and, as a result of the modifications made by the Recovery Act, is not included in adjusted current earnings when calculating corporate alternative minimum taxable income.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. Failure to comply with these requirements may result in interest on the Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Notes. The State has covenanted to comply with such requirements to ensure that interest on the Notes will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these covenants.

Bond Counsel is also of the opinion that, under existing law, interest on the Notes is excluded from gross income for State of Maine income tax purposes. Bond Counsel has not opined as to other State of Maine tax consequences arising with respect to the Notes. Bond

Counsel has not opined as to the taxability of the Notes or the income therefrom under the laws of any state other than the State of Maine. The proposed form of opinion of Bond Counsel is set forth in Appendix G hereto.

To the extent the issue price of any maturity of the Notes is less than the amount to be paid at maturity of such Notes (excluding amounts stated to be interest and payable at least annually over the term of such Notes), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Notes which is excluded from gross income for federal income tax purposes and is exempt from Maine personal income taxes. For this purpose, the issue price of a particular maturity of the Notes is the first price at which a substantial amount of such maturity of the Notes is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Notes accrues daily over the term to maturity of such Notes on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Notes to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Notes. Holders of the Notes should consult their own tax advisors with respect to the tax consequences of ownership of Notes with original issue discount, including the treatment of purchasers who do not purchase such Notes in the original offering to the public at the first price at which a substantial amount of such Notes is sold to the public.

Notes purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Notes, or, in some cases, at the earlier redemption date of such Notes ("Premium Notes"), will be treated as having amortizable bond premium for federal income tax purposes and Maine personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Notes, the interest on which is excluded from gross income for federal income tax purposes. However, a holder's basis in a Premium Note will be reduced by the amount of amortizable bond premium properly allocable to such holder. Holders of Premium Notes should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes. Further, no assurance can be given that pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the value of, or the tax status of interest on, the Notes. Prospective Noteholders are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is exempt from Maine personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Notes may otherwise affect a Noteholder's federal tax liability or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Noteholder or the

Noteholder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences, and Noteholders should consult with their own tax advisors with respect to such consequences.

DOCUMENTS ACCOMPANYING DELIVERY OF THE NOTES

Absence of Litigation

Upon delivery of the Notes, the State will furnish an opinion of the Department of the Attorney General, dated the date of delivery of the Notes, to the effect that there is no litigation of any nature pending or threatened to restrain or enjoin the issuance or delivery of the Notes or in any way contesting or affecting the validity of the Notes or any of the proceedings taken with respect to the issuance and sale thereof or the levy or collection of any taxes to pay principal of or interest on the Notes. In addition, such opinion will state that, based on consultations with certain officers of the State, there is no litigation of any nature now pending or threatened by or against the State wherein an adverse judgment or ruling could have a material adverse effect on the financial condition of the State or adversely affect the power of the State to levy, collect or enforce the collection of taxes or other revenues for the payment of its Notes which has not been disclosed in this Official Statement.

Treasurer's Certificate

Upon delivery of the Notes, the State will furnish a certificate of the Treasurer of State, dated the date of delivery of the Notes, to the effect that to the best of his knowledge this Official Statement does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements made herein, in light of the circumstances under which they were made, not misleading.

Legal Opinion

The opinion of Edwards Angell Palmer & Dodge LLP (i) approving the authorization and issuance of the Notes and (ii) with respect to the tax status of the Notes will be delivered at the time of delivery of the Notes in substantially the form set forth in Appendix G to this Official Statement.

Secondary Market Disclosure

In connection with the issuance of the Notes, the State will undertake in the Notes to provide notices of certain events pursuant to Municipal Securities Disclosure Rule, 17 CFR §240.15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission. Such undertaking of the State is summarized in Appendix H hereto.

The State has never failed to comply in all material respects with any previous undertakings with respect to the Rule to provide annual financial information or notices of material events.

COMPETITIVE SALE OF NOTES

After competitive bidding on October 22, 2009, the Notes were awarded to Goldman, Sachs & Co. (the "Underwriter"). The Underwriter has supplied the information as to the public offering yields or prices of the Notes set forth on the cover of this Official Statement. The Underwriter has informed the State that if all of the Notes are resold to the public at those yields or prices, they anticipate the total underwriter's compensation to be $1,862.25. The Underwriter may change the public offering yields or prices from time to time.

THE DEPOSITORY TRUST COMPANY

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued in the aggregate principal amount of each maturity thereof and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions and defaults. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the State and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an omnibus proxy to the State as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the omnibus proxy).

Principal, interest and redemption payments, if any, on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the State on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption proceeds, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State, and disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to the State. Under such circumstances, in the event that a successor securities depository is not obtained, Note certificates are required to be printed and delivered.

The State may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered to DTC.

The information concerning DTC and DTC's book-entry system has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the accuracy thereof.

THE STATE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS OF THE NOTES. NO ASSURANCES CAN BE PROVIDED THAT IN THE EVENT OF BANKRUPTCY OR INSOLVENCY OF DTC OR A DIRECT PARTICIPANT OR INDIRECT PARTICIPANT THROUGH WHICH A BENEFICIAL OWNER HOLDS INTERESTS IN THE NOTES, PAYMENT WILL BE MADE BY DTC, THE DIRECT PARTICIPANT OR THE INDIRECT PARTICIPANT ON A TIMELY BASIS.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE HOLDER OF ALL OF THE NOTES, REFERENCES HEREIN TO THE OWNERS OR HOLDERS OF THE NOTES SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS. THEREFORE, ANY STATEMENTS IN THE OFFICIAL STATEMENT SUMMARIZING THE TERMS OF PAYMENT AND REDEMPTION OF THE NOTES, ANY REQUIREMENTS OF NOTICE TO HOLDERS OF THE NOTES AND ANY RIGHTS OF CONSENT OF THE HOLDERS OF THE NOTES SHALL APPLY TO CEDE & CO., AS HOLDER OF THE NOTES, AND NO REPRESENTATIONS ARE MADE IN RESPECT OF THE FOREGOING TO THE BENEFICIAL OWNERS OF THE NOTES.

RATING

Moody's Investors Service, Inc., has assigned its rating of "MIG 1" to the Notes. The State has furnished such rating agency with certain information and materials concerning the Notes and the State, some of which is not included in this Official Statement. Generally, such rating agency bases its ratings on such information and materials and also on such investigations, studies and assumptions as it may undertake or establish independently.

The rating is not a recommendation to buy, sell or hold the Notes and such rating should be evaluated independently. Such rating is subject to change or withdrawal at any time and any such change or withdrawal may affect the market price or marketability of the Notes.

MISCELLANEOUS

Any provisions of the constitution of the State, of all laws and of other documents set forth or referred to in this Official Statement are only summarized, and such summaries do not purport to be complete statements of any of such provisions. Only the actual text of such provisions can be relied upon for completeness and accuracy.

This Official Statement contains certain forward-looking statements that are subject to a variety of risks and uncertainties that could cause actual results to differ from the projected results, including without limitation general economic and business conditions, conditions in the financial markets, the financial condition of the State and various state agencies and authorities, receipt of federal grants, litigation, arbitration, force majeure events and various other factors that are beyond the control of the State and its various agencies and authorities. Because of the inability to predict all factors that may affect future decisions, actions, events or financial circumstances, what actually happens may be different from what is set forth in such forward-looking statements. Forward-looking statements are indicated by use of such words as "may," "should," "intends," "expects," "believes," "anticipates," "estimates" and others.

All estimates and assumptions in this Official Statement have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates and assumptions are correct. So far as any statements in this Official Statement involve any matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. The various tables may not add due to rounding of figures.

Neither the office of the State Auditor, nor any other independent accountants, have compiled, examined or performed any procedures with respect to any financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information.

The information, estimates and assumptions and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale made pursuant to this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the State or its agencies, authorities or political subdivisions since the date of this Official Statement, except as expressly stated.

Questions regarding this Official Statement or requests for additional information concerning the State should be directed to Barbara Raths, Deputy State Treasurer, 39 State House Station, Augusta, Maine 04333, telephone: 207-624-7477; facsimile: 207-287-2367.

STATE OF MAINE

By: /s/ David G. Lemoine
David G. Lemoine
Treasurer of State

Dated: October 22, 2009

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STATE OF MAINE
GENERAL OBLIGATION BOND ANTICIPATION NOTES

APPENDIX A

State of Maine Information Statement

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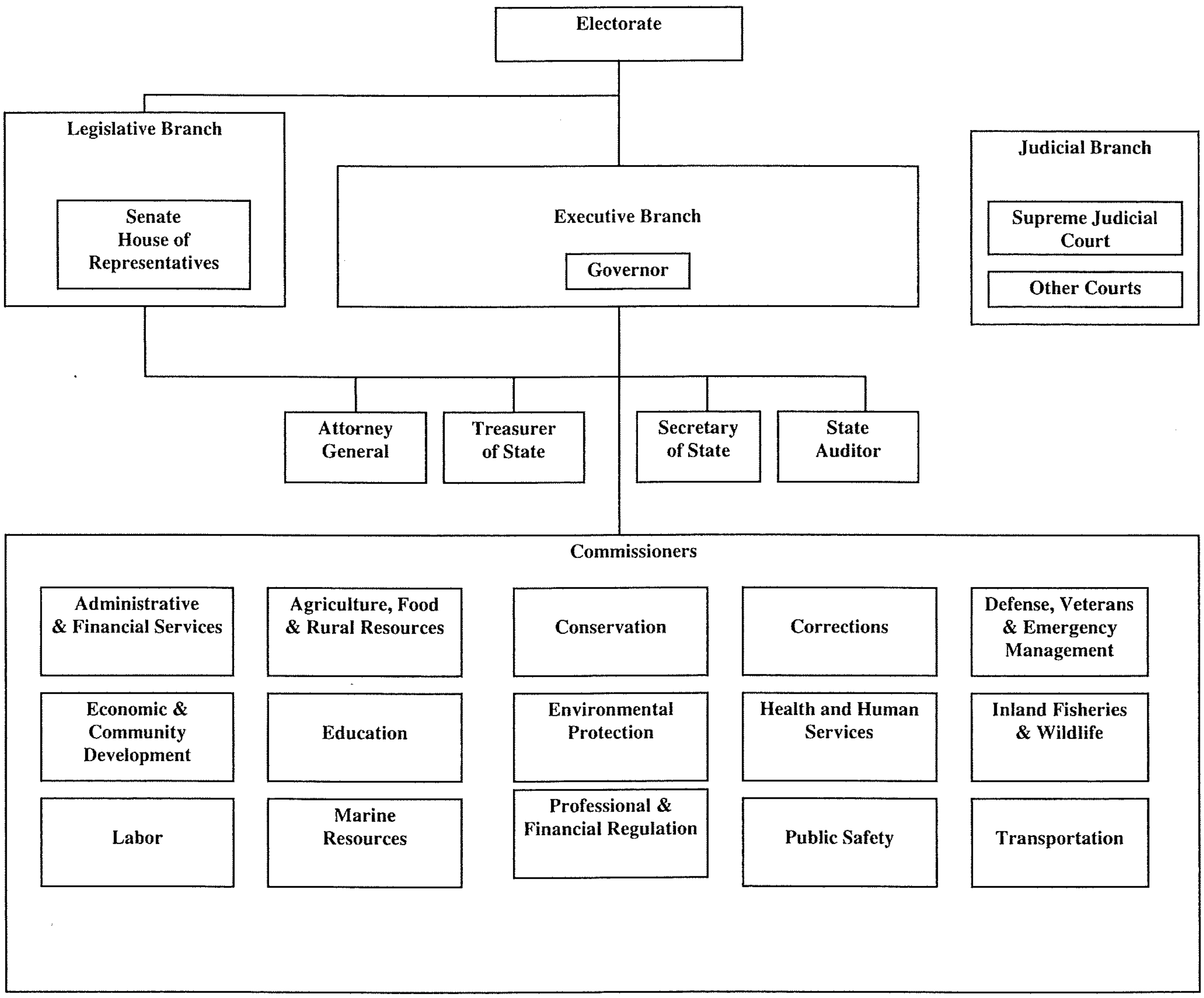
GOVERNMENTAL ORGANIZATION

The State of Maine (the "State" or "Maine") became the twenty-third of the United States in 1820. The government of the State is divided into three distinct branches, the legislative, executive and judicial, as outlined in the chart below.



Executive Branch

The Offices of Governor, Secretary of State, Treasurer of State and Attorney General are created by the Constitution of the State. The Governor is elected quadrennially at a general election and is limited to two consecutive four-year terms of office. The second term of the present Governor began in January 2007. The Secretary of State, Treasurer of State and Attorney General are each elected biennially by a joint ballot of the state Senators and Representatives in convention. A person may not serve more than four consecutive terms as either Secretary of State, Treasurer of State or Attorney General.

Governor. The executive power of the State, including the power to recommend measures to the Legislature, and the power to appoint, with the advice and consent of the Senate, certain officers of

State government, is vested in the Governor. The Governor is responsible for the enforcement of the laws of the State.

Governor's Cabinet. The Governor's cabinet, which assists the Governor in administration and policymaking, includes the commissioners who head the 15 executive departments and who serve at the pleasure of the Governor.

Secretary of State. The Secretary of State, a constitutional officer, serves as executive head of the Department of the Secretary of State, and is authorized to keep his office at the seat of government, have the custody of the state seal and preserve all records in such office at the expense of the State; to keep and preserve the records of all the official acts and proceedings of the Governor, Senate and House of Representatives, and, when required, lay the same before either branch of the Legislature, and perform such other duties as are enjoined by the Constitution or required by law. The Secretary of State attends the Governor, Senate and House of Representatives as they shall respectively require; appoints and renews all notaries public commissions; prepares commissions for appointees, justices of the peace, and certificates of election to office for presentation to the Governor under the seal of the State; distributes printed information and instructions, ballots and blanks for all election returns required by law to clerks of the several towns; files articles of incorporation; files notices of certain security interests and performs other receiving, filing and recording functions for which fees may be collected; files rules adopted pursuant to the Administrative Procedure Act; annually registers motor vehicles and issues licenses for operators thereof; issues certificates of title, licenses new and used car dealers; maintains official state records considered to be permanently valuable; administers the State's address confidentiality program; and supervises the Department's subdivisions as required by statute and recommends to the Legislature such changes as may be required to modernize and improve the functions and services rendered by the Department.

Treasurer of State. The Treasurer of State, a constitutional officer, is authorized to receive and keep records of all items of income accruing to the State; to deposit such items in banks, reconciling said balances and temporarily investing idle funds; to sell bonds of the State as approved by law and keep records pertaining to such debt; to maintain monthly exhibits concerning these moneys; to enter into contracts or agreements with banks for custodial care and servicing of negotiable securities belonging to the State; and to establish accounts with such banks for servicing State agencies. The Treasurer of State also administers the Unclaimed Property Program. The Treasurer of State is an ex officio member of the boards of several authorities and bodies established by the State, including the Maine Municipal Bond Bank, the Maine Public Employees Retirement System, the Maine Health and Higher Educational Facilities Authority, the Maine Governmental Facilities Authority, the Maine State Housing Authority, the Finance Authority of Maine, the Maine Public Utility Financing Bank, the Adaptive Equipment Loan Board, the Northern Maine Transmission Corporation, the Dirigo Health Agency Board of Trustees and the Maine Educational Loan Authority, and is Chair of the NextGen Investment Advisory Board.

The Treasurer of State is responsible daily for the investment of those funds not required to meet current expenditures. Daily deposits are placed in local depositories statewide, wired daily to a central working account and invested fully. All check disbursements are made by the Treasurer of State on warrants issued by the State controller. Funds are disbursed on bank accounts established under competitive bidding. Account costs are offset by compensating balances. Funds are transferred from receipt accounts to disbursement accounts by wire as needed to meet balance requirements.

The Treasurer of State maintains a record of all receipts, disbursements and transfer activity and balances to the State controller monthly. The Treasurer of State maintains the records of the investments of the State through the State investment pool. The investment pool comprises the entire cash availability of the State (all funds) as well as component units that elect to participate. Monthly transfers of earnings are made by the Treasurer of State to participating funds. The Treasurer of State compiles a listing of State investments held monthly.

When there is excess money in the State Treasury that is not needed to meet current obligations, the Treasurer of State may invest, with the concurrence of the State controller or the Commissioner of Administrative and Financial Services and with the consent of the Governor, those amounts in bonds, notes, certificates of indebtedness or other obligations of the United States and its agencies and instrumentalities that mature not more than 36 months from the date of investment, or in repurchase agreements that mature within the succeeding 12 months that are secured by obligations of the United States and its agencies and instrumentalities, prime commercial paper, tax-exempt obligations and corporate bonds rated "AAA" that mature not more than 36 months from the date of investment, or banker's acceptances or so-called "no-load" shares of any investment company registered under applicable Federal law that complies with certain Federal guidelines and maintains a constant share price.

Attorney General. The Attorney General's primary responsibility is to protect public rights and preserve order through serving as the State's chief law officer and legal representative of the State. In this capacity, the Attorney General ensures enforcement of Maine laws through instituting, conducting, and maintaining such actions and proceedings as the public interest may require. No State agency may appear and advocate positions before a court without the approval of the Attorney General.

The Department of the Attorney General is authorized to (a) appear for the State, or any State agency or official, in all civil actions and proceedings in which the State is a party or interested, or in which the official acts of such officers are questioned in State or Federal courts or Federal agencies; (b) control and direct the investigation and prosecution of homicides and other major crimes, including frauds against the State; (c) render all legal services required by State officers, boards and commissions in matters relating to their official duties; (d) issue written opinions upon questions of law submitted by the Governor, the head of any State department or agency, or by either branch of the Legislature or any member of the Legislature on legislative matters; (e) enforce due application of funds given or appropriated to public trusts and charities within the State and prevent breaches of trust in the administration thereof; (f) consult with and advise the District Attorneys in matters relating to their duties, and, in the discretion of the Attorney General, act in place of or with them in instituting and conducting prosecutions for crime; and (g) administer and enforce the State unfair trade practices and antitrust laws.

Beyond the general purposes discussed above, the Attorney General has a wide range of duties which the office is specifically directed to perform. Those duties include a review and approval as to form and legality of all regulations of State agencies subject to the Administrative Procedure Act. Among other specific statutory functions, the Attorney General must also review and approve write-offs of debts owed to the State, enforce standards of conduct of the legal profession and participate in making investment decisions regarding the State trust funds.

The Attorney General is an ex officio member of many State agencies, including the Baxter State Park Authority, the Judicial Council, the Criminal Law Advisory Commission, the Maine Criminal Justice Planning and Assistance Agency, and the Advisory Committees to the Supreme Judicial Court on Civil Rules and Criminal Rules.

The Legislature

The legislative power of the State is vested in a Senate and a House of Representatives (collectively, the "Legislature"), each of which has a negative on the other. The Senate consists of 35 members and the House of Representatives consists of 151 members, all of whom are elected for two-year terms from single-member districts. A person may not serve more than four consecutive terms as either a senator or a representative.

The Legislature is organized into 17 Joint Standing Committees, each comprised of 3 Senators and 10 Representatives. Current Joint Standing Committees are: Agriculture, Conservation and Forestry; Appropriations and Financial Affairs; Business, Research and Economic Development; Criminal Justice and Public Safety; Education and Cultural Affairs; Health and Human Services; Inland Fisheries and Wildlife; Insurance and Financial Services; Judiciary; Labor; Legal and Veterans Affairs; Marine Resources; Natural Resources; State and Local Government; Taxation; Transportation; and Utilities and Energy. From time to time, the Legislature has established joint select committees on such matters as property tax reform, research and development, corrections, Indian affairs and rules.

The Legislature of the State convenes in even-numbered years on the first Wednesday of December following the general election in what is designated the first regular session of the Legislature and also convenes on the first Wednesday after the first Tuesday of January in the subsequent even-numbered year in what is designated the second regular session of the Legislature. The business of the second regular session of the Legislature is limited to budgetary matters, legislation in the Governor's call, legislation of an emergency nature admitted by the Legislature, legislation referred to committees for study and report by the Legislature in the first regular session and legislation presented to the Legislature by written petition of the voters pursuant to the Constitution of the State. The Legislature may convene at such other times in special session on the call of the President of the Senate and the Speaker of the House, with the consent of the majority of the members of the Legislature of each political party, all members of the Legislature having first been polled. The Governor may, on extraordinary occasions, also convene special sessions of the Legislature.

The Constitution requires the Legislature to enact appropriate statutory limits on the length of the first and second regular sessions. Under the statute currently in effect, the first regular session of the Legislature adjourns no later than the third Wednesday in June and the second regular session of the Legislature adjourns no later than the third Wednesday in April. The Legislature, in the case of emergency, may by a vote of two-thirds of the members of each of the Senate and House of Representatives present and voting, extend the date for adjournment by no more than five legislative days, and, in the case of further emergency, further extend the date for adjournment by five additional legislative days. The times for adjournment for the first and second regular sessions may also be extended for one additional legislative day for the purpose of considering any veto by the Governor of any bill or resolution passed by the Legislature.

The Legislature, with certain exceptions, is authorized to make and establish all reasonable laws and regulations for the defense and benefit of the people of the State, not repugnant to the Constitution of the State, nor to that of the United States. Legislation enacted by the Legislature may be vetoed by the Governor. The Governor's veto may be overridden by the subsequent vote of at least two-thirds of each of the House of Representatives and the Senate. The Governor also has "line-item" veto power to decrease appropriations or allocations and to increase deappropriations or deallocations within one day after the Governor receives legislation for approval. The Governor's "line-item" veto may be overridden by the subsequent vote of at least a majority of each of the House of Representatives and the Senate. Legislation does not become effective until 90 days after the recess of the session of the

Legislature in which it was passed, unless in case of emergency the Legislature shall, by a vote of two-thirds of all the members elected to each of the House of Representatives and the Senate, otherwise direct.

The Constitution of the State provides that, upon written petition by voters equal to not less than 10% of the total vote cast in the last gubernatorial election preceding such petition and filed on or before the ninetieth day after recess of the Legislature requesting that legislation passed by the Legislature but not then in effect be submitted to referendum for ratification by a majority of those voting thereon, such legislation does not take effect, if at all, until thirty days after the Governor has announced that such legislation has been ratified by the voters. Any such ratification vote would take place at the next statewide or general election, not less than 60 days after the Governor has proclaimed that sufficient signatures have been submitted.

The Constitution of the State provides that, by written petition, voters equal to not less than 10% of the total vote cast in the last gubernatorial election preceding such petition and filed before a regular session of the Legislature, may propose legislation to the Legislature for its consideration. The legislation, unless adopted by the Legislature without change, must be submitted to referendum in the next November after the Legislature recesses.

Pursuant to the Constitution of the State, legislative enactments, including bills, orders or resolutions, may originate in either the Senate or the House of Representatives, and may be altered, amended, or rejected in the other, but all bills for raising a revenue shall originate in the House of Representatives, but the Senate may propose amendments as in other cases, provided that the Senate shall not, under color of amendment, introduce any new matter which does not relate to raising a revenue.

The Judiciary

The judicial power of the State is vested in the Supreme Judicial Court and such other courts as the Legislature may establish. The Legislature has established the Superior Court and the District Court. The courts are administered by the Administrative Office of the Courts under the direction of the State Court Administrator, who is appointed by and serves at the pleasure of the Chief Justice. In addition, the Constitution of the State provides for probate courts in each of the 16 counties of the State.

The Supreme Judicial Court is the highest court in Maine, and as the Law Court is the court of final appeal. It consists of the Chief Justice and six Associate Justices, each of whom is appointed by the Governor with the consent of the Legislature for a seven-year term.

The Superior Court and the District Court are both trial courts of limited, complimentary jurisdiction. The Superior Court offers jury trials and the District Court does not. The Superior Court consists of a Chief Justice and 16 justices, who are appointed by the Governor with the consent of the Legislature for a seven-year term. The Superior Court holds sessions in each of the 16 counties.

The District Court consists of a Chief Judge, a Deputy Chief Judge and 34 judges, each of whom is appointed by the Governor with the consent of the Legislature for a seven-year term. There are 13 districts and several divisions of the court.

Independent Authorities and Agencies

The State has established several independent authorities and agencies, the budgets of which are not included in the annual budget of the State. Certain of these authorities and agencies receive appropriations from the State from time to time. Certain of these authorities and agencies are authorized by the statutes creating such authorities and agencies to issue bonds and to undertake financial obligations, payment of which are secured in part by special reserve funds ("Capital Reserves") to which the State may appropriate funds in order to maintain the Capital Reserves at amounts determined by such statutes or by such authorities and agencies (a "Capital Reserve Provision"). While the bonds and obligations of such authorities and agencies and the Capital Reserve Provisions do not constitute legally enforceable obligations of the State or create any debt on behalf of the State, the Constitution of the State does not prohibit future Legislatures from appropriating sums requested by any such authority or agency in compliance with its Capital Reserve Provision. Certain of these authorities and agencies have been authorized by statute to insure or guarantee repayment of certain loans and bonds. See "Fiscal Management - Constitutional Debt Limit" and "Certain Public Instrumentalities" herein.

County and Municipal Government

The State is divided into 16 county governments responsible for various functions, including the operation of county jails and registries of probate and deeds. Each county government assesses the costs of its operations upon the cities, towns and unorganized places located within the county. A law which took effect in 2008 modified the responsibility of county governments to operate county jails. That law is intended to produce savings in State General Fund expenditures for county jail operations in future fiscal years and also established a State board of corrections, the purpose of which is to develop and implement a unified State and county correctional system.

The State is further divided into 22 cities, 434 towns, and 36 plantations which exercise the functions of municipal government, including the provision of elementary and secondary education. There are also 426 unorganized townships, a number of unorganized coastal and inland islands, and three Indian Reservations. Cities are governed by several variations of the mayor and council form of government. In most towns, executive power has been placed in a board of three, five, or seven selectmen, elected to terms of from one to three years and legislative power has been retained by the voters themselves, who assemble in periodic open town meetings. There are various regional districts for school, water supply, solid waste, wastewater disposal and other purposes.

Municipal revenues consist of property taxes, local aid (including State subsidies for education and revenue sharing), local receipts (including motor vehicle and watercraft excise taxes, fines, license and permit fees, charges for local services and investment income) and other sources.

FISCAL MANAGEMENT

Department of Administrative and Financial Services

The Department of Administrative and Financial Services, under the supervision and control of the Commissioner of Administrative and Financial Services, is the principal fiscal department of State government. The Commissioner of Administrative and Financial Services has certain duties and authorities, including serving as the Governor's principal fiscal aide, coordinating financial planning and programming activities of the State government for review and action by the Governor, preparing and reporting to the Governor and the Legislature such financial data or statistics as may be required or requested by them, planning with respect to the fiscal needs of State government and ensuring that all publications stating the salary of a State employee also state the value of the employee's fringe benefits. The Department of Administrative and Financial Services includes the Bureau of the Budget, headed by the State budget officer, the Office of the State Controller and the Bureau of Maine Revenue Services, headed by the State tax assessor.

Constitutional Debt Limit

Article IX, Section 14, of the Constitution of the State provides that the Legislature shall not at any time create any debt or debts, liability or liabilities, on behalf of the State, which shall singly, or in the aggregate, with previous debts and liabilities incurred, exceed $2,000,000, (i) except to suppress insurrection, to repel invasion, or for purposes of war; (ii) except for temporary loans to be paid out of money raised by taxation during the fiscal year in which they are made; and (iii) excepting also that whenever two-thirds of both the Senate and the House of Representatives 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 at such times and in such amounts and for such purposes as may be approved by such action. The issuance of the Bonds described in this Official Statement is authorized pursuant to certain enactments which have been ratified by a majority of the voters at various elections. See Appendix D, "Selected Information Regarding Authorized and Outstanding Debt of the State - Authorized Expenditures," herein. 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 ten 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 one percent of the total valuation of the State, whichever is the lesser.

The Constitution also allows the Legislature to authorize the issuance of bonds (i) in the amount of up to $4,000,000 to guarantee student loans; (ii) to insure payments on up to $4,000,000 of mortgage loans for war veterans; and (iii) to insure payments on up to $90,000,000 of mortgage loans for industrial, manufacturing, fishing agricultural and recreational enterprises. The Finance Authority of Maine is authorized to guarantee student loans and to insure payments on certain mortgage loans. See "Certain Public Instrumentalities – Finance Authority of Maine" herein. The Constitution also allows the Legislature to authorize the issuance of bonds to insure payments on up to $1,000,000 of mortgage loans for Indian housing. The Maine State Housing Authority is authorized to insure payments on mortgage loans for Indian housing. See "Certain Public Instrumentalities – Maine State Housing Authority" herein. Although the Constitution also allows the Legislature to authorize the issuance of bonds to insure the payment of revenue bonds of the Maine School Building Authority on school projects not exceeding $6,000,000, the statutory authorization for insurance of Maine School Building Authority revenue bonds has been repealed. No bonds are outstanding pursuant to any of the authorizations described in this paragraph.

Overview of the Budget Process

The budget of the State government must present a complete financial plan for each fiscal year of the ensuing period of two fiscal years, commencing July 1 in odd-numbered years. The budget must set forth all proposed expenditures for the administration, operation and maintenance of the departments and agencies of 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 of such two-year period. In addition, the budget must set forth the anticipated revenues of the State government and any other means of financing expenditures proposed for each fiscal year of such two-year period.

The State budget consists of a budget message by the Governor (or the Governor-elect) that outlines the financial policy of the State government for the ensuing period of four fiscal years, describing in connection therewith the important features of the financial plan. The Governor's budget overview must also lay out a vision for the state's long-range financial plan and describe how the proposed budget complements that longer vision, which includes the upcoming biennium and the two succeeding biennia.

The budget includes a general budget summary setting forth the aggregate figures of the budget showing the balance between total proposed expenditures and total anticipated revenues, together with other means of financing the budget for each fiscal year of the ensuing two fiscal years, contrasted with the corresponding figures for the last completed fiscal year and the fiscal year in progress. For information regarding the revenue projection process, see "Fiscal Management – Revenue Forecasting" below. The budget specifically describes the estimated loss in revenue during the last completed fiscal year and the fiscal year in progress and the anticipated loss in revenue for each fiscal year of such two-year period caused by tax expenditures provided by law. The general budget summary must be supported by explanatory schedules or statements, classifying the expenditures contained therein by organization units, objects and funds, and the income by organization units, sources and funds. The budget also includes statements of the bonded indebtedness of the State government showing the debt redemption requirements, the debt authorized and unissued, and the condition of the sinking funds.

Pursuant to Public Laws of Maine 2005, chapter 2 ("2005 Chapter 2"), the total General Fund appropriation for each of the two fiscal years in the biennial budget may not exceed the General Fund appropriation limit established by law. See "Fiscal Management – General Fund Appropriation Limit." 2005 Chapter 2 became effective for fiscal biennia of the State beginning July 1, 2005 and is subject to modification or repeal at any time by the Legislature.

On or before September 1 of even-numbered years, all departments and other agencies of the State government and corporations and associations receiving or desiring to receive State funds must prepare and submit to the State budget officer estimates of their expenditure and appropriation requirements for each fiscal year of the ensuing two-year fiscal period contrasted with the corresponding figures of the last completed fiscal year and the estimated figures for the fiscal year in progress. The growth in the state's General Fund appropriations is limited by law to the ten-year average annual growth in real personal income (not to exceed 2.75%) plus the ten-year average in population growth. State general purpose aid for kindergarten to grade 12 education ("GPA") is excluded from the General Fund appropriation limit until such time as the State's share of education funding reaches 55% of total state and local education funding. See "Fiscal Management – General Fund Appropriation Limit" below.

The Governor (or the Governor-elect), with the assistance of the State budget officer, reviews the budget estimates and may alter, revise, increase or decrease the items of the estimates as may be deemed necessary in view of the needs of the various departments and agencies and the total anticipated income of the State government during the ensuing two-year fiscal period. The State budget officer, at the direction of the Governor (or the Governor-elect), then prepares a State budget in the form required by law. The Governor must transmit the budget to the Legislature not later than the Friday following the first Monday in January of odd-numbered years. A Governor-elect to his first term of office must transmit the State budget to the Legislature not later than the Friday following the first Monday in February in odd-numbered years.

Not later than June 1 of each year, the head of each department and agency of State government must submit to the State Bureau of the Budget a work program for the ensuing fiscal year. Such work program must include all appropriations, revenues, transfers and other funds made available to that department or agency for its operation and maintenance and for the acquisition of property, and must show the requested allotments of said sums by quarters for the entire fiscal year, classified to show allotments requested for specific amounts for personal services, capital expenditures and amounts for all other departmental expenses. The Governor, with the assistance of the State budget officer, reviews the requested allotments with respect to the work program of each department or agency and may revise, alter or change its allotments before approving the same. The aggregate of such allotments may not exceed the total sums made available to each department or agency for the fiscal year in question. The State budget officer transmits a copy of the allotments as approved by the Governor to the head of the department or agency concerned and also a copy to the State controller. The State controller authorizes all expenditures to be made from the sums available on the basis of such allotments and not otherwise. Thereafter, the head of any department or agency of the State government may request, and the Governor may approve, revisions of the allotments for the remaining quarters of a fiscal year.

Whenever it appears to the Commissioner of Administrative and Financial Services that the anticipated income and other available funds of the State will not be sufficient to meet the expenditures authorized by the Legislature, the Commissioner so reports in writing to the Governor and to certain officers of the Legislature. After receiving the report, the Governor may temporarily curtail allotments equitably so that expenditures will not exceed the anticipated income and other available funds. The Governor, upon the curtailment of any allotment, notifies certain officers of the Legislature of the specific allotments curtailed, the extent of curtailment of each allotment and the effect of each curtailment on the objects and purposes of the program so affected.

No State department or agency may make expenditures of any Federal funds or expenditures in anticipation of receipt of Federal funds for any new or expanded programs, unless such Federal funds are approved by the Legislature. The Governor may authorize the expenditure of such Federal funds for a period not to exceed twelve calendar months and shall notify the Office of Fiscal and Program Review of the Legislature of such action.

Revenue Forecasting

Statutory Responsibilities. A Revenue Forecasting Committee is responsible for providing the Governor, the Legislature and the State budget officer with analyses, findings and recommendations relating to the projection of revenues for the General Fund and the Highway Fund based on economic assumptions recommended by the Consensus Economic Forecasting Commission. The Revenue Forecasting Committee includes the State budget officer, the State tax assessor, the State economist, an economist on the faculty of the University Maine System selected by the chancellor, the Director of the Office of Fiscal and Program Review of the Legislature and another member of the Legislature's nonpartisan staff familiar with revenue estimating issues appointed by the Legislative Council. The Revenue Forecasting Committee meets at least four times a year.

The Revenue Forecasting Committee develops current fiscal biennium and two ensuing fiscal biennia revenue projections using the economic assumptions recommended by the Consensus Economic Forecasting Commission. The Revenue Forecasting Committee submits recommendations for State revenue projections for the next two fiscal biennia and analyzes revenue projections for the current fiscal biennium. No later than December 1 of each even-numbered year, the Revenue Forecasting Committee submits to the Governor, certain members of the Legislature and the State budget officer analyses, findings and recommendations for General Fund and Highway Fund revenue projections for the next two fiscal biennia. No later than May 1 and December 1 of each odd-numbered year and no later than March 1 and December 1 of each even-numbered year, the Revenue Forecasting Committee submits to the Governor, certain members of the Legislature and the State budget officer analyses, findings and recommendations for adjustments to General Fund and Highway Fund revenue for the current and ensuing fiscal biennia.

The Revenue Forecasting Committee makes all determinations necessary to calculate the General Fund appropriation limit established by law. See "Fiscal Management – General Fund Appropriation Limit."

The State budget officer uses the revenue projections of the Revenue Forecasting Committee in setting revenue estimates for inclusion in the State budget and in preparing General Fund and Highway Fund revenue and expenditure forecasts for the budget.

The Consensus Economic Forecasting Commission is responsible for providing the Governor, the Legislature and the Revenue Forecasting Committee with analyses, findings and recommendations representing State economic assumptions relevant to revenue forecasting. The Consensus Economic Forecasting Commission consists of five members appointed by the Governor as provided by law. Each Consensus Economic Forecasting Commission member must have professional credentials and demonstrated expertise in economic forecasting. The Consensus Economic Forecasting Commission meets at least four times a year.

The Consensus Economic Forecasting Commission develops five-year and ten-year macroeconomic secular trend forecasts and one-year, two-year and four-year economic forecasts. The Consensus Economic Forecasting Commission submits recommendations for State economic assumptions for the next fiscal biennium and analyzes economic assumptions for the current fiscal biennium. No later than November 1 of each even-numbered year, the Commission submits to the Governor, the Revenue Forecasting Committee and certain members of the Legislature analyses, findings and recommendations for economic assumptions related to revenue forecasting for the next fiscal biennium. No later than April 1 and November 1 of each odd-numbered year and no later than February 1 and November 1 of each even-numbered year, the Commission submits to the Governor, the Revenue Forecasting Committee and certain members of the Legislature the Commission's findings and recommendations for adjustments to the economic assumptions for the current fiscal biennium.

Fiscal Year 2009 Reports. The Consensus Economic Forecasting Commission issued its report dated April 1, 2009 which refined the forecast it released in November 2008 and made a number of adjustments to that forecast. This most recent forecast reflects a sharp decline in both national and state economic activity that began to reveal itself in the late fall of 2008. The newest forecast estimates that this decline will result in a continued weakening in the labor market through calendar year 2009 and the beginning of calendar year 2010, with recovery beginning in late 2010. The forecast for annual percentage change in wage and salary employment growth for calendar year 2009 was reduced from the November level of (0.7%) to (3.8%), with growth remaining (1.6%) in calendar year 2010; the forecast improves in calendar year 2011 with the annual percentage change projected to be 1.4%. The Commission also adjusted its forecast of annual percentage change in personal income, reducing it from 2.6% to 1% for the current calendar year; estimates for calendar year 2010 and 2011 were adjusted downward from 3.9% and 4% to 1.2% and 2.8%, respectively. The annual percentage change in inflation was adjusted, as well, moving from 2.5% in calendar year 2009 to (1.4%), from 2.5% in calendar year 2010 to 1.7% and from 2.2% in calendar year 2011 to 2.3%.

In its December 2008 report, the Revenue Forecasting Committee projected a decrease of approximately $140,000,000 in General Fund revenues for fiscal year 2009 and a decrease of approximately $330,000,000 for the 2010-2011 biennium. The impact of these revenue downturns was addressed in a supplemental budget enactment for fiscal year 2009 and in the Governor's budget recommendations for the fiscal year 2010-2011 biennium, described under the caption "State Budgets" herein. The December 2008 report reflected the updated November 2008 forecast of the Consensus Economic Forecasting Commission.

The Revenue Forecasting Committee met in late April and issued a revised forecast on May 1, 2009. This was the first forecast under the new statutory reporting dates. Given the concerns regarding the effect of the decline of financial markets late in calendar year 2008, the additional information gathered from the April income tax collections was critical and resulted in additional downward adjustments to the Committee's assumptions for income tax liability from capital gains. The revised economic forecast reflects significant reductions to projections for individual income and sales taxes, despite consideration of the impact of the American Recovery and Reinvestment Act of 2009 ("ARRA").

The May 2009 report reflects a decrease of approximately $129.3 million in General Fund revenues in fiscal year 2009 and a decrease of $439.9 million for the 2010-2011 biennium. The forecast projects a continued decline in revenue through fiscal year 2011, with the largest decline in fiscal year 2009, followed by another 2.1% decline in fiscal year 2010. Downward revisions to the major tax categories including Sales and Use Tax, Individual Income Tax and Corporate Income Tax, account for more than 90% of the negative adjustments made by the Revenue Forecasting Committee. While most of the changes in these categories are driven by the economic forecast generated by the Consensus Economic Forecasting Commission, the Individual Income Tax estimates were driven by April 2009 income tax collection experience, reflecting a significant decline in capital gains realizations.

Projected revenue related to the cigarette and tobacco products tax also exhibited a substantial degradation in the revised forecast, primarily as a result of the impact on volume of sales generated by the recent increase in the federal tax on these products.

For a description of the Governor's May 1, 2009 proposal to balance the budgets for fiscal years 2009, 2010 and 2011. See "State Budgets" below for information regarding fiscal year 2010 revenues.

General Fund Appropriation Limit

Pursuant to 2005 Chapter 2, the rate of growth of General Fund appropriations in a fiscal year is limited in one of two ways (the "Growth Limit Factor"). For fiscal years when the "state and local tax burden" of the State ranks in the highest one-third of all states, the Growth Limit Factor is "average real personal income growth," but no more than 2.75%, plus "average population growth." For fiscal years when the "state and local tax burden" of the State ranks in the middle one-third of all states, the Growth Limit Factor is "average real personal income growth" plus "forecasted inflation" plus "average population growth."

"Average population growth" means the average for the prior ten calendar years of the percent change in population from July 1 of each year. "Average real personal income growth" means the average for the prior ten calendar years of the percent change in personal income in the State less the percent change in the consumer price index for the calendar year. "Forecasted inflation" means the average amount of change of the consumer price index for the calendar years that are part of the ensuing two fiscal years forecasted by the Consensus Economic Forecasting Commission in its November 1 report in even-numbered years. "State and local tax burden" means the total amount of state and local taxes paid by residents of the State per $1,000 of income.

As of December 1 of each even-numbered year, a General Fund appropriation limit is established for the ensuing two fiscal years. For the first fiscal year, the General Fund appropriation limit is equal to the "biennial base year appropriation" multiplied by one plus the Growth Limit Factor. For the second fiscal year, the General Fund appropriation limit is the General Fund appropriation limit of the first year multiplied by one plus the Growth Limit Factor. "Biennial base year appropriation" means the amount of the General Fund appropriation limit for the current year as of December 1 of even-numbered years.

The General Fund appropriation limit applies to all General Fund appropriations, except certain education costs described in the following paragraph. The General Fund appropriation limit is approximately $3.4 billion for fiscal year 2010 and approximately $3.5 billion for fiscal year 2011.

2005 Chapter 2 provides that the additional cost for certain essential educational programs and services ("Essential Programs and Services") for kindergarten to grade 12 education ("K-12 Education") over the fiscal year 2004-05 appropriation for general purpose aid for local schools is excluded from the General Fund appropriation limit until the State share of that cost reaches 55% of the total State and local cost. Current law provides that the State will pay 55% of the total State and local cost of K-12 Education for fiscal year 2009 and that the General Fund appropriation limit will include the State share of the cost of K-12 Education beginning with fiscal year 2010. Current budget constraints led the Governor to propose a delay in attainment of the 55% share goal until the 2012-2013 biennium. See "Education Funding" herein.

The General Fund appropriation limit may be exceeded for certain extraordinary circumstances which must be outside the control of the Legislature of the State, including (a) catastrophic events, such as natural disaster, terrorism, fire, war and riot, (b) unfunded or underfunded State or Federal mandates, (c) citizens' initiatives or other referendum, (d) court orders or decrees or (e) loss of Federal funding. Extraordinary circumstances do not include changes in economic conditions, revenue shortfalls, increases in salaries or benefits, new programs or program expansions that go beyond existing program criteria and operation. The General Fund appropriation limit may be increased for other purposes only by a vote of both Houses of the Legislature of the State in a separate measure that identifies the intent of the Legislature to exceed the General Fund appropriation limit. 2005 Chapter 2 is subject to modification or repeal at any time by the State Legislature.

"Baseline General Fund revenue" and other available budgeted General Fund resources that exceed the General Fund appropriation limit must be transferred to the Maine Budget Stabilization Fund (the "Stabilization Fund"). If the Stabilization Fund is at its limit of 12% of General Fund revenue of the immediately preceding fiscal year, then amounts that would otherwise have been transferred to the Stabilization Fund must be transferred to the Tax Relief Fund for Maine residents. "Baseline General Fund revenue" means the recommended General Fund revenue forecast reported by the Revenue Forecasting Committee in its December 1 report in even-numbered years, increased by the estimated amount of net General Fund revenue decrease, if any, for all enacted changes reducing the state and local tax burden included in that forecast.

Public Laws of Maine 2005, chapter 519 ("2006 Chapter 519"), changed the priority order of distributions from the unappropriated surplus of the General Fund. It directs transfers to the State Contingent Account as the first priority (until the balance therein equals a maximum amount of $350,000) and permits transfers to the Loan Insurance Reserve as the second priority in amounts up to $1,000,000 per year. After these transfers are made, the then available balance of unappropriated surplus is distributed as follows: 35% to the Stabilization Fund; 20% to the Reserve for General Fund

Operating Capital; 20% to the Retirement Allowance Fund; 15% to the Retiree Health Insurance Internal Service Fund; and the final 10% to the Capital Construction and Improvements Reserve Fund.

Public Laws of Maine 2007, chapter 1 ("2007 Chapter 1"), as modified by Public Laws of Maine 2007, chapter 240 ("2007 Chapter 240"), modified the distribution of the unappropriated surplus of the General Fund for fiscal year 2007. 2007 Chapter 1 required the transfer of up to $82,000,000 of the General Fund unappropriated surplus remaining at the close of fiscal year 2007 to the State Department of Health and Human Services Medical Care Payments Account prior to any of the transfers required by 2006 Chapter 519. The funds were to be used specifically for the payment of outstanding settlements to hospitals participating in the State's Medicaid program (the "MaineCare Program" or "MaineCare") and to increase interim payment rates for those facilities. Public Laws of Maine 2007, chapter 700 ("2007 Chapter 700") provided a transfer of up to $10,000,000 to the Stabilization Fund prior to the transfers authorized by 2007 Chapter 240. As a result of these legislative modifications, no transfers were made to the State's Reserve for General Fund Operating Capital or the Stabilization Fund in fiscal years 2007 and 2008, with the exception of the $10,000,000 transfer to the Stabilization Fund at the close of fiscal year 2008, as specified in 2007 Chapter 700.

As of September 30, 2009, the approximate balances in the Stabilization Fund and the Reserve for General Fund Operating Capital were $210,363 and $0, respectively. The Retirement Allowance Fund is used to make supplemental payments, if any, to reduce the State's unfunded pension liability and, therefore, does not carry a balance forward from year to year. As of September 30, 2009, the approximate balances in the Retiree Health Insurance Internal Service Fund and the Capital Construction and Improvements Reserve Fund were, respectively, $88,506,888 and $407,462. For a description of the Governor's May 1, 2009 proposal to use the balances in the Stabilization Fund and the Reserve for General Fund Operating Capital as part of his plan to balance the budgets for fiscal years 2009 and 2010, see "State Budgets" below.

Citizen Initiative Petitions

Pursuant to the Constitution of the State certain initiative petitions of citizens of the State were presented to the Legislature. Since the Legislature did not pass those initiatives, they will be placed before the voters of the State at the Statewide election on November 3, 2009 for a decision on whether to enact the initiated legislation. The four pending initiatives that will appear on the November 3, 2009 ballot are:

An Act to Decrease the Automobile Excise Tax and Promote Energy. This bill decreases the excise tax imposed on motor vehicles for the first year from 24 mills to 12 mills, for the second year from 17 1/2 mills to 8 mills and for the third year from 13 1/2 mills to 4 mills and imposes a 4 mills rate for the fourth and succeeding years. This bill also exempts from the excise tax imposed on motor vehicles the first three model years of a hybrid gasoline-electric vehicle, a fuel-cell-fueled or hydrogen-fueled vehicle or a highly energy efficient vehicle that has a highway fuel economy estimate of at least 40 miles to the gallon. After the first three years, the rate of excise tax is the same as on other motor vehicles of the same age.

This bill also exempts from the sales tax 100% of the sale or lease price of a new hybrid gasoline-electric vehicle, a fuel-cell-fueled or hydrogen-fueled vehicle or a vehicle with a highway fuel economy estimate of at least 40 miles per gallon. As of the date hereof, the State estimates that this bill, if enacted, would result in a decrease in the revenues of the State in the amount of approximately $4 to $5 million annually.

An Act to Repeal the School District Consolidation Laws. This initiated bill repeals the laws related to the consolidation of school administrative units that were enacted by the First Regular Session of the 123rd Legislature in 2007 Chapter 240. It restores the laws that were amended or repealed to accommodate the consolidation. As of the date hereof, the State estimates that this bill, if enacted, could increase General Fund expense of the State by approximately $37,351,286 in fiscal year 2010 and by approximately $38,202,896 in fiscal year 2011.

An Act to Promote Tax Relief. This initiated bill imposes expenditure limitations on state and local government and requires voter approval of certain state tax increases.

Under this bill, growth in annual expenditures of the General Fund, the Highway Fund and Other Special Revenue Funds are limited according to increases in population and inflation. For the General Fund and Highway Fund budgets, revenues exceeding the expenditure limitation must be distributed by directing 20% of that excess to a budget stabilization fund and 80% of that excess to a tax relief fund. The budget stabilization funds may be used only in years when revenues are not sufficient to fund the level of expenditure permitted by the growth limits. The tax relief fund must be used to provide tax relief through broad-based tax rate reductions or refunds proportional to individual income tax personal exemptions claimed in the previous tax year. The Highway Fund reserve fund must be used to provide a decrease in motor fuel taxes. For state agencies that manage Other Special Revenue Funds, the managers of those funds must report revenues received in excess of expenditure limitations and other uncommitted revenues to the Legislature with a plan for refund of those revenues.

Under this bill, a state tax increase would require a majority vote of each House of the Legislature and majority approval of the voters. This bill also provides that state expenditure limits contained in the bill may be exceeded by a majority vote of each House of the Legislature and majority approval by the voters, and it adds the requirement of majority approval by the voters before municipal and county expenditure limits may be exceeded. The bill requires majority approval by the voters for the annual indexing for inflation of motor fuel taxes and it requires counties and municipalities to use a cost center budget summary format developed by the Department of Audit. The bill requires information in that format to be made available to local voters, filed annually with Maine Revenue Services and posted on any publicly accessible website maintained by the county or municipality as well as on the Maine Revenue Services website. As of the date hereof, the State estimates that this bill, if enacted, would result in a decrease in the revenues of the State in the amount of approximately $8 to $9.5 million annually.

An Act to Establish the Maine Medical Marijuana Act. Current law allows a person who has been diagnosed by a physician as suffering from certain medical conditions to possess marijuana for medical use. This initiated bill changes the description of the medical conditions for which the medical use of marijuana is permitted. It directs the Department of Health and Human Services to issue registry identification cards to patients who qualify to possess marijuana for medical use and to their designated primary caregivers. It sets limits on the amount of marijuana that may be possessed by qualifying patients and their designated primary caregivers. It allows the establishment of nonprofit dispensaries to provide marijuana to qualifying patients and directs the Department of Health and Human Services to issue a registration certificate to a nonprofit dispensary that meets certain criteria. It directs the Department of Health and Human Services to establish application and renewal fees sufficient to pay the expenses of implementing and administering the provisions of the initiated bill. As of the date hereof, the State estimates that this bill, if enacted, would not have any material adverse effect on the revenues of the State.

The Accounting System

The Department of Administrative and Financial Services, through the Office of the State Controller, is authorized to maintain an official system of general accounts (unless otherwise provided by law) embracing all the financial transactions of the State; to examine and approve all contracts, orders and other documents to ascertain that moneys have been duly appropriated and allotted to meet such obligations and will be available when such obligations will become due and payable; to audit and approve bills, invoices, accounts, payrolls and all other evidence of claims, demands or charges against the State government (State government is defined to include the Judiciary and the Executive Department of the Governor); to implement internal control standards applicable to State agencies and departments; and to exercise certain other rights, powers and duties as more fully prescribed by law.

The principal Funds established by the State for budgetary accounting purposes are the Governmental Funds (which include the General Fund, the Special Revenue Funds and the Capital Projects Funds), the Proprietary Funds (which include the Enterprise Funds and the Internal Service Funds) and the Fiduciary Funds (which include the Trust and Agency Funds). The Funds are used as follows:

The Governmental Funds account for the general governmental activities of the State. The **General Fund** is used to account for all governmental transactions that are not accounted for in another fund. Sales tax, individual and corporate income taxes and other business taxes provide most of the funds available for appropriation by the Legislature for general governmental operations, such as education, human services, corrections, the judiciary and the Legislature. The General Fund is the State's major operating fund.

The **Special Revenue Funds** account for specific revenue sources, other than expendable trusts or major capital projects, that are legally restricted to expenditures for specified purposes. The Special Revenue Funds include the following:

> The **Highway Fund** is used to account for revenues derived from registration of motor vehicles, operators' licenses, gasoline tax and other dedicated revenues, except for Federal matching funds and bond proceeds used for capital projects. The Legislature allocates this Fund for the operation of various Department of Transportation programs, including construction and maintenance of highways and bridges, for a portion of the State Police administration and for other State programs.
>
> The **Other Special Revenue Funds** are used to account for various special purpose funds which have been established on a self-supporting basis. Revenues are generated by taxes, licenses, fees and Federal matching funds and grants.

Capital Projects Funds account for financial resources used to acquire or construct major capital assets other than those financed by proprietary funds. These resources are derived primarily from proceeds of general obligation bonds. The State also includes in this Fund the proceeds from bond issues for uses other than major capital facilities.

The Proprietary Funds account for the State's ongoing activities that are similar to those found in the private sector. The **Enterprise Funds** account for transactions related to resources received and used to finance self-supporting activities of the State. The costs of providing goods and services to the general public on a continuing basis, including depreciation, are financed or recovered primarily through user charges.

The **Internal Service Funds** account for the financing and sale of goods or services between agencies of the State or other governmental units on a user charge basis.

The Fiduciary Funds account for assets held by the State acting as either a trustee or an agent for individuals, private organizations and other governmental units or other Funds. The **Expendable Trust Funds** account for assets held in a trustee capacity where principal and income may be expended for the funds' designated operations. The **Nonexpendable Trust Funds** account for assets held in a trustee capacity where only income may be expended for the funds' designated operations. **Agency Funds** account for assets which the State, as custodian, holds for others.

In addition, the State has established the **General Long-Term Obligations Account Group** to establish control and accountability for long-term obligations of the State, including those related to general obligation bonds, capital leases, certificates of participation and compensated absences, not accounted for in Proprietary Funds or Nonexpendable Trust Funds. The State has also established the **General Fixed Assets Account Group** to establish control and accountability for all fixed assets of the State not accounted for in Proprietary Funds.

The accounting system is designed to assure that expenditures do not exceed amounts authorized by legislative appropriation and to conform, to the extent possible, to standards of the Governmental Accounting Standards Board ("GASB") and its predecessor, the National Council on Governmental Accounting. Financial transactions are recorded in the General Fund, the Highway Fund and certain other funds as described above and in Appendix B hereof.

Accounting Reports and Practices

The State controller shall prepare a comprehensive annual financial report in accordance with standards established by GASB. This report shall be the official financial report of the State government.

The State controller's annual financial report for the fiscal year ended June 30, 2008 is set forth in two separate publications. The first publication consists of the Basic Financial Statements of the State of Maine for the year ended June 30, 2008 which are set forth in Section I of Appendix B. Certain information which is included in the second publication and certain information which has been derived from provisions of the State controller's annual financial reports for certain prior fiscal years comparable to the second publication is included in Section II of Appendix B. The information set forth in Section II of Appendix B is based on budgetary and legal requirements.

The Basic Financial Statements of the State of Maine for the year ended June 30, 2008 which are set forth in Section I of Appendix B have been prepared by the State controller and have been audited by the Department of Audit in accordance with auditing standards generally accepted in the United States of America. The Department of Audit has issued an unqualified opinion on the Basic Financial Statements.

Because of the variety of activities and programs run by the State, the State controller has established several specialized accounting conventions, which are consistently applied within the fund accounting system. For more information on the basis of accounting used by the State, see Appendix B, Section I, "Notes to the Financial Statements, June 30, 2008."

Annual financial reports prepared by the State controller for the fiscal year ending June 30, 2008 and for prior fiscal years are available upon request directed to Barbara Raths, Deputy State Treasurer, 39 State House Station, Augusta, Maine 04333, telephone: 207-624-7477; facsimile: 207-287-2367.

The comprehensive annual financial reports for the fiscal year ended June 30, 2008 and for prior fiscal years are also available at http://www.maine.gov/osc/finanrept/cafr.htm.

Department of Audit

The Department of Audit is headed by the State Auditor, who is elected by the Legislature by a joint ballot of the Senators and Representatives in convention to hold office for a term of four years. A person may not serve more than two consecutive terms as State Auditor. The Department of Audit is authorized to audit all accounts and other financial records of State government, including the Judiciary and the Executive Department of the Governor, except the Governor's expense account, and to report annually on this audit, and at such other times as the Legislature may require; to review and study departmental budgets and capital programs for better and efficient management of State government; to serve as a staff agency to the Legislature or to the Governor in making investigations of any phase of the State's finances; and to perform audits of all accounts and financial records of any organization, institution or other entity receiving or requesting an appropriation or grant from the State; to issue reports on such audits and investigations; and to conduct financial and compliance audits of financial transactions and accounts kept by or for State agencies subject to federal single audit requirements.

Audit Reports

The State Auditor shall audit the Basic Financial Statements included within the Comprehensive Annual Financial Report prepared by the State controller for each fiscal year. The State Auditor's Independent Audit Opinion dated February 19, 2009 with respect to the fiscal year ending June 30, 2008 is set forth in Appendix B hereto. Single audit reports prepared by the Department of Audit for the fiscal year ending June 30, 2008 and for certain prior fiscal years are available upon request directed to the State Treasurer. See "Introduction" herein.

All information in this Official Statement for any period ending after June 30, 2008 is unaudited and therefore is subject to change.

STATE BUDGETS

Laws authorizing expenditures for fiscal years 2006, 2007, 2008 and 2009 were enacted and provided for General Fund expenditures and Highway Fund expenditures in the amounts set forth in the table below. A law authorizing General Fund and Highway Fund expenditures for fiscal year 2010 and 2011 has been enacted and provides for such expenditures in the amounts set forth in the table below.

Fiscal Year Ending June 30	General Fund Expenditures Authorized	Highway Fund Expenditures Authorized
2006	$ 2,871,878,613	$ 349,584,284
2007	2,978,358,710	346,221,340
2008	3,129,325,355	336,160,213
2009	3,017,952,419	327,534,161
2010	2,927,547,096	306,632,571
2011	2,866,679,783	303,913,274

For information regarding fiscal year 2009 expenditures, see "Certain Expenditures and Obligations – General Fund Expenditures" below.

Since July 1, 2008, adverse economic and fiscal circumstances have necessitated ongoing adjustments to the budget for fiscal year 2009 and to the budget proposed for the 2010-2011 biennium. For first several months of fiscal year 2009, General Fund appropriations were governed by Public Laws of Maine 2007, chapter 539 ("2007 Chapter 539") which took effect on June 30, 2008.

In order to begin as soon as possible to address an expected decline in revenues for fiscal year 2009 of approximately $140 million as projected in the December 2008 report of the Revenue Forecasting Committee (see "Fiscal Management – Revenue Forecasting – Fiscal Year 2009 Reports" above), the Governor issued an Executive Order on November 19, 2008 curtailing spending by State agencies in fiscal year 2009 by approximately $80 million. Curtailment is a temporary measure, serving to reduce the rate of spending until a supplemental budget is enacted to address the projected revenue decline. A curtailment maximizes the time available in the current fiscal year to achieve the required spending reductions, thus softening the impact of spending reductions to the greatest extent possible. For additional information regarding curtailment of allotments, see "Fiscal Management – Overview of the Budget Process."

In order to further address the Revenue Forecasting Committee's revised projections, released on December 1, 2008 (see "Fiscal Management – Revenue Forecasting – Fiscal Year 2009 Reports" above), Public Laws of Maine 2009, chapter 1, effective January 29, 2009 ("2009 Chapter 1"), amended the budget for fiscal year 2009 and implemented a net decrease in General Fund appropriations of approximately $139.6 million.

In order to address the findings of the May 1, 2009 report of the Revenue Forecasting Committee (see "Fiscal Management – Revenue Forecasting – Fiscal Year 2009 Reports" above), the Governor, on May 1, 2009, proposed amendments to 2009 Chapter 1, the budget for fiscal year 2009, and to his budget proposal for fiscal years 2010 and 2011 that were designed to satisfy the State's balanced budget requirement. On May 28, 2009, Public Laws of Maine 2009, Chapter 213 ("2009 Chapter 213") took effect. 2009 Chapter 213 addressed a $129 million budget shortfall for the current fiscal year which ended June 30, 2009 and a $440 million budget shortfall for fiscal years 2010-11. Under 2009 Chapter 213 and prior laws, the General Fund budget has been reduced to approximately $5.8 billion for the 2010-11 biennium from the approximately $6.1 billion appropriated for the 2010-11 biennium.

2009 Chapter 213 included a $68.8 million reduction in GPA in fiscal year 2011 (see "Certain Expenditures and Obligations – Education Funding" below), a $3 million reduction to higher education funding in each year of the 2010-2011 biennium and adjustments to the State's Homestead Exemption tax program, the tax and rent program known as the Circuit Breaker program, as well as a number of initiatives to decouple from federal tax provisions. 2009 Chapter 213 also reduced Municipal Revenue Sharing and Maine's subsidy payments to dairy farmers. 2009 Chapter 213 also modified a range of Medicaid programs, primarily aimed at stricter medical management of services and standardization of provider rates. No changes in program eligibility were enacted and the State remains eligible to receive ARRA funding for the MaineCare program.

2009 Chapter 213 included several changes that impacted State employees. These included ten days in each fiscal year of the 2010-2011 biennium on which all State government offices will be closed. Merit increases have been suspended during the 2010-2011 biennium and any employee hired on or after October 1, 2009 are required to pay a portion of his or her individual health insurance premium. Historically, the State has paid 100% of that benefit.

2009 Chapter 213 also provided that all of the approximately $40.6 million in the Reserve for General Fund Operating Capital and approximately $75.5 million from the Stabilization Fund was used to assist in balancing the budget for fiscal year 2009.

Finally, a Commission to Recommend Streamlining of State Government Programs and Service Delivery was created pursuant to 2009 Chapter 213. During the remainder of calendar year 2009, the Commission is to develop recommendations for strategies to improve organizational structures, improve alignment of functions and assess the ongoing need for each program of State government. The Commission is to report out recommendations for at least $30 million in savings to the Governor and the Legislature prior to the convening of the next legislative session.

The May 1, 2009 revenue forecast also impacted the Highway Fund by approximately $16.7 million in fiscal year 2009 and by approximately $42.3 million for fiscal years 2010-2011. Public Laws of Maine 2009, chapter 413, effective June 16, 2009, reduced the Highway Fund budget to bring it into balance.

The State anticipates a significant increase in federal aid for certain programs in fiscal years 2009, 2010 and 2011 as a result of funds made available through the ARRA. The State expects to receive an aggregate amount of approximately $1.3 billion of ARRA funds flowing through State government over the course of the recovery period. Of the funds to be received by the State, $193.5 million is expected to be available in State fiscal stabilization funds and approximately $334 million is expected to be available for the State's Medicaid program. The actual amounts received by the State for particular programs may change as federal guidelines continue to be published.

As described in this Official Statement, the recent and continuing adverse economic and fiscal circumstances have necessitated a series of downward revenue forecasts, which have led to certain budget adjustments in order to maintain a balanced budget. These actions have included a number of one-time measures, such as the use of reserves, which will not be available to address future budget needs. In addition, adjustments to 2009 Chapter 213, the budget for fiscal years 2010-2011, will be made.

The State cannot now predict what adjustments, if any, will be made to the 2010-2011 budget or the outcome of the budget process for the years following the 2010-2011 biennium. In light of the current circumstances, significant budget deficits are expected for the years following the 2010-2011 biennium and additional significant adjustments to both revenues and expenditures will likely be necessary for the adoption of balanced budgets for the years following the 2010-2011 biennium. In the first two months of fiscal year 2010, actual revenues performed below projections, but that performance did not clearly indicate a deteriorating trend that needed to be addressed immediately. In September, 2009 revenue performance continued to decline. As a result, the Governor has ordered all agencies to prepare proposals for substantial reductions to their General Fund budgets, to be considered for inclusion in the fiscal year 2010 supplemental budget proposal, which will be submitted to the Legislature in January 2010. For planning purposes, a potential revenue shortfall of $200 million is currently anticipated, but the actual shortfall will likely vary from this amount.

For additional information regarding General Fund expenditures and Highway Fund expenditures during fiscal years 2004 through 2008, see Appendices B and C.

CERTAIN EXPENDITURES AND OBLIGATIONS

General Fund Expenditures

Total authorized General Fund expenditures for fiscal year 2009 are approximately 19% greater, on a budgetary basis, than those for fiscal year 2003. Total General Fund expenditures for fiscal years 2008 and 2009 are approximately 5.2% higher, on a budgetary basis, than those for fiscal years 2006 and 2007. It is expected that total General Fund expenditures for fiscal years 2010 and 2011 will be approximately 5.75% lower, on a budgetary basis, than those for fiscal years 2008 and 2009.

The following table sets forth, by certain major categories, General Fund expenditures set forth in 2009 Chapter 213, the budget for fiscal years 2010 and 2011. The following amounts are subject to change upon reconciliation of budget acts and miscellaneous acts with fiscal impact.

	2010	2011
Governmental Support and Operations	$ 248,582,119	$ 223,792,652
Economic Development & Workforce Training	37,225,259	37,403,915
Education	1,458,618,247	1,406,958,252
Arts, Heritage & Cultural Enrichment	7,878,764	8,000,996
Natural Resources Development & Protection	72,089,007	73,129,338
Health & Human Services	819,403,216	856,542,519
Justice & Protection	283,750,484	280,852,111
Total	$2,927,547,096	$2,886,679,783

General Fund expenditures for fiscal years 2010 and 2011 are currently budgeted at approximately $5.8 billion of which approximately 49% will be attributable to education, approximately 29% will be attributable to health and human services inclusive of Medicaid and approximately 22% will be attributable to other purposes of State government.

For additional information regarding General Fund expenditures during fiscal years 2004 through 2008, and for information regarding Highway Fund expenditures during fiscal years 2004 through 2008, see Appendices B and C hereto. See also "Certain Public Instrumentalities" herein.

Education Funding

At the initiative of certain citizens of the State pursuant to the Constitution of the State, the voters of the State voted to enact legislation known as the School Finance Act of 2003 (the "Initiated School Finance Act") at a statewide election held June 8, 2004. The Initiated School Finance Act required that the Legislature each year provide at least 55% of the cost of the total allocation for K-12 Education from General Fund revenue sources and 100% of the State and local cost of providing all special education services mandated under federal or State law. The Initiated School Finance Act was amended by 2005 Chapter 2 to provide that, beginning in fiscal year 2009, the Legislature each year will provide, as a target, (a) 55% of the statewide adjusted total cost of the components of Essential Programs and Services and (b) 100% of a school administrative unit's special education costs calculated pursuant to applicable State law.

2007 Chapter 539 provides that, as a target, (a) the State will provide 53.51% and 54.01%, respectively, of the statewide adjusted total cost of the components of Essential Programs and Services and (b) the State will provide 100% of a school administrative unit's special education costs calculated pursuant to applicable State law for fiscal years 2008 and 2009. The budget for fiscal years 2008 and 2009, as amended by 2007 Chapter 539, includes approximately $1,966,000,000 to fund the State's share of K-12 Education costs attributable to the Initiated School Finance Act. 2007 Chapter 539 also amended applicable law to provide that the State's payment of 55% of the total State and local cost of K-12 Education be delayed until fiscal year 2010 and that inclusion of the State share of the cost of K-12 Education in the General Fund appropriation limit be delayed until fiscal year 2011.

The Governor's Executive Order issued in November 2008 included curtailment of State spending for K-12 Education in the amount of approximately $27,000,000. The Governor's proposal to revise the budget for fiscal year 2009 included a reduction in baseline funding for GPA for fiscal year 2009 in an amount equal to the curtailment which was enacted as part of 2009 Chapter 1.

2009 Chapter 213 establishes the baseline budget for GPA at approximately $986,000,000 and continues the reduction of GPA approved in the fiscal year 2009 supplemental budget (2009 Chapter 1) of $27,056,044 in each year. Pursuant to 2009 Chapter 213, GPA will be 51.01% of the total State and local cost of K-12 Education in fiscal years 2010 and 2011.

In order to address the findings of the May 1, 2009 report of the Revenue Forecasting Committee (see "Fiscal Management – Revenue Forecasting – Fiscal Year 2009 Reports" above), 2009 Chapter 213 also includes a reduction in GPA in fiscal year 2011 in the amount of approximately $68.8 million and a reduction in the State share of special education funding of $11.6 million in fiscal year 2010 and $2.8 million in fiscal year 2011. This reduction is expected to be mitigated by a reallocation of unexpended federal Individuals with Disabilities Act monies. Neither of these reductions violates the "maintenance of effort" requirements of the ARRA.

2009 Chapter 213 has resulted in government funding of GPA totaling approximately $1 billion in fiscal year 2010 and $946 million in fiscal year 2011. The State General Fund contribution will be approximately $947 million in fiscal year 2010 and approximately $887 million in fiscal year 2011. The balance of the government payments will be derived from ARRA monies awarded to the State for K-12 Education totaling approximately $129 million over the course of the 2010-2011 biennium. Total payments by the State to local school districts (including ARRA monies) will comprise 52.11% of the total cost of Essential Program and Services in fiscal year 2010 and 48.5% in fiscal year 2011.

Health and Human Services Funding

After education, spending on health and human services and programs comprises the second most significant area of expenditure, at 29% of General Fund appropriations for the 2010-2011 biennium. Furthermore, expenditures for the State's Medicaid program, MaineCare, are the largest, and are approximately 60% of all health and human services spending. The State has made significant efforts to hold down the rate of increase in the growth of MaineCare. While remaining committed to provide access to care for the State's most vulnerable residents, the State is employing more aggressive care management techniques, continues to standardize provider reimbursement rates and has developed more capacity in the area of third party recovery.

Continuing revenue declines and recently promulgated changes in federal Medicaid rules have resulted in a substantial curtailment of spending within Maine's health and human services, including MaineCare. Authorized expenditures for these programs will decline between the 2008-09 biennium and the 2010-11 biennium, reflecting the projected continued revenue decline. As a first priority, spending reductions were targeted to State-funded grant programs, thereby minimizing loss of available funds by avoiding loss of federal matching dollars. While these reductions do result in a loss of services to certain individuals, persons affected are not Medicaid eligible.

The enactment of the ARRA provides a substantial infusion of federal funds into Maine's Medicaid program. At this time, approximately $410 million is expected to be made available to the MaineCare program from ARRA funds over the course of the twenty-seven month period covered by the ARRA (October 1, 2008 through December 31, 2010). These moneys are primarily in the form of enhanced federal matching dollars. This funding will assist the State in meeting expected increases in demand for MaineCare services occurring as a result of the economic downturn and in redeploying some General Fund resources to provide more timely payment of MaineCare settlements to Maine hospitals, helping to ensure those facilities are able to retain employees, avoid further job losses and maintain the spectrum of services required by residents, particularly in rural areas of the State.

In March 2009, the Governor submitted a proposal to the Legislature for the appropriation of a portion of the General Fund monies expected to be freed up for redeployment as a result of the new federal appropriation of ARRA funds. That proposal was amended and is included in 2009 Chapter 213. A portion of these funds - $105 million - will be used to meet increased demand for services of the MaineCare program as well as further utilization increases projected for the 2010-2011 biennium. 2009 Chapter 213 includes approximately $82 million for hospital settlement payments, $500 thousand for funding an initiative of the Maine Department of Health and Human Services focused on the development of patient-centered medical homes, $1.2 million for support of students at the University of Maine Graduate School of Biomedical Science, to bolster the State's science workforce, and $2.5 million for scholarships for Maine students attending in-state medical school programs, to assist in building the State's medical workforce.

Debts of the State

As of June 30, 2009, there were outstanding general obligation bonds of the State in the principal amount of $529,990,000, including the principal amount of $408,925,000 to be paid from the General Fund and the principal amount of $121,065,000 to be paid from the Highway Fund. Debt service requirements to maturity for the outstanding general obligation bonds are set forth in Appendix D herein.

As of the date hereof, there are no outstanding tax anticipation notes of the State. As of the date hereof, the State has used interfund borrowings from the State investment pool in the amount of $270,000,000 to satisfy its fiscal year 2010 cash flow needs. Additional external borrowing may be needed. The amount to be borrowed externally in fiscal year 2010 is not currently expected to exceed $200,000,000. If external borrowing is required, a combination of tax anticipation notes and a proposed line of credit could be used. The timing and amount of any such borrowings will depend upon the actual cash flow needs of the State.

Under Public Laws of Maine 2009, Chapter 213, section KK-2, the State is authorized to advance up to $25 million from the General Fund to the Dirigo Health Enterprise Fund (the "Dirigo Fund"), which had experienced funding shortfalls that resulted in a negative cash and equity position at the close of fiscal year 2009. This advance must be paid back to the General Fund with interest by June 30, 2010. As of September 30, 2009, the outstanding amount of the advance to the Dirigo Fund was $19.3 million. Public Laws of Maine 2009, Chapter 359 changed the method of funding for Dirigo to a structure in which health insurance carriers are required to pay an access fee of 2.14% on all paid claims, except claims under personal injury, specified disease, hospital indemnity, dental, vision, disability income, long-term care, Medicare supplement or other limited benefit health insurance. The new law was effective for claims paid by insurance companies after September 1, 2009. The first month that the new revenue stream is due is October 2009.

Immediately after delivery of the Notes, there will be indebtedness authorized by the voters of the State for certain purposes, but unissued as either bonds or notes, in the aggregate principal amount of $68,817,000. As of the date hereof, the aggregate principal amount of bonds of the State authorized by the Constitution and implementing legislation for certain purposes, but unissued, is $99,000,000. See "Fiscal Management – Constitutional Debt Limit" and "Certain Public Instrumentalities – Finance Authority of Maine" and "– Maine State Housing Authority" herein.

Public Law 2009, Chapter 414, effective June 16, 2009, authorizes the Treasurer of State, under the direction of the Governor, to issue general obligation bonds of the State not exceeding the following amounts and for the following purposes, provided that a majority of the voters of the State voting in elections held in the following months have approved each amount and purpose set forth below.

Amounts	Purposes	Election Dates
$71,250,000	Improvements to highways and bridges, airports, public transit facilities, ferry and port facilities, including port and harbor structures	November, 2009
25,000,000	Capital investment to stimulate economic development and job creation by making investments under the Communities for Maine's Future Program and in historic properties; funding for research and development investments; funding for disbursements to qualifying small businesses; and grants for food processing for fishing, agricultural, dairy and lumbering businesses within the State and redevelopment projects at the Brunswick Naval Air Station	June, 2010
10,250,000	Improvements to water quality, support drinking water programs and the construction of wastewater treatment facilities	June, 2010
33,500,000	Investments in weatherization and energy efficiency projects; and for infrastructure and energy efficiency upgrades at campuses of the University of Maine System, the Maine Community College System and the Maine Maritime Academy	June, 2010
10,000,000	Investments in land conservation and working waterfront preservation and to preserve state parks	November, 2010

For additional information concerning long-term debts of the State, see Appendix D hereto.

Lease Financing Agreements

From time to time, the State enters into lease agreements for the purpose of acquiring or financing capital equipment and buildings. A lease agreement is secured solely by the equipment or building which is the subject of such agreement and is not a pledge of the full faith and credit of the

State. Lease payment obligations are subject to appropriation by the Legislature. In certain instances, the State has issued certificates of participation in the lease payments to be made pursuant to certain lease agreements. As of June 30, 2009, the aggregate principal amount of such lease obligations outstanding was $50,081,230. For additional information regarding such lease agreements, see Appendix D hereto. For information regarding rental payments to be made by the State, subject to appropriation, to the Maine Governmental Facilities Authority, see "CERTAIN PUBLIC INSTRUMENTALITIES - Maine Governmental Facilities Authority."

Retirement Obligations

The Maine Public Employees Retirement System was established as of July 1, 1942 to administer retirement plans for State employees. The System's coverage was extended as of July 1, 1947 to include the State's public school teachers. The System became an independent agency pursuant to legislation that took effect on July 1, 1993. For additional information about the System, including, in particular, the principal actuarial assumptions used in determining the State's annual contributions as well as the funded status and funding progress of the State plans, information regarding the State's net pension obligation to the System and certain other related information, see Note 9 of the State's financial statements on pages B-60 – 64 and B-97 hereof and the System's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008 available at http://www.mainepers.org/.

The System administers defined benefit retirement plans providing retirement, disability and death benefits for all State employees in the executive, judicial and legislative branches, all of the State's public school teachers (which term includes administrators and other professional staff), members of the judiciary, members of the Legislature, and employees of participating state and local public entities ("PLD's"). In addition, the System administers a group life insurance plan which provides or makes available life insurance benefits for active and retired System members and employees of certain PLD's.

On June 30, 2008, the System's State employee and teacher defined benefit plan membership, for actuarial purposes, was comprised of approximately 41,790 active members, 7,098 terminated vested members and 26,991 retirees and surviving beneficiaries. The defined benefit plan covering the State's judges had, at June 30, 2008, 59 active members, two terminated vested members and 50 retirees and surviving beneficiaries. At the same date, the defined benefit plan covering the State's legislators had 170 active members, 72 terminated vested members and 120 retirees and surviving beneficiaries. As of June 30, 2008, 272 PLD's participated in the Maine Public Employees Retirement System. The State itself has no retirement obligations to the PLD's or to their covered employees. As of June 30, 2008, the System's group life insurance plan, for actuarial purposes, was comprised of approximately 34,031 active members and 14,918 retirees, which includes 5,945 PLD active members and 2,254 PLD retirees.

Retirement, disability and death benefits provided by the System are financed by employee contributions as set by statute and by employer contributions determined on an actuarial basis. An actuarial valuation is prepared biennially in even years for each of the State's three defined benefit plans to determine the State's employer contribution requirements. For State employees and teachers, the State's annual required contribution (the "ARC") is comprised of the normal cost contribution plus the payment required to amortize the plan's unfunded actuarial liability. As of June 30, 2008, the actuarial value of assets of the plans for State employees, including members of the judicial and legislative plans, and teachers was $8,691,075,704 and the actuarial accrued liability was $11,721,271,968, resulting in an unfunded accrued actuarial liability of $3,030,196,264 and a funded ratio of approximately 74.1%. As of June 30, 2008, 20 years remained in the current amortization period for the unfunded liability. The judicial retirement plan had an actuarial surplus of $2,784,490 at June 30, 2008. The legislative retirement plan had an actuarial surplus of $3,494,128 at June 30, 2008.

The State has generally funded its ARC for state employees and teachers, although actual contributions in the past have, in some cases, been less than the ARC and in other cases exceeded the ARC. As of June 30, 2008, the State had a net pension obligation to the System of $18,708,000. 2009 Chapter 213 fully funds the projected ARC for State employees and teachers for the coming biennium.

The ARC proposed to be funded in the 2010-2011 biennial budget is based upon an actuarial valuation as of June 30, 2008 prepared by Cheiron. The valuation and the resulting calculation of the ARC is based upon a number of actuarial assumptions relating to various factors such as investment rate of return, projected salary increases, inflation assumptions, cost of living adjustments and mortality experience. To the extent the State's actual experience varies from these assumptions, the resulting funded status of the plans and the ARC for future years may be adversely affected.

The June 30, 2008 valuation projected that State contributions would increase from $288,146,000 in fiscal year 2009 to $437,520,000 in fiscal year 2018. The adverse market performance since June 30, 2008 will result in greater annual increases in the ARC, absent significant offsetting changes in other variables that affect the calculation of the ARC. The State anticipates significant increases in the ARC will occur after the coming 2010-2011 biennium but it cannot now predict the actual increases, as they are dependent upon many different factors, including both the market value and actuarial value of assets, the experience of the members and beneficiaries of the System and the actual employer contributions made by the State.

For example, the June 30, 2008 valuation did not take into account the substantially adverse financial market conditions that have occurred since June 30, 2008. The valuation assumed an annual rate of return on investments of 7.75%, subject to the use of a 3-year smoothing methodology to offset the volatility of market values. The following table shows the estimated market values as of the dates shown of the System's assets allocable to the state employee and teacher plans (unaudited and subject to change), in each case as compared to the June 30, 2008 market value of $8,311,970,624.

Date	Market Value	$ Increase / (Decrease)	Percentage Change
June 30, 2008	$8,311,970,624	-	-
April 30, 2009	6,294,078,372	$(2,017,892,252)	(24.28%)
June 30, 2009	6,620,849,642	(1,691,120,982)	(20.35%)
September 30, 2009	7,293,656,250	(1,018,314,374)	(12.25%)

A preliminary actuarial valuation has determined that the unfunded accrued actuarial liability of the System as of June 30, 2009 is approximately $4.0 billion. This preliminary valuation and the full actuarial report as of June 30, 2009 has not yet been delivered to or reviewed by the System's Board of Trustees and is subject to change in all respects. This valuation is an interim one only and the actuarial valuation as of June 30, 2010 will be used to determine the ARC for the 2012-2013 biennium. Neither the State nor the System can currently predict what the June 30, 2010 valuation will be or its impact on the ARC for the 2012-2013 biennium or later years.

Group life insurance benefits provided by the System are funded by premiums paid by employers and participants and by investment returns on reserves. As of June 30, 2008, the unfunded actuarial liability of the plan, excluding the unfunded liabilities attributable to PLD's, for which the State itself has no obligations, was approximately $76,000,000.

The actuarial balance sheet for the plan covering State employees and public school teachers from the June 30, 2008 valuation is set forth in Appendix E hereto. Also set forth in Appendix E hereto are the actuarial balance sheets for the judicial and legislative plans and for the group life insurance plan from the June 30, 2008 valuations of these plans.

Post-Employment Health Care Benefits

GASB has promulgated its statement 45 ("GASB 45") which requires the State, for fiscal years beginning on and after July 1, 2007, to account for retiree health care benefits and other post-employment benefits in a manner similar to that required for pension benefits. GASB 45 does not require that such benefits be funded in advance. If the State continues to pay such benefits as they come due, however, it is expected that annual cost and liability accruals will increase due to GASB 45.

The State funds post-employment health care benefits for most retired State employees and legislators and a portion of the health insurance premiums for retired teachers. The State pays 100 percent of post-employment health insurance premiums for eligible retirees who were first employed on or before July 1, 1991. A pro rata portion, ranging from zero percent for eligible retirees with less than five years participation to 100 percent for eligible retirees with ten or more years of participation, is paid for eligible retirees first employed after July 1, 1991. Retirees who are not eligible for Medicare retain coverage in the same group health plan as active employees. An eligible retiree must pay for Medicare Part B coverage to be eligible to participate in the State-funded companion plan. Coverage for retirees who are not eligible for Medicare includes basic hospitalization, supplemental major medical and prescription drugs, and costs for treatment of mental health, alcoholism, and substance abuse. The State contribution to the health insurance premiums for retired teachers is currently 45 percent. County and municipal law enforcement officers and municipal firefighters began coverage in fiscal year 2008 with the State contributing 45 percent of the cost of their respective plans.

5 MRSA §286-B authorizes 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, 2009, 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, 2009. 2007 Chapter 240 amended Title 5 MRSA Chapter 421 by establishing the Irrevocable Trust for Other Post-employment Benefits. The Maine Public Employees Retirement System 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.

Contribution requirements are set forth in State law. The annual other post-employment benefit ("OPEB") cost (expense) for each plan is calculated based on the employer's ARC, which is 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	$ 111,000	$ 46,000	$ 1,045
Contributions made	166,388	17,657	-
Increase (decrease) in net healthcare obligation	(55,388)	28,343	1,045
Net healthcare obligation beginning of year	-	-	-
Net healthcare (asset) end of year	$ (55,388)		
Net healthcare obligation end of year		$ 28,343	$ 1,045

As of June 30, 2008, there were 8,772 retired eligible State employees, 9,201 retired teachers, and 45 retired first responders. In fiscal year 2008, the State made contributions for other post-employment benefits of $166.4 million for retired employees and $17.7 million for retired teachers.

The funded status of the plans as of June 30, 2008 was as follows:

	(Expressed in Millions)		(in 000's)
	State Employees	Teachers	First Responders
Actuarial accrued liability (AAL) (a)	$ 1,242	$ 1,044	$ 19,806
Actuarial value of plan assets (b)	98	-	-
Unfunded actuarial accrued liability (funding excess) (UAAL) (a)-(b)	$ 1,144	$ 1,044	$ 19,806
Funded ratio (b)/(a)	7.89%	0.00%	0.00%
Covered payroll (c)	$ 568	$ 1,160	$ 51,021
UAAL (as a percentage of covered payroll) ([(a)-(b)]/(c)	201.41%	90.00%	38.82%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and 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 schedules of funding progress presented as required supplementary information in the State's audited financial statements (see Appendix B herein) present 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. The State made an initial funding of this trust fund of $100 million in fiscal year 2008 and expects to deposit an additional $10 million in fiscal year 2009. A revised actuarial study was completed February 10, 2009. No more recent study is yet available.

Employee Relations

As of June 30, 2009, the State had approximately 13,205 Executive Branch employees.

The State Employees Labor Relations Act allows State employees in the Executive Branch to engage in collective bargaining. As of June 30, 2009, approximately 11,950 employees were covered by the law. The Maine State Employees Association is the bargaining agent for four bargaining units which include approximately 9,802 employees. The American Federation of State, County, and

Municipal Employees, AFL-CIO, represents the employees in State institutions, the Maine State Law Enforcement Association represents those in law enforcement activities excluding State Police and the Maine State Troopers Association represents the State Police. The Commissioner of Administrative and Financial Services, acting through the Office of Employee Relations within the Bureau of Human Resources, is the Governor's designee for collective bargaining and is responsible for the negotiations and all other employee relations functions. There are seven bargaining units within the Executive Branch. As of June 30, 2009, all seven contracts were scheduled to expire. One unit concluded negotiations prior to the end date and now has a contract which expires June 30, 2011. Five of the other units reached a new agreement after the expiration date and one unit has not yet concluded negotiations.

Collective bargaining has also been extended to employees of the Judicial Department, the University of Maine System, the Maine Community College System, the Maine Maritime Academy, and to employees of counties, municipalities and special districts, including public school teachers.

Interfund Transactions

Due to Other Funds are amounts owed by one State fund to another for goods sold or services rendered. Due from Other Funds are amounts to be received from one State fund by another for goods sold or services rendered. The following is a summary of amounts due from other funds and due to other funds as of June 30, 2008:

Interfund Receivables
(Expressed in Thousands)

	Due to Other Funds				
Due from Other Funds	General	Highway	Federal Fund	Other Special Revenue	Other Governmental
General	$ 2,238	$ -	$ 2,287	$ -	$ 27
Highway	218	1	2,431	1	-
Federal	9,058	43	368	2,135	-
Other Special Revenue	17,495	370	634	582	-
Other Governmental	159	-	-	-	-
Employment Security	-	-	25	-	-
Non-Major Enterprise	98	47	357	4	-
Internal Service	18,677	1,948	1,941	2,023	-
Fiduciary	16,944	-	-	-	-
Total	$ 64,887	$ 2,409	$ 8,043	$ 4,745	$ 27

Due from Other Funds	Non-Major Enterprise	Internal Service	Fiduciary	Total
General	$ 19,083	$ 14,038	$ 5,648	$ 43,321
Highway	-	222	-	2,873
Federal	-	4,435	-	16,039
Other Special Revenue	27	351	-	19,459
Other Governmental	-	-	-	159
Employment Security	-	-	-	25
Non-Major Enterprise	-	36	-	542
Internal Service	243	21,093	15	45,940
Fiduciary	-	-	-	16,944
Total	$ 19,353	$ 40,175	$ 5,663	$ 145,302

Advances to or from other funds are for long-term loans made by one fund to another. Advances from the General Fund are for inventory of the Postal, Printing and Supply Fund. The following is a summary of interfund advances as of June 30, 2008:

Schedule of Advances to or from Other Funds
June 30, 2008

(Dollars in Thousands)

Fund Type	Working Capital Receivable	Working Capital Payable
General	$ 111	$ -
Other Special Revenue	-	-
Internal Service	-	111
Total All Funds	$ 111	$ 111

REVENUES OF THE STATE

General

In order to fund its programs and services, the State collects a variety of taxes and receives revenues from other non-tax sources, including the federal government and various fees, fines, reimbursements, interest earnings and transfers from non-budgetary sources. For additional information concerning revenues of the State, see Appendices B and C.

Revenues for September totaled $270.7 million, under budget by $28.0 million (9.4%); year to date revenues are under budget $42.3 million (7.2%). Individual Income Tax was under budget by $28.0 million (17.7%) for the month, and $39.3 (12.3%) million under year to date. Sales and Service Provider Taxes, combined, were under budget for the month $6.6 million (6.4%), and under budget $17.9 million (8.7%) year to date. Corporate Tax revenues were $1.9 (6.3%) million under budget for the month and $2.6 million (7.2%) over budget year to date. Estate Taxes were under budget by $791 thousand (27.5%) for the month and $2.1 million (71.9%) under budget for the year. Tobacco Taxes are $811 thousand (7.3%) over budget for the month, and over budget $268 thousand (0.7%) year to date. Insurance Companies Tax was slightly over budget for the month and under budget $234 thousand (19.4%) year to date. Fines, Forfeits and Penalties were $1.2 million (29.9%) under budget for the month, and $1.8 million (15.3%) under budget year to date. Lottery income was over projections by $361 thousand (9.5%) for the month, and over projections $707 thousand (5.7%) for the year. Transfers for Tax Relief were over projections by $1.8 million (8.4%) for the month, and $2.7 million (7.7%) over projections for the year. Other Taxes and Fees were over budget by $323 thousand (3.7%) for the month, and were over budget by $1.5 million (5.3%) for the year. "Other Revenues" were over budget for the month by $7.2 million (1142.0%), and over budget $8.5 million (159.4%) for the year.

As previously described in this Official Statement, adverse economic and fiscal circumstances necessitated ongoing adjustments to the budget for fiscal year 2009. 2009 Chapter 1 amended 2007 Chapter 539, the budget in effect at the beginning of fiscal year 2009, based on the decrease in revenues of approximately $140 million projected in the December 2008 report of the Revenue Forecasting Committee. See "State Budgets" herein. 2009 Chapter 213 enacted further adjustments in response to the Revenue Forecasting Committee's May 2009 report which projects an additional revenue shortfall of approximately $129 million in fiscal year 2009. See "Fiscal Management – Revenue Forecasting – Fiscal Year 2009 Reports" above. The following table shows budgeted revenues by category at the beginning of fiscal year 2009 and as adjusted to reflect the December 2008 and May 2009 revenue forecasts.

CATEGORY	FISCAL YEAR 2009 BUDGET (2007 CHAPTER 539)	FISCAL YEAR 2009 BUDGET (2009 CHAPTER 1)*	FISCAL YEAR 2009 BUDGET (2009 CHAPTER 213)
Sales and Use Tax	$1,007,627,341	$ 987,320,733	$ 929,698,051
Service Provider Tax	53,452,742	53,452,742	53,452,742
Individual Income Tax	1,397,767,286	1,327,231,135	1,281,982,990
Corporate Income Tax	196,994,770	168,904,770	148,940,000
Cigarette and Tobacco Tax	153,408,502	149,948,844	143,213,844
Public Utilities Tax	16,464,397	18,405,029	18,405,029
Insurance Companies Tax	77,169,754	71,978,985	71,978,985
Estate Tax	49,524,882	35,288,827	34,335,010
Property Tax - Unorganized Territory	12,229,199	12,969,540	12,969,540
Income from Investments	(3,204,682)	752,451	1,154,221
Transfer to Municipal Revenue Sharing	(136,028,000)	(129,962,428)	(123,539,567)
Transfer from Lottery Commission	53,049,250	52,549,250	49,549,250
Other Revenues	216,969,557	212,981,559	210,393,288
Total Undedicated Revenues	**$3,095,424,998**	**$2,961,821,437**	**$2,832,533,383**

* The figures in this column may not match the corresponding figures in the December 2008 report of the Revenue Forecasting Committee due to changes to the budget contained in 2009 Chapter 1.

In light of the year-to-date revenue performance, further downward adjustments to fiscal years 2010 and 2011 revenues may be made by the Revenue Forecasting Committee in the report it is required to submit to the Governor, certain members of the Legislature and the State budget office by December 1, 2009.

Certain State Taxes

Individual Income Tax. The State assesses individual income taxes at progressive rates from 2% to 8.5%, based on classifications or brackets of taxable income, depending upon filing status and after specified deductions and exemptions. Taxable income of resident individuals is derived from federal adjusted gross income. The dollar amounts of the tax rate tables are indexed for inflation. For tax year 2009, the maximum rate applies to Maine taxable income of $40,350 or greater for married persons filing joint returns ($20,150 for single individuals and married persons filing separate returns and $30,250 for individuals filing as heads of households). A resident individual is allowed $2,850 for each exemption to which the individual is entitled for the tax year for federal income tax purposes. For resident taxpayers not itemizing deductions, the standard deduction is the same as the federal standard deduction of the taxpayer (the standard deduction for married joint filers does not conform to the recent federal marriage penalty relief adjustments), which is also indexed at the federal level. Nonresident Maine taxpayers are taxed in a similar fashion, but they are allowed a credit for their non-Maine sourced income.

Sales and Use Taxes. A sales tax is imposed on the value of all tangible personal property and taxable services sold at retail in the State. The rate of tax is 7% on the value of liquor sold in licensed establishments, 7% on the value of rental of living quarters in any hotel, rooming house, tourist or trailer camp, 10% on the value of rental for a period of less than one year of an automobile, 7% on the value of prepared food and 5% on the value of all other tangible personal property and taxable services.

A use tax is imposed, at the rates provided for sales taxes, on the storage, use or other consumption in the State of tangible personal property or a service, the sale of which would be subject to sales tax.

No sales or use tax is imposed on sales, storage or use of certain tangible personal property. Some of the major exemptions are grocery staples (which do not include liquor, prepared food); prescription medicines; certain products used in agricultural and aquacultural production; certain motor fuels; coal, oil, wood and all other fuels, except electricity, when bought for cooking and heating in residential units; the first 750 kilowatt hours of residential electricity per month; fuel oil or coal, the by-products from the burning of which become an ingredient or component part of tangible personal property for later sale; packaging materials; certain periodicals; sales to incorporated hospitals, licensed and incorporated non-profit nursing homes, licensed and incorporated non-profit boarding care facilities, medical research facilities, schools, regularly organized churches and similar institutions; water pollution and air pollution control facilities certified by the State Commissioner of Environmental Protection; and ninety-five percent (95%) of the sale price of all fuel and electricity purchased for use at a manufacturing facility.

Corporate Income Tax. An income tax is imposed upon the Maine net income of taxable corporations at progressive rates from 3.5% on Maine net income not over $25,000 to 8.93% on Maine net income in excess of $250,000. The tax computed using Maine net income is then apportioned to Maine. Maine net income is derived from taxable income of the taxpayer under the laws of the United States, adjusted by certain modifications, including additions for certain tax deductions, certain net operating losses and certain depreciation deductions and subtractions for income exempt by law from taxation by the State, certain apportionable dividend income and certain net operating losses.

Certain Motor Fuel Taxes. An excise tax is imposed at the rate of $0.284 per gallon on internal combustion engine fuel (gasoline) sold or used within the State. An excise tax is imposed on all suppliers of special fuel sold and on all users of special fuel used in the State at the rate of $0.296 per gallon of distillate. Low-energy fuel such as liquefied natural gas, propane, methane and butane is taxed at a rate based on the energy content of each fuel as compared to gasoline. Special fuels include all combustible gases and liquids used in an internal combustion engine, except fuel subject to the gasoline tax. Since 2003, motor fuel tax rates have been subject to indexing annually. The rates in effect on July 1, 2009 are $0.295 per gallon on gasoline and $0.307 on special fuel.

Pursuant to the Constitution of the State, all revenues derived from fees, excises and license taxes relating to registration, operation and use of vehicles on public highways, and to fuels used for propulsion of such vehicles shall be expended solely for the cost of administration, state enforcement of traffic laws, statutory refunds and adjustments, and the cost of construction, reconstruction, maintenance and repair of public highways and bridges and for the payment of interest and principal on bonds issued for, and the payment of obligations incurred in, the construction and reconstruction of highways and bridges. Such funds may not be diverted for any other purpose.

As described below, Public Laws of Maine 2009, chapter 382 ("Chapter 382") provides for several adjustments to the State's individual income and sales and use taxes. The changes made by

Chapter 382 are projected to be revenue neutral for the 2010-2011 and the 2012-2013 biennia. A so-called People's Veto initiative to put the repeal of Chapter 382 to a vote next June is currently under review by the Secretary of State. Under the Constitution of the State, Chapter 382 does not take effect, if at all, until thirty days after the Governor has announced that such legislation has been ratified by the voters.

Individual Income Tax. Under the individual income tax, Chapter 382 makes no changes to Maine Adjusted Gross Income (MAGI), but it does eliminate the personal exemption and the standard/itemized deduction so that MAGI is equal to taxable income. The four individual income tax rates are repealed and replaced with a flat 6.5% rate and a surtax rate of 0.35% on taxable incomes above $250,000.

A new refundable household credit is enacted equal to $1,200 for joint filers ($700 for single filers and $1,050 for head of household filers) plus $250 for each exemption claimed on the return. The credit is phased out by $1.50 for every $1,000 that Maine taxable income exceeds $55,000 for a joint return $27,500 for singles and $41,250 for head of household). The credit is refundable up to $70 for joint returns and $50 for all other returns. A refundable alternative household credit is available if the taxpayer chooses. The alternative household credit is equal to a base amount of $800 for joint filers ($400 for single filers and $600 for head of household filers) plus 5.5% of Maine itemized deductions up to a maximum of $2,300 ($1,150 for singles and $1,750 for head of household filers). The alternative household credit is increased by $250 for each exemption claimed as well. The phase-out rate and threshold applies to the alternative credit as well, and the credit is refundable up to the same amounts as the household credit.

Sales and Use Taxes. The sales and use tax changes in Chapter 382 include an increase in the meal and lodging rate from 7% to 8.5%, and increase in the tax rate on short-term auto rentals from 10% to 12% and a expansion of the sales tax based into previously excluded services. Examples of services that will now be taxable are: amusement, entertainment and recreation services, installation, repair and maintenance services, personal property services, and transportation and courier services.

Tobacco Master Settlement Agreement

The State entered into the tobacco master settlement agreement (the "Settlement Agreement") on November 23, 1998 with certain tobacco manufacturers to settle a suit the State brought against those tobacco manufacturers. The State is one of forty-six states and five U.S. territories (the "Settling States") that executed the Settlement Agreement with the manufacturers. The lawsuit included a variety of claims, including claims to recover smoking related Medicaid costs (the "Claims"). Pursuant to the Settlement Agreement, the manufacturers who have joined the Settlement Agreement ("Participating Manufacturers") have agreed to make certain annual payments that are allocated among all the Settling States.

Certain initial and annual payments by the Participating Manufacturers that were allocated to the State pursuant to the Settlement Agreement commenced December 1999. The initial payments ended in 2003 and the annual payments are expected to continue in perpetuity.

The State expects to expend the annual payments received from the Participating Manufacturers for smoking prevention, cessation and control activities, prenatal and young children's care, child care for children up to 15 years of age, health care for children and adults, prescription drugs for adults who are elderly or disabled, dental and oral health care to low-income persons who lack adequate dental coverage, substance abuse prevention and treatment and comprehensive school health programs, pursuant to 22 MRSA §1511(6).

In addition, certain payments (the "Strategic Contribution Payments") to be made by the Participating Manufacturers and allocated among certain Settling States in recognition of strategic contributions made by specific Settling States, including Maine, to the negotiation of the Settlement Agreement were established pursuant to the Settlement Agreement. The Strategic Contribution Payments began in 2008 and will be made annually ending in 2017.

Annual payments received by the State pursuant to the Settlement Agreement have ranged from approximately $63,000,000 in fiscal year 2000 to approximately $46,000,000 in fiscal year 2005. The State received $59,219,085 in fiscal year 2009 pursuant to the Settlement Agreement. The State projects that it will receive approximately $55,126,000 in fiscal year 2010 pursuant to the Settlement Agreement.

Pursuant to the Settlement Agreement, Participating Manufacturers may dispute annual payment amounts. Participating Manufacturers have disputed certain amounts of each year's payment since 2003. The predominant dispute, though not the only dispute, is that certain Participating Manufacturers have claimed that they are entitled to a downward adjustment in the amount they owe because of loss of market share to non-participating manufacturers. If the Participating Manufacturers prevail on this claim against the State, the amount the State is entitled to for each disputed year would decrease. The State is pursuing arbitration, pursuant to the Settlement Agreement, to obtain a determination that it diligently enforced its "qualifying statute," in keeping with the terms of the Settlement Agreement, and that accordingly Maine is entitled to the full amount of its annual payment without a reduction for the market share loss to non-participating manufacturers. Other Settling States are pursuing similar arbitration seeking a determination of the amount to which they are entitled for previous years' tobacco settlement payments to their states.

State Investment Pool

As described above under the heading "Governmental Organization – Executive Branch – Treasurer of State," when there is money in the State Treasury that is not needed to meet current obligations, the Treasurer of State may, with the concurrence of the State controller or the Commissioner of Administrative and Financial Services and with the consent of the Governor, invest those amounts in certain instruments authorized by State law. The Treasurer of State maintains the records of the investments of the State through the State investment pool. The average daily balance of the State investment pool was $479,497,219 in fiscal year 2009. The balance of the State investment pool as of September 30, 2009 was approximately $572,000,000.

On August 8, 2007, $19,930,361.11 was invested in Mainsail II Commercial Paper (the "Mainsail Commercial Paper"), issued by Mainsail Limited, an affiliate of Solent Capital Partners, LLP ("Mainsail"). On August 31, 2007, the date of maturity of the Mainsail Commercial Paper, the approximate $20,000,000 payment of principal and accrued interest due to the State from Mainsail was not made. The Mainsail Commercial Paper was purchased at par by Merrill Lynch on August 28, 2008. The State currently holds no commercial paper in its cash pool. More than 90% of cash pool holdings are currently collateralized with explicit federal guarantees, and approximately 9% are collateralized with implicit federal guarantees.

CERTAIN PUBLIC INSTRUMENTALITIES

Maine Governmental Facilities Authority

The Maine Governmental Facilities Authority is authorized to assist in financing the acquisition, construction, improvement, reconstruction or equipping of, or construction of an addition or additions to, structures designed for use as court facilities or state offices and the acquisition, construction, improvement, reconstruction or repair of equipment or other personal property, all of which are rented to agencies of the State. The Authority was created in 1987 and was known as the Maine Court Facilities Authority until 1997 when its name was changed and its purposes were broadened. Under current statutory limits, the Authority may not issue securities in excess of $325,485,000 outstanding at any one time except for the issuance of revenue refunding securities authorized by the Act and provided that no less than $136,000,000 shall be allocated to court facilities and provided further that no less than $85,000,000 shall be allocated to correctional facilities, no less than $33,000,000 shall be allocated to a psychiatric facility in Augusta and no less than $33,485,000 shall be allocated to capital repairs and improvements at various state facilities. No securities may be issued without the prior approval of the Legislature. Neither the faith and credit nor the taxing power of the State or of any political subdivision of the State is pledged to the payment of the principal of, redemption premium, if any, or interest on the Authority's bonds. The Authority has no taxing power. As of June 30, 2009, the aggregate principal amount of the Authority's bonds outstanding was $192,935,000. The State has agreed, subject to appropriation, to make rental payments to be applied to payment of the Authority's bonds. Debt service on the Authority's bonds for the State fiscal year ending June 30, 2009 is $15,625,000 and for the State fiscal year ending June 30, 2010 is $17,130,000.

Finance Authority of Maine

The Finance Authority of Maine was created in 1983 to undertake various economic development finance programs and to assume the responsibilities of several smaller state authorities. The Authority is currently authorized to insure repayment of commercial loans and to require the State to fund the Authority's insurance obligations, from proceeds of bonds of the State or from other sources, provided that insurance obligations and bonds of the State issued to fund insurance obligations shall not exceed in the aggregate at any one time outstanding the principal amount of $90,000,000 plus an additional $4,000,000 with respect to loans for eligible veterans. As of June 30, 2009, amounts outstanding pursuant to these authorizations were $34,114,163 and $168,377 respectively. See "FISCAL MANAGEMENT - Constitutional Debt Limit" herein. Since the creation of the Authority in 1983, the Treasurer of State has not been asked by the Authority to issue bonds of the State to pay off defaulted loans insured by the Authority pursuant to these authorizations.

In 1990, the Authority was authorized to provide certain student financial assistance services, including continuation of a student loan insurance program meeting certain federal requirements in order to secure loans to students attending institutions of higher education. Pursuant to this authorization, the Authority has entered into agreements with the United States Secretary of Education relating to federal, state and private programs of low-interest insured loans to students in institutions of higher education. The Constitution allows the Legislature to authorize the issuance of bonds in the amount of up to $4,000,000 to secure funds for loans to Maine students attending institutions of higher education. As of June 30, 2009, the student loan insurance obligations of the Authority were $1,045,224,000. See "FISCAL MANAGEMENT - Constitutional Debt Limit" herein. Since 1977, the Treasurer of State has not been asked to issue bonds of the State to pay off defaulted loans insured pursuant to the bond issuance authorization set forth in the Constitution.

In addition, the Authority may issue bonds and other obligations which shall not be a debt or liability of any municipality, the State or any political subdivision thereof. The statutes governing the Authority include Capital Reserve Provisions. As of June 30, 2009, the aggregate principal amount outstanding of the Authority's obligations undertaken pursuant to the Authority's Capital Reserve Provisions was $16,685,000 for electric rate stabilization projects and $20,717,856 for other projects. The State has not been asked to restore the Authority's Capital Reserve since the inception of the Authority's Capital Reserve Provision. See "GOVERNMENTAL ORGANIZATION - Independent Authorities and Agencies" herein.

Maine State Housing Authority

The Maine State Housing Authority was created in 1969 to undertake various programs related to housing. The bonds and other obligations of the Authority shall not be a debt of any municipality, the State or any political subdivision thereof and neither the State nor any municipality nor any political subdivision thereof shall be liable thereon. As of June 30, 2009, the aggregate principal amount of the Authority's bonds and notes outstanding was approximately $1,436,940,000. The statutes governing the Authority include Capital Reserve Provisions. The State has not been asked to restore the Authority's Capital Reserves since the inception of the Authority's Capital Reserve Provisions. See "GOVERNMENTAL ORGANIZATION -Independent Authorities and Agencies" herein.

The Authority is also authorized to insure repayment of mortgage loans on Indian housing and to require the State to fund the Authority's insurance obligations, from proceeds of bonds of the State or from other sources, provided that insurance obligations shall not exceed in the aggregate at any one time outstanding the principal amount of $1,000,000. As of June 30, 2009, the Authority's Indian housing mortgage insurance obligations were approximately $408,490. See "FISCAL MANAGEMENT – Constitutional Debt Limit" herein.

Maine Municipal Bond Bank

The Maine Municipal Bond Bank was created in 1972 to lend money to counties, cities, towns, school administrative districts, community school districts, and quasi-municipal corporations to finance certain capital expenditures (the "Original Program"). Bonds and notes issued by the Bond Bank shall not be in any way a debt or liability of the State and shall not create any debt or debts, liability or liabilities, on behalf of the State or be or constitute a pledge of the full faith and credit of the State. As of June 30, 2009, the aggregate principal amount of the Bond Bank's bonds outstanding was $1,240,755,000 of which (a) $59,705,000 is attributable to loans to certain municipalities to assist in financing certain wastewater and drinking water treatment facilities pursuant to a revolving loan fund program, (b) $83,175,000 is attributable to certain grant anticipation bonds payable solely from annual federal highway grants to the State, (c) $50,000,000 is attributable to certain transportation revenue bonds payable solely from certain State revenues and (d) substantially all of the balance is attributable to the Original Program. The statutes governing the Bond Bank include Capital Reserve Provisions. The State has not been asked to restore the Bond Bank's Capital Reserves since the inception of the Bond Bank's Capital Reserve Provisions. See "GOVERNMENTAL ORGANIZATION - Independent Authorities and Agencies" herein.

Maine Health and Higher Educational Facilities Authority

The Maine Health and Higher Educational Facilities Authority was created in 1971 to provide the means to expand, enlarge and establish health care, hospital, nursing home and other related facilities and to assist institutions of higher education in the State to provide facilities and structures. Bonds and notes issued by the Authority do not constitute or create any debt or debts, liability or liabilities, on behalf of the State or any political subdivision thereof other than the Authority or a loan of credit of the State or a pledge of the faith and credit of the State or of any political subdivision other than the Authority. As of June 30, 2009, the aggregate principal amount of the Authority's bonds outstanding was $1,325,015,000. The statutes governing the Authority include a Capital Reserve Provision. The State has not been asked to restore the Authority's Capital Reserve since the inception of the Authority's Capital Reserve Provision. See "GOVERNMENTAL ORGANIZATION - Independent Authorities and Agencies" herein.

Maine Educational Loan Authority

The Maine Educational Loan Authority was established in 1988 to carry out programs making financial and other assistance available to students and their parents to finance costs of attendance at institutions of higher education. Bonds of the Authority do not constitute or create any debt or debts, liability or liabilities, on behalf of the State or of any political subdivision of the State, other than the Authority, or a loan of the credit of the State or a pledge of the faith and credit of the State or of any political subdivision, other than the Authority. As of June 30, 2009, the aggregate principal amount of the Authority's bonds outstanding was $210,000,000. The statutes governing the Authority include a Capital Reserve Provision. The State has not been asked to restore the Authority's Capital Reserve since the inception of the Authority's Capital Reserve Provision. See "GOVERNMENTAL ORGANIZATION - Independent Authorities and Agencies" herein.

Loring Development Authority

Loring Development Authority was established in 1993 to acquire and manage the former Loring Air Force Base in northern Maine. Bonds of the Authority are payable solely from the income, proceeds, revenues and funds of the Authority and do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. As of June 30, 2009, the Authority had not issued any bonds. The statutes governing the Authority include a Capital Reserve Provision. See "GOVERNMENTAL ORGANIZATION - Independent Authorities and Agencies" herein.

University of Maine System

The University of Maine System (the "System") includes the University of Maine, established in 1865, and all other public institutions of higher education in Maine, except the Maine Maritime Academy and the seven colleges of the Maine Community College System. Money borrowed by the System and evidences of indebtedness issued by the System do not constitute any debt or liability of the State or of any municipality or political subdivision of the State, but shall be payable solely from the revenues of the System or any project for which they are issued. As of June 30, 2009, the aggregate principal amount of the System's bonds outstanding was $206,000,000.

Maine Turnpike Authority

The Maine Turnpike Authority was created in 1941 and has constructed and operates and maintains a turnpike approximately 109 miles long between York and Augusta. Bonds issued by the Authority shall not be deemed to be a debt of the State, but such bonds shall be payable exclusively from tolls. The bonds shall not directly or indirectly or contingently obligate the State to levy or pledge any form of taxation whatever therefor or to make any appropriation for the payment thereof. As of June 30, 2009, the aggregate principal amount of the Authority's bonds outstanding was $ 390,115,000 for Revenue Bonds senior lien, and $ 18,530,000 for Maine Department of Transportation Project bonds.

Maine Public Utility Financing Bank

The Maine Public Utility Financing Bank was created in 1981 to lend money to public utilities in the State. Bonds and notes issued by the Authority do not constitute a debt or liability of the State or of any municipality therein or any political subdivision thereof or a pledge of the faith and credit of the State or of any such municipality or political subdivision. As of June 30, 2009, the aggregate principal amount of the Bank's bonds outstanding was $22,600,000.

Maine Port Authority

The Maine Port Authority was established in 1945 and is authorized to acquire, construct and operate any kind of port terminal facility within the State and to acquire and construct any railroad facility within the State. Bonds of the Authority do not constitute a debt of the State, or of any agency or political subdivision thereof, but are payable solely from the revenues of the Authority, and neither the faith nor credit nor taxing power of the State, or any political subdivision thereof, is pledged to the payment of the Authority's bonds. As of June 30, 2009, there were no outstanding bonds of the Authority.

LITIGATION

The State is a party to numerous lawsuits. Such lawsuits include actions to recover monetary damages from the State, disputes over individual or corporate income taxes, disputes over sales or use taxes, and actions to alter the regulations or administrative practices of the State in such manner as to cause additional costs to the State. The State is not aware of any pending or threatened litigation or claim against the State, the outcome of which will have a material adverse effect on the financial condition of the State; the matters set forth under the heading "Primary Government – Litigation" in Note 15 Commitments and Contingencies to the Financial Statements attached as Appendix B hereto should be noted.

In addition, the following matter should be noted. The Center for Medicaid and Medicare Services (CMS) has claimed a recoupment of federal financial reimbursement to the State for targeted case management services provided by the Maine Department of Health and Human Services, Office of Child and Family Services ("DHHS"), for the fiscal years 2003 and 2004. The amount of the recoupment claimed is approximately $29 million. DHHS has appealed the recoupment to the federal Departmental Appeals Board.

STATE OF MAINE
GENERAL OBLIGATION BOND ANTICIPATION NOTES

APPENDIX B

Selected Financial Information
Pertaining to the State of Maine
for Fiscal Years 2004 through 2008

INDEX TO FINANCIAL INFORMATION

INDEX TO FINANCIAL INFORMATION

Section II - Certain Information from the State Controller's Budgetary and Legal Requirements Reports for Fiscal Years 2004 through 2008 (Unaudited) **Page**

No representation is made hereby that the information set forth in Section II of Appendix B has been prepared in full conformity with generally accepted accounting principles.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maine, as of and for the year ended June 30, 2008, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Maine's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following component units: Child Development Services, Finance Authority of Maine, Maine Educational Center for the Deaf and Hard of Hearing, Loring Development Authority, Maine Educational Loan Authority, Maine Governmental Facilities Authority, Maine Health and Higher Educational Facilities Authority, Maine Maritime Academy, Maine Municipal Bond Bank, Maine Port Authority, Maine State Housing Authority, Maine Public Employees Retirement System, Maine Community College System, Maine Technology Institute, Northern New England Passenger Rail Authority, Small Growth Enterprise Fund, and University of Maine System. We also did not audit the financial statements of the NextGen College Investing Plan. Those financial statements reflect the following percentages of total assets and revenues or additions of the indicated opinion unit:

Opinion Unit	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Revenue / Additions
Aggregate Discretely Presented Component Units	100%	100%
Aggregate Remaining Fund Information	96%	65%

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Maine Educational Loan Authority, Maine Technology Institute, Northern New England Passenger Rail Authority and Small Enterprise Growth Fund were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maine, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3, the State has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* GASB No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, GASB No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, and GASB No. 50, *Pension Disclosures.*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2009 on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report, is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages B-5 through B-16, budgetary comparison schedules and related notes, State Retirement Plan and Post-Employment Benefits Plans schedules of funding progress and employer contributions, and Information About Infrastructure Assets Reported Using the Modified Approach, included on pages B-99 through B-107 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Maine's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Neria R. Douglass

Neria R. Douglass, JD, CIA
State Auditor

February 19, 2009

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, 2008. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:

- The State's net assets decreased by 0.7 percent from the previous fiscal year. Net assets of Governmental Activities decreased by $25.7 million, while net assets of Business-type Activities decreased by $5.7 million. The State's assets exceeded its liabilities by $4.2 billion at the close of fiscal year 2008. Component units reported net assets of $2.0 billion, an increase of $74.8 million (3.9 percent) from the previous year, as restated.

Fund level:

- At the end of the fiscal year, the State's governmental funds reported combined ending fund balances of $187.9 million, a decrease of $76.5 million from the previous year. The General Fund's total fund balance was a negative $238.5 million, a decline of $73.7 million from the previous year, as restated. The Highway Fund total fund balance also decreased by $29.8 million.

- The proprietary funds reported net assets at year end of $617.1 million, a decrease of $89.0 million. This decrease is due to several factors: a decrease in the Retiree Health Insurance Fund of $94.9 million, a decrease in the Dirigo Health Fund of $26.5 million, a decrease in the Maine Military Fund of $3.1 million, offset by an increase in the Alcoholic Beverages Fund of $12.5 million, an increase in the Employment Security Fund of $4.1 million, an increase in the Ferry Service Fund of $5.7 million, and an increase in the Workers' Compensation Fund of $3.6 million

Long-term Debt:

- The State's liability for general obligation bonds increased by $27.1 million during the fiscal year, which represents the difference between new issuances and payments of outstanding debt. During the year, the State issued $104.1 million in bonds and made principal payments of $77 million.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Statements

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

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

Both government-wide statements report three activities:

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

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

Component units - Although legally separate, component units are important because the State is financially accountable for these entities. The State has "blended" one component unit, the Maine Governmental Facilities Authority (MGFA) with Governmental Activities as described above. Maine reports 15 other component units (6 major and 9 non-major) as discretely presented component units of the State, and one component unit is reported with the State's fiduciary funds. Complete financial statements of the individual component units may be obtained directly from their respective administrative offices as shown in Note 1 A to the financial statements.

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

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

- Net asset balances are allocated as follows:

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

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

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

Fund Financial Statements

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

The required supplementary information includes budgetary comparison schedules for the General Fund and major special revenue funds. Also included are notes and a reconciliation of fund balance from the budgetary basis to fund balance determined according to generally accepted accounting principles. This section also includes schedules of funding progress for certain pension 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 assets decreased by 0.7 percent to $4.2 billion at June 30, 2008, as detailed in Tables A-1 and A-2.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007*	2008	2007	2008	2007*
Current and other noncurrent assets	$2,097,624	$1,988,591	$511,516	$530,972	$2,609,140	$2,519,563
Capital assets	4,095,417	3,934,171	95,905	90,361	4,191,322	4,024,532
Total Assets	**6,193,041**	**5,922,762**	**607,421**	**621,333**	**6,800,462**	**6,544,095**
Current liabilities	1,610,654	1,381,509	44,095	39,703	1,654,749	1,421,212
Long-term liabilities	848,256	781,373	63,088	75,646	911,344	857,019
Total Liabilities	**2,458,910**	**2,162,882**	**107,183**	**115,349**	**2,566,093**	**2,278,231**
Net assets (deficit):						
Investment in capital assets, net of related debt	3,632,073	3,519,371	95,905	90,361	3,727,978	3,609,732
Restricted	200,888	198,786	493,733	489,677	694,621	688,463
Unrestricted (deficit)	(98,830)	41,723	(89,400)	(74,054)	(188,230)	(32,331)
Total Net Assets	**$ 3,734,131**	**$ 3,759,880**	**$ 500,238**	**$ 505,984**	**$ 4,234,369**	**$ 4,265,864**

*As Restated

Changes in Net Assets

The State's fiscal year 2008 revenues totaled $7.2 billion. (See Table A-2) Taxes and operating grants and contributions accounted for most of the State's revenue by contributing 48.5 percent and 35.7 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 $7.2 billion for the year 2008. (See Table A-2) These expenses are predominantly (69.2 percent) related to health & human services and education activities. The State's governmental support & operations activities accounted for 7.5 percent of total costs. Total net assets decreased by $31.5 million.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	**2007***	**2008**	**2007**	**2008**	**2007***
Revenues						
Program Revenues:						
Charges for Services	$ 460,080	$ 406,582	$ 493,197	$ 463,518	$ 953,277	$ 870,100
Operating Grants/Contributions	2,559,533	2,353,398	22,950	21,386	2,582,483	2,374,784
Capital Grants/Contributions	-	6,434	-	4,143	-	10,577
General Revenues:					-	-
Taxes	3,512,767	3,448,127	-		3,512,767	3,448,127
Other	189,349	211,168	2	2	189,351	211,170
Total Revenues	6,721,729	6,425,709	516,149	489,049	7,237,878	6,914,758
Expenses						
Governmental Activities:						
Governmental Support	540,789	460,315			540,789	460,315
Education	1,669,353	1,622,653			1,669,353	1,622,653
Health & Human Services	3,290,482	2,989,001			3,290,482	2,989,001
Justice & Protection	407,879	358,718			407,879	358,718
Transportation Safety	329,914	267,994			329,914	267,994
Other	412,007	414,597			412,007	414,597
Interest	35,524	36,246			35,524	36,246
Business-Type Activities:					-	-
Employment Security			122,518	120,215	122,518	120,215
Lottery			178,419	180,722	178,419	180,722
Military Equip. Maint.			80,306	35,140	80,306	35,140
Dirigo Health			76,860	65,178	76,860	65,178
Other			25,322	22,595	25,322	22,595
Total Expenses	6,685,948	6,149,524	483,425	423,850	7,169,373	6,573,374
Excess (Deficiency) before Special Items and Transfers	35,781	276,185	32,724	65,199	68,505	341,384
Special Items	(100,000)	-	-	-	(100,000)	-
Transfers	38,470	40,979	(38,470)	(40,979)	-	-
Increase (Decrease) in Net Assets	(25,749)	317,164	(5,746)	24,220	(31,495)	341,384
Net Assets, beginning of year	3,759,880	3,442,716	505,984	481,764	4,265,864	3,924,480
Ending Net Assets	$ 3,734,131	$ 3,759,880	$ 500,238	$ 505,984	$ 4,234,369	$ 4,265,864

*As Restated

Governmental Activities

Revenues for the State's Governmental Activities totaled $6.7 billion while total expenses equaled $6.7 billion. The decrease in net assets for Governmental Activities was $25.7 million in 2008. This is due, primarily, to an initial contribution during fiscal year 2008 of $100 million to an irrevocable trust for State employees' retiree healthcare costs. Additionally, program revenues were insufficient to cover program expenses. Therefore, the net program expenses of these governmental activities were supported by general revenues, mainly taxes. Tax revenue increased by $64.6 million from the prior year, however net expenses supported by tax revenue increased by approximately $291.7 million.

The users of the State's programs financed $460.1 million of the cost. The federal and State governments subsidized certain programs with grants and contributions of $2.6 billion. $3.7 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 2008

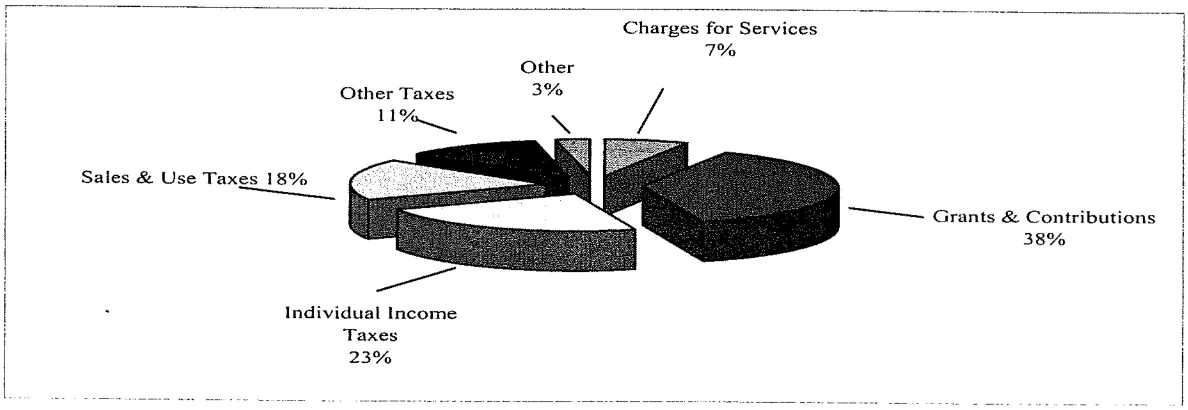
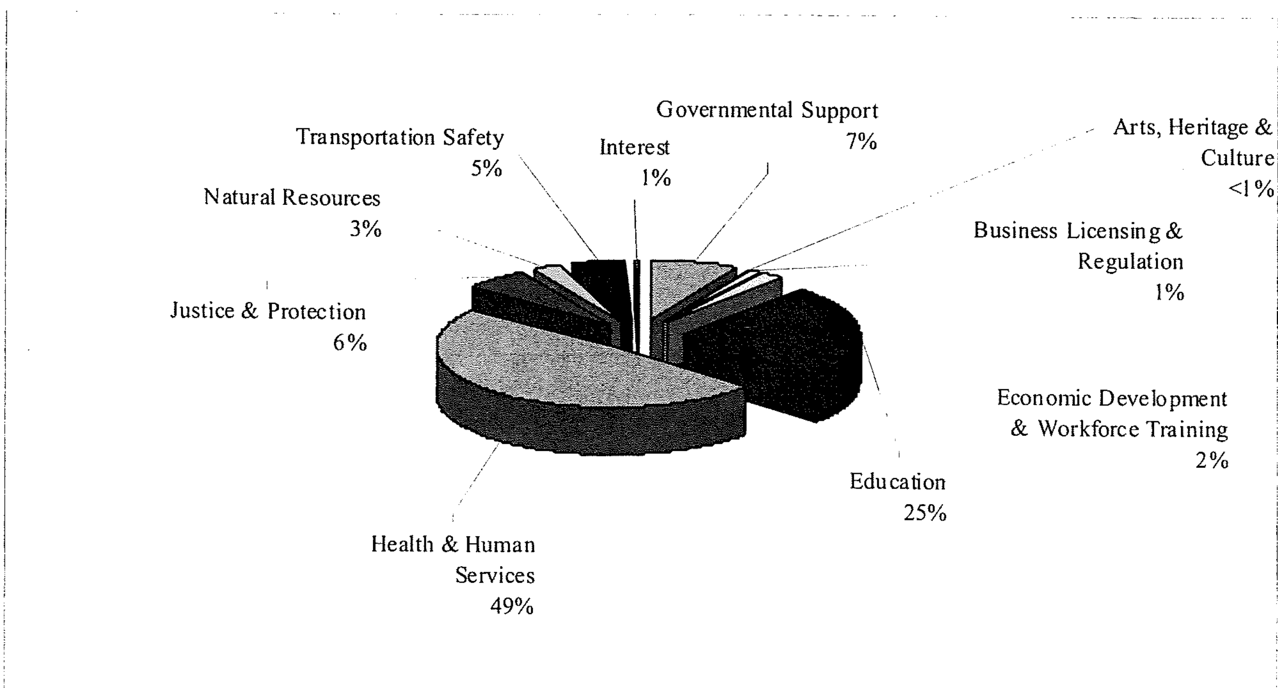


Table A-4: Total Expenses for Governmental Activities for Fiscal Year 2008



Business-type Activities

Revenues for the State's Business-type Activities totaled $516.1 million while expenses totaled $483.4 million. The decrease in net assets for Business-type Activities was $5.7 million in 2008, due mainly to the timing of revenue collections from the Savings Offset Program of Dirigo Health.

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

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

Category	Total Cost 2008	Total Cost 2007	Net (Cost) Revenue 2008	Net (Cost) Revenue 2007
Employment Security	$122,518	$120,215	$6,968	$13,991
Alcoholic Beverages	-	-	12,527	12,525
Lottery	178,419	180,722	50,561	50,906
Military Equip. Maint.	80,306	35,140	(3,077)	(4,822)
Dirigo Health	76,860	65,178	(22,353)	(1,839)
Other	25,322	23,595	(11,902)	(5,562)
Total	$483,425	$424,850	$32,724	$65,199

The cost of all Business-type Activities this year was $483.4 million. The users of the State's programs financed most of the cost. The State's net revenue from Business-type Activities was $32.7 million, with the Lottery making up $50.6 million of the total. The State's Business-type Activities transferred $38.5 million (net) to the Governmental Activities in statutorily required profit transfers.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

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

Fund	Total Cost 2008	2007*	Change
General	($238,472)	($164,779)	($73,693)
Highway	(2,263)	27,559	(29,822)
Federal	38,155	37,595	560
Other Special Revenue	291,084	263,983	27,101
Other Governmental	99,404	100,098	(694)
Total	$187,908	$264,456	($76,548)

* As restated

The State's governmental fund balances decreased during fiscal year 2008 from fiscal year 2007 by $76.5 million. The General Fund's decrease of $73.7 million was due mainly to an increase in the Medicaid hospital and IBNP accruals of approximately $60.8 million. The Highway Fund fund balance decreased by $29.8 million from fiscal year 2007. Transportation, safety and development expenditures were $31.5 million higher in fiscal year 2008. However, revenues to support those expenditures, mainly taxes, decreased by $5.6 million.

Budgetary Highlights

For the 2008 fiscal year, the final legally adopted budgeted expenditures for the General Fund amounted to $3.2 billion, an increase of about $18.7 million from the original legally adopted budget of approximately $3.2 billion. Actual expenditures on a budgetary basis amounted to approximately $93.6 million less than those authorized in the final budget; however, after deducting the encumbered obligations and other commitments that will come due in fiscal year 2009, $44.6 million of funds remained as a result of a continuing concerted effort to control spending, primarily in the broad categories of education and social services. Of this amount, all but $935 thousand was designated for Mainecare appropriations in fiscal year 2009. Actual revenues exceeded final budget forecasts by $44.3 million. The unobligated balance reported on a budgetary basis was overstated by $11.1 million due to an accounting/programming error. This accounting error was corrected legislatively in fiscal year 2009 by transferring funds from the State's Budget Stabilization Fund.

As a part of the final budget adjustment for Fiscal Year 2008, the Legislature approved a direct appropriation to the State's Budget Stabilization Fund in the amount of $10 million. The additional appropriation and interest earnings increased the balance in the Fund to $128.9 million as of June 30, 2008. 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 2008, the State had roughly $4.2 billion in a broad range of capital assets, including land, infrastructure, improvements, buildings, equipment, vehicles and intangibles. During fiscal year 2008, the State acquired or constructed more than $230.4 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	
	2008	2007	2008	2007	2008	2007
Land	$ 434,230	$ 424,331	$ 43,345	$ 38,417	$ 477,575	$ 462,748
Buildings	564,182	560,307	9,499	9,769	573,681	570,076
Equipment	250,828	248,129	44,194	43,385	295,022	291,514
Improvements	19,541	18,246	62,607	61,218	82,148	79,464
Infrastructure	3,178,666	3,023,973	-	-	3,178,666	3,023,973
Construction in Progress	24,175	10,230	10,368	3,613	34,543	13,843
Total Capital Assets	4,471,622	4,285,216	170,013	156,402	4,641,635	4,441,618
Accumulated Depreciation	376,205	351,045	74,108	66,041	450,313	417,086
Capital Assets, net	$ 4,095,417	$ 3,934,171	$ 95,905	$ 90,361	$ 4,191,322	$ 4,024,532

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 8,816 highway miles or 17,912 lane miles within the State. Bridges have a deck area of 11.5 million square feet among 2,962 total bridges. The State has established a policy to maintain its highways at an average condition assessment of 60. At June 30, 2008, the actual average condition was 75.6. Its policy for bridges is an average sufficiency rating condition assessment of 60. The actual average condition for bridges was 79 at June 30, 2008. Preservation costs for fiscal year 2008 totaled $81.6 million compared to estimated preservation costs of $99.7 million.

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 39, PL 2007, $60 million was spent during FY 2008.

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 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	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	$ 475,835	$ 448,760	$ -	$ -	$ 475,835	$ 448,760
Other Long-Term Obligations	523,906	470,815	750	718	524,656	471,533
Total	$ 999,741	$ 919,575	$ 750	$ 718	$1,000,491	$ 920,293

During the year, the State reduced outstanding long-term obligations by $77 million for outstanding general obligation bonds and $230.4 million for other long-term debt. Also during fiscal year 2008, the State incurred $387.6 million of additional long-term obligations.

Credit Ratings

Three of the major bond rating agencies regularly assess the State's credit rating. During fiscal year 2008, Moody's Investors Service rated the State at Aa3, Standard & Poor's rated it at AA, and Fitch Ratings rated it at AA. For fiscal year 2007, the Moody's rating was Aa3, Standard & Poor's was AA, and Fitch Ratings was AA.

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

Inflation continued to rise though the past year. The Consumer Price Index rose nearly 2.6 percent from July 2007 to July 2008; however, fuel and utilities prices rose much faster. The rise in oil prices to over $140 a barrel in late summer due to unrest in the Middle East and a strained dollar put pressure on both household and government budgets. Oil prices throughout the summer of 2008 in the $140 a barrel range, are imposing significant challenges to Maine households and governmental operations at all levels in the State during the winter heating season. Fuel oil prices started 2008 at approximately $3.34 per gallon rising steadily through the summer months to $4.65 per gallon in July which is the peak of the pre-buy season for consumers in Maine, and then declined steadily to $2.64 per gallon in December 2008. The decline in fuel oil prices was driven by the worsening economy in the US driven by the crises in the subprime mortgage credit markets which developed into a nationwide recession and banking credit crunch.

Personal income continues to rise in Maine faster than inflation. According to the latest statistics available, the average weekly wage in Maine is estimated to have risen by 3.9 percent in calendar year 2007 and personal income by 5.5 percent. The moderate growth in 2007 is in contrast to the much slower growth in 2005 when the state was affected by a number of events, the most significant of which was the Base Realignment and Closure Commission process. Unemployment has hovered around the national average throughout the year. The rate in Maine stood at 7.2 percent in December of 2008 which was consistent with the rest of New England; however, unemployment in Maine is expected to reach 9 percent in calendar year 2009 as the nationwide recession continues.

The General Fund Revenue estimate accepted by the Independent Revenue Forecasting Commission for the 2010-2011 Biennium provides approximately $6.1 billion in resources to be available for general purpose spending. The 2008-2009 biennial budget had to be brought into balance by a curtailment order issued by the Governor and enacted into law by a supplemental budget Public Law 2009, Chapter 1. We expect the upcoming biennial budget will require several adjustments to keep in balance throughout the next biennium as revenues continue to erode. The Budget will be amended several times through various public laws to ensure adequate resources are available for the fiscal years of the biennium as revenues and resources appear to be in decline as the result of high energy costs, inflation, and the real estate market's sub prime mortgage crises.

The national economic recession is forecasted to impact Maine, but not as severely as the rest of the nation. While the housing market has slowed in Maine, homes prices have mostly held steady and most financial institutions in Maine are solid. Maine's economy is not heavily dependent on financial services jobs, and therefore is not expected to be significantly affected by the crisis in the nation's financial sector. The one area that is estimated to be strongly affected by the recession is the retail sector. Employment in the retail sector is forecasted to contract during the first half of 2009 as consumers continue to retrench.

At the close of fiscal year 2008, the deficit balance in the State of Maine's Unreserved Fund Balance Account in the General Fund has increased to $403.9 million. The deficit in 2007 amounted to $283.5 million causing a single year increase of approximately 42.5 percent.

There are many factors that adversely affect our General Fund Balance Sheet that we should strive to resolve over the next several years. The paramount cause for the current condition is the increasing Medicaid liabilities that accrue at the end of each fiscal year. Included in the end of the year Medicaid liabilities are the growing number of incurred but not paid claims and the unpaid hospital settlements that date back several years that are still unresolved. In the past year, Medicaid liabilities increased by 23 percent while General Fund Tax Revenue only increased by approximately 3 percent. The increases in funding that the State has provided to local school districts has also placed a huge strain on resources. Other 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 factors as accruing tax revenues for budgetary purposes and for financial statement purposes without accruing the offsetting liabilities for budgetary purposes, the increase in the demand for carrying accounts and a lack of allowing money to accrue to the Unreserved Fund Balance of the General Fund.

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

These factors will have a significant impact on Maine's economy and the State's budget for the next several years.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

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

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


DIRIGO
MAINE

STATE OF MAINE
STATEMENT OF NET ASSETS

June 30, 2008
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Component Units
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	$ 436,430	$ 3,253	$ 439,683	$ 53,342
Cash and Cash Equivalents	289	2,848	3,137	52,783
Cash with Fiscal Agent	72,139	-	72,139	-
Investments	74,975	-	74,975	738,425
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	9,201	-	9,201	-
Restricted Deposits and Investments	24,112	463,574	487,686	-
Inventories	7,918	849	8,767	2,142
Receivables, Net of Allowance for Uncollectibles:				
Taxes Receivable	384,522	-	384,522	-
Loans Receivable	5,853	-	5,853	77,045
Notes Receivable	-	-	-	145
Other Receivables	229,706	55,825	285,531	57,277
Internal Balances	17,377	(17,377)	-	-
Due from Other Governments	693,846	-	693,846	143,045
Due from Primary Government	-	-	-	28,501
Loans receivable from primary government	-	-	-	4,617
Due from Component Units	180	73	253	-
Other Current Assets	4,054	76	4,130	39,621
Total Current Assets	1,960,602	509,121	2,469,723	1,196,943
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	28,640	210	28,850	3,272
Assets Held in Trust	-	-	-	4,205
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	380	-	380	-
Restricted Deposits and Investments	-	-	-	785,128
Investments	-	-	-	339,612
Receivables, Net of Current Portion:				
Taxes Receivable	50,724	-	50,724	-
Loans Receivable	-	-	-	2,557,204
Notes Receivable	-	-	-	269,130
Other Receivables	-	-	-	10,387
Due from Other Governments	4,075	-	4,075	1,136,345
Loans receivable from primary government	-	-	-	34,203
Due From Primary Government	-	-	-	2,386
Other Noncurrent Assets	-	-	-	33,883
Post-Employment Benefit Asset	53,203	2,185	55,388	-
Capital Assets:				
Land, Infrastructure, and Other Non-Depreciable Assets	3,637,071	53,713	3,690,784	106,293
Buildings, Equipment and Other Depreciable Assets	834,551	116,300	950,851	1,129,389
Less: Accumulated Depreciation	(376,205)	(74,108)	(450,313)	(390,462)
Capital Assets, Net of Accumulated Depreciation	4,095,417	95,905	4,191,322	845,220
Total Noncurrent Assets	4,232,439	98,300	4,330,739	6,020,975
Total Assets	$ 6,193,041	$ 607,421	$ 6,800,462	$ 7,217,918

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

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Component Units
Liabilities				
Current Liabilities:				
Accounts Payable	$ 1,109,584	$ 7,486	$ 1,117,070	$ 78,843
Accrued Payroll	50,258	1,632	51,890	842
Tax Refunds Payable	147,719	-	147,719	-
Due to Component Units	30,909	-	30,909	-
Due to Primary Government	-	-	-	253
Undistributed Grants and Administrative Funds	-	-	-	10,970
Allowances for Losses on Insured Commercial Loans	-	-	-	9,208
Current Portion of Long-Term Obligations:				
Compensated Absences	5,294	162	5,456	2,280
Due to Other Governments	87,606	-	87,606	1,931
Amounts Held under State & Federal Loan Programs	-	-	-	19,664
Claims Payable	24,964	-	24,964	-
Bonds and Notes Payable	79,190	-	79,190	151,546
Revenue Bonds Payable	15,625	-	15,625	41,089
Obligations under Capital Leases	6,247	-	6,247	301
Certificates of Participation and Other Financing Arrangements	30,785	-	30,785	-
Pledged Future Revenues	4,135	-	4,135	-
Accrued Interest Payable	7,611	-	7,611	46,983
Deferred Revenue	949	14,051	15,000	42,753
Other Current Liabilities	9,778	20,764	30,542	50,078
Total Current Liabilities	1,610,654	44,095	1,654,749	456,741
Long-Term Liabilities:				
Compensated Absences	39,340	588	39,928	-
Due to Other Governments	253	-	253	14,655
Amounts Held under State & Federal Loan Programs	-	-	-	45,391
Claims Payable	41,457	-	41,457	-
Bonds and Notes Payable	396,645	-	396,645	3,176,211
Revenue Bonds Payable	192,935	-	192,935	1,413,479
Obligations under Capital Leases	31,275	-	31,275	4,563
Certificates of Participation and Other Financing Arrangements	44,073	-	44,073	-
Pledged Future Revenues	34,203	-	34,203	-
Deferred Revenue	14,502	62,500	77,002	23,454
Pension Obligation	18,708	-	18,708	-
Other Post-Employment Benefit Obligation	34,865	-	34,865	-
Other Noncurrent Liabilities	-	-	-	88,821
Total Long-Term Liabilities	848,256	63,088	911,344	4,766,574
Total Liabilities	2,458,910	107,183	2,566,093	5,223,315
Net Assets				
Invested in Capital Assets, Net of Related Debt	3,632,073	95,905	3,727,978	611,964
Restricted:				
Federal Programs	38,155	-	38,155	-
Natural Resources	16,458	-	16,458	-
Capital Projects and Debt Service	24,342	-	24,342	-
Unemployment Compensation	-	493,733	493,733	-
Other Purposes	46,871	-	46,871	1,103,699
Funds Held as Permanent Investments:				
Expendable	62,171	-	62,171	-
Nonexpendable	12,891	-	12,891	-
Unrestricted	(98,830)	(89,400)	(188,230)	278,940
Total Net Assets	$ 3,734,131	$ 500,238	$ 4,234,369	$ 1,994,603

STATE OF MAINE
STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
Governmental Support & Operations	$ 540,789	$ 86,178	$ 8,315	$ -
Arts, Heritage & Cultural Enrichment	12,406	1,303	2,567	-
Business Licensing & Regulation	63,417	69,845	597	-
Economic Development & Workforce Training	149,970	2,361	75,490	-
Education	1,669,353	3,653	187,014	-
Health & Human Services	3,290,482	11,694	2,013,056	-
Justice & Protection	407,879	89,580	72,543	-
Natural Resources Development & Protection	186,214	92,737	34,571	-
Transportation Safety & Development	329,914	102,729	165,380	-
Interest Expense	35,524	-	-	-
Total Governmental Activities	6,685,948	460,080	2,559,533	-
Business-Type Activities:				
Employment Security	122,518	106,536	22,950	-
Alcoholic Beverages	-	12,527	-	-
Lottery	178,419	228,980	-	-
Transportation	7,432	2,089	-	-
Marine Ports	1,925	315	-	-
Ferry Services	9,292	4,116	-	-
Military Eqipment Maintenance	80,306	77,229	-	-
Dirigo Health	76,860	54,507	-	-
Other	6,673	6,898	-	-
Total Business-Type Activities	483,425	493,197	22,950	-
Total Primary Government	$ 7,169,373	$ 953,277	$ 2,582,483	$ -
Component Units:				
Finance Authority of Maine	50,579	19,233	28,691	-
Maine Community College System	106,194	25,266	28,414	2,651
Maine Health & Higher Educational Facilities Authority	73,670	70,087	7,235	-
Maine Municipal Bond Bank	65,272	47,418	14,790	21,432
Maine State Housing Authority	226,865	73,386	179,250	-
University of Maine System	654,380	278,178	163,337	5,624
All Other Non-Major Component Units	97,014	33,722	41,566	3,990
Total Component Units	$ 1,273,974	$ 547,290	$ 463,283	$ 33,697

General Revenues:
- Taxes:
  - Corporate
  - Individual Income
  - Fuel
  - Property
  - Sales & Use
  - Other
- Unrestricted Investment Earnings
- Non-Program Specific Grants, Contribtions & Appropriations
- Miscellaneous Income
- Loss on Assets Held for Sale
- Tobcco Settlement

Special Items
Transfers - Internal Activities
Total General Revenues and Transfers
Change in Net Assets
Net Assets - Beginning (As Restated)
Net Assets - Ending

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

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (446,296)	$ -	$ (446,296)	$ -
(8,536)	-	(8,536)	-
7,025	-	7,025	-
(72,119)	-	(72,119)	-
(1,478,686)	-	(1,478,686)	-
(1,265,732)	-	(1,265,732)	-
(245,756)	-	(245,756)	-
(58,906)	-	(58,906)	-
(61,805)	-	(61,805)	-
(35,524)	-	(35,524)	-
(3,666,335)	-	(3,666,335)	-
-	6,968	6,968	-
-	12,527	12,527	-
-	50,561	50,561	-
-	(5,343)	(5,343)	-
-	(1,610)	(1,610)	-
-	(5,176)	(5,176)	-
-	(3,077)	(3,077)	-
-	(22,353)	(22,353)	-
-	225	225	-
-	32,722	32,722	-
$ (3,666,335)	$ 32,722	$ (3,633,613)	$ -
-	-	-	(2,655)
-	-	-	(49,863)
-	-	-	3,652
-	-	-	18,368
-	-	-	25,771
-	-	-	(207,241)
-	-	-	(17,736)
$ -	$ -	$ -	$ (229,704)
291,463	-	291,463	-
1,552,412	-	1,552,412	-
177,937	-	177,937	-
43,672	-	43,672	-
1,192,986	-	1,192,986	-
254,297	-	254,297	-
5,857	-	5,857	8,532
-	-	-	293,613
120,109	2	120,111	2,854
(1,016)	-	(1,016)	(492)
64,399	-	64,399	-
(100,000)	-	(100,000)	-
38,470	(38,470)	-	-
3,640,586	(38,468)	3,602,118	304,507
(25,749)	(5,746)	(31,495)	74,803
3,759,880	505,984	4,265,864	1,919,800
$ 3,734,131	$ 500,238	$ 4,234,369	$ 1,994,603


DIRIGO
MAINE

STATE OF MAINE
BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2008
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Treasurer's Cash Pool	$ 62,935	$ 20,422	$ 3,982	$ 217,703	$ 78	$ 305,120
Cash and Short-Term Investments	124	116	4	42	-	286
Cash with Fiscal Agent	603	2,986	-	50,664	-	54,253
Investments	-	-	-	-	74,975	74,975
Restricted Assets:						
Restricted Equity in Treasurer's Cash Pool	3,370	-	-	-	6,211	9,581
Restricted Deposits and Investments	-	-	-	-	21,150	21,150
Inventories	1,984	-	613	-	-	2,597
Receivables, Net of Allowance for Uncollectibles:						
Taxes Receivable	405,747	19,688	-	9,811	-	435,246
Loans Receivable	1	62	-	5,790	-	5,853
Other Receivable	83,191	1,767	62,395	73,459	-	220,812
Due from Other Funds	43,321	2,873	16,039	19,459	159	81,851
Due from Other Governments	-	-	693,301	-	-	693,301
Due from Component Units	51	-	10	-	119	180
Other Assets	2,989	-	52	-	-	3,041
Working Capital Advances Receivable	111	-	-	-	-	111
Total Assets	$ 604,427	$ 47,914	$ 776,396	$ 376,928	$ 102,692	$ 1,908,357
Liabilities and Fund Balances						
Accounts Payable	$ 381,876	$ 30,201	$ 626,056	$ 32,377	$ 875	$ 1,071,385
Accrued Payroll	22,845	9,967	5,494	8,585	-	46,891
Tax Refunds Payable	147,561	158	-	-	-	147,719
Due to Other Governments	-	-	87,606	-	-	87,606
Due to Other Funds	64,887	2,409	8,043	4,745	27	80,111
Due to Component Units	3,371	58	9,911	1,474	2,386	17,200
Deferred Revenue	215,541	7,382	650	35,708	-	259,281
Other Accrued Liabilities	6,818	2	481	2,955	-	10,256
Total Liabilities	842,899	50,177	738,241	85,844	3,288	1,720,449
Fund Balances:						
Reserved						
Continuing Appropriations	118,657	35,591	48,403	228,317	155	431,123
Capital Projects	-	-	-	-	24,342	24,342
Permanent Trusts	-	-	-	-	12,891	12,891
Other	46,745	62	-	46,461	62,016	155,284
Unreserved	(403,874)	(37,916)	(10,248)	16,306	-	(435,732)
Total Fund Balances	(238,472)	(2,263)	38,155	291,084	99,404	187,908
Total Liabilities and Fund Balances	$ 604,427	$ 47,914	$ 776,396	$ 376,928	$ 102,692	$ 1,908,357

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

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

June 30, 2008
(Expressed in Thousands)

Total fund balances for governmental funds		$ 187,908
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	4,167,592	
Less: Accumulated depreciation	(193,681)	3,973,911
Other Post-Employment Benefit Assets are not financial resources		53,203
Long-term liabilities are not due and payable in the current period. Therefore, long-term liabilities are not reported in the governmental fund statements. However, these amounts are included in the Statement of Net Assets. This is the net effect of these balances on the statement:		
Bonds Payable	(475,835)	
Interest Payable Related to Long-term Financing	(4,650)	
Certificates of Participation and Other Financing Arrangements	(25,736)	
Pledged Future Revenues	(38,338)	
Compensated Absences	(40,786)	
Pension Obligation	(18,708)	
Other Post-Employment Benefit Obligation	(34,865)	(638,918)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		249,716
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		(91,689)
Net assets of governmental activities		$ 3,734,131

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, 2008
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	$ 3,079,706	$ 221,492	$ -	$ 209,439	$ -	$ 3,510,637
Assessments and Other Revenue	116,742	93,714	-	109,907	-	320,363
Federal Grants and Reimbursements	11,041	465	2,551,346	6,780	-	2,569,632
Service Charges	47,262	6,995	1,449	89,385	-	145,091
Investment Income (Loss)	2,562	675	222	1,640	(2,743)	2,356
Miscellaneous Revenue	7,872	-	3,891	117,933	4,414	134,110
Total Revenues	3,265,185	323,341	2,556,908	535,084	1,671	6,682,189
Expenditures						
Current:						
Governmental Support & Operations	280,871	37,749	9,431	167,181	7,891	503,123
Economic Development & Workforce Training	39,360	-	80,649	27,428	4,966	152,403
Education	1,478,192	-	184,441	5,918	12,545	1,681,096
Health and Human Services	1,063,499	-	2,028,571	261,913	2,700	3,356,683
Business Licensing & Regulation	-	-	548	64,922	-	65,470
Natural Resources Development & Protection	72,709	28	32,426	85,951	4,216	195,330
Justice and Protection	267,117	36,229	72,495	39,436	368	415,645
Arts, Heritage & Cultural Enrichment	8,632	-	2,566	1,258	261	12,717
Transportation Safety & Development	-	273,852	152,451	21,349	69,104	516,756
Debt Service:						
Principal Payments	66,250	10,750	4,015	-	-	81,015
Interest Payments	16,058	2,051	1,466	-	-	19,575
Total Expenditures	3,292,688	360,659	2,569,059	675,356	102,051	6,999,813
Revenue over (under) Expenditures	(27,503)	(37,318)	(12,151)	(140,272)	(100,380)	(317,624)
Other Financing Sources (Uses):						
Transfer from Other Funds	101,092	8,162	28,195	173,314	1,391	312,154
Transfer to Other Funds	(152,813)	(3,995)	(15,484)	(47,623)	(5,780)	(225,695)
COP's and Other	5,531	3,329	-	41,682	-	50,542
Bonds Issued	-	-	-	-	104,075	104,075
Net Other Finance Sources (Uses)	(46,190)	7,496	12,711	167,373	99,686	241,076
Revenues and Other Sources over (under) Expenditures and Other Uses	(73,693)	(29,822)	560	27,101	(694)	(76,548)
Fund Balances at Beginning of Year (As Restated)	(164,779)	27,559	37,595	263,983	100,098	264,456
Fund Balances at End of Year	$ (238,472)	$ (2,263)	$ 38,155	$ 291,084	$ 99,404	$ 187,908

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, 2008
(Expressed in Thousands)

Net change in fund balances - total governmental funds		$ (76,548)
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	177,432	
Depreciation expense	(18,796)	158,636
The net effect of various transactions involving capital assets (ie. sales, trade ins and contributions) is to increase net assets.		(1,316)
Post-employment benefit asset funding, net		53,203
The issuance of long-term debt provides current financial resources to governmental funds which increases long-term debt in the Statement of Net Assets. Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but repayment reduces long-term debt in the Statement of Net Assets. This is the amount that proceeds exceed repayments:		
Bond proceeds	(104,075)	
Proceeds from other financing arrangements	(8,860)	
Repayment of bond principal	77,000	
Repayment of other financing debt	10,840	
Accrued interest	101	(24,994)
Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported as expenditures on the Statement of Net Assets and have been eliminated from the Statement of Activities as follows:		
Pension obligation	(264)	
Other post-employment benefit obligation	(34,865)	
Pledged future revenues	4,015	
Compensated absences	(2,693)	(33,807)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		8,262
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.		(109,185)
Changes in net assets of governmental activities		$ (25,749)

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


DIRIGO
MAINE

STATE OF MAINE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2008
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities
	Major Employment Security	Non-Major Other Enterprise	Totals	Internal Service Funds
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	$ -	$ 3,253	$ 3,253	$ 150,172
Cash and Short-Term Investments	2,091	757	2,848	3
Cash with Fiscal Agent	-	-	-	17,886
Restricted Assets:				
Restricted Deposits and Investments	463,574	-	463,574	2,962
Inventories	-	849	849	5,321
Receivables, Net of Allowance for Uncollectibles:				
Loans Receivable	-	-	-	15,625
Other Receivable	30,273	25,552	55,825	3,231
Due from Other Funds	25	542	567	45,940
Due from Component Units	-	73	73	-
Other Current Assets	-	76	76	1,013
Total Current Assets	495,963	31,102	527,065	242,153
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	-	210	210	9,778
Receivables, Net of Allowance for Uncollectibles:				
Loans Receivable	-	-	-	192,935
Post-Employment Benefit Asset	-	2,185	2,185	-
Capital Assets - Net of Depreciation	-	95,905	95,905	121,506
Total Noncurrent Assets	-	98,300	98,300	324,219
Total Assets	495,963	129,402	625,365	566,372
Liabilities				
Current Liabilities:				
Accounts Payable	1,358	6,128	7,486	21,254
Accrued Payroll	-	1,632	1,632	3,367
Due to Other Governments	-	-	-	253
Due to Other Funds	-	19,353	19,353	40,175
Due to Component Units	-	-	-	13,709
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	-	-	-	20,701
Revenue Bonds Payable	-	-	-	15,625
Obligations Under Capital Leases	-	-	-	6,247
Claims Payable	-	-	-	24,964
Compensated Absences	-	162	162	481
Deferred Revenue	-	14,051	14,051	299
Other Accrued Liabilities	872	19,892	20,764	2,483
Total Current Liabilities	2,230	61,218	63,448	149,558
Long-Term Liabilities:				
Working Capital Advances Payable	-	-	-	111
Deferred Revenue	-	62,500	62,500	967
Certificates of Participation and Other Financing Arrangements	-	-	-	28,421
Revenue Bonds Payable	-	-	-	192,935
Obligations Under Capital Leases	-	-	-	31,275
Claims Payable	-	-	-	41,457
Compensated Absences	-	588	588	3,367
Total Long-Term Liabilities	-	63,088	63,088	298,533
Total Liabilities	2,230	124,306	126,536	448,091
Net Assets				
Invested in Capital Assets, Net of Related Debt	-	95,905	95,905	64,096
Restricted for:				
Unemployment Compensation	493,733	-	493,733	-
Other Purposes	-	-	-	2,676
Unrestricted	-	(90,809)	(90,809)	51,509
Total Net Assets	$ 493,733	$ 5,096	498,829	$ 118,281
Amounts reported for business-type activities in the government-wide Statement of Net Assets are different due to elimination of the State's internal business-type activities.			1,409	
Net Assets of Business-Type Activities			$ 500,238	

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

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

Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities
	Major Employment Security	Non-Major Other Enterprise	Totals	Internal Service Funds
Operating Revenues				
Charges for Services	$ -	$ 371,576	$ 371,576	$ 420,721
Assessments	105,986	1,746	107,732	-
Miscellaneous Revenues	550	576	1,126	16,128
Total Operating Revenues	106,536	373,898	480,434	436,849
Operating Expenses				
General Operations	-	350,917	350,917	349,217
Depreciation	-	10,139	10,139	18,077
Claims/Fees Expense	122,518	-	122,518	10,197
Other Operating Expenses	-	-	-	719
Total Operating Expenses	122,518	361,056	483,574	378,210
Operating Income (Loss)	(15,982)	12,842	(3,140)	58,639
Nonoperating Revenues (Expenses)				
Investment Revenue (Expense) - net	22,950	-	22,950	3,501
Interest Expense	-	-	-	(16,053)
Other Nonoperating Revenues (Expenses)- net	-	12,763	12,763	317
Total Nonoperating Revenues (Expenses)	22,950	12,763	35,713	(12,235)
Income (Loss) Before Capital Contributions, Transfers and Special Items	6,968	25,605	32,573	46,404
Capital Contributions, Transfers and Special Items				
Capital Contributions from (to) Other Funds	-	14,371	14,371	3,177
Transfers from Other Funds	-	4,564	4,564	916
Transfers to Other Funds	(2,912)	(54,498)	(57,410)	(33,570)
Special Items	-	-	-	(100,000)
Total Capital Contributions, Transfers In (Out) and Special Items	(2,912)	(35,563)	(38,475)	(129,477)
Change in Net Assets	4,056	(9,958)	(5,902)	(83,073)
Total Net Assets - Beginning of Year	489,677	15,054		201,354
Total Net Assets - End of Year	$ 493,733	$ 5,096		$ 118,281
Amounts reported for business-type activities in the government-wide Statement of Activities are different due to elimination of the State's internal business-types activities			156	
Changes in Business-Types Net Assets			$ (5,746)	

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

STATE OF MAINE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

June 30, 2008
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities
	Major Employment Security	Non-Major Other Enterprise	Totals	Internal Service Funds
Cash Flows from Operating Activities				
Receipts from Customers and Users	$ 105,093	$ 378,819	$ 483,912	$ 389,993
Payments of Benefits	(123,454)	-	(123,454)	-
Payments to Prize Winners	-	(143,951)	(143,951)	-
Payments to Suppliers	-	(156,245)	(156,245)	(244,638)
Payments to Employees	-	(37,917)	(37,917)	(74,528)
Net Cash Provided (Used) by Operating Activities	(18,361)	40,706	22,345	70,827
Cash Flows from Noncapital Financing Activities				
Operating Transfers in	-	4,564	4,564	916
Operating Transfers out	(2,912)	(54,498)	(57,410)	(33,570)
Special Items - Initial OPEB Trust Contribution	-	-	-	(100,000)
Net Cash Provided (Used) by Noncapital Financing Activities	(2,912)	(49,934)	(52,846)	(132,654)
Cash Flows from Capital and Related Financing Activities				
Payments for Acquisition of Capital Assets	-	(1,449)	(1,449)	(19,435)
Proceeds from Financing Arrangements	-	-	-	42,285
Principal and Interest Paid on Financing Arrangements	-	-	-	(40,087)
Proceeds from Sale of Capital Assets	-	137	137	1,353
Net Cash Provided (Used) by Capital Financing Activities	-	(1,312)	(1,312)	(15,884)
Cash Flows from Investing Activities				
Interest Revenue	22,950	263	23,213	3,501
Net Cash Provided (Used) by Investing Activities	22,950	263	23,213	3,501
Net Increase (Decrease) in Cash/Cash Equivalents	1,677	(10,277)	(8,600)	(74,210)
Cash/Cash Equivalents - Beginning of Year	463,988	14,497	478,485	255,011
Cash/Cash Equivalents - End of Year	$ 465,665	$ 4,220	$ 469,885	$ 180,801
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities				
Operating Income (Loss)	$ (15,982)	$ 12,842	$ (3,140)	$ 58,639
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation Expense	-	10,139	10,139	18,077
Decrease (Increase) in Assets				
Accounts Receivable	(1,434)	(3,467)	(4,901)	(23,368)
Interfund Balances	(9)	18,047	18,038	(13,123)
Inventories	-	(70)	(70)	(630)
Increase (Decrease) in Liabilities				
Accounts Payable	(938)	3,355	2,417	15,442
Accrued Payroll Expenses	-	187	187	302
Change in Compensated Absences	-	32	32	261
Other Accruals	2	(359)	(357)	15,227
Total Adjustments	(2,379)	27,864	25,485	12,188
Net Cash Provided (Used) by Operating Activities	$ (18,361)	$ 40,706	$ 22,345	$ 70,827
Non Cash Investing, Capital and Financing Activities				
Property Leased, Accrued, or Acquired	-	-	-	526
Contributed Capital Assets	-	14,371	14,371	3,177
Recognize revenue from the prior sale of liquor operations	-	12,500	12,500	-

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

STATE OF MAINE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2008
(Expressed in Thousands)

	Pension (and Other Employee Benefit) Trusts	Private Purpose Trusts	Agency Funds
Assets			
Equity in Treasurer's Cash Pool	$ -	$ 1,276	$ 7,002
Cash and Short-Term Investments	568,402	-	42
Receivables, Net of Allowance for Uncollectibles:			
State and Local Agency Contributions	10,289	-	-
Interest and Dividends	23,065	442	-
Due from Brokers for Securities Sold	187,899	-	-
Investments at Fair Value:			
Debt Securities	4,245,834	-	-
Equity Securities	1,998,003	-	-
Common/Collective Trusts	3,944,741	-	-
Other	5,552	10,980	-
Securities Lending Collateral	2,689,790	-	-
Due from other funds	-	16,937	7
Investments Held on Behalf of Others	-	5,316,066	60,263
Capital Assets - Net of Depreciation	4,898	-	-
Other Assets	-	14,195	6,115
Total Assets	13,678,473	5,359,896	73,429
Liabilities			
Accounts Payable	4,878	417	27
Due to Other Funds	-	15	5,648
Due to Brokers for Securities Purchased	198,802	-	-
Agency Liabilities	-	-	67,738
Obligations Under Securities Lending	2,689,790	-	-
Other Accrued Liabilities	137,821	-	16
Total Liabilities	3,031,291	432	73,429
Net Assets			
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes	10,647,182	5,359,464	-
Total Net Assets	$ 10,647,182	$ 5,359,464	$ -

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

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

Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Pension (and Other Employee Benefit) Trusts	Private Purpose Trusts
Additions:		
Contributions:		
Members	$ 163,711	$ 1,857,853
State and Local Agencies	482,780	-
Investment Income (Loss):		
Net Increase (Decrease) in the Fair Value of Investments	(523,607)	(748,803)
Capital Gains Distributions from Investments	-	216,531
Interest and Dividends	218,646	161,153
Less Investment Expense:		
Investment Activity Expense	34,644	-
Net Investment Income (Loss)	(339,605)	(371,119)
Miscellaneous Revenues	-	7,212
Transfers In	-	574
Total Additions	306,886	1,494,520
Deductions:		
Benefits Paid to Participants or Beneficiaries	650,945	1,355,735
Refunds and Withdrawals	27,899	-
Administrative Expenses	10,544	44,001
Claims Processing Expense	621	-
Transfers Out	-	1,533
Total Deductions	690,009	1,401,269
Net Increase (Decrease)	(383,123)	93,251
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:		
Beginning of Year (As Restated)	11,030,305	5,266,213
End of Year	$ 10,647,182	$ 5,359,464

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


DIRIGO
MAINE

STATE OF MAINE
STATEMENT OF NET ASSETS
COMPONENT UNITS

June 30, 2008
(Expressed in Thousands)

	Finance Authority of Maine	Maine Community College System	Maine Health and Higher Educational Facilities Authority
Assets			
Current Assets:			
Equity in Treasurer's Cash Pool	$ 24,158	$ 8,043	$ -
Cash and Cash Equivalents	6,904	671	11,452
Investments	144,351	24,303	22,392
Restricted Assets:			
Inventories	-	1,159	-
Receivables, Net of Allowance for Uncollectibles:			
Loans Receivable	-	-	39,935
Notes Receivable	-	-	-
Other Receivables	5,002	3,447	1,877
Due from Other Governments	1,142	-	-
Due from Primary Government	-	11,638	-
Loans receivable from primary government	-	-	-
Other Current Assets	2,686	734	586
Total Current Assets	184,243	49,995	76,242
Noncurrent Assets:			
Equity in Treasurer's Cash Pool	1,573	524	-
Assets Held in Trust	-	-	-
Restricted Assets:			
Restricted Deposits and Investments	-	1,149	166,033
Investments	-	8,631	-
Receivables, Net of Current Portion:			
Loans Receivable	-	-	1,279,357
Notes Receivable	223,841	-	-
Other Receivables	-	-	110
Due from Other Governments	-	-	-
Due from Primary Government	-	-	-
Loans receivable from primary government	-	-	-
Capital Assets - Net of Depreciation	2,060	109,258	3,036
Other Noncurrent Assets	-	287	974
Total Noncurrent Assets	227,474	119,849	1,449,510
Total Assets	411,717	169,844	1,525,752
Liabilities			
Current Liabilities:			
Accounts Payable	1,322	2,281	1,128
Accrued Payroll	-	-	-
Compensated Absences	-	1,860	-
Due to Other Governments	-	-	296
Due to Primary Government	-	-	-
Amounts Held under State & Federal Loan Programs	-	-	-
Undistributed Grants and Administrative Funds	10,919	-	-
Allowances for Losses on Insured Commercial Loans	9,208	-	-
Bonds Payable	54	-	40,955
Obligations under Capital Leases	-	-	-
Accrued Interest Payable	839	-	27,578
Deferred Revenue	1,768	1,974	1,060
Other Current Liabilities	45	8,445	1,817
Total Current Liabilities	24,155	14,560	72,834
Long-Term Liabilities:			
Due to Other Governments	1,322	-	2,000
Amounts Held under State & Federal Loan Programs	45,391	-	-
Bonds Payable	303,884	23,399	1,411,240
Obligations under Capital Leases	-	3,490	-
Deferred Revenue	-	-	-
Other Noncurrent Liabilities	-	-	-
Total Long-Term Liabilities	350,597	26,889	1,413,240
Total Liabilities	374,752	41,449	1,486,074
Net Assets			
Invested in Capital Assets, Net of Related Debt	2,060	83,806	3,036
Restricted	7,450	19,531	3,841
Unrestricted	27,455	25,058	32,801
Total Net Assets	$ 36,965	$ 128,395	$ 39,678

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

Maine Municipal Bond Bank	Maine State Housing Authority	University of Maine System	Non-Major Component Units	Totals
$ -	$ -	$ 17,839	$ 3,302	$ 53,342
49	3,236	1,097	29,374	52,783
20,796	389,966	133,970	2,647	738,425
-	-	-	983	2,142
-	24,801	-	12,309	77,045
-	2	113	30	145
1,330	16,978	22,926	5,717	57,277
125,095	4,148	11,329	1,331	143,045
-	1,069	10,595	5,199	28,501
4,617	-	-	-	4,617
26,355	-	6,924	2,336	39,621
178,242	440,200	204,793	63,228	1,196,943
-	-	1,162	13	3,272
-	-	-	4,205	4,205
248,910	322,024	43,098	3,914	785,128
-	2,574	280,250	48,157	339,612
-	1,182,809	-	95,038	2,557,204
-	661	43,005	1,623	269,130
-	-	6,687	3,590	10,387
1,136,345	-	-	-	1,136,345
-	-	2,386	-	2,386
34,203	-	-	-	34,203
775	2,323	621,302	106,466	845,220
3,536	4,086	18,778	6,222	33,883
1,423,769	1,514,477	1,016,668	269,228	6,020,975
1,602,011	1,954,677	1,221,461	332,456	7,217,918
361	43,308	22,828	7,615	78,843
-	-	-	842	842
-	-	-	420	2,280
1,507	116	-	12	1,931
-	-	-	253	253
19,664	-	-	-	19,664
51	-	-	-	10,970
-	-	-	-	9,208
102,548	41,245	7,699	134	192,635
-	-	285	16	301
8,939	9,139	-	488	46,983
1,607	8,471	14,815	13,058	42,753
-	-	34,959	4,812	50,078
134,677	102,279	80,586	27,650	456,741
2,196	5,638	-	3,499	14,655
-	-	-	-	45,391
983,065	1,509,284	209,212	149,606	4,589,690
-	-	1,031	42	4,563
-	22,228	-	1,226	23,454
-	-	88,821	-	88,821
985,261	1,537,150	299,064	154,373	4,766,574
1,119,938	1,639,429	379,650	182,023	5,223,315
-	2,323	417,633	103,106	611,964
423,197	298,322	326,627	24,731	1,103,699
58,876	14,603	97,551	22,596	278,940
$ 482,073	$ 315,248	$ 841,811	$ 150,433	$ 1,994,603

STATE OF MAINE
STATEMENT OF ACTIVITIES
COMPONENT UNITS

Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Finance Authority of Maine	Maine Community College System	Maine Health and Higher Educational Facilities Authority
Expenses	$ 50,579	$ 106,194	$ 73,670
Program Revenues			
Charges for Services	19,233	25,266	70,087
Program Investment Income	8,091	(540)	7,235
Operating Grants and Contributions	20,600	28,954	-
Capital Grants and Contributions	-	2,651	-
Net Revenue (Expense)	(2,655)	(49,863)	3,652
General Revenues			
Unrestricted Investment Earnings	-	518	1,406
Non-program Specific Grants, Contributions and Appropriations	-	63,692	-
Miscellaneous Income	-	1,511	134
Gain (Loss) on Assets Held for Sale	-	64	-
Total General Revenues	-	65,785	1,540
Change in Net Assets	(2,655)	15,922	5,192
Net Assets, Beginning of the Year (As Restated)	39,620	112,473	34,486
Net Assets, End of Year	$ 36,965	$ 128,395	$ 39,678

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

Maine Municipal Bond Bank	Maine State Housing Authority	University of Maine System	Non-Major Component Units	Totals
$ 65,272	$ 226,865	$ 654,380	$ 97,014	$ 1,273,974
47,418	73,386	278,178	33,722	547,290
10,239	44,196	-	2,574	71,795
4,551	135,054	163,337	38,992	391,488
21,432	-	5,624	3,990	33,697
18,368	25,771	(207,241)	(17,736)	(229,704)
995	713	3,724	1,176	8,532
-	-	210,195	19,726	293,613
939	-	(363)	633	2,854
-	-	-	(556)	(492)
1,934	713	213,556	20,979	304,507
20,302	26,484	6,315	3,243	74,803
461,771	288,764	835,496	147,190	1,919,800
$ 482,073	$ 315,248	$ 841,811	$ 150,433	$ 1,994,603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INDEX
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. REPORTING ENTITY

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

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

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

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

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

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

The State is able to impose its will upon these discretely presented component units:

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

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

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 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. Additionally, the Authority administers the Maine College Savings Program. Net assets of the program, NextGen College Investing Plan, are included in the State's fiduciary fund financial statements. The Governor appoints the fifteen voting members of the Authority.

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

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

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports $694.6 million of restricted net assets, of which $41.2 million is restricted by enabling legislation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The *Other Special Revenue Fund* accounts for specific revenue sources that are legally restricted to expenditures for specified purposes, and the related current liabilities, including some major capital projects that are not accounted for in the Highway and Federal Funds. Example 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's retiree healthcare benefits. The investment trust, managed by the Maine Public Employees Retirement System, holds the long-term investments of the trust. The trustees of the 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, Permanent School funds, and the NextGen College Investing Plan.

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

D. Fiscal Year-Ends

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

E. Assets, Liabilities, and Net Assets/Fund Balance

Equity in Treasurer's Cash Pool

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

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

Cash and Cash Equivalents

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

Cash with Fiscal Agent

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

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

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

Investments Held on Behalf of Others

These assets include amounts held by the State in a fiduciary capacity, acting as either a trustee or an agent for individuals, organizations or other funds. Generally, these investments are reported at fair value or at amortized cost which approximates fair value. The State also holds $167 million of Workers' Compensation, $46 million of Bureau of Insurance, and $24 million of Maine Department of Labor surety bonds and letters of credit that are not reflected on the financial statements.

Restricted Deposits and Investments

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

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

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

Receivables
Receivables consist primarily of amounts due to the State from taxpayers and service providers. Also included in receivables are amounts due but not yet remitted to the State from lottery sales by agents. Loans receivable for the primary government represent low interest financing arrangements to construct and modernize agricultural storage facilities and local commercial enterprises, as well as Department of Transportation loans to local governments. Receivables in the component units' column arise in the normal course of business. Receivables are stated net of estimated allowances for uncollectible amounts that are determined based upon past collection experience and aging of the accounts. Receivables due from related providers for interim payments are $33 million, net of an allowance for uncollectible amounts of $19.5 million.

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

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

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

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

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

equipment is capitalized $5 thousand or more. All land, regardless of value, is capitalized. Capital assets are recorded at cost or, if donated, at estimated fair market value at date of acquisition. In some instances, capital assets historical cost were not available. The costs of these assets at the date of acquisitions have been estimated.

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

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

Accounts Payable
Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers. Incurred but not paid (IBNP) Medicaid claims settlements are actuarially estimated. The IBNP estimate at June 30, 2008 is $380 million.

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

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

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

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

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

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

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

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

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

The State reported the following fund balance reservations:

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

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

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

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

F. Revenues and Expenditures/Expenses

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

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

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

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

NOTE 2 – BUDGETING AND BUDGETARY CONTROL, AND LEGAL COMPLIANCE

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

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

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

Budget Stabilization Fund
The Maine Budget Stabilization Fund, a fund designation established under Title 5 MRSA C. 142, is included in the negative $403.9 million unreserved General Fund fund balance. Amounts in the stabilization fund may be expended only to offset a General Fund revenue shortfall. The Governor may also allocate funds for payment of death benefits for law enforcement officers, firefighters and emergency medical services personnel.

Balances in the fund do not lapse, but carry forward each year. Money in the fund may be invested with any earnings credited to the fund except when the fund is at its statutory cap. In addition to interest earnings, the fund received $10.0 million according to Public Law 2007, Chapter 700, Part C.

The statutory cap for the fund is 12 percent of the total General Fund revenue received in the immediately preceding fiscal year. At the close of the fiscal year, the cap is based on the revenue received in the fiscal year being closed. Based on fiscal year 2008 actual General Fund revenue, the statutory cap at the close of fiscal year 2008 and during fiscal year 2008 was $370.5 million. At the close of fiscal year 2008, the balance of the Maine Budget Stabilization Fund was $128.9 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	$ 115,480
Increase in fund balance	13,397
Balance, end of year	$ 128,877

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

Except in specific instances, only the Legislature may transfer appropriations between departments. Changes in appropriation, allocation, or funding for new programs are presented to the Legislature as a supplemental budget. For the year ended June 30, 2008, the Legislature decreased supplemental appropriations to the General Fund by $19.5 million.

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

NOTE 3 - ACCOUNTING CHANGES AND RESTATEMENTS

Accounting Changes
The State established, and partially funded, an irrevocable trust for postemployment benefits during fiscal 2008. The State implemented the Governmental Accounting Standards Board's Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The statement requires accounting and financial reporting for postretirement benefits provided to employees similarly to accounting for pension benefits. The statement provides specific guidance for plans that are held as trusts or equivalent arrangements and for plans that are not held in that manner. Required notes to the financial statements include a brief plan description, a summary of significant accounting policies, and information about contributions.

Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, is required to be implemented by the State as of June 30, 2008. The statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities/(assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial statements of State governmental employers. The effects of applying this standard require the State to account for other postemployment benefits (OPEB), primarily healthcare, on an accrual basis rather than on the past pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Revenues, Expenses, and Changes in Net Assets when future retirees earn their postemployment benefits, rather than when they use their postemployment benefit. To the extent that an entity does not fund their actuarially required contribution, a post employment benefit obligation is recognized on the Balance Sheet over time. Required Supplementary Information includes a schedule of funding progress for the most recent valuation and the two preceding valuations accompanied by notes regarding factors that significantly affect the identification of trends in the amounts reported. The statement was implemented prospectively with a zero net OPEB obligation at transition.

In addition, the State has implemented Governmental Accounting Standards Board (GASB) Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This statement establishes criteria that governments will use to ascertain whether a transaction should be regarded as a sale or as collateralized borrowings and if the resulting proceeds received should be reported as revenue or as a liability. The criteria should be used to determine the extent to which a transferor government either retains or relinquishes control over the receivables or future revenues. Implementation of this statement did not require any modification to the financial statements.

Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures*, became effective in fiscal year 2008. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and, in doing so, enhances information disclosed in notes to the financial statements by employers that provide pension benefits.

Restatement – Primary Government
The beginning net assets of the General Fund, a major governmental fund, and the Governmental Activities decreased by $8.4 million to correct an error in reported accounts receivable.

Restatement – Fiduciary Fund Financial Statements
The beginning net assets on the Statement of Changes in Fiduciary Net Assets increased $7.3 million to reflect the assets of the Defined Contribution Retirement Plans.

Restatement – Component Units
The beginning net assets on the Statement of Activities increased $5.9 million with the inclusion of the Small Enterprise Growth Fund as a reported non-major component unit.

NOTE 4 - DEFICIT FUND BALANCES/NET ASSETS

Four internal service funds showed deficit Net Assets for the fiscal year ended June 30, 2008. The Workers' Compensation Fund reported a deficit of $11.6 million, which reflects accruals for actuarially determined claims payable. The Leased Space Fund had a fund balance deficit of $4.3 million because rates charged were insufficient to cover expenses incurred. The Postal, Printing & Supply fund reported a deficit of $918 thousand because expenses are recognized when incurred; however, related revenue is not earned until jobs are satisfactorily completed. The Financial & Personnel Services Fund had a fund balance deficit of $182 thousand because rates charged were insufficient to cover expenses incurred. All of the deficits mentioned above are expected to be funded by future service charges.

The Alcoholic Beverages Enterprise Fund shows a deficit of $75.0 million. During fiscal year 2004, the State of Maine entered into a 10 year contract with a vendor to manage and operate wholesale liquor distribution as the State's agent. The deficit reflects the deferral of license fees that will be amortized over that 10 year period.

The Maine Military Authority Enterprise Fund shows a deficit of $3.2 million. Expenses are recognized when incurred; however, related revenue is not earned until repair projects are satisfactorily completed. The deficit will be funded by future billings as projects are completed.

The Dirigo Health Enterprise Fund shows a deficit of $15.9 million. This deficit is the result of the timing of revenue collections from the Savings Offset Program.

The General Fund shows a deficit fund balance of $238.5 million at June 30, 2008. This deficit is due to the full recognition of the State's share of Medicaid liabilities at fiscal year end, which are funded throughout the year with the aforementioned tax revenue. The federal portion of these liabilities is also fully accrued, with an offsetting receivable from the federal government as allowed under Governmental Accounting Standards Board (GASB) Statement No. 33. Per GASB 33, revenue associated with government mandated non-exchange transactions should be recognized when applicable eligibility requirements have been met and the resources are available. Medicaid is an entitlement program. Therefore, the funds are available when the payments for these liabilities are processed.

The Highway Fund shows a deficit fund balance of $2.3 million. The deficit reflects the way in which the State accrues liabilities related to Highway Planning and Construction. The deficit will be funded by future federal grant payments.

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

The Primary Government's Deposits and Investments excluding component units that are fiduciary in nature at June 30, 2008:

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	$ 465,070	$ 3,463	$ 1,276	$ 7,002	$ 476,811
Cash and Cash Equivalents	289	2,848	-	15	3,152
Cash with Fiscal Agent	72,139	-	-	27	72,166
Investments	74,975	-	10,980	-	85,955
Restricted Equity in Treasurer's Cash Pool	9,581	-	-	-	9,581
Restricted Deposits and Investments	24,112	463,574	-	-	487,686
Investments Held on Behalf of Others	-	-	5,316,066	60,263	5,376,329
Other Assets	-	-	-	-	-
Total Primary Government	$ 646,166	$ 469,885	$ 5,328,322	$ 67,307	$ 6,511,680

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, 2008:

Maturities in Years
(Expressed in Thousands)

	Less than 1	1 - 5	6 - 10	11 - 20	More than 20	No Maturity	Fair Value
Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds							
US Instrumentalities	$27,913	$26,009	$ -	$ -	$ -	$ -	$53,922
US Treasury Notes	4,101	-	-	-	-	-	4,101
Repurchase Agreements	73,038	-	-	-	-	-	73,038
Corporate Notes and Bonds	8,714	2,449	-	-	-	-	11,163
Commercial Paper	5,653	-	-	-	-	-	5,653
Certificates of Deposit	11,770	-	-	-	-	-	11,770
Money Market	327,188	-	-	-	-	-	327,188
Cash and Cash Equivalents	-	-	-	-	-	18,529	18,529
Unemployment Fund							
Deposits with US Treasury	-	-	-	-	-	463,574	463,574
Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds							
US Instrumentalities	2,095	2,804	436	1,042	6,568	-	12,945
US Treasury Notes	1,857	9,882	4,253	6,262	4,197	-	26,451
Repurchase Agreements	898	-	-	-	-	-	898
Corporate Notes and Bonds	745	3,097	3,531	401	1,862	5,140	14,776
Other Fixed Income Securities	-	-	136	-	46	-	182
Commercial Paper	98	-	-	-	-	-	98
Certificates of Deposit	175	-	-	-	-	10,150	10,325
Money Market	5,665	-	-	-	-	820	6,485
Cash and Cash Equivalents	-	-	-	-	-	18,794	18,794
Equities	-	-	-	-	-	61,749	61,749
Other	-	-	-	-	-	1,807	1,807
	$469,910	$44,241	$8,356	$7,705	$12,673	$580,563	$1,123,448
NextGen College Investing Plan							5,316,066
Other Assets							-
Cash with Fiscal Agent							72,166
Total Primary Government							$6,511,680

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

The Primary Government's total investments by credit quality rating as of June 30, 2008 are presented below:

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

	A1	A	AA	AA+	AAA	BB	BBB	Not Rated	Total
Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds									
US Instrumentalities	$ -	$ -	$ -	$ -	$ 53,923	$ -	$ -	$ -	$ 53,923
US Treasury Notes	-	-	-	-	-	-	-	4,101	4,101
Corporate Notes and Bonds	-	-	-	-	11,163	-	-	-	11,163
Commercial Paper	-	-	-	-	-	-	-	5,653	5,653
Money Market	-	-	-	-	34,261	-	-	292,927	327,188
Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds									
US Instrumentalities	-	-	101	-	3,688	-	-	9,156	12,945
US Treasury Notes	-	-	-	-	4,999	-	-	21,452	26,451
Corporate Notes and Bonds	-	2,443	1,320	-	1,941	78	692	8,302	14,776
Commercial Paper	-	-	-	-	-	-	-	98	98
Money Market	-	-	-	-	593	-	-	5,892	6,485
Other Fixed Income Securities	-	22	24	-	-	-	136	-	182
Total Primary Government	$ -	$ 2,465	$ 1,445	$ -	$ 110,568	$ 78	$ 828	$347,581	$ 462,965

Concentration of Credit Risk –Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State limits concentration of credit risk in its trusts by requiring that no single stock represent more than 10 percent of the total portfolio. There is no concentration of credit risk policy for the Treasurer's Cash Pool. At June 30, 2008, more than 5 percent of the cash pool's investments were in Bank of America and Morgan Stanley. These investments are $28.0 million (5.17 percent) and $30.0 million (5.5 percent), respectively, of the cash pool's total investments.

Custodial Credit Risk - For investments, custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the State will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The State limits its custodial credit risk for the Treasurer's Cash Pool by maintaining a file of the most recent credit rating analysis reports performed for each approved financial institution. The State also requires that all securities be perfected in the name of the State and held in third party safekeeping by a state approved custodian. Of the cash pool's $11.8 million invested in non-negotiable certificates of deposit, $3.5 million exceeded the FDIC insured amounts for the institutions at which they were held. The State does not have a policy regarding custodial credit risk for its trusts. The Percival P. Baxter Trust is held by the counterparty's trust department, but not in the State's name.

The fair value of the trust's investments as of June 30, 2008 was $62.0 million and was comprised of the following:

U.S. Instrumentalities	$ 8,297
US Treasury Notes	4,054
Corporate Notes and Bonds	5,393
Other Fixed Income Securities	136
Equities	43,346
Cash and Equivalents	289
Other	530
Total	$ 62,045

The State and certain vendors contract with a fiscal intermediary, Clareon, for electronic disbursements from the State to its vendors. During fiscal year 2008 these disbursements, on average, exceeded $149.6 million per month. The funds in transit are not collateralized and are not held by the State Treasurer. Until the vendor receives payment, the State retains some liability.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

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

Cash open collateral is invested in a short-term investment pool, the Global Core Collateral Section. Cash collateral may also be invested separately in "term loans." At June 30, 2008, 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, 2008 was $3.8 billion and $3.7 billion, respectively.

NEXTGEN COLLEGE INVESTING PLAN

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

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

NextGen's investments are comprised of 47 different investment portfolios which are reported at fair value and total $5.3 billion at June 30, 2008.

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

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

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

Credit Risk - The Program has not established an investment policy that specifically limits its exposure to credit risk. The Program's investments in fixed income mutual funds, the Principal Plus Portfolio, and the Account may bear credit risk. The GIC underlying the Program's investment in the Principal Plus Portfolio has not been rated by any of the nationally recognized statistical rating organizations. The fair value of the GIC at June 30, 2008 was $79.8 million.

The assets of the Account are invested in a portfolio of high-quality, short-term money-market securities consisting primarily of direct U.S. Government obligations, U.S. Government agency securities, obligations of domestic and foreign banks, U.S. dollar denominated commercial paper, and other short-term debt securities issued by U.S. and foreign entities repurchase agreements. In addition, the Account invests in certificates of deposit issued by Maine financial institutions in accordance with instructions of FAME and the Treasurer. All Maine Certificate of Deposit's are FDIC insured or fully collateralized. The value of the Account at June 30, 2008 was $370.6 million.

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

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

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

	Fair Value
Principal Plus Portfolio	$ 79,770
Cash Allocation Account	370,623
Fixed Income Securities	1,228,975
Total Fair Value	$1,679,368

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 13 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 $53.5 million of the component units' participation to "Equity in Treasurer's Cash Pool" on the State's financial statements. In addition to the amounts reported, the State Treasurer's Cash Pool includes $18.3 million, consisting of Finance Authority of Maine component unit fiduciary funds that, because of GASB Statement No. 34 reporting criteria, are not shown in the accompanying financial statements.

NOTE 6 - RECEIVABLES

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

Primary Government – Receivables
(Expressed in Thousands)

	Taxes	Accounts	Loans	Allowance for Uncollectibles	Net Receivables
Governmental Funds:					
General	$547,767	$143,834	$1	($202,663)	$488,939
Highway	24,954	1,790	62	(5,289)	21,517
Federal	-	89,625	-	(27,230)	62,395
Other Special Revenue	10,166	78,674	6,127	(5,907)	89,060
Other Governmental Funds	-	-	-	-	-
Total Governmental Funds	582,887	313,923	6,190	(241,089)	661,911
Allowance for Uncollectibles	(147,641)	(93,111)	(337)		
Net Receivables	$435,246	$220,812	$5,853		$661,911
Proprietary Funds:					
Employment Security	$0	$40,025	$0	($9,752)	$30,273
Nonmajor Enterprise	-	26,269	-	(717)	25,552
Internal Service	-	3,231	208,560	-	211,791
Total Proprietary Funds	-	69,525	208,560	(10,469)	267,616
Allowance for Uncollectibles	-	(10,469)	-		
Net Receivables	$0	$ 59,056	$208,560		$267,616

Component Units – Receivables
(Expressed in Thousands)

	Accounts	Loans	Notes	Allowance For Uncollectibles	Net Receivables
Finance Authority of Maine	$5,002	$ -	$228,593	($4,752)	$228,843
Maine Community College System	4,390	-	-	(943)	3,447
Maine Health and Educational Facilities Authority	2,863	1,319,292	-	(876)	1,321,279
Maine Municipal Bond Bank	1,330	-	-	-	1,330
Maine State Housing Authority	16,978	1,216,922	663	(9,312)	1,225,251
University of Maine System	32,285	-	44,092	(3,646)	72,731

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, 2008 were:

Interfund Receivables
(Expressed in Thousands)

	Due to Other Funds				
Due from Other Funds	**General**	**Highway**	**Federal**	**Other Special Revenue**	**Other Governmental**
General	$ 2,238	$ -	$ 2,287	$ -	$ 27
Highway	218	1	2,431	1	-
Federal	9,058	43	368	2,135	-
Other Special Revenue	17,495	370	634	582	-
Other Governmental	159	-	-	-	-
Employment Security	-	-	25	-	-
Non-Major Enterprise	98	47	357	4	-
Internal Service	18,677	1,948	1,941	2,023	-
Fiduciary	16,944	-	-	-	-
Total	$ 64,887	$ 2,409	$ 8,043	$ 4,745	$ 27

Due from Other Funds	**Non-Major Enterprise**	**Internal Service**	**Fiduciary**	**Total**
General	$ 19,083	$ 14,038	$ 5,648	$ 43,321
Highway	-	222	-	2,873
Federal	-	4,435	-	16,039
Other Special Revenue	27	351	-	19,459
Other Governmental	-	-	-	159
Employment Security	-	-	-	25
Non-Major Enterprise	-	36	-	542
Internal Service	243	21,093	15	45,940
Fiduciary	-	-	-	16,944
Total	$ 19,353	$ 40,175	$ 5,663	$ 145,302

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

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

During fiscal year 2008, the State of Maine, in accordance with the legislatively authorized budget, recorded several non-routine, nonrecurring transfers.

The Other Special Revenue Fund transferred $2.5 million to the unappropriated surplus of the General Fund.

The Retiree Health Insurance Fund transferred $16.8 million to the unappropriated surplus of the General Fund, and $3.1 million to the unappropriated surplus of the Highway Fund.

The Accident, Sickness, and Health Insurance Fund transferred $10.4 million to the unappropriated surplus of the General Fund, and $2.3 million to the unappropriated surplus of the Highway Fund.

Interfund transfers for the year ended June 30, 2008, consisted of the following:

Interfund Transfers
(Expressed in Thousands)

	Transferred From				
Transferred To	General	Highway	Federal	Other Special Revenue	Other Governmental
General	$ -	$ -	$ 2,818	$ 19,914	$ -
Highway	1,958	-	-	524	-
Federal	63	-	-	25,220	-
Other Special Revenue	149,473	-	12,500	-	5,780
Other Governmental Funds	-	-	-	1,391	-
Employment Security	-	-	-	-	-
Non-Major Enterprise	569	3,995	-	-	-
Internal Service	750	-	166	-	-
Fiduciary	-	-	-	574	-
Total	$ 152,813	$ 3,995	$ 15,484	$ 47,623	$ 5,780

	Transferred From				
Transferred To	Employment Security	Non-Major Enterprise	Internal Service	Fiduciary	Total
General	$ -	$ 49,518	$ 27,890	$ 952	$ 101,092
Highway	-	-	5,680	-	8,162
Federal	2,912	-	-	-	28,195
Other Special Revenue	-	4,980	-	581	173,314
Other Governmental Funds	-	-	-	-	1,391
Employment Security	-	-	-	-	-
Non-Major Enterprise	-	-	-	-	4,564
Internal Service	-	-	-	-	916
Fiduciary	-	-	-	-	574
Total	$ 2,912	$ 54,498	$ 33,570	$ 1,533	$ 318,208

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, 2008:

Primary Government – Capital Assets
(Expressed in Thousands)

	Beginning Balance	Increases and Other Additions	Decreases and Other Deletions	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 424,331	$ 11,391	$ 1,492	$ 434,230
Construction in progress	10,230	24,055	10,110	24,175
Infrastructure	3,023,973	154,693	-	3,178,666
Total capital assets not being depreciated	3,458,534	190,139	11,602	3,637,071
Capital assets being depreciated:				
Buildings	560,307	3,990	115	564,182
Equipment	248,129	20,193	17,494	250,828
Improvements other than buildings	18,246	1,295	-	19,541
Total capital assets being depreciated	826,682	25,478	17,609	834,551
Less accumulated depreciation for:				
Buildings	183,908	17,243	350	200,801
Equipment	158,140	20,457	13,345	165,252
Improvements other than buildings	8,997	1,155	-	10,152
Total accumulated depreciation	351,045	38,855	13,695	376,205
Total capital assets being depreciated, net	475,637	(13,377)	3,914	458,346
Governmental Activities Capital Assets, net	$ 3,934,171	$ 176,762	$ 15,516	$ 4,095,417

	Beginning Balance	Net Additions	Net Deletions	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	$ 38,417	$ 4,928	$ -	$ 43,345
Construction in progress	3,613	6,755	-	10,368
Total capital assets not being depreciated	42,030	11,683	-	53,713
Capital assets being depreciated:				
Buildings	9,769	-	270	9,499
Equipment	43,385	1,669	860	44,194
Improvements other than buildings	61,218	1,389	-	62,607
Total capital assets being depreciated	114,372	3,058	1,130	116,300
Less accumulated depreciation	66,041	9,049	982	74,108
Total capital assets being depreciated, net	48,331	(5,991)	148	42,192
Business-Type Activities Capital Assets, net	$ 90,361	$ 5,692	$ 148	$ 95,905

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

Governmental Activities – Depreciation Expense
(Expressed in Thousands)

	Amount
Governmental Activities:	
Arts, Heritage and Cultural Enrichment	$ 27
Business Licensing and Regulation	459
Economic Development and Workforce Training	1,475
Education	310
Governmental Support and Operations	6,334
Health and Human Services	5,791
Justice and Protection	12,360
Natural Resources Development and Protection	4,202
Transportation Safety and Development	7,241
Total Depreciation Expense – Governmental Activities	$ 38,199

NOTE 9 - MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

PLAN DESCRIPTIONS

The Maine Public Employees Retirement System, formerly named the Maine State 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 public employee retirement system established and administered under the Title 5 MRSA C. 421, 423, and 425. The System provides pension, disability, and death benefits to its members, which includes employees of the State, public school employees (defined by Maine law as teachers and for whom the State is the employer for retirement contribution and benefit purposes, or SETP) and employees of 272 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 issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for the plan. The June 30, 2008 report may be obtained from the Maine Public Employees Retirement System, 46 State House Station, Augusta, ME 04333.

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

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

The System administers three defined contribution plans for employees of PLD's that elect to participate. At June 30, 2008, there were 43 employers participating in these plans. The 429 participants individually direct the $7.4 million in assets covered by the plans.

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

BASIS OF ACCOUNTING

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.

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.

CONTRIBUTION INFORMATION

Membership in each defined benefit plan consisted of the following at June 30, 2008:

	State Employees and Teachers Plan	Consolidated Plan for PLD
Active vested and nonvested members	41,790	9,612
Terminated vested participants	7,098	1,095
Retirees and benefit recipients	26,991	7,191
Total	75,879	17,898
Number of participating employers/sponsors	1	272

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

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

State Employees and Teachers Pension Plan Specifics

The System's retirement programs provide retirement benefits based on members' average final compensation and creditable service. Vesting occurs upon the earning of five years of service credit or the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age is age 60 or 62, determined by whether the member had at least 10 years of creditable service on June 30, 1993 (effective October 1, 1999, the prior ten-year requirement was reduced to five years by legislative action). The monthly benefit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and survivor benefits, which are established by statute for State employee and teacher members, and by contract with other participating employers under applicable statutory provisions.

Participating Local Districts Plan Specifics

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

Special Funding Situation – Teachers Defined Benefit Pension Plan

The State is legally responsible for contributions to the Teacher Group that covers retirees of other governmental entities. The State is the sole "employer" contributor for the teachers; therefore, is acting as the employer.

Funded Status and Funding Progress – Defined Benefit Pension Plans

The funded status of each plan as of June 30, 2008, the most recent biennial actuarial valuation date, is as follows:

Plans	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) – Entry Age	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a)/c) UAAL (as a percentage of covered payroll)
SETP	8,691,075,704	11,721,271,968	3,030,196,264	74.1%	1,628,421,362	186.1%
PLD's	2,201,652,592	1,953,629,020	(248,023,572)	112.7%	362,783,243	-68.4%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits. Additional information as of the latest actuarial valuation date follows:

	SETP		PLD's
Valuation date	June 30, 2008		June 30, 2008
Actuarial cost method	Entry age		Entry age
Amortization method	Level percent closed		Level percent open
Remaining amortization period	20	1	15
Asset valuation method	3-Year smoothed market		3-Year smoothed market
Actuarial assumptions:			
Investment rate of return	7.75%		7.75%
Projected salary increases	4.75% - 10.00%		4.50% - 9.00%
Includes inflation at	4.50%		4.50%
Cost of living adjustments	3.75%		3.75%
Most recent review of plan experience:	2006		2006
Plan changes from last valuation	none		none

[1] The System amortizes the unfunded liability of the State and teacher plan over a closed period that cannot be longer than 31 years from July 1, 1997 but may be, and at certain times has been, shorter than that period. In 2000, the amortization period was reduced to a 19-year period from June 30, 2000. In 2004, the Legislature relengthened the period to 25 years, the full extent of the then-remaining Constitutional years for the 2004-2005 biennium, and reshortened the period effective July 1, 2005 to the 13

years that will then remain in the earlier shortened period. In 2005, the State repealed the "sunset" provision, with the result that the period for reduction of these unfunded actuarial liabilities continues to the full extent permitted by the State constitution, or June 30, 2028. The contribution rate in effect for 2008 was determined by the 2006 valuation, as revised, and reflects the relengthened amortization period. The unfunded actuarial accrual liability of the judicial plan is amortized over a period of which 9 years remained at June 30, 2008.

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.

In order to reduce any unfunded pension liability for State employees and teachers under Title 5 MRSA § 1536, the State is required to remit 20 percent of its General Fund unappropriated surplus to the System at year-end. For fiscal 2008, no General Fund unappropriated surplus existed.

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

The actuarially determined contribution rates in effect for 2008 for participating entities:

State	
Employees [1]	7.65-8.65%
Employer [1]	15.01-47.07%
Teachers	
Employees	7.65%
Employer	17.23%
Participating Local Entities	
Employees [1]	3.0-8.0%
Employer [1]	1.5-6.5%

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

ANNUAL PENSION COST AND NET PENSION OBLIGATION

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

Net Pension Obligation
(Expressed in Thousands)

Annual required contribution	$ 305,361
Interest on net pension obligation	1,429
Adjustment to annual required contribution	(1,165)
Annual pension cost	305,625
Contributions made	305,361
Increase (decrease) in net pension obligation	264
Net pension obligation beginning of year	18,444
Net pension obligation end of year	$ 18,708

Analysis of Funding Progress
(Expressed in Thousands)

Year	Annual Pension Cost	Percentage Covered	Net Pension Obligation
2008	305,625	99.91%	18,708
2007	303,470	99.87%	18,444
2006	287,253	105.63%	18,050

Employer contributions met actuarially determined contribution requirements.

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. For financial reporting purposes, employees of the Maine Community College System, Maine Educational Center for the Deaf and Hard of Hearing, and the Northern New England Passenger Rail Authority are combined with State employees for retirement benefit purposes and are included in the pension disclosures of the State.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

STATE ADMINISTERED OR SPONSORED POST RETIREMENT HEALTHCARE PLANS

The State sponsors and contributes to three defined benefit healthcare plans: a sole employer plan for its employees, and separate agent multiple-employer plans for teachers, 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 post retirement health care benefits for most retired State employees and legislators, as authorized by Title 5 MRSA § 285, and for a portion of the premiums for teachers, as authorized by Title 20-A MRSA § 13451. Pursuant to Title 5 MRSA § 285 most retired employees of the Maine Turnpike Authority, Maine Community College System, Maine Maritime Academy, Maine Public Employees Retirement System, and Maine Educational Center for the Deaf and Hard of Hearing are eligible to participate in the health plan but are not funded by the State. Specifically excluded (Title 5 MRSA § 285 1-B) are members of the Maine Municipal Association, Maine Teachers Association and employees of counties and municipalities and their instrumentalities, except as provided in subsection 11-A. Title 5 MRSA § 286-M included retired county or municipal law enforcement officer and municipal firefighters, as defined in subsection 286-M, who 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 post retirement 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 with retirees who worked 50 percent or more of full-time hours receiving 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 5 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 one major, and two non-major discretely presented component units and a few small commissions. Under the last plan, the State acts as the plan administrator only.

Beginning in the fiscal year ending June 30, 2008, each participating employer is 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 administered by the State is as follows:

	State Employees	Teachers	First Responders	Ancillary Groups
Actives	14,654	27,180	934	1,452
Retirees	8,772	9,201	45	239
Total	23,426	36,381	979	1,691
Number of employers	1			3
Contributing entities		1	1	3

STATE EMPLOYEES PLAN FUNDING POLICY

Title 5 MRSA § 286-B authorizes 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, 2009, 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, 2009.

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.

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 239 retirees of three component units: Maine Community College System, Maine School for the Deaf and Hard of Hearing and the Northern New England Passenger Rail Authority. The plan also covers 21 retirees of five small councils and commissions. 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	$ 111,000	$ 46,000	$ 1,045
Contributions made	166,388	17,657	-
Increase (decrease) in net healthcare obligation	(55,388)	28,343	1,045
Net healthcare obligation beginning of year	-	-	-
Net healthcare (asset) end of year	$ (55,388)		
Net healthcare obligation end of year		$ 28,343	$ 1,045

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 - 2008
(Expressed in Thousands)

Plan	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Asset	Net OPEB Obligation
State Employees	111,000	149.90%	55,388	
Teachers	46,000	38.38%		28,343
First Responders	1,045	0.00%		1,045

Initial year of prospective implementation.

FUNDED STATUS AND FUNDING PROGRESS
The funded status of the plans as of June 30, 2008 was as follows:

	(Expressed in Millions) State Employees	(Expressed in Millions) Teachers	(in 000's) First Responders
Actuarial accrued liability (AAL) (a)	$ 1,242	$ 1,044	$ 19,806
Actuarial value of plan assets (b)	98	-	-
Unfunded actuarial accrued liability (funding excess) (UAAL) (a)-(b)	$ 1,144	$ 1,044	$ 19,806
Funded ratio (b)/(a)	7.89%	0.00%	0.00%
Covered payroll (c)	$ 568	$ 1,160	$ 51,021
UAAL (as a percentage of covered payroll) ([(a)-(b)]/(c)	201.41%	90.00%	38.82%

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

ACTUARIAL METHODS AND ASSUMPTIONS

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

	State Employees	Teachers	First Responders
Valuation date	June 30, 2008	June 30, 2008	6/30/2007 rollforward to 6/30/2008
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	29	29	29
Plan changes - closed 20 year period	n/a [1]	n/a [1]	n/a
(Gains) /losses	n/a [1]	n/a [1]	rolling 15 year period
Asset valuation method	market	n/a	n/a
Actuarial assumptions:			
Investment rate of return	4.50% initial 7.50% ultimate	4.50%	4.50%
Projected salary increases	4.75%	4.75%	3.75%
Inflation rate	3.75%	3.75%	3.75%
Healthcare inflation rate	initial 9% ultimate 4.5%	initial 9% ultimate 5%	4.50%

[1] For the State and Teachers, the UAAL is amortized as a level percent of payroll over a 30-year period because the ARC calculated using separate amortization periods resulted in an equivalent single amortization period greater than the maximum 30-year period.

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 and for whom the State acts like the employer for retirement contribution and benefit purposes), members of the Judiciary and the Legislature, that are eligible for membership in the System. Group life insurance benefits are also provided to employees of 431 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, 2008 report may be obtained from the Maine Public Employees Retirement System, 46 State House Station, Augusta, ME 04333.

The Plan provides Basic group life insurance benefits, during retirement, to retirees 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% per year to the greater of 40% 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 $.56 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 per $1,000 of coverage per month during the post-employment retired period.

ANNUAL OPEB COST

The State's OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the first year of implementation is as follows:

Analysis of Funding Progress - 2008
(Expressed in Thousands)

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Net OPEB Obligation	Percentage of OPEB Cost Contributed
June 30, 2008	5,500	23	5,477	0.42%

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plan as of June 30, 2008 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)
	June 30, 2008	21,100	64,900	43,800	32.51%	601,100	7.29%
State Employees	June 30, 2007	20,800	65,200	44,400	31.90%	521,200	8.52%
	June 30, 2008	19,900	52,100	32,200	38.20%	591,100	5.45%
Teachers	June 30, 2007	19,100	54,100	35,000	35.30%	559,100	6.26%

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:

Valuation date	June 30, 2008
Actuarial cost method	Entry age normal
Amortization method	Level percent open
Asset valuation method	3-Year smoothed market
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	4.75% - 10.00%
Cost of living increases in life benefits	N/A
Participation percent for future retirees	100.00%
Form of benefit payment	lump sum

NOTE 11 - LONG-TERM OBLIGATIONS

PRIMARY GOVERNMENT

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

GENERAL OBLIGATION BONDS

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

Changes in general obligation bonds of the primary government during fiscal year 2008 were:

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

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008	Due Within One Year
General Obligation Debt:					
General Fund	$398,280	$46,525	$66,230	$378,575	$65,685
Special Revenue Fund	50,460	57,550	10,750	97,260	13,505
Self Liquidating	20	-	20	-	-
Total	$448,760	$104,075	$77,000	$475,835	$79,190

Debt service requirements (principal and interest) for all outstanding general obligation bonds of the primary government, from June 30, 2008 until maturity, are summarized in the following table:

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

Fiscal Year	Principal	Interest	Total
2009	$ 79,190	$ 19,027	$ 98,217
2010	73,390	15,784	89,174
2011	68,030	12,687	80,717
2012	64,005	10,072	74,077
2013	61,245	7,631	68,876
2014-2018	129,975	12,679	142,654
Total	$ 475,835	$ 77,880	$ 553,715

General fund, special revenue and other general obligation bonds issued and outstanding at June 30, 2008 are as follows:

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

	Amounts Issued	Outstanding June 30, 2008	Fiscal Year Maturities First Year	Last Year	Interest Rates
General Fund:					
Series 1999	$ 54,385	$ 3,875	2000	2009	4.20% - 6.75%
Series 2000	66,290	11,210	2000	2010	4.875% - 7.75%
Series 2001	22,050	6,315	2002	2011	4.00% - 6.08%
Series 2002	27,610	11,040	2003	2012	3.00% - 5.75%
Series 2003	97,080	48,525	2003	2013	1.50% - 5.00%
Series 2004	117,275	71,700	2005	2014	2.00% - 5.27%
Series 2005	137,525	106,905	2006	2015	2.00% - 5.27%
Series 2006	52,390	41,905	2007	2016	4.00% - 5.51%
Series 2007	33,975	30,575	2008	2017	4.00% - 5.50%
Series 2008	46,525	46,525	2009	2018	3.00% - 5.13%
Total General Fund		$ 378,575			
Special Revenue Fund:					
Series 1999	$ 16,900	$ 1,690	2000	2009	4.00% - 5.50%
Series 2001	19,225	5,760	2002	2011	4.00% - 5.00%
Series 2004	13,000	7,960	2005	2014	2.00% - 4.00%
Series 2007	27,000	24,300	2008	2017	4.00% - 5.50%
Series 2008	57,550	57,550	2009	2018	3.00% - 5.13%
Total Special Revenue		$ 97,260			

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, 2008, general obligations bonds authorized and unissued totaled $191.8 million.

REVENUE BONDS OF THE MAINE GOVERNMENTAL FACILITIES AUTHORITY

The State included $208.6 million in other financing arrangements to reflect revenue bonds issued by the Maine Governmental Facilities Authority (MGFA), a blended component unit. Payment of the bonds is subject to, and dependent upon, biennial appropriations being made by the State Legislature. Debt issued by MGFA is not debt of the State or any political subdivision within the State. The State is not obligated for such debt, nor is the full faith and credit of the State pledged for such debt. MGFA may not issue securities in excess of $263.5 million outstanding, at any one time, except for the issuance of certain revenue refunding securities.

During the fiscal year ended June 30, 2008, MGFA issued the Series 2008 Bonds, which totaled $40.6 million at an interest rate between 4 percent and 5 percent. At June 30, 2008, there were approximately $71.9 million of MGFA in-substance defeased bonds outstanding.

CERTIFICATES OF PARTICIPATION AND OTHER FINANCING ARRANGEMENTS

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

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

SHORT TERM OBLIGATIONS

The State of Maine issued and retired $87.6 million in Bond Anticipation Notes during fiscal year 2008. Short term obligations are used to meet temporary operating cash flow needs. At June 30, 2008 there were no outstanding Tax Anticipation Notes or Bond Anticipation Notes.

OTHER LONG-TERM OBLIGATIONS

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

Changes in other long-term obligations for governmental and business-type activities for the fiscal year ended June 30, 2008, are summarized as follows:

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

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
Governmental Activities:					
MGFA Revenue Bonds	$182,605	$40,565	$14,610	$208,560	$15,625
COP's and Other Financing	79,886	17,343	22,371	74,858	30,785
Compensated Absences	41,680	3,320	366	44,634	5,294
Claims Payable	64,096	183,804	181,479	66,421	24,964
Capital Leases	41,751	3,350	7,579	37,522	6,247
Pledged Future Revenues	42,353	-	4,015	38,338	4,135
Net Pension Obligation	18,444	264	-	18,708	-
Other Post-Employment Benefit Obligation	-	34,865	-	34,865	-
Total Governmental Activities	$470,815	$283,511	$230,420	$523,906	$87,050
Business-Type Activities:					
Compensated Absences	$718	$32	$ -	$750	$162
Total Business-Type Activities	$718	$32	$ -	$750	$162

Debt service requirements (principal and interest) for COP's and other financing arrangements of the primary government, from June 30, 2008 until maturity, are summarized as follows:

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

	Governmental Funds			Internal Service Funds		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2009	$ 10,084	$ 1,047	$ 11,131	$ 36,326	$ 10,217	$ 46,543
2010	9,423	572	9,995	28,579	9,463	38,042
2011	3,572	223	3,795	23,777	8,298	32,075
2012	1,757	94	1,851	21,302	7,358	28,660
2013	359	34	393	20,624	6,520	27,144
2014 - 2018	541	63	604	77,344	20,776	98,120
2019 - 2023	-	-	-	37,870	5,848	43,718
2024 - 2028	-	-	-	10,410	1,635	12,045
2029 - 2033	-	-	-	1,450	36	1,486
Total	$ 25,736	$ 2,033	$ 27,769	$ 257,682	$ 70,151	$ 327,833

CONDUIT DEBT OBLIGATIONS

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

PLEDGED FUTURE REVENUES

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

Total principal and interest requirements over the life of the bonds are $60.2 million, with annual requirements of up to $5.6 million. Federal transportation funds received by the State for the federal fiscal year preceding the issuance of the bonds totaled $175 million. Total federal transportation funds received in federal fiscal year 2008 were $146.5 million. Current year payments to MMBB were $5.5 million (3.8 percent of federal transportation funds received).

OBLIGATIONS UNDER CAPITAL LEASES

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

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

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

Leases that exist between the State and the Maine Governmental Facilities Authority (MGFA), a blended component unit, are not recorded as leases in this report. In their separately issued financial statements, MGFA records a lease receivable from the State. Although payables and receivables technically exist between these parties, when combined for government-wide reporting, they are eliminated. A long-term liability exists on the government-wide statements for the bonds issued by MGFA to construct the assets associated with the leases. Future payments to MGFA are, therefore, not included in the schedule of lease commitments below. At June 30, 2008 capital assets include $68.1 million of capitalized buildings in the internal service funds, net of related accumulated depreciation of $34.9 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 $2.0 million during the year.

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

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

Fiscal Year	Capital Leases	Operating Leases
2009	$ 6,247	$ 1,343
2010	5,608	809
2011	5,328	464
2012	5,090	360
2013	4,082	269
2014-2018	14,291	645
2019-2023	4,510	2
2024-2028	1,114	-
2029-2033	-	-
Total Minimum Payments	46,270	$ 3,892
Less: Amount Representing Interest	8,748	
Present Value of Future Minimum Payments	$ 37,522	

MGFA Revenue Bonds, COP's and Other Financing Arrangements

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

Claims Payable

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

Compensated Absences

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

COMPONENT UNITS

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

Component Unit Bonds Outstanding
(Expressed in Thousands)

Component Unit	Interest Rates	Amount	Maturity Dates
Finance Authority of Maine	1.0 - 3.31%	303,938	2025 – 2037
Maine Community College System	4.0 - 5.0%	23,399	2012 - 2036
Maine Health and Higher Educational Facilities Authority			
debt	2.0 - 6.2%	1,452,195	1993 - 2038
conduit debt	4.5- 7.3%	49,880	1990 - 2043
Maine Municipal Bond Bank	1.0 - 10.25%	1,085,613	1991 – 2038
Maine State Housing Authority	2.35 - 6.40%	1,550,529	2008 – 2039
University of Maine System	2.0 - 5.75%	216,911	2000 – 2037

MHHEFA advance refunded various bond obligations in prior years. Proceeds were primarily used to purchase U.S. Government securities that will provide for future payment on the debt. Between July 18, 2007 and June 19, 2008, MHHEFA issued $279.2 million Series 2007A, 2008A, 2008B and 2008C revenue bonds with either variable interest rates or an average interest rate of 4.75 percent or 4.38 percent. A portion of the $241.7 million proceeds was used to refund $237.0 million of outstanding bonds. At June 30, 2008, there were approximately $97.0 million of in-substance defeased bonds remaining outstanding with respect to all advance-refunded issues within the reserve fund and taxable fund resolutions. Approximately $160.0 million of the total $237.0 million reserve fund bonds refunded in 2008 were immediately called. At June 30, 2008, there were approximately $38.3 million of defeased bonds outstanding with respect to advance refunded bond issues of the general resolution. The general resolution bonds are considered conduit debt.

UMS advance refunded various bond obligations in prior years. Proceeds were primarily used to purchase U.S. Government securities that will provide for future payment on the debt. The refunding resulted in a deferred amount on refunding of $841 thousand, of which the unamortized balance was $120 thousand as of June 30, 2008. At June 30, 2008, $41.2 million of advance refunded bonds remained outstanding.

In periods of declining interest rates, MMBB has refunded 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. At June 30, 2008, the remaining balances of the General Tax-Exempt Fund Group in-substance defeased bonds total approximately $154 million.

For the period ended December 31, 2007, MSHA redeemed $251.9 million of its Mortgage Purchase Fund bonds from reserve funds, mortgage prepayments, surplus revenues and the proceeds of refunding bonds. Mortgage Purchase Fund losses of $345 thousand were attributable to recognition of the redemption premium, bond discount and debt issuance expenses associated with the redeemed bonds.

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

Component Units Principal Maturities
(Expressed in Thousands)

Fiscal Year Ending	FAME	MMBB	MCCS	MSHA	UMS	MHHEFA
2009	$ 54	$ 102,763	$ -	$ 41,245	$ 7,475	$ 40,955
2010	54	99,881	-	43,755	7,885	50,680
2011	55	97,510	-	202,927	8,325	52,925
2012	55	88,758	-	41,200	39,225	57,710
2013	56	82,776	545	45,630	7,410	62,190
2014-2018	289	323,324	3,065	217,575	36,900	305,980
2019-2023	303	199,445	3,775	273,515	35,040	301,885
2024-2028	114	80,390	4,790	254,035	31,550	264,780
2029-2033	69,500	7,385	6,095	259,995	30,800	204,575
2034-2038	234,500	2,545	4,352	163,295	8,865	107,750
2039-2043	-	-	-	22,560	-	2,765
2044-2048	-	-	-	-	-	-
Net unamortized premium or (deferred amount)	(1,042)	836	777	(15,203)	3,436	-
Total Principal Payments	$ 303,938	$ 1,085,613	$ 23,399	$ 1,550,529	$ 216,911	$ 1,452,195

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. All departments have elected to insure through the Risk Management Division. The Department of Transportation elected to purchase general liability insurance as of April 1, 2007; in prior fiscal years the Department of Transportation had elected not to purchase general liability insurance through the Risk Management Division.

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 *	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	400 thousand	400 thousand	none
Bonding	500 thousand	500 thousand	none
Foster Parents	300 thousand	300 thousand	none
Inland Marine (various policies)	1 million	1 million	none

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

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

All risk-financing liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims liabilities represent the estimated cost of claims as of March 31, 2008. 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, 2008 and 2007, the present value of the claims payable for the State's self-insurance plan was estimated at $3.5 million and $3.2 million, respectively. The actuary calculated this based on the State's rate on investments.

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

	2008	2007
Liability at Beginning of Year	$ 3,190	$ 3,190
Current Year Claims and Changes in Estimates	1,058	683
Claims Payments	723	683
Liability at End of Year	$ 3,525	$ 3,190

As of June 30, 2008, fund assets of $21.6 million exceeded fund liabilities of $4.0 million by $17.6 million. The portion of this amount that may be reserved for catastrophic losses has not been determined.

In the past, general liability insurance coverage excluded lawsuits brought by employees. Therefore, the loss history used by the actuary to project claims did not include the effects of any such lawsuits. Effective July 1, 1999, the State added $50 thousand coverage per occurrence for the cost of defending the State in any such lawsuits. Effective July 1, 2000, the State increased coverage to include both defense and indemnification costs up to $400 thousand. The effect of this change has been partially incorporated into the estimate used to determine claims payable as of June 30, 2008.

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 $875.8 thousand for the fiscal year ended June 30, 2008.

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, 2008:

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

	2008	2007
Liability at Beginning of Year	$ 45,358	$ 53,343
Current Year Claims and Changes in Estimates	9,474	474
Claims Payments	9,474	8,459
Liability at End of Year	$ 45,358	$ 45,358

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

D. Employee Health Insurance

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

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

There are two primary health plans available. HMO Choice is a point-of-service plan available to all active employees and retirees not eligible for Medicare. The Group Companion Plan is a supplement to Medicare Parts A & B and is available to Medicare eligible retirees. Total enrollment averaged approximately 40,100 covered individuals. This total includes 29,000 active employees and dependents, 4,400 pre-Medicare retirees and dependents, and 6,700 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, 2008, the State recorded a receivable of $155 thousand for an overpayment of health care premiums.

Expenses and liabilities for incurred but not reported claims, based on an actuarial analysis of claim lag pattern, have been recorded as liabilities in the amount of $17.4 million. Changes in the Employee Health Insurance and Retiree Health Insurance claims liability for the fiscal year ending June 30, 2008 follows (in thousands):

	Employee Health Fund	Retiree Health Fund
Liability at Beginning of Year	$ 9,946	$ 5,602
Current Year Claims and Changes in Estimates	118,715	54,557
Claims Payments	117,705	53,577
Liability at End of Year	$ 10,956	$ 6,582

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. $41.5 million in retiree healthcare costs were reclassified from the internal service fund to the OPEB Trust Fund, a fiduciary fund. Additionally, $25 million of active employee healthcare costs was reclassified from the internal service fund to the OPEB Trust Fund to reflect age-adjusted claims.

NOTE 13 – JOINT VENTURES

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

Tri-State Lotto Commission

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

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

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

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

The Tri-State Lotto Commission financial report for fiscal year 2008, 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	$	35,817
Noncurrent Assets		82,496
Total Assets	$	118,313
Current Liabilities	$	24,139
Long-term Liabilities		78,561
Total Liabilities		102,700
Designated Prize Reserves		4,096
Reserve for Unrealized Gains		11,517
Total Net Assets		15,613
Total Liabilities and Net Assets	$	118,313
Total Revenue	$	73,901
Total Expenses		49,692
Allocation to Member States		24,209
Change in Unrealized Gain on Investments Held for Resale		3,217
Change in Net Assets	$	3,217

Multi-State Lottery Association

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

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

The Multi-State Lottery Association's financial report for fiscal year 2008, 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	$ 100,901
Investments in US Government Securities	123,273
US Government Securities Held for Prize Annuities	651,055
Due from Party Lotteries	23,131
Other Assets	1,342
Total Assets	$ 899,702
Amount Held for Future Prizes	$ 204,932
Grand Prize Annuities Payable	681,867
Other Liabilities	12,628
	899,427
Net Assets, Unrestricted	275
Total Liabilities and Net Assets	$ 899,702
Total Revenue	$ 4,204
Total Expenses	4,126
Excess of revenue over expenses	78
Net assets, beginning	197
Net assets, ending	$ 275

NOTE 14 - RELATED PARTY TRANSACTIONS

PRIMARY GOVERNMENT

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

By statute, program assets are held by the Treasurer of the State of Maine. FAME and the Treasurer of the State of Maine have entered into a management agreement for the Treasurer to act as a fiduciary of the Fund. The Treasurer is responsible for investment of the Fund and determining, with the advice of the Advisory Committee on College Savings, the proper allocation of the investments of the Fund. The NextGen had approximately $5.3 billion in net assets at June 30, 2008, which have been recorded in an Agency Fund on the financial statements of the State.

The State of Maine pays a local company as a provider for mental health and independent living services through the MaineCare program. The Executive Director of the Company also serves as House Chair of the Joint Standing Committee on Health and Human Services in the Maine Legislature. During fiscal 2008, the State paid $14 million for these services; $5 million from the General Fund and $9 million from the Federal Fund. At June 30, 2008, the State owed $705 thousand to this vendor.

The State of Maine pays a family owned company as a provider for road reconstruction through the Department of Transportation. The family includes a House Representative on the Utilities and Energy Committee. During fiscal 2008, the State paid $7.7 million for these services; $6.4 million from the Highway Fund, $1.1 million from the Other Special Revenue Fund and $.2 million from the Capital Projects Fund. At June 30, 2008, the State owed $613 thousand to this vendor.

The State of Maine pays subsidiaries of a local business for nursing facilities medical care services for seniors. The Chief Executive Officer of the company is the spouse of a Deputy Director. During fiscal 2008, the State paid $10.8 million for these services; $3.9 million from the General Fund and $6.9 million from the Federal Fund. At June 30, 2008, the State had no outstanding balance with this vendor.

The State of Maine pays a local non-profit to provide medical care, nursing facilities and MaineCare services to individuals with developmental disabilities. The Chief Executive Officer of the company is the spouse of the Commissioner of the Department of Health and Human Services. During fiscal 2008, the State paid $4.4 million for these services; $2.7 million from the Federal Fund and $1.7 million from the General Fund. At June 30, 2008, the State had no outstanding balance with this vendor.

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

COMPONENT UNITS

The State provided appropriations and grant monies to the following discretely presented component units: University of Maine System, $231.4 million; Maine Community College System, $57.1 million; Maine Municipal Bond Bank, $3.4 million; Finance Authority of Maine, $16.8 million; and Maine State Housing Authority, $9.7 million.

FAME administers several revolving loan funds on behalf of the State of Maine. FAME recorded these funds, which total $32.7 million at June 30, 2008, as a liability in Amounts Held Under State Revolving Loan Programs in their financial statements. The state reports the asset as a receivable in the Special Revenue Fund. During fiscal year 2008, the State expended $4.6 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. During fiscal year 2007, the NextGen College Savings grant funds and the Maine State Grant funds were pooled into the new State of Maine Grant. FAME paid approximately $8.6 million in grants to the University of Maine System (UMS) on behalf of eligible students. The UMS reflected these as grant revenues from the State.

RELATED ORGANIZATIONS

The State receives transfers in the amount of the annual operating surplus from the Maine Turnpike Authority under the Sensible Transportation Act of 1991. The Legislature defined operating surplus within the Maine Turnpike Authority statute to be the total operating revenues of the Authority after money has been set aside to pay reasonable operating expenses and to meet the requirements of any resolution authorizing bonds. The Authority, with the concurrence of the Maine Department of Transportation, established the operating surplus at $4.7 million annually. The payment of debt service costs in connection with the issuance of the Series 1996 Special Obligation Bonds is considered to constitute payment of the operating surplus for the year 2008.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

PRIMARY GOVERNMENT

LITIGATION

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

Franklin Memorial Hospital v DHHS. The issue in this case is whether DHHS has failed to issue interim settlements for the fiscal years 2005 and 2006, and if so, whether DHHS is required legally to issue those interim settlements. Maine regulations require that payment follows within 30 days of settlements. The complaint alleges that DHHS owes Franklin approximately $3.0 million for 2005 and $1.7 million for 2006. Should the plaintiff prevail, many other outstanding hospital settlements would be affected. Status: DHHS prevailed in Superior Court and Franklin has filed an appeal. The potential for expenditure is moderate.

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

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

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

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

FEDERAL GRANTS

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

MUNICIPAL SOLID WASTE LANDFILLS

Title 38 MRSA §1310-F, establishes within the Department of Environmental Protection (DEP) a cost-sharing program for the closure and remediation of municipal solid waste landfills that pose an actual or potential hazard to the environment and public health. The State's obligation to provide cost sharing to municipalities is subject to the availability of funds approved for that purpose. State expenditures for landfill remediation projects totaled $28 thousand for fiscal year 2008.

During the 2008 fiscal year, no State general funds or bond funds were expended for municipal solid waste landfill closure projects. After January 1, 2000, the State is no longer liable for the costs relating to the closure of municipal solid waste landfills, except the Commissioner may make grants or payments up to 30 percent, if they are incurred pursuant to an alternative closure schedule approved by DEP prior to January 1, 2000, and if they are specifically identified in a department order or license, schedule of compliance or consent agreement. No reimbursement applications for past closure costs are on file. No additional cost share eligible closures have been approved by DEP. Consequently, the DEP expects no further expenditures for municipal landfill closures.

During the 2008 fiscal year, the State expended $28 thousand of general obligation bond funds for municipal solid waste landfill remediation projects. Remediation funding, subject to the availability of funds, will continue for 90 percent of the cost of remediation for threats posed by a municipal landfill to wells or other structures constructed on or before December 31, 1999. The maximum reimbursement for remediation funding is 50 percent for structures constructed after that date. The DEP recognizes that, in the future, some landfills will require State funds for post closure investigation and remediation activities. The DEP has estimated the amount of these potential future costs could be as much as $5 million, based on current site knowledge, the increasing frequency of residential development near closed municipal landfills, the discovery of older abandoned dump sites now occupied by residential homes, and recent issues involving gas migration from two municipal landfills in the state. Approximately $18 thousand remains in the existing municipal landfill bond account. The bond approved by the voters on the June 2008 ballot will be insufficient to fully cover identified obligations. Additional bond funds will be necessary to cover these outstanding remedial obligations.

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 $24 million. This consists of approximately $18 million for State-owned facilities and approximately $6 million for the State's share, under a cost sharing arrangement, for municipal facilities.

POLLUTION ABATEMENT PROGRAM

Title 38 MRSA § 411 establishes within DEP a cost-sharing program for pollution abatement projects. Subject to funding by the Legislature and the approval of the Commissioner, the State may contribute to the design, engineering and construction of municipal pollution abatement facilities. During the 2008 fiscal year, $2.8 million of general obligation bond funds were expended for pollution abatement projects. As of June 30, 2008, amounts encumbered for pollution abatement projects totaled $6.6 million; and general obligation bonds authorized for these projects, but not yet encumbered or expended, totaled $7.5 million. As of June 30, 2008, DEP estimated the total cost (federal, State, and local) of future projects to be $422 million.

DESIGNATION AS A POTENTIALLY RESPONSIBLE PARTY BY THE ENVIRONMENTAL PROTECTION AGENCY

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

GROUND WATER OIL CLEAN-UP FUND

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

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

CONSTRUCTION COMMITMENTS

A portion of the payment that is made to municipalities for General Purpose Aid to Local Schools is allocated for debt service. Although the outstanding indebtedness for school construction projects is debt of the municipalities, the State subsidizes 54.0 percent of the annual payments. As of June 30, 2008, outstanding commitments by municipalities for school bond issues that are eligible for State subsidy totaled $837.3 million.

At June 30, 2008, the Department of Transportation had contractual commitments of approximately $59.5 million for construction of various highway projects. The State's share of that amount is expected to be approximately $11.2 million. Of these amounts, $2.2 million has already been accrued. Federal and State funds plus bond proceeds are expected to fund these future expenditures.

TOBACCO SETTLEMENTS

On November 23, 1998, Maine along with 45 other states and five civil jurisdictions (known under the MSA as the "Settling States"), entered into a Master Settlement Agreement (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 a variety of misconduct and claiming 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 allocated 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 the PM's are entitled to an NPM adjustment, which in effect means for the challenged sales year they owe less money to a losing State or States. However, a State that has passed qualifying statue imposing escrow requirements on NPM's and that 'diligently enforced' that qualifying statue is not liable for any amount of that NPM adjustment. Due to the provisions of the MSA, a losing State 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 due to the NPM adjustment claims of many of the PM's. 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.

In the MSA, the PM's have also agreed to pay $8.6 billion in Strategic Contribution Payments (SCP) to certain states and jurisdictions as compensation for their contribution to the overall settlement. Maine's share of this total amount is approximately $114 million. Maine will receive this amount through ten annual SCP payments starting in 2008. In April 2008, Maine received a total of $58.2 million including both the annual payment amount and the strategic contribution amount.

DIRIGO HEALTH AGENCY

Savings Offset Payment

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

For the first Savings Offset Payment, the State Superintendent of Insurance determined that $43.7 million was saved in the health care system because of Dirigo Health. The Board established a percentage of .02408 to be applied to claims paid by health insurance carriers, employee benefit excess insurance carriers and third party administrators. In SFY 2008, the Agency collected $7.9 million of this first assessment. The Agency does not anticipate any further collections for the first Savings Offset Payment.

For the second Savings Offset Payment, the State Superintendent of Insurance determined that $34.3 million was saved in the health care system because of Dirigo Health. The Board established a percentage of .0185 to be applied to claims paid by health insurance carriers, employee benefit excess insurance carriers and third party administrators. In SFY 2008, the Agency collected $13.4 million of this second assessment. The Agency expects to collect the remaining $18.7 million in SFY 2009 for the second Savings Offset Payment.

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, 2008, the Fund included $14.2 million of securities not yet liquidated that were not subject to transfer to the General Fund. Net collections from inception (1979) to June 30, 2008 of approximately $144.1 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, 2008, the amount reported in the Fund for claimant liability is $24.9 million. The General Fund shows a $16.9 million payable to the Escheat Fund.

NURSING HOME LOANS

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

MHHEFA advanced approximately $613 thousand from the operating fund as of June 30, 2008 to other financially troubled institutions, with combined loan amounts due the Authority of approximately $10.1 million at June 30, 2008, including loans of $9.4 million reserved at June 30, 2008. These advances were primarily made to assist these institutions in meeting debt service requirements in years prior to fiscal 2008. MHHEFA also has approximately $.4 million of other receivables outstanding with the operating fund at June 30, 2008, primarily related to amounts due from institutions to reimburse the Authority for arbitrage rebate payments made on their behalf. MHHEFA established a $.9 million reserve in its operating fund related to the above loans, advances and other receivables outstanding.

CONSTITUTIONAL OBLIGATIONS

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, 2008, loans outstanding pursuant to these authorizations are $40.1 million, less than $1 million, and less than $1 million, respectively. The State has not paid, nor does it expect to pay, any amounts as a result of these authorizations as of June 30, 2008.

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, 2008, 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, 2008.

TARGETED CASE MANAGEMENT

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

MORAL OBLIGATIONS

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

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

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

The following summarizes information regarding outstanding moral obligations:

Moral Obligation Bonds
(Expressed in Thousands)

Issuer	**Bonds Outstanding**	**Required Debt Reserve**	**Obligation Debt Limit**	**Legal Citation**
Maine Health and Higher Educational Facilities Authority - debt	$ 1,452,195	$116,098	no limit	22 MRSA § 2075
conduit debt	49,880		no limit	22 MRSA § 2075
Finance Authority of Maine	36,287	-	$ 700,795	10 MRSA §1032, 1053
	-	-	50,000	20-A MRSA §11449
	-	-	50,000	38 MRSA §2221
Loring Development Authority *	-	-	100,000	5 MRSA §13080-N
Maine Municipal Bond Bank	1,084,778	126,731	no limit	30-A MRSA §6006
Maine Educational Loan Authority *	32,115	1,285	50,000	20-A MRSA §11424
Maine State Housing Authority	1,404,720	125,519	2,150,000	30-A MRSA §4906
Total	$ 4,059,975	$369,633		

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

NOTE 16 - SUBSEQUENT EVENTS

PRIMARY GOVERNMENT

On August 14, 2008, October 16, 2008, and January 23, 2009, the State issued $58.6 million, $24.5 million, and $28.9 million respectively, of Bond Anticipation Notes that mature on June 17, 2009.

COMPONENT UNITS

On March 1, 2008 the Maine State Housing Authority (MSHA) redeemed $10.4 million of its 2005 Series A and B General Housing Draw Down bonds, with variable interest rates maturing in 2010. On January 29, 2008, MSHA issued a total of $50 million 2008 Series A-1, A-2 and B Mortgage Purchase Fund bonds at par, with variable interest rates with maturities from 2016 to 2041. On March 12, 2008, MSHA committed to redeem $22 million of various series of its Mortgage Purchase Program bonds at par. The bonds carried interest rates from 3.65 percent to 5.60 percent, and maturities from 2008 to 2035.

On September 1, 2008, the Maine Municipal Bond Bank issued $50 million of Series 2008A Grant Anticipation Bonds. The bonds mature from 2009 to 2020 and carry an interest rate ranging from 3.25 percent to 4.00 percent.

Maine Health and Higher Educational Facilities Authority entered into an asset purchase and sale agreement to sell all of the assets of Portland Center for Assisted Living to a third-party. The parties have agreed to a purchase price and are awaiting final approval from the Department of Health and Human Services. If the transaction closes, the purchase price will exceed the carrying value of the assets sold.

In accordance with the Higher Education Loan Purchase Program, the Finance Authority of Maine (FAME) committed to lend up to $25 million to a lending partner for the purpose of originating FFELP student loans.

COMMERCIAL PAPER

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

As of June 30, 2008 Mainsail had a fair market value of $6.7 million. On August 28, 2008 the State came to an agreement with Merrill Lynch which involved the purchase of Mainsail at the price paid by the State, approximately $20 million.

FINANCIAL MARKETS

Investments are reported at fair value as of June 30, 2008. Subsequent to year-end, financial markets have experienced substantial volatility that has had a significant adverse impact on investment portfolios. As a result, certain investments reported in the accompanying financial statements have incurred significant declines in value. Because the values of individual investments fluctuate with market conditions, the amount of losses, if any, that the State will recognize in the future, cannot be determined.

FISCAL STABILIZATION

On February 12, 2009, the United States Congress enacted the American Recovery and Reinvestment Act of 2009 providing funds to all States to aid in the economic recovery of the U.S. economy. Funds are being made available for infrastructure and economic development, energy efficiency projects, assistance to the unemployed, and for state and local government fiscal stabilization. It is estimated that the State of Maine will receive approximately $1.2 billion in additional federal aid over the next two and half years. This bill was signed into law on February 17, 2009.

NOTE 17 – SPECIAL ITEMS

The Retiree Health Insurance Post-employment Benefits Investment Trust Fund is established as an irrevocable trust for the sole purpose of holding and investing funds appropriated or otherwise provided to the investment trust fund for the benefit of the Irrevocable Trust Fund for Other Post-employment Benefits established in Title 5 MRSA § 286-B with respect to the State's liabilities for retiree health benefits. The purpose of accumulating assets in this investment trust fund is to provide funding of the State's unfunded liability obligations for retiree health benefits. Funds appropriated for the irrevocable trust must be held in trust and must be invested or disbursed for the exclusive purpose of providing for retiree health benefits and may not be encumbered for, or diverted to, other purposes. Funds appropriated for the irrevocable trust fund may not be diverted or deappropriated by any subsequent action. On January 21, 2008 the State transferred $100 million to the Maine Public Employees Retirement System for the Retiree Health Insurance Post-Employment Benefits Investment Trust Fund.


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MAINE

STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

Fiscal Year Ended June 30, 2008
(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	$ 2,987,226	$ 2,943,976	$ 2,976,959	$ 32,983	$ 234,551	223,369	$ 225,235	$ 1,866
Assessments and Other	108,281	110,744	114,302	3,558	93,611	92,216	92,023	(193)
Federal Grants	16,256	10,950	11,041	91	-	465	3,983	3,518
Service Charges	40,161	38,380	47,288	8,908	5,474	5,030	6,995	1,965
Income from Investments	4,500	900	4,452	3,552	795	1,000	1,152	152
Miscellaneous Revenue	17,971	11,320	6,521	(4,799)	2,244	2,185	(1,666)	(3,851)
Total Revenues	3,174,395	3,116,270	3,160,563	44,293	336,675	324,265	327,722	3,457
Expenditures								
Governmental Support and Operations	251,313	252,677	245,992	6,685	39,458	40,280	37,646	2,634
Economic Development & Workforce Training	40,600	39,695	38,253	1,442	-	-	-	-
Education	1,487,084	1,488,433	1,471,239	17,194	-	-	-	-
Health and Human Services	1,029,976	1,044,185	985,139	59,046	-	-	-	-
Business Licensing & Regulation	-	-	2	(2)	-	-	-	-
Natural Resources Development & Protection	74,700	75,024	72,957	2,067	37	37	28	9
Justice and Protection	266,892	269,326	262,299	7,027	37,058	36,941	35,476	1,465
Arts, Heritage & Cultural Enrichment	8,871	8,797	8,682	115	-	-	-	-
Transportation Safety & Development	-	-	-	-	267,191	303,487	276,294	27,193
Total Expenditures	3,159,436	3,178,137	3,084,563	93,574	343,744	380,745	349,444	31,301
Revenues Over (Under) Expenditures	14,959	(61,867)	76,000	137,867	(7,069)	(56,480)	(21,722)	34,758
Other Financing Sources (Uses)								
Operating Transfers Net	(68,732)	(75,529)	(20,073)	55,456	2,472	2,092	6,569	4,477
Net Other Financing Sources (Uses)	(68,732)	(75,529)	(20,073)	55,456	2,472	2,092	6,569	4,477
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ (53,773)	$ (137,396)	$ 55,927	$ 193,323	$ (4,597)	$ (54,388)	$ (15,153)	$ 39,235
Fund Balances at Beginning of Year (As Restated)			265,424				130,067	
Fund Balances at End of Year			$ 321,351				$ 114,914	

Federal Funds				Other Special Revenue Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
$ -	$ -	$ -	$ -	$ 194,631	$ 218,361	$ 212,033	$ (6,328)
-	-	160	160	121,308	125,968	108,515	(17,453)
2,530,365	2,637,181	2,198,403	(438,778)	13,590	15,549	6,950	(8,599)
932	932	1,478	546	141,954	152,300	147,623	(4,677)
17	17	293	276	2,169	2,224	2,218	(6)
4,056	4,611	(2,676)	(7,287)	243,007	250,934	176,301	(74,633)
2,535,370	2,642,741	2,197,658	(445,083)	716,659	765,336	653,640	(111,696)
9,269	15,860	6,991	8,869	161,569	178,255	160,309	17,946
120,445	126,458	81,058	45,400	29,684	32,881	24,105	8,776
188,953	202,448	178,762	23,686	6,305	9,328	5,871	3,457
1,898,019	1,927,941	1,667,197	260,744	469,410	489,292	400,857	88,435
822	955	488	467	76,238	77,907	65,113	12,794
41,764	48,297	32,000	16,297	112,743	122,379	89,020	33,359
101,214	137,806	65,346	72,460	37,185	41,241	32,935	8,306
3,279	3,371	2,490	881	1,986	2,140	1,261	879
191,893	194,310	155,760	38,550	14,605	21,105	17,731	3,374
2,555,658	2,657,446	2,190,092	467,354	909,725	974,528	797,202	177,326
(20,288)	(14,705)	7,566	22,271	(193,066)	(209,192)	(143,562)	65,630
258	258	(8,405)	(8,663)	164,481	145,321	134,105	(11,216)
258	258	(8,405)	(8,663)	164,481	145,321	134,105	(11,216)
$ (20,030)	$ (14,447)	$ (839)	$ 13,608	$ (28,585)	$ (63,871)	$ (9,457)	$ 54,414
		3,522				231,574	
		$ 2,683				$ 222,117	


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MAINE

STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION

Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	General Fund	Highway Fund	Federal Funds	Special Revenue Fund
Fund Balances - Non-GAAP Budgetary Basis	$ 321,351	$ 114,914	$ 2,683	$ 222,117
Basis Differences				
Revenue Accruals/Adjustments:				
Taxes Receivable	210,261	(2,383)	-	8,552
Intergovernmental Receivables	-	-	691,834	-
Other Receivables	41,922	1,683	62,173	71,335
Inventories	1,982	-	613	-
Due from Component Units	51		10	
Due from Other Funds	6,886	5,345	15,141	63,394
Other Assets	-	-	-	-
Deferred Revenues	(215,541)	(7,382)	(613)	(29,555)
Total Revenue Accruals/Adjustments	45,561	(2,737)	769,158	113,726
Expenditure Accruals/Adjustments:				
Accounts Payable	(372,783)	(25,433)	(622,459)	(30,476)
Due to Component Units	(3,371)	(58)	(9,911)	(1,474)
Bonds Issued	-	-	-	-
Accrued Liabilities	(16,782)	(9,953)	(5,667)	(8,064)
Taxes Payable	(147,561)	(158)	-	-
Intergovernmental Payables	-	(2,409)	(87,606)	-
Due to Other Funds	(64,887)	(76,429)	(8,043)	(4,745)
Total Expenditure Accruals/Adjustments	(605,384)	(114,440)	(733,686)	(44,759)
Fund Balances - GAAP Basis	$ (238,472)	$ (2,263)	$ 38,155	$ 291,084

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING

Statutory/Budgetary Presentation

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

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

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

Detailed budgetary control is maintained at the program and line category level at which appropriations and allocations are approved by the Legislature, principally through a quarterly allotment system. The State Budget Officer and the Governor must approve budget revisions during the year, reflecting program changes or intradepartmental administrative transfers. Except in specific instances, only the Legislature may transfer appropriations between departments. Increases in appropriation, allocation, or funding for new programs are presented to the Legislature as a supplemental budget. For the year ended June 30, 2008, the legislature deappropriated $19.5 million of original appropriations for the General Fund.

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

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

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

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

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

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

The budgetary comparison schedule presented for the General Fund, the Highway Fund, the Federal Fund, and the Other Special Revenue Fund presents the original and final appropriated budgets for fiscal year 2008-2009, 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 7, 2007, 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, 2008 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 Plan

Schedule of Funding Progress

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c)
Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL (as a percentage of covered payroll)
June 30, 2008	8,691,075,704	11,721,271,968	3,030,196,264	74.1%	1,628,421,362	186.1%
June 30, 2007	8,302,466,643	11,209,708,127	2,907,241,484	74.1%	1,595,199,514	182.2%
June 30, 2006	7,556,514,663	10,598,346,071	3,041,831,408	71.3%	1,546,315,522	196.7%
June 30, 2005	7,013,846,148	10,048,587,643	3,034,741,495	69.8%	1,516,390,862	200.1%
June 30, 2004	6,498,608,717	9,485,605,608	2,986,996,891	68.5%	1,472,429,214	202.9%
June 30, 2003	6,085,632,834	9,007,851,422	2,922,218,588	67.6%	1,442,278,362	202.6%

Major changes in actuarial assumptions include the following:

Valuation date	June 30, 2008	June 30, 2006	June 30, 2004
Actuarial assumptions:			
Investment rate of return	7.75%	7.75%	8.00%
Projected salary increases	4.75% - 10.00%	4.75% - 10.00%	5.50% - 9.50%
Includes inflation at	4.50%	4.50%	4.50%
Cost of living adjustments	3.75%	3.75%	4.00%

The Maine Public Retirement System (the System), which is a component unit of the State, is the administrator of an agent, multiple-employer, defined benefit public employee retirement system. The June 30, 2008 report may be obtained from the Maine Public Employees Retirement System, 46 State House Station, Augusta, ME 04333.

The System amortizes the unfunded liability of the State and teacher plan over a closed period that cannot be longer than 31 years from July 1, 1997 but may be, and at certain times has been, shorter than that period. In 2000, the amortization period was reduced to a 19-year period from June 30, 2000. In 2004, the Legislature relengthened the period to 25 years, the full extent of the then-remaining Constitutional years for the 2004-2005 biennium, and reshortened the period effective July 1, 2005 to the 13 years that will then remain in the earlier shortened period. In 2005, the State repealed the "sunset" provision, with the result that the period for reduction of these unfunded actuarial liabilities continues to the full extent permitted by the State constitution, or June 30, 2028. The contribution rate in effect for 2008 was determined by the 2006 valuation, as revised, and reflects the relengthened amortization period. The unfunded actuarial accrual liability of the judicial plan is amortized over a period of which 9 years remained at June 30, 2008.

Note: Actuarial valuations are performed biennially on even years. Rollforward valuations occur on odd numbered years. The latest actuarial valuation occurred June 30, 2008.

Required Supplementary Information – Other Post-employment Benefit Plans

Schedules of Funding Progress
(Expressed in millions)

State Employees Healthcare Plan

Actuarial Valuation Date	(a) Actuarial Value Of Assets	(b) Actuarial Accrued Liability (AAL) – Entry Age	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a)/c) UAAL (as a percentage of covered payroll)
June 30, 2008	98	1,242	1,144	7.89%	568	201.41%

Teachers Healthcare Plan

Actuarial Valuation Date	(a) Actuarial Value Of Assets	(b) Actuarial Accrued Liability (AAL) – Entry Age	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a)/c) UAAL (as a percentage of covered payroll)
June 30, 2008	$-	1,044	1,044	0.00%	1,160	90.00%

State Employees Group Life Insurance Plan

Actuarial Valuation Date	(a) Actuarial Value Of Assets	(b) Actuarial Accrued Liability (AAL) – Entry Age	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a)/c) UAAL (as a percentage of covered payroll)
June 30, 2008	21.1	64.9	43.8	32.51%	601.1	7.29%
June 30, 2007	20.8	65.2	44.4	31.90%	521.2	8.52%

Teachers Group Life Insurance Plan

Actuarial Valuation Date	(a) Actuarial Value Of Assets	(b) Actuarial Accrued Liability (AAL) – Entry Age	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a)/c) UAAL (as a percentage of covered payroll)
June 30, 2008	19.9	52.1	32.2	38.20%	591.1	5.45%
June 30, 2007	19.1	54.1	35.0	35.30%	559.1	6.26%

Schedules of Funding Progress
(Expressed in 000's)

First Responders Healthcare Plan

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c)
Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL (as a percentage of covered payroll)
June 30, 2008	$-	19,806	19,806	0.00%	51,021	38.82%

Schedule of Employer Contributions
(Expressed in 000's)

	Employer Contributions							
	State Employees			Teachers			First Responders	
Fiscal Year Ended	Annual Required Contribution	Percentage Contributed		Annual Required Contribution	Percentage Contributed		Annual Required Contribution	Percentage Contributed
June 30, 2008								
Healthcare	111,000	149.90%		46,000	38.38%		1,045	0%
Group Life	5,500	.42%					N/A	N/A

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

As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Assets accounted for under the modified approach include 8,816 highway miles or 17,912 lane miles of roads and 2,962 bridges having a total deck area of 11.5 million square feet that the State is responsible to maintain.

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

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

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

Highways

Measurement Scale for Highways

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

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

Bridges

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

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

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

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

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

Fiscal Year	Highways	Bridges
2008	75.6	79.0
2007	76.0	78.0
2006	75.0	77.0

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
(Amounts in millions)

	2008	2007	2006	2005	2004
Highways	$ 80.0	$ 71.7	$ 46.3	$ 42.1	$ 33.3
Bridges	1.6	1.6	4.8	4.0	2.0
Total	**$ 81.6**	**$ 73.3**	**$ 51.1**	**$ 46.1**	**$ 35.3**

Estimated Preservation Costs
(Amounts in millions)

	2008	2007	2006	2005	2004
Highways	$ 97.7	$ 59.7	$ 47.1	$ 43.8	$ 28.3
Bridges	2.0	1.3	4.9	4.2	1.7
Total	**$ 99.7**	**$ 61.0**	**$ 52.0**	**$ 48.0**	**$ 30.0**

Transportation Bonds
Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 39, PL 2007, $60 million was spent during FY2008.


DIRIGO
MAINE

INDEX TO FINANCIAL INFORMATION

Section II - Certain Information from the State Controller's Budgetary and Legal Requirements Reports for Fiscal Years 2004 through 2008 (Unaudited) **Page**

No representation is made hereby that the information set forth in Section II of Appendix B has been prepared in full conformity with generally accepted accounting principles.

GOVERNMENTAL FUNDS
COMBINED STATEMENT OF RESOURCES, EXPENDITURES AND CHANGES IN FUND EQUITY
For the Years Ended June 30
(thousands $000's)

	2004	2005	2006	2007	2008(2)
Revenues					
Taxes					
Sales, Use and Service Provider Tax	$ 996,147	$1,033,595	$1,105,148	$1,142,801	$1,157,608
Individual Income Tax	1,226,380	1,345,416	1,323,049	1,427,163	1,521,890
Corporate Income Tax	117,308	142,792	197,604	193,184	216,503
Cigarette and Tobacco Tax	96,605	96,351	156,951	158,953	150,499
Inheritance and Estate Tax	32,076	32,256	75,331	54,820	39,891
Gasoline, Use Fuel and Motor Carrier Tax	216,044	224,033	225,889	231,214	229,600
Insurance Tax	99,116	93,326	103,108	89,437	102,032
Public Utilities Tax	49,831	50,515	45,975	40,758	49,564
Other Industry or Occupation Taxes	93,694	131,831	150,888	202,616	182,327
Real Estate Transfer Tax	28,412	32,995	33,953	29,355	24,685
Unorganized Territories Property Tax	16,266	17,264	19,354	19,864	19,159
Other Taxes	28,035	28,470	41,073	9,047	15,003
Total Taxes	2,999,914	3,228,844	3,478,323	3,599,212	3,708,762
From Federal Government	2,330,556	2,323,057	2,372,356	2,166,136	2,211,181
From Cities, Towns and Counties	13,873	9,945	8,264	12,050	13,672
From Private Sources	184,033	173,608	171,569	168,051	189,838
Service Charge for Current Services	204,926	234,561	196,689	153,736	157,515
Fines, Forfeitures & Penalties	47,290	43,800	47,908	52,386	55,033
Vehicle Registration and Drivers Licenses	85,772	87,801	90,830	90,457	89,096
Hunting, Fishing and Related Licenses	18,581	18,275	18,262	18,566	17,917
Transferred from Bureau of Alcoholic Beverages	27,183	(155)	26	–	–
Transferred from Lottery Commission	41,273	49,328	51,788	50,625	49,491
Transferred from Other Funds	55,548	42,543	30,881	30,958	30,998
Transferred for Revenue Sharing	(111,464)	(119,713)	(124,222)	(130,491)	(135,820)
Income from Investments	7,464	13,078	16,228	9,672	5,861
Other Revenues	9,496	13,094	9,207	11,680	30,266
	2,914,531	2,889,224	2,889,786	2,633,826	2,715,049
Other Financial Resources					
Proceeds of General Obligation Bonds	130,275	144,325	52,944	61,535	108,590
Other	(11,191)	55,349	(89,766)	36,912	29,219
Total Revenues and Resources	6,033,529	6,317,742	6,331,287	6,331,485	6,561,621
Expenditures(1)					
Governmental Support & Operations	512,886	483,930	426,868	448,559	458,393
Arts, Heritage & Cultural Enrichment	12,734	13,329	12,564	13,349	12,710
Business Licensing & Regulation	47,060	52,025	55,207	60,357	65,603
Economic Development & Workforce Training	182,623	177,525	163,136	164,201	151,141
Education	1,358,734	1,427,663	1,496,135	1,620,175	1,668,137
Health & Human Services	2,784,166	2,889,647	3,039,911	2,983,031	3,055,914
Justice & Protection	330,457	373,969	410,304	396,099	396,502
Manpower	-	-		-	-
Natural Resources Development & Protection	199,504	184,554	187,130	202,609	198,049
Transportation Safety & Development	479,893	494,062	497,402	494,624	522,473
Total Expenditures	5,908,057	6,096,704	6,288,657	6,383,004	6,528,922
Excess Resources Over (Under) Expenditures	125,472	221,038	42,630	(51,519)	32,699
Fund Equity July 1 of preceding calendar year	336,359	461,831	682,866	725,572	660,728
Fund Equity June 30	$ 461,831	$ 682,869	$ 725,496	$ 674,053	$ 693,427

(1) 2004 expenditures depict a statutory realignment of agencies among policy areas. Prior year amounts were not restated. Therefore, comparisons between 2004 and prior years may not be possible in certain instances.

(2)Fund Equity for General Fund as restated.

GENERAL FUND

COMBINED STATEMENT OF RESOURCES, EXPENDITURES AND CHANGES IN FUND EQUITY

For the Years Ended June 30

(thousands $000's)

	2004	2005	2006	2007	2008(6)
Revenues					
Taxes					
Sales, Use and Service Provider Tax	$ 917,243	$ 941,222	$ 993,203	$ 1,020,856	$ 1,035,158
Individual Income Tax	1,164,070	1,277,638	1,254,511	1,353,934	1,443,468
Corporate Income Tax	111,616	135,863	188,015	183,853	207,093
Cigarette and Tobacco Tax	96,605	96,351	156,951	158,953	150,499
Inheritance and Estate Tax	32,076	32,256	75,331	54,820	39,891
Insurance Tax	72,206	75,669	76,066	74,452	72,293
Public Utilities Tax	27,991	25,403	20,627	16,317	16,858
Other Industry or Occupation Taxes	19,514	30,842	36,242	72,180	50,340
Real Estate Transfer Tax	22,196	24,113	24,595	22,207	17,465
Unorganized Territories Property Tax	10,709	10,623	11,559	11,376	12,217
Other Taxes	18,942	19,021	31,215	2,956	3,809
Total Taxes	2,493,168	2,669,001	2,868,315	2,971,904	3,049,092
From Federal Government	23,138	24,308	17,987	15,311	11,040
From Cities, Towns and Counties	5,894	1,768	57	116	163
From Private Sources	4,039	2,664	5,379	6,500	8,023
Service Charges for Current Services	110,827	81,126	35,196	30,256	26,157
Fines, Forfeitures & Penalties	38,219	35,507	37,781	41,415	44,466
Hunting, Fishing and Related Licenses	16,898	16,691	16,840	16,401	15,683
Transferred from Bureau of Alcoholic Beverages	27,183	(155)	26	0	0
Transferred from Lottery Commission	41,273	49,328	50,880	50,625	49,491
Transferred from Other Funds	31,545	24,233	15,090	15,051	18,823
Transferred for Revenue Sharing	(111,464)	(119,713)	(124,222)	(130,491)	(135,820)
Income from Investments	2,310	5,855	8,272	1,216	1,074
Other Revenues	510	232	224	4,247	21,724
	190,372	121,844	63,510	50,647	60,324
Other Financial Resources					
Proceeds of General Obligation Bonds	-	-	-	-	-
Other	(56,265)	27,688	(49,100)	14,134	31,074
Total Revenues and Resources	2,627,275	2,818,533	2,882,725	3,036,684	3,140,490
Expenditures (5)					
Governmental Support & Operations (1)	302,843	297,169	228,574	253,529	245,992
Arts, Heritage & Cultural Enrichment	8,355	8,508	8,433	8,999	8,682
Business Licensing & Regulation	-	-	-	-	2
Economic Development & Workforce Training	48,019	41,756	45,361	40,668	38,253
Education (2)	1,145,855	1,206,089	1,277,692	1,419,036	1,471,239
Health & Human Services (3)	804,322	892,524	970,178	1,008,391	985,139
Justice & Protection	204,628	219,571	227,565	242,654	262,299
Manpower	-	-		-	-
Natural Resources Development & Protection	66,609	68,922	70,525	71,143	72,957
Transportation Safety & Development (4)	3,601	3,584	188	-	-
Total Expenditures	2,584,232	2,738,123	2,828,516	3,044,420	3,084,563
Excess Resources Over (Under) Expenditures	43,043	80,410	54,209	(7,736)	55,927
Fund Equity July 1 of preceding calendar year	108,824	151,867	232,277	286,486	265,424
Fund Equity June 30	$ 151,867	$ 232,277	$ 286,486	$ 278,750	$ 321,351

(1) Governmental Support & Operations includes the Governor's Office, the State Treasurer's Office and the Attorney General, Audit, Finance and Administration, Judicial, Legislative and State Departments.

(2) Education includes the Education Department, the Maine Technical College System, the Maine Maritime Academy and the University of Maine System.

(3) Health & Human Services includes the Human Services, Mental Health and Retardation and Corrections Departments.

(4) Transportation Safety & Development includes the Transportation Department.

(5) Beginning with 2004, expenditures depict a statutory realignment of agencies among policy areas. Prior year amounts were not restated. Therefore, comparisons between 2004 and prior years may not be possible in certain instances.

(6) Fund Equity as restated.

HIGHWAY FUND
STATEMENT OF RESOURCES, EXPENDITURES AND CHANGES IN FUND EQUITY
For the Years Ended June 30
(thousands $000's)

	2004	2005	2006	2007	2008
Revenues					
Taxes					
Gasoline, Use Fuel and Motor Carrier Tax	$212,601	$220,485	$221,575	$226,824	$225,235
Other Taxes	1,514	1,089	1,201	1,169	1,748
Total Taxes	214,115	221,574	222,776	227,993	226,983
From Federal Government	-	-	-	-	465
Service Charges for Current Services	4,977	4,988	5,397	5,440	5,038
Fines, Forfeitures & Penalties	1,919	1,518	1,810	1,668	1,183
Vehicle Registration and Drivers Licenses	85,772	87,801	90,830	90,457	89,096
Income from Investments	720	1,441	1,834	1,106	1,152
Other Revenues	4,525	8,756	3,899	4,062	4,188
	97,913	104,504	103,770	102,733	101,122
Other Financial Resources					
Proceeds of General Obligation Bonds	-	-	-	-	-
Other	(18,412)	(1,410)	(1,336)	15,179	6,185
Total Revenues and Resources	293,616	324,668	325,210	345,905	334,291
Expenditures (2)					
Governmental Support & Operations	30,773	34,239	34,304	35,405	37,646
Economic Development & Workforce Training	-	-	-	-	-
Justice & Protection	33,116	32,460	35,453	36,806	35,476
Natural Resources Development & Protection	34	30	33	40	28
Transportation Safety & Development (1)	219,420	232,868	245,443	272,746	276,294
Total Expenditures	283,343	299,597	315,233	344,997	349,444
Excess Resources Over (Under) Expenditures	10,273	25,071	9,977	908	(15,153)
Fund Equity July 1 of preceding calendar year	83,838	94,111	119,182	129,159	130,067
Fund Equity June 30	$ 94,111	$ 119,182	$129,159	$130,067	$114,914

(1) Includes payment of debt service on bonds of the State previously issued for highway purposes.

(2) Beginning with 2004, expenditures depict a statutory realignment of agencies among policy areas. Prior year amounts were not restated. Therefore, comparisons between 2004 and prior years may not be possible in certain instances.

OTHER SPECIAL REVENUES FUND
STATEMENT OF RESOURCES, EXPENDITURES AND CHANGES IN FUND EQUITY
For the Years Ended June 30
(thousands $000's)

	2004	2005	2006	2007	2008
Revenues					
Taxes					
Sales, Use and Service Provider Tax	$ 78,904	$ 92,374	$ 111,945	$ 121,944	$ 122,450
Individual Income Tax	62,310	67,778	68,538	73,229	78,422
Corporate Income Tax	5,692	6,929	9,589	9,332	9,410
Gasoline, Use Fuel and Motor Carrier Tax	3,443	3,548	4,314	4,390	4,365
Insurance Tax	26,910	17,657	27,042	14,985	29,740
Public Utilities Tax	21,840	25,112	25,348	24,441	32,705
Other Industry or Occupation Taxes	74,180	100,988	114,646	130,436	131,986
Real Estate Transfer Tax	6,216	8,882	9,358	7,148	7,220
Unorganized Territories Property Tax	5,557	6,641	7,795	8,488	6,941
Other Taxes	7,579	8,360	8,657	4,923	9,446
Total Taxes	292,631	338,269	387,232	399,316	432,687
From Federal Government	2,307,418	2,298,749	2,354,369	2,150,825	2,199,675
From Cities, Towns and Counties	7,979	8,177	8,207	11,934	13,509
From Private Sources	179,994	170,944	166,190	161,551	181,815
Service Charges for Current Services	89,122	148,448	156,096	118,040	126,320
Fines, Forfeitures & Penalties	7,152	6,775	8,317	9,303	9,385
Hunting, Fishing and Related Licenses	1,684	1,584	1,422	2,165	2,234
Transfers from Other Funds	24,003	18,310	16,699	15,907	12,676
Income from Investments	1,032	2,153	4,199	5,344	2,514
Other Revenues	4,189	3,938	5,080	3,371	4,355
	2,622,573	2,659,078	2,720,579	2,478,440	2,552,483
Other Financial Resources					
Proceeds of General Obligation Bonds	-	-	-	-	-
Other	77,610	31,708	(37,337)	10,008	(8,172)
Total Revenues and Resources	2,992,814	3,029,055	3,070,474	2,887,764	2,976,998
Expenditures (1)					
Governmental Support & Operations	163,332	143,526	154,236	154,215	167,300
Arts, Heritage & Cultural Enrichment	3,618	3,247	3,372	3,791	3,751
Business Licensing & Regulation	47,060	52,025	55,207	60,357	65,601
Economic Development & Workforce Training	126,004	112,620	110,875	113,633	105,163
Education	181,629	187,699	186,611	192,720	184,633
Health & Human Services	1,978,250	1,996,523	2,067,953	1,972,766	2,068,054
Justice & Protection	92,448	99,552	146,474	116,260	98,281
Manpower	-	-	-	-	-
Natural Resources Development & Protection	121,864	121,702	110,776	127,570	121,020
Transportation Safety & Development	208,710	224,576	239,314	182,571	173,491
Total Expenditures	2,922,915	2,941,470	3,074,818	2,923,883	2,987,294
Excess Resources Over (Under) Expenditures	69,899	87,585	(4,344)	(36,119)	(10,295)
Fund Equity July 1 of preceding calendar year	118,074	187,973	275,558	271,214	235,095
Fund Equity June 30	$ 187,973	$ 275,558	$ 271,214	$ 235,095	$ 224,800

(1) Beginning with 2004, expenditures depict a statutory realignment of agencies among policy areas. Prior year amounts were not restated. Therefore, comparisons between 2004 and prior years may not be possible in certain instances.

GOVERNMENTAL FUNDS
COMBINED BALANCE SHEETS

JUNE 30, 2008
(thousands $000's)

	Total (Memorandum) (only)	General Fund	HIGHWAY Fund	Other Special Revenues	Capital Projects	Debt Service
ASSETS						
Equity in Treasurer's Cash Pool	$ 357,929	$ 99,801	$ 22,899	$ 225,936	$ 6,185	$ 5,108
Cash - Other	21,457	124	116	46	21,171	-
Accounts, Notes and Grants Receivable						
Net of Reserves for Uncollectible Accounts	329,460	236,719	81,878	10,863	-	-
Due from Other Funds	6,954	3,542	37	3,375	-	-
Working Capital Advances to Other Funds	16,877	111	16,766	-	-	-
Prepaid Expenses and Other Assets	2,961	2,989	1	(29)	-	-
TOTAL ASSETS	735,638	343,286	119,697	240,191	27,356	5,108
LIABILITIES AND EQUITY						
LIABILITIES:						
Accounts Payable	19,421	9,054	4,768	5,498	101	-
Other Liabilities	22,789	12,881	15	9,893	-	-
TOTAL LIABILITIES	42,210	21,935	4,783	15,391	101	-
EQUITY:						
Reserved for Encumbrances	104,083	24,832	2,223	66,849	10,179	-
Reserved for Authorized Expenditures	302,351	93,814	33,366	158,095	17,076	-
Reserved for Utility Loans	62	-	62	-	-	-
Working Capital Advances to Other Funds	16,877	111	16,766	-	-	-
Designated for Other Purposes	106,711	47,194	59,661	(144)	-	-
Budget Stabilization Fund	128,877	128,877	-	-	-	-
Unappropriated Surplus	34,467	26,523	2,836	-	-	5,108
TOTAL EQUITY	693,428	321,351	114,914	224,800	27,255	5,108
TOTAL LIABILITIES AND EQUITY	$ 735,638	$ 343,286	$ 119,697	$ 240,191	$ 27,356	$ 5,108

GENERAL FUND UNAPPROPRIATED SURPLUS
For the Years Ended June 30

	General Fund Unappropriated Surplus (Million)	General Fund Revenues (Million)	Surplus as Percentage of Revenues
2008	$26.5	$3,109.4	0.85%
2007	17.6	3,022.6	0.58%
2006	14.5	2,931.8	0.50%
2005	33.7	2,790.8	1.21%
2004	14.9	2,683.5	0.55%
2003	28.9	2,394.7	1.21%
2002	0.0	2,331.7	0%
2001	38.8	2,390.6	1.62%
2000	300.9	2,500.9	12.03%
1999	229.2	2,336.1	9.81%
1998	98.3	2,111.9	4.65%
1997	21.1	1,863.1	1.13%
1996	25.8	1,766.4	1.46%
1995	4.4	1,671.7	.26%
1994	3.8	1,623.8	.23%
1993	4.1	1,561.4	.26%
1992	13.3	1,512.4	.88%
1991	3.5	1,424.0	.24%
1990	61.0	1,420.3	4.22%
1989	163.1	1,431.5	11.39%
1988	134.5	1,283.7	10.40%

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STATE OF MAINE
GENERAL OBLIGATION BOND ANTICIPATION NOTES

APPENDIX C

Certain Revenues of the State (Unaudited)

Page

STATE OF MAINE
UNDEDICATED REVENUES
GENERAL FUND
FISCAL YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2007

	2006				2007			
	Actual	Budget	Actual More/(Less)	Percent More/(Less)	Actual	Budget	Actual More/(Less)	Percent More/(Less)
Sales and Use Tax	$ 946,174,276	$ 930,641,080	$ 15,533,196	1.7%	$ 971,455,721	$ 974,740,367	$ (3,284,646)	(0.3)%
Service Provider Tax	47,028,431	46,494,165	534,266	1.1	49,400,532	48,911,765	488,767	1.0
Individual Income Tax	1,254,510,746	1,228,307,845	26,202,901	2.1	1,353,934,495	1,347,619,508	6,314,987	0.5
Corporate Income Tax	188,015,557	175,150,000	12,865,557	7.3	183,851,533	172,078,755	11,772,778	6.8
Cigarette and Tobacco Tax	156,951,370	151,738,325	5,213,045	3.4	158,953,466	158,502,981	450,485	0.3
Public Utilities Tax	20,627,030	21,440,000	(812,970)	(3.8)	16,317,029	16,891,746	(574,717)	(3.4)
Insurance Companies Tax	76,065,864	72,141,931	3,923,933	5.4	74,452,542	76,336,389	(1,883,847)	(2.5)
Inheritance & Estate Tax	75,330,514	70,099,322	5,231,192	7.5	54,820,038	55,465,498	(645,460)	(1.2)
Property Tax - Unorganized Territory	11,559,305	11,278,476	280,829	2.5	11,376,293	11,597,312	(221,019)	(1.9)
Income from Investments	8,271,870	6,563,582	1,708,288	26.0	1,215,836	1,517,319	(301,483)	(19.9)
Transfer to Municipal Revenue Sharing	(124,222,180)	(121,410,248)	(2,811,932)	(2.3)	(130,490,756)	(129,710,869)	(779,887)	(0.6)
Transfer from Liquor Commission	25,653	-	25,653	-	-	-	-	-
Transfer from Lottery Commission	50,879,646	50,334,250	545,396	1.1	50,624,741	50,334,250	290,491	0.6
Other Revenues	220,607,603	214,959,376	5,648,227	2.6	223,683,920	220,713,733	2,970,187	1.3
Transfer to Sales Tax Reserve/ME Rainy Day	-	-	-	-	-	-	-	-
Total Undedicated Revenue	**$2,931,825,685**	**$2,857,738,104**	**$74,087,581**	**2.6%**	**$3,019,595,390**	**$3,004,998,754**	**$14,596,636**	**0.5%**

STATE OF MAINE
UNDEDICATED REVENUES
GENERAL FUND
FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2009

	2008				2009			
	Actual	Budget	Actual More/(Less)	Percent More/(Less)	Actual	Budget	Actual More/(Less)	Percent More/(Less)
Sales and Use Tax	$ 983,057,278	$ 978,060,502	$ 4,996,776	0.5%	$ 921,823,720	$ 929,698,051	$ (7,874,331)	(0.8)%
Service Provider Tax	52,100,664	51,181,910	918,754	1.8	52,812,595	53,452,742	(640,147)	(1.2)
Individual Income Tax	1,443,468,204	1,400,047,321	43,420,883	3.1	1,242,505,909	1,281,982,990	(39,477,081)	(3.1)
Corporate Income Tax	184,514,568	182,170,000	2,344,568	1.3	143,085,966	148,940,000	(5,854,034)	(3.9)
Cigarette and Tobacco Tax	150,499,432	154,786,180	(4,286,748)	(2.8)	144,424,712	143,213,844	1,210,868	0.8
Public Utilities Tax	16,858,472	17,476,987	(618,515)	(3.5)	19,536,483	18,405,029	1,131,454	6.1
Insurance Companies Tax	72,292,532	76,751,673	(4,459,141)	(5.8)	79,770,431	71,978,985	7,791,446	10.8
Inheritance & Estate Tax	39,890,577	44,562,240	(4,671,663)	(10.5)	31,819,188	34,335,010	(2,515,822)	(7.3)
Property Tax - Unorganized Territory	12,217,081	12,611,986	(394,905)	(3.1)	12,633,755	12,969,540	(335,785)	(2.6)
Income from Investments	1,074,143	950,648	123,495	13.0	1,100,029	1,154,221	(54,192)	(4.7)
Transfer to Municipal Revenue Sharing	(135,820,176)	(133,184,448)	(2,635,728)	(2.0)	(102,160,745)	(103,412,337)	1,251,592	1.2
Transfer from Lottery Commission	49,491,086	49,154,250	336,836	0.7	49,839,434	49,549,250	290,184	0.6
Other Revenues	218,175,129	206,171,173	12,003,956	5.8	214,176,818	212,495,823	1,680,995	0.8
Transfer to Sales Tax Reserve/ME Rainy Day	-	-	-	-	-	-	-	-
Total Undedicated Revenue	$3,087,818,990	$3,040,740,422	$47,078,568	1.5%	$2,811,368,295	$2,854,763,148	$(43,394,853)	(1.5)%

STATE OF MAINE
UNDEDICATED REVENUES
GENERAL FUND
THREE MONTHS ENDED SEPTEMBER 30, 2009

	Month				Year to Date				Total Budgeted
	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)	Fiscal Year Ending 6/30/10
Sales and Use Tax	$91,837,266	$98,099,895	$(6,262,629)	(6.4%)	$176,664,977	$194,957,484	$(18,292,507)	(9.4%)	$938,953,932
Service Provider Tax	4,391,034	4,708,708	(317,674)	(6.7%)	10,080,247	9,682,200	398,047	4.1%	55,590,852
Individual Income Tax	129,859,317	157,850,000	(27,990,683)	(17.7%)	281,235,601	320,500,000	(39,264,399)	(12.3%)	1,444,804,369
Corporate Income Tax	27,917,095	29,800,000	(1,882,905)	(6.3%)	39,646,487	37,000,000	2,646,487	7.2%	144,697,500
Cigarette and Tobacco Tax	11,906,864	11,095,868	810,996	7.3%	39,053,791	38,785,845	267,946	0.7%	137,881,705
Insurance Companies Tax	148,788	142,843	5,945	4.2%	969,686	1,203,831	(234,145)	(19.4%)	71,985,000
Estate Tax	2,087,502	2,878,326	(790,824)	(27.5%)	808,709	2,878,326	(2,069,617)	(71.9%)	30,124,796
Fines, Forfeits and Penalties	2,766,744	3,948,722	(1,181,978)	(29.9%)	9,701,937	11,461,094	(1,759,157)	(15.3%)	43,187,572
Income from Investments	62,133	182,059	(119,926)	(65.9%)	122,431	361,792	(239,361)	(66.2%)	947,908
Transfer from Lottery Commission	4,171,311	3,810,323	360,988	9.5%	13,090,311	12,383,562	706,749	5.7%	49,534,250
Transfers for Tax Relief Programs	(19,285,989)	(21,065,354)	1,779,365	8.4%	(33,189,449)	(35,939,053)	2,749,604	7.7%	(116,953,498)
Transfer to Municipal Revenue Sharing	(1,988,364)	(2,037,381)	49,017	2.4%	(25,682,705)	(28,478,187)	2,795,482	9.8%	(112,092,834)
Other Taxes and Fees	8,977,433	8,654,735	322,698	3.7%	29,400,810	27,928,039	1,472,771	5.3%	143,490,376
Other Revenues	7,802,170	628,181	7,173,989	1142.0%	3,185,379	(5,362,124)	8,547,503	159.4%	24,520,094
Total Undedicated Revenue	**$270,653,305**	**$298,696,925**	**$(28,043,620)**	**(9.4)%**	**$545,088,214**	**$587,362,908**	**$(42,274,595)**	**(7.2)%**	**$2,856,672,022**

NOTES: (1) Included in the above is $1,988,364 for the month and $25,682,705 year to date that was set aside for Revenue Sharing with cities and towns.

(2) The amounts set forth above under the headings "Month – Budget," "Year to Date – Budget " and "Total Budgeted" reflect estimated reductions in projected revenue provided by the Maine State Revenue Forecasting Committee in its May 1, 2009 report. For additional information concerning the revisions to the State's fiscal year 2010 budget, see "Revenues of the State – General," including the table therein, in Appendix A to this Official Statement.

(3) This report has been prepared from preliminary month end figures and is subject to change.

STATE OF MAINE
HIGHWAY FUND
REVENUES
FISCAL YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2007

	2006		2007	
	Actual	Budget	Actual	Budget
Fuel Taxes	$221,575,309	$226,776,993	$226,824,018	$227,484,941
Motor Vehicle Registration & Fees	87,658,962	87,172,358	87,291,874	86,476,317
Inspection Fees	4,373,692	4,397,970	4,342,519	4,379,756
Fines, Forfeits & Penalties	1,809,813	1,973,665	1,668,000	2,018,239
Earnings on Investments	1,833,807	1,300,000	1,105,987	795,000
All Other Revenues	9,294,574	9,286,173	9,588,686	9,603,076
TOTAL	$326,546,157	$330,907,159	$330,821,084	$330,757,329

Source: Revenue Highway General Accounting

STATE OF MAINE
HIGHWAY FUND
REVENUES
FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2009

	2008		2009	
	Actual	Budget	Actual	Budget
Fuel Taxes	$225,235,339	$223,368,718	$216,215,544	$217,243,255
Motor Vehicle Registration & Fees	86,094,837	85,953,481	91,886,824	92,254,651
Inspection Fees	4,193,874	4,468,458	4,057,978	3,996,421
Fines, Forfeits & Penalties	1,747,986	1,794,049	1,785,197	1,795,049
Earnings on Investments	1,152,491	1,000,000	480,419	458,391
All Other Revenues	9,712,051	9,771,333	9,816,188	9,401,872
TOTAL	$328,136,578	$326,356,039	$324,242,150	$325,149,639

Source: Revenue Highway General Accounting

STATE OF MAINE
HIGHWAY FUND
REVENUES
THREE MONTHS ENDED SEPTEMBER 30, 2009

	Month				Year to Date				Total Budgeted
	Actual	Budget	Variance Over/(under)	Percent Over/ (under)	Actual	Budget	Variance Over/(under)	Percent Over/ (under)	Fiscal Year Ending 6-30-2010
Fuel Taxes	$21,704,181	$22,563,995	$(859,814)	(3.8%)	$40,180,936	$ 36,582,703	$3,598,233	9.8%	$220,305,526
Motor Vehicle Registration & Fees	3,215,367	4,119,315	(903,948)	(21.9%)	18,718,127	18,952,074	(233,947)	(1.2%)	77,674,394
Inspection Fees	340,420	390,664	(50,244)	(12.9%)	931,400	1,150,584	(219,184)	(19.0%)	4,196,802
Fines, Forfeits & Penalties	146,913	161,738	(14,826)	(9.2%)	460,696	470,177	(9,481)	(2.0%)	1,795,049
Earnings on Investments	15,462	7,500	7,962	106.2%	38,596	17,500	21,096	120.6%	173,037
All Other	439,817	645,472	(205,655)	(31.9%)	1,616,824	1,792,583	(175,759)	(9.8%)	8,596,631
Total Revenue	$25,862,159	$27,888,684	$(2,026,525)	(7.3%)	$61,946,578	$58,965,621	$2,980,957	5.1%	$312,741,439

Note: This report has been prepared from preliminary month end figures and is subject to change.
The amounts set forth above under the headings "Month – Budget," "Year to Date – Budget " and "Total Budgeted" reflect estimated reductions in projected revenue provided by the Maine State Revenue Forecasting Committee in its May 1, 2009 report. For additional information concerning the revisions to the State's fiscal year 2010 budget, see "Revenues of the State – General," including the table therein, in Appendix A to this Official Statement.

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STATE OF MAINE
GENERAL OBLIGATION BOND ANTICIPATION NOTES

APPENDIX D

Selected Information Regarding Authorized and Outstanding Debt of the State

Page

AUTHORIZED EXPENDITURES

The purposes for which authorized expenditures may be made, the expending department or agency, the authorizing acts and the balances of authorized expenditures were as of the date hereof as follows:

AGENCY	LAW	DESCRIPTION	ACCT CODES	TOTA TAX EXEMPT OCT BAN	TOTAL TAXABLE OCT BAN*
DEP	2007 PL, Chapter 39	Waste Water Construction grants	018-06A-0248-47	$500,000	$ -
DEP	2007 PL, Chapter 39	Community Grants	018-06A-0248-48	250,000	-
DEP	2007 PL, Chapter 39	Hazardous Waste	018-06A-0247-51	700,000	-
DEP	2007 PL, Chapter 673	wastewater treatment	018-06A-0248-49	1,700,000	-
DIFW	2007 PL, Chapter 39	Hatchery Rehab	018-09A-0535-02	200,000	-
DOC	2007 PL, Chapter 39	Bureau of Parks and Lands. Provides funds to make necessary capital improvements in the State's parks and historic sites.	018-04A-0246-49	1,197,000	-
DOT	2007 PL, Chapter 39	Ferry and Port-Casco Bay Island Transit District, Bulkhead and wharf	018-17C-0346-67	200,000	-
MCCS	2007 PL, Chapter 39	Provides funds for interior and exterior building renovations, improvements and additions at all campuses of the Maine Community College System.	018-99T-0560-17	1,500,000	-
MSCAF	2005 PL, Chapter 462	Provides funds for the New Century Community Program	018-94O-0904-25	50,000	-
MSCAF	2007 PL, Chapter 39	New Century Community program. Provides funds to revitalize downtown areas preserve and strengthen state and community historic and cultural assets and expand access to digital and educational resources.	018-940-0904-26	625,000	-
SPO	2007 PL, Chapter 39	Land for Maine's Future Board. Provides funds in order to leverage $8,500,000 in other funds to be used for the acquisition of land and interest in land for conservation; water access, which must receive $1,700,000; outdoor recreation; wildlife and fish habitat; and farmland preservation, which much receive $1,700,000.	018-07B-0060-05	1,500,000	-
SPO	2007 PL, Chapter 39	Provides funds to be used for working waterfront preservation in order to leverage $3,000,000 in other funds.	018-07B-0060-06	1,000,000	-
UMS	2005 PL, Chapter 462	Provides funds for the Laboratory for Surface Science Technology	017-78A-0361-07	-	200,000
UMS	2007 PL, Chapter 39	Provides funds for interior and exterior building renovations, improvements and additions at all campuses of the University of Maine System.	018-78A-0361-15	5,000,000	-
		TOTAL		**$14,422,000**	**$200,000**

* The taxable portion will be borrowed internally from the state cash pool.

GENERAL FUND BONDS
DEBT SERVICE REQUIREMENTS TO MATURITY
June 30, 2009

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL
2010	74,905,000.00	15,451,419.89	90,356,419.89
2011	68,875,000.00	12,694,857.13	81,569,857.13
2012	63,170,000.00	10,284,186.16	73,454,186.16
2013	60,060,000.00	7,870,904.56	67,930,904.56
2014	43,805,000.00	5,614,946.46	49,419,946.46
2015	37,320,000.00	3,957,806.98	41,277,806.98
2016	21,985,000.00	2,688,294.00	24,673,294.00
2017	16,725,000.00	1,734,484.90	18,459,484.90
2018	13,350,000.00	941,955.30	14,291,955.30
2019	8,730,000.00	354,787.50	9,084,787.50
	408,925,000.00	**61,593,642.88**	**470,518,642.88**

HIGHWAY FUND BONDS
DEBT SERVICE REQUIREMENTS TO MATURITY
June 30, 2009

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL
2010	11,820,000.00	4,803,042.20	16,623,042.20
2011	12,495,000.00	4,418,544.38	16,913,544.38
2012	14,170,000.00	3,953,756.25	18,123,756.25
2013	14,520,000.00	3,433,462.50	17,953,462.50
2014	13,820,000.00	2,892,350.00	16,712,350.00
2015	13,060,000.00	2,351,325.00	15,411,325.00
2016	13,085,000.00	1,812,500.00	14,897,500.00
2017	13,110,000.00	1,258,750.00	14,368,750.00
2018	10,385,000.00	649,012.50	11,034,012.50
2019	4,600,000.00	186,762.50	4,786,762.50
	121,065,000.00	**25,759,505.33**	**146,824,505.33**

INFORMATION REGARDING LEASE FINANCING AGREEMENTS

Agency	Date of Agreement	Original Principal Amount	Principal Amount Outstanding 6/30/09	Principal & Interest Due 6/30/10
Department of Transportation	May, 2002	$ 5,000,000	$ 1,890,000	$ 670,988
Department of Transportation	December, 2003	793,200	148,202	152,104
Department of Corrections	March, 2005	1,200,000	261,607	270,383
Department of Transportation	May, 2005	1,200,000	193,507	198,923
Administrative & Financial Services	April, 2006	4,100,000	1,056,331	1,099,535
Department of Transportation	September, 2005	2,000,000	436,455	319,140
Administrative & Financial Services	October, 2005	9,200,000	3,335,106	3,425,170
Administrative & Financial Services	July, 2006	10,000,000	5,932,634	1,652,727
Department of Corrections	August, 2006	3,600,000	2,483,008	690,812
Department of Education	September, 2006	19,278,694	5,146,948	5,319,770
Administrative & Financial Services	February, 2007	14,000,000	10,055,700	2,455,177
Administrative & Financial Services	February, 2007	800,000	280,167	281,104
Public Safety	March, 2007	1,300,000	449,446	463,245
Department of Transportation	March, 2007	2,500,000	1,295,234	680,318
Administrative & Financial Services	April, 2007	4,500,000	2,339,065	1,228,588
Department of Education	August, 2007	4,618,993	2,403,440	1,277,438
Department of Education	October, 2007	139,414	69,707	34,853
Public Safety	April, 2008	1,800,000	1,213,026	632,006
Administrative & Financial Services	April, 2008	2,248,970	1,586,351	483,759
Administrative & Financial Services	June, 2008	1,700,416	1,377,315	370,110
Administrative & Financial Services	June, 2008	2,800,000	2,119,428	761,651
Department of Transportation	July, 2008	565,925	383,551	199,922
Public Safety	March, 2009	1,425,000	1,425,000	499,055
Administrative & Financial Services	April, 2009	4,200,000	4,200,000	1,119,870
TOTALS:		$98,970,612	$50,081,228	$24,286,648

Debt Ratios

The following table sets forth certain ratios relating to the State's general obligation debt and certain lease financing agreements as of June 30, 2009.

	Amount of Debt	Per Capita (1)	Debt to Estimated Full Valuation (2)	Debt to Personal Income (3)
General Fund	$408,925,000	$310.63	0.24%	0.88%
Highways & Bridges	121,065,000	91.96	0.07%	0.26%
Total	$529,990,000	$402.59	0.31%	1.14%

(1) Based on population estimate of 1,316,456 for 2008 by the U.S. Department of Commerce, Bureau of the Census.

(2) Based on assessed property valuation at full value by the Maine Revenue Services as of January 2009 of $168,006,150,000.

(3) Based on State of Maine total personal income reported by the U.S. Department of Commerce for 2008 of $46,577,941,000.

Debt Ratio Statistics

June 30, 2009

Debt to Full Value	
1999	0.63%
2009	0.31%
Debt to Personal Income	
1999	1.60%
2009	1.14%
Per Capita Debt	
1999	$374.72
2009	$402.59

DEBT SERVICE PAID OVER PAST TEN FISCAL YEARS

Fiscal Year	General Fund Principal	General Fund Interest	Highway Fund Principal	Highway Fund Interest	Total Principal	Total Interest
2000	59,810,000	17,497,114	22,470,000	6,862,012	82,280,000	24,359,126
2001	65,850,000	18,082,743	21,820,000	5,619,484	87,670,000	23,702,227
2002	64,225,000	15,444,189	23,300,000	5,299,529	87,525,000	20,743,718
2003	63,880,000	12,941,300	21,215,000	4,003,828	85,095,000	16,945,128
2004	56,240,000	12,567,264	16,015,000	3,022,015	72,255,000	15,589,279
2005	53,440,000	12,525,813	13,280,000	2,477,535	66,720,000	15,003,348
2006	57,915,000	15,253,937	13,950,000	2,007,306	71,865,000	17,261,243
2007	69,280,000	17,364,513	10,415,000	1,387,084	79,695,000	18,751,597
2008	66,230,000	16,057,428	10,750,000	2,050,995	76,980,000	18,108,423
2009	65,685,000	15,179,120	13,505,000	3,848,227	79,190,000	19,027,347
2010	74,905,000	15,451,420	11,820,000	4,803,042	86,725,000	20,254,462

BONDS OUTSTANDING AT JUNE 30
of Certain Fiscal Years
Compared to Total Governmental Funds Revenue

Year Ended	General Fund	Highway Fund	Self-Liquidating	Total	Total Governmental Funds Revenue	Percent of State Revenues
1989	221,645,000	98,850,000	17,605,000	338,100,000	2,428,486,000	13.9
1990	202,405,000	87,610,000	16,260,000	306,275,000	2,421,264,000	12.6
1991	277,710,000	102,870,000	14,840,000	395,420,000	2,533,777,000	15.6
1992	308,890,000	107,395,000	13,395,000	429,680,000	2,995,325,000	14.0
1993	405,823,000	136,320,000	2,562,000	544,705,000	3,178,491,000	17.2
1994	383,618,000	143,355,000	2,312,000	529,285,000	3,311,809,213	16.0
1995	377,055,000	136,950,000	2,055,000	516,060,000	3,381,332,000	15.3
1996	369,457,945	144,440,000	1,792,055	515,690,000	3,598,717,000	14.3
1997	339,620,600	129,060,000	1,529,400	470,210,000	3,756,557,734	12.5
1998	337,575,000	139,180,000	1,290,000	478,045,000	4,168,141,000	11.5
1999	334,725,000	133,700,000	1,115,000	469,540,000	4,257,340,458	11.0
2000	341,205,000	111,230,000	940,000	453,375,000	4,604,954,195	9.8
2001	297,405,000	108,635,000	765,000	406,805,000	4,608,742,000	8.8
2002	260,790,000	85,335,000	600,000	346,725,000	4,808,788,859	7.2
2003	293,990,000	64,120,000	445,000	358,555,000	5,114,542,674	7.0
2004	355,025,000	61,105,000	290,000	416,420,000	5,902,866,220	7.1
2005	439,110,000	47,825,000	160,000	487,095,000	6,114,225,943	8.0
2006	433,585,000	33,875,000	90,000	467,550,000	6,336,819,316	7.4
2007	398,280,000	50,460,000	20,000	448,760,000	6,906,395,835	6.5
2008	378,575,000	97,260,000	0	475,835,000	6,406,301,524	7.4
2009	408,925,000	121,065,000	0	529,990,000	6,827,986,832	7.7

APPENDIX E

Maine Public Employees Retirement System
State Employees and Public School Teachers
Actuarial Balance Sheet, June 30, 2008

ASSETS **(Present Value of expected income)**	**State Employees**	**MTRA Teachers**	**All Employees**
(1) Invested Assets			
(a) Members Contribution Fund	$ 693,443,091	$1,204,705,474	$1,898,148,565
(b) Retirement Allowance Fund	$2,374,432,793	$4,358,976,271	$6,733,409,064
(c) Total Invested Assets (a + b)*	$3,067,875,884	$5,563,681,745	$8,631,557,629
(2) Future Contributions			
(a) Future Contributions	$ 392,579,552	$ 678,247,273	$ 1,070,826,825
(b) Actuarial Costs	$1,371,640,650	$2,430,173,006	$ 3,801,813,656
(c) Total Contribution Income (a + b)	$1,764,220,202	$3,108,420,279	$ 4,872,640,481
(3) Present Value of Total Income (1 + 2)	$4,832,096,086	$8,672,102,024	$13,504,198,110
LIABILITIES **(Present Value of expected benefit payments)**			
(1) Active Employees			
(a) Current Accrued Benefits	$1,268,080,760	$2,689,415,668	$ 3,957,496,428
(b) Future Benefit Accruals	$1,130,121,090	$2,207,574,976	$ 3,337,696,066
(c) Total Active Benefits (a + b)	$2,398,201,850	$4,896,990,644	$ 7,295,192,494
(2) Inactive Employees			
(a) Total Inactive Benefits	$2,433,894,236	$3,775,111,380	$ 6,209,005,616
(3) Present Value of Total Benefits (1 + 2)	$4,832,096,086	$8,672,102,024	$13,504,198,110

*Actuarial Value

Maine Public Employees Retirement System

Judicial Plan

Actuarial Balance Sheet, June 30, 2008

Assets
(Present Value of expected income)

(1) Invested Assets	
(a) Members Contribution Fund	$ 7,481,505
(b) Retirement Allowance Fund	$42,937,437
(c) Total Invested Assets (a+b)*	$50,418,942
(2) Future Contributions	
(a) Member Contributions	$ 2,482,796
(b) Actuarial Costs	$ 3,639,561
(c) Total Contribution Income (a+b)	$ 6,122,357
(3) Present Value of Total Income (1+2)	$56,541,299

Liabilities
(Present Value of Expected Benefit Payments)

(1) Active Employees	
(a) Current Accrued Benefits	$20,880,544
(b) Future Benefit Accruals	$10,717,179
(c) Total Active Benefits (a+b)	$31,597,723
(2) Inactive Employees	
(a) Total Inactive Benefits	$24,943,576
(3) Present Value of Total Benefits (1+2)	$56,541,299

*Actuarial Value

Maine Public Employees Retirement System

Legislative Plan

Actuarial Balance Sheet, June 30, 2008

Assets
(Present Value of expected income)

(1) Invested Assets	
(a) Members Contribution Fund	$ 1,892,250
(b) Retirement Allowance Fund	$ 7,206,883
(c) Total Invested Assets (a+b)*	$ 9,099,133
(2) Future Contributions	
(a) Future Contributions	$ 843,299
(b) Actuarial Costs	($2,132,724)
(c) Total Contribution Income (a+b)	($1,289,425)
(3) Present Value of Total Income (1+2)	$ 7,809,708

Liabilities
(Present Value of Expected Benefit Payments)

(1) Active Employees	
(a) Current Accrued Benefits	$ 2,176,497
(b) Future Benefit Accruals	$ 2,395,335
(c) Total Active Benefits (a+b)	$ 4,571,832
(2) Inactive Employees	
(a) Total Inactive Benefits	$ 3,237,876
(3) Present Value of Total Benefits (1+2)	$ 7,809,708

*Actuarial Value

Maine Public Employees Retirement System
State Employees and Public School Teachers
Actuarial Balance Sheet for Group Life Insurance, June 30, 2008

ASSETS **(Present Value of expected income)**	**State Employees**	**MTRA Teachers**	**All Employees**
(1) Invested Assets			
(a) Members Contribution Fund	$0	$0	$0
(b) Retirement Allowance Fund	$20,699,882	$19,947,296	$ 40,647,178
(c) Total Invested Assets (a + b)*	$20,699,882	$19,947,296	$ 40,647,178
(2) Future Contributions			
(a) Future Contributions	$0	$0	$0
(b) Actuarial Costs	$49,670,704	$35,260,853	$ 84,931,557
(c) Total Contribution Income (a + b)	$49,670,704	$35,260,853	$ 84,931,557
(3) Present Value of Total Income (1 + 2)	$70,370,586	$55,208,149	$125,578,735
LIABILITIES **(Present Value of expected benefit payments)**			
(1) Active Employees			
(a) Current Accrued Benefits	$19,598,928	$17,280,532	$ 36,879,460
(b) Future Benefit Accruals	$13,837,774	$11,185,750	$ 25,023,524
(c) Total Active Benefits (a + b)	$33,436,702	$28,466,282	$ 61,902,984
(2) Inactive Employees			
(a) Total Inactive Benefits	$36,933,884	$26,741,867	$ 63,675,751
(3) Present Value of Total Benefits (1 + 2)	$70,370,586	$55,208,149	$125,578,735

*Actuarial Value

Maine Public Employees Retirement System

Judicial Plan

Actuarial Balance Sheet for Group Life Insurance, June 30, 2008

Assets
(Present Value of expected income)

(1) Invested Assets

(a) Members Contribution Fund	$0
(b) Retirement Allowance Fund	$ 324,137
(c) Total Invested Assets (a+b)*	$ 324,137

(2) Future Contributions

(a) Future Contributions	$0
(b) Actuarial Costs	$ 775,863
(c) Total Contribution Income (a+b)	$ 775,863

(3) Present Value of Total Income (1+2)	$1,100,000

Liabilities
(Present Value of Expected Benefit Payments)

(1) Active Employees

(a) Current Accrued Benefits	$ 511,194
(b) Future Benefit Accruals	$ 154,497
(c) Total Active Benefits (a+b)	$ 665,691

(2) Inactive Employees

(a) Total Inactive Benefits	$ 434,309

(3) Present Value of Total Benefits (1+2)	$1,100,000

*Actuarial Value

Maine Public Employees Retirement System

Legislative Plan

Actuarial Balance Sheet for Group Life Insurance, June 30, 2008

Assets
(Present Value of expected income)

(1) Invested Assets

(a) Members Contribution Fund	$ 0
(b) Retirement Allowance Fund	$ 60,195
(c) Total Invested Assets (a+b)*	$ 60,195

(2) Future Contributions

(a) Future Contributions	$0
(b) Actuarial Costs	$127,207
(c) Total Contribution Income (a+b)	$127,207

(3) Present Value of Total Income (1+2)	$187,402

Liabilities
(Present Value of Expected Benefit Payments)

(1) Active Employees

(a) Current Accrued Benefits	$ 9,162
(b) Future Benefit Accruals	$ 4,111
(c) Total Active Benefits (a+b)	$ 13,273

(2) Inactive Employees

(a) Total Inactive Benefits	$174,129

(3) Present Value of Total Benefits (1+2)	$187,402

*Actuarial Value

STATE OF MAINE
GENERAL OBLIGATION BOND ANTICIPATION NOTES

APPENDIX F

Selected Economic Information with Respect to the State

Maine Population

Year	Population	Rank U.S.	Percent Increase	Per Square Mile
1920	768,000	35	-	24.9
1930	797,000	-	3.8%	25.8
1940	847,000	35	6.3%	27.4
1950	914,000	35	7.9%	29.6
1960	969,000	36	6.0%	31.4
1970	992,000	38	2.4%	32.1
1980	1,126,000	38	13.5%	36.5
1990	1,227,928	38	9.1%	39.8
2000	1,274,923	40	3.8%	41.3
2001	1,284,470	40	0.7%	41.6
2002	1,294,464	40	0.8%	41.9
2003	1,305,728	40	0.9%	42.3
2004	1,317,253	40	0.9%	37.2
2005	1,321,505	40	0.3%	41.3
2006	1,321,574	40	0.005%	43.0
2007	1,317,207	40	(.3%)	42.7
2008	1,316,456	40	(.06%)	43

Source: U.S. Census Bureau.

Personal Income and Earnings by Industry in Maine 2004-2008

	2004	2005	2006	2007	2008
Total Personal Income (thousands of dollars)	39,487,538	40,377,970	42,403,742	44,711,062	46,577,941
Earnings by Place of Work	28,225,889	28,863,925	29,980,834	31,183,763	32,156,719
Farm earnings	115,984	92,459	102,524	129,094	161,570
Nonfarm earnings	28,109,905	28,771,466	29,878,310	31,054,669	31,995,149
Forestry, Fishing, Related Activities and other	326,588	351,655	366,272	384,013	362,134
Mining	12,033	13,751	16,410	18,253	22,990
Utilities	214,065	215,515	222,762	242,067	248,521
Construction	1,935,812	1,995,353	2,082,278	2,034,995	1,928,168
Manufacturing	3,720,994	3,606,760	3,728,866	3,810,804	3,936,974
Wholesale Trade	1,196,919	1,238,036	1,290,853	1,340,100	1,333,997
Retail Trade	2,539,910	2,591,901	2,646,364	2,733,190	2,758,002
Transportation and Warehousing	732,660	758,399	785,303	816,478	822,074
Information	597,661	614,661	632,633	663,248	673,508
Finance and Insurance	1,701,589	1,691,188	1,730,582	1,781,471	1,848,190
Real Estate and Rental and Leasing	521,163	515,807	514,446	501,728	498,848
Professional and Technical Services	1,667,769	1,769,158	1,854,644	1,965,791	2,155,201
Management of Companies and Enterprises	458,532	389,299	394,214	510,692	600,802
Administrative and Waste Services	735,545	772,411	832,158	902,211	980,122
Educational Services	401,212	413,184	436,155	471,572	479,849
Arts, Entertainment, and Recreation	289,090	297,734	312,818	337,490	343,509
Accommodation and Food Services	937,019	961,430	1,010,151	1,042,696	1,054,252
Other Services, except Public Administration	777,209	804,531	815,385	850,583	881,272
Government and Government Enterprises	5,308,871	5,539,805	5,758,996	5,982,380	6,158,690

Source: U.S. Bureau of Economic Analysis

Per Capita Personal Income
Maine, New England, U.S.
1999-2008

	Per Capita			As Percent of Income of		Annual Percent Increase		
	US	NE	Maine	US	NE	US	NE	Maine
1999	27,939	33,126	24,484	87.6%	74.5%	3.9%	4.6%	3.8%
2000	29,847	36,120	25,974	87.0%	73.9%	6.8%	9.0%	6.1%
2001	30,582	37,332	27,328	89.4%	71.9%	2.5%	3.4%	5.2%
2002	30,838	37,378	27,827	90.2%	73.2%	0.8%	0.1%	1.8%
2003	31,530	37,966	28,811	91.4%	74.4%	2.2%	1.6%	3.5%
2004	33,157	40,081	30,191	91.1%	75.9%	5.2%	5.6%	4.8%
2005	34,690	41,736	30,798	88.8%	75.3%	4.6%	4.1%	2.0%
2006	36,794	44,574	32,287	87.8%	73.8%	6.1%	6.8%	4.8%
2007	38,615	47,221	33,991	88.0%	72.4%	4.9%	5.9%	5.3%
2008	39,751	48,715	35,381	89.0%	72.0%	2.9%	3.2%	4.1%

Source: U.S. Bureau of Economic Analysis.

State Valuation of Taxable Real and Personal Property

January 1989	$ 43,361,250,000
January 1990	57,085,900,000
January 1991	64,905,350,000
January 1992	68,471,100,000
January 1993	67,751,400,000
January 1994	66,565,550,000
January 1995	66,425,500,000
January 1996	67,102,925.900
January 1997	68,286,600,000
January 1998	69,691,900,000
January 1999	71,779,350,000
January 2000	74,260,000,000
January 2001	78,389,400,000
January 2002	84,874,550,000
January 2003	94,034,050,000
January 2004	104,219,950,000
January 2005	118,038,020,000
January 2006	133,628,600,000
January 2007	148,946,200,000
January 2008	162,744,550,000
January 2009	168,006,150,000

Source: State Revenue Services.

The State valuation of taxable property is equal to 100% of value.
The State valuation filed in January of each year is based on the value of property as of April 1, 21 months prior to the filing date.

Selected Labor Market Information for Maine

Annual Averages, 2004 through 2008

	2004	2005	2006	2007	2008
Nonfarm Wage and Salary Employment	611,700	611,700	614,700	617,700	615,900
Manufacturing Employment	63,000	61,400	60,000	59,400	58,900
Nonmanufacturing Employment	548,700	550,300	554,700	558,300	557,000
Average Weekly Hours of Manufacturing Production Workers	39.6	39.6	41.4	41.9	41.4
Average Hourly Earnings of Manufacturing Production Workers	$16.97	$17.28	$18.58	$19.19	$19.72
Unemployment Rate	4.6%	4.9%	4.6%	4.6%	5.4%
Number Unemployed	31,687	33,728	32,438	32,601	38,105

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

Civilian Labor Force
Employed and Unemployed by Labor Market Area, Not Seasonally Adjusted
February, 2009

	Civilian Labor Force			Employment			Unemployment			Unemployment Rate		
LABOR MARKET AREA	Feb-09	Jan-09	Feb-08	Feb-09	Jan-09	Feb-08	Feb-09	Jan-09	Feb-08	Feb-09	Jan-09	Feb-08
Augusta	44,120	43,870	43,290	40,400	40,390	41,000	3,720	3,480	2,290	8.4%	7.9%	5.3%
Augusta-Waterville Combined	66,590	66,400	65,500	60,840	61,000	61,950	5,750	5,410	3,550	8.6	8.1	5.4
Bangor	72,000	72,000	72,200	66,300	66,400	68,500	5,800	5,600	3,600	8.0	7.8	5.1
Belfast	13,160	13,110	13,000	11,690	11,780	12,030	1,470	1,330	970	11.2	10.1	7.5
Boothbay Harbor	3,710	3,700	3,770	3,330	3,340	3,490	390	360	280	10.4	9.8	7.4
Bridgton-Paris	14,120	14,200	14,180	12,520	12,670	13,170	1,600	1,530	1,010	11.3	10.8	7.1
Brunswick	34,720	35,010	34,570	32,120	32,470	32,990	2,600	2,540	1,580	7.5	7.3	4.6
Calais	5,840	5,830	5,860	5,050	5,090	5,190	790	750	670	13.5	12.8	11.4
Camden	7,300	7,410	7,260	6,560	6,730	6,810	740	680	450	10.2	9.2	6.3
Conway, NH-ME	4,030	4,050	3,900	3,660	3,680	3,710	380	370	190	9.3	9.1	4.9
Dover-Foxcroft	9,510	9,520	9,260	8,220	8,360	8,530	1,290	1,160	730	13.5	12.2	7.9
Ellsworth	27,910	28,000	27,240	24,380	24,760	24,970	3,520	3,240	2,270	12.6	11.6	8.3
Farmington	17,430	16,890	17,220	15,630	15,160	16,130	1,800	1,730	1,090	10.3	10.3	6.3
Houlton	8,640	8,760	8,410	7,610	7,720	7,830	1,040	1,040	580	12.0	11.9	6.9
Lewiston-Auburn	57,600	58,000	57,700	52,100	52,800	54,600	5,500	5,200	3,100	9.6	9.0	5.4
Lincoln	3,650	3,700	3,600	3,240	3,290	3,350	410	420	250	11.3	11.3	6.8
Machias	7,770	7,680	7,880	6,710	6,710	7,120	1,060	960	760	13.6	12.6	9.6
Madawaska	2,900	2,890	2,950	2,610	2,630	2,770	290	260	190	10.1	9.1	6.3
Millinocket	4,110	4,120	3,880	3,400	3,460	3,530	710	660	350	17.3	16.1	9.1
Pittsfield	7,860	7,830	7,600	6,720	6,760	6,940	1,140	1,070	660	14.6	13.7	8.7
Portland-South Portland-Biddeford	201,100	201,700	201,000	187,000	188,200	192,900	14,000	13,500	8,100	7.0	6.7	4.0
Portland-South Portland-Sanford Combined	212,900	213,600	212,600	197,500	198,800	203,600	15,400	14,900	9,000	7.2	7.0	4.2
Portsmouth, NH-ME	9,340	9,530	9,180	8,650	8,720	8,780	680	810	400	7.3	8.5	4.4
Presque Isle	25,120	25,010	24,770	22,480	22,450	23,030	2,640	2,560	1,740	10.5	10.2	7.0
Rochester-Dover, NH-ME	11,840	12,140	11,400	10,560	10,570	10,820	1,280	1,570	590	10.8	12.9	5.1
Rockland	12,230	12,320	11,970	11,000	11,150	11,230	1,230	1,170	730	10.0	9.5	6.1
Rumford	10,440	10,550	10,440	9,340	9,450	9,750	1,100	1,100	690	10.5	10.4	6.6
Saint George	1,380	1,390	1,370	1,280	1,300	1,310	100	100	60	7.2	6.9	4.5
Sanford	11,820	11,890	11,520	10,480	10,560	10,690	1,340	1,340	840	11.3	11.2	7.3
Skowhegan	14,740	14,790	14,460	12,920	13,040	13,180	1,810	1,740	1,280	12.3	11.8	8.8
Waldoboro	9,210	9,260	9,030	8,370	8,450	8,560	840	810	470	9.1	8.7	5.2
Waterville	22,470	22,530	22,210	20,440	20,610	20,950	2,030	1,920	1,260	9.0	8.5	5.7
York	16,410	16,460	16,320	14,960	14,960	15,440	1,450	1,500	880	8.8	9.1	5.4
MAINE	699,000	700,700	693,800	635,700	639,600	655,400	63,300	61,000	38,400	9.1	8.7	5.5
UNITED STATES (000)	153,804	153,445	152,503	140,105	140,436	144,550	13,699	13,009	7,953	8.9	8.5	5.2

Source: Maine Dept. of Labor, Center for Workforce Research & Information

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APPENDIX G

PROPOSED FORM OF BOND COUNSEL OPINION

Upon delivery of the Notes, Edwards Angell Palmer & Dodge LLP, as Bond Counsel, proposes to issue its approving opinion as to the Notes in substantially the following form:

EDWARDS ANGELL PALMER & DODGE LLP

111 Huntington Avenue Boston, MA 02199 617.239.0100 fax 617.227.4420 eapdlaw.com

[Date of Delivery]

The Honorable David G. Lemoine
Treasurer of State
The State of Maine
39 State House Station
Augusta, Maine 04333

$14,325,000
State of Maine
General Obligation Bond Anticipation Notes
Dated Date of Delivery

We have acted as bond counsel to the State of Maine in connection with the issuance by the State of Maine of the above-referenced notes (the "Notes"). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the State of Maine contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Notes are valid and binding general obligations of the State of Maine and the full faith and credit of the State of Maine are pledged for the payment of the principal of and interest on the Notes.

2. Interest on the Notes is excluded from the gross income of the owners of the Notes for federal income tax purposes. In addition, interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes and is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the State of Maine with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The State of Maine has covenanted to comply with all such requirements. Failure by the State of Maine to comply with certain of such requirements may cause interest on the Notes to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes.

3. Interest on the Notes is excluded from gross income for State of Maine income tax purposes. We express no opinion regarding any other State of Maine tax consequences arising with respect to the Notes or any tax consequences arising with respect to the Notes under the laws of any state other than the State of Maine.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Notes and the enforceability of the Notes may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

EDWARDS ANGELL PALMER & DODGE LLP

STATE OF MAINE
GENERAL OBLIGATION BOND ANTICIPATION NOTES

APPENDIX H

Secondary Market Disclosure

In order to assist the original purchaser in complying with the Municipal Securities Disclosure Rule, 17 CFR §240.15c2-12 (the "Rule"), the State has covenanted in the Notes for the benefit of the Beneficial Owners that the State will provide, in a timely manner, to the Municipal Securities Rulemaking Board (the "MSRB"), notice of any of the following events with respect to the Notes, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions or events affecting the tax-exempt status of the Notes;
7. modifications to rights of the holders (including Beneficial Owners) of the Notes;
8. bond calls;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the Notes; and
11. rating changes.

In a letter from the staff of the SEC to the National Association of Bond Lawyers, dated September 19, 1995, the SEC staff stated that undertakings pursuant to the Rule may not eliminate references to events 1 through 11 set forth in the Rule and in the paragraph above, regardless of whether any particular event is believed to be applicable to the Notes. Certain of events 1 through 11 set forth in the paragraph above may not, however, be applicable. Events 3, 4 and 5 may not be applicable, since the terms of the Notes do not provide for "debt service reserves," "credit enhancements" or "credit or liquidity providers." For a description of the Notes, see "Description of the Notes." With respect to events 4 and 5, the State does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes, unless the State applies for or participates in obtaining the enhancement. With respect to event 6, for information on the tax status of the Notes, see "Tax Matters." Event 8 may not be applicable since the Notes do not provide for redemption prior to maturity. Event 10 may not be applicable since the State has not granted any security interest to secure repayment of the Notes.

The State may from time to time choose to provide notice of the occurrence of certain other events in addition to those listed above if, in the judgment of the State, such other events are material with respect to the Notes, but the State does not undertake to provide any such notice of the occurrence of any material event except those events listed above.

The covenants described herein under the heading "Secondary Market Disclosure" (the "Covenants") are for the benefit of the Beneficial Owners and shall be enforceable by any Beneficial Owner. No Beneficial Owner may institute any suit, action or proceeding at law or in equity ("Proceeding") for the enforcement of the Covenants, unless such Beneficial Owner shall have filed with the Treasurer of State and the Attorney General a written request to cure such breach, and the State shall have refused or failed to comply within a reasonable time. Any assertion of beneficial ownership must be included in such written request and must be supported by independent evidence or documents. All Proceedings shall be instituted only in a State court located in the City of Augusta, Maine for the equal benefit of all Beneficial Owners of the outstanding Notes. If a court of competent jurisdiction finds that the State has breached any of the Covenants, then the sole remedy for any such breach shall be an order of specific performance of the Covenants and there shall be no right of acceleration of the Notes. Moreover, Proceedings filed by Beneficial Owners against the State may be subject to the defense of sovereign immunity which may substantially limit the scope and nature of any legal action against the State or of any order of specific performance that may be granted against the State.

APPENDIX I

NOTICE OF SALE

$14,425,000*
STATE OF MAINE
GENERAL OBLIGATION BOND ANTICIPATION NOTES

Notice is hereby given that bids will be received until 11:00 A.M. (local Augusta, Maine time) on Thursday, October 22, 2009 via Parity®, subject to the terms and conditions hereof, for the purchase of all but not less than all of the for the purchase of $14,425,000* State of Maine General Obligation Bond Anticipation Notes (the "Notes").

Description of the Notes

The Notes will be issued only as fully registered Notes in book-entry form. The Notes will be dated their date of delivery and will be issued in denominations of $5,000 or any integral multiple thereof. Interest on the Notes will be calculated on a 30/360 day basis payable from the date of their delivery until maturity on June 15, 2010.

Authorization and Security

The Notes will be general obligations of the State of Maine (the "State") and the full faith and credit of the State will be pledged for the punctual payment of the principal and interest on the Notes.

Redemption

The Notes are not subject to redemption prior to maturity.

Book-Entry Only

Initially, one Note certificate will be issued to The Depository Trust Company, New York, New York ("DTC") or its nominee, which will be designated as the securities depository for the Notes. So long as DTC is acting as securities depository for the Notes, a book-entry system will be employed, evidencing ownership of the Notes in principal amounts of $5,000 and multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Principal of and interest on the Notes will be payable to DTC or its nominee as registered owner of the Notes. Principal of and interest on the Notes will be payable in lawful money of the United States of America by the State, as Paying Agent. Transfers of principal and interest payments to beneficial owners (the "Beneficial Owners") will be the responsibility of such participants and other nominees of the Beneficial Owners. The State will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

* Preliminary, subject to change.

In the event that (a) DTC determines not to continue to act as securities depository for the Notes, (b) the State determines that DTC is incapable of discharging its duties or that continuation with DTC as securities depository is not in the best interests of the State or (c) the State determines that continuation of the book-entry system of evidence and transfer of ownership of the Notes is not in the best interests of the State or the Beneficial Owners, the State will discontinue the book-entry system with DTC. If the State fails to identify another qualified securities depository to replace DTC, the State will cause the execution and delivery of replacement Notes in the form of fully registered certificates.

Bid Specifications

Bidders should state the rate of interest that the Notes are to bear, in multiples of 1/8 or 1/20 of one percent. **In order to fund its planned capital expenditures, the total proceeds payable to the State (par plus premium, if any) must be at least $14,425,000. Accordingly, the par amount of the Notes should be adjusted, as needed, in order that the total proceeds Notes are as nearly as practicable (within $5,000) to $14,425,000.** The State reserves the right to adjust the par amount of the Notes in order that the total proceeds received by the State are as nearly as practicable (within $5,000) to $14,425,000. No bids for other than all of the Notes will be accepted. No bid for less than 100% of the principal amount of the Notes will be accepted (subject to adjustments as provided above). All bids must be unconditional and submitted electronically via Parity® in accordance with this Notice of Sale.

Receipt of Bids

Sealed bids for the Notes will be received electronically via Parity until 11:00 A.M., Eastern Time, on Thursday, October 22, 2009 (or on such later date as may be established by the State and communicated through Thomson Municipal Market Monitor not less than twenty-four (24) hours prior to the time the bids are to be received). To the extent any instructions or directions set forth on Parity conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about Parity, potential bidders may contact I-Deal LLC at 1359 Broadway, 2nd Floor, New York, NY 10018, or telephone (212) 849-5021. The use of Parity shall be at the bidder's risk and expense, and the State shall have no liability with respect thereto. Only bids submitted through Parity will be considered. No telephone, facsimile, mail, courier delivery or personal delivery bids will be accepted. To participate, bidders must be a contracted customer of the BiDCOMP Competitive Bidding System (the "System"). If the prospective bidder does not have a contract with the System, call (212) 849-5021 to become a customer and to obtain a list of the bidding rules and procedures.

Bond Insurance

The State has not contracted for the issuance of any policy of municipal bond insurance for the Notes. If the Notes qualify for any such policy or commitment therefor, any purchase of such insurance or commitment shall be at the sole option and expense of the successful bidder, and any increased costs of issuance or delivery of the Notes resulting by reason of such insurance or commitment shall be assumed by such bidder. Bids shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Notes to be so insured or of any such policy or commitment to be issued shall not in any way relieve the successful bidder of its contractual obligations arising from the acceptance of its bid for the purchase of the Notes.

Basis of Award

The Notes will be awarded to the bidder offering to purchase the Notes, at the lowest net interest cost (NIC) to the State. The NIC under each proposal to purchase the Notes will be determined by computing the total amount of interest payable on the principal amount of the Notes, at the rate stated, from October 29, 2009 until the maturity of the Notes (June 15, 2010) and deducting therefrom the premium, if any, offered in said proposal, and dividing the resulting difference by the product of the par value of the Notes that said proposal offers to purchase times the average life of said Notes. The NIC will be computed as a percentage rate, as noted above, and will be rounded to six decimal places. If there is more than one such proposal making said offer at the same lowest net interest cost, the Notes will be sold to the bidder whose proposal is selected by the Deputy Treasurer by lot from among all such proposals at the same lowest net interest cost.

Bids will be accepted or rejected promptly after receipt and not later than 11:00 a.m. (E.D.T.) on the date of the sale.

The State reserves the right to reject any or all proposals and to reject any proposals not complying with the Notice of Sale. The State also reserves the right, so far as permitted by law, to waive any irregularity or informality with respect to any proposal.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Notes. All expenses in relation to the printing of CUSIP numbers on the Notes shall be paid for by the State.

Expenses

The State will pay: (i) the cost of the preparation of the Notes; (ii) the fees and expenses of Bond Counsel; (iii) the fees of the rating agencies relating to the Notes, and (iv) the cost of preparation and printing of the Official Statement.

Undertakings of the Successful Bidder

The successful bidder shall make a bona fide public offering of the Notes. The successful bidder must, by facsimile transmission or delivery received by the Deputy Treasurer within 24 hours after notification of the award, furnish the following information to Bond Counsel to complete the Official Statement in final form, as described below:

A. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all Notes are sold at the prices or yields at which the successful bidder advised the Deputy Treasurer that the Notes were initially offered to the public).

B. The identity of the underwriters if the successful bidder is part of a group or syndicate.

C. Any other material information the Deputy Treasurer determines is necessary to complete the Official Statement in final form.

Prior to delivery of the Notes, the successful bidder Notes shall furnish to the State a certificate acceptable to Bond Counsel to the effect that as of the date of acceptance of its bid, such successful bidder had sold or reasonably expected to sell all of the Notes to the public (excluding bond houses, brokers or similar persons or other intermediaries) at the Initial Reoffering Prices.

Delivery of the Notes

The Notes will be delivered on or about October 29, 2009 in New York, New York at DTC against payment of the purchase price therefor in Federal Funds.

Documents to be Delivered at Closing

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Notes that contemporaneously with or before accepting the Notes and paying therefor, the successful biddershall be furnished, without cost, with (a) the approving opinion of the firm of Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel to the State, as to the validity and tax status of the Notes, substantially in the form provided in Appendix G to the Official Statement, referred to below; (b) a certificate of the Treasurer of State (the "Treasurer") to the effect that, to the best of his knowledge, the Official Statement referred to below does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading; and (c) an opinion of the Department of the Attorney General of the State, dated as of the date of delivery of the Notes, to the effect that there is no litigation of any nature pending or threatened to restrain or enjoin the issuance or delivery of the Notes or in any way contesting or affecting the validity of the Notes or any of the proceedings taken with respect to the issuance and sale thereof or the levy or collection of any taxes to pay principal of or interest on the Notes. In addition, such opinion will state that, based on consultations with certain officers of the State, there is no litigation of any nature now pending or threatened by or against the State wherein an adverse judgment or ruling could have a material adverse effect on the financial condition of the State or adversely affect the power of the State to levy, collect or enforce the collection of taxes or other revenues for the payment of its Notes which has not been disclosed in the Official Statement referred to below.

Official Statement

The Preliminary Official Statement dated October 20, 2009 and the information contained therein have been deemed final by the State as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") with permitted omissions, but is subject to change without notice and to completion or amendment in the Official Statement in final form (the "Final Official Statement").

The State, at its expense, will make available to the successful bidder up to 200 copies of the Final Official Statement, for delivery to each potential investor requesting a copy of the Final Official Statement and to each person to whom the bidder and members of its bidding group initially sell the Notes, within seven business days of the award of the Notes, provided that the successful bidder cooperate in providing the information required to complete the Final Official Statement.

The successful bidder shall comply with the requirements of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board, including an obligation, if any, to update the Final Official Statement.

Continuing Disclosure

In order to assist bidders in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the State will undertake to provide notices of certain material events. A description of this undertaking is set forth in the Preliminary Official Statement.

Right to Change the Notice of Sale and to Postpone Offering

The State reserves the right to make changes to the Notice of Sale and also reserves the right to postpone, from time to time, the date and time established for the receipt of bids. ANY SUCH POSTPONEMENT WILL BE ANNOUNCED NOT LATER THAN 1:00 P.M. (E.D.T.) ON THE LAST BUSINESS DAY PRIOR TO ANY ANNOUNCED DATE FOR RECEIPT OF BIDS. If any date and time fixed for the receipt of bids and the sale of the Notes is postponed, an alternative sale date and time will be announced at least 48 hours prior to such alternative sale date. On any such alternative sale date and time, any bidder may submit a bid for the purchase of the Notes in conformity in all respects with the provisions of this Notice of Sale, except for the date and time of sale and except for any changes announced at the time the sale date and time are announced.

Additional Information

For further information relating to the Notes, reference is made to the Preliminary Official Statement dated October 20, 2009 prepared for and authorized by the Treasurer. The Preliminary Official Statement may be obtained by accessing the following website: http://www.imagemaster.com/ftp/1019/MEState03-POS.pdf. For further information, please contact Barbara Raths, Deputy State Treasurer, 39 State House Station, Augusta, Maine 04333 (telephone: 207-624-7477; facsimile 207-287-2367).

THE STATE OF MAINE

By David G. Lemoine
Treasurer of State

Date: October 20, 2009

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NOTICE OF SALE AND PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 20, 2009

NEW ISSUE

In the opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel to the State of Maine, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986. Interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, and is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Notes is excluded from gross income for State income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See "TAX MATTERS" herein.

$14,425,000*
State of Maine
General Obligation Bond Anticipation Notes

Dated: Date of Delivery **Due:** June 15, 2010

The Notes will be issued by the State of Maine (the "State") in fully registered form only, without coupons, and when issued will be registered in the name of Cede & Co., as the nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository") of the Notes. Individual purchases will be made in book-entry form only in the principal amount of $5,000 or any whole multiple thereof. Purchasers of the Notes will not receive certificates representing their interests in the Notes purchased.

The Notes will be general obligations of the State and the full faith and credit of the State are pledged to the punctual payment of principal of and interest on the Notes, as more fully described herein. The Notes will be issued to finance the carrying out of certain public purposes in the State.

The Notes will bear interest from the date of their delivery until maturity at which time the principal of and interest on the Notes will be payable by the State, as Paying Agent, to the Securities Depository, which will in turn remit such principal and interest to its Participants (as defined herein), which will in turn remit such principal and interest to the Beneficial Owners (as defined herein) of the Notes, as described herein.

The Notes are not subject to redemption prior to maturity.

Principal Amount	Interest Rate	Price or Yield	CUSIP No.
$14,425,000*			

Bids for the Notes will be received by the State, until 11:00 A.M. (local Augusta, Maine time) on October 22, 2009 pursuant to the Notice of Sale dated October 20, 2009 and attached hereto as Appendix I.

The Notes are offered when, as and if issued by the State and received by the original purchaser, subject to the final approving opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel, Boston, Massachusetts and to certain other conditions referred to in the Notice of Sale. It is expected that the Notes in definitive form will be available for delivery to the Securities Depository in New York, New York on October 29, 2009.

ELECTRONIC BIDS FOR THE PURCHASE OF ALL, BUT NOT LESS THAN ALL, OF THE NOTES WILL BE RECEIVED BY THE STATE VIA THE PARITY BIDDING SYSTEM UNTIL 11:00 AM EASTERN TIME ON OCTOBER 22, 2009 AS PROVIDED IN THE OFFICIAL NOTICE OF SALE. THIS PRELIMINARY OFFICIAL STATEMENT HAS BEEN "DEEMED FINAL" BY THE STATE AS OF ITS DATE FOR PURPOSES OF, AND EXCEPT FOR CERTAIN OMISSIONS PERMITTED BY, SEC RULE 15c2-12(b)(1).

October –, 2009

* Preliminary, subject to change.

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Governor

John E. Baldacci
State House
Augusta, Maine

Treasurer of State

David G. Lemoine
39 State House Station
Augusta, Maine 04333

Commissioner of Administrative and Financial Services

Ryan Low
State Offices
Augusta, Maine

Department of the Attorney General of the State of Maine

Janet T. Mills, Attorney General of the State of Maine
William H. Laubenstein, III, Assistant Attorney General
State Offices
Augusta, Maine

Bond Counsel

Edwards Angell Palmer & Dodge LLP
Boston, Massachusetts

Financial Advisor

Public Financial Management, Inc.
Boston, Massachusetts

$14,425,000*
STATE OF MAINE
GENERAL OBLIGATION BOND ANTICIPATION NOTES

INTRODUCTION

This Official Statement, including the cover page hereof and the Appendices hereto, sets forth certain information in connection with the issuance by the State of Maine (the "State" or "Maine") of its $14,425,000* General Obligation Bond Anticipation Notes, (the "Notes"). The Notes are authorized by, and are being issued pursuant to, Article IX, Section 14, of the Constitution of the State and certain laws of the State which were ratified by voters of the State voting in elections thereon. See Appendix D hereto. The Notes will be general obligations of the State which are expected to be paid from the proceeds of general obligation bonds to be issued by the State.

DESCRIPTION OF THE NOTES

General Description

The Notes will bear interest at the rates set forth on the cover page hereof from the date of delivery of the Notes. Principal of and interest on the Notes will be payable at maturity on June 15, 2010 from funds made available by the State to The Depository Trust Company, New York, New York ("DTC"). So long as DTC or its nominee is the registered owner of the Notes, disbursement of such payments to DTC is the responsibility of the State, disbursement of such payments to the DTC Participants (hereinafter defined) is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (hereinafter defined) is the responsibility of the DTC Participants or Indirect Participants (hereinafter defined) as more fully described herein. See "The Depository Trust Company" herein. Interest on the Notes will be computed on the basis of a 30-day month and a 360-day year.

The Notes are not subject to redemption prior to maturity.

The Notes are general obligations of the State and the full faith and credit of the State are pledged to the punctual payment of principal of and interest on the Notes.

Principal of and interest on the Notes are payable from the General Fund of the State. Article V, Part Third, Section 5 of the Constitution of the State provides that if sufficient funds are not appropriated to pay the principal of and interest on the Notes when due, then the Treasurer of State is obligated to set apart from the first General Fund revenues received an amount sufficient to make payment of principal of and interest on the Notes as such principal and interest become due.

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*Preliminary, subject to change.

The Notes will be issued to finance the carrying out of certain public purposes in the State. See Appendix D hereto.

INFORMATION CONCERNING THE STATE

Certain information regarding the State is included as Appendix A hereto. Certain information with respect to revenues of the State is included in Appendix C hereto. Certain information regarding authorized and outstanding debt of the State is included in Appendix D hereto.

LITIGATION

There is no controversy or litigation of any nature now pending or, to the knowledge of the Department of the Attorney General, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Notes, or in any way contesting or affecting the validity of the Notes, or any law or other authorization with respect to the issuance or sale of the Notes, or the payment of the Notes, or the existence or powers of the State, or the title to their respective offices of the present officers of the State who are responsible for the issuance, sale, execution or delivery of the Notes. See "Litigation" in Appendix A hereto.

TAX MATTERS

In the opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel to the State of Maine ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code").

On February 17, 2009, the President signed the American Recovery and Reinvestment Act of 2009 (the "Recovery Act") into law. The Recovery Act includes changes which modify the treatment under the alternative minimum tax of interest on certain bonds of state and local government entities. Interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes and, as a result of the modifications made by the Recovery Act, is not included in adjusted current earnings when calculating corporate alternative minimum taxable income.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. Failure to comply with these requirements may result in interest on the Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Notes. The State has covenanted to comply with such requirements to ensure that interest on the Notes will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these covenants.

Bond Counsel is also of the opinion that, under existing law, interest on the Notes is excluded from gross income for State of Maine income tax purposes. Bond Counsel has not opined as to other State of Maine tax consequences arising with respect to the Notes. Bond Counsel has not opined as to the taxability of the Notes or the income therefrom under the laws of any state other than the State of Maine. The proposed form of opinion of Bond Counsel is set forth in Appendix G hereto.

To the extent the issue price of any maturity of the Notes is less than the amount to be paid at maturity of such Notes (excluding amounts stated to be interest and payable at least annually over the term of such Notes), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Notes which is excluded from gross income for federal income tax purposes and is exempt from Maine personal income taxes. For this purpose, the issue price of a particular maturity of the Notes is the first price at which a substantial amount of such maturity of the Notes is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Notes accrues daily over the term to maturity of such Notes on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Notes to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Notes. Holders of the Notes should consult their own tax advisors with respect to the tax consequences of ownership of Notes with original issue discount, including the treatment of purchasers who do not purchase such Notes in the original offering to the public at the first price at which a substantial amount of such Notes is sold to the public.

Notes purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Notes, or, in some cases, at the earlier redemption date of such Notes ("Premium Notes"), will be treated as having amortizable bond premium for federal income tax purposes and Maine personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Notes, the interest on which is excluded from gross income for federal income tax purposes. However, a holder's basis in a Premium Note will be reduced by the amount of amortizable bond premium properly allocable to such holder. Holders of Premium Notes should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes. Further, no assurance can be given that pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the value of, or the tax status of interest on, the Notes. Prospective Noteholders are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is exempt from Maine personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Notes may otherwise affect a Noteholder's federal tax liability or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Noteholder or the Noteholder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences, and Noteholders should consult with their own tax advisors with respect to such consequences.

DOCUMENTS ACCOMPANYING DELIVERY OF THE NOTES

Absence of Litigation

Upon delivery of the Notes, the State will furnish an opinion of the Department of the Attorney General, dated the date of delivery of the Notes, to the effect that there is no litigation of any nature pending or threatened to restrain or enjoin the issuance or delivery of the Notes or in any way contesting or affecting the validity of the Notes or any of the proceedings taken with respect to the issuance and sale thereof or the levy or collection of any taxes to pay principal of or interest on the Notes. In addition, such opinion will state that, based on consultations with certain officers of the State, there is no litigation of any nature now pending or threatened by or against the State wherein an adverse judgment or ruling could have a material adverse effect on the financial condition of the State or adversely affect the power of the State to levy, collect or enforce the collection of taxes or other revenues for the payment of its Notes which has not been disclosed in this Official Statement.

Treasurer's Certificate

Upon delivery of the Notes, the State will furnish a certificate of the Treasurer of State, dated the date of delivery of the Notes, to the effect that to the best of his knowledge this Official Statement does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements made herein, in light of the circumstances under which they were made, not misleading.

Legal Opinion

The opinion of Edwards Angell Palmer & Dodge LLP (i) approving the authorization and issuance of the Notes and (ii) with respect to the tax status of the Notes will be delivered at the time of delivery of the Notes in substantially the form set forth in Appendix G to this Official Statement.

Secondary Market Disclosure

In connection with the issuance of the Notes, the State will undertake in the Notes to provide notices of certain events pursuant to Municipal Securities Disclosure Rule, 17 CFR §240.15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission. Such undertaking of the State is summarized in Appendix H hereto.

The State has never failed to comply in all material respects with any previous undertakings with respect to the Rule to provide annual financial information or notices of material events.

COMPETITIVE SALE OF NOTES

The Notes will be offered for sale at competitive bidding on October 22, 2009, unless postponed or cancelled, as described in the Notice of Sale dated October 20, 2009. This Preliminary Official Statement has been deemed final as of the date by the State in accordance with the Rule. After the Notes have been awarded, the State will prepare a final Official Statement (the "Final Official Statement"), which will be a "final official statement" within the meaning of the Rule. The Final Official Statement will be similar in form to this Preliminary Official Statement, and will include, among other matters, the identity of the winning bidder and the managers of the syndicate, if any, submitting the winning bid, the purchase price of the Notes from the State and other information regarding the interest rate and reoffering price or yield of the Notes, as supplied by the winning bidder.

THE DEPOSITORY TRUST COMPANY

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued in the aggregate principal amount of each maturity thereof and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions and defaults. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the State and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an omnibus proxy to the State as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the omnibus proxy).

Principal, interest and redemption payments, if any, on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the State on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption proceeds, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State, and disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to the State. Under such circumstances, in the event that a successor securities depository is not obtained, Note certificates are required to be printed and delivered.

The State may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered to DTC.

The information concerning DTC and DTC's book-entry system has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the accuracy thereof.

THE STATE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS OF THE NOTES. NO ASSURANCES CAN BE PROVIDED THAT IN THE EVENT OF BANKRUPTCY OR INSOLVENCY OF DTC OR A DIRECT PARTICIPANT OR INDIRECT PARTICIPANT THROUGH WHICH A BENEFICIAL OWNER HOLDS INTERESTS IN THE NOTES, PAYMENT WILL BE MADE BY DTC, THE DIRECT PARTICIPANT OR THE INDIRECT PARTICIPANT ON A TIMELY BASIS.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE HOLDER OF ALL OF THE NOTES, REFERENCES HEREIN TO THE OWNERS OR HOLDERS OF THE NOTES SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS. THEREFORE, ANY STATEMENTS IN THE OFFICIAL STATEMENT SUMMARIZING THE TERMS OF PAYMENT AND REDEMPTION OF THE NOTES, ANY REQUIREMENTS OF NOTICE TO HOLDERS OF THE NOTES AND ANY RIGHTS OF CONSENT OF THE HOLDERS OF THE NOTES SHALL APPLY TO CEDE & CO., AS HOLDER OF THE NOTES, AND NO REPRESENTATIONS ARE MADE IN RESPECT OF THE FOREGOING TO THE BENEFICIAL OWNERS OF THE NOTES.

RATING

Moody's Investors Service, Inc., has assigned its rating of [ ] to the Notes. The State has furnished such rating agency with certain information and materials concerning the Notes and the State, some of which is not included in this Official Statement. Generally, such rating agency bases its ratings on such information and materials and also on such investigations, studies and assumptions as it may undertake or establish independently.

The rating is not a recommendation to buy, sell or hold the Notes and such rating should be evaluated independently. Such rating is subject to change or withdrawal at any time and any such change or withdrawal may affect the market price or marketability of the Notes.

MISCELLANEOUS

Any provisions of the constitution of the State, of all laws and of other documents set forth or referred to in this Official Statement are only summarized, and such summaries do not purport to be complete statements of any of such provisions. Only the actual text of such provisions can be relied upon for completeness and accuracy.

This Official Statement contains certain forward-looking statements that are subject to a variety of risks and uncertainties that could cause actual results to differ from the projected results, including without limitation general economic and business conditions, conditions in the financial markets, the financial condition of the State and various state agencies and authorities, receipt of federal grants, litigation, arbitration, force majeure events and various other factors that are beyond the control of the State and its various agencies and authorities. Because of the inability to predict all factors that may affect future decisions, actions, events or financial circumstances, what actually happens may be different from what is set forth in such forward-looking statements. Forward-looking statements are indicated by use of such words as "may," "should," "intends," "expects," "believes," "anticipates," "estimates" and others.

All estimates and assumptions in this Official Statement have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates and assumptions are correct. So far as any statements in this Official Statement involve any matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. The various tables may not add due to rounding of figures.

Neither the office of the State Auditor, nor any other independent accountants, have compiled, examined or performed any procedures with respect to any financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information.

The information, estimates and assumptions and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale made pursuant to this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the State or its agencies, authorities or political subdivisions since the date of this Official Statement, except as expressly stated.

Questions regarding this Official Statement or requests for additional information concerning the State should be directed to Barbara Raths, Deputy State Treasurer, 39 State House Station, Augusta, Maine 04333, telephone: 207-624-7477; facsimile: 207-287-2367.

STATE OF MAINE

By:__________________________

David G. Lemoine
Treasurer of State

Dated: October --, 2009

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STATE OF MAINE
GENERAL OBLIGATION BOND ANTICIPATION NOTES

APPENDIX A

State of Maine Information Statement

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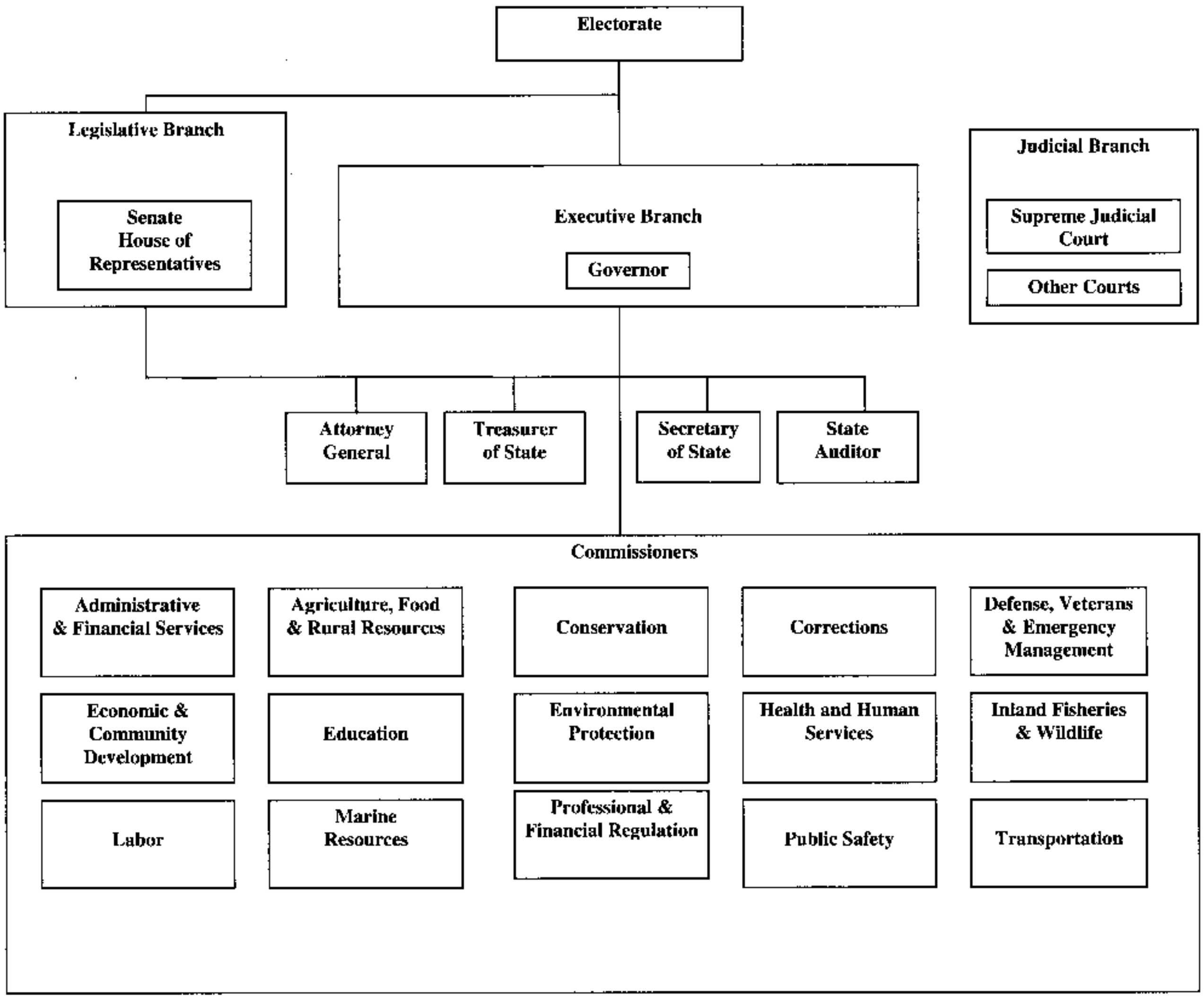
GOVERNMENTAL ORGANIZATION

The State of Maine (the "State" or "Maine") became the twenty-third of the United States in 1820. The government of the State is divided into three distinct branches, the legislative, executive and judicial, as outlined in the chart below.



Executive Branch

The Offices of Governor, Secretary of State, Treasurer of State and Attorney General are created by the Constitution of the State. The Governor is elected quadrennially at a general election and is limited to two consecutive four-year terms of office. The second term of the present Governor began in January 2007. The Secretary of State, Treasurer of State and Attorney General are each elected biennially by a joint ballot of the state Senators and Representatives in convention. A person may not serve more than four consecutive terms as either Secretary of State, Treasurer of State or Attorney General.

Governor. The executive power of the State, including the power to recommend measures to the Legislature, and the power to appoint, with the advice and consent of the Senate, certain officers of

State government, is vested in the Governor. The Governor is responsible for the enforcement of the laws of the State.

Governor's Cabinet. The Governor's cabinet, which assists the Governor in administration and policymaking, includes the commissioners who head the 15 executive departments and who serve at the pleasure of the Governor.

Secretary of State. The Secretary of State, a constitutional officer, serves as executive head of the Department of the Secretary of State, and is authorized to keep his office at the seat of government, have the custody of the state seal and preserve all records in such office at the expense of the State; to keep and preserve the records of all the official acts and proceedings of the Governor, Senate and House of Representatives, and, when required, lay the same before either branch of the Legislature, and perform such other duties as are enjoined by the Constitution or required by law. The Secretary of State attends the Governor, Senate and House of Representatives as they shall respectively require; appoints and renews all notaries public commissions; prepares commissions for appointees, justices of the peace, and certificates of election to office for presentation to the Governor under the seal of the State; distributes printed information and instructions, ballots and blanks for all election returns required by law to clerks of the several towns; files articles of incorporation; files notices of certain security interests and performs other receiving, filing and recording functions for which fees may be collected; files rules adopted pursuant to the Administrative Procedure Act; annually registers motor vehicles and issues licenses for operators thereof; issues certificates of title, licenses new and used car dealers; maintains official state records considered to be permanently valuable; administers the State's address confidentiality program; and supervises the Department's subdivisions as required by statute and recommends to the Legislature such changes as may be required to modernize and improve the functions and services rendered by the Department.

Treasurer of State. The Treasurer of State, a constitutional officer, is authorized to receive and keep records of all items of income accruing to the State; to deposit such items in banks, reconciling said balances and temporarily investing idle funds; to sell bonds of the State as approved by law and keep records pertaining to such debt; to maintain monthly exhibits concerning these moneys; to enter into contracts or agreements with banks for custodial care and servicing of negotiable securities belonging to the State; and to establish accounts with such banks for servicing State agencies. The Treasurer of State also administers the Unclaimed Property Program. The Treasurer of State is an ex officio member of the boards of several authorities and bodies established by the State, including the Maine Municipal Bond Bank, the Maine Public Employees Retirement System, the Maine Health and Higher Educational Facilities Authority, the Maine Governmental Facilities Authority, the Maine State Housing Authority, the Finance Authority of Maine, the Maine Public Utility Financing Bank, the Adaptive Equipment Loan Board, the Northern Maine Transmission Corporation, the Dirigo Health Agency Board of Trustees and the Maine Educational Loan Authority, and is Chair of the NextGen Investment Advisory Board.

The Treasurer of State is responsible daily for the investment of those funds not required to meet current expenditures. Daily deposits are placed in local depositories statewide, wired daily to a central working account and invested fully. All check disbursements are made by the Treasurer of State on warrants issued by the State controller. Funds are disbursed on bank accounts established under competitive bidding. Account costs are offset by compensating balances. Funds are transferred from receipt accounts to disbursement accounts by wire as needed to meet balance requirements.

The Treasurer of State maintains a record of all receipts, disbursements and transfer activity and balances to the State controller monthly. The Treasurer of State maintains the records of the investments of the State through the State investment pool. The investment pool comprises the entire cash availability of the State (all funds) as well as component units that elect to participate. Monthly transfers of earnings are made by the Treasurer of State to participating funds. The Treasurer of State compiles a listing of State investments held monthly.

When there is excess money in the State Treasury that is not needed to meet current obligations, the Treasurer of State may invest, with the concurrence of the State controller or the Commissioner of Administrative and Financial Services and with the consent of the Governor, those amounts in bonds, notes, certificates of indebtedness or other obligations of the United States and its agencies and instrumentalities that mature not more than 36 months from the date of investment, or in repurchase agreements that mature within the succeeding 12 months that are secured by obligations of the United States and its agencies and instrumentalities, prime commercial paper, tax-exempt obligations and corporate bonds rated "AAA" that mature not more than 36 months from the date of investment, or banker's acceptances or so-called "no-load" shares of any investment company registered under applicable Federal law that complies with certain Federal guidelines and maintains a constant share price.

Attorney General. The Attorney General's primary responsibility is to protect public rights and preserve order through serving as the State's chief law officer and legal representative of the State. In this capacity, the Attorney General ensures enforcement of Maine laws through instituting, conducting, and maintaining such actions and proceedings as the public interest may require. No State agency may appear and advocate positions before a court without the approval of the Attorney General.

The Department of the Attorney General is authorized to (a) appear for the State, or any State agency or official, in all civil actions and proceedings in which the State is a party or interested, or in which the official acts of such officers are questioned in State or Federal courts or Federal agencies; (b) control and direct the investigation and prosecution of homicides and other major crimes, including frauds against the State; (c) render all legal services required by State officers, boards and commissions in matters relating to their official duties; (d) issue written opinions upon questions of law submitted by the Governor, the head of any State department or agency, or by either branch of the Legislature or any member of the Legislature on legislative matters; (e) enforce due application of funds given or appropriated to public trusts and charities within the State and prevent breaches of trust in the administration thereof; (f) consult with and advise the District Attorneys in matters relating to their duties, and, in the discretion of the Attorney General, act in place of or with them in instituting and conducting prosecutions for crime; and (g) administer and enforce the State unfair trade practices and antitrust laws.

Beyond the general purposes discussed above, the Attorney General has a wide range of duties which the office is specifically directed to perform. Those duties include a review and approval as to form and legality of all regulations of State agencies subject to the Administrative Procedure Act. Among other specific statutory functions, the Attorney General must also review and approve write-offs of debts owed to the State, enforce standards of conduct of the legal profession and participate in making investment decisions regarding the State trust funds.

The Attorney General is an ex officio member of many State agencies, including the Baxter State Park Authority, the Judicial Council, the Criminal Law Advisory Commission, the Maine Criminal Justice Planning and Assistance Agency, and the Advisory Committees to the Supreme Judicial Court on Civil Rules and Criminal Rules.

The Legislature

The legislative power of the State is vested in a Senate and a House of Representatives (collectively, the "Legislature"), each of which has a negative on the other. The Senate consists of 35 members and the House of Representatives consists of 151 members, all of whom are elected for two-year terms from single-member districts. A person may not serve more than four consecutive terms as either a senator or a representative.

The Legislature is organized into 17 Joint Standing Committees, each comprised of 3 Senators and 10 Representatives. Current Joint Standing Committees are: Agriculture, Conservation and Forestry; Appropriations and Financial Affairs; Business, Research and Economic Development; Criminal Justice and Public Safety; Education and Cultural Affairs; Health and Human Services; Inland Fisheries and Wildlife; Insurance and Financial Services; Judiciary; Labor; Legal and Veterans Affairs; Marine Resources; Natural Resources; State and Local Government; Taxation; Transportation; and Utilities and Energy. From time to time, the Legislature has established joint select committees on such matters as property tax reform, research and development, corrections, Indian affairs and rules.

The Legislature of the State convenes in even-numbered years on the first Wednesday of December following the general election in what is designated the first regular session of the Legislature and also convenes on the first Wednesday after the first Tuesday of January in the subsequent even-numbered year in what is designated the second regular session of the Legislature. The business of the second regular session of the Legislature is limited to budgetary matters, legislation in the Governor's call, legislation of an emergency nature admitted by the Legislature, legislation referred to committees for study and report by the Legislature in the first regular session and legislation presented to the Legislature by written petition of the voters pursuant to the Constitution of the State. The Legislature may convene at such other times in special session on the call of the President of the Senate and the Speaker of the House, with the consent of the majority of the members of the Legislature of each political party, all members of the Legislature having first been polled. The Governor may, on extraordinary occasions, also convene special sessions of the Legislature.

The Constitution requires the Legislature to enact appropriate statutory limits on the length of the first and second regular sessions. Under the statute currently in effect, the first regular session of the Legislature adjourns no later than the third Wednesday in June and the second regular session of the Legislature adjourns no later than the third Wednesday in April. The Legislature, in the case of emergency, may by a vote of two-thirds of the members of each of the Senate and House of Representatives present and voting, extend the date for adjournment by no more than five legislative days, and, in the case of further emergency, further extend the date for adjournment by five additional legislative days. The times for adjournment for the first and second regular sessions may also be extended for one additional legislative day for the purpose of considering any veto by the Governor of any bill or resolution passed by the Legislature.

The Legislature, with certain exceptions, is authorized to make and establish all reasonable laws and regulations for the defense and benefit of the people of the State, not repugnant to the Constitution of the State, nor to that of the United States. Legislation enacted by the Legislature may be vetoed by the Governor. The Governor's veto may be overridden by the subsequent vote of at least two-thirds of each of the House of Representatives and the Senate. The Governor also has "line-item" veto power to decrease appropriations or allocations and to increase deappropriations or deallocations within one day after the Governor receives legislation for approval. The Governor's "line-item" veto may be overridden by the subsequent vote of at least a majority of each of the House of Representatives and the Senate. Legislation does not become effective until 90 days after the recess of the session of the

Legislature in which it was passed, unless in case of emergency the Legislature shall, by a vote of two-thirds of all the members elected to each of the House of Representatives and the Senate, otherwise direct.

The Constitution of the State provides that, upon written petition by voters equal to not less than 10% of the total vote cast in the last gubernatorial election preceding such petition and filed on or before the ninetieth day after recess of the Legislature requesting that legislation passed by the Legislature but not then in effect be submitted to referendum for ratification by a majority of those voting thereon, such legislation does not take effect, if at all, until thirty days after the Governor has announced that such legislation has been ratified by the voters. Any such ratification vote would take place at the next statewide or general election, not less than 60 days after the Governor has proclaimed that sufficient signatures have been submitted.

The Constitution of the State provides that, by written petition, voters equal to not less than 10% of the total vote cast in the last gubernatorial election preceding such petition and filed before a regular session of the Legislature, may propose legislation to the Legislature for its consideration. The legislation, unless adopted by the Legislature without change, must be submitted to referendum in the next November after the Legislature recesses.

Pursuant to the Constitution of the State, legislative enactments, including bills, orders or resolutions, may originate in either the Senate or the House of Representatives, and may be altered, amended, or rejected in the other, but all bills for raising a revenue shall originate in the House of Representatives, but the Senate may propose amendments as in other cases, provided that the Senate shall not, under color of amendment, introduce any new matter which does not relate to raising a revenue.

The Judiciary

The judicial power of the State is vested in the Supreme Judicial Court and such other courts as the Legislature may establish. The Legislature has established the Superior Court and the District Court. The courts are administered by the Administrative Office of the Courts under the direction of the State Court Administrator, who is appointed by and serves at the pleasure of the Chief Justice. In addition, the Constitution of the State provides for probate courts in each of the 16 counties of the State.

The Supreme Judicial Court is the highest court in Maine, and as the Law Court is the court of final appeal. It consists of the Chief Justice and six Associate Justices, each of whom is appointed by the Governor with the consent of the Legislature for a seven-year term.

The Superior Court and the District Court are both trial courts of limited, complimentary jurisdiction. The Superior Court offers jury trials and the District Court does not. The Superior Court consists of a Chief Justice and 16 justices, who are appointed by the Governor with the consent of the Legislature for a seven-year term. The Superior Court holds sessions in each of the 16 counties.

The District Court consists of a Chief Judge, a Deputy Chief Judge and 34 judges, each of whom is appointed by the Governor with the consent of the Legislature for a seven-year term. There are 13 districts and several divisions of the court.

Independent Authorities and Agencies

The State has established several independent authorities and agencies, the budgets of which are not included in the annual budget of the State. Certain of these authorities and agencies receive appropriations from the State from time to time. Certain of these authorities and agencies are authorized by the statutes creating such authorities and agencies to issue bonds and to undertake financial obligations, payment of which are secured in part by special reserve funds ("Capital Reserves") to which the State may appropriate funds in order to maintain the Capital Reserves at amounts determined by such statutes or by such authorities and agencies (a "Capital Reserve Provision"). While the bonds and obligations of such authorities and agencies and the Capital Reserve Provisions do not constitute legally enforceable obligations of the State or create any debt on behalf of the State, the Constitution of the State does not prohibit future Legislatures from appropriating sums requested by any such authority or agency in compliance with its Capital Reserve Provision. Certain of these authorities and agencies have been authorized by statute to insure or guarantee repayment of certain loans and bonds. See "Fiscal Management - Constitutional Debt Limit" and "Certain Public Instrumentalities" herein.

County and Municipal Government

The State is divided into 16 county governments responsible for various functions, including the operation of county jails and registries of probate and deeds. Each county government assesses the costs of its operations upon the cities, towns and unorganized places located within the county. A law which took effect in 2008 modified the responsibility of county governments to operate county jails. That law is intended to produce savings in State General Fund expenditures for county jail operations in future fiscal years and also established a State board of corrections, the purpose of which is to develop and implement a unified State and county correctional system.

The State is further divided into 22 cities, 434 towns, and 36 plantations which exercise the functions of municipal government, including the provision of elementary and secondary education. There are also 426 unorganized townships, a number of unorganized coastal and inland islands, and three Indian Reservations. Cities are governed by several variations of the mayor and council form of government. In most towns, executive power has been placed in a board of three, five, or seven selectmen, elected to terms of from one to three years and legislative power has been retained by the voters themselves, who assemble in periodic open town meetings. There are various regional districts for school, water supply, solid waste, wastewater disposal and other purposes.

Municipal revenues consist of property taxes, local aid (including State subsidies for education and revenue sharing), local receipts (including motor vehicle and watercraft excise taxes, fines, license and permit fees, charges for local services and investment income) and other sources.

FISCAL MANAGEMENT

Department of Administrative and Financial Services

The Department of Administrative and Financial Services, under the supervision and control of the Commissioner of Administrative and Financial Services, is the principal fiscal department of State government. The Commissioner of Administrative and Financial Services has certain duties and authorities, including serving as the Governor's principal fiscal aide, coordinating financial planning and programming activities of the State government for review and action by the Governor, preparing and reporting to the Governor and the Legislature such financial data or statistics as may be required or requested by them, planning with respect to the fiscal needs of State government and ensuring that all publications stating the salary of a State employee also state the value of the employee's fringe benefits. The Department of Administrative and Financial Services includes the Bureau of the Budget, headed by the State budget officer, the Office of the State Controller and the Bureau of Maine Revenue Services, headed by the State tax assessor.

Constitutional Debt Limit

Article IX, Section 14, of the Constitution of the State provides that the Legislature shall not at any time create any debt or debts, liability or liabilities, on behalf of the State, which shall singly, or in the aggregate, with previous debts and liabilities incurred, exceed $2,000,000, (i) except to suppress insurrection, to repel invasion, or for purposes of war; (ii) except for temporary loans to be paid out of money raised by taxation during the fiscal year in which they are made; and (iii) excepting also that whenever two-thirds of both the Senate and the House of Representatives 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 at such times and in such amounts and for such purposes as may be approved by such action. The issuance of the Bonds described in this Official Statement is authorized pursuant to certain enactments which have been ratified by a majority of the voters at various elections. See Appendix D, "Selected Information Regarding Authorized and Outstanding Debt of the State - Authorized Expenditures," herein. 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 ten 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 one percent of the total valuation of the State, whichever is the lesser.

The Constitution also allows the Legislature to authorize the issuance of bonds (i) in the amount of up to $4,000,000 to guarantee student loans; (ii) to insure payments on up to $4,000,000 of mortgage loans for war veterans; and (iii) to insure payments on up to $90,000,000 of mortgage loans for industrial, manufacturing, fishing agricultural and recreational enterprises. The Finance Authority of Maine is authorized to guarantee student loans and to insure payments on certain mortgage loans. See "Certain Public Instrumentalities – Finance Authority of Maine" herein. The Constitution also allows the Legislature to authorize the issuance of bonds to insure payments on up to $1,000,000 of mortgage loans for Indian housing. The Maine State Housing Authority is authorized to insure payments on mortgage loans for Indian housing. See "Certain Public Instrumentalities – Maine State Housing Authority" herein. Although the Constitution also allows the Legislature to authorize the issuance of bonds to insure the payment of revenue bonds of the Maine School Building Authority on school projects not exceeding $6,000,000, the statutory authorization for insurance of Maine School Building Authority revenue bonds has been repealed. No bonds are outstanding pursuant to any of the authorizations described in this paragraph.

Overview of the Budget Process

The budget of the State government must present a complete financial plan for each fiscal year of the ensuing period of two fiscal years, commencing July 1 in odd-numbered years. The budget must set forth all proposed expenditures for the administration, operation and maintenance of the departments and agencies of 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 of such two-year period. In addition, the budget must set forth the anticipated revenues of the State government and any other means of financing expenditures proposed for each fiscal year of such two-year period.

The State budget consists of a budget message by the Governor (or the Governor-elect) that outlines the financial policy of the State government for the ensuing period of four fiscal years, describing in connection therewith the important features of the financial plan. The Governor's budget overview must also lay out a vision for the state's long-range financial plan and describe how the proposed budget complements that longer vision, which includes the upcoming biennium and the two succeeding biennia.

The budget includes a general budget summary setting forth the aggregate figures of the budget showing the balance between total proposed expenditures and total anticipated revenues, together with other means of financing the budget for each fiscal year of the ensuing two fiscal years, contrasted with the corresponding figures for the last completed fiscal year and the fiscal year in progress. For information regarding the revenue projection process, see "Fiscal Management – Revenue Forecasting" below. The budget specifically describes the estimated loss in revenue during the last completed fiscal year and the fiscal year in progress and the anticipated loss in revenue for each fiscal year of such two-year period caused by tax expenditures provided by law. The general budget summary must be supported by explanatory schedules or statements, classifying the expenditures contained therein by organization units, objects and funds, and the income by organization units, sources and funds. The budget also includes statements of the bonded indebtedness of the State government showing the debt redemption requirements, the debt authorized and unissued, and the condition of the sinking funds.

Pursuant to Public Laws of Maine 2005, chapter 2 ("2005 Chapter 2"), the total General Fund appropriation for each of the two fiscal years in the biennial budget may not exceed the General Fund appropriation limit established by law. See "Fiscal Management – General Fund Appropriation Limit." 2005 Chapter 2 became effective for fiscal biennia of the State beginning July 1, 2005 and is subject to modification or repeal at any time by the Legislature.

On or before September 1 of even-numbered years, all departments and other agencies of the State government and corporations and associations receiving or desiring to receive State funds must prepare and submit to the State budget officer estimates of their expenditure and appropriation requirements for each fiscal year of the ensuing two-year fiscal period contrasted with the corresponding figures of the last completed fiscal year and the estimated figures for the fiscal year in progress. The growth in the state's General Fund appropriations is limited by law to the ten-year average annual growth in real personal income (not to exceed 2.75%) plus the ten-year average in population growth. State general purpose aid for kindergarten to grade 12 education ("GPA") is excluded from the General Fund appropriation limit until such time as the State's share of education funding reaches 55% of total state and local education funding. See "Fiscal Management – General Fund Appropriation Limit" below.

The Governor (or the Governor-elect), with the assistance of the State budget officer, reviews the budget estimates and may alter, revise, increase or decrease the items of the estimates as may be deemed necessary in view of the needs of the various departments and agencies and the total anticipated income of the State government during the ensuing two-year fiscal period. The State budget officer, at the direction of the Governor (or the Governor-elect), then prepares a State budget in the form required by law. The Governor must transmit the budget to the Legislature not later than the Friday following the first Monday in January of odd-numbered years. A Governor-elect to his first term of office must transmit the State budget to the Legislature not later than the Friday following the first Monday in February in odd-numbered years.

Not later than June 1 of each year, the head of each department and agency of State government must submit to the State Bureau of the Budget a work program for the ensuing fiscal year. Such work program must include all appropriations, revenues, transfers and other funds made available to that department or agency for its operation and maintenance and for the acquisition of property, and must show the requested allotments of said sums by quarters for the entire fiscal year, classified to show allotments requested for specific amounts for personal services, capital expenditures and amounts for all other departmental expenses. The Governor, with the assistance of the State budget officer, reviews the requested allotments with respect to the work program of each department or agency and may revise, alter or change its allotments before approving the same. The aggregate of such allotments may not exceed the total sums made available to each department or agency for the fiscal year in question. The State budget officer transmits a copy of the allotments as approved by the Governor to the head of the department or agency concerned and also a copy to the State controller. The State controller authorizes all expenditures to be made from the sums available on the basis of such allotments and not otherwise. Thereafter, the head of any department or agency of the State government may request, and the Governor may approve, revisions of the allotments for the remaining quarters of a fiscal year.

Whenever it appears to the Commissioner of Administrative and Financial Services that the anticipated income and other available funds of the State will not be sufficient to meet the expenditures authorized by the Legislature, the Commissioner so reports in writing to the Governor and to certain officers of the Legislature. After receiving the report, the Governor may temporarily curtail allotments equitably so that expenditures will not exceed the anticipated income and other available funds. The Governor, upon the curtailment of any allotment, notifies certain officers of the Legislature of the specific allotments curtailed, the extent of curtailment of each allotment and the effect of each curtailment on the objects and purposes of the program so affected.

No State department or agency may make expenditures of any Federal funds or expenditures in anticipation of receipt of Federal funds for any new or expanded programs, unless such Federal funds are approved by the Legislature. The Governor may authorize the expenditure of such Federal funds for a period not to exceed twelve calendar months and shall notify the Office of Fiscal and Program Review of the Legislature of such action.

Revenue Forecasting

Statutory Responsibilities. A Revenue Forecasting Committee is responsible for providing the Governor, the Legislature and the State budget officer with analyses, findings and recommendations relating to the projection of revenues for the General Fund and the Highway Fund based on economic assumptions recommended by the Consensus Economic Forecasting Commission. The Revenue Forecasting Committee includes the State budget officer, the State tax assessor, the State economist, an economist on the faculty of the University Maine System selected by the chancellor, the Director of the Office of Fiscal and Program Review of the Legislature and another member of the Legislature's nonpartisan staff familiar with revenue estimating issues appointed by the Legislative Council. The Revenue Forecasting Committee meets at least four times a year.

The Revenue Forecasting Committee develops current fiscal biennium and two ensuing fiscal biennia revenue projections using the economic assumptions recommended by the Consensus Economic Forecasting Commission. The Revenue Forecasting Committee submits recommendations for State revenue projections for the next two fiscal biennia and analyzes revenue projections for the current fiscal biennium. No later than December 1 of each even-numbered year, the Revenue Forecasting Committee submits to the Governor, certain members of the Legislature and the State budget officer analyses, findings and recommendations for General Fund and Highway Fund revenue projections for the next two fiscal biennia. No later than May 1 and December 1 of each odd-numbered year and no later than March 1 and December 1 of each even-numbered year, the Revenue Forecasting Committee submits to the Governor, certain members of the Legislature and the State budget officer analyses, findings and recommendations for adjustments to General Fund and Highway Fund revenue for the current and ensuing fiscal biennia.

The Revenue Forecasting Committee makes all determinations necessary to calculate the General Fund appropriation limit established by law. See "Fiscal Management – General Fund Appropriation Limit."

The State budget officer uses the revenue projections of the Revenue Forecasting Committee in setting revenue estimates for inclusion in the State budget and in preparing General Fund and Highway Fund revenue and expenditure forecasts for the budget.

The Consensus Economic Forecasting Commission is responsible for providing the Governor, the Legislature and the Revenue Forecasting Committee with analyses, findings and recommendations representing State economic assumptions relevant to revenue forecasting. The Consensus Economic Forecasting Commission consists of five members appointed by the Governor as provided by law. Each Consensus Economic Forecasting Commission member must have professional credentials and demonstrated expertise in economic forecasting. The Consensus Economic Forecasting Commission meets at least four times a year.

The Consensus Economic Forecasting Commission develops five-year and ten-year macroeconomic secular trend forecasts and one-year, two-year and four-year economic forecasts. The Consensus Economic Forecasting Commission submits recommendations for State economic assumptions for the next fiscal biennium and analyzes economic assumptions for the current fiscal biennium. No later than November 1 of each even-numbered year, the Commission submits to the Governor, the Revenue Forecasting Committee and certain members of the Legislature analyses, findings and recommendations for economic assumptions related to revenue forecasting for the next fiscal biennium. No later than April 1 and November 1 of each odd-numbered year and no later than February 1 and November 1 of each even-numbered year, the Commission submits to the Governor, the Revenue Forecasting Committee and certain members of the Legislature the Commission's findings and recommendations for adjustments to the economic assumptions for the current fiscal biennium.

Fiscal Year 2009 Reports. The Consensus Economic Forecasting Commission issued its report dated April 1, 2009 which refined the forecast it released in November 2008 and made a number of adjustments to that forecast. This most recent forecast reflects a sharp decline in both national and state economic activity that began to reveal itself in the late fall of 2008. The newest forecast estimates that this decline will result in a continued weakening in the labor market through calendar year 2009 and the beginning of calendar year 2010, with recovery beginning in late 2010. The forecast for annual percentage change in wage and salary employment growth for calendar year 2009 was reduced from the November level of (0.7%) to (3.8%), with growth remaining (1.6%) in calendar year 2010; the forecast improves in calendar year 2011 with the annual percentage change projected to be 1.4%. The Commission also adjusted its forecast of annual percentage change in personal income, reducing it from 2.6% to 1% for the current calendar year; estimates for calendar year 2010 and 2011 were adjusted downward from 3.9% and 4% to 1.2% and 2.8%, respectively. The annual percentage change in inflation was adjusted, as well, moving from 2.5% in calendar year 2009 to (1.4%), from 2.5% in calendar year 2010 to 1.7% and from 2.2% in calendar year 2011 to 2.3%.

In its December 2008 report, the Revenue Forecasting Committee projected a decrease of approximately $140,000,000 in General Fund revenues for fiscal year 2009 and a decrease of approximately $330,000,000 for the 2010-2011 biennium. The impact of these revenue downturns was addressed in a supplemental budget enactment for fiscal year 2009 and in the Governor's budget recommendations for the fiscal year 2010-2011 biennium, described under the caption "State Budgets" herein. The December 2008 report reflected the updated November 2008 forecast of the Consensus Economic Forecasting Commission.

The Revenue Forecasting Committee met in late April and issued a revised forecast on May 1, 2009. This was the first forecast under the new statutory reporting dates. Given the concerns regarding the effect of the decline of financial markets late in calendar year 2008, the additional information gathered from the April income tax collections was critical and resulted in additional downward adjustments to the Committee's assumptions for income tax liability from capital gains. The revised economic forecast reflects significant reductions to projections for individual income and sales taxes, despite consideration of the impact of the American Recovery and Reinvestment Act of 2009 ("ARRA").

The May 2009 report reflects a decrease of approximately $129.3 million in General Fund revenues in fiscal year 2009 and a decrease of $439.9 million for the 2010-2011 biennium. The forecast projects a continued decline in revenue through fiscal year 2011, with the largest decline in fiscal year 2009, followed by another 2.1% decline in fiscal year 2010. Downward revisions to the major tax categories including Sales and Use Tax, Individual Income Tax and Corporate Income Tax, account for more than 90% of the negative adjustments made by the Revenue Forecasting Committee. While most of the changes in these categories are driven by the economic forecast generated by the Consensus Economic Forecasting Commission, the Individual Income Tax estimates were driven by April 2009 income tax collection experience, reflecting a significant decline in capital gains realizations.

Projected revenue related to the cigarette and tobacco products tax also exhibited a substantial degradation in the revised forecast, primarily as a result of the impact on volume of sales generated by the recent increase in the federal tax on these products.

For a description of the Governor's May 1, 2009 proposal to balance the budgets for fiscal years 2009, 2010 and 2011. See "State Budgets" below for information regarding fiscal year 2010 revenues.

General Fund Appropriation Limit

Pursuant to 2005 Chapter 2, the rate of growth of General Fund appropriations in a fiscal year is limited in one of two ways (the "Growth Limit Factor"). For fiscal years when the "state and local tax burden" of the State ranks in the highest one-third of all states, the Growth Limit Factor is "average real personal income growth," but no more than 2.75%, plus "average population growth." For fiscal years when the "state and local tax burden" of the State ranks in the middle one-third of all states, the Growth Limit Factor is "average real personal income growth" plus "forecasted inflation" plus "average population growth."

"Average population growth" means the average for the prior ten calendar years of the percent change in population from July 1 of each year. "Average real personal income growth" means the average for the prior ten calendar years of the percent change in personal income in the State less the percent change in the consumer price index for the calendar year. "Forecasted inflation" means the average amount of change of the consumer price index for the calendar years that are part of the ensuing two fiscal years forecasted by the Consensus Economic Forecasting Commission in its November 1 report in even-numbered years. "State and local tax burden" means the total amount of state and local taxes paid by residents of the State per $1,000 of income.

As of December 1 of each even-numbered year, a General Fund appropriation limit is established for the ensuing two fiscal years. For the first fiscal year, the General Fund appropriation limit is equal to the "biennial base year appropriation" multiplied by one plus the Growth Limit Factor. For the second fiscal year, the General Fund appropriation limit is the General Fund appropriation limit of the first year multiplied by one plus the Growth Limit Factor. "Biennial base year appropriation" means the amount of the General Fund appropriation limit for the current year as of December 1 of even-numbered years.

The General Fund appropriation limit applies to all General Fund appropriations, except certain education costs described in the following paragraph. The General Fund appropriation limit is approximately $3.4 billion for fiscal year 2010 and approximately $3.5 billion for fiscal year 2011.

2005 Chapter 2 provides that the additional cost for certain essential educational programs and services ("Essential Programs and Services") for kindergarten to grade 12 education ("K-12 Education") over the fiscal year 2004-05 appropriation for general purpose aid for local schools is excluded from the General Fund appropriation limit until the State share of that cost reaches 55% of the total State and local cost. Current law provides that the State will pay 55% of the total State and local cost of K-12 Education for fiscal year 2009 and that the General Fund appropriation limit will include the State share of the cost of K-12 Education beginning with fiscal year 2010. Current budget constraints led the Governor to propose a delay in attainment of the 55% share goal until the 2012-2013 biennium. See "Education Funding" herein.

The General Fund appropriation limit may be exceeded for certain extraordinary circumstances which must be outside the control of the Legislature of the State, including (a) catastrophic events, such as natural disaster, terrorism, fire, war and riot, (b) unfunded or underfunded State or Federal mandates, (c) citizens' initiatives or other referendum, (d) court orders or decrees or (e) loss of Federal funding. Extraordinary circumstances do not include changes in economic conditions, revenue shortfalls, increases in salaries or benefits, new programs or program expansions that go beyond existing program criteria and operation. The General Fund appropriation limit may be increased for other purposes only by a vote of both Houses of the Legislature of the State in a separate measure that identifies the intent of the Legislature to exceed the General Fund appropriation limit. 2005 Chapter 2 is subject to modification or repeal at any time by the State Legislature.

"Baseline General Fund revenue" and other available budgeted General Fund resources that exceed the General Fund appropriation limit must be transferred to the Maine Budget Stabilization Fund (the "Stabilization Fund"). If the Stabilization Fund is at its limit of 12% of General Fund revenue of the immediately preceding fiscal year, then amounts that would otherwise have been transferred to the Stabilization Fund must be transferred to the Tax Relief Fund for Maine residents. "Baseline General Fund revenue" means the recommended General Fund revenue forecast reported by the Revenue Forecasting Committee in its December 1 report in even-numbered years, increased by the estimated amount of net General Fund revenue decrease, if any, for all enacted changes reducing the state and local tax burden included in that forecast.

Public Laws of Maine 2005, chapter 519 ("2006 Chapter 519"), changed the priority order of distributions from the unappropriated surplus of the General Fund. It directs transfers to the State Contingent Account as the first priority (until the balance therein equals a maximum amount of $350,000) and permits transfers to the Loan Insurance Reserve as the second priority in amounts up to $1,000,000 per year. After these transfers are made, the then available balance of unappropriated surplus is distributed as follows: 35% to the Stabilization Fund; 20% to the Reserve for General Fund

Operating Capital; 20% to the Retirement Allowance Fund; 15% to the Retiree Health Insurance Internal Service Fund; and the final 10% to the Capital Construction and Improvements Reserve Fund.

Public Laws of Maine 2007, chapter 1 ("2007 Chapter 1"), as modified by Public Laws of Maine 2007, chapter 240 ("2007 Chapter 240"), modified the distribution of the unappropriated surplus of the General Fund for fiscal year 2007. 2007 Chapter 1 required the transfer of up to $82,000,000 of the General Fund unappropriated surplus remaining at the close of fiscal year 2007 to the State Department of Health and Human Services Medical Care Payments Account prior to any of the transfers required by 2006 Chapter 519. The funds were to be used specifically for the payment of outstanding settlements to hospitals participating in the State's Medicaid program (the "MaineCare Program" or "MaineCare") and to increase interim payment rates for those facilities. Public Laws of Maine 2007, chapter 700 ("2007 Chapter 700") provided a transfer of up to $10,000,000 to the Stabilization Fund prior to the transfers authorized by 2007 Chapter 240. As a result of these legislative modifications, no transfers were made to the State's Reserve for General Fund Operating Capital or the Stabilization Fund in fiscal years 2007 and 2008, with the exception of the $10,000,000 transfer to the Stabilization Fund at the close of fiscal year 2008, as specified in 2007 Chapter 700.

As of September 30, 2009, the approximate balances in the Stabilization Fund and the Reserve for General Fund Operating Capital were $210,363 and $0, respectively. The Retirement Allowance Fund is used to make supplemental payments, if any, to reduce the State's unfunded pension liability and, therefore, does not carry a balance forward from year to year. As of September 30, 2009, the approximate balances in the Retiree Health Insurance Internal Service Fund and the Capital Construction and Improvements Reserve Fund were, respectively, $88,506,888 and $407,462. For a description of the Governor's May 1, 2009 proposal to use the balances in the Stabilization Fund and the Reserve for General Fund Operating Capital as part of his plan to balance the budgets for fiscal years 2009 and 2010, see "State Budgets" below.

Citizen Initiative Petitions

Pursuant to the Constitution of the State certain initiative petitions of citizens of the State were presented to the Legislature. Since the Legislature did not pass those initiatives, they will be placed before the voters of the State at the Statewide election on November 3, 2009 for a decision on whether to enact the initiated legislation. The four pending initiatives that will appear on the November 3, 2009 ballot are:

An Act to Decrease the Automobile Excise Tax and Promote Energy. This bill decreases the excise tax imposed on motor vehicles for the first year from 24 mills to 12 mills, for the second year from 17 1/2 mills to 8 mills and for the third year from 13 1/2 mills to 4 mills and imposes a 4 mills rate for the fourth and succeeding years. This bill also exempts from the excise tax imposed on motor vehicles the first three model years of a hybrid gasoline-electric vehicle, a fuel-cell-fueled or hydrogen-fueled vehicle or a highly energy efficient vehicle that has a highway fuel economy estimate of at least 40 miles to the gallon. After the first three years, the rate of excise tax is the same as on other motor vehicles of the same age.

This bill also exempts from the sales tax 100% of the sale or lease price of a new hybrid gasoline-electric vehicle, a fuel-cell-fueled or hydrogen-fueled vehicle or a vehicle with a highway fuel economy estimate of at least 40 miles per gallon. As of the date hereof, the State estimates that this bill, if enacted, would result in a decrease in the revenues of the State in the amount of approximately $4 to $5 million annually.

An Act to Repeal the School District Consolidation Laws. This initiated bill repeals the laws related to the consolidation of school administrative units that were enacted by the First Regular Session of the 123rd Legislature in 2007 Chapter 240. It restores the laws that were amended or repealed to accommodate the consolidation. As of the date hereof, the State estimates that this bill, if enacted, could increase General Fund expense of the State by approximately $37,351,286 in fiscal year 2010 and by approximately $38,202,896 in fiscal year 2011.

An Act to Promote Tax Relief. This initiated bill imposes expenditure limitations on state and local government and requires voter approval of certain state tax increases.

Under this bill, growth in annual expenditures of the General Fund, the Highway Fund and Other Special Revenue Funds are limited according to increases in population and inflation. For the General Fund and Highway Fund budgets, revenues exceeding the expenditure limitation must be distributed by directing 20% of that excess to a budget stabilization fund and 80% of that excess to a tax relief fund. The budget stabilization funds may be used only in years when revenues are not sufficient to fund the level of expenditure permitted by the growth limits. The tax relief fund must be used to provide tax relief through broad-based tax rate reductions or refunds proportional to individual income tax personal exemptions claimed in the previous tax year. The Highway Fund reserve fund must be used to provide a decrease in motor fuel taxes. For state agencies that manage Other Special Revenue Funds, the managers of those funds must report revenues received in excess of expenditure limitations and other uncommitted revenues to the Legislature with a plan for refund of those revenues.

Under this bill, a state tax increase would require a majority vote of each House of the Legislature and majority approval of the voters. This bill also provides that state expenditure limits contained in the bill may be exceeded by a majority vote of each House of the Legislature and majority approval by the voters, and it adds the requirement of majority approval by the voters before municipal and county expenditure limits may be exceeded. The bill requires majority approval by the voters for the annual indexing for inflation of motor fuel taxes and it requires counties and municipalities to use a cost center budget summary format developed by the Department of Audit. The bill requires information in that format to be made available to local voters, filed annually with Maine Revenue Services and posted on any publicly accessible website maintained by the county or municipality as well as on the Maine Revenue Services website. As of the date hereof, the State estimates that this bill, if enacted, would result in a decrease in the revenues of the State in the amount of approximately $8 to $9.5 million annually.

An Act to Establish the Maine Medical Marijuana Act. Current law allows a person who has been diagnosed by a physician as suffering from certain medical conditions to possess marijuana for medical use. This initiated bill changes the description of the medical conditions for which the medical use of marijuana is permitted. It directs the Department of Health and Human Services to issue registry identification cards to patients who qualify to possess marijuana for medical use and to their designated primary caregivers. It sets limits on the amount of marijuana that may be possessed by qualifying patients and their designated primary caregivers. It allows the establishment of nonprofit dispensaries to provide marijuana to qualifying patients and directs the Department of Health and Human Services to issue a registration certificate to a nonprofit dispensary that meets certain criteria. It directs the Department of Health and Human Services to establish application and renewal fees sufficient to pay the expenses of implementing and administering the provisions of the initiated bill. As of the date hereof, the State estimates that this bill, if enacted, would not have any material adverse effect on the revenues of the State.

The Accounting System

The Department of Administrative and Financial Services, through the Office of the State Controller, is authorized to maintain an official system of general accounts (unless otherwise provided by law) embracing all the financial transactions of the State; to examine and approve all contracts, orders and other documents to ascertain that moneys have been duly appropriated and allotted to meet such obligations and will be available when such obligations will become due and payable; to audit and approve bills, invoices, accounts, payrolls and all other evidence of claims, demands or charges against the State government (State government is defined to include the Judiciary and the Executive Department of the Governor); to implement internal control standards applicable to State agencies and departments; and to exercise certain other rights, powers and duties as more fully prescribed by law.

The principal Funds established by the State for budgetary accounting purposes are the Governmental Funds (which include the General Fund, the Special Revenue Funds and the Capital Projects Funds), the Proprietary Funds (which include the Enterprise Funds and the Internal Service Funds) and the Fiduciary Funds (which include the Trust and Agency Funds). The Funds are used as follows:

The Governmental Funds account for the general governmental activities of the State. The **General Fund** is used to account for all governmental transactions that are not accounted for in another fund. Sales tax, individual and corporate income taxes and other business taxes provide most of the funds available for appropriation by the Legislature for general governmental operations, such as education, human services, corrections, the judiciary and the Legislature. The General Fund is the State's major operating fund.

The **Special Revenue Funds** account for specific revenue sources, other than expendable trusts or major capital projects, that are legally restricted to expenditures for specified purposes. The Special Revenue Funds include the following:

> The **Highway Fund** is used to account for revenues derived from registration of motor vehicles, operators' licenses, gasoline tax and other dedicated revenues, except for Federal matching funds and bond proceeds used for capital projects. The Legislature allocates this Fund for the operation of various Department of Transportation programs, including construction and maintenance of highways and bridges, for a portion of the State Police administration and for other State programs.
>
> The **Other Special Revenue Funds** are used to account for various special purpose funds which have been established on a self-supporting basis. Revenues are generated by taxes, licenses, fees and Federal matching funds and grants.

Capital Projects Funds account for financial resources used to acquire or construct major capital assets other than those financed by proprietary funds. These resources are derived primarily from proceeds of general obligation bonds. The State also includes in this Fund the proceeds from bond issues for uses other than major capital facilities.

The Proprietary Funds account for the State's ongoing activities that are similar to those found in the private sector. The **Enterprise Funds** account for transactions related to resources received and used to finance self-supporting activities of the State. The costs of providing goods and services to the general public on a continuing basis, including depreciation, are financed or recovered primarily through user charges.

The **Internal Service Funds** account for the financing and sale of goods or services between agencies of the State or other governmental units on a user charge basis.

The Fiduciary Funds account for assets held by the State acting as either a trustee or an agent for individuals, private organizations and other governmental units or other Funds. The **Expendable Trust Funds** account for assets held in a trustee capacity where principal and income may be expended for the funds' designated operations. The **Nonexpendable Trust Funds** account for assets held in a trustee capacity where only income may be expended for the funds' designated operations. **Agency Funds** account for assets which the State, as custodian, holds for others.

In addition, the State has established the **General Long-Term Obligations Account Group** to establish control and accountability for long-term obligations of the State, including those related to general obligation bonds, capital leases, certificates of participation and compensated absences, not accounted for in Proprietary Funds or Nonexpendable Trust Funds. The State has also established the **General Fixed Assets Account Group** to establish control and accountability for all fixed assets of the State not accounted for in Proprietary Funds.

The accounting system is designed to assure that expenditures do not exceed amounts authorized by legislative appropriation and to conform, to the extent possible, to standards of the Governmental Accounting Standards Board ("GASB") and its predecessor, the National Council on Governmental Accounting. Financial transactions are recorded in the General Fund, the Highway Fund and certain other funds as described above and in Appendix B hereof.

Accounting Reports and Practices

The State controller shall prepare a comprehensive annual financial report in accordance with standards established by GASB. This report shall be the official financial report of the State government.

The State controller's annual financial report for the fiscal year ended June 30, 2008 is set forth in two separate publications. The first publication consists of the Basic Financial Statements of the State of Maine for the year ended June 30, 2008 which are set forth in Section I of Appendix B. Certain information which is included in the second publication and certain information which has been derived from provisions of the State controller's annual financial reports for certain prior fiscal years comparable to the second publication is included in Section II of Appendix B. The information set forth in Section II of Appendix B is based on budgetary and legal requirements.

The Basic Financial Statements of the State of Maine for the year ended June 30, 2008 which are set forth in Section I of Appendix B have been prepared by the State controller and have been audited by the Department of Audit in accordance with auditing standards generally accepted in the United States of America. The Department of Audit has issued an unqualified opinion on the Basic Financial Statements.

Because of the variety of activities and programs run by the State, the State controller has established several specialized accounting conventions, which are consistently applied within the fund accounting system. For more information on the basis of accounting used by the State, see Appendix B, Section I, "Notes to the Financial Statements, June 30, 2008."

Annual financial reports prepared by the State controller for the fiscal year ending June 30, 2008 and for prior fiscal years are available upon request directed to Barbara Raths, Deputy State Treasurer, 39 State House Station, Augusta, Maine 04333, telephone: 207-624-7477; facsimile: 207-287-2367.

The comprehensive annual financial reports for the fiscal year ended June 30, 2008 and for prior fiscal years are also available at http://www.maine.gov/osc/finanrept/cafr.htm.

Department of Audit

The Department of Audit is headed by the State Auditor, who is elected by the Legislature by a joint ballot of the Senators and Representatives in convention to hold office for a term of four years. A person may not serve more than two consecutive terms as State Auditor. The Department of Audit is authorized to audit all accounts and other financial records of State government, including the Judiciary and the Executive Department of the Governor, except the Governor's expense account, and to report annually on this audit, and at such other times as the Legislature may require; to review and study departmental budgets and capital programs for better and efficient management of State government; to serve as a staff agency to the Legislature or to the Governor in making investigations of any phase of the State's finances; and to perform audits of all accounts and financial records of any organization, institution or other entity receiving or requesting an appropriation or grant from the State; to issue reports on such audits and investigations; and to conduct financial and compliance audits of financial transactions and accounts kept by or for State agencies subject to federal single audit requirements.

Audit Reports

The State Auditor shall audit the Basic Financial Statements included within the Comprehensive Annual Financial Report prepared by the State controller for each fiscal year. The State Auditor's Independent Audit Opinion dated February 19, 2009 with respect to the fiscal year ending June 30, 2008 is set forth in Appendix B hereto. Single audit reports prepared by the Department of Audit for the fiscal year ending June 30, 2008 and for certain prior fiscal years are available upon request directed to the State Treasurer. See "Introduction" herein.

All information in this Official Statement for any period ending after June 30, 2008 is unaudited and therefore is subject to change.

STATE BUDGETS

Laws authorizing expenditures for fiscal years 2006, 2007, 2008 and 2009 were enacted and provided for General Fund expenditures and Highway Fund expenditures in the amounts set forth in the table below. A law authorizing General Fund and Highway Fund expenditures for fiscal year 2010 and 2011 has been enacted and provides for such expenditures in the amounts set forth in the table below.

Fiscal Year Ending June 30	General Fund Expenditures Authorized	Highway Fund Expenditures Authorized
2006	$ 2,871,878,613	$ 349,584,284
2007	2,978,358,710	346,221,340
2008	3,129,325,355	336,160,213
2009	3,017,952,419	327,534,161
2010	2,927,547,096	306,632,571
2011	2,866,679,783	303,913,274

For information regarding fiscal year 2009 expenditures, see "Certain Expenditures and Obligations – General Fund Expenditures" below.

Since July 1, 2008, adverse economic and fiscal circumstances have necessitated ongoing adjustments to the budget for fiscal year 2009 and to the budget proposed for the 2010-2011 biennium. For first several months of fiscal year 2009, General Fund appropriations were governed by Public Laws of Maine 2007, chapter 539 ("2007 Chapter 539") which took effect on June 30, 2008.

In order to begin as soon as possible to address an expected decline in revenues for fiscal year 2009 of approximately $140 million as projected in the December 2008 report of the Revenue Forecasting Committee (see "Fiscal Management – Revenue Forecasting – Fiscal Year 2009 Reports" above), the Governor issued an Executive Order on November 19, 2008 curtailing spending by State agencies in fiscal year 2009 by approximately $80 million. Curtailment is a temporary measure, serving to reduce the rate of spending until a supplemental budget is enacted to address the projected revenue decline. A curtailment maximizes the time available in the current fiscal year to achieve the required spending reductions, thus softening the impact of spending reductions to the greatest extent possible. For additional information regarding curtailment of allotments, see "Fiscal Management – Overview of the Budget Process."

In order to further address the Revenue Forecasting Committee's revised projections, released on December 1, 2008 (see "Fiscal Management – Revenue Forecasting – Fiscal Year 2009 Reports" above), Public Laws of Maine 2009, chapter 1, effective January 29, 2009 ("2009 Chapter 1"), amended the budget for fiscal year 2009 and implemented a net decrease in General Fund appropriations of approximately $139.6 million.

In order to address the findings of the May 1, 2009 report of the Revenue Forecasting Committee (see "Fiscal Management – Revenue Forecasting – Fiscal Year 2009 Reports" above), the Governor, on May 1, 2009, proposed amendments to 2009 Chapter 1, the budget for fiscal year 2009, and to his budget proposal for fiscal years 2010 and 2011 that were designed to satisfy the State's balanced budget requirement. On May 28, 2009, Public Laws of Maine 2009, Chapter 213 ("2009 Chapter 213") took effect. 2009 Chapter 213 addressed a $129 million budget shortfall for the current fiscal year which ended June 30, 2009 and a $440 million budget shortfall for fiscal years 2010-11. Under 2009 Chapter 213 and prior laws, the General Fund budget has been reduced to approximately $5.8 billion for the 2010-11 biennium from the approximately $6.1 billion appropriated for the 2010-11 biennium.

2009 Chapter 213 included a $68.8 million reduction in GPA in fiscal year 2011 (see "Certain Expenditures and Obligations – Education Funding" below), a $3 million reduction to higher education funding in each year of the 2010-2011 biennium and adjustments to the State's Homestead Exemption tax program, the tax and rent program known as the Circuit Breaker program, as well as a number of initiatives to decouple from federal tax provisions. 2009 Chapter 213 also reduced Municipal Revenue Sharing and Maine's subsidy payments to dairy farmers. 2009 Chapter 213 also modified a range of Medicaid programs, primarily aimed at stricter medical management of services and standardization of provider rates. No changes in program eligibility were enacted and the State remains eligible to receive ARRA funding for the MaineCare program.

2009 Chapter 213 included several changes that impacted State employees. These included ten days in each fiscal year of the 2010-2011 biennium on which all State government offices will be closed. Merit increases have been suspended during the 2010-2011 biennium and any employee hired on or after October 1, 2009 are required to pay a portion of his or her individual health insurance premium. Historically, the State has paid 100% of that benefit.

2009 Chapter 213 also provided that all of the approximately $40.6 million in the Reserve for General Fund Operating Capital and approximately $75.5 million from the Stabilization Fund was used to assist in balancing the budget for fiscal year 2009.

Finally, a Commission to Recommend Streamlining of State Government Programs and Service Delivery was created pursuant to 2009 Chapter 213. During the remainder of calendar year 2009, the Commission is to develop recommendations for strategies to improve organizational structures, improve alignment of functions and assess the ongoing need for each program of State government. The Commission is to report out recommendations for at least $30 million in savings to the Governor and the Legislature prior to the convening of the next legislative session.

The May 1, 2009 revenue forecast also impacted the Highway Fund by approximately $16.7 million in fiscal year 2009 and by approximately $42.3 million for fiscal years 2010-2011. Public Laws of Maine 2009, chapter 413, effective June 16, 2009, reduced the Highway Fund budget to bring it into balance.

The State anticipates a significant increase in federal aid for certain programs in fiscal years 2009, 2010 and 2011 as a result of funds made available through the ARRA. The State expects to receive an aggregate amount of approximately $1.3 billion of ARRA funds flowing through State government over the course of the recovery period. Of the funds to be received by the State, $193.5 million is expected to be available in State fiscal stabilization funds and approximately $334 million is expected to be available for the State's Medicaid program. The actual amounts received by the State for particular programs may change as federal guidelines continue to be published.

As described in this Official Statement, the recent and continuing adverse economic and fiscal circumstances have necessitated a series of downward revenue forecasts, which have led to certain budget adjustments in order to maintain a balanced budget. These actions have included a number of one-time measures, such as the use of reserves, which will not be available to address future budget needs. In addition, adjustments to 2009 Chapter 213, the budget for fiscal years 2010-2011, will be made.

The State cannot now predict what adjustments, if any, will be made to the 2010-2011 budget or the outcome of the budget process for the years following the 2010-2011 biennium. In light of the current circumstances, significant budget deficits are expected for the years following the 2010-2011 biennium and additional significant adjustments to both revenues and expenditures will likely be necessary for the adoption of balanced budgets for the years following the 2010-2011 biennium. In the first two months of fiscal year 2010, actual revenues performed below projections, but that performance did not clearly indicate a deteriorating trend that needed to be addressed immediately. In September, 2009 revenue performance continued to decline. As a result, the Governor has ordered all agencies to prepare proposals for substantial reductions to their General Fund budgets, to be considered for inclusion in the fiscal year 2010 supplemental budget proposal, which will be submitted to the Legislature in January 2010. For planning purposes, a potential revenue shortfall of $200 million is currently anticipated, but the actual shortfall will likely vary from this amount.

For additional information regarding General Fund expenditures and Highway Fund expenditures during fiscal years 2004 through 2008, see Appendices B and C.

CERTAIN EXPENDITURES AND OBLIGATIONS

General Fund Expenditures

Total authorized General Fund expenditures for fiscal year 2009 are approximately 19% greater, on a budgetary basis, than those for fiscal year 2003. Total General Fund expenditures for fiscal years 2008 and 2009 are approximately 5.2% higher, on a budgetary basis, than those for fiscal years 2006 and 2007. It is expected that total General Fund expenditures for fiscal years 2010 and 2011 will be approximately 5.75% lower, on a budgetary basis, than those for fiscal years 2008 and 2009.

The following table sets forth, by certain major categories, General Fund expenditures set forth in 2009 Chapter 213, the budget for fiscal years 2010 and 2011. The following amounts are subject to change upon reconciliation of budget acts and miscellaneous acts with fiscal impact.

	2010	2011
Governmental Support and Operations	$ 248,582,119	$ 223,792,652
Economic Development & Workforce Training	37,225,259	37,403,915
Education	1,458,618,247	1,406,958,252
Arts, Heritage & Cultural Enrichment	7,878,764	8,000,996
Natural Resources Development & Protection	72,089,007	73,129,338
Health & Human Services	819,403,216	856,542,519
Justice & Protection	283,750,484	280,852,111
Total	$2,927,547,096	$2,886,679,783

General Fund expenditures for fiscal years 2010 and 2011 are currently budgeted at approximately $5.8 billion of which approximately 49% will be attributable to education, approximately 29% will be attributable to health and human services inclusive of Medicaid and approximately 22% will be attributable to other purposes of State government.

For additional information regarding General Fund expenditures during fiscal years 2004 through 2008, and for information regarding Highway Fund expenditures during fiscal years 2004 through 2008, see Appendices B and C hereto. See also “Certain Public Instrumentalities” herein.

Education Funding

At the initiative of certain citizens of the State pursuant to the Constitution of the State, the voters of the State voted to enact legislation known as the School Finance Act of 2003 (the “Initiated School Finance Act”) at a statewide election held June 8, 2004. The Initiated School Finance Act required that the Legislature each year provide at least 55% of the cost of the total allocation for K-12 Education from General Fund revenue sources and 100% of the State and local cost of providing all special education services mandated under federal or State law. The Initiated School Finance Act was amended by 2005 Chapter 2 to provide that, beginning in fiscal year 2009, the Legislature each year will provide, as a target, (a) 55% of the statewide adjusted total cost of the components of Essential Programs and Services and (b) 100% of a school administrative unit’s special education costs calculated pursuant to applicable State law.

2007 Chapter 539 provides that, as a target, (a) the State will provide 53.51% and 54.01%, respectively, of the statewide adjusted total cost of the components of Essential Programs and Services and (b) the State will provide 100% of a school administrative unit's special education costs calculated pursuant to applicable State law for fiscal years 2008 and 2009. The budget for fiscal years 2008 and 2009, as amended by 2007 Chapter 539, includes approximately $1,966,000,000 to fund the State's share of K-12 Education costs attributable to the Initiated School Finance Act. 2007 Chapter 539 also amended applicable law to provide that the State's payment of 55% of the total State and local cost of K-12 Education be delayed until fiscal year 2010 and that inclusion of the State share of the cost of K-12 Education in the General Fund appropriation limit be delayed until fiscal year 2011.

The Governor's Executive Order issued in November 2008 included curtailment of State spending for K-12 Education in the amount of approximately $27,000,000. The Governor's proposal to revise the budget for fiscal year 2009 included a reduction in baseline funding for GPA for fiscal year 2009 in an amount equal to the curtailment which was enacted as part of 2009 Chapter 1.

2009 Chapter 213 establishes the baseline budget for GPA at approximately $986,000,000 and continues the reduction of GPA approved in the fiscal year 2009 supplemental budget (2009 Chapter 1) of $27,056,044 in each year. Pursuant to 2009 Chapter 213, GPA will be 51.01% of the total State and local cost of K-12 Education in fiscal years 2010 and 2011.

In order to address the findings of the May 1, 2009 report of the Revenue Forecasting Committee (see "Fiscal Management – Revenue Forecasting – Fiscal Year 2009 Reports" above), 2009 Chapter 213 also includes a reduction in GPA in fiscal year 2011 in the amount of approximately $68.8 million and a reduction in the State share of special education funding of $11.6 million in fiscal year 2010 and $2.8 million in fiscal year 2011. This reduction is expected to be mitigated by a reallocation of unexpended federal Individuals with Disabilities Act monies. Neither of these reductions violates the "maintenance of effort" requirements of the ARRA.

2009 Chapter 213 has resulted in government funding of GPA totaling approximately $1 billion in fiscal year 2010 and $946 million in fiscal year 2011. The State General Fund contribution will be approximately $947 million in fiscal year 2010 and approximately $887 million in fiscal year 2011. The balance of the government payments will be derived from ARRA monies awarded to the State for K-12 Education totaling approximately $129 million over the course of the 2010-2011 biennium. Total payments by the State to local school districts (including ARRA monies) will comprise 52.11% of the total cost of Essential Program and Services in fiscal year 2010 and 48.5% in fiscal year 2011.

Health and Human Services Funding

After education, spending on health and human services and programs comprises the second most significant area of expenditure, at 29% of General Fund appropriations for the 2010-2011 biennium. Furthermore, expenditures for the State's Medicaid program, MaineCare, are the largest, and are approximately 60% of all health and human services spending. The State has made significant efforts to hold down the rate of increase in the growth of MaineCare. While remaining committed to provide access to care for the State's most vulnerable residents, the State is employing more aggressive care management techniques, continues to standardize provider reimbursement rates and has developed more capacity in the area of third party recovery.

Continuing revenue declines and recently promulgated changes in federal Medicaid rules have resulted in a substantial curtailment of spending within Maine's health and human services, including MaineCare. Authorized expenditures for these programs will decline between the 2008-09 biennium and the 2010-11 biennium, reflecting the projected continued revenue decline. As a first priority, spending reductions were targeted to State-funded grant programs, thereby minimizing loss of available funds by avoiding loss of federal matching dollars. While these reductions do result in a loss of services to certain individuals, persons affected are not Medicaid eligible.

The enactment of the ARRA provides a substantial infusion of federal funds into Maine's Medicaid program. At this time, approximately $410 million is expected to be made available to the MaineCare program from ARRA funds over the course of the twenty-seven month period covered by the ARRA (October 1, 2008 through December 31, 2010). These moneys are primarily in the form of enhanced federal matching dollars. This funding will assist the State in meeting expected increases in demand for MaineCare services occurring as a result of the economic downturn and in redeploying some General Fund resources to provide more timely payment of MaineCare settlements to Maine hospitals, helping to ensure those facilities are able to retain employees, avoid further job losses and maintain the spectrum of services required by residents, particularly in rural areas of the State.

In March 2009, the Governor submitted a proposal to the Legislature for the appropriation of a portion of the General Fund monies expected to be freed up for redeployment as a result of the new federal appropriation of ARRA funds. That proposal was amended and is included in 2009 Chapter 213. A portion of these funds - $105 million - will be used to meet increased demand for services of the MaineCare program as well as further utilization increases projected for the 2010-2011 biennium. 2009 Chapter 213 includes approximately $82 million for hospital settlement payments, $500 thousand for funding an initiative of the Maine Department of Health and Human Services focused on the development of patient-centered medical homes, $1.2 million for support of students at the University of Maine Graduate School of Biomedical Science, to bolster the State's science workforce, and $2.5 million for scholarships for Maine students attending in-state medical school programs, to assist in building the State's medical workforce.

Debts of the State

As of June 30, 2009, there were outstanding general obligation bonds of the State in the principal amount of $529,990,000, including the principal amount of $408,925,000 to be paid from the General Fund and the principal amount of $121,065,000 to be paid from the Highway Fund. Debt service requirements to maturity for the outstanding general obligation bonds are set forth in Appendix D herein.

As of the date hereof, there are no outstanding tax anticipation notes of the State. As of the date hereof, the State has used interfund borrowings from the State investment pool in the amount of $270,000,000 to satisfy its fiscal year 2010 cash flow needs. Additional external borrowing may be needed. The amount to be borrowed externally in fiscal year 2010 is not currently expected to exceed $200,000,000. If external borrowing is required, a combination of tax anticipation notes and a proposed line of credit could be used. The timing and amount of any such borrowings will depend upon the actual cash flow needs of the State.

Under Public Laws of Maine 2009, Chapter 213, section KK-2, the State is authorized to advance up to $25 million from the General Fund to the Dirigo Health Enterprise Fund (the "Dirigo Fund"), which had experienced funding shortfalls that resulted in a negative cash and equity position at the close of fiscal year 2009. This advance must be paid back to the General Fund with interest by June 30, 2010. As of September 30, 2009, the outstanding amount of the advance to the Dirigo Fund was $19.3 million. Public Laws of Maine 2009, Chapter 359 changed the method of funding for Dirigo to a structure in which health insurance carriers are required to pay an access fee of 2.14% on all paid claims, except claims under personal injury, specified disease, hospital indemnity, dental, vision, disability income, long-term care, Medicare supplement or other limited benefit health insurance. The new law was effective for claims paid by insurance companies after September 1, 2009. The first month that the new revenue stream is due is October 2009.

Immediately after delivery of the Notes, there will be indebtedness authorized by the voters of the State for certain purposes, but unissued as either bonds or notes, in the aggregate principal amount of $68,817,000. As of the date hereof, the aggregate principal amount of bonds of the State authorized by the Constitution and implementing legislation for certain purposes, but unissued, is $99,000,000. See "Fiscal Management – Constitutional Debt Limit" and "Certain Public Instrumentalities – Finance Authority of Maine" and "– Maine State Housing Authority" herein.

Public Law 2009, Chapter 414, effective June 16, 2009, authorizes the Treasurer of State, under the direction of the Governor, to issue general obligation bonds of the State not exceeding the following amounts and for the following purposes, provided that a majority of the voters of the State voting in elections held in the following months have approved each amount and purpose set forth below.

Amounts	Purposes	Election Dates
$71,250,000	Improvements to highways and bridges, airports, public transit facilities, ferry and port facilities, including port and harbor structures	November, 2009
25,000,000	Capital investment to stimulate economic development and job creation by making investments under the Communities for Maine's Future Program and in historic properties; funding for research and development investments; funding for disbursements to qualifying small businesses; and grants for food processing for fishing, agricultural, dairy and lumbering businesses within the State and redevelopment projects at the Brunswick Naval Air Station	June, 2010
10,250,000	Improvements to water quality, support drinking water programs and the construction of wastewater treatment facilities	June, 2010
33,500,000	Investments in weatherization and energy efficiency projects; and for infrastructure and energy efficiency upgrades at campuses of the University of Maine System, the Maine Community College System and the Maine Maritime Academy	June, 2010
10,000,000	Investments in land conservation and working waterfront preservation and to preserve state parks	November, 2010

For additional information concerning long-term debts of the State, see Appendix D hereto.

Lease Financing Agreements

From time to time, the State enters into lease agreements for the purpose of acquiring or financing capital equipment and buildings. A lease agreement is secured solely by the equipment or building which is the subject of such agreement and is not a pledge of the full faith and credit of the State. Lease payment obligations are subject to appropriation by the Legislature. In certain instances, the State has issued certificates of participation in the lease payments to be made pursuant to certain lease agreements. As of June 30, 2009, the aggregate principal amount of such lease obligations outstanding was $50,081,230. For additional information regarding such lease agreements, see Appendix D hereto. For information regarding rental payments to be made by the State, subject to appropriation, to the Maine Governmental Facilities Authority, see "CERTAIN PUBLIC INSTRUMENTALITIES - Maine Governmental Facilities Authority."

Retirement Obligations

The Maine Public Employees Retirement System was established as of July 1, 1942 to administer retirement plans for State employees. The System's coverage was extended as of July 1, 1947 to include the State's public school teachers. The System became an independent agency pursuant to legislation that took effect on July 1, 1993. For additional information about the System, including, in particular, the principal actuarial assumptions used in determining the State's annual contributions as well as the funded status and funding progress of the State plans, information regarding the State's net pension obligation to the System and certain other related information, see Note 9 of the State's financial statements on pages B-63 – 674 and B-102 hereof and the System's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008 available at http://www.mainepers.org/.

The System administers defined benefit retirement plans providing retirement, disability and death benefits for all State employees in the executive, judicial and legislative branches, all of the State's public school teachers (which term includes administrators and other professional staff), members of the judiciary, members of the Legislature, and employees of participating state and local public entities ("PLD's"). In addition, the System administers a group life insurance plan which provides or makes available life insurance benefits for active and retired System members and employees of certain PLD's.

On June 30, 2008, the System's State employee and teacher defined benefit plan membership, for actuarial purposes, was comprised of approximately 41,790 active members, 7,098 terminated vested members and 26,991 retirees and surviving beneficiaries. The defined benefit plan covering the State's judges had, at June 30, 2008, 59 active members, two terminated vested members and 50 retirees and surviving beneficiaries. At the same date, the defined benefit plan covering the State's legislators had 170 active members, 72 terminated vested members and 120 retirees and surviving beneficiaries. As of June 30, 2008, 272 PLD's participated in the Maine Public Employees Retirement System. The State itself has no retirement obligations to the PLD's or to their covered employees. As of June 30, 2008, the System's group life insurance plan, for actuarial purposes, was comprised of approximately 34,031 active members and 14,918 retirees, which includes 5,945 PLD active members and 2,254 PLD retirees.

Retirement, disability and death benefits provided by the System are financed by employee contributions as set by statute and by employer contributions determined on an actuarial basis. An actuarial valuation is prepared biennially in even years for each of the State's three defined benefit plans to determine the State's employer contribution requirements. For State employees and teachers, the State's annual required contribution (the "ARC") is comprised of the normal cost contribution plus the payment required to amortize the plan's unfunded actuarial liability. As of June 30, 2008, the actuarial value of assets of the plans for State employees, including members of the judicial and legislative plans, and teachers was $8,691,075,704 and the actuarial accrued liability was $11,721,271,968, resulting in an unfunded accrued actuarial liability of $3,030,196,264 and a funded ratio of approximately 74.1%. As of June 30, 2008, 20 years remained in the current amortization period for the unfunded liability. The judicial retirement plan had an actuarial surplus of $2,784,490 at June 30, 2008. The legislative retirement plan had an actuarial surplus of $3,494,128 at June 30, 2008.

The State has generally funded its ARC for state employees and teachers, although actual contributions in the past have, in some cases, been less than the ARC and in other cases exceeded the ARC. As of June 30, 2008, the State had a net pension obligation to the System of $18,708,000. 2009 Chapter 213 fully funds the projected ARC for State employees and teachers for the coming biennium.

The ARC proposed to be funded in the 2010-2011 biennial budget is based upon an actuarial valuation as of June 30, 2008 prepared by Cheiron. The valuation and the resulting calculation of the ARC is based upon a number of actuarial assumptions relating to various factors such as investment rate of return, projected salary increases, inflation assumptions, cost of living adjustments and mortality experience. To the extent the State's actual experience varies from these assumptions, the resulting funded status of the plans and the ARC for future years may be adversely affected.

The June 30, 2008 valuation projected that State contributions would increase from $288,146,000 in fiscal year 2009 to $437,520,000 in fiscal year 2018. The adverse market performance since June 30, 2008 will result in greater annual increases in the ARC, absent significant offsetting changes in other variables that affect the calculation of the ARC. The State anticipates significant increases in the ARC will occur after the coming 2010-2011 biennium but it cannot now predict the actual increases, as they are dependent upon many different factors, including both the market value and actuarial value of assets, the experience of the members and beneficiaries of the System and the actual employer contributions made by the State.

For example, the June 30, 2008 valuation did not take into account the substantially adverse financial market conditions that have occurred since June 30, 2008. The valuation assumed an annual rate of return on investments of 7.75%, subject to the use of a 3-year smoothing methodology to offset the volatility of market values. The following table shows the estimated market values as of the dates shown of the System's assets allocable to the state employee and teacher plans (unaudited and subject to change), in each case as compared to the June 30, 2008 market value of $8,311,970,624.

Date	Market Value	$ Increase / (Decrease)	Percentage Change
June 30, 2008	$8,311,970,624	-	-
April 30, 2009	6,294,078,372	$(2,017,892,252)	(24.28%)
June 30, 2009	6,620,849,642	(1,691,120,982)	(20.35%)
September 30, 2009	7,293,656,250	(1,018,314,374)	(12.25%)

A preliminary actuarial valuation has determined that the unfunded accrued actuarial liability of the System as of June 30, 2009 is approximately $4.0 billion. This preliminary valuation and the full actuarial report as of June 30, 2009 has not yet been delivered to or reviewed by the System's Board of Trustees and is subject to change in all respects. This valuation is an interim one only and the actuarial valuation as of June 30, 2010 will be used to determine the ARC for the 2012-2013 biennium. Neither the State nor the System can currently predict what the June 30, 2010 valuation will be or its impact on the ARC for the 2012-2013 biennium or later years.

Group life insurance benefits provided by the System are funded by premiums paid by employers and participants and by investment returns on reserves. As of June 30, 2008, the unfunded actuarial liability of the plan, excluding the unfunded liabilities attributable to PLD's, for which the State itself has no obligations, was approximately $76,000,000.

The actuarial balance sheet for the plan covering State employees and public school teachers from the June 30, 2008 valuation is set forth in Appendix E hereto. Also set forth in Appendix E hereto are the actuarial balance sheets for the judicial and legislative plans and for the group life insurance plan from the June 30, 2008 valuations of these plans.

Post-Employment Health Care Benefits

GASB has promulgated its statement 45 ("GASB 45") which requires the State, for fiscal years beginning on and after July 1, 2007, to account for retiree health care benefits and other post-employment benefits in a manner similar to that required for pension benefits. GASB 45 does not require that such benefits be funded in advance. If the State continues to pay such benefits as they come due, however, it is expected that annual cost and liability accruals will increase due to GASB 45.

The State funds post-employment health care benefits for most retired State employees and legislators and a portion of the health insurance premiums for retired teachers. The State pays 100 percent of post-employment health insurance premiums for eligible retirees who were first employed on or before July 1, 1991. A pro rata portion, ranging from zero percent for eligible retirees with less than five years participation to 100 percent for eligible retirees with ten or more years of participation, is paid for eligible retirees first employed after July 1, 1991. Retirees who are not eligible for Medicare retain coverage in the same group health plan as active employees. An eligible retiree must pay for Medicare Part B coverage to be eligible to participate in the State-funded companion plan. Coverage for retirees who are not eligible for Medicare includes basic hospitalization, supplemental major medical and prescription drugs, and costs for treatment of mental health, alcoholism, and substance abuse. The State contribution to the health insurance premiums for retired teachers is currently 45 percent. County and municipal law enforcement officers and municipal firefighters began coverage in fiscal year 2008 with the State contributing 45 percent of the cost of their respective plans.

5 MRSA §286-B authorizes 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, 2009, 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, 2009. 2007 Chapter 240 amended Title 5 MRSA Chapter 421 by establishing the Irrevocable Trust for Other Post-employment Benefits. The Maine Public Employees Retirement System 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.

Contribution requirements are set forth in State law. The annual other post-employment benefit ("OPEB") cost (expense) for each plan is calculated based on the employer's ARC, which is 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	$ 111,000	$ 46,000	$ 1,045
Contributions made	166,388	17,657	-
Increase (decrease) in net healthcare obligation	(55,388)	28,343	1,045
Net healthcare obligation beginning of year	-	-	-
Net healthcare (asset) end of year	$ (55,388)		
Net healthcare obligation end of year		$ 28,343	$ 1,045

As of June 30, 2008, there were 8,772 retired eligible State employees, 9,201 retired teachers, and 45 retired first responders. In fiscal year 2008, the State made contributions for other post-employment benefits of $166.4 million for retired employees and $17.7 million for retired teachers.

The funded status of the plans as of June 30, 2008 was as follows:

	(Expressed in Millions)		(in 000's)
	State Employees	Teachers	First Responders
Actuarial accrued liability (AAL) (a)	$ 1,242	$ 1,044	$ 19,806
Actuarial value of plan assets (b)	98	-	-
Unfunded actuarial accrued liability (funding excess) (UAAL) (a)-(b)	$ 1,144	$ 1,044	$ 19,806
Funded ratio (b)/(a)	7.89%	0.00%	0.00%
Covered payroll (c)	$ 568	$ 1,160	$ 51,021
UAAL (as a percentage of covered payroll) ([(a)-(b)]/(c)	201.41%	90.00%	38.82%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and 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 schedules of funding progress presented as required supplementary information in the State's audited financial statements (see Appendix B herein) present 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. The State made an initial funding of this trust fund of $100 million in fiscal year 2008 and expects to deposit an additional $10 million in fiscal year 2009. A revised actuarial study was completed February 10, 2009. No more recent study is yet available.

Employee Relations

As of June 30, 2009, the State had approximately 13,205 Executive Branch employees.

The State Employees Labor Relations Act allows State employees in the Executive Branch to engage in collective bargaining. As of June 30, 2009, approximately 11,950 employees were covered by the law. The Maine State Employees Association is the bargaining agent for four bargaining units which include approximately 9,802 employees. The American Federation of State, County, and

Municipal Employees, AFL-CIO, represents the employees in State institutions, the Maine State Law Enforcement Association represents those in law enforcement activities excluding State Police and the Maine State Troopers Association represents the State Police. The Commissioner of Administrative and Financial Services, acting through the Office of Employee Relations within the Bureau of Human Resources, is the Governor's designee for collective bargaining and is responsible for the negotiations and all other employee relations functions. There are seven bargaining units within the Executive Branch. As of June 30, 2009, all seven contracts were scheduled to expire. One unit concluded negotiations prior to the end date and now has a contract which expires June 30, 2011. Five of the other units reached a new agreement after the expiration date and one unit has not yet concluded negotiations.

Collective bargaining has also been extended to employees of the Judicial Department, the University of Maine System, the Maine Community College System, the Maine Maritime Academy, and to employees of counties, municipalities and special districts, including public school teachers.

Interfund Transactions

Due to Other Funds are amounts owed by one State fund to another for goods sold or services rendered. Due from Other Funds are amounts to be received from one State fund by another for goods sold or services rendered. The following is a summary of amounts due from other funds and due to other funds as of June 30, 2008:

Interfund Receivables
(Expressed in Thousands)

	Due to Other Funds				
Due from Other Funds	**General**	**Highway**	**Federal Fund**	**Other Special Revenue**	**Other Governmental**
General	$ 2,238	$ -	$ 2,287	$ -	$ 27
Highway	218	1	2,431	1	-
Federal	9,058	43	368	2,135	-
Other Special Revenue	17,495	370	634	582	-
Other Governmental	159	-	-	-	-
Employment Security	-	-	25	-	-
Non-Major Enterprise	98	47	357	4	-
Internal Service	18,677	1,948	1,941	2,023	-
Fiduciary	16,944	-	-	-	-
Total	$ 64,887	$ 2,409	$ 8,043	$ 4,745	$ 27

Due from Other Funds	**Non-Major Enterprise**	**Internal Service**	**Fiduciary**	**Total**
General	$ 19,083	$ 14,038	$ 5,648	$ 43,321
Highway	-	222	-	2,873
Federal	-	4,435	-	16,039
Other Special Revenue	27	351	-	19,459
Other Governmental	-	-	-	159
Employment Security	-	-	-	25
Non-Major Enterprise	-	36	-	542
Internal Service	243	21,093	15	45,940
Fiduciary	-	-	-	16,944
Total	$ 19,353	$ 40,175	$ 5,663	$ 145,302

Advances to or from other funds are for long-term loans made by one fund to another. Advances from the General Fund are for inventory of the Postal, Printing and Supply Fund. The following is a summary of interfund advances as of June 30, 2008:

Schedule of Advances to or from Other Funds
June 30, 2008

(Dollars in Thousands)

Fund Type	Working Capital Receivable	Working Capital Payable
General	$ 111	$ -
Other Special Revenue	-	-
Internal Service	-	111
Total All Funds	$ 111	$ 111

REVENUES OF THE STATE

General

In order to fund its programs and services, the State collects a variety of taxes and receives revenues from other non-tax sources, including the federal government and various fees, fines, reimbursements, interest earnings and transfers from non-budgetary sources. For additional information concerning revenues of the State, see Appendices B and C.

Revenues for September totaled $270.7 million, under budget by $28.0 million (9.4%); year to date revenues are under budget $42.3 million (7.2%). Individual Income Tax was under budget by $28.0 million (17.7%) for the month, and $39.3 (12.3%) million under year to date. Sales and Service Provider Taxes, combined, were under budget for the month $6.6 million (6.4%), and under budget $17.9 million (8.7%) year to date. Corporate Tax revenues were $1.9 (6.3%) million under budget for the month and $2.6 million (7.2%) over budget year to date. Estate Taxes were under budget by $791 thousand (27.5%) for the month and $2.1 million (71.9%) under budget for the year. Tobacco Taxes are $811 thousand (7.3%) over budget for the month, and over budget $268 thousand (0.7%) year to date. Insurance Companies Tax was slightly over budget for the month and under budget $234 thousand (19.4%) year to date. Fines, Forfeits and Penalties were $1.2 million (29.9%) under budget for the month, and $1.8 million (15.3%) under budget year to date. Lottery income was over projections by $361 thousand (9.5%) for the month, and over projections $707 thousand (5.7%) for the year. Transfers for Tax Relief were over projections by $1.8 million (8.4%) for the month, and $2.7 million (7.7%) over projections for the year. Other Taxes and Fees were over budget by $323 thousand (3.7%) for the month, and were over budget by $1.5 million (5.3%) for the year. "Other Revenues" were over budget for the month by $7.2 million (1142.0%), and over budget $8.5 million (159.4%) for the year.

As previously described in this Official Statement, adverse economic and fiscal circumstances necessitated ongoing adjustments to the budget for fiscal year 2009. 2009 Chapter 1 amended 2007 Chapter 539, the budget in effect at the beginning of fiscal year 2009, based on the decrease in revenues of approximately $140 million projected in the December 2008 report of the Revenue Forecasting Committee. See "State Budgets" herein. 2009 Chapter 213 enacted further adjustments in response to the Revenue Forecasting Committee's May 2009 report which projects an additional revenue shortfall of approximately $129 million in fiscal year 2009. See "Fiscal Management – Revenue Forecasting – Fiscal Year 2009 Reports" above. The following table shows budgeted revenues by category at the beginning of fiscal year 2009 and as adjusted to reflect the December 2008 and May 2009 revenue forecasts.

CATEGORY	FISCAL YEAR 2009 BUDGET (2007 CHAPTER 539)	FISCAL YEAR 2009 BUDGET (2009 CHAPTER 1)*	FISCAL YEAR 2009 BUDGET (2009 CHAPTER 213)
Sales and Use Tax	$1,007,627,341	$ 987,320,733	$ 929,698,051
Service Provider Tax	53,452,742	53,452,742	53,452,742
Individual Income Tax	1,397,767,286	1,327,231,135	1,281,982,990
Corporate Income Tax	196,994,770	168,904,770	148,940,000
Cigarette and Tobacco Tax	153,408,502	149,948,844	143,213,844
Public Utilities Tax	16,464,397	18,405,029	18,405,029
Insurance Companies Tax	77,169,754	71,978,985	71,978,985
Estate Tax	49,524,882	35,288,827	34,335,010
Property Tax - Unorganized Territory	12,229,199	12,969,540	12,969,540
Income from Investments	(3,204,682)	752,451	1,154,221
Transfer to Municipal Revenue Sharing	(136,028,000)	(129,962,428)	(123,539,567)
Transfer from Lottery Commission	53,049,250	52,549,250	49,549,250
Other Revenues	216,969,557	212,981,559	210,393,288
Total Undedicated Revenues	**$3,095,424,998**	**$2,961,821,437**	**$2,832,533,383**

* The figures in this column may not match the corresponding figures in the December 2008 report of the Revenue Forecasting Committee due to changes to the budget contained in 2009 Chapter 1.

In light of the year-to-date revenue performance, further downward adjustments to fiscal years 2010 and 2011 revenues may be made by the Revenue Forecasting Committee in the report it is required to submit to the Governor, certain members of the Legislature and the State budget office by December 1, 2009.

Certain State Taxes

Individual Income Tax. The State assesses individual income taxes at progressive rates from 2% to 8.5%, based on classifications or brackets of taxable income, depending upon filing status and after specified deductions and exemptions. Taxable income of resident individuals is derived from federal adjusted gross income. The dollar amounts of the tax rate tables are indexed for inflation. For tax year 2009, the maximum rate applies to Maine taxable income of $40,350 or greater for married persons filing joint returns ($20,150 for single individuals and married persons filing separate returns and $30,250 for individuals filing as heads of households). A resident individual is allowed $2,850 for each exemption to which the individual is entitled for the tax year for federal income tax purposes. For resident taxpayers not itemizing deductions, the standard deduction is the same as the federal standard deduction of the taxpayer (the standard deduction for married joint filers does not conform to the recent federal marriage penalty relief adjustments), which is also indexed at the federal level. Nonresident Maine taxpayers are taxed in a similar fashion, but they are allowed a credit for their non-Maine sourced income.

Sales and Use Taxes. A sales tax is imposed on the value of all tangible personal property and taxable services sold at retail in the State. The rate of tax is 7% on the value of liquor sold in licensed establishments, 7% on the value of rental of living quarters in any hotel, rooming house, tourist or trailer camp, 10% on the value of rental for a period of less than one year of an automobile, 7% on the value of prepared food and 5% on the value of all other tangible personal property and taxable services.

A use tax is imposed, at the rates provided for sales taxes, on the storage, use or other consumption in the State of tangible personal property or a service, the sale of which would be subject to sales tax.

No sales or use tax is imposed on sales, storage or use of certain tangible personal property. Some of the major exemptions are grocery staples (which do not include liquor, prepared food); prescription medicines; certain products used in agricultural and aquacultural production; certain motor fuels; coal, oil, wood and all other fuels, except electricity, when bought for cooking and heating in residential units; the first 750 kilowatt hours of residential electricity per month; fuel oil or coal, the by-products from the burning of which become an ingredient or component part of tangible personal property for later sale; packaging materials; certain periodicals; sales to incorporated hospitals, licensed and incorporated non-profit nursing homes, licensed and incorporated non-profit boarding care facilities, medical research facilities, schools, regularly organized churches and similar institutions; water pollution and air pollution control facilities certified by the State Commissioner of Environmental Protection; and ninety-five percent (95%) of the sale price of all fuel and electricity purchased for use at a manufacturing facility.

Corporate Income Tax. An income tax is imposed upon the Maine net income of taxable corporations at progressive rates from 3.5% on Maine net income not over $25,000 to 8.93% on Maine net income in excess of $250,000. The tax computed using Maine net income is then apportioned to Maine. Maine net income is derived from taxable income of the taxpayer under the laws of the United States, adjusted by certain modifications, including additions for certain tax deductions, certain net operating losses and certain depreciation deductions and subtractions for income exempt by law from taxation by the State, certain apportionable dividend income and certain net operating losses.

Certain Motor Fuel Taxes. An excise tax is imposed at the rate of $0.284 per gallon on internal combustion engine fuel (gasoline) sold or used within the State. An excise tax is imposed on all suppliers of special fuel sold and on all users of special fuel used in the State at the rate of $0.296 per gallon of distillate. Low-energy fuel such as liquefied natural gas, propane, methane and butane is taxed at a rate based on the energy content of each fuel as compared to gasoline. Special fuels include all combustible gases and liquids used in an internal combustion engine, except fuel subject to the gasoline tax. Since 2003, motor fuel tax rates have been subject to indexing annually. The rates in effect on July 1, 2009 are $0.295 per gallon on gasoline and $0.307 on special fuel.

Pursuant to the Constitution of the State, all revenues derived from fees, excises and license taxes relating to registration, operation and use of vehicles on public highways, and to fuels used for propulsion of such vehicles shall be expended solely for the cost of administration, state enforcement of traffic laws, statutory refunds and adjustments, and the cost of construction, reconstruction, maintenance and repair of public highways and bridges and for the payment of interest and principal on bonds issued for, and the payment of obligations incurred in, the construction and reconstruction of highways and bridges. Such funds may not be diverted for any other purpose.

As described below, Public Laws of Maine 2009, chapter 382 ("Chapter 382") provides for several adjustments to the State's individual income and sales and use taxes. The changes made by

Chapter 382 are projected to be revenue neutral for the 2010-2011 and the 2012-2013 biennia. A so-called People's Veto initiative to put the repeal of Chapter 382 to a vote next June is currently under review by the Secretary of State. Under the Constitution of the State, Chapter 382 does not take effect, if at all, until thirty days after the Governor has announced that such legislation has been ratified by the voters.

Individual Income Tax. Under the individual income tax, Chapter 382 makes no changes to Maine Adjusted Gross Income (MAGI), but it does eliminate the personal exemption and the standard/itemized deduction so that MAGI is equal to taxable income. The four individual income tax rates are repealed and replaced with a flat 6.5% rate and a surtax rate of 0.35% on taxable incomes above $250,000.

A new refundable household credit is enacted equal to $1,200 for joint filers ($700 for single filers and $1,050 for head of household filers) plus $250 for each exemption claimed on the return. The credit is phased out by $1.50 for every $1,000 that Maine taxable income exceeds $55,000 for a joint return $27,500 for singles and $41,250 for head of household). The credit is refundable up to $70 for joint returns and $50 for all other returns. A refundable alternative household credit is available if the taxpayer chooses. The alternative household credit is equal to a base amount of $800 for joint filers ($400 for single filers and $600 for head of household filers) plus 5.5% of Maine itemized deductions up to a maximum of $2,300 ($1,150 for singles and $1,750 for head of household filers). The alternative household credit is increased by $250 for each exemption claimed as well. The phase-out rate and threshold applies to the alternative credit as well, and the credit is refundable up to the same amounts as the household credit.

Sales and Use Taxes. The sales and use tax changes in Chapter 382 include an increase in the meal and lodging rate from 7% to 8.5%, and increase in the tax rate on short-term auto rentals from 10% to 12% and a expansion of the sales tax based into previously excluded services. Examples of services that will now be taxable are: amusement, entertainment and recreation services, installation, repair and maintenance services, personal property services, and transportation and courier services.

Tobacco Master Settlement Agreement

The State entered into the tobacco master settlement agreement (the "Settlement Agreement") on November 23, 1998 with certain tobacco manufacturers to settle a suit the State brought against those tobacco manufacturers. The State is one of forty-six states and five U.S. territories (the "Settling States") that executed the Settlement Agreement with the manufacturers. The lawsuit included a variety of claims, including claims to recover smoking related Medicaid costs (the "Claims"). Pursuant to the Settlement Agreement, the manufacturers who have joined the Settlement Agreement ("Participating Manufacturers") have agreed to make certain annual payments that are allocated among all the Settling States.

Certain initial and annual payments by the Participating Manufacturers that were allocated to the State pursuant to the Settlement Agreement commenced December 1999. The initial payments ended in 2003 and the annual payments are expected to continue in perpetuity.

The State expects to expend the annual payments received from the Participating Manufacturers for smoking prevention, cessation and control activities, prenatal and young children's care, child care for children up to 15 years of age, health care for children and adults, prescription drugs for adults who are elderly or disabled, dental and oral health care to low-income persons who lack adequate dental coverage, substance abuse prevention and treatment and comprehensive school health programs, pursuant to 22 MRSA §1511(6).

In addition, certain payments (the "Strategic Contribution Payments") to be made by the Participating Manufacturers and allocated among certain Settling States in recognition of strategic contributions made by specific Settling States, including Maine, to the negotiation of the Settlement Agreement were established pursuant to the Settlement Agreement. The Strategic Contribution Payments began in 2008 and will be made annually ending in 2017.

Annual payments received by the State pursuant to the Settlement Agreement have ranged from approximately $63,000,000 in fiscal year 2000 to approximately $46,000,000 in fiscal year 2005. The State received $59,219,085 in fiscal year 2009 pursuant to the Settlement Agreement. The State projects that it will receive approximately $55,126,000 in fiscal year 2010 pursuant to the Settlement Agreement.

Pursuant to the Settlement Agreement, Participating Manufacturers may dispute annual payment amounts. Participating Manufacturers have disputed certain amounts of each year's payment since 2003. The predominant dispute, though not the only dispute, is that certain Participating Manufacturers have claimed that they are entitled to a downward adjustment in the amount they owe because of loss of market share to non-participating manufacturers. If the Participating Manufacturers prevail on this claim against the State, the amount the State is entitled to for each disputed year would decrease. The State is pursuing arbitration, pursuant to the Settlement Agreement, to obtain a determination that it diligently enforced its "qualifying statute," in keeping with the terms of the Settlement Agreement, and that accordingly Maine is entitled to the full amount of its annual payment without a reduction for the market share loss to non-participating manufacturers. Other Settling States are pursuing similar arbitration seeking a determination of the amount to which they are entitled for previous years' tobacco settlement payments to their states.

State Investment Pool

As described above under the heading "Governmental Organization – Executive Branch – Treasurer of State," when there is money in the State Treasury that is not needed to meet current obligations, the Treasurer of State may, with the concurrence of the State controller or the Commissioner of Administrative and Financial Services and with the consent of the Governor, invest those amounts in certain instruments authorized by State law. The Treasurer of State maintains the records of the investments of the State through the State investment pool. The average daily balance of the State investment pool was $479,497,219 in fiscal year 2009. The balance of the State investment pool as of September 30, 2009 was approximately $572,000,000.

On August 8, 2007, $19,930,361.11 was invested in Mainsail II Commercial Paper (the "Mainsail Commercial Paper"), issued by Mainsail Limited, an affiliate of Solent Capital Partners, LLP ("Mainsail"). On August 31, 2007, the date of maturity of the Mainsail Commercial Paper, the approximate $20,000,000 payment of principal and accrued interest due to the State from Mainsail was not made. The Mainsail Commercial Paper was purchased at par by Merrill Lynch on August 28, 2008. The State currently holds no commercial paper in its cash pool. More than 90% of cash pool holdings are currently collateralized with explicit federal guarantees, and approximately 9% are collateralized with implicit federal guarantees.

CERTAIN PUBLIC INSTRUMENTALITIES

Maine Governmental Facilities Authority

The Maine Governmental Facilities Authority is authorized to assist in financing the acquisition, construction, improvement, reconstruction or equipping of, or construction of an addition or additions to, structures designed for use as court facilities or state offices and the acquisition, construction, improvement, reconstruction or repair of equipment or other personal property, all of which are rented to agencies of the State. The Authority was created in 1987 and was known as the Maine Court Facilities Authority until 1997 when its name was changed and its purposes were broadened. Under current statutory limits, the Authority may not issue securities in excess of $325,485,000 outstanding at any one time except for the issuance of revenue refunding securities authorized by the Act and provided that no less than $136,000,000 shall be allocated to court facilities and provided further that no less than $85,000,000 shall be allocated to correctional facilities, no less than $33,000,000 shall be allocated to a psychiatric facility in Augusta and no less than $33,485,000 shall be allocated to capital repairs and improvements at various state facilities. No securities may be issued without the prior approval of the Legislature. Neither the faith and credit nor the taxing power of the State or of any political subdivision of the State is pledged to the payment of the principal of, redemption premium, if any, or interest on the Authority's bonds. The Authority has no taxing power. As of June 30, 2009, the aggregate principal amount of the Authority's bonds outstanding was $192,935,000. The State has agreed, subject to appropriation, to make rental payments to be applied to payment of the Authority's bonds. Debt service on the Authority's bonds for the State fiscal year ending June 30, 2009 is $15,625,000 and for the State fiscal year ending June 30, 2010 is $17,130,000.

Finance Authority of Maine

The Finance Authority of Maine was created in 1983 to undertake various economic development finance programs and to assume the responsibilities of several smaller state authorities. The Authority is currently authorized to insure repayment of commercial loans and to require the State to fund the Authority's insurance obligations, from proceeds of bonds of the State or from other sources, provided that insurance obligations and bonds of the State issued to fund insurance obligations shall not exceed in the aggregate at any one time outstanding the principal amount of $90,000,000 plus an additional $4,000,000 with respect to loans for eligible veterans. As of June 30, 2009, amounts outstanding pursuant to these authorizations were $34,114,163 and $168,377 respectively. See "FISCAL MANAGEMENT - Constitutional Debt Limit" herein. Since the creation of the Authority in 1983, the Treasurer of State has not been asked by the Authority to issue bonds of the State to pay off defaulted loans insured by the Authority pursuant to these authorizations.

In 1990, the Authority was authorized to provide certain student financial assistance services, including continuation of a student loan insurance program meeting certain federal requirements in order to secure loans to students attending institutions of higher education. Pursuant to this authorization, the Authority has entered into agreements with the United States Secretary of Education relating to federal, state and private programs of low-interest insured loans to students in institutions of higher education. The Constitution allows the Legislature to authorize the issuance of bonds in the amount of up to $4,000,000 to secure funds for loans to Maine students attending institutions of higher education. As of June 30, 2009, the student loan insurance obligations of the Authority were $1,045,224,000. See "FISCAL MANAGEMENT - Constitutional Debt Limit" herein. Since 1977, the Treasurer of State has not been asked to issue bonds of the State to pay off defaulted loans insured pursuant to the bond issuance authorization set forth in the Constitution.

In addition, the Authority may issue bonds and other obligations which shall not be a debt or liability of any municipality, the State or any political subdivision thereof. The statutes governing the Authority include Capital Reserve Provisions. As of June 30, 2009, the aggregate principal amount outstanding of the Authority's obligations undertaken pursuant to the Authority's Capital Reserve Provisions was $16,685,000 for electric rate stabilization projects and $20,717,856 for other projects. The State has not been asked to restore the Authority's Capital Reserve since the inception of the Authority's Capital Reserve Provision. See "GOVERNMENTAL ORGANIZATION - Independent Authorities and Agencies" herein.

Maine State Housing Authority

The Maine State Housing Authority was created in 1969 to undertake various programs related to housing. The bonds and other obligations of the Authority shall not be a debt of any municipality, the State or any political subdivision thereof and neither the State nor any municipality nor any political subdivision thereof shall be liable thereon. As of June 30, 2009, the aggregate principal amount of the Authority's bonds and notes outstanding was approximately $1,436,940,000. The statutes governing the Authority include Capital Reserve Provisions. The State has not been asked to restore the Authority's Capital Reserves since the inception of the Authority's Capital Reserve Provisions. See "GOVERNMENTAL ORGANIZATION -Independent Authorities and Agencies" herein.

The Authority is also authorized to insure repayment of mortgage loans on Indian housing and to require the State to fund the Authority's insurance obligations, from proceeds of bonds of the State or from other sources, provided that insurance obligations shall not exceed in the aggregate at any one time outstanding the principal amount of $1,000,000. As of June 30, 2009, the Authority's Indian housing mortgage insurance obligations were approximately $408,490. See "FISCAL MANAGEMENT – Constitutional Debt Limit" herein.

Maine Municipal Bond Bank

The Maine Municipal Bond Bank was created in 1972 to lend money to counties, cities, towns, school administrative districts, community school districts, and quasi-municipal corporations to finance certain capital expenditures (the "Original Program"). Bonds and notes issued by the Bond Bank shall not be in any way a debt or liability of the State and shall not create any debt or debts, liability or liabilities, on behalf of the State or be or constitute a pledge of the full faith and credit of the State. As of June 30, 2009, the aggregate principal amount of the Bond Bank's bonds outstanding was $1,240,755,000 of which (a) $59,705,000 is attributable to loans to certain municipalities to assist in financing certain wastewater and drinking water treatment facilities pursuant to a revolving loan fund program, (b) $83,175,000 is attributable to certain grant anticipation bonds payable solely from annual federal highway grants to the State, (c) $50,000,000 is attributable to certain transportation revenue bonds payable solely from certain State revenues and (d) substantially all of the balance is attributable to the Original Program. The statutes governing the Bond Bank include Capital Reserve Provisions. The State has not been asked to restore the Bond Bank's Capital Reserves since the inception of the Bond Bank's Capital Reserve Provisions. See "GOVERNMENTAL ORGANIZATION - Independent Authorities and Agencies" herein.

Maine Health and Higher Educational Facilities Authority

The Maine Health and Higher Educational Facilities Authority was created in 1971 to provide the means to expand, enlarge and establish health care, hospital, nursing home and other related facilities and to assist institutions of higher education in the State to provide facilities and structures. Bonds and notes issued by the Authority do not constitute or create any debt or debts, liability or liabilities, on behalf of the State or any political subdivision thereof other than the Authority or a loan of credit of the State or a pledge of the faith and credit of the State or of any political subdivision other than the Authority. As of June 30, 2009, the aggregate principal amount of the Authority's bonds outstanding was $1,325,015,000. The statutes governing the Authority include a Capital Reserve Provision. The State has not been asked to restore the Authority's Capital Reserve since the inception of the Authority's Capital Reserve Provision. See "GOVERNMENTAL ORGANIZATION - Independent Authorities and Agencies" herein.

Maine Educational Loan Authority

The Maine Educational Loan Authority was established in 1988 to carry out programs making financial and other assistance available to students and their parents to finance costs of attendance at institutions of higher education. Bonds of the Authority do not constitute or create any debt or debts, liability or liabilities, on behalf of the State or of any political subdivision of the State, other than the Authority, or a loan of the credit of the State or a pledge of the faith and credit of the State or of any political subdivision, other than the Authority. As of June 30, 2009, the aggregate principal amount of the Authority's bonds outstanding was $210,000,000. The statutes governing the Authority include a Capital Reserve Provision. The State has not been asked to restore the Authority's Capital Reserve since the inception of the Authority's Capital Reserve Provision. See "GOVERNMENTAL ORGANIZATION - Independent Authorities and Agencies" herein.

Loring Development Authority

Loring Development Authority was established in 1993 to acquire and manage the former Loring Air Force Base in northern Maine. Bonds of the Authority are payable solely from the income, proceeds, revenues and funds of the Authority and do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. As of June 30, 2009, the Authority had not issued any bonds. The statutes governing the Authority include a Capital Reserve Provision. See "GOVERNMENTAL ORGANIZATION - Independent Authorities and Agencies" herein.

University of Maine System

The University of Maine System (the "System") includes the University of Maine, established in 1865, and all other public institutions of higher education in Maine, except the Maine Maritime Academy and the seven colleges of the Maine Community College System. Money borrowed by the System and evidences of indebtedness issued by the System do not constitute any debt or liability of the State or of any municipality or political subdivision of the State, but shall be payable solely from the revenues of the System or any project for which they are issued. As of June 30, 2009, the aggregate principal amount of the System's bonds outstanding was $206,000,000.

Maine Turnpike Authority

The Maine Turnpike Authority was created in 1941 and has constructed and operates and maintains a turnpike approximately 109 miles long between York and Augusta. Bonds issued by the Authority shall not be deemed to be a debt of the State, but such bonds shall be payable exclusively from tolls. The bonds shall not directly or indirectly or contingently obligate the State to levy or pledge any form of taxation whatever therefor or to make any appropriation for the payment thereof. As of June 30, 2009, the aggregate principal amount of the Authority's bonds outstanding was $ 390,115,000 for Revenue Bonds senior lien, and $ 18,530,000 for Maine Department of Transportation Project bonds.

Maine Public Utility Financing Bank

The Maine Public Utility Financing Bank was created in 1981 to lend money to public utilities in the State. Bonds and notes issued by the Authority do not constitute a debt or liability of the State or of any municipality therein or any political subdivision thereof or a pledge of the faith and credit of the State or of any such municipality or political subdivision. As of June 30, 2009, the aggregate principal amount of the Bank's bonds outstanding was $22,600,000.

Maine Port Authority

The Maine Port Authority was established in 1945 and is authorized to acquire, construct and operate any kind of port terminal facility within the State and to acquire and construct any railroad facility within the State. Bonds of the Authority do not constitute a debt of the State, or of any agency or political subdivision thereof, but are payable solely from the revenues of the Authority, and neither the faith nor credit nor taxing power of the State, or any political subdivision thereof, is pledged to the payment of the Authority's bonds. As of June 30, 2009, there were no outstanding bonds of the Authority.

LITIGATION

The State is a party to numerous lawsuits. Such lawsuits include actions to recover monetary damages from the State, disputes over individual or corporate income taxes, disputes over sales or use taxes, and actions to alter the regulations or administrative practices of the State in such manner as to cause additional costs to the State. The State is not aware of any pending or threatened litigation or claim against the State, the outcome of which will have a material adverse effect on the financial condition of the State; the matters set forth under the heading "Primary Government – Litigation" in Note 15 Commitments and Contingencies to the Financial Statements attached as Appendix B hereto should be noted.

In addition, the following matter should be noted. The Center for Medicaid and Medicare Services (CMS) has claimed a recoupment of federal financial reimbursement to the State for targeted case management services provided by the Maine Department of Health and Human Services, Office of Child and Family Services ("DHHS"), for the fiscal years 2003 and 2004. The amount of the recoupment claimed is approximately $29 million. DHHS has appealed the recoupment to the federal Departmental Appeals Board.

STATE OF MAINE
GENERAL OBLIGATION BOND ANTICIPATION NOTES

APPENDIX B

Selected Financial Information
Pertaining to the State of Maine
for Fiscal Years 2004 through 2008

INDEX TO FINANCIAL INFORMATION

Section I - General Purpose Financial Statements of the State of Maine for the Year Ended June 30, 2008 — **Page**

INDEX TO FINANCIAL INFORMATION

Section II - Certain Information from the State Controller's Budgetary and Legal Requirements Reports for Fiscal Years 2004 through 2008 (Unaudited) **Page**

No representation is made hereby that the information set forth in Section II of Appendix B has been prepared in full conformity with generally accepted accounting principles.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maine, as of and for the year ended June 30, 2008, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Maine's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following component units: Child Development Services, Finance Authority of Maine, Maine Educational Center for the Deaf and Hard of Hearing, Loring Development Authority, Maine Educational Loan Authority, Maine Governmental Facilities Authority, Maine Health and Higher Educational Facilities Authority, Maine Maritime Academy, Maine Municipal Bond Bank, Maine Port Authority, Maine State Housing Authority, Maine Public Employees Retirement System, Maine Community College System, Maine Technology Institute, Northern New England Passenger Rail Authority, Small Growth Enterprise Fund, and University of Maine System. We also did not audit the financial statements of the NextGen College Investing Plan. Those financial statements reflect the following percentages of total assets and revenues or additions of the indicated opinion unit:

Opinion Unit	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Revenue / Additions
Aggregate Discretely Presented Component Units	100%	100%
Aggregate Remaining Fund Information	96%	65%

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Maine Educational Loan Authority, Maine Technology Institute, Northern New England Passenger Rail Authority and Small Enterprise Growth Fund were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maine, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3, the State has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* GASB No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, GASB No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, and GASB No. 50, *Pension Disclosures.*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2009 on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report, is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages B-5 through B-16, budgetary comparison schedules and related notes, State Retirement Plan and Post-Employment Benefits Plans schedules of funding progress and employer contributions, and Information About Infrastructure Assets Reported Using the Modified Approach, included on pages B-99 through B-107 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Maine's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Neria R Douglass

Neria R. Douglass, JD, CIA
State Auditor

February 19, 2009

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, 2008. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:

- The State's net assets decreased by 0.7 percent from the previous fiscal year. Net assets of Governmental Activities decreased by $25.7 million, while net assets of Business-type Activities decreased by $5.7 million. The State's assets exceeded its liabilities by $4.2 billion at the close of fiscal year 2008. Component units reported net assets of $2.0 billion, an increase of $74.8 million (3.9 percent) from the previous year, as restated.

Fund level:

- At the end of the fiscal year, the State's governmental funds reported combined ending fund balances of $187.9 million, a decrease of $76.5 million from the previous year. The General Fund's total fund balance was a negative $238.5 million, a decline of $73.7 million from the previous year, as restated. The Highway Fund total fund balance also decreased by $29.8 million.

- The proprietary funds reported net assets at year end of $617.1 million, a decrease of $89.0 million. This decrease is due to several factors: a decrease in the Retiree Health Insurance Fund of $94.9 million, a decrease in the Dirigo Health Fund of $26.5 million, a decrease in the Maine Military Fund of $3.1 million, offset by an increase in the Alcoholic Beverages Fund of $12.5 million, an increase in the Employment Security Fund of $4.1 million, an increase in the Ferry Service Fund of $5.7 million, and an increase in the Workers' Compensation Fund of $3.6 million

Long-term Debt:

- The State's liability for general obligation bonds increased by $27.1 million during the fiscal year, which represents the difference between new issuances and payments of outstanding debt. During the year, the State issued $104.1 million in bonds and made principal payments of $77 million.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Statements

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

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

Both government-wide statements report three activities:

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

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

Component units - Although legally separate, component units are important because the State is financially accountable for these entities. The State has "blended" one component unit, the Maine Governmental Facilities Authority (MGFA) with Governmental Activities as described above. Maine reports 15 other component units (6 major and 9 non-major) as discretely presented component units of the State, and one component unit is reported with the State's fiduciary funds. Complete financial statements of the individual component units may be obtained directly from their respective administrative offices as shown in Note 1 A to the financial statements.

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

- Capital assets used in governmental activities are not reported on governmental fund statements but are included on government-wide statements

- Certain tax revenues that are earned, but not available, are reported as revenues in the Governmental Activities, but are reported as deferred revenue on the governmental fund statements

- Other long-term assets that are not available to pay for current period expenditures are deferred in governmental fund statements, but not deferred on the government-wide statements

- Internal service funds are reported as Governmental Activities, but reported as proprietary funds in the fund financial statements

- Governmental fund long-term liabilities, such as certificates of participation, pension obligations, compensated absences, bonds and notes payable, and others appear as liabilities only in the government-wide statements

- Capital outlay spending results in capital assets on the government-wide statements, but is recorded as expenditures on the governmental fund statements

- Proceeds from bonds, notes and other long-term financing arrangements result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements

- Net asset balances are allocated as follows:

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

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

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

Fund Financial Statements

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

The required supplementary information includes budgetary comparison schedules for the General Fund and major special revenue funds. Also included are notes and a reconciliation of fund balance from the budgetary basis to fund balance determined according to generally accepted accounting principles. This section also includes schedules of funding progress for certain pension 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 assets decreased by 0.7 percent to $4.2 billion at June 30, 2008, as detailed in Tables A-1 and A-2.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007*	2008	2007	2008	2007*
Current and other noncurrent assets	$2,097,624	$1,988,591	$511,516	$530,972	$2,609,140	$2,519,563
Capital assets	4,095,417	3,934,171	95,905	90,361	4,191,322	4,024,532
Total Assets	**6,193,041**	**5,922,762**	**607,421**	**621,333**	**6,800,462**	**6,544,095**
Current liabilities	1,610,654	1,381,509	44,095	39,703	1,654,749	1,421,212
Long-term liabilities	848,256	781,373	63,088	75,646	911,344	857,019
Total Liabilities	**2,458,910**	**2,162,882**	**107,183**	**115,349**	**2,566,093**	**2,278,231**
Net assets (deficit):						
Investment in capital assets, net of related debt	3,632,073	3,519,371	95,905	90,361	3,727,978	3,609,732
Restricted	200,888	198,786	493,733	489,677	694,621	688,463
Unrestricted (deficit)	(98,830)	41,723	(89,400)	(74,054)	(188,230)	(32,331)
Total Net Assets	**$ 3,734,131**	**$ 3,759,880**	**$ 500,238**	**$ 505,984**	**$ 4,234,369**	**$ 4,265,864**

*As Restated

Changes in Net Assets

The State's fiscal year 2008 revenues totaled $7.2 billion. (See Table A-2) Taxes and operating grants and contributions accounted for most of the State's revenue by contributing 48.5 percent and 35.7 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 $7.2 billion for the year 2008. (See Table A-2) These expenses are predominantly (69.2 percent) related to health & human services and education activities. The State's governmental support & operations activities accounted for 7.5 percent of total costs. Total net assets decreased by $31.5 million.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007*	2008	2007	2008	2007*
Revenues						
Program Revenues:						
Charges for Services	$ 460,080	$ 406,582	$ 493,197	$ 463,518	$ 953,277	$ 870,100
Operating Grants/Contributions	2,559,533	2,353,398	22,950	21,386	2,582,483	2,374,784
Capital Grants/Contributions	-	6,434	-	4,143	-	10,577
General Revenues:					-	-
Taxes	3,512,767	3,448,127	-		3,512,767	3,448,127
Other	189,349	211,168	2	2	189,351	211,170
Total Revenues	6,721,729	6,425,709	516,149	489,049	7,237,878	6,914,758
Expenses						
Governmental Activities:						
Governmental Support	540,789	460,315			540,789	460,315
Education	1,669,353	1,622,653			1,669,353	1,622,653
Health & Human Services	3,290,482	2,989,001			3,290,482	2,989,001
Justice & Protection	407,879	358,718			407,879	358,718
Transportation Safety	329,914	267,994			329,914	267,994
Other	412,007	414,597			412,007	414,597
Interest	35,524	36,246			35,524	36,246
Business-Type Activities:					-	-
Employment Security			122,518	120,215	122,518	120,215
Lottery			178,419	180,722	178,419	180,722
Military Equip. Maint.			80,306	35,140	80,306	35,140
Dirigo Health			76,860	65,178	76,860	65,178
Other			25,322	22,595	25,322	22,595
Total Expenses	6,685,948	6,149,524	483,425	423,850	7,169,373	6,573,374
Excess (Deficiency) before Special Items and Transfers	35,781	276,185	32,724	65,199	68,505	341,384
Special Items	(100,000)	-	-	-	(100,000)	-
Transfers	38,470	40,979	(38,470)	(40,979)	-	-
Increase (Decrease) in Net Assets	(25,749)	317,164	(5,746)	24,220	(31,495)	341,384
Net Assets, beginning of year	3,759,880	3,442,716	505,984	481,764	4,265,864	3,924,480
Ending Net Assets	$ 3,734,131	$ 3,759,880	$ 500,238	$ 505,984	$ 4,234,369	$ 4,265,864

*As Restated

Governmental Activities

Revenues for the State's Governmental Activities totaled $6.7 billion while total expenses equaled $6.7 billion. The decrease in net assets for Governmental Activities was $25.7 million in 2008. This is due, primarily, to an initial contribution during fiscal year 2008 of $100 million to an irrevocable trust for State employees' retiree healthcare costs. Additionally, program revenues were insufficient to cover program expenses. Therefore, the net program expenses of these governmental activities were supported by general revenues, mainly taxes. Tax revenue increased by $64.6 million from the prior year, however net expenses supported by tax revenue increased by approximately $291.7 million.

The users of the State's programs financed $460.1 million of the cost. The federal and State governments subsidized certain programs with grants and contributions of $2.6 billion. $3.7 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 2008

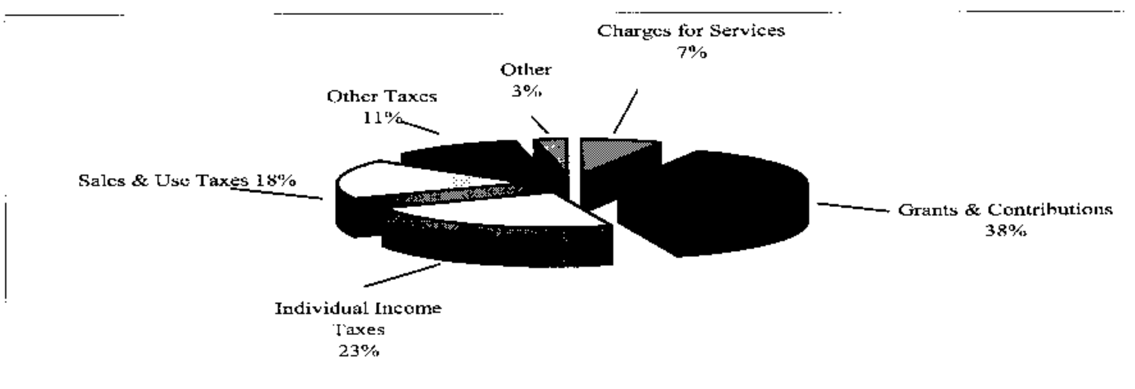
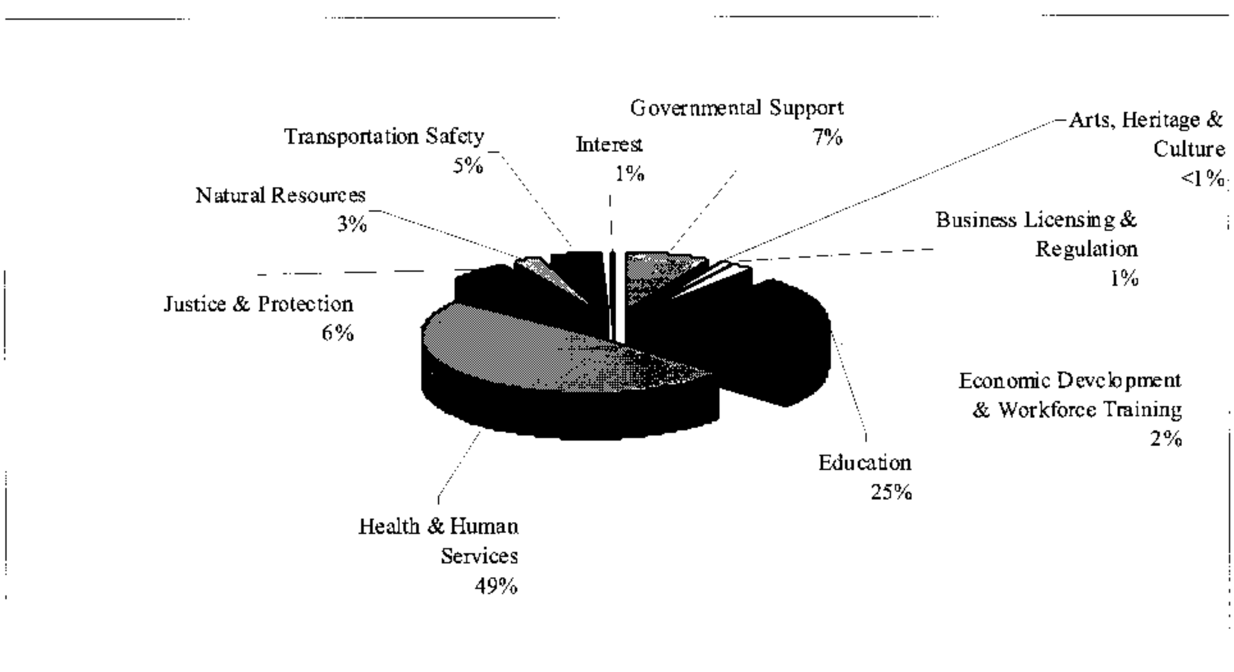


Table A-4: Total Expenses for Governmental Activities for Fiscal Year 2008



Business-type Activities

Revenues for the State's Business-type Activities totaled $516.1 million while expenses totaled $483.4 million. The decrease in net assets for Business-type Activities was $5.7 million in 2008, due mainly to the timing of revenue collections from the Savings Offset Program of Dirigo Health.

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

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

Category	Total Cost 2008	Total Cost 2007	Net (Cost) Revenue 2008	Net (Cost) Revenue 2007
Employment Security	$122,518	$120,215	$6,968	$13,991
Alcoholic Beverages	-	-	12,527	12,525
Lottery	178,419	180,722	50,561	50,906
Military Equip. Maint.	80,306	35,140	(3,077)	(4,822)
Dirigo Health	76,860	65,178	(22,353)	(1,839)
Other	25,322	23,595	(11,902)	(5,562)
Total	$483,425	$424,850	$32,724	$65,199

The cost of all Business-type Activities this year was $483.4 million. The users of the State's programs financed most of the cost. The State's net revenue from Business-type Activities was $32.7 million, with the Lottery making up $50.6 million of the total. The State's Business-type Activities transferred $38.5 million (net) to the Governmental Activities in statutorily required profit transfers.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

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

Fund	Total Cost 2008	2007*	Change
General	($238,472)	($164,779)	($73,693)
Highway	(2,263)	27,559	(29,822)
Federal	38,155	37,595	560
Other Special Revenue	291,084	263,983	27,101
Other Governmental	99,404	100,098	(694)
Total	$187,908	$264,456	($76,548)

* As restated

The State's governmental fund balances decreased during fiscal year 2008 from fiscal year 2007 by $76.5 million. The General Fund's decrease of $73.7 million was due mainly to an increase in the Medicaid hospital and IBNP accruals of approximately $60.8 million. The Highway Fund fund balance decreased by $29.8 million from fiscal year 2007. Transportation, safety and development expenditures were $31.5 million higher in fiscal year 2008. However, revenues to support those expenditures, mainly taxes, decreased by $5.6 million.

Budgetary Highlights

For the 2008 fiscal year, the final legally adopted budgeted expenditures for the General Fund amounted to $3.2 billion, an increase of about $18.7 million from the original legally adopted budget of approximately $3.2 billion. Actual expenditures on a budgetary basis amounted to approximately $93.6 million less than those authorized in the final budget; however, after deducting the encumbered obligations and other commitments that will come due in fiscal year 2009, $44.6 million of funds remained as a result of a continuing concerted effort to control spending, primarily in the broad categories of education and social services. Of this amount, all but $935 thousand was designated for Mainecare appropriations in fiscal year 2009. Actual revenues exceeded final budget forecasts by $44.3 million. The unobligated balance reported on a budgetary basis was overstated by $11.1 million due to an accounting/programming error. This accounting error was corrected legislatively in fiscal year 2009 by transferring funds from the State's Budget Stabilization Fund.

As a part of the final budget adjustment for Fiscal Year 2008, the Legislature approved a direct appropriation to the State's Budget Stabilization Fund in the amount of $10 million. The additional appropriation and interest earnings increased the balance in the Fund to $128.9 million as of June 30, 2008. 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 2008, the State had roughly $4.2 billion in a broad range of capital assets, including land, infrastructure, improvements, buildings, equipment, vehicles and intangibles. During fiscal year 2008, the State acquired or constructed more than $230.4 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	
	2008	2007	2008	2007	2008	2007
Land	$ 434,230	$ 424,331	$ 43,345	$ 38,417	$ 477,575	$ 462,748
Buildings	564,182	560,307	9,499	9,769	573,681	570,076
Equipment	250,828	248,129	44,194	43,385	295,022	291,514
Improvements	19,541	18,246	62,607	61,218	82,148	79,464
Infrastructure	3,178,666	3,023,973	-	-	3,178,666	3,023,973
Construction in Progress	24,175	10,230	10,368	3,613	34,543	13,843
Total Capital Assets	4,471,622	4,285,216	170,013	156,402	4,641,635	4,441,618
Accumulated Depreciation	376,205	351,045	74,108	66,041	450,313	417,086
Capital Assets, net	$ 4,095,417	$ 3,934,171	$ 95,905	$ 90,361	$ 4,191,322	$ 4,024,532

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 8,816 highway miles or 17,912 lane miles within the State. Bridges have a deck area of 11.5 million square feet among 2,962 total bridges. The State has established a policy to maintain its highways at an average condition assessment of 60. At June 30, 2008, the actual average condition was 75.6. Its policy for bridges is an average sufficiency rating condition assessment of 60. The actual average condition for bridges was 79 at June 30, 2008. Preservation costs for fiscal year 2008 totaled $81.6 million compared to estimated preservation costs of $99.7 million.

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 39, PL 2007, $60 million was spent during FY 2008.

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 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	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	$ 475,835	$ 448,760	$ -	$ -	$ 475,835	$ 448,760
Other Long-Term Obligations	523,906	470,815	750	718	524,656	471,533
Total	$ 999,741	$ 919,575	$ 750	$ 718	$1,000,491	$ 920,293

During the year, the State reduced outstanding long-term obligations by $77 million for outstanding general obligation bonds and S230.4 million for other long-term debt. Also during fiscal year 2008, the State incurred $387.6 million of additional long-term obligations.

Credit Ratings

Three of the major bond rating agencies regularly assess the State's credit rating. During fiscal year 2008, Moody's Investors Service rated the State at Aa3, Standard & Poor's rated it at AA, and Fitch Ratings rated it at AA. For fiscal year 2007, the Moody's rating was Aa3, Standard & Poor's was AA, and Fitch Ratings was AA.

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

Inflation continued to rise though the past year. The Consumer Price Index rose nearly 2.6 percent from July 2007 to July 2008; however, fuel and utilities prices rose much faster. The rise in oil prices to over $140 a barrel in late summer due to unrest in the Middle East and a strained dollar put pressure on both household and government budgets. Oil prices throughout the summer of 2008 in the $140 a barrel range, are imposing significant challenges to Maine households and governmental operations at all levels in the State during the winter heating season. Fuel oil prices started 2008 at approximately $3.34 per gallon rising steadily through the summer months to $4.65 per gallon in July which is the peak of the pre-buy season for consumers in Maine, and then declined steadily to $2.64 per gallon in December 2008. The decline in fuel oil prices was driven by the worsening economy in the US driven by the crises in the subprime mortgage credit markets which developed into a nationwide recession and banking credit crunch.

Personal income continues to rise in Maine faster than inflation. According to the latest statistics available, the average weekly wage in Maine is estimated to have risen by 3.9 percent in calendar year 2007 and personal income by 5.5 percent. The moderate growth in 2007 is in contrast to the much slower growth in 2005 when the state was affected by a number of events, the most significant of which was the Base Realignment and Closure Commission process. Unemployment has hovered around the national average throughout the year. The rate in Maine stood at 7.2 percent in December of 2008 which was consistent with the rest of New England; however, unemployment in Maine is expected to reach 9 percent in calendar year 2009 as the nationwide recession continues.

The General Fund Revenue estimate accepted by the Independent Revenue Forecasting Commission for the 2010-2011 Biennium provides approximately $6.1 billion in resources to be available for general purpose spending. The 2008-2009 biennial budget had to be brought into balance by a curtailment order issued by the Governor and enacted into law by a supplemental budget Public Law 2009, Chapter 1. We expect the upcoming biennial budget will require several adjustments to keep in balance throughout the next biennium as revenues continue to erode. The Budget will be amended several times through various public laws to ensure adequate resources are available for the fiscal years of the biennium as revenues and resources appear to be in decline as the result of high energy costs, inflation, and the real estate market's sub prime mortgage crises.

The national economic recession is forecasted to impact Maine, but not as severely as the rest of the nation. While the housing market has slowed in Maine, homes prices have mostly held steady and most financial institutions in Maine are solid. Maine's economy is not heavily dependent on financial services jobs, and therefore is not expected to be significantly affected by the crisis in the nation's financial sector. The one area that is estimated to be strongly affected by the recession is the retail sector. Employment in the retail sector is forecasted to contract during the first half of 2009 as consumers continue to retrench.

At the close of fiscal year 2008, the deficit balance in the State of Maine's Unreserved Fund Balance Account in the General Fund has increased to $403.9 million. The deficit in 2007 amounted to $283.5 million causing a single year increase of approximately 42.5 percent.

There are many factors that adversely affect our General Fund Balance Sheet that we should strive to resolve over the next several years. The paramount cause for the current condition is the increasing Medicaid liabilities that accrue at the end of each fiscal year. Included in the end of the year Medicaid liabilities are the growing number of incurred but not paid claims and the unpaid hospital settlements that date back several years that are still unresolved. In the past year, Medicaid liabilities increased by 23 percent while General Fund Tax Revenue only increased by approximately 3 percent. The increases in funding that the State has provided to local school districts has also placed a huge strain on resources. Other 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 factors as accruing tax revenues for budgetary purposes and for financial statement purposes without accruing the offsetting liabilities for budgetary purposes, the increase in the demand for carrying accounts and a lack of allowing money to accrue to the Unreserved Fund Balance of the General Fund.

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

These factors will have a significant impact on Maine's economy and the State's budget for the next several years.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

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

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


DIRIGO
MAINE

STATE OF MAINE
STATEMENT OF NET ASSETS

June 30, 2008
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Component Units
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	$ 436,430	$ 3,253	$ 439,683	$ 53,342
Cash and Cash Equivalents	289	2,848	3,137	52,783
Cash with Fiscal Agent	72,139	-	72,139	-
Investments	74,975	-	74,975	738,425
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	9,201	-	9,201	-
Restricted Deposits and Investments	24,112	463,574	487,686	-
Inventories	7,918	849	8,767	2,142
Receivables, Net of Allowance for Uncollectibles:				
Taxes Receivable	384,522	-	384,522	-
Loans Receivable	5,853	-	5,853	77,045
Notes Receivable	-	-	-	145
Other Receivables	229,706	55,825	285,531	57,277
Internal Balances	17,377	(17,377)	-	-
Due from Other Governments	693,846	-	693,846	143,045
Due from Primary Government	-	-	-	28,501
Loans receivable from primary government	-	-	-	4,617
Due from Component Units	180	73	253	-
Other Current Assets	4,054	76	4,130	39,621
Total Current Assets	1,960,602	509,121	2,469,723	1,196,943
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	28,640	210	28,850	3,272
Assets Held in Trust	-	-	-	4,205
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	380	-	380	-
Restricted Deposits and Investments	-	-	-	785,128
Investments	-	-	-	339,612
Receivables, Net of Current Portion:				
Taxes Receivable	50,724	-	50,724	-
Loans Receivable	-	-	-	2,557,204
Notes Receivable	-	-	-	269,130
Other Receivables	-	-	-	10,387
Due from Other Governments	4,075	-	4,075	1,136,345
Loans receivable from primary government	-	-	-	34,203
Due From Primary Government	-	-	-	2,386
Other Noncurrent Assets	-	-	-	33,883
Post-Employment Benefit Asset	53,203	2,185	55,388	-
Capital Assets:				
Land, Infrastructure, and Other Non-Depreciable Assets	3,637,071	53,713	3,690,784	106,293
Buildings, Equipment and Other Depreciable Assets	834,551	116,300	950,851	1,129,389
Less: Accumulated Depreciation	(376,205)	(74,108)	(450,313)	(390,462)
Capital Assets, Net of Accumulated Depreciation	4,095,417	95,905	4,191,322	845,220
Total Noncurrent Assets	4,232,439	98,300	4,330,739	6,020,975
Total Assets	$ 6,193,041	$ 607,421	$ 6,800,462	$ 7,217,918

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

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Component Units
Liabilities				
Current Liabilities:				
Accounts Payable	$ 1,109,584	$ 7,486	$ 1,117,070	$ 78,843
Accrued Payroll	50,258	1,632	51,890	842
Tax Refunds Payable	147,719	-	147,719	-
Due to Component Units	30,909	-	30,909	-
Due to Primary Government	-	-	-	253
Undistributed Grants and Administrative Funds	-	-	-	10,970
Allowances for Losses on Insured Commercial Loans	-	-	-	9,208
Current Portion of Long-Term Obligations:				
Compensated Absences	5,294	162	5,456	2,280
Due to Other Governments	87,606	-	87,606	1,931
Amounts Held under State & Federal Loan Programs	-	-	-	19,664
Claims Payable	24,964	-	24,964	-
Bonds and Notes Payable	79,190	-	79,190	151,546
Revenue Bonds Payable	15,625	-	15,625	41,089
Obligations under Capital Leases	6,247	-	6,247	301
Certificates of Participation and Other Financing Arrangements	30,785	-	30,785	-
Pledged Future Revenues	4,135	-	4,135	-
Accrued Interest Payable	7,611	-	7,611	46,983
Deferred Revenue	949	14,051	15,000	42,753
Other Current Liabilities	9,778	20,764	30,542	50,078
Total Current Liabilities	1,610,654	44,095	1,654,749	456,741
Long-Term Liabilities:				
Compensated Absences	39,340	588	39,928	-
Due to Other Governments	253	-	253	14,655
Amounts Held under State & Federal Loan Programs	-	-	-	45,391
Claims Payable	41,457	-	41,457	-
Bonds and Notes Payable	396,645	-	396,645	3,176,211
Revenue Bonds Payable	192,935	-	192,935	1,413,479
Obligations under Capital Leases	31,275	-	31,275	4,563
Certificates of Participation and Other Financing Arrangements	44,073	-	44,073	-
Pledged Future Revenues	34,203	-	34,203	-
Deferred Revenue	14,502	62,500	77,002	23,454
Pension Obligation	18,708	-	18,708	-
Other Post-Employment Benefit Obligation	34,865	-	34,865	-
Other Noncurrent Liabilities	-	-	-	88,821
Total Long-Term Liabilities	848,256	63,088	911,344	4,766,574
Total Liabilities	2,458,910	107,183	2,566,093	5,223,315
Net Assets				
Invested in Capital Assets, Net of Related Debt	3,632,073	95,905	3,727,978	611,964
Restricted:				
Federal Programs	38,155	-	38,155	-
Natural Resources	16,458	-	16,458	-
Capital Projects and Debt Service	24,342	-	24,342	-
Unemployment Compensation	-	493,733	493,733	-
Other Purposes	46,871	-	46,871	1,103,699
Funds Held as Permanent Investments:				
Expendable	62,171	-	62,171	-
Nonexpendable	12,891	-	12,891	-
Unrestricted	(98,830)	(89,400)	(188,230)	278,940
Total Net Assets	$ 3,734,131	$ 500,238	$ 4,234,369	$ 1,994,603

STATE OF MAINE
STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Governmental Support & Operations	$ 540,789	$ 86,178	$ 8,315	$ -
Arts, Heritage & Cultural Enrichment	12,406	1,303	2,567	-
Business Licensing & Regulation	63,417	69,845	597	-
Economic Development & Workforce Training	149,970	2,361	75,490	-
Education	1,669,353	3,653	187,014	-
Health & Human Services	3,290,482	11,694	2,013,056	-
Justice & Protection	407,879	89,580	72,543	-
Natural Resources Development & Protection	186,214	92,737	34,571	-
Transportation Safety & Development	329,914	102,729	165,380	-
Interest Expense	35,524	-	-	-
Total Governmental Activities	6,685,948	460,080	2,559,533	-
Business-Type Activities:				
Employment Security	122,518	106,536	22,950	-
Alcoholic Beverages	-	12,527	-	-
Lottery	178,419	228,980	-	-
Transportation	7,432	2,089	-	-
Marine Ports	1,925	315	-	-
Ferry Services	9,292	4,116	-	-
Military Eqipment Maintenance	80,306	77,229	-	-
Dirigo Health	76,860	54,507	-	-
Other	6,673	6,898	-	-
Total Business-Type Activities	483,425	493,197	22,950	-
Total Primary Government	$ 7,169,373	$ 953,277	$ 2,582,483	$ -
Component Units:				
Finance Authority of Maine	50,579	19,233	28,691	-
Maine Community College System	106,194	25,266	28,414	2,651
Maine Health & Higher Educational Facilities Authority	73,670	70,087	7,235	-
Maine Municipal Bond Bank	65,272	47,418	14,790	21,432
Maine State Housing Authority	226,865	73,386	179,250	-
University of Maine System	654,380	278,178	163,337	5,624
All Other Non-Major Component Units	97,014	33,722	41,566	3,990
Total Component Units	$ 1,273,974	$ 547,290	$ 463,283	$ 33,697

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

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

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (446,296)	$ -	$ (446,296)	$ -
(8,536)	-	(8,536)	-
7,025	-	7,025	-
(72,119)	-	(72,119)	-
(1,478,686)	-	(1,478,686)	-
(1,265,732)	-	(1,265,732)	-
(245,756)	-	(245,756)	-
(58,906)	-	(58,906)	-
(61,805)	-	(61,805)	-
(35,524)	-	(35,524)	-
(3,666,335)	-	(3,666,335)	-
-	6,968	6,968	-
-	12,527	12,527	-
-	50,561	50,561	-
-	(5,343)	(5,343)	-
-	(1,610)	(1,610)	-
-	(5,176)	(5,176)	-
-	(3,077)	(3,077)	-
-	(22,353)	(22,353)	-
-	225	225	-
-	32,722	32,722	-
$ (3,666,335)	$ 32,722	$ (3,633,613)	$ -
-	-	-	(2,655)
-	-	-	(49,863)
-	-	-	3,652
-	-	-	18,368
-	-	-	25,771
-	-	-	(207,241)
-	-	-	(17,736)
$ -	$ -	$ -	$ (229,704)
291,463	-	291,463	-
1,552,412	-	1,552,412	-
177,937	-	177,937	-
43,672	-	43,672	-
1,192,986	-	1,192,986	-
254,297	-	254,297	-
5,857	-	5,857	8,532
-	-	-	293,613
120,109	2	120,111	2,854
(1,016)	-	(1,016)	(492)
64,399	-	64,399	-
(100,000)	-	(100,000)	-
38,470	(38,470)	-	-
3,640,586	(38,468)	3,602,118	304,507
(25,749)	(5,746)	(31,495)	74,803
3,759,880	505,984	4,265,864	1,919,800
$ 3,734,131	$ 500,238	$ 4,234,369	$ 1,994,603


DIRIGO
MAINE

STATE OF MAINE
BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2008
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Treasurer's Cash Pool	$ 62,935	$ 20,422	$ 3,982	$ 217,703	$ 78	$ 305,120
Cash and Short-Term Investments	124	116	4	42	-	286
Cash with Fiscal Agent	603	2,986	-	50,664	-	54,253
Investments	-	-	-	-	74,975	74,975
Restricted Assets:						
Restricted Equity in Treasurer's Cash Pool	3,370	-	-	-	6,211	9,581
Restricted Deposits and Investments	-	-	-	-	21,150	21,150
Inventories	1,984	-	613	-	-	2,597
Receivables, Net of Allowance for Uncollectibles:						
Taxes Receivable	405,747	19,688	-	9,811	-	435,246
Loans Receivable	1	62	-	5,790	-	5,853
Other Receivable	83,191	1,767	62,395	73,459	-	220,812
Due from Other Funds	43,321	2,873	16,039	19,459	159	81,851
Due from Other Governments	-	-	693,301	-	-	693,301
Due from Component Units	51	-	10	-	119	180
Other Assets	2,989	-	52	-	-	3,041
Working Capital Advances Receivable	111	-	-	-	-	111
Total Assets	$ 604,427	$ 47,914	$ 776,396	$ 376,928	$ 102,692	$ 1,908,357
Liabilities and Fund Balances						
Accounts Payable	$ 381,876	$ 30,201	$ 626,056	$ 32,377	$ 875	$ 1,071,385
Accrued Payroll	22,845	9,967	5,494	8,585	-	46,891
Tax Refunds Payable	147,561	158	-	-	-	147,719
Due to Other Governments	-	-	87,606	-	-	87,606
Due to Other Funds	64,887	2,409	8,043	4,745	27	80,111
Due to Component Units	3,371	58	9,911	1,474	2,386	17,200
Deferred Revenue	215,541	7,382	650	35,708	-	259,281
Other Accrued Liabilities	6,818	2	481	2,955	-	10,256
Total Liabilities	842,899	50,177	738,241	85,844	3,288	1,720,449
Fund Balances:						
Reserved						
Continuing Appropriations	118,657	35,591	48,403	228,317	155	431,123
Capital Projects	-	-	-	-	24,342	24,342
Permanent Trusts	-	-	-	-	12,891	12,891
Other	46,745	62	-	46,461	62,016	155,284
Unreserved	(403,874)	(37,916)	(10,248)	16,306	-	(435,732)
Total Fund Balances	(238,472)	(2,263)	38,155	291,084	99,404	187,908
Total Liabilities and Fund Balances	$ 604,427	$ 47,914	$ 776,396	$ 376,928	$ 102,692	$ 1,908,357

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

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

June 30, 2008
(Expressed in Thousands)

Total fund balances for governmental funds		$	187,908
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	4,167,592		
Less: Accumulated depreciation	(193,681)		3,973,911
Other Post-Employment Benefit Assets are not financial resources			53,203
Long-term liabilities are not due and payable in the current period. Therefore, long-term liabilities are not reported in the governmental fund statements. However, these amounts are included in the Statement of Net Assets. This is the net effect of these balances on the statement:			
Bonds Payable	(475,835)		
Interest Payable Related to Long-term Financing	(4,650)		
Certificates of Participation and Other Financing Arrangements	(25,736)		
Pledged Future Revenues	(38,338)		
Compensated Absences	(40,786)		
Pension Obligation	(18,708)		
Other Post-Employment Benefit Obligation	(34,865)		(638,918)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.			249,716
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.			(91,689)
Net assets of governmental activities		$	3,734,131

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, 2008
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	$ 3,079,706	$ 221,492	$ -	$ 209,439	$ -	$ 3,510,637
Assessments and Other Revenue	116,742	93,714	-	109,907	-	320,363
Federal Grants and Reimbursements	11,041	465	2,551,346	6,780	-	2,569,632
Service Charges	47,262	6,995	1,449	89,385	-	145,091
Investment Income (Loss)	2,562	675	222	1,640	(2,743)	2,356
Miscellaneous Revenue	7,872	-	3,891	117,933	4,414	134,110
Total Revenues	3,265,185	323,341	2,556,908	535,084	1,671	6,682,189
Expenditures						
Current:						
Governmental Support & Operations	280,871	37,749	9,431	167,181	7,891	503,123
Economic Development & Workforce Training	39,360	-	80,649	27,428	4,966	152,403
Education	1,478,192	-	184,441	5,918	12,545	1,681,096
Health and Human Services	1,063,499	-	2,028,571	261,913	2,700	3,356,683
Business Licensing & Regulation	-	-	548	64,922	-	65,470
Natural Resources Development & Protection	72,709	28	32,426	85,951	4,216	195,330
Justice and Protection	267,117	36,229	72,495	39,436	368	415,645
Arts, Heritage & Cultural Enrichment	8,632	-	2,566	1,258	261	12,717
Transportation Safety & Development	-	273,852	152,451	21,349	69,104	516,756
Debt Service:						
Principal Payments	66,250	10,750	4,015	-	-	81,015
Interest Payments	16,058	2,051	1,466	-	-	19,575
Total Expenditures	3,292,688	360,659	2,569,059	675,356	102,051	6,999,813
Revenue over (under) Expenditures	(27,503)	(37,318)	(12,151)	(140,272)	(100,380)	(317,624)
Other Financing Sources (Uses):						
Transfer from Other Funds	101,092	8,162	28,195	173,314	1,391	312,154
Transfer to Other Funds	(152,813)	(3,995)	(15,484)	(47,623)	(5,780)	(225,695)
COP's and Other	5,531	3,329	-	41,682	-	50,542
Bonds Issued	-	-	-	-	104,075	104,075
Net Other Finance Sources (Uses)	(46,190)	7,496	12,711	167,373	99,686	241,076
Revenues and Other Sources over (under) Expenditures and Other Uses	(73,693)	(29,822)	560	27,101	(694)	(76,548)
Fund Balances at Beginning of Year (As Restated)	(164,779)	27,559	37,595	263,983	100,098	264,456
Fund Balances at End of Year	$ (238,472)	$ (2,263)	$ 38,155	$ 291,084	$ 99,404	$ 187,908

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, 2008
(Expressed in Thousands)

Net change in fund balances - total governmental funds		$ (76,548)
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	177,432	
Depreciation expense	(18,796)	158,636
The net effect of various transactions involving capital assets (ie. sales, trade ins and contributions) is to increase net assets.		(1,316)
Post-employment benefit asset funding, net		53,203
The issuance of long-term debt provides current financial resources to governmental funds which increases long-term debt in the Statement of Net Assets. Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but repayment reduces long-term debt in the Statement of Net Assets. This is the amount that proceeds exceed repayments:		
Bond proceeds	(104,075)	
Proceeds from other financing arrangements	(8,860)	
Repayment of bond principal	77,000	
Repayment of other financing debt	10,840	
Accrued interest	101	(24,994)
Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported as expenditures on the Statement of Net Assets and have been eliminated from the Statement of Activities as follows:		
Pension obligation	(264)	
Other post-employment benefit obligation	(34,865)	
Pledged future revenues	4,015	
Compensated absences	(2,693)	(33,807)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		8,262
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.		(109,185)
Changes in net assets of governmental activities		$ (25,749)

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


DIRIGO
MAINE

STATE OF MAINE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2008
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities Internal
	Major Employment Security	Non-Major Other Enterprise	Totals	Service Funds
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	$ -	$ 3,253	$ 3,253	$ 150,172
Cash and Short-Term Investments	2,091	757	2,848	3
Cash with Fiscal Agent	-	-	-	17,886
Restricted Assets:				
Restricted Deposits and Investments	463,574	-	463,574	2,962
Inventories	-	849	849	5,321
Receivables, Net of Allowance for Uncollectibles:				
Loans Receivable	-	-	-	15,625
Other Receivable	30,273	25,552	55,825	3,231
Due from Other Funds	25	542	567	45,940
Due from Component Units	-	73	73	-
Other Current Assets	-	76	76	1,013
Total Current Assets	495,963	31,102	527,065	242,153
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	-	210	210	9,778
Receivables, Net of Allowance for Uncollectibles:				
Loans Receivable	-	-	-	192,935
Post-Employment Benefit Asset	-	2,185	2,185	-
Capital Assets - Net of Depreciation	-	95,905	95,905	121,506
Total Noncurrent Assets	-	98,300	98,300	324,219
Total Assets	495,963	129,402	625,365	566,372
Liabilities				
Current Liabilities:				
Accounts Payable	1,358	6,128	7,486	21,254
Accrued Payroll	-	1,632	1,632	3,367
Due to Other Governments	-	-	-	253
Due to Other Funds	-	19,353	19,353	40,175
Due to Component Units	-	-	-	13,709
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	-	-	-	20,701
Revenue Bonds Payable	-	-	-	15,625
Obligations Under Capital Leases	-	-	-	6,247
Claims Payable	-	-	-	24,964
Compensated Absences	-	162	162	481
Deferred Revenue	-	14,051	14,051	299
Other Accrued Liabilities	872	19,892	20,764	2,483
Total Current Liabilities	2,230	61,218	63,448	149,558
Long-Term Liabilities:				
Working Capital Advances Payable	-	-	-	111
Deferred Revenue	-	62,500	62,500	967
Certificates of Participation and Other Financing Arrangements	-	-	-	28,421
Revenue Bonds Payable	-	-	-	192,935
Obligations Under Capital Leases	-	-	-	31,275
Claims Payable	-	-	-	41,457
Compensated Absences	-	588	588	3,367
Total Long-Term Liabilities	-	63,088	63,088	298,533
Total Liabilities	2,230	124,306	126,536	448,091
Net Assets				
Invested in Capital Assets, Net of Related Debt	-	95,905	95,905	64,096
Restricted for:				
Unemployment Compensation	493,733	-	493,733	-
Other Purposes	-	-	-	2,676
Unrestricted	-	(90,809)	(90,809)	51,509
Total Net Assets	$ 493,733	$ 5,096	498,829	$ 118,281
Amounts reported for business-type activities in the government-wide Statement of Net Assets are different due to elimination of the State's internal business-type activities.			1,409	
Net Assets of Business-Type Activities			$ 500,238	

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

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

Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities
	Major	Non-Major		Internal
	Employment Security	Other Enterprise	Totals	Service Funds
Operating Revenues				
Charges for Services	$ -	$ 371,576	$ 371,576	$ 420,721
Assessments	105,986	1,746	107,732	-
Miscellaneous Revenues	550	576	1,126	16,128
Total Operating Revenues	106,536	373,898	480,434	436,849
Operating Expenses				
General Operations	-	350,917	350,917	349,217
Depreciation	-	10,139	10,139	18,077
Claims/Fees Expense	122,518	-	122,518	10,197
Other Operating Expenses	-	-	-	719
Total Operating Expenses	122,518	361,056	483,574	378,210
Operating Income (Loss)	(15,982)	12,842	(3,140)	58,639
Nonoperating Revenues (Expenses)				
Investment Revenue (Expense) - net	22,950	-	22,950	3,501
Interest Expense	-	-	-	(16,053)
Other Nonoperating Revenues (Expenses)- net	-	12,763	12,763	317
Total Nonoperating Revenues (Expenses)	22,950	12,763	35,713	(12,235)
Income (Loss) Before Capital Contributions, Transfers and Special Items	6,968	25,605	32,573	46,404
Capital Contributions, Transfers and Special Items				
Capital Contributions from (to) Other Funds	-	14,371	14,371	3,177
Transfers from Other Funds	-	4,564	4,564	916
Transfers to Other Funds	(2,912)	(54,498)	(57,410)	(33,570)
Special Items	-	-	-	(100,000)
Total Capital Contributions, Transfers In (Out) and Special Items	(2,912)	(35,563)	(38,475)	(129,477)
Change in Net Assets	4,056	(9,958)	(5,902)	(83,073)
Total Net Assets - Beginning of Year	489,677	15,054		201,354
Total Net Assets - End of Year	$ 493,733	$ 5,096		$ 118,281
Amounts reported for business-type activities in the government-wide Statement of Activities are different due to elimination of the State's internal business-types activities			156	
Changes in Business-Types Net Assets			$ (5,746)	

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

STATE OF MAINE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

June 30, 2008
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds Major Employment Security	Non-Major Other Enterprise	Totals	Governmental Activities Internal Service Funds
Cash Flows from Operating Activities				
Receipts from Customers and Users	$ 105,093	$ 378,819	$ 483,912	$ 389,993
Payments of Benefits	(123,454)	-	(123,454)	-
Payments to Prize Winners	-	(143,951)	(143,951)	-
Payments to Suppliers	-	(156,245)	(156,245)	(244,638)
Payments to Employees	-	(37,917)	(37,917)	(74,528)
Net Cash Provided (Used) by Operating Activities	(18,361)	40,706	22,345	70,827
Cash Flows from Noncapital Financing Activities				
Operating Transfers in	-	4,564	4,564	916
Operating Transfers out	(2,912)	(54,498)	(57,410)	(33,570)
Special Items - Initial OPEB Trust Contribution	-	-	-	(100,000)
Net Cash Provided (Used) by Noncapital Financing Activities	(2,912)	(49,934)	(52,846)	(132,654)
Cash Flows from Capital and Related Financing Activities				
Payments for Acquisition of Capital Assets	-	(1,449)	(1,449)	(19,435)
Proceeds from Financing Arrangements	-	-	-	42,285
Principal and Interest Paid on Financing Arrangements	-	-	-	(40,087)
Proceeds from Sale of Capital Assets	-	137	137	1,353
Net Cash Provided (Used) by Capital Financing Activities	-	(1,312)	(1,312)	(15,884)
Cash Flows from Investing Activities				
Interest Revenue	22,950	263	23,213	3,501
Net Cash Provided (Used) by Investing Activities	22,950	263	23,213	3,501
Net Increase (Decrease) in Cash/Cash Equivalents	1,677	(10,277)	(8,600)	(74,210)
Cash/Cash Equivalents - Beginning of Year	463,988	14,497	478,485	255,011
Cash/Cash Equivalents - End of Year	$ 465,665	$ 4,220	$ 469,885	$ 180,801
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities				
Operating Income (Loss)	$ (15,982)	$ 12,842	$ (3,140)	$ 58,639
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation Expense	-	10,139	10,139	18,077
Decrease (Increase) in Assets				
Accounts Receivable	(1,434)	(3,467)	(4,901)	(23,368)
Interfund Balances	(9)	18,047	18,038	(13,123)
Inventories	-	(70)	(70)	(630)
Increase (Decrease) in Liabilities				
Accounts Payable	(938)	3,355	2,417	15,442
Accrued Payroll Expenses	-	187	187	302
Change in Compensated Absences	-	32	32	261
Other Accruals	2	(359)	(357)	15,227
Total Adjustments	(2,379)	27,864	25,485	12,188
Net Cash Provided (Used) by Operating Activities	$ (18,361)	$ 40,706	$ 22,345	$ 70,827
Non Cash Investing, Capital and Financing Activities				
Property Leased, Accrued, or Acquired	-	-	-	526
Contributed Capital Assets	-	14,371	14,371	3,177
Recognize revenue from the prior sale of liquor operations	-	12,500	12,500	-

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

STATE OF MAINE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2008
(Expressed in Thousands)

	Pension (and Other Employee Benefit) Trusts	Private Purpose Trusts	Agency Funds
Assets			
Equity in Treasurer's Cash Pool	$ -	$ 1,276	$ 7,002
Cash and Short-Term Investments	568,402	-	42
Receivables, Net of Allowance for Uncollectibles:			
State and Local Agency Contributions	10,289	-	-
Interest and Dividends	23,065	442	-
Due from Brokers for Securities Sold	187,899	-	-
Investments at Fair Value:			
Debt Securities	4,245,834	-	-
Equity Securities	1,998,003	-	-
Common/Collective Trusts	3,944,741	-	-
Other	5,552	10,980	-
Securities Lending Collateral	2,689,790	-	-
Due from other funds	-	16,937	7
Investments Held on Behalf of Others	-	5,316,066	60,263
Capital Assets - Net of Depreciation	4,898	-	-
Other Assets	-	14,195	6,115
Total Assets	13,678,473	5,359,896	73,429
Liabilities			
Accounts Payable	4,878	417	27
Due to Other Funds	-	15	5,648
Due to Brokers for Securities Purchased	198,802	-	-
Agency Liabilities	-	-	67,738
Obligations Under Securities Lending	2,689,790	-	-
Other Accrued Liabilities	137,821	-	16
Total Liabilities	3,031,291	432	73,429
Net Assets			
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes	10,647,182	5,359,464	-
Total Net Assets	$ 10,647,182	$ 5,359,464	$ -

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

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

Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Pension (and Other Employee Benefit) Trusts	Private Purpose Trusts
Additions:		
Contributions:		
Members	$ 163,711	$ 1,857,853
State and Local Agencies	482,780	-
Investment Income (Loss):		
Net Increase (Decrease) in the Fair Value of Investments	(523,607)	(748,803)
Capital Gains Distributions from Investments	-	216,531
Interest and Dividends	218,646	161,153
Less Investment Expense:		
Investment Activity Expense	34,644	-
Net Investment Income (Loss)	(339,605)	(371,119)
Miscellaneous Revenues	-	7,212
Transfers In	-	574
Total Additions	306,886	1,494,520
Deductions:		
Benefits Paid to Participants or Beneficiaries	650,945	1,355,735
Refunds and Withdrawals	27,899	-
Administrative Expenses	10,544	44,001
Claims Processing Expense	621	-
Transfers Out	-	1,533
Total Deductions	690,009	1,401,269
Net Increase (Decrease)	(383,123)	93,251
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:		
Beginning of Year (As Restated)	11,030,305	5,266,213
End of Year	$ 10,647,182	$ 5,359,464

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


DIRIGO
MAINE

STATE OF MAINE
STATEMENT OF NET ASSETS
COMPONENT UNITS

June 30, 2008
(Expressed in Thousands)

	Finance Authority of Maine	Maine Community College System	Maine Health and Higher Educational Facilities Authority
Assets			
Current Assets:			
Equity in Treasurer's Cash Pool	$ 24,158	$ 8,043	$ -
Cash and Cash Equivalents	6,904	671	11,452
Investments	144,351	24,303	22,392
Restricted Assets:			
Inventories	-	1,159	-
Receivables, Net of Allowance for Uncollectibles:			
Loans Receivable	-	-	39,935
Notes Receivable	-	-	-
Other Receivables	5,002	3,447	1,877
Due from Other Governments	1,142	-	-
Due from Primary Government	-	11,638	-
Loans receivable from primary government	-	-	-
Other Current Assets	2,686	734	586
Total Current Assets	184,243	49,995	76,242
Noncurrent Assets:			
Equity in Treasurer's Cash Pool	1,573	524	-
Assets Held in Trust	-	-	-
Restricted Assets:			
Restricted Deposits and Investments	-	1,149	166,033
Investments	-	8,631	-
Receivables, Net of Current Portion:			
Loans Receivable	-	-	1,279,357
Notes Receivable	223,841	-	-
Other Receivables	-	-	110
Due from Other Governments	-	-	-
Due from Primary Government	-	-	-
Loans receivable from primary government	-	-	-
Capital Assets - Net of Depreciation	2,060	109,258	3,036
Other Noncurrent Assets	-	287	974
Total Noncurrent Assets	227,474	119,849	1,449,510
Total Assets	411,717	169,844	1,525,752
Liabilities			
Current Liabilities:			
Accounts Payable	1,322	2,281	1,128
Accrued Payroll	-	-	-
Compensated Absences	-	1,860	-
Due to Other Governments	-	-	296
Due to Primary Government	-	-	-
Amounts Held under State & Federal Loan Programs	-	-	-
Undistributed Grants and Administrative Funds	10,919	-	-
Allowances for Losses on Insured Commercial Loans	9,208	-	-
Bonds Payable	54	-	40,955
Obligations under Capital Leases	-	-	-
Accrued Interest Payable	839	-	27,578
Deferred Revenue	1,768	1,974	1,060
Other Current Liabilities	45	8,445	1,817
Total Current Liabilities	24,155	14,560	72,834
Long-Term Liabilities:			
Due to Other Governments	1,322	-	2,000
Amounts Held under State & Federal Loan Programs	45,391	-	-
Bonds Payable	303,884	23,399	1,411,240
Obligations under Capital Leases	-	3,490	-
Deferred Revenue	-	-	-
Other Noncurrent Liabilities	-	-	-
Total Long-Term Liabilities	350,597	26,889	1,413,240
Total Liabilities	374,752	41,449	1,486,074
Net Assets			
Invested in Capital Assets, Net of Related Debt	2,060	83,806	3,036
Restricted	7,450	19,531	3,841
Unrestricted	27,455	25,058	32,801
Total Net Assets	$ 36,965	$ 128,395	$ 39,678

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

Maine Municipal Bond Bank	Maine State Housing Authority	University of Maine System	Non-Major Component Units	Totals
$ -	$ -	$ 17,839	$ 3,302	$ 53,342
49	3,236	1,097	29,374	52,783
20,796	389,966	133,970	2,647	738,425
-	-	-	983	2,142
-	24,801	-	12,309	77,045
-	2	113	30	145
1,330	16,978	22,926	5,717	57,277
125,095	4,148	11,329	1,331	143,045
-	1,069	10,595	5,199	28,501
4,617	-	-	-	4,617
26,355	-	6,924	2,336	39,621
178,242	440,200	204,793	63,228	1,196,943
-	-	1,162	13	3,272
-	-	-	4,205	4,205
248,910	322,024	43,098	3,914	785,128
-	2,574	280,250	48,157	339,612
-	1,182,809	-	95,038	2,557,204
-	661	43,005	1,623	269,130
-	-	6,687	3,590	10,387
1,136,345	-	-	-	1,136,345
-	-	2,386	-	2,386
34,203	-	-	-	34,203
775	2,323	621,302	106,466	845,220
3,536	4,086	18,778	6,222	33,883
1,423,769	1,514,477	1,016,668	269,228	6,020,975
1,602,011	1,954,677	1,221,461	332,456	7,217,918
361	43,308	22,828	7,615	78,843
-	-	-	842	842
-	-	-	420	2,280
1,507	116	-	12	1,931
-	-	-	253	253
19,664	-	-	-	19,664
51	-	-	-	10,970
-	-	-	-	9,208
102,548	41,245	7,699	134	192,635
-	-	285	16	301
8,939	9,139	-	488	46,983
1,607	8,471	14,815	13,058	42,753
-	-	34,959	4,812	50,078
134,677	102,279	80,586	27,650	456,741
2,196	5,638	-	3,499	14,655
-	-	-	-	45,391
983,065	1,509,284	209,212	149,606	4,589,690
-	-	1,031	42	4,563
-	22,228	-	1,226	23,454
-	-	88,821	-	88,821
985,261	1,537,150	299,064	154,373	4,766,574
1,119,938	1,639,429	379,650	182,023	5,223,315
-	2,323	417,633	103,106	611,964
423,197	298,322	326,627	24,731	1,103,699
58,876	14,603	97,551	22,596	278,940
$ 482,073	$ 315,248	$ 841,811	$ 150,433	$ 1,994,603

STATE OF MAINE
STATEMENT OF ACTIVITIES
COMPONENT UNITS

Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Finance Authority of Maine	Maine Community College System	Maine Health and Higher Educational Facilities Authority
Expenses	$ 50,579	$ 106,194	$ 73,670
Program Revenues			
Charges for Services	19,233	25,266	70,087
Program Investment Income	8,091	(540)	7,235
Operating Grants and Contributions	20,600	28,954	-
Capital Grants and Contributions	-	2,651	-
Net Revenue (Expense)	(2,655)	(49,863)	3,652
General Revenues			
Unrestricted Investment Earnings	-	518	1,406
Non-program Specific Grants, Contributions and Appropriations	-	63,692	-
Miscellaneous Income	-	1,511	134
Gain (Loss) on Assets Held for Sale	-	64	-
Total General Revenues	-	65,785	1,540
Change in Net Assets	(2,655)	15,922	5,192
Net Assets, Beginning of the Year (As Restated)	39,620	112,473	34,486
Net Assets, End of Year	$ 36,965	$ 128,395	$ 39,678

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

Maine Municipal Bond Bank	Maine State Housing Authority	University of Maine System	Non-Major Component Units	Totals
$ 65,272	$ 226,865	$ 654,380	$ 97,014	$ 1,273,974
47,418	73,386	278,178	33,722	547,290
10,239	44,196	-	2,574	71,795
4,551	135,054	163,337	38,992	391,488
21,432	-	5,624	3,990	33,697
18,368	25,771	(207,241)	(17,736)	(229,704)
995	713	3,724	1,176	8,532
-	-	210,195	19,726	293,613
939	-	(363)	633	2,854
-	-	-	(556)	(492)
1,934	713	213,556	20,979	304,507
20,302	26,484	6,315	3,243	74,803
461,771	288,764	835,496	147,190	1,919,800
$ 482,073	$ 315,248	$ 841,811	$ 150,433	$ 1,994,603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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

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

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

The State is able to impose its will upon these discretely presented component units:

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

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

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 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. Additionally, the Authority administers the Maine College Savings Program. Net assets of the program, NextGen College Investing Plan, are included in the State's fiduciary fund financial statements. The Governor appoints the fifteen voting members of the Authority.

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

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

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports $694.6 million of restricted net assets, of which $41.2 million is restricted by enabling legislation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The *Other Special Revenue Fund* accounts for specific revenue sources that are legally restricted to expenditures for specified purposes, and the related current liabilities, including some major capital projects that are not accounted for in the Highway and Federal Funds. Example 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's retiree healthcare benefits. The investment trust, managed by the Maine Public Employees Retirement System, holds the long-term investments of the trust. The trustees of the 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, Permanent School funds, and the NextGen College Investing Plan.

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

D. FISCAL YEAR-ENDS

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

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

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

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

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

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

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

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

Investments Held on Behalf of Others
These assets include amounts held by the State in a fiduciary capacity, acting as either a trustee or an agent for individuals, organizations or other funds. Generally, these investments are reported at fair value or at amortized cost which approximates fair value. The State also holds $167 million of Workers' Compensation, $46 million of Bureau of Insurance, and $24 million of Maine Department of Labor surety bonds and letters of credit that are not reflected on the financial statements.

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

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

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

Receivables
Receivables consist primarily of amounts due to the State from taxpayers and service providers. Also included in receivables are amounts due but not yet remitted to the State from lottery sales by agents. Loans receivable for the primary government represent low interest financing arrangements to construct and modernize agricultural storage facilities and local commercial enterprises, as well as Department of Transportation loans to local governments. Receivables in the component units' column arise in the normal course of business. Receivables are stated net of estimated allowances for uncollectible amounts that are determined based upon past collection experience and aging of the accounts. Receivables due from related providers for interim payments are $33 million, net of an allowance for uncollectible amounts of $19.5 million.

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

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

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

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

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

equipment is capitalized $5 thousand or more. All land, regardless of value, is capitalized. Capital assets are recorded at cost or, if donated, at estimated fair market value at date of acquisition. In some instances, capital assets historical cost were not available. The costs of these assets at the date of acquisitions have been estimated.

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

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

Accounts Payable
Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers. Incurred but not paid (IBNP) Medicaid claims settlements are actuarially estimated. The IBNP estimate at June 30, 2008 is $380 million.

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

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

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

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

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

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

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

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

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

The State reported the following fund balance reservations:

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

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

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

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

F. REVENUES AND EXPENDITURES/EXPENSES

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

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

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

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

NOTE 2 – BUDGETING AND BUDGETARY CONTROL, AND LEGAL COMPLIANCE

Appropriation Limits

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

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

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

Budget Stabilization Fund

The Maine Budget Stabilization Fund, a fund designation established under Title 5 MRSA C. 142, is included in the negative $403.9 million unreserved General Fund fund balance. Amounts in the stabilization fund may be expended only to offset a General Fund revenue shortfall. The Governor may also allocate funds for payment of death benefits for law enforcement officers, firefighters and emergency medical services personnel.

Balances in the fund do not lapse, but carry forward each year. Money in the fund may be invested with any earnings credited to the fund except when the fund is at its statutory cap. In addition to interest earnings, the fund received $10.0 million according to Public Law 2007, Chapter 700, Part C.

The statutory cap for the fund is 12 percent of the total General Fund revenue received in the immediately preceding fiscal year. At the close of the fiscal year, the cap is based on the revenue received in the fiscal year being closed. Based on fiscal year 2008 actual General Fund revenue, the statutory cap at the close of fiscal year 2008 and during fiscal year 2008 was $370.5 million. At the close of fiscal year 2008, the balance of the Maine Budget Stabilization Fund was $128.9 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	$ 115,480
Increase in fund balance	13,397
Balance, end of year	$ 128,877

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

Except in specific instances, only the Legislature may transfer appropriations between departments. Changes in appropriation, allocation, or funding for new programs are presented to the Legislature as a supplemental budget. For the year ended June 30, 2008, the Legislature decreased supplemental appropriations to the General Fund by $19.5 million.

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

NOTE 3 - ACCOUNTING CHANGES AND RESTATEMENTS

Accounting Changes
The State established, and partially funded, an irrevocable trust for postemployment benefits during fiscal 2008. The State implemented the Governmental Accounting Standards Board's Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The statement requires accounting and financial reporting for postretirement benefits provided to employees similarly to accounting for pension benefits. The statement provides specific guidance for plans that are held as trusts or equivalent arrangements and for plans that are not held in that manner. Required notes to the financial statements include a brief plan description, a summary of significant accounting policies, and information about contributions.

Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, is required to be implemented by the State as of June 30, 2008. The statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities/(assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial statements of State governmental employers. The effects of applying this standard require the State to account for other postemployment benefits (OPEB), primarily healthcare, on an accrual basis rather than on the past pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Revenues, Expenses, and Changes in Net Assets when future retirees earn their postemployment benefits, rather than when they use their postemployment benefit. To the extent that an entity does not fund their actuarially required contribution, a post employment benefit obligation is recognized on the Balance Sheet over time. Required Supplementary Information includes a schedule of funding progress for the most recent valuation and the two preceding valuations accompanied by notes regarding factors that significantly affect the identification of trends in the amounts reported. The statement was implemented prospectively with a zero net OPEB obligation at transition.

In addition, the State has implemented Governmental Accounting Standards Board (GASB) Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.* This statement establishes criteria that governments will use to ascertain whether a transaction should be regarded as a sale or as collateralized borrowings and if the resulting proceeds received should be reported as revenue or as a liability. The criteria should be used to determine the extent to which a transferor government either retains or relinquishes control over the receivables or future revenues. Implementation of this statement did not require any modification to the financial statements.

Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures*, became effective in fiscal year 2008. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and, in doing so, enhances information disclosed in notes to the financial statements by employers that provide pension benefits.

Restatement – Primary Government
The beginning net assets of the General Fund, a major governmental fund, and the Governmental Activities decreased by $8.4 million to correct an error in reported accounts receivable.

Restatement – Fiduciary Fund Financial Statements
The beginning net assets on the Statement of Changes in Fiduciary Net Assets increased $7.3 million to reflect the assets of the Defined Contribution Retirement Plans.

Restatement – Component Units
The beginning net assets on the Statement of Activities increased $5.9 million with the inclusion of the Small Enterprise Growth Fund as a reported non-major component unit.

NOTE 4 - DEFICIT FUND BALANCES/NET ASSETS

Four internal service funds showed deficit Net Assets for the fiscal year ended June 30, 2008. The Workers' Compensation Fund reported a deficit of $11.6 million, which reflects accruals for actuarially determined claims payable. The Leased Space Fund had a fund balance deficit of $4.3 million because rates charged were insufficient to cover expenses incurred. The Postal, Printing & Supply fund reported a deficit of $918 thousand because expenses are recognized when incurred; however, related revenue is not earned until jobs are satisfactorily completed. The Financial & Personnel Services Fund had a fund balance deficit of $182 thousand because rates charged were insufficient to cover expenses incurred. All of the deficits mentioned above are expected to be funded by future service charges.

The Alcoholic Beverages Enterprise Fund shows a deficit of $75.0 million. During fiscal year 2004, the State of Maine entered into a 10 year contract with a vendor to manage and operate wholesale liquor distribution as the State's agent. The deficit reflects the deferral of license fees that will be amortized over that 10 year period.

The Maine Military Authority Enterprise Fund shows a deficit of $3.2 million. Expenses are recognized when incurred; however, related revenue is not earned until repair projects are satisfactorily completed. The deficit will be funded by future billings as projects are completed.

The Dirigo Health Enterprise Fund shows a deficit of $15.9 million. This deficit is the result of the timing of revenue collections from the Savings Offset Program.

The General Fund shows a deficit fund balance of $238.5 million at June 30, 2008. This deficit is due to the full recognition of the State's share of Medicaid liabilities at fiscal year end, which are funded throughout the year with the aforementioned tax revenue. The federal portion of these liabilities is also fully accrued, with an offsetting receivable from the federal government as allowed under Governmental Accounting Standards Board (GASB) Statement No. 33. Per GASB 33, revenue associated with government mandated non-exchange transactions should be recognized when applicable eligibility requirements have been met and the resources are available. Medicaid is an entitlement program. Therefore, the funds are available when the payments for these liabilities are processed.

The Highway Fund shows a deficit fund balance of $2.3 million. The deficit reflects the way in which the State accrues liabilities related to Highway Planning and Construction. The deficit will be funded by future federal grant payments.

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

The Primary Government's Deposits and Investments excluding component units that are fiduciary in nature at June 30, 2008:

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	$ 465,070	$ 3,463	$ 1,276	$ 7,002	$ 476,811
Cash and Cash Equivalents	289	2,848	-	15	3,152
Cash with Fiscal Agent	72,139	-	-	27	72,166
Investments	74,975	-	10,980	-	85,955
Restricted Equity in Treasurer's Cash Pool	9,581	-	-	-	9,581
Restricted Deposits and Investments	24,112	463,574	-	-	487,686
Investments Held on Behalf of Others	-	-	5,316,066	60,263	5,376,329
Other Assets	-	-	-	-	-
Total Primary Government	$ 646,166	$ 469,885	$ 5,328,322	$ 67,307	$ 6,511,680

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, 2008:

	Maturities in Years (Expressed in Thousands)						
	Less than 1	1 - 5	6 - 10	11 - 20	More than 20	No Maturity	Fair Value
Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds							
US Instrumentalities	$27,913	$26,009	$ -	$ -	$ -	$ -	$53,922
US Treasury Notes	4,101	-	-	-	-	-	4,101
Repurchase Agreements	73,038	-	-	-	-	-	73,038
Corporate Notes and Bonds	8,714	2,449	-	-	-	-	11,163
Commercial Paper	5,653	-	-	-	-	-	5,653
Certificates of Deposit	11,770	-	-	-	-	-	11,770
Money Market	327,188	-	-	-	-	-	327,188
Cash and Cash Equivalents	-	-	-	-	-	18,529	18,529
Unemployment Fund							
Deposits with US Treasury	-	-	-	-	-	463,574	463,574
Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds							
US Instrumentalities	2,095	2,804	436	1,042	6,568	-	12,945
US Treasury Notes	1,857	9,882	4,253	6,262	4,197	-	26,451
Repurchase Agreements	898	-	-	-	-	-	898
Corporate Notes and Bonds	745	3,097	3,531	401	1,862	5,140	14,776
Other Fixed Income Securities	-	-	136	-	46	-	182
Commercial Paper	98	-	-	-	-	-	98
Certificates of Deposit	175	-	-	-	-	10,150	10,325
Money Market	5,665	-	-	-	-	820	6,485
Cash and Cash Equivalents	-	-	-	-	-	18,794	18,794
Equities	-	-	-	-	-	61,749	61,749
Other	-	-	-	-	-	1,807	1,807
	$469,910	$44,241	$8,356	$7,705	$12,673	$580,563	$1,123,448
NextGen College Investing Plan							5,316,066
Other Assets							-
Cash with Fiscal Agent							72,166
Total Primary Government							$6,511,680

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

The Primary Government's total investments by credit quality rating as of June 30, 2008 are presented below:

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

	A1	A	AA	AA+	AAA	BB	BBB	Not Rated	Total
Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds									
US Instrumentalities	$ -	$ -	$ -	$ -	$ 53,923	$ -	$ -	$ -	$ 53,923
US Treasury Notes	-	-	-	-	-	-	-	4,101	4,101
Corporate Notes and Bonds	-	-	-	-	11,163	-	-	-	11,163
Commercial Paper	-	-	-	-	-	-	-	5,653	5,653
Money Market	-	-	-	-	34,261	-	-	292,927	327,188
Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds									
US Instrumentalities	-	-	101	-	3,688	-	-	9,156	12,945
US Treasury Notes	-	-	-	-	4,999	-	-	21,452	26,451
Corporate Notes and Bonds	-	2,443	1,320	-	1,941	78	692	8,302	14,776
Commercial Paper	-	-	-	-	-	-	-	98	98
Money Market	-	-	-	-	593	-	-	5,892	6,485
Other Fixed Income Securities	-	22	24	-	-	-	136	-	182
Total Primary Government	$ -	$ 2,465	$ 1,445	$ -	$ 110,568	$ 78	$ 828	$347,581	$ 462,965

Concentration of Credit Risk –Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State limits concentration of credit risk in its trusts by requiring that no single stock represent more than 10 percent of the total portfolio. There is no concentration of credit risk policy for the Treasurer's Cash Pool. At June 30, 2008, more than 5 percent of the cash pool's investments were in Bank of America and Morgan Stanley. These investments are $28.0 million (5.17 percent) and $30.0 million (5.5 percent), respectively, of the cash pool's total investments.

Custodial Credit Risk - For investments, custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the State will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The State limits its custodial credit risk for the Treasurer's Cash Pool by maintaining a file of the most recent credit rating analysis reports performed for each approved financial institution. The State also requires that all securities be perfected in the name of the State and held in third party safekeeping by a state approved custodian. Of the cash pool's $11.8 million invested in non-negotiable certificates of deposit, $3.5 million exceeded the FDIC insured amounts for the institutions at which they were held. The State does not have a policy regarding custodial credit risk for its trusts. The Percival P. Baxter Trust is held by the counterparty's trust department, but not in the State's name.

The fair value of the trust's investments as of June 30, 2008 was $62.0 million and was comprised of the following:

U.S. Instrumentalities	$ 8,297
US Treasury Notes	4,054
Corporate Notes and Bonds	5,393
Other Fixed Income Securities	136
Equities	43,346
Cash and Equivalents	289
Other	530
Total	$ 62,045

The State and certain vendors contract with a fiscal intermediary, Clareon, for electronic disbursements from the State to its vendors. During fiscal year 2008 these disbursements, on average, exceeded $149.6 million per month. The funds in transit are not collateralized and are not held by the State Treasurer. Until the vendor receives payment, the State retains some liability.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

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

Cash open collateral is invested in a short-term investment pool, the Global Core Collateral Section. Cash collateral may also be invested separately in "term loans." At June 30, 2008, 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, 2008 was $3.8 billion and $3.7 billion, respectively.

NEXTGEN COLLEGE INVESTING PLAN

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

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

NextGen's investments are comprised of 47 different investment portfolios which are reported at fair value and total $5.3 billion at June 30, 2008.

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

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

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

Credit Risk - The Program has not established an investment policy that specifically limits its exposure to credit risk. The Program's investments in fixed income mutual funds, the Principal Plus Portfolio, and the Account may bear credit risk. The GIC underlying the Program's investment in the Principal Plus Portfolio has not been rated by any of the nationally recognized statistical rating organizations. The fair value of the GIC at June 30, 2008 was $79.8 million.

The assets of the Account are invested in a portfolio of high-quality, short-term money-market securities consisting primarily of direct U.S. Government obligations, U.S. Government agency securities, obligations of domestic and foreign banks, U.S. dollar denominated commercial paper, and other short-term debt securities issued by U.S. and foreign entities repurchase agreements. In addition, the Account invests in certificates of deposit issued by Maine financial institutions in accordance with instructions of FAME and the Treasurer. All Maine Certificate of Deposit's are FDIC insured or fully collateralized. The value of the Account at June 30, 2008 was $370.6 million.

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

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

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

	Fair Value
Principal Plus Portfolio	$ 79,770
Cash Allocation Account	370,623
Fixed Income Securities	1,228,975
Total Fair Value	$1,679,368

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 13 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 $53.5 million of the component units' participation to "Equity in Treasurer's Cash Pool" on the State's financial statements. In addition to the amounts reported, the State Treasurer's Cash Pool includes $18.3 million, consisting of Finance Authority of Maine component unit fiduciary funds that, because of GASB Statement No. 34 reporting criteria, are not shown in the accompanying financial statements.

NOTE 6 - RECEIVABLES

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

Primary Government – Receivables
(Expressed in Thousands)

	Taxes	Accounts	Loans	Allowance for Uncollectibles	Net Receivables
Governmental Funds:					
General	$547,767	$143,834	$1	($202,663)	$488,939
Highway	24,954	1,790	62	(5,289)	21,517
Federal	-	89,625	-	(27,230)	62,395
Other Special Revenue	10,166	78,674	6,127	(5,907)	89,060
Other Governmental Funds	-	-	-	-	-
Total Governmental Funds	582,887	313,923	6,190	(241,089)	661,911
Allowance for Uncollectibles	(147,641)	(93,111)	(337)		
Net Receivables	$435,246	$220,812	$5,853		$661,911
Proprietary Funds:					
Employment Security	$0	$40,025	$0	($9,752)	$30,273
Nonmajor Enterprise	-	26,269	-	(717)	25,552
Internal Service	-	3,231	208,560	-	211,791
Total Proprietary Funds	-	69,525	208,560	(10,469)	267,616
Allowance for Uncollectibles	-	(10,469)	-		
Net Receivables	$0	$ 59,056	$208,560		$267,616

Component Units – Receivables
(Expressed in Thousands)

	Accounts	Loans	Notes	Allowance For Uncollectibles	Net Receivables
Finance Authority of Maine	$5,002	$ -	$228,593	($4,752)	$228,843
Maine Community College System	4,390	-	-	(943)	3,447
Maine Health and Educational Facilities Authority	2,863	1,319,292	-	(876)	1,321,279
Maine Municipal Bond Bank	1,330	-	-	-	1,330
Maine State Housing Authority	16,978	1,216,922	663	(9,312)	1,225,251
University of Maine System	32,285	-	44,092	(3,646)	72,731

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, 2008 were:

Interfund Receivables
(Expressed in Thousands)

	Due to Other Funds				
Due from Other Funds	**General**	**Highway**	**Federal**	**Other Special Revenue**	**Other Governmental**
General	$ 2,238	$ -	$ 2,287	$ -	$ 27
Highway	218	1	2,431	1	-
Federal	9,058	43	368	2,135	-
Other Special Revenue	17,495	370	634	582	-
Other Governmental	159	-	-	-	-
Employment Security	-	-	25	-	-
Non-Major Enterprise	98	47	357	4	-
Internal Service	18,677	1,948	1,941	2,023	-
Fiduciary	16,944	-	-	-	-
Total	$ 64,887	$ 2,409	$ 8,043	$ 4,745	$ 27

Due from Other Funds	**Non-Major Enterprise**	**Internal Service**	**Fiduciary**	**Total**
General	$ 19,083	$ 14,038	$ 5,648	$ 43,321
Highway	-	222	-	2,873
Federal	-	4,435	-	16,039
Other Special Revenue	27	351	-	19,459
Other Governmental	-	-	-	159
Employment Security	-	-	-	25
Non-Major Enterprise	-	36	-	542
Internal Service	243	21,093	15	45,940
Fiduciary	-	-	-	16,944
Total	$ 19,353	$ 40,175	$ 5,663	$ 145,302

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

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

During fiscal year 2008, the State of Maine, in accordance with the legislatively authorized budget, recorded several non-routine, nonrecurring transfers.

The Other Special Revenue Fund transferred \$2.5 million to the unappropriated surplus of the General Fund.

The Retiree Health Insurance Fund transferred \$16.8 million to the unappropriated surplus of the General Fund, and \$3.1 million to the unappropriated surplus of the Highway Fund.

The Accident, Sickness, and Health Insurance Fund transferred \$10.4 million to the unappropriated surplus of the General Fund, and \$2.3 million to the unappropriated surplus of the Highway Fund.

Interfund transfers for the year ended June 30, 2008, consisted of the following:

Interfund Transfers
(Expressed in Thousands)

	Transferred From				
Transferred To	**General**	**Highway**	**Federal**	**Other Special Revenue**	**Other Governmental**
General	$ -	$ -	$ 2,818	$ 19,914	$ -
Highway	1,958	-	-	524	-
Federal	63	-	-	25,220	-
Other Special Revenue	149,473	-	12,500	-	5,780
Other Governmental Funds	-	-	-	1,391	-
Employment Security	-	-	-	-	-
Non-Major Enterprise	569	3,995	-	-	-
Internal Service	750	-	166	-	-
Fiduciary	-	-	-	574	-
Total	$ 152,813	$ 3,995	$ 15,484	$ 47,623	$ 5,780

	Transferred From				
Transferred To	**Employment Security**	**Non-Major Enterprise**	**Internal Service**	**Fiduciary**	**Total**
General	$ -	$ 49,518	$ 27,890	$ 952	$ 101,092
Highway	-	-	5,680	-	8,162
Federal	2,912	-	-	-	28,195
Other Special Revenue	-	4,980	-	581	173,314
Other Governmental Funds	-	-	-	-	1,391
Employment Security	-	-	-	-	-
Non-Major Enterprise	-	-	-	-	4,564
Internal Service	-	-	-	-	916
Fiduciary	-	-	-	-	574
Total	$ 2,912	$ 54,498	$ 33,570	$ 1,533	$ 318,208

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, 2008:

Primary Government – Capital Assets
(Expressed in Thousands)

	Beginning Balance	Increases and Other Additions	Decreases and Other Deletions	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 424,331	$ 11,391	$ 1,492	$ 434,230
Construction in progress	10,230	24,055	10,110	24,175
Infrastructure	3,023,973	154,693	-	3,178,666
Total capital assets not being depreciated	3,458,534	190,139	11,602	3,637,071
Capital assets being depreciated:				
Buildings	560,307	3,990	115	564,182
Equipment	248,129	20,193	17,494	250,828
Improvements other than buildings	18,246	1,295	-	19,541
Total capital assets being depreciated	826,682	25,478	17,609	834,551
Less accumulated depreciation for:				
Buildings	183,908	17,243	350	200,801
Equipment	158,140	20,457	13,345	165,252
Improvements other than buildings	8,997	1,155	-	10,152
Total accumulated depreciation	351,045	38,855	13,695	376,205
Total capital assets being depreciated, net	475,637	(13,377)	3,914	458,346
Governmental Activities Capital Assets, net	$ 3,934,171	$ 176,762	$ 15,516	$ 4,095,417

	Beginning Balance	Net Additions	Net Deletions	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	$ 38,417	$ 4,928	$ -	$ 43,345
Construction in progress	3,613	6,755	-	10,368
Total capital assets not being depreciated	42,030	11,683	-	53,713
Capital assets being depreciated:				
Buildings	9,769	-	270	9,499
Equipment	43,385	1,669	860	44,194
Improvements other than buildings	61,218	1,389	-	62,607
Total capital assets being depreciated	114,372	3,058	1,130	116,300
Less accumulated depreciation	66,041	9,049	982	74,108
Total capital assets being depreciated, net	48,331	(5,991)	148	42,192
Business-Type Activities Capital Assets, net	$ 90,361	$ 5,692	$ 148	$ 95,905

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

Governmental Activities – Depreciation Expense
(Expressed in Thousands)

	Amount
Governmental Activities:	
Arts, Heritage and Cultural Enrichment	$ 27
Business Licensing and Regulation	459
Economic Development and Workforce Training	1,475
Education	310
Governmental Support and Operations	6,334
Health and Human Services	5,791
Justice and Protection	12,360
Natural Resources Development and Protection	4,202
Transportation Safety and Development	7,241
Total Depreciation Expense – Governmental Activities	$ 38,199

NOTE 9 - MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

PLAN DESCRIPTIONS

The Maine Public Employees Retirement System, formerly named the Maine State 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 public employee retirement system established and administered under the Title 5 MRSA C. 421, 423, and 425. The System provides pension, disability, and death benefits to its members, which includes employees of the State, public school employees (defined by Maine law as teachers and for whom the State is the employer for retirement contribution and benefit purposes, or SETP) and employees of 272 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 issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for the plan. The June 30, 2008 report may be obtained from the Maine Public Employees Retirement System, 46 State House Station, Augusta, ME 04333.

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

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

The System administers three defined contribution plans for employees of PLD's that elect to participate. At June 30, 2008, there were 43 employers participating in these plans. The 429 participants individually direct the $7.4 million in assets covered by the plans.

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

BASIS OF ACCOUNTING

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.

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.

CONTRIBUTION INFORMATION

Membership in each defined benefit plan consisted of the following at June 30, 2008:

	State Employees and Teachers Plan	Consolidated Plan for PLD
Active vested and nonvested members	41,790	9,612
Terminated vested participants	7,098	1,095
Retirees and benefit recipients	26,991	7,191
Total	75,879	17,898
Number of participating employers/sponsors	1	272

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

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

STATE EMPLOYEES AND TEACHERS PENSION PLAN SPECIFICS

The System's retirement programs provide retirement benefits based on members' average final compensation and creditable service. Vesting occurs upon the earning of five years of service credit or the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age is age 60 or 62, determined by whether the member had at least 10 years of creditable service on June 30, 1993 (effective October 1, 1999, the prior ten-year requirement was reduced to five years by legislative action). The monthly benefit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and survivor benefits, which are established by statute for State employee and teacher members, and by contract with other participating employers under applicable statutory provisions.

PARTICIPATING LOCAL DISTRICTS PLAN SPECIFICS

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

SPECIAL FUNDING SITUATION – TEACHERS DEFINED BENEFIT PENSION PLAN

The State is legally responsible for contributions to the Teacher Group that covers retirees of other governmental entities. The State is the sole "employer" contributor for the teachers; therefore, is acting as the employer.

FUNDED STATUS AND FUNDING PROGRESS – DEFINED BENEFIT PENSION PLANS

The funded status of each plan as of June 30, 2008, the most recent biennial actuarial valuation date, is as follows:

Plans	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) – Entry Age	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a)/c) UAAL (as a percentage of covered payroll)
SETP	8,691,075,704	11,721,271,968	3,030,196,264	74.1%	1,628,421,362	186.1%
PLD's	2,201,652,592	1,953,629,020	(248,023,572)	112.7%	362,783,243	-68.4%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits. Additional information as of the latest actuarial valuation date follows:

	SETP		PLD's
Valuation date	June 30, 2008		June 30, 2008
Actuarial cost method	Entry age		Entry age
Amortization method	Level percent closed		Level percent open
Remaining amortization period	20	1	15
Asset valuation method	3-Year smoothed market		3-Year smoothed market
Actuarial assumptions:			
Investment rate of return	7.75%		7.75%
Projected salary increases	4.75% - 10.00%		4.50% - 9.00%
Includes inflation at	4.50%		4.50%
Cost of living adjustments	3.75%		3.75%
Most recent review of plan experience:	2006		2006
Plan changes from last valuation	none		none

[1] The System amortizes the unfunded liability of the State and teacher plan over a closed period that cannot be longer than 31 years from July 1, 1997 but may be, and at certain times has been, shorter than that period. In 2000, the amortization period was reduced to a 19-year period from June 30, 2000. In 2004, the Legislature relengthened the period to 25 years, the full extent of the then-remaining Constitutional years for the 2004-2005 biennium, and reshortened the period effective July 1, 2005 to the 13

years that will then remain in the earlier shortened period. In 2005, the State repealed the "sunset" provision, with the result that the period for reduction of these unfunded actuarial liabilities continues to the full extent permitted by the State constitution, or June 30, 2028. The contribution rate in effect for 2008 was determined by the 2006 valuation, as revised, and reflects the relengthened amortization period. The unfunded actuarial accrual liability of the judicial plan is amortized over a period of which 9 years remained at June 30, 2008.

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.

In order to reduce any unfunded pension liability for State employees and teachers under Title 5 MRSA § 1536, the State is required to remit 20 percent of its General Fund unappropriated surplus to the System at year-end. For fiscal 2008, no General Fund unappropriated surplus existed.

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

The actuarially determined contribution rates in effect for 2008 for participating entities:

State	
Employees [1]	7.65-8.65%
Employer [1]	15.01-47.07%
Teachers	
Employees	7.65%
Employer	17.23%
Participating Local Entities	
Employees [1]	3.0-8.0%
Employer [1]	1.5-6.5%

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

ANNUAL PENSION COST AND NET PENSION OBLIGATION

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

Net Pension Obligation

(Expressed in Thousands)

Annual required contribution	$ 305,361
Interest on net pension obligation	1,429
Adjustment to annual required contribution	(1,165)
Annual pension cost	305,625
Contributions made	305,361
Increase (decrease) in net pension obligation	264
Net pension obligation beginning of year	18,444
Net pension obligation end of year	$ 18,708

Analysis of Funding Progress
(Expressed in Thousands)

Year	Annual Pension Cost	Percentage Covered	Net Pension Obligation
2008	305,625	99.91%	18,708
2007	303,470	99.87%	18,444
2006	287,253	105.63%	18,050

Employer contributions met actuarially determined contribution requirements.

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. For financial reporting purposes, employees of the Maine Community College System, Maine Educational Center for the Deaf and Hard of Hearing, and the Northern New England Passenger Rail Authority are combined with State employees for retirement benefit purposes and are included in the pension disclosures of the State.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

STATE ADMINISTERED OR SPONSORED POST RETIREMENT HEALTHCARE PLANS
The State sponsors and contributes to three defined benefit healthcare plans: a sole employer plan for its employees, and separate agent multiple-employer plans for teachers, 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 post retirement health care benefits for most retired State employees and legislators, as authorized by Title 5 MRSA § 285, and for a portion of the premiums for teachers, as authorized by Title 20-A MRSA § 13451. Pursuant to Title 5 MRSA § 285 most retired employees of the Maine Turnpike Authority, Maine Community College System, Maine Maritime Academy, Maine Public Employees Retirement System, and Maine Educational Center for the Deaf and Hard of Hearing are eligible to participate in the health plan but are not funded by the State. Specifically excluded (Title 5 MRSA § 285 1-B) are members of the Maine Municipal Association, Maine Teachers Association and employees of counties and municipalities and their instrumentalities, except as provided in subsection 11-A. Title 5 MRSA § 286-M included retired county or municipal law enforcement officer and municipal firefighters, as defined in subsection 286-M, who 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 post retirement 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 with retirees who worked 50 percent or more of full-time hours receiving 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 5 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 one major, and two non-major discretely presented component units and a few small commissions. Under the last plan, the State acts as the plan administrator only.

Beginning in the fiscal year ending June 30, 2008, each participating employer is 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 administered by the State is as follows:

	State Employees	Teachers	First Responders	Ancillary Groups
Actives	14,654	27,180	934	1,452
Retirees	8,772	9,201	45	239
Total	23,426	36,381	979	1,691
Number of employers	1			3
Contributing entities		1	1	3

STATE EMPLOYEES PLAN FUNDING POLICY

Title 5 MRSA § 286-B authorizes 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, 2009, 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, 2009.

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.

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 239 retirees of three component units: Maine Community College System, Maine School for the Deaf and Hard of Hearing and the Northern New England Passenger Rail Authority. The plan also covers 21 retirees of five small councils and commissions. 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	$ 111,000	$ 46,000	$ 1,045
Contributions made	166,388	17,657	-
Increase (decrease) in net healthcare obligation	(55,388)	28,343	1,045
Net healthcare obligation beginning of year	-	-	-
Net healthcare (asset) end of year	$ (55,388)		
Net healthcare obligation end of year		$ 28,343	$ 1,045

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 - 2008
(Expressed in Thousands)

Plan	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Asset	Net OPEB Obligation
State Employees	111,000	149.90%	55,388	
Teachers	46,000	38.38%		28,343
First Responders	1,045	0.00%		1,045

Initial year of prospective implementation.

FUNDED STATUS AND FUNDING PROGRESS
The funded status of the plans as of June 30, 2008 was as follows:

	(Expressed in Millions) State Employees	(Expressed in Millions) Teachers	(in 000's) First Responders
Actuarial accrued liability (AAL) (a)	$ 1,242	$ 1,044	$ 19,806
Actuarial value of plan assets (b)	98	-	-
Unfunded actuarial accrued liability (funding excess) (UAAL) (a)-(b)	$ 1,144	$ 1,044	$ 19,806
Funded ratio (b)/(a)	7.89%	0.00%	0.00%
Covered payroll (c)	$ 568	$ 1,160	$ 51,021
UAAL (as a percentage of covered payroll) ([(a)-(b)]/(c)	201.41%	90.00%	38.82%

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

ACTUARIAL METHODS AND ASSUMPTIONS

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

	State Employees	Teachers	First Responders
Valuation date	June 30, 2008	June 30, 2008	6/30/2007 rollforward to 6/30/2008
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	29	29	29
Plan changes - closed 20 year period	n/a [1]	n/a [1]	n/a
(Gains) /losses	n/a [1]	n/a [1]	rolling 15 year period
Asset valuation method	market	n/a	n/a
Actuarial assumptions:			
Investment rate of return	4.50% initial 7.50% ultimate	4.50%	4.50%
Projected salary increases	4.75%	4.75%	3.75%
Inflation rate	3.75%	3.75%	3.75%
Healthcare inflation rate	initial 9% ultimate 4.5%	initial 9% ultimate 5%	4.50%

[1] For the State and Teachers, the UAAL is amortized as a level percent of payroll over a 30-year period because the ARC calculated using separate amortization periods resulted in an equivalent single amortization period greater than the maximum 30-year period.

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 and for whom the State acts like the employer for retirement contribution and benefit purposes), members of the Judiciary and the Legislature, that are eligible for membership in the System. Group life insurance benefits are also provided to employees of 431 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, 2008 report may be obtained from the Maine Public Employees Retirement System, 46 State House Station, Augusta, ME 04333.

The Plan provides Basic group life insurance benefits, during retirement, to retirees 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% per year to the greater of 40% 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 $.56 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 per \$1,000 of coverage per month during the post-employment retired period.

ANNUAL OPEB COST

The State's OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the first year of implementation is as follows:

Analysis of Funding Progress - 2008
(Expressed in Thousands)

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Net OPEB Obligation	Percentage of OPEB Cost Contributed
June 30, 2008	5,500	23	5,477	0.42%

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plan as of June 30, 2008 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)
	June 30, 2008	21,100	64,900	43,800	32.51%	601,100	7.29%
State Employees	June 30, 2007	20,800	65,200	44,400	31.90%	521,200	8.52%
	June 30, 2008	19,900	52,100	32,200	38.20%	591,100	5.45%
Teachers	June 30, 2007	19,100	54,100	35,000	35.30%	559,100	6.26%

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:

Valuation date	June 30, 2008
Actuarial cost method	Entry age normal
Amortization method	Level percent open
Asset valuation method	3-Year smoothed market
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	4.75% - 10.00%
Cost of living increases in life benefits	N/A
Participation percent for future retirees	100.00%
Form of benefit payment	lump sum

NOTE 11 - LONG-TERM OBLIGATIONS

PRIMARY GOVERNMENT

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

GENERAL OBLIGATION BONDS

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

Changes in general obligation bonds of the primary government during fiscal year 2008 were:

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

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008	Due Within One Year
General Obligation Debt:					
General Fund	$398,280	$46,525	$66,230	$378,575	$65,685
Special Revenue Fund	50,460	57,550	10,750	97,260	13,505
Self Liquidating	20	-	20	-	-
Total	$448,760	$104,075	$77,000	$475,835	$79,190

Debt service requirements (principal and interest) for all outstanding general obligation bonds of the primary government, from June 30, 2008 until maturity, are summarized in the following table:

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

Fiscal Year	Principal	Interest	Total
2009	$ 79,190	$ 19,027	$ 98,217
2010	73,390	15,784	89,174
2011	68,030	12,687	80,717
2012	64,005	10,072	74,077
2013	61,245	7,631	68,876
2014-2018	129,975	12,679	142,654
Total	$ 475,835	$ 77,880	$ 553,715

General fund, special revenue and other general obligation bonds issued and outstanding at June 30, 2008 are as follows:

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

	Amounts Issued	Outstanding June 30, 2008	Fiscal Year Maturities First Year	Last Year	Interest Rates
General Fund:					
Series 1999	$ 54,385	$ 3,875	2000	2009	4.20% - 6.75%
Series 2000	66,290	11,210	2000	2010	4.875% - 7.75%
Series 2001	22,050	6,315	2002	2011	4.00% - 6.08%
Series 2002	27,610	11,040	2003	2012	3.00% - 5.75%
Series 2003	97,080	48,525	2003	2013	1.50% - 5.00%
Series 2004	117,275	71,700	2005	2014	2.00% - 5.27%
Series 2005	137,525	106,905	2006	2015	2.00% - 5.27%
Series 2006	52,390	41,905	2007	2016	4.00% - 5.51%
Series 2007	33,975	30,575	2008	2017	4.00% - 5.50%
Series 2008	46,525	46,525	2009	2018	3.00% - 5.13%
Total General Fund		$ 378,575			
Special Revenue Fund:					
Series 1999	$ 16,900	$ 1,690	2000	2009	4.00% - 5.50%
Series 2001	19,225	5,760	2002	2011	4.00% - 5.00%
Series 2004	13,000	7,960	2005	2014	2.00% - 4.00%
Series 2007	27,000	24,300	2008	2017	4.00% - 5.50%
Series 2008	57,550	57,550	2009	2018	3.00% - 5.13%
Total Special Revenue		$ 97,260			

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, 2008, general obligations bonds authorized and unissued totaled $191.8 million.

REVENUE BONDS OF THE MAINE GOVERNMENTAL FACILITIES AUTHORITY
The State included $208.6 million in other financing arrangements to reflect revenue bonds issued by the Maine Governmental Facilities Authority (MGFA), a blended component unit. Payment of the bonds is subject to, and dependent upon, biennial appropriations being made by the State Legislature. Debt issued by MGFA is not debt of the State or any political subdivision within the State. The State is not obligated for such debt, nor is the full faith and credit of the State pledged for such debt. MGFA may not issue securities in excess of $263.5 million outstanding, at any one time, except for the issuance of certain revenue refunding securities.

During the fiscal year ended June 30, 2008, MGFA issued the Series 2008 Bonds, which totaled $40.6 million at an interest rate between 4 percent and 5 percent. At June 30, 2008, there were approximately $71.9 million of MGFA in-substance defeased bonds outstanding.

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

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

SHORT TERM OBLIGATIONS
The State of Maine issued and retired $87.6 million in Bond Anticipation Notes during fiscal year 2008. Short term obligations are used to meet temporary operating cash flow needs. At June 30, 2008 there were no outstanding Tax Anticipation Notes or Bond Anticipation Notes.

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

Changes in other long-term obligations for governmental and business-type activities for the fiscal year ended June 30, 2008, are summarized as follows:

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

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
Governmental Activities:					
MGFA Revenue Bonds	$182,605	$40,565	$14,610	$208,560	$15,625
COP's and Other Financing	79,886	17,343	22,371	74,858	30,785
Compensated Absences	41,680	3,320	366	44,634	5,294
Claims Payable	64,096	183,804	181,479	66,421	24,964
Capital Leases	41,751	3,350	7,579	37,522	6,247
Pledged Future Revenues	42,353	-	4,015	38,338	4,135
Net Pension Obligation	18,444	264	-	18,708	-
Other Post-Employment Benefit Obligation	-	34,865	-	34,865	-
Total Governmental Activities	$470,815	$283,511	$230,420	$523,906	$87,050
Business-Type Activities:					
Compensated Absences	$718	$32	$ -	$750	$162
Total Business-Type Activities	$718	$32	$ -	$750	$162

Debt service requirements (principal and interest) for COP's and other financing arrangements of the primary government, from June 30, 2008 until maturity, are summarized as follows:

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

	Governmental Funds			Internal Service Funds		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2009	$ 10,084	$ 1,047	$ 11,131	$ 36,326	$ 10,217	$ 46,543
2010	9,423	572	9,995	28,579	9,463	38,042
2011	3,572	223	3,795	23,777	8,298	32,075
2012	1,757	94	1,851	21,302	7,358	28,660
2013	359	34	393	20,624	6,520	27,144
2014 - 2018	541	63	604	77,344	20,776	98,120
2019 - 2023	-	-	-	37,870	5,848	43,718
2024 - 2028	-	-	-	10,410	1,635	12,045
2029 - 2033	-	-	-	1,450	36	1,486
Total	$ 25,736	$ 2,033	$ 27,769	$ 257,682	$ 70,151	$ 327,833

CONDUIT DEBT OBLIGATIONS

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

PLEDGED FUTURE REVENUES

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

Total principal and interest requirements over the life of the bonds are $60.2 million, with annual requirements of up to $5.6 million. Federal transportation funds received by the State for the federal fiscal year preceding the issuance of the bonds totaled $175 million. Total federal transportation funds received in federal fiscal year 2008 were $146.5 million. Current year payments to MMBB were $5.5 million (3.8 percent of federal transportation funds received).

OBLIGATIONS UNDER CAPITAL LEASES

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

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

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

Leases that exist between the State and the Maine Governmental Facilities Authority (MGFA), a blended component unit, are not recorded as leases in this report. In their separately issued financial statements, MGFA records a lease receivable from the State. Although payables and receivables technically exist between these parties, when combined for government-wide reporting, they are eliminated. A long-term liability exists on the government-wide statements for the bonds issued by MGFA to construct the assets associated with the leases. Future payments to MGFA are, therefore, not included in the schedule of lease commitments below. At June 30, 2008 capital assets include $68.1 million of capitalized buildings in the internal service funds, net of related accumulated depreciation of $34.9 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 $2.0 million during the year.

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

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

Fiscal Year	Capital Leases	Operating Leases
2009	$ 6,247	$ 1,343
2010	5,608	809
2011	5,328	464
2012	5,090	360
2013	4,082	269
2014-2018	14,291	645
2019-2023	4,510	2
2024-2028	1,114	-
2029-2033	-	-
Total Minimum Payments	46,270	$ 3,892
Less: Amount Representing Interest	8,748	
Present Value of Future Minimum Payments	$ 37,522	

MGFA REVENUE BONDS, COP'S AND OTHER FINANCING ARRANGEMENTS

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

CLAIMS PAYABLE

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

COMPENSATED ABSENCES

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

COMPONENT UNITS

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

Component Unit Bonds Outstanding
(Expressed in Thousands)

Component Unit	Interest Rates	Amount	Maturity Dates
Finance Authority of Maine	1.0 - 3.31%	303,938	2025 – 2037
Maine Community College System	4.0 - 5.0%	23,399	2012 - 2036
Maine Health and Higher Educational Facilities Authority			
debt	2.0 - 6.2%	1,452,195	1993 - 2038
conduit debt	4.5- 7.3%	49,880	1990 - 2043
Maine Municipal Bond Bank	1.0 - 10.25%	1,085,613	1991 – 2038
Maine State Housing Authority	2.35 - 6.40%	1,550,529	2008 - 2039
University of Maine System	2.0 - 5.75%	216,911	2000 – 2037

MHHEFA advance refunded various bond obligations in prior years. Proceeds were primarily used to purchase U.S. Government securities that will provide for future payment on the debt. Between July 18, 2007 and June 19, 2008, MHHEFA issued $279.2 million Series 2007A, 2008A, 2008B and 2008C revenue bonds with either variable interest rates or an average interest rate of 4.75 percent or 4.38 percent. A portion of the $241.7 million proceeds was used to refund $237.0 million of outstanding bonds. At June 30, 2008, there were approximately $97.0 million of in-substance defeased bonds remaining outstanding with respect to all advance-refunded issues within the reserve fund and taxable fund resolutions. Approximately $160.0 million of the total $237.0 million reserve fund bonds refunded in 2008 were immediately called. At June 30, 2008, there were approximately $38.3 million of defeased bonds outstanding with respect to advance refunded bond issues of the general resolution. The general resolution bonds are considered conduit debt.

UMS advance refunded various bond obligations in prior years. Proceeds were primarily used to purchase U.S. Government securities that will provide for future payment on the debt. The refunding resulted in a deferred amount on refunding of $841 thousand, of which the unamortized balance was $120 thousand as of June 30, 2008. At June 30, 2008, $41.2 million of advance refunded bonds remained outstanding.

In periods of declining interest rates, MMBB has refunded 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. At June 30, 2008, the remaining balances of the General Tax-Exempt Fund Group in-substance defeased bonds total approximately $154 million.

For the period ended December 31, 2007, MSHA redeemed $251.9 million of its Mortgage Purchase Fund bonds from reserve funds, mortgage prepayments, surplus revenues and the proceeds of refunding bonds. Mortgage Purchase Fund losses of $345 thousand were attributable to recognition of the redemption premium, bond discount and debt issuance expenses associated with the redeemed bonds.

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

Component Units Principal Maturities
(Expressed in Thousands)

Fiscal Year Ending	FAME	MMBB	MCCS	MSHA	UMS	MHHEFA
2009	$ 54	$ 102,763	$ -	$ 41,245	$ 7,475	$ 40,955
2010	54	99,881	-	43,755	7,885	50,680
2011	55	97,510	-	202,927	8,325	52,925
2012	55	88,758	-	41,200	39,225	57,710
2013	56	82,776	545	45,630	7,410	62,190
2014-2018	289	323,324	3,065	217,575	36,900	305,980
2019-2023	303	199,445	3,775	273,515	35,040	301,885
2024-2028	114	80,390	4,790	254,035	31,550	264,780
2029-2033	69,500	7,385	6,095	259,995	30,800	204,575
2034-2038	234,500	2,545	4,352	163,295	8,865	107,750
2039-2043	-	-	-	22,560	-	2,765
2044-2048	-	-	-	-	-	-
Net unamortized premium or (deferred amount)	(1,042)	836	777	(15,203)	3,436	-
Total Principal Payments	$ 303,938	$ 1,085,613	$ 23,399	$ 1,550,529	$ 216,911	$ 1,452,195

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. All departments have elected to insure through the Risk Management Division. The Department of Transportation elected to purchase general liability insurance as of April 1, 2007; in prior fiscal years the Department of Transportation had elected not to purchase general liability insurance through the Risk Management Division.

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 *	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	400 thousand	400 thousand	none
Bonding	500 thousand	500 thousand	none
Foster Parents	300 thousand	300 thousand	none
Inland Marine (various policies)	1 million	1 million	none

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

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

All risk-financing liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims liabilities represent the estimated cost of claims as of March 31, 2008. 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, 2008 and 2007, the present value of the claims payable for the State's self-insurance plan was estimated at $3.5 million and $3.2 million, respectively. The actuary calculated this based on the State's rate on investments.

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

	2008	2007
Liability at Beginning of Year	$ 3,190	$ 3,190
Current Year Claims and Changes in Estimates	1,058	683
Claims Payments	723	683
Liability at End of Year	$ 3,525	$ 3,190

As of June 30, 2008, fund assets of $21.6 million exceeded fund liabilities of $4.0 million by $17.6 million. The portion of this amount that may be reserved for catastrophic losses has not been determined.

In the past, general liability insurance coverage excluded lawsuits brought by employees. Therefore, the loss history used by the actuary to project claims did not include the effects of any such lawsuits. Effective July 1, 1999, the State added $50 thousand coverage per occurrence for the cost of defending the State in any such lawsuits. Effective July 1, 2000, the State increased coverage to include both defense and indemnification costs up to $400 thousand. The effect of this change has been partially incorporated into the estimate used to determine claims payable as of June 30, 2008.

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 $875.8 thousand for the fiscal year ended June 30, 2008.

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, 2008:

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

	2008	2007
Liability at Beginning of Year	$ 45,358	$ 53,343
Current Year Claims and Changes in Estimates	9,474	474
Claims Payments	9,474	8,459
Liability at End of Year	$ 45,358	$ 45,358

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

D. EMPLOYEE HEALTH INSURANCE

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

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

There are two primary health plans available. HMO Choice is a point-of-service plan available to all active employees and retirees not eligible for Medicare. The Group Companion Plan is a supplement to Medicare Parts A & B and is available to Medicare eligible retirees. Total enrollment averaged approximately 40,100 covered individuals. This total includes 29,000 active employees and dependents, 4,400 pre-Medicare retirees and dependents, and 6,700 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, 2008, the State recorded a receivable of $155 thousand for an overpayment of health care premiums.

Expenses and liabilities for incurred but not reported claims, based on an actuarial analysis of claim lag pattern, have been recorded as liabilities in the amount of $17.4 million. Changes in the Employee Health Insurance and Retiree Health Insurance claims liability for the fiscal year ending June 30, 2008 follows (in thousands):

	Employee Health Fund	Retiree Health Fund
Liability at Beginning of Year	$ 9,946	$ 5,602
Current Year Claims and Changes in Estimates	118,715	54,557
Claims Payments	117,705	53,577
Liability at End of Year	$ 10,956	$ 6,582

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. $41.5 million in retiree healthcare costs were reclassified from the internal service fund to the OPEB Trust Fund, a fiduciary fund. Additionally, $25 million of active employee healthcare costs was reclassified from the internal service fund to the OPEB Trust Fund to reflect age-adjusted claims.

NOTE 13 – JOINT VENTURES

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

Tri-State Lotto Commission

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

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

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

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

The Tri-State Lotto Commission financial report for fiscal year 2008, 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	$	35,817
Noncurrent Assets		82,496
Total Assets	$	118,313
Current Liabilities	$	24,139
Long-term Liabilities		78,561
Total Liabilities		102,700
Designated Prize Reserves		4,096
Reserve for Unrealized Gains		11,517
Total Net Assets		15,613
Total Liabilities and Net Assets	$	118,313
Total Revenue	$	73,901
Total Expenses		49,692
Allocation to Member States		24,209
Change in Unrealized Gain on Investments Held for Resale		3,217
Change in Net Assets	$	3,217

Multi-State Lottery Association

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

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

The Multi-State Lottery Association's financial report for fiscal year 2008, 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	$ 100,901
Investments in US Government Securities	123,273
US Government Securities Held for Prize Annuities	651,055
Due from Party Lotteries	23,131
Other Assets	1,342
Total Assets	$ 899,702
Amount Held for Future Prizes	$ 204,932
Grand Prize Annuities Payable	681,867
Other Liabilities	12,628
	899,427
Net Assets, Unrestricted	275
Total Liabilities and Net Assets	$ 899,702
Total Revenue	$ 4,204
Total Expenses	4,126
Excess of revenue over expenses	78
Net assets, beginning	197
Net assets, ending	$ 275

NOTE 14 - RELATED PARTY TRANSACTIONS

PRIMARY GOVERNMENT

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

By statute, program assets are held by the Treasurer of the State of Maine. FAME and the Treasurer of the State of Maine have entered into a management agreement for the Treasurer to act as a fiduciary of the Fund. The Treasurer is responsible for investment of the Fund and determining, with the advice of the Advisory Committee on College Savings, the proper allocation of the investments of the Fund. The NextGen had approximately $5.3 billion in net assets at June 30, 2008, which have been recorded in an Agency Fund on the financial statements of the State.

The State of Maine pays a local company as a provider for mental health and independent living services through the MaineCare program. The Executive Director of the Company also serves as House Chair of the Joint Standing Committee on Health and Human Services in the Maine Legislature. During fiscal 2008, the State paid $14 million for these services; $5 million from the General Fund and $9 million from the Federal Fund. At June 30, 2008, the State owed $705 thousand to this vendor.

The State of Maine pays a family owned company as a provider for road reconstruction through the Department of Transportation. The family includes a House Representative on the Utilities and Energy Committee. During fiscal 2008, the State paid $7.7 million for these services; $6.4 million from the Highway Fund, $1.1 million from the Other Special Revenue Fund and $.2 million from the Capital Projects Fund. At June 30, 2008, the State owed $613 thousand to this vendor.

The State of Maine pays subsidiaries of a local business for nursing facilities medical care services for seniors. The Chief Executive Officer of the company is the spouse of a Deputy Director. During fiscal 2008, the State paid $10.8 million for these services; $3.9 million from the General Fund and $6.9 million from the Federal Fund. At June 30, 2008, the State had no outstanding balance with this vendor.

The State of Maine pays a local non-profit to provide medical care, nursing facilities and MaineCare services to individuals with developmental disabilities. The Chief Executive Officer of the company is the spouse of the Commissioner of the Department of Health and Human Services. During fiscal 2008, the State paid $4.4 million for these services; $2.7 million from the Federal Fund and $1.7 million from the General Fund. At June 30, 2008, the State had no outstanding balance with this vendor.

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

COMPONENT UNITS

The State provided appropriations and grant monies to the following discretely presented component units: University of Maine System, $231.4 million; Maine Community College System, $57.1 million; Maine Municipal Bond Bank, $3.4 million; Finance Authority of Maine, $16.8 million; and Maine State Housing Authority, $9.7 million.

FAME administers several revolving loan funds on behalf of the State of Maine. FAME recorded these funds, which total $32.7 million at June 30, 2008, as a liability in Amounts Held Under State Revolving Loan Programs in their financial statements. The state reports the asset as a receivable in the Special Revenue Fund. During fiscal year 2008, the State expended $4.6 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. During fiscal year 2007, the NextGen College Savings grant funds and the Maine State Grant funds were pooled into the new State of Maine Grant. FAME paid approximately $8.6 million in grants to the University of Maine System (UMS) on behalf of eligible students. The UMS reflected these as grant revenues from the State.

RELATED ORGANIZATIONS

The State receives transfers in the amount of the annual operating surplus from the Maine Turnpike Authority under the Sensible Transportation Act of 1991. The Legislature defined operating surplus within the Maine Turnpike Authority statute to be the total operating revenues of the Authority after money has been set aside to pay reasonable operating expenses and to meet the requirements of any resolution authorizing bonds. The Authority, with the concurrence of the Maine Department of Transportation, established the operating surplus at $4.7 million annually. The payment of debt service costs in connection with the issuance of the Series 1996 Special Obligation Bonds is considered to constitute payment of the operating surplus for the year 2008.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

PRIMARY GOVERNMENT

LITIGATION

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

Franklin Memorial Hospital v DHHS. The issue in this case is whether DHHS has failed to issue interim settlements for the fiscal years 2005 and 2006, and if so, whether DHHS is required legally to issue those interim settlements. Maine regulations require that payment follows within 30 days of settlements. The complaint alleges that DHHS owes Franklin approximately $3.0 million for 2005 and $1.7 million for 2006. Should the plaintiff prevail, many other outstanding hospital settlements would be affected. Status: DHHS prevailed in Superior Court and Franklin has filed an appeal. The potential for expenditure is moderate.

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

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

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

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

FEDERAL GRANTS

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

MUNICIPAL SOLID WASTE LANDFILLS
Title 38 MRSA §1310-F, establishes within the Department of Environmental Protection (DEP) a cost-sharing program for the closure and remediation of municipal solid waste landfills that pose an actual or potential hazard to the environment and public health. The State's obligation to provide cost sharing to municipalities is subject to the availability of funds approved for that purpose. State expenditures for landfill remediation projects totaled $28 thousand for fiscal year 2008.

During the 2008 fiscal year, no State general funds or bond funds were expended for municipal solid waste landfill closure projects. After January 1, 2000, the State is no longer liable for the costs relating to the closure of municipal solid waste landfills, except the Commissioner may make grants or payments up to 30 percent, if they are incurred pursuant to an alternative closure schedule approved by DEP prior to January 1, 2000, and if they are specifically identified in a department order or license, schedule of compliance or consent agreement. No reimbursement applications for past closure costs are on file. No additional cost share eligible closures have been approved by DEP. Consequently, the DEP expects no further expenditures for municipal landfill closures.

During the 2008 fiscal year, the State expended $28 thousand of general obligation bond funds for municipal solid waste landfill remediation projects. Remediation funding, subject to the availability of funds, will continue for 90 percent of the cost of remediation for threats posed by a municipal landfill to wells or other structures constructed on or before December 31, 1999. The maximum reimbursement for remediation funding is 50 percent for structures constructed after that date. The DEP recognizes that, in the future, some landfills will require State funds for post closure investigation and remediation activities. The DEP has estimated the amount of these potential future costs could be as much as $5 million, based on current site knowledge, the increasing frequency of residential development near closed municipal landfills, the discovery of older abandoned dump sites now occupied by residential homes, and recent issues involving gas migration from two municipal landfills in the state. Approximately $18 thousand remains in the existing municipal landfill bond account. The bond approved by the voters on the June 2008 ballot will be insufficient to fully cover identified obligations. Additional bond funds will be necessary to cover these outstanding remedial obligations.

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 $24 million. This consists of approximately $18 million for State-owned facilities and approximately $6 million for the State's share, under a cost sharing arrangement, for municipal facilities.

POLLUTION ABATEMENT PROGRAM
Title 38 MRSA § 411 establishes within DEP a cost-sharing program for pollution abatement projects. Subject to funding by the Legislature and the approval of the Commissioner, the State may contribute to the design, engineering and construction of municipal pollution abatement facilities. During the 2008 fiscal year, $2.8 million of general obligation bond funds were expended for pollution abatement projects. As of June 30, 2008, amounts encumbered for pollution abatement projects totaled $6.6 million; and general obligation bonds authorized for these projects, but not yet encumbered or expended, totaled $7.5 million. As of June 30, 2008, DEP estimated the total cost (federal, State, and local) of future projects to be $422 million.

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

GROUND WATER OIL CLEAN-UP FUND

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

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

CONSTRUCTION COMMITMENTS

A portion of the payment that is made to municipalities for General Purpose Aid to Local Schools is allocated for debt service. Although the outstanding indebtedness for school construction projects is debt of the municipalities, the State subsidizes 54.0 percent of the annual payments. As of June 30, 2008, outstanding commitments by municipalities for school bond issues that are eligible for State subsidy totaled $837.3 million.

At June 30, 2008, the Department of Transportation had contractual commitments of approximately $59.5 million for construction of various highway projects. The State's share of that amount is expected to be approximately $11.2 million. Of these amounts, $2.2 million has already been accrued. Federal and State funds plus bond proceeds are expected to fund these future expenditures.

TOBACCO SETTLEMENTS

On November 23, 1998, Maine along with 45 other states and five civil jurisdictions (known under the MSA as the "Settling States"), entered into a Master Settlement Agreement (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 a variety of misconduct and claiming 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 allocated 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 the PM's are entitled to an NPM adjustment, which in effect means for the challenged sales year they owe less money to a losing State or States. However, a State that has passed qualifying statue imposing escrow requirements on NPM's and that 'diligently enforced' that qualifying statue is not liable for any amount of that NPM adjustment. Due to the provisions of the MSA, a losing State 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 due to the NPM adjustment claims of many of the PM's. 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.

In the MSA, the PM's have also agreed to pay $8.6 billion in Strategic Contribution Payments (SCP) to certain states and jurisdictions as compensation for their contribution to the overall settlement. Maine's share of this total amount is approximately $114 million. Maine will receive this amount through ten annual SCP payments starting in 2008. In April 2008, Maine received a total of $58.2 million including both the annual payment amount and the strategic contribution amount.

DIRIGO HEALTH AGENCY

Savings Offset Payment

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

For the first Savings Offset Payment, the State Superintendent of Insurance determined that $43.7 million was saved in the health care system because of Dirigo Health. The Board established a percentage of .02408 to be applied to claims paid by health insurance carriers, employee benefit excess insurance carriers and third party administrators. In SFY 2008, the Agency collected $7.9 million of this first assessment. The Agency does not anticipate any further collections for the first Savings Offset Payment.

For the second Savings Offset Payment, the State Superintendent of Insurance determined that $34.3 million was saved in the health care system because of Dirigo Health. The Board established a percentage of .0185 to be applied to claims paid by health insurance carriers, employee benefit excess insurance carriers and third party administrators. In SFY 2008, the Agency collected $13.4 million of this second assessment. The Agency expects to collect the remaining $18.7 million in SFY 2009 for the second Savings Offset Payment.

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, 2008, the Fund included $14.2 million of securities not yet liquidated that were not subject to transfer to the General Fund. Net collections from inception (1979) to June 30, 2008 of approximately $144.1 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, 2008, the amount reported in the Fund for claimant liability is $24.9 million. The General Fund shows a $16.9 million payable to the Escheat Fund.

NURSING HOME LOANS

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

MHHEFA advanced approximately $613 thousand from the operating fund as of June 30, 2008 to other financially troubled institutions, with combined loan amounts due the Authority of approximately $10.1 million at June 30, 2008, including loans of $9.4 million reserved at June 30, 2008. These advances were primarily made to assist these institutions in meeting debt service requirements in years prior to fiscal 2008. MHHEFA also has approximately $.4 million of other receivables outstanding with the operating fund at June 30, 2008, primarily related to amounts due from institutions to reimburse the Authority for arbitrage rebate payments made on their behalf. MHHEFA established a $.9 million reserve in its operating fund related to the above loans, advances and other receivables outstanding.

CONSTITUTIONAL OBLIGATIONS

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, 2008, loans outstanding pursuant to these authorizations are $40.1 million, less than $1 million, and less than $1 million, respectively. The State has not paid, nor does it expect to pay, any amounts as a result of these authorizations as of June 30, 2008.

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, 2008, 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, 2008.

TARGETED CASE MANAGEMENT

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

MORAL OBLIGATIONS

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

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

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

The following summarizes information regarding outstanding moral obligations:

Moral Obligation Bonds
(Expressed in Thousands)

Issuer	Bonds Outstanding	Required Debt Reserve	Obligation Debt Limit	Legal Citation
Maine Health and Higher Educational Facilities Authority - debt	$ 1,452,195	$116,098	no limit	22 MRSA § 2075
conduit debt	49,880		no limit	22 MRSA § 2075
Finance Authority of Maine	36,287	-	$ 700,795	10 MRSA §1032, 1053
	-	-	50,000	20-A MRSA §11449
	-	-	50,000	38 MRSA §2221
Loring Development Authority *	-	-	100,000	5 MRSA §13080-N
Maine Municipal Bond Bank	1,084,778	126,731	no limit	30-A MRSA §6006
Maine Educational Loan Authority *	32,115	1,285	50,000	20-A MRSA §11424
Maine State Housing Authority	1,404,720	125,519	2,150,000	30-A MRSA §4906
Total	$ 4,059,975	$369,633		

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

NOTE 16 - SUBSEQUENT EVENTS

PRIMARY GOVERNMENT

On August 14, 2008, October 16, 2008, and January 23, 2009, the State issued $58.6 million, $24.5 million, and $28.9 million respectively, of Bond Anticipation Notes that mature on June 17, 2009.

COMPONENT UNITS

On March 1, 2008 the Maine State Housing Authority (MSHA) redeemed $10.4 million of its 2005 Series A and B General Housing Draw Down bonds, with variable interest rates maturing in 2010. On January 29, 2008, MSHA issued a total of $50 million 2008 Series A-1, A-2 and B Mortgage Purchase Fund bonds at par, with variable interest rates with maturities from 2016 to 2041. On March 12, 2008, MSHA committed to redeem $22 million of various series of its Mortgage Purchase Program bonds at par. The bonds carried interest rates from 3.65 percent to 5.60 percent, and maturities from 2008 to 2035.

On September 1, 2008, the Maine Municipal Bond Bank issued $50 million of Series 2008A Grant Anticipation Bonds. The bonds mature from 2009 to 2020 and carry an interest rate ranging from 3.25 percent to 4.00 percent.

Maine Health and Higher Educational Facilities Authority entered into an asset purchase and sale agreement to sell all of the assets of Portland Center for Assisted Living to a third-party. The parties have agreed to a purchase price and are awaiting final approval from the Department of Health and Human Services. If the transaction closes, the purchase price will exceed the carrying value of the assets sold.

In accordance with the Higher Education Loan Purchase Program, the Finance Authority of Maine (FAME) committed to lend up to $25 million to a lending partner for the purpose of originating FFELP student loans.

COMMERCIAL PAPER

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

As of June 30, 2008 Mainsail had a fair market value of $6.7 million. On August 28, 2008 the State came to an agreement with Merrill Lynch which involved the purchase of Mainsail at the price paid by the State, approximately $20 million.

FINANCIAL MARKETS

Investments are reported at fair value as of June 30, 2008. Subsequent to year-end, financial markets have experienced substantial volatility that has had a significant adverse impact on investment portfolios. As a result, certain investments reported in the accompanying financial statements have incurred significant declines in value. Because the values of individual investments fluctuate with market conditions, the amount of losses, if any, that the State will recognize in the future, cannot be determined.

FISCAL STABILIZATION

On February 12, 2009, the United States Congress enacted the American Recovery and Reinvestment Act of 2009 providing funds to all States to aid in the economic recovery of the U.S. economy. Funds are being made available for infrastructure and economic development, energy efficiency projects, assistance to the unemployed, and for state and local government fiscal stabilization. It is estimated that the State of Maine will receive approximately $1.2 billion in additional federal aid over the next two and half years. This bill was signed into law on February 17, 2009.

NOTE 17 – SPECIAL ITEMS

The Retiree Health Insurance Post-employment Benefits Investment Trust Fund is established as an irrevocable trust for the sole purpose of holding and investing funds appropriated or otherwise provided to the investment trust fund for the benefit of the Irrevocable Trust Fund for Other Post-employment Benefits established in Title 5 MRSA § 286-B with respect to the State's liabilities for retiree health benefits. The purpose of accumulating assets in this investment trust fund is to provide funding of the State's unfunded liability obligations for retiree health benefits. Funds appropriated for the irrevocable trust must be held in trust and must be invested or disbursed for the exclusive purpose of providing for retiree health benefits and may not be encumbered for, or diverted to, other purposes. Funds appropriated for the irrevocable trust fund may not be diverted or deappropriated by any subsequent action. On January 21, 2008 the State transferred $100 million to the Maine Public Employees Retirement System for the Retiree Health Insurance Post-Employment Benefits Investment Trust Fund.


DIRIGO
MAINE

STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

Fiscal Year Ended June 30, 2008
(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	$ 2,987,226	$ 2,943,976	$ 2,976,959	$ 32,983	$ 234,551	223,369	$ 225,235	$ 1,866
Assessments and Other	108,281	110,744	114,302	3,558	93,611	92,216	92,023	(193)
Federal Grants	16,256	10,950	11,041	91	-	465	3,983	3,518
Service Charges	40,161	38,380	47,288	8,908	5,474	5,030	6,995	1,965
Income from Investments	4,500	900	4,452	3,552	795	1,000	1,152	152
Miscellaneous Revenue	17,971	11,320	6,521	(4,799)	2,244	2,185	(1,666)	(3,851)
Total Revenues	3,174,395	3,116,270	3,160,563	44,293	336,675	324,265	327,722	3,457
Expenditures								
Governmental Support and Operations	251,313	252,677	245,992	6,685	39,458	40,280	37,646	2,634
Economic Development & Workforce Training	40,600	39,695	38,253	1,442	-	-	-	-
Education	1,487,084	1,488,433	1,471,239	17,194	-	-	-	-
Health and Human Services	1,029,976	1,044,185	985,139	59,046	-	-	-	-
Business Licensing & Regulation	-	-	2	(2)	-	-	-	-
Natural Resources Development & Protection	74,700	75,024	72,957	2,067	37	37	28	9
Justice and Protection	266,892	269,326	262,299	7,027	37,058	36,941	35,476	1,465
Arts, Heritage & Cultural Enrichment	8,871	8,797	8,682	115	-	-	-	-
Transportation Safety & Development	-	-	-	-	267,191	303,487	276,294	27,193
Total Expenditures	3,159,436	3,178,137	3,084,563	93,574	343,744	380,745	349,444	31,301
Revenues Over (Under) Expenditures	14,959	(61,867)	76,000	137,867	(7,069)	(56,480)	(21,722)	34,758
Other Financing Sources (Uses)								
Operating Transfers Net	(68,732)	(75,529)	(20,073)	55,456	2,472	2,092	6,569	4,477
Net Other Financing Sources (Uses)	(68,732)	(75,529)	(20,073)	55,456	2,472	2,092	6,569	4,477
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ (53,773)	$ (137,396)	$ 55,927	$ 193,323	$ (4,597)	$ (54,388)	$ (15,153)	$ 39,235
Fund Balances at Beginning of Year (As Restated)			265,424				130,067	
Fund Balances at End of Year			$ 321,351				$ 114,914	

Federal Funds				Other Special Revenue Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
$ -	$ -	$ -	$ -	$ 194,631	$ 218,361	$ 212,033	$ (6,328)
-	-	160	160	121,308	125,968	108,515	(17,453)
2,530,365	2,637,181	2,198.403	(438,778)	13,590	15,549	6,950	(8,599)
932	932	1,478	546	141,954	152,300	147,623	(4.677)
17	17	293	276	2,169	2,224	2,218	(6)
4,058	4,611	(2,676)	(7,287)	243,007	250,934	176.301	(74.633)
2,535,370	2,642.741	2,197,658	(445,083)	716,659	765,336	653.640	(111,696)
9,269	15.860	6,991	8,869	161,569	178,255	160,309	17,946
120,445	126,456	81,058	45,400	29,684	32,881	24,105	8,776
188,953	202,448	178,762	23,686	6,305	9,328	5,871	3.457
1,898,019	1,927,941	1,667,197	260,744	469,410	489,292	400,857	88,435
822	955	488	467	76,238	77,907	65,113	12,794
41,764	48,297	32,000	16,297	112,743	122,379	89,020	33,359
101,214	137.806	65,346	72,460	37,185	41,241	32,935	8.306
3,279	3,371	2,490	881	1,986	2,140	1,261	879
191,893	194.310	155,760	38,550	14,605	21,105	17,731	3,374
2,555,658	2,657,446	2,190,092	467.354	909.725	974,528	797,202	177.326
(20,288)	(14.705)	7,566	22,271	(193,066)	(209,192)	(143,562)	65,830
258	258	(8,405)	(8,663)	164,481	145,321	134,105	(11,216)
258	258	(8,405)	(8.663)	164.481	145,321	134,105	(11,216)
$ (20,030)	$ (14,447)	$ (839)	$ 13,608	$ (28.585)	$ (63,871)	$ (9,457)	$ 54,414
		3,522				231,574	
		$ 2,683				$ 222,117	


DIRIGO
MAINE

STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION

Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	General Fund	Highway Fund	Federal Funds	Special Revenue Fund
Fund Balances - Non-GAAP Budgetary Basis	$ 321,361	$ 114,914	$ 2,683	$ 222,117
Basis Differences				
Revenue Accruals/Adjustments:				
Taxes Receivable	210,261	(2,383)	-	8,552
Intergovernmental Receivables	-	-	691,834	-
Other Receivables	41,922	1,683	62,173	71,335
Inventories	1,982	-	613	-
Due from Component Units	51		10	
Due from Other Funds	6,886	5,345	15,141	63,394
Other Assets	-	-	-	-
Deferred Revenues	(215,541)	(7,382)	(613)	(29,555)
Total Revenue Accruals/Adjustments	45,561	(2,737)	769,158	113,726
Expenditure Accruals/Adjustments:				
Accounts Payable	(372,783)	(25,433)	(622,459)	(30,476)
Due to Component Units	(3,371)	(58)	(9,911)	(1,474)
Bonds Issued	-	-	-	-
Accrued Liabilities	(16,782)	(9,953)	(5,667)	(8,064)
Taxes Payable	(147,561)	(158)	-	-
Intergovernmental Payables	-	(2,409)	(87,606)	-
Due to Other Funds	(64,887)	(76,429)	(8,043)	(4,745)
Total Expenditure Accruals/Adjustments	(605,384)	(114,440)	(733,686)	(44,759)
Fund Balances - GAAP Basis	$ (238,472)	$ (2,263)	$ 38,155	$ 291,084

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING

Statutory/Budgetary Presentation

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

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

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

Detailed budgetary control is maintained at the program and line category level at which appropriations and allocations are approved by the Legislature, principally through a quarterly allotment system. The State Budget Officer and the Governor must approve budget revisions during the year, reflecting program changes or intradepartmental administrative transfers. Except in specific instances, only the Legislature may transfer appropriations between departments. Increases in appropriation, allocation, or funding for new programs are presented to the Legislature as a supplemental budget. For the year ended June 30, 2008, the legislature deappropriated $19.5 million of original appropriations for the General Fund.

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

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

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

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

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

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

The budgetary comparison schedule presented for the General Fund, the Highway Fund, the Federal Fund, and the Other Special Revenue Fund presents the original and final appropriated budgets for fiscal year 2008-2009, 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 7, 2007, 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, 2008 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.

Schedule of Funding Progress

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c)
Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL (as a percentage of covered payroll)
June 30, 2008	8,691,075,704	11,721,271,968	3,030,196,264	74.1%	1,628,421,362	186.1%
June 30, 2007	8,302,466,643	11,209,708,127	2,907,241,484	74.1%	1,595,199,514	182.2%
June 30, 2006	7,556,514,663	10,598,346,071	3,041,831,408	71.3%	1,546,315,522	196.7%
June 30, 2005	7,013,846,148	10,048,587,643	3,034,741,495	69.8%	1,516,390,862	200.1%
June 30, 2004	6,498,608,717	9,485,605,608	2,986,996,891	68.5%	1,472,429,214	202.9%
June 30, 2003	6,085,632,834	9,007,851,422	2,922,218,588	67.6%	1,442,278,362	202.6%

Major changes in actuarial assumptions include the following:

Valuation date	June 30, 2008	June 30, 2006	June 30, 2004
Actuarial assumptions:			
Investment rate of return	7.75%	7.75%	8.00%
Projected salary increases	4.75% - 10.00%	4.75% - 10.00%	5.50% - 9.50%
Includes inflation at	4.50%	4.50%	4.50%
Cost of living adjustments	3.75%	3.75%	4.00%

The Maine Public Retirement System (the System), which is a component unit of the State, is the administrator of an agent, multiple-employer, defined benefit public employee retirement system. The June 30, 2008 report may be obtained from the Maine Public Employees Retirement System, 46 State House Station, Augusta, ME 04333.

The System amortizes the unfunded liability of the State and teacher plan over a closed period that cannot be longer than 31 years from July 1, 1997 but may be, and at certain times has been, shorter than that period. In 2000, the amortization period was reduced to a 19-year period from June 30, 2000. In 2004, the Legislature relengthened the period to 25 years, the full extent of the then-remaining Constitutional years for the 2004-2005 biennium, and reshortened the period effective July 1, 2005 to the 13 years that will then remain in the earlier shortened period. In 2005, the State repealed the "sunset" provision, with the result that the period for reduction of these unfunded actuarial liabilities continues to the full extent permitted by the State constitution, or June 30, 2028. The contribution rate in effect for 2008 was determined by the 2006 valuation, as revised, and reflects the relengthened amortization period. The unfunded actuarial accrual liability of the judicial plan is amortized over a period of which 9 years remained at June 30, 2008.

Note: Actuarial valuations are performed biennially on even years. Rollforward valuations occur on odd numbered years. The latest actuarial valuation occurred June 30, 2008.

Schedules of Funding Progress
(Expressed in millions)

State Employees Healthcare Plan

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c)
Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL (as a percentage of covered payroll)
June 30, 2008	98	1,242	1,144	7.89%	568	201.41%

Teachers Healthcare Plan

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c)
Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL (as a percentage of covered payroll)
June 30, 2008	$-	1,044	1,044	0.00%	1,160	90.00%

State Employees Group Life Insurance Plan

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c)
Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL (as a percentage of covered payroll)
June 30, 2008	21.1	64.9	43.8	32.51%	601.1	7.29%
June 30, 2007	20.8	65.2	44.4	31.90%	521.2	8.52%

Teachers Group Life Insurance Plan

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c)
Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL (as a percentage of covered payroll)
June 30, 2008	19.9	52.1	32.2	38.20%	591.1	5.45%
June 30, 2007	19.1	54.1	35.0	35.30%	559.1	6.26%

Schedules of Funding Progress
(Expressed in 000's)

First Responders Healthcare Plan

Actuarial Valuation Date	(a) Actuarial Value Of Assets	(b) Actuarial Accrued Liability (AAL) – Entry Age	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a)/c) UAAL (as a percentage of covered payroll)
June 30, 2008	$-	19,806	19,806	0.00%	51,021	38.82%

Schedule of Employer Contributions
(Expressed in 000's)

	Employer Contributions					
	State Employees		Teachers		First Responders	
Fiscal Year Ended	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
June 30, 2008						
Healthcare	111,000	149.90%	46,000	38.38%	1,045	0%
Group Life	5,500	.42%			N/A	N/A

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

As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Assets accounted for under the modified approach include 8,816 highway miles or 17,912 lane miles of roads and 2,962 bridges having a total deck area of 11.5 million square feet that the State is responsible to maintain.

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

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

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

Highways

Measurement Scale for Highways

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

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

Bridges

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

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

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

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

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

Fiscal Year	Highways	Bridges
2008	75.6	79.0
2007	76.0	78.0
2006	75.0	77.0

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
(Amounts in millions)

	2008	2007	2006	2005	2004
Highways	$ 80.0	$ 71.7	$ 46.3	$ 42.1	$ 33.3
Bridges	1.6	1.6	4.8	4.0	2.0
Total	**$ 81.6**	**$ 73.3**	**$ 51.1**	**$ 46.1**	**$ 35.3**

Estimated Preservation Costs
(Amounts in millions)

	2008	2007	2006	2005	2004
Highways	$ 97.7	$ 59.7	$ 47.1	$ 43.8	$ 28.3
Bridges	2.0	1.3	4.9	4.2	1.7
Total	**$ 99.7**	**$ 61.0**	**$ 52.0**	**$ 48.0**	**$ 30.0**

Transportation Bonds
Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 39, PL 2007, $60 million was spent during FY2008.

INDEX TO FINANCIAL INFORMATION

Section II - Certain Information from the State Controller's Budgetary and Legal Requirements Reports for Fiscal Years 2004 through 2008 (Unaudited) **Page**

No representation is made hereby that the information set forth in Section II of Appendix B has been prepared in full conformity with generally accepted accounting principles.

GOVERNMENTAL FUNDS
COMBINED STATEMENT OF RESOURCES, EXPENDITURES AND CHANGES IN FUND EQUITY
For the Years Ended June 30
(thousands $000's)

	2004	2005	2006	2007	2008(2)
Revenues					
Taxes					
Sales, Use and Service Provider Tax	$ 996,147	$1,033,595	$1,105,148	$1,142,801	$1,157,608
Individual Income Tax	1,226,380	1,345,416	1,323,049	1,427,163	1,521,890
Corporate Income Tax	117,308	142,792	197,604	193,184	216,503
Cigarette and Tobacco Tax	96,605	96,351	156,951	158,953	150,499
Inheritance and Estate Tax	32,076	32,256	75,331	54,820	39,891
Gasoline, Use Fuel and Motor Carrier Tax	216,044	224,033	225,889	231,214	229,600
Insurance Tax	99,116	93,326	103,108	89,437	102,032
Public Utilities Tax	49,831	50,515	45,975	40,758	49,564
Other Industry or Occupation Taxes	93,694	131,831	150,888	202,616	182,327
Real Estate Transfer Tax	28,412	32,995	33,953	29,355	24,685
Unorganized Territories Property Tax	16,266	17,264	19,354	19,864	19,159
Other Taxes	28,035	28,470	41,073	9,047	15,003
Total Taxes	2,999,914	3,228,844	3,478,323	3,599,212	3,708,762
From Federal Government	2,330,556	2,323,057	2,372,356	2,166,136	2,211,181
From Cities, Towns and Counties	13,873	9,945	8,264	12,050	13,672
From Private Sources	184,033	173,608	171,569	168,051	189,838
Service Charge for Current Services	204,926	234,561	196,689	153,736	157,515
Fines, Forfeitures & Penalties	47,290	43,800	47,908	52,386	55,033
Vehicle Registration and Drivers Licenses	85,772	87,801	90,830	90,457	89,096
Hunting, Fishing and Related Licenses	18,581	18,275	18,262	18,566	17,917
Transferred from Bureau of Alcoholic Beverages	27,183	(155)	26	–	–
Transferred from Lottery Commission	41,273	49,328	51,788	50,625	49,491
Transferred from Other Funds	55,548	42,543	30,881	30,958	30,998
Transferred for Revenue Sharing	(111,464)	(119,713)	(124,222)	(130,491)	(135,820)
Income from Investments	7,464	13,078	16,228	9,672	5,861
Other Revenues	9,496	13,094	9,207	11,680	30,266
	2,914,531	2,889,224	2,889,786	2,633,826	2,715,049
Other Financial Resources					
Proceeds of General Obligation Bonds	130,275	144,325	52,944	61,535	108,590
Other	(11,191)	55,349	(89,766)	36,912	29,219
Total Revenues and Resources	6,033,529	6,317,742	6,331,287	6,331,485	6,561,621
Expenditures(1)					
Governmental Support & Operations	512,886	483,930	426,868	448,559	458,393
Arts, Heritage & Cultural Enrichment	12,734	13,329	12,564	13,349	12,710
Business Licensing & Regulation	47,060	52,025	55,207	60,357	65,603
Economic Development & Workforce Training	182,623	177,525	163,136	164,201	151,141
Education	1,358,734	1,427,663	1,496,135	1,620,175	1,668,137
Health & Human Services	2,784,166	2,889,647	3,039,911	2,983,031	3,055,914
Justice & Protection	330,457	373,969	410,304	396,099	396,502
Manpower	-	-		-	-
Natural Resources Development & Protection	199,504	184,554	187,130	202,609	198,049
Transportation Safety & Development	479,893	494,062	497,402	494,624	522,473
Total Expenditures	5,908,057	6,096,704	6,288,657	6,383,004	6,528,922
Excess Resources Over (Under) Expenditures	125,472	221,038	42,630	(51,519)	32,699
Fund Equity July 1 of preceding calendar year	336,359	461,831	682,866	725,572	660,728
Fund Equity June 30	$ 461,831	$ 682,869	$ 725,496	$ 674,053	$ 693,427

(1) 2004 expenditures depict a statutory realignment of agencies among policy areas. Prior year amounts were not restated. Therefore, comparisons between 2004 and prior years may not be possible in certain instances.

(2)Fund Equity for General Fund as restated.

GENERAL FUND

COMBINED STATEMENT OF RESOURCES, EXPENDITURES AND CHANGES IN FUND EQUITY

For the Years Ended June 30

(thousands $000's)

	2004	2005	2006	2007	2008(6)
Revenues					
Taxes					
Sales, Use and Service Provider Tax	$ 917,243	$ 941,222	$ 993,203	$ 1,020,856	$ 1,035,158
Individual Income Tax	1,164,070	1,277,638	1,254,511	1,353,934	1,443,468
Corporate Income Tax	111,616	135,863	188,015	183,853	207,093
Cigarette and Tobacco Tax	96,605	96,351	156,951	158,953	150,499
Inheritance and Estate Tax	32,076	32,256	75,331	54,820	39,891
Insurance Tax	72,206	75,669	76,066	74,452	72,293
Public Utilities Tax	27,991	25,403	20,627	16,317	16,858
Other Industry or Occupation Taxes	19,514	30,842	36,242	72,180	50,340
Real Estate Transfer Tax	22,196	24,113	24,595	22,207	17,465
Unorganized Territories Property Tax	10,709	10,623	11,559	11,376	12,217
Other Taxes	18,942	19,021	31,215	2,956	3,809
Total Taxes	2,493,168	2,669,001	2,868,315	2,971,904	3,049,092
From Federal Government	23,138	24,308	17,987	15,311	11,040
From Cities, Towns and Counties	5,894	1,768	57	116	163
From Private Sources	4,039	2,664	5,379	6,500	8,023
Service Charges for Current Services	110,827	81,126	35,196	30,256	26,157
Fines, Forfeitures & Penalties	38,219	35,507	37,781	41,415	44,466
Hunting, Fishing and Related Licenses	16,898	16,691	16,840	16,401	15,683
Transferred from Bureau of Alcoholic Beverages	27,183	(155)	26	0	0
Transferred from Lottery Commission	41,273	49,328	50,880	50,625	49,491
Transferred from Other Funds	31,545	24,233	15,090	15,051	18,823
Transferred for Revenue Sharing	(111,464)	(119,713)	(124,222)	(130,491)	(135,820)
Income from Investments	2,310	5,855	8,272	1,216	1,074
Other Revenues	510	232	224	4,247	21,724
	190,372	121,844	63,510	50,647	60,324
Other Financial Resources					
Proceeds of General Obligation Bonds	-	-	-	-	-
Other	(56,265)	27,688	(49,100)	14,134	31,074
Total Revenues and Resources	2,627,275	2,818,533	2,882,725	3,036,684	3,140,490
Expenditures (5)					
Governmental Support & Operations (1)	302,843	297,169	228,574	253,529	245,992
Arts, Heritage & Cultural Enrichment	8,355	8,508	8,433	8,999	8,682
Business Licensing & Regulation	-	-	-	-	2
Economic Development & Workforce Training	48,019	41,756	45,361	40,668	38,253
Education (2)	1,145,855	1,206,089	1,277,692	1,419,036	1,471,239
Health & Human Services (3)	804,322	892,524	970,178	1,008,391	985,139
Justice & Protection	204,628	219,571	227,565	242,654	262,299
Manpower	-	-		-	-
Natural Resources Development & Protection	66,609	68,922	70,525	71,143	72,957
Transportation Safety & Development (4)	3,601	3,584	188	-	-
Total Expenditures	2,584,232	2,738,123	2,828,516	3,044,420	3,084,563
Excess Resources Over (Under) Expenditures	43,043	80,410	54,209	(7,736)	55,927
Fund Equity July 1 of preceding calendar year	108,824	151,867	232,277	286,486	265,424
Fund Equity June 30	$ 151,867	$ 232,277	$ 286,486	$ 278,750	$ 321,351

(1) Governmental Support & Operations includes the Governor's Office, the State Treasurer's Office and the Attorney General, Audit, Finance and Administration, Judicial, Legislative and State Departments.

(2) Education includes the Education Department, the Maine Technical College System, the Maine Maritime Academy and the University of Maine System.

(3) Health & Human Services includes the Human Services, Mental Health and Retardation and Corrections Departments.

(4) Transportation Safety & Development includes the Transportation Department.

(5) Beginning with 2004, expenditures depict a statutory realignment of agencies among policy areas. Prior year amounts were not restated. Therefore, comparisons between 2004 and prior years may not be possible in certain instances.

(6) Fund Equity as restated.

HIGHWAY FUND
STATEMENT OF RESOURCES, EXPENDITURES AND CHANGES IN FUND EQUITY
For the Years Ended June 30
(thousands $000's)

	2004	2005	2006	2007	2008
Revenues					
Taxes					
Gasoline, Use Fuel and Motor Carrier Tax	$212,601	$220,485	$221,575	$226,824	$225,235
Other Taxes	1,514	1,089	1,201	1,169	1,748
Total Taxes	214,115	221,574	222,776	227,993	226,983
From Federal Government	-	-	-	-	465
Service Charges for Current Services	4,977	4,988	5,397	5,440	5,038
Fines, Forfeitures & Penalties	1,919	1,518	1,810	1,668	1,183
Vehicle Registration and Drivers Licenses	85,772	87,801	90,830	90,457	89,096
Income from Investments	720	1,441	1,834	1,106	1,152
Other Revenues	4,525	8,756	3,899	4,062	4,188
	97,913	104,504	103,770	102,733	101,122
Other Financial Resources					
Proceeds of General Obligation Bonds	-	-	-	-	-
Other	(18,412)	(1,410)	(1,336)	15,179	6,185
Total Revenues and Resources	293,616	324,668	325,210	345,905	334,291
Expenditures (2)					
Governmental Support & Operations	30,773	34,239	34,304	35,405	37,646
Economic Development & Workforce Training	-	-	-	-	-
Justice & Protection	33,116	32,460	35,453	36,806	35,476
Natural Resources Development & Protection	34	30	33	40	28
Transportation Safety & Development (1)	219,420	232,868	245,443	272,746	276,294
Total Expenditures	283,343	299,597	315,233	344,997	349,444
Excess Resources Over (Under) Expenditures	10,273	25,071	9,977	908	(15,153)
Fund Equity July 1 of preceding calendar year	83,838	94,111	119,182	129,159	130,067
Fund Equity June 30	$ 94,111	$ 119,182	$129,159	$130,067	$114,914

(1) Includes payment of debt service on bonds of the State previously issued for highway purposes.

(2) Beginning with 2004, expenditures depict a statutory realignment of agencies among policy areas. Prior year amounts were not restated. Therefore, comparisons between 2004 and prior years may not be possible in certain instances.

OTHER SPECIAL REVENUES FUND

STATEMENT OF RESOURCES, EXPENDITURES AND CHANGES IN FUND EQUITY

For the Years Ended June 30

(thousands $000's)

	2004	2005	2006	2007	2008
Revenues					
Taxes					
Sales, Use and Service Provider Tax	$ 78,904	$ 92,374	$ 111,945	$ 121,944	$ 122,450
Individual Income Tax	62,310	67,778	68,538	73,229	78,422
Corporate Income Tax	5,692	6,929	9,589	9,332	9,410
Gasoline, Use Fuel and Motor Carrier Tax	3,443	3,548	4,314	4,390	4,365
Insurance Tax	26,910	17,657	27,042	14,985	29,740
Public Utilities Tax	21,840	25,112	25,348	24,441	32,705
Other Industry or Occupation Taxes	74,180	100,988	114,646	130,436	131,986
Real Estate Transfer Tax	6,216	8,882	9,358	7,148	7,220
Unorganized Territories Property Tax	5,557	6,641	7,795	8,488	6,941
Other Taxes	7,579	8,360	8,657	4,923	9,446
Total Taxes	292,631	338,269	387,232	399,316	432,687
From Federal Government	2,307,418	2,298,749	2,354,369	2,150,825	2,199,675
From Cities, Towns and Counties	7,979	8,177	8,207	11,934	13,509
From Private Sources	179,994	170,944	166,190	161,551	181,815
Service Charges for Current Services	89,122	148,448	156,096	118,040	126,320
Fines, Forfeitures & Penalties	7,152	6,775	8,317	9,303	9,385
Hunting, Fishing and Related Licenses	1,684	1,584	1,422	2,165	2,234
Transfers from Other Funds	24,003	18,310	16,699	15,907	12,676
Income from Investments	1,032	2,153	4,199	5,344	2,514
Other Revenues	4,189	3,938	5,080	3,371	4,355
	2,622,573	2,659,078	2,720,579	2,478,440	2,552,483
Other Financial Resources					
Proceeds of General Obligation Bonds	-	-	-	-	-
Other	77,610	31,708	(37,337)	10,008	(8,172)
Total Revenues and Resources	2,992,814	3,029,055	3,070,474	2,887,764	2,976,998
Expenditures (1)					
Governmental Support & Operations	163,332	143,526	154,236	154,215	167,300
Arts, Heritage & Cultural Enrichment	3,618	3,247	3,372	3,791	3,751
Business Licensing & Regulation	47,060	52,025	55,207	60,357	65,601
Economic Development & Workforce Training	126,004	112,620	110,875	113,633	105,163
Education	181,629	187,699	186,611	192,720	184,633
Health & Human Services	1,978,250	1,996,523	2,067,953	1,972,766	2,068,054
Justice & Protection	92,448	99,552	146,474	116,260	98,281
Manpower	-	-	-	-	-
Natural Resources Development & Protection	121,864	121,702	110,776	127,570	121,020
Transportation Safety & Development	208,710	224,576	239,314	182,571	173,491
Total Expenditures	2,922,915	2,941,470	3,074,818	2,923,883	2,987,294
Excess Resources Over (Under) Expenditures	69,899	87,585	(4,344)	(36,119)	(10,295)
Fund Equity July 1 of preceding calendar year	118,074	187,973	275,558	271,214	235,095
Fund Equity June 30	$ 187,973	$ 275,558	$ 271,214	$ 235,095	$ 224,800

(1) Beginning with 2004, expenditures depict a statutory realignment of agencies among policy areas. Prior year amounts were not restated. Therefore, comparisons between 2004 and prior years may not be possible in certain instances.

GOVERNMENTAL FUNDS
COMBINED BALANCE SHEETS

JUNE 30, 2008
(thousands $000's)

	Total (Memorandum) (only)	General Fund	HIGHWAY Fund	Other Special Revenues	Capital Projects	Debt Service
ASSETS						
Equity in Treasurer's Cash Pool	$ 357,929	$ 99,801	$ 22,899	$ 225,936	$ 6,185	$ 5,108
Cash - Other	21,457	124	116	46	21,171	-
Accounts, Notes and Grants Receivable						
Net of Reserves for Uncollectible Accounts	329,460	236,719	81,878	10,863	-	-
Due from Other Funds	6,954	3,542	37	3,375	-	-
Working Capital Advances to Other Funds	16,877	111	16,766	-	-	-
Prepaid Expenses and Other Assets	2,961	2,989	1	(29)	-	-
TOTAL ASSETS	735,638	343,286	119,697	240,191	27,356	5,108
LIABILITIES AND EQUITY						
LIABILITIES:						
Accounts Payable	19,421	9,054	4,768	5,498	101	-
Other Liabilities	22,789	12,881	15	9,893	-	-
TOTAL LIABILITIES	42,210	21,935	4,783	15,391	101	-
EQUITY:						
Reserved for Encumbrances	104,083	24,832	2,223	66,849	10,179	-
Reserved for Authorized Expenditures	302,351	93,814	33,366	158,095	17,076	-
Reserved for Utility Loans	62	-	62	-	-	-
Working Capital Advances to Other Funds	16,877	111	16,766	-	-	-
Designated for Other Purposes	106,711	47,194	59,661	(144)	-	-
Budget Stabilization Fund	128,877	128,877	-	-	-	-
Unappropriated Surplus	34,467	26,523	2,836	-	-	5,108
TOTAL EQUITY	693,428	321,351	114,914	224,800	27,255	5,108
TOTAL LIABILITIES AND EQUITY	$ 735,638	$ 343,286	$ 119,697	$ 240,191	$ 27,356	$ 5,108

GENERAL FUND UNAPPROPRIATED SURPLUS
For the Years Ended June 30

	General Fund Unappropriated Surplus (Million)	General Fund Revenues (Million)	Surplus as Percentage of Revenues
2008	$26.5	$3,109.4	0.85%
2007	17.6	3,022.6	0.58%
2006	14.5	2,931.8	0.50%
2005	33.7	2,790.8	1.21%
2004	14.9	2,683.5	0.55%
2003	28.9	2,394.7	1.21%
2002	0.0	2,331.7	0%
2001	38.8	2,390.6	1.62%
2000	300.9	2,500.9	12.03%
1999	229.2	2,336.1	9.81%
1998	98.3	2,111.9	4.65%
1997	21.1	1,863.1	1.13%
1996	25.8	1,766.4	1.46%
1995	4.4	1,671.7	.26%
1994	3.8	1,623.8	.23%
1993	4.1	1,561.4	.26%
1992	13.3	1,512.4	.88%
1991	3.5	1,424.0	.24%
1990	61.0	1,420.3	4.22%
1989	163.1	1,431.5	11.39%
1988	134.5	1,283.7	10.40%

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STATE OF MAINE
GENERAL OBLIGATION BOND ANTICIPATION NOTES

APPENDIX C

Certain Revenues of the State (Unaudited)

STATE OF MAINE
UNDEDICATED REVENUES
GENERAL FUND
FISCAL YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2007

	2006				2007			
	Actual	Budget	Actual More/(Less)	Percent More/(Less)	Actual	Budget	Actual More/(Less)	Percent More/(Less)
Sales and Use Tax	$ 946,174,276	$ 930,641,080	$ 15,533,196	1.7%	$ 971,455,721	$ 974,740,367	$ (3,284,646)	(0.3)%
Service Provider Tax	47,028,431	46,494,165	534,266	1.1	49,400,532	48,911,765	488,767	1.0
Individual Income Tax	1,254,510,746	1,228,307,845	26,202,901	2.1	1,353,934,495	1,347,619,508	6,314,987	0.5
Corporate Income Tax	188,015,557	175,150,000	12,865,557	7.3	183,851,533	172,078,755	11,772,778	6.8
Cigarette and Tobacco Tax	156,951,370	151,738,325	5,213,045	3.4	158,953,466	158,502,981	450,485	0.3
Public Utilities Tax	20,627,030	21,440,000	(812,970)	(3.8)	16,317,029	16,891,746	(574,717)	(3.4)
Insurance Companies Tax	76,065,864	72,141,931	3,923,933	5.4	74,452,542	76,336,389	(1,883,847)	(2.5)
Inheritance & Estate Tax	75,330,514	70,099,322	5,231,192	7.5	54,820,038	55,465,498	(645,460)	(1.2)
Property Tax - Unorganized Territory	11,559,305	11,278,476	280,829	2.5	11,376,293	11,597,312	(221,019)	(1.9)
Income from Investments	8,271,870	6,563,582	1,708,288	26.0	1,215,836	1,517,319	(301,483)	(19.9)
Transfer to Municipal Revenue Sharing	(124,222,180)	(121,410,248)	(2,811,932)	(2.3)	(130,490,756)	(129,710,869)	(779,887)	(0.6)
Transfer from Liquor Commission	25,653	-	25,653	-	-	-	-	-
Transfer from Lottery Commission	50,879,646	50,334,250	545,396	1.1	50,624,741	50,334,250	290,491	0.6
Other Revenues	220,607,603	214,959,376	5,648,227	2.6	223,683,920	220,713,733	2,970,187	1.3
Transfer to Sales Tax Reserve/ME Rainy Day	-	-	-	-	-	-	-	-
Total Undedicated Revenue	**$2,931,825,685**	**$2,857,738,104**	**$74,087,581**	**2.6%**	**$3,019,595,390**	**$3,004,998,754**	**$14,596,636**	**0.5%**

STATE OF MAINE
UNDEDICATED REVENUES
GENERAL FUND
FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2009

	2008				2009			
	Actual	Budget	Actual More/(Less)	Percent More/(Less)	Actual	Budget	Actual More/(Less)	Percent More/(Less)
Sales and Use Tax	$ 983,057,278	$ 978,060,502	$ 4,996,776	0.5%	$ 921,823,720	$ 929,698,051	$ (7,874,331)	(0.8)%
Service Provider Tax	52,100,664	51,181,910	918,754	1.8	52,812,595	53,452,742	(640,147)	(1.2)
Individual Income Tax	1,443,468,204	1,400,047,321	43,420,883	3.1	1,242,505,909	1,281,982,990	(39,477,081)	(3.1)
Corporate Income Tax	184,514,568	182,170,000	2,344,568	1.3	143,085,966	148,940,000	(5,854,034)	(3.9)
Cigarette and Tobacco Tax	150,499,432	154,786,180	(4,286,748)	(2.8)	144,424,712	143,213,844	1,210,868	0.8
Public Utilities Tax	16,858,472	17,476,987	(618,515)	(3.5)	19,536,483	18,405,029	1,131,454	6.1
Insurance Companies Tax	72,292,532	76,751,673	(4,459,141)	(5.8)	79,770,431	71,978,985	7,791,446	10.8
Inheritance & Estate Tax	39,890,577	44,562,240	(4,671,663)	(10.5)	31,819,188	34,335,010	(2,515,822)	(7.3)
Property Tax - Unorganized Territory	12,217,081	12,611,986	(394,905)	(3.1)	12,633,755	12,969,540	(335,785)	(2.6)
Income from Investments	1,074,143	950,648	123,495	13.0	1,100,029	1,154,221	(54,192)	(4.7)
Transfer to Municipal Revenue Sharing	(135,820,176)	(133,184,448)	(2,635,728)	(2.0)	(102,160,745)	(103,412,337)	1,251,592	1.2
Transfer from Lottery Commission	49,491,086	49,154,250	336,836	0.7	49,839,434	49,549,250	290,184	0.6
Other Revenues	218,175,129	206,171,173	12,003,956	5.8	214,176,818	212,495,823	1,680,995	0.8
Transfer to Sales Tax Reserve/ME Rainy Day	-	-	-	-	-	-	-	-
Total Undedicated Revenue	$3,087,818,990	$3,040,740,422	$47,078,568	1.5%	$2,811,368,295	$2,854,763,148	$(43,394,853)	(1.5)%

STATE OF MAINE
UNDEDICATED REVENUES
GENERAL FUND
THREE MONTHS ENDED SEPTEMBER 30, 2009

	Month				Year to Date				Total Budgeted
	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)	Fiscal Year Ending 6/30/10
Sales and Use Tax	$91,837,266	$98,099,895	$(6,262,629)	(6.4%)	$176,664,977	$194,957,484	$(18,292,507)	(9.4%)	$938,953,932
Service Provider Tax	4,391,034	4,708,708	(317,674)	(6.7%)	10,080,247	9,682,200	398,047	4.1%	55,590,852
Individual Income Tax	129,859,317	157,850,000	(27,990,683)	(17.7%)	281,235,601	320,500,000	(39,264,399)	(12.3%)	1,444,804,369
Corporate Income Tax	27,917,095	29,800,000	(1,882,905)	(6.3%)	39,646,487	37,000,000	2,646,487	7.2%	144,697,500
Cigarette and Tobacco Tax	11,906,864	11,095,868	810,996	7.3%	39,053,791	38,785,845	267,946	0.7%	137,881,705
Insurance Companies Tax	148,788	142,843	5,945	4.2%	969,686	1,203,831	(234,145)	(19.4%)	71,985,000
Estate Tax	2,087,502	2,878,326	(790,824)	(27.5%)	808,709	2,878,326	(2,069,617)	(71.9%)	30,124,796
Fines, Forfeits and Penalties	2,766,744	3,948,722	(1,181,978)	(29.9%)	9,701,937	11,461,094	(1,759,157)	(15.3%)	43,187,572
Income from Investments	62,133	182,059	(119,926)	(65.9%)	122,431	361,792	(239,361)	(66.2%)	947,908
Transfer from Lottery Commission	4,171,311	3,810,323	360,988	9.5%	13,090,311	12,383,562	706,749	5.7%	49,534,250
Transfers for Tax Relief Programs	(19,285,989)	(21,065,354)	1,779,365	8.4%	(33,189,449)	(35,939,053)	2,749,604	7.7%	(116,953,498)
Transfer to Municipal Revenue Sharing	(1,988,364)	(2,037,381)	49,017	2.4%	(25,682,705)	(28,478,187)	2,795,482	9.8%	(112,092,834)
Other Taxes and Fees	8,977,433	8,654,735	322,698	3.7%	29,400,810	27,928,039	1,472,771	5.3%	143,490,376
Other Revenues	7,802,170	628,181	7,173,989	1142.0%	3,185,379	(5,362,124)	8,547,503	159.4%	24,520,094
Total Undedicated Revenue	**$270,653,305**	**$298,696,925**	**$(28,043,620)**	**(9.4)%**	**$545,088,214**	**$587,362,908**	**$(42,274,595)**	**(7.2)%**	**$2,856,672,022**

NOTES: (1) Included in the above is $1,988,364 for the month and $25,682,705 year to date that was set aside for Revenue Sharing with cities and towns.

(2) The amounts set forth above under the headings "Month – Budget," "Year to Date - Budget " and "Total Budgeted" reflect estimated reductions in projected revenue provided by the Maine State Revenue Forecasting Committee in its May 1, 2009 report. For additional information concerning the revisions to the State's fiscal year 2010 budget, see "Revenues of the State – General," including the table therein, in Appendix A to this Official Statement.

(3) This report has been prepared from preliminary month end figures and is subject to change.

STATE OF MAINE
HIGHWAY FUND
REVENUES
FISCAL YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2007

	2006		2007	
	Actual	Budget	Actual	Budget
Fuel Taxes	$221,575,309	$226,776,993	$226,824,018	$227,484,941
Motor Vehicle Registration & Fees	87,658,962	87,172,358	87,291,874	86,476,317
Inspection Fees	4,373,692	4,397,970	4,342,519	4,379,756
Fines, Forfeits & Penalties	1,809,813	1,973,665	1,668,000	2,018,239
Earnings on Investments	1,833,807	1,300,000	1,105,987	795,000
All Other Revenues	9,294,574	9,286,173	9,588,686	9,603,076
TOTAL	$326,546,157	$330,907,159	$330,821,084	$330,757,329

Source: Revenue Highway General Accounting

STATE OF MAINE
HIGHWAY FUND
REVENUES
FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2009

	2008		2009	
	Actual	Budget	Actual	Budget
Fuel Taxes	$225,235,339	$223,368,718	$216,215,544	$217,243,255
Motor Vehicle Registration & Fees	86,094,837	85,953,481	91,886,824	92,254,651
Inspection Fees	4,193,874	4,468,458	4,057,978	3,996,421
Fines, Forfeits & Penalties	1,747,986	1,794,049	1,785,197	1,795,049
Earnings on Investments	1,152,491	1,000,000	480,419	458,391
All Other Revenues	9,712,051	9,771,333	9,816,188	9,401,872
TOTAL	$328,136,578	$326,356,039	$324,242,150	$325,149,639

Source: Revenue Highway General Accounting

STATE OF MAINE
HIGHWAY FUND
REVENUES
THREE MONTHS ENDED SEPTEMBER 30, 2009

	Month				Year to Date				Total Budgeted
	Actual	Budget	Variance Over/(under)	Percent Over/ (under)	Actual	Budget	Variance Over/(under)	Percent Over/ (under)	Fiscal Year Ending 6-30-2010
Fuel Taxes	$21,704,181	$22,563,995	$(859,814)	(3.8%)	$40,180,936	$ 36,582,703	$3,598,233	9.8%	$220,305,526
Motor Vehicle Registration & Fees	3,215,367	4,119,315	(903,948)	(21.9%)	18,718,127	18,952,074	(233,947)	(1.2%)	77,674,394
Inspection Fees	340,420	390,664	(50,244)	(12.9%)	931,400	1,150,584	(219,184)	(19.0%)	4,196,802
Fines, Forfeits & Penalties	146,913	161,738	(14,826)	(9.2%)	460,696	470,177	(9,481)	(2.0%)	1,795,049
Earnings on Investments	15,462	7,500	7,962	106.2%	38,596	17,500	21,096	120.6%	173,037
All Other	439,817	645,472	(205,655)	(31.9%)	1,616,824	1,792,583	(175,759)	(9.8%)	8,596,631
Total Revenue	$25,862,159	$27,888,684	$(2,026,525)	(7.3%)	$61,946,578	$58,965,621	$2,980,957	5.1%	$312,741,439

Note: This report has been prepared from preliminary month end figures and is subject to change.
The amounts set forth above under the headings "Month – Budget," "Year to Date – Budget " and "Total Budgeted" reflect estimated reductions in projected revenue provided by the Maine State Revenue Forecasting Committee in its May 1, 2009 report. For additional information concerning the revisions to the State's fiscal year 2010 budget, see "Revenues of the State – General," including the table therein, in Appendix A to this Official Statement.

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STATE OF MAINE
GENERAL OBLIGATION BOND ANTICIPATION NOTES

APPENDIX D

Selected Information Regarding Authorized and Outstanding Debt of the State

AUTHORIZED EXPENDITURES

The purposes for which authorized expenditures may be made, the expending department or agency, the authorizing acts and the balances of authorized expenditures were as of the date hereof as follows:

AGENCY	LAW	DESCRIPTION	ACCT CODES	TOTA TAX EXEMPT OCT BAN	TOTAL TAXABLE OCT BAN*
DEP	2007 PL, Chapter 39	Waste Water Construction grants	018-06A-0248-47	$500,000	$ -
DEP	2007 PL, Chapter 39	Community Grants	018-06A-0248-48	250,000	-
DEP	2007 PL, Chapter 39	Hazardous Waste	018-06A-0247-51	700,000	-
DEP	2007 PL, Chapter 673	wastewater treatment	018-06A-0248-49	1,700,000	-
DIFW	2007 PL, Chapter 39	Hatchery Rehab	018-09A-0535-02	200,000	-
DOC	2007 PL, Chapter 39	Bureau of Parks and Lands. Provides funds to make necessary capital improvements in the State's parks and historic sites.	018-04A-0246-49	1,197,000	-
DOT	2007 PL, Chapter 39	Ferry and Port-Casco Bay Island Transit District, Bulkhead and wharf	018-17C-0346-67	200,000	-
MCCS	2007 PL, Chapter 39	Provides funds for interior and exterior building renovations, improvements and additions at all campuses of the Maine Community College System.	018-99T-0560-17	1,500,000	-
MSCAF	2005 PL, Chapter 462	Provides funds for the New Century Community Program	018-94O-0904-25	50,000	-
MSCAF	2007 PL, Chapter 39	New Century Community program. Provides funds to revitalize downtown areas preserve and strengthen state and community historic and cultural assets and expand access to digital and educational resources.	018-940-0904-26	625,000	-
SPO	2007 PL, Chapter 39	Land for Maine's Future Board. Provides funds in order to leverage $8,500,000 in other funds to be used for the acquisition of land and interest in land for conservation; water access, which must receive $1,700,000; outdoor recreation; wildlife and fish habitat; and farmland preservation, which much receive $1,700,000.	018-07B-0060-05	1,500,000	-
SPO	2007 PL, Chapter 39	Provides funds to be used for working waterfront preservation in order to leverage $3,000,000 in other funds.	018-07B-0060-06	1,000,000	-
UMS	2005 PL, Chapter 462	Provides funds for the Laboratory for Surface Science Technology	017-78A-0361-07	-	200,000
UMS	2007 PL, Chapter 39	Provides funds for interior and exterior building renovations, improvements and additions at all campuses of the University of Maine System.	018-78A-0361-15	5,000,000	-
		TOTAL		**$14,422,000**	**$200,000**

* The taxable portion will be borrowed internally from the state cash pool.

GENERAL FUND BONDS
DEBT SERVICE REQUIREMENTS TO MATURITY
June 30, 2009

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL
2010	74,905,000.00	15,451,419.89	90,356,419.89
2011	68,875,000.00	12,694,857.13	81,569,857.13
2012	63,170,000.00	10,284,186.16	73,454,186.16
2013	60,060,000.00	7,870,904.56	67,930,904.56
2014	43,805,000.00	5,614,946.46	49,419,946.46
2015	37,320,000.00	3,957,806.98	41,277,806.98
2016	21,985,000.00	2,688,294.00	24,673,294.00
2017	16,725,000.00	1,734,484.90	18,459,484.90
2018	13,350,000.00	941,955.30	14,291,955.30
2019	8,730,000.00	354,787.50	9,084,787.50
	408,925,000.00	**61,593,642.88**	**470,518,642.88**

HIGHWAY FUND BONDS
DEBT SERVICE REQUIREMENTS TO MATURITY
June 30, 2009

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL
2010	11,820,000.00	4,803,042.20	16,623,042.20
2011	12,495,000.00	4,418,544.38	16,913,544.38
2012	14,170,000.00	3,953,756.25	18,123,756.25
2013	14,520,000.00	3,433,462.50	17,953,462.50
2014	13,820,000.00	2,892,350.00	16,712,350.00
2015	13,060,000.00	2,351,325.00	15,411,325.00
2016	13,085,000.00	1,812,500.00	14,897,500.00
2017	13,110,000.00	1,258,750.00	14,368,750.00
2018	10,385,000.00	649,012.50	11,034,012.50
2019	4,600,000.00	186,762.50	4,786,762.50
	121,065,000.00	**25,759,505.33**	**146,824,505.33**

INFORMATION REGARDING LEASE FINANCING AGREEMENTS

Agency	Date of Agreement	Original Principal Amount	Principal Amount Outstanding 6/30/09	Principal & Interest Due 6/30/10
Department of Transportation	May, 2002	$ 5,000,000	$ 1,890,000	$ 670,988
Department of Transportation	December, 2003	793,200	148,202	152,104
Department of Corrections	March, 2005	1,200,000	261,607	270,383
Department of Transportation	May, 2005	1,200,000	193,507	198,923
Administrative & Financial Services	April, 2006	4,100,000	1,056,331	1,099,535
Department of Transportation	September, 2005	2,000,000	436,455	319,140
Administrative & Financial Services	October, 2005	9,200,000	3,335,106	3,425,170
Administrative & Financial Services	July, 2006	10,000,000	5,932,634	1,652,727
Department of Corrections	August, 2006	3,600,000	2,483,008	690,812
Department of Education	September, 2006	19,278,694	5,146,948	5,319,770
Administrative & Financial Services	February, 2007	14,000,000	10,055,700	2,455,177
Administrative & Financial Services	February, 2007	800,000	280,167	281,104
Public Safety	March, 2007	1,300,000	449,446	463,245
Department of Transportation	March, 2007	2,500,000	1,295,234	680,318
Administrative & Financial Services	April, 2007	4,500,000	2,339,065	1,228,588
Department of Education	August, 2007	4,618,993	2,403,440	1,277,438
Department of Education	October, 2007	139,414	69,707	34,853
Public Safety	April, 2008	1,800,000	1,213,026	632,006
Administrative & Financial Services	April, 2008	2,248,970	1,586,351	483,759
Administrative & Financial Services	June, 2008	1,700,416	1,377,315	370,110
Administrative & Financial Services	June, 2008	2,800,000	2,119,428	761,651
Department of Transportation	July, 2008	565,925	383,551	199,922
Public Safety	March, 2009	1,425,000	1,425,000	499,055
Administrative & Financial Services	April, 2009	4,200,000	4,200,000	1,119,870
TOTALS:		$98,970,612	$50,081,228	$24,286,648

Debt Ratios

The following table sets forth certain ratios relating to the State's general obligation debt and certain lease financing agreements as of June 30, 2009.

	Amount of Debt	Per Capita (1)	Debt to Estimated Full Valuation (2)	Debt to Personal Income (3)
General Fund	$408,925,000	$310.63	0.24%	0.88%
Highways & Bridges	121,065,000	91.96	0.07%	0.26%
Total	$529,990,000	$402.59	0.31%	1.14%

(1) Based on population estimate of 1,316,456 for 2008 by the U.S. Department of Commerce, Bureau of the Census.

(2) Based on assessed property valuation at full value by the Maine Revenue Services as of January 2009 of $168,006,150,000.

(3) Based on State of Maine total personal income reported by the U.S. Department of Commerce for 2008 of $46,577,941,000.

Debt Ratio Statistics

June 30, 2009

Debt to Full Value	
1999	0.63%
2009	0.31%
Debt to Personal Income	
1999	1.60%
2009	1.14%
Per Capita Debt	
1999	$374.72
2009	$402.59

DEBT SERVICE PAID OVER PAST TEN FISCAL YEARS

Fiscal Year	General Fund Principal	General Fund Interest	Highway Fund Principal	Highway Fund Interest	Total Principal	Total Interest
2000	59,810,000	17,497,114	22,470,000	6,862,012	82,280,000	24,359,126
2001	65,850,000	18,082,743	21,820,000	5,619,484	87,670,000	23,702,227
2002	64,225,000	15,444,189	23,300,000	5,299,529	87,525,000	20,743,718
2003	63,880,000	12,941,300	21,215,000	4,003,828	85,095,000	16,945,128
2004	56,240,000	12,567,264	16,015,000	3,022,015	72,255,000	15,589,279
2005	53,440,000	12,525,813	13,280,000	2,477,535	66,720,000	15,003,348
2006	57,915,000	15,253,937	13,950,000	2,007,306	71,865,000	17,261,243
2007	69,280,000	17,364,513	10,415,000	1,387,084	79,695,000	18,751,597
2008	66,230,000	16,057,428	10,750,000	2,050,995	76,980,000	18,108,423
2009	65,685,000	15,179,120	13,505,000	3,848,227	79,190,000	19,027,347
2010	74,905,000	15,451,420	11,820,000	4,803,042	86,725,000	20,254,462

BONDS OUTSTANDING AT JUNE 30
of Certain Fiscal Years
Compared to Total Governmental Funds Revenue

Year Ended	General Fund	Highway Fund	Self-Liquidating	Total	Total Governmental Funds Revenue	Percent of State Revenues
1989	221,645,000	98,850,000	17,605,000	338,100,000	2,428,486,000	13.9
1990	202,405,000	87,610,000	16,260,000	306,275,000	2,421,264,000	12.6
1991	277,710,000	102,870,000	14,840,000	395,420,000	2,533,777,000	15.6
1992	308,890,000	107,395,000	13,395,000	429,680,000	2,995,325,000	14.0
1993	405,823,000	136,320,000	2,562,000	544,705,000	3,178,491,000	17.2
1994	383,618,000	143,355,000	2,312,000	529,285,000	3,311,809,213	16.0
1995	377,055,000	136,950,000	2,055,000	516,060,000	3,381,332,000	15.3
1996	369,457,945	144,440,000	1,792,055	515,690,000	3,598,717,000	14.3
1997	339,620,600	129,060,000	1,529,400	470,210,000	3,756,557,734	12.5
1998	337,575,000	139,180,000	1,290,000	478,045,000	4,168,141,000	11.5
1999	334,725,000	133,700,000	1,115,000	469,540,000	4,257,340,458	11.0
2000	341,205,000	111,230,000	940,000	453,375,000	4,604,954,195	9.8
2001	297,405,000	108,635,000	765,000	406,805,000	4,608,742,000	8.8
2002	260,790,000	85,335,000	600,000	346,725,000	4,808,788,859	7.2
2003	293,990,000	64,120,000	445,000	358,555,000	5,114,542,674	7.0
2004	355,025,000	61,105,000	290,000	416,420,000	5,902,866,220	7.1
2005	439,110,000	47,825,000	160,000	487,095,000	6,114,225,943	8.0
2006	433,585,000	33,875,000	90,000	467,550,000	6,336,819,316	7.4
2007	398,280,000	50,460,000	20,000	448,760,000	6,906,395,835	6.5
2008	378,575,000	97,260,000	0	475,835,000	6,406,301,524	7.4
2009	408,925,000	121,065,000	0	529,990,000	6,827,986,832	7.7

APPENDIX E

Maine Public Employees Retirement System
State Employees and Public School Teachers
Actuarial Balance Sheet, June 30, 2008

ASSETS (Present Value of expected income)	**State Employees**	**MTRA Teachers**	**All Employees**
(1) Invested Assets			
(a) Members Contribution Fund	$ 693,443,091	$1,204,705,474	$1,898,148,565
(b) Retirement Allowance Fund	$2,374,432,793	$4,358,976,271	$6,733,409,064
(c) Total Invested Assets (a + b)*	$3,067,875,884	$5,563,681,745	$8,631,557,629
(2) Future Contributions			
(a) Future Contributions	$ 392,579,552	$ 678,247,273	$ 1,070,826,825
(b) Actuarial Costs	$1,371,640,650	$2,430,173,006	$ 3,801,813,656
(c) Total Contribution Income (a + b)	$1,764,220,202	$3,108,420,279	$ 4,872,640,481
(3) **Present Value of Total Income (1 + 2)**	$4,832,096,086	$8,672,102,024	$13,504,198,110
LIABILITIES (Present Value of expected benefit payments)			
(1) Active Employees			
(a) Current Accrued Benefits	$1,268,080,760	$2,689,415,668	$ 3,957,496,428
(b) Future Benefit Accruals	$1,130,121,090	$2,207,574,976	$ 3,337,696,066
(c) Total Active Benefits (a + b)	$2,398,201,850	$4,896,990,644	$ 7,295,192,494
(2) Inactive Employees			
(a) Total Inactive Benefits	$2,433,894,236	$3,775,111,380	$ 6,209,005,616
(3) Present Value of Total Benefits (1 + 2)	$4,832,096,086	$8,672,102,024	$13,504,198,110

*Actuarial Value

Maine Public Employees Retirement System

Judicial Plan

Actuarial Balance Sheet, June 30, 2008

Assets
(Present Value of expected income)

(1) Invested Assets	
(a) Members Contribution Fund	$ 7,481,505
(b) Retirement Allowance Fund	$42,937,437
(c) Total Invested Assets (a+b)*	$50,418,942
(2) Future Contributions	
(a) Member Contributions	$ 2,482,796
(b) Actuarial Costs	$ 3,639,561
(c) Total Contribution Income (a+b)	$ 6,122,357
(3) Present Value of Total Income (1+2)	$56,541,299

Liabilities
(Present Value of Expected Benefit Payments)

(1) Active Employees	
(a) Current Accrued Benefits	$20,880,544
(b) Future Benefit Accruals	$10,717,179
(c) Total Active Benefits (a+b)	$31,597,723
(2) Inactive Employees	
(a) Total Inactive Benefits	$24,943,576
(3) Present Value of Total Benefits (1+2)	$56,541,299

*Actuarial Value

Maine Public Employees Retirement System

Legislative Plan

Actuarial Balance Sheet, June 30, 2008

Assets
(Present Value of expected income)

(1) Invested Assets	
(a) Members Contribution Fund	$ 1,892,250
(b) Retirement Allowance Fund	$ 7,206,883
(c) Total Invested Assets (a+b)*	$ 9,099,133
(2) Future Contributions	
(a) Future Contributions	$ 843,299
(b) Actuarial Costs	($2,132,724)
(c) Total Contribution Income (a+b)	($1,289,425)
(3) Present Value of Total Income (1+2)	$ 7,809,708

Liabilities
(Present Value of Expected Benefit Payments)

(1) Active Employees	
(a) Current Accrued Benefits	$ 2,176,497
(b) Future Benefit Accruals	$ 2,395,335
(c) Total Active Benefits (a+b)	$ 4,571,832
(2) Inactive Employees	
(a) Total Inactive Benefits	$ 3,237,876
(3) Present Value of Total Benefits (1+2)	$ 7,809,708

*Actuarial Value

Maine Public Employees Retirement System
State Employees and Public School Teachers
Actuarial Balance Sheet for Group Life Insurance, June 30, 2008

ASSETS (Present Value of expected income)	State Employees	MTRA Teachers	All Employees
(1) Invested Assets			
(a) Members Contribution Fund	$0	$0	$0
(b) Retirement Allowance Fund	$20,699,882	$19,947,296	$ 40,647,178
(c) Total Invested Assets (a + b)*	$20,699,882	$19,947,296	$ 40,647,178
(2) Future Contributions			
(a) Future Contributions	$0	$0	$0
(b) Actuarial Costs	$49,670,704	$35,260,853	$ 84,931,557
(c) Total Contribution Income (a + b)	$49,670,704	$35,260,853	$ 84,931,557
(3) **Present Value of Total Income (1 + 2)**	$70,370,586	$55,208,149	$125,578,735
LIABILITIES **(Present Value of expected benefit payments)**			
(1) Active Employees			
(a) Current Accrued Benefits	$19,598,928	$17,280,532	$ 36,879,460
(b) Future Benefit Accruals	$13,837,774	$11,185,750	$ 25,023,524
(c) Total Active Benefits (a + b)	$33,436,702	$28,466,282	$ 61,902,984
(2) Inactive Employees			
(a) Total Inactive Benefits	$36,933,884	$26,741,867	$ 63,675,751
(3) Present Value of Total Benefits (1 + 2)	$70,370,586	$55,208,149	$125,578,735

*Actuarial Value

Maine Public Employees Retirement System

Judicial Plan

Actuarial Balance Sheet for Group Life Insurance, June 30, 2008

Assets
(Present Value of expected income)

(1) Invested Assets

(a) Members Contribution Fund	$0
(b) Retirement Allowance Fund	$ 324,137
(c) Total Invested Assets (a+b)*	$ 324,137

(2) Future Contributions

(a) Future Contributions	$0
(b) Actuarial Costs	$ 775,863
(c) Total Contribution Income (a+b)	$ 775,863
(3) Present Value of Total Income (1+2)	$1,100,000

Liabilities
(Present Value of Expected Benefit Payments)

(1) Active Employees

(a) Current Accrued Benefits	$ 511,194
(b) Future Benefit Accruals	$ 154,497
(c) Total Active Benefits (a+b)	$ 665,691

(2) Inactive Employees

(a) Total Inactive Benefits	$ 434,309
(3) Present Value of Total Benefits (1+2)	$1,100,000

*Actuarial Value

Maine Public Employees Retirement System

Legislative Plan

Actuarial Balance Sheet for Group Life Insurance, June 30, 2008

Assets
(Present Value of expected income)

(1) Invested Assets

(a) Members Contribution Fund	$ 0
(b) Retirement Allowance Fund	$ 60,195
(c) Total Invested Assets (a+b)*	$ 60,195

(2) Future Contributions

(a) Future Contributions	$0
(b) Actuarial Costs	$127,207
(c) Total Contribution Income (a+b)	$127,207
(3) Present Value of Total Income (1+2)	$187,402

Liabilities
(Present Value of Expected Benefit Payments)

(1) Active Employees

(a) Current Accrued Benefits	$ 9,162
(b) Future Benefit Accruals	$ 4,111
(c) Total Active Benefits (a+b)	$ 13,273

(2) Inactive Employees

(a) Total Inactive Benefits	$174,129
(3) Present Value of Total Benefits (1+2)	$187,402

*Actuarial Value

STATE OF MAINE
GENERAL OBLIGATION BOND ANTICIPATION NOTES

APPENDIX F

Selected Economic Information
with Respect to the State

Maine Population

Year	Population	Rank U.S.	Percent Increase	Per Square Mile
1920	768,000	35	-	24.9
1930	797,000	-	3.8%	25.8
1940	847,000	35	6.3%	27.4
1950	914,000	35	7.9%	29.6
1960	969,000	36	6.0%	31.4
1970	992,000	38	2.4%	32.1
1980	1,126,000	38	13.5%	36.5
1990	1,227,928	38	9.1%	39.8
2000	1,274,923	40	3.8%	41.3
2001	1,284,470	40	0.7%	41.6
2002	1,294,464	40	0.8%	41.9
2003	1,305,728	40	0.9%	42.3
2004	1,317,253	40	0.9%	37.2
2005	1,321,505	40	0.3%	41.3
2006	1,321,574	40	0.005%	43.0
2007	1,317,207	40	(.3%)	42.7
2008	1,316,456	40	(.06%)	43

Source: U.S. Census Bureau.

Personal Income and Earnings by Industry in Maine 2004-2008

	2004	2005	2006	2007	2008
Total Personal Income (thousands of dollars)	39,487,538	40,377,970	42,403,742	44,711,062	46,577,941
Earnings by Place of Work	28,225,889	28,863,925	29,980,834	31,183,763	32,156,719
Farm earnings	115,984	92,459	102,524	129,094	161,570
Nonfarm earnings	28,109,905	28,771,466	29,878,310	31,054,669	31,995,149
Forestry, Fishing, Related Activities and other	326,588	351,655	366,272	384,013	362,134
Mining	12,033	13,751	16,410	18,253	22,990
Utilities	214,065	215,515	222,762	242,067	248,521
Construction	1,935,812	1,995,353	2,082,278	2,034,995	1,928,168
Manufacturing	3,720,994	3,606,760	3,728,866	3,810,804	3,936,974
Wholesale Trade	1,196,919	1,238,036	1,290,853	1,340,100	1,333,997
Retail Trade	2,539,910	2,591,901	2,646,364	2,733,190	2,758,002
Transportation and Warehousing	732,660	758,399	785,303	816,478	822,074
Information	597,661	614,661	632,633	663,248	673,508
Finance and Insurance	1,701,589	1,691,188	1,730,582	1,781,471	1,848,190
Real Estate and Rental and Leasing	521,163	515,807	514,446	501,728	498,848
Professional and Technical Services	1,667,769	1,769,158	1,854,644	1,965,791	2,155,201
Management of Companies and Enterprises	458,532	389,299	394,214	510,692	600,802
Administrative and Waste Services	735,545	772,411	832,158	902,211	980,122
Educational Services	401,212	413,184	436,155	471,572	479,849
Arts, Entertainment, and Recreation	289,090	297,734	312,818	337,490	343,509
Accommodation and Food Services	937,019	961,430	1,010,151	1,042,696	1,054,252
Other Services, except Public Administration	777,209	804,531	815,385	850,583	881,272
Government and Government Enterprises	5,308,871	5,539,805	5,758,996	5,982,380	6,158,690

Source: U.S. Bureau of Economic Analysis

Per Capita Personal Income
Maine, New England, U.S.
1999-2008

	Per Capita			As Percent of Income of		Annual Percent Increase		
	US	NE	Maine	US	NE	US	NE	Maine
1999	27,939	33,126	24,484	87.6%	74.5%	3.9%	4.6%	3.8%
2000	29,847	36,120	25,974	87.0%	73.9%	6.8%	9.0%	6.1%
2001	30,582	37,332	27,328	89.4%	71.9%	2.5%	3.4%	5.2%
2002	30,838	37,378	27,827	90.2%	73.2%	0.8%	0.1%	1.8%
2003	31,530	37,966	28,811	91.4%	74.4%	2.2%	1.6%	3.5%
2004	33,157	40,081	30,191	91.1%	75.9%	5.2%	5.6%	4.8%
2005	34,690	41,736	30,798	88.8%	75.3%	4.6%	4.1%	2.0%
2006	36,794	44,574	32,287	87.8%	73.8%	6.1%	6.8%	4.8%
2007	38,615	47,221	33,991	88.0%	72.4%	4.9%	5.9%	5.3%
2008	39,751	48,715	35,381	89.0%	72.0%	2.9%	3.2%	4.1%

Source: U.S. Bureau of Economic Analysis.

State Valuation of Taxable Real and Personal Property

January 1989	$ 43,361,250,000
January 1990	57,085,900,000
January 1991	64,905,350,000
January 1992	68,471,100,000
January 1993	67,751,400,000
January 1994	66,565,550,000
January 1995	66,425,500,000
January 1996	67,102,925,900
January 1997	68,286,600,000
January 1998	69,691,900,000
January 1999	71,779,350,000
January 2000	74,260,000,000
January 2001	78,389,400,000
January 2002	84,874,550,000
January 2003	94,034,050,000
January 2004	104,219,950,000
January 2005	118,038,020,000
January 2006	133,628,600,000
January 2007	148,946,200,000
January 2008	162,744,550,000
January 2009	168,006,150,000

Source: State Revenue Services.

The State valuation of taxable property is equal to 100% of value.
The State valuation filed in January of each year is based on the value of property as of April 1, 21 months prior to the filing date.

Selected Labor Market Information for Maine

Annual Averages, 2004 through 2008

	2004	2005	2006	2007	2008
Nonfarm Wage and Salary Employment	611,700	611,700	614,700	617,700	615,900
Manufacturing Employment	63,000	61,400	60,000	59,400	58,900
Nonmanufacturing Employment	548,700	550,300	554,700	558,300	557,000
Average Weekly Hours of Manufacturing Production Workers	39.6	39.6	41.4	41.9	41.4
Average Hourly Earnings of Manufacturing Production Workers	\$16.97	\$17.28	\$18.58	\$19.19	\$19.72
Unemployment Rate	4.6%	4.9%	4.6%	4.6%	5.4%
Number Unemployed	31,687	33,728	32,438	32,601	38,105

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

Civilian Labor Force
Employed and Unemployed by Labor Market Area, Not Seasonally Adjusted
February, 2009

	Civilian Labor Force			Employment			Unemployment			Unemployment Rate		
LABOR MARKET AREA	**Feb-09**	**Jan-09**	**Feb-08**	**Feb-09**	**Jan-09**	**Feb-08**	**Feb-09**	**Jan-09**	**Feb-08**	**Feb-09**	**Jan-09**	**Feb-08**
Augusta	44,120	43,870	43,290	40,400	40,390	41,000	3,720	3,480	2,290	8.4%	7.9%	5.3%
Augusta-Waterville Combined	66,590	66,400	65,500	60,840	61,000	61,950	5,750	5,410	3,550	8.6	8.1	5.4
Bangor	72,000	72,000	72,200	66,300	66,400	68,500	5,800	5,600	3,600	8.0	7.8	5.1
Belfast	13,160	13,110	13,000	11,690	11,780	12,030	1,470	1,330	970	11.2	10.1	7.5
Boothbay Harbor	3,710	3,700	3,770	3,330	3,340	3,490	390	360	280	10.4	9.8	7.4
Bridgton-Paris	14,120	14,200	14,180	12,520	12,670	13,170	1,600	1,530	1,010	11.3	10.8	7.1
Brunswick	34,720	35,010	34,570	32,120	32,470	32,990	2,600	2,540	1,580	7.5	7.3	4.6
Calais	5,840	5,830	5,860	5,050	5,090	5,190	790	750	670	13.5	12.8	11.4
Camden	7,300	7,410	7,260	6,560	6,730	6,810	740	680	450	10.2	9.2	6.3
Conway, NH-ME	4,030	4,050	3,900	3,660	3,680	3,710	380	370	190	9.3	9.1	4.9
Dover-Foxcroft	9,510	9,520	9,260	8,220	8,360	8,530	1,290	1,160	730	13.5	12.2	7.9
Ellsworth	27,910	28,000	27,240	24,380	24,760	24,970	3,520	3,240	2,270	12.6	11.6	8.3
Farmington	17,430	16,890	17,220	15,630	15,160	16,130	1,800	1,730	1,090	10.3	10.3	6.3
Houlton	8,640	8,760	8,410	7,610	7,720	7,830	1,040	1,040	580	12.0	11.9	6.9
Lewiston-Auburn	57,600	58,000	57,700	52,100	52,800	54,600	5,500	5,200	3,100	9.6	9.0	5.4
Lincoln	3,650	3,700	3,600	3,240	3,290	3,350	410	420	250	11.3	11.3	6.8
Machias	7,770	7,680	7,880	6,710	6,710	7,120	1,060	960	760	13.6	12.6	9.6
Madawaska	2,900	2,890	2,950	2,610	2,630	2,770	290	260	190	10.1	9.1	6.3
Millinocket	4,110	4,120	3,880	3,400	3,460	3,530	710	660	350	17.3	16.1	9.1
Pittsfield	7,860	7,830	7,600	6,720	6,760	6,940	1,140	1,070	660	14.6	13.7	8.7
Portland-South Portland-Biddeford	201,100	201,700	201,000	187,000	188,200	192,900	14,000	13,500	8,100	7.0	6.7	4.0
Portland-South Portland-Sanford Combined	212,900	213,600	212,600	197,500	198,800	203,600	15,400	14,900	9,000	7.2	7.0	4.2
Portsmouth, NH-ME	9,340	9,530	9,180	8,650	8,720	8,780	680	810	400	7.3	8.5	4.4
Presque Isle	25,120	25,010	24,770	22,480	22,450	23,030	2,640	2,560	1,740	10.5	10.2	7.0
Rochester-Dover, NH-ME	11,840	12,140	11,400	10,560	10,570	10,820	1,280	1,570	590	10.8	12.9	5.1
Rockland	12,230	12,320	11,970	11,000	11,150	11,230	1,230	1,170	730	10.0	9.5	6.1
Rumford	10,440	10,550	10,440	9,340	9,450	9,750	1,100	1,100	690	10.5	10.4	6.6
Saint George	1,380	1,390	1,370	1,280	1,300	1,310	100	100	60	7.2	6.9	4.5
Sanford	11,820	11,890	11,520	10,480	10,560	10,690	1,340	1,340	840	11.3	11.2	7.3
Skowhegan	14,740	14,790	14,460	12,920	13,040	13,180	1,810	1,740	1,280	12.3	11.8	8.8
Waldoboro	9,210	9,260	9,030	8,370	8,450	8,560	840	810	470	9.1	8.7	5.2
Waterville	22,470	22,530	22,210	20,440	20,610	20,950	2,030	1,920	1,260	9.0	8.5	5.7
York	16,410	16,460	16,320	14,960	14,960	15,440	1,450	1,500	880	8.8	9.1	5.4
MAINE	699,000	700,700	693,800	635,700	639,600	655,400	63,300	61,000	38,400	9.1	8.7	5.5
UNITED STATES (000)	153,804	153,445	152,503	140,105	140,436	144,550	13,699	13,009	7,953	8.9	8.5	5.2

Source: Maine Dept. of Labor, Center for Workforce Research & Information

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STATE OF MAINE
GENERAL OBLIGATION BOND ANTICIPATION NOTES

APPENDIX G

PROPOSED FORM OF BOND COUNSEL OPINION

Upon delivery of the Notes, Edwards Angell Palmer & Dodge LLP, as Bond Counsel, proposes to issue its approving opinion as to the Notes in substantially the following form:

EDWARDS ANGELL PALMER & DODGE LLP

111 Huntington Avenue Boston, MA 02199 617.239.0100 fax 617.227.4420 eapdlaw.com

[Date of Delivery]

The Honorable David G. Lemoine
Treasurer of State
The State of Maine
39 State House Station
Augusta, Maine 04333

$----------
State of Maine
General Obligation Bond Anticipation Notes
Dated Date of Delivery

We have acted as bond counsel to the State of Maine in connection with the issuance by the State of Maine of the above-referenced notes (the "Notes"). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the State of Maine contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Notes are valid and binding general obligations of the State of Maine and the full faith and credit of the State of Maine are pledged for the payment of the principal of and interest on the Notes.

2. Interest on the Notes is excluded from the gross income of the owners of the Notes for federal income tax purposes. In addition, interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes and is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the State of Maine with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The State of Maine has covenanted to comply with all such requirements. Failure by the State of Maine to comply with certain of such requirements may cause interest on the Notes to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes.

3. Interest on the Notes is excluded from gross income for State of Maine income tax purposes. We express no opinion regarding any other State of Maine tax consequences arising with respect to the Notes or any tax consequences arising with respect to the Notes under the laws of any state other than the State of Maine.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Notes and the enforceability of the Notes may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Edwards Angell Palmer & Dodge LLP

STATE OF MAINE
GENERAL OBLIGATION BOND ANTICIPATION NOTES

APPENDIX H

Secondary Market Disclosure

In order to assist the original purchaser in complying with the Municipal Securities Disclosure Rule, 17 CFR §240.15c2-12 (the "Rule"), the State has covenanted in the Notes for the benefit of the Beneficial Owners that the State will provide, in a timely manner, to the Municipal Securities Rulemaking Board (the "MSRB"), notice of any of the following events with respect to the Notes, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions or events affecting the tax-exempt status of the Notes;
7. modifications to rights of the holders (including Beneficial Owners) of the Notes;
8. bond calls;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the Notes; and
11. rating changes.

In a letter from the staff of the SEC to the National Association of Bond Lawyers, dated September 19, 1995, the SEC staff stated that undertakings pursuant to the Rule may not eliminate references to events 1 through 11 set forth in the Rule and in the paragraph above, regardless of whether any particular event is believed to be applicable to the Notes. Certain of events 1 through 11 set forth in the paragraph above may not, however, be applicable. Events 3, 4 and 5 may not be applicable, since the terms of the Notes do not provide for "debt service reserves," "credit enhancements" or "credit or liquidity providers." For a description of the Notes, see "Description of the Notes." With respect to events 4 and 5, the State does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes, unless the State applies for or participates in obtaining the enhancement. With respect to event 6, for information on the tax status of the Notes, see "Tax Matters." Event 8 may not be applicable since the Notes do not provide for redemption prior to maturity. Event 10 may not be applicable since the State has not granted any security interest to secure repayment of the Notes.

The State may from time to time choose to provide notice of the occurrence of certain other events in addition to those listed above if, in the judgment of the State, such other events are material with respect to the Notes, but the State does not undertake to provide any such notice of the occurrence of any material event except those events listed above.

The covenants described herein under the heading "Secondary Market Disclosure" (the "Covenants") are for the benefit of the Beneficial Owners and shall be enforceable by any Beneficial Owner. No Beneficial Owner may institute any suit, action or proceeding at law or in equity ("Proceeding") for the enforcement of the Covenants, unless such Beneficial Owner shall have filed with the Treasurer of State and the Attorney General a written request to cure such breach, and the State shall have refused or failed to comply within a reasonable time. Any assertion of beneficial ownership must be included in such written request and must be supported by independent evidence or documents. All Proceedings shall be instituted only in a State court located in the City of Augusta, Maine for the equal benefit of all Beneficial Owners of the outstanding Notes. If a court of competent jurisdiction finds that the State has breached any of the Covenants, then the sole remedy for any such breach shall be an order of specific performance of the Covenants and there shall be no right of acceleration of the Notes. Moreover, Proceedings filed by Beneficial Owners against the State may be subject to the defense of sovereign immunity which may substantially limit the scope and nature of any legal action against the State or of any order of specific performance that may be granted against the State.

APPENDIX I

NOTICE OF SALE

$14,425,000*
STATE OF MAINE
GENERAL OBLIGATION BOND ANTICIPATION NOTES

Notice is hereby given that bids will be received until 11:00 A.M. (local Augusta, Maine time) on Thursday, October 22, 2009 via Parity®, subject to the terms and conditions hereof, for the purchase of all but not less than all of the for the purchase of $14,425,000* State of Maine General Obligation Bond Anticipation Notes (the "Notes").

Description of the Notes

The Notes will be issued only as fully registered Notes in book-entry form. The Notes will be dated their date of delivery and will be issued in denominations of $5,000 or any integral multiple thereof. Interest on the Notes will be calculated on a 30/360 day basis payable from the date of their delivery until maturity on June 30, 2010.

Authorization and Security

The Notes will be general obligations of the State of Maine (the "State") and the full faith and credit of the State will be pledged for the punctual payment of the principal and interest on the Notes.

Redemption

The Notes are not subject to redemption prior to maturity.

Book-Entry Only

Initially, one Note certificate will be issued to The Depository Trust Company, New York, New York ("DTC") or its nominee, which will be designated as the securities depository for the Notes. So long as DTC is acting as securities depository for the Notes, a book-entry system will be employed, evidencing ownership of the Notes in principal amounts of $5,000 and multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Principal of and interest on the Notes will be payable to DTC or its nominee as registered owner of the Notes. Principal of and interest on the Notes will be payable in lawful money of the United States of America by the State, as Paying Agent. Transfers of principal and interest payments to beneficial owners (the "Beneficial Owners") will be the responsibility of such participants and other nominees of the Beneficial Owners. The State will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

* Preliminary, subject to change.

In the event that (a) DTC determines not to continue to act as securities depository for the Notes, (b) the State determines that DTC is incapable of discharging its duties or that continuation with DTC as securities depository is not in the best interests of the State or (c) the State determines that continuation of the book-entry system of evidence and transfer of ownership of the Notes is not in the best interests of the State or the Beneficial Owners, the State will discontinue the book-entry system with DTC. If the State fails to identify another qualified securities depository to replace DTC, the State will cause the execution and delivery of replacement Notes in the form of fully registered certificates.

Bid Specifications

Bidders should state the rate of interest that the Notes are to bear, in multiples of 1/8 or 1/20 of one percent. **In order to fund its planned capital expenditures, the total proceeds payable to the State (par plus premium, if any) must be at least $14,425,000. Accordingly, the par amount of the Notes should be adjusted, as needed, in order that the total proceeds Notes are as nearly as practicable (within $5,000) to $14,425,000.** The State reserves the right to adjust the par amount of the Notes in order that the total proceeds received by the State are as nearly as practicable (within $5,000) to $14,425,000. No bids for other than all of the Notes will be accepted. No bid for less than 100% of the principal amount of the Notes will be accepted (subject to adjustments as provided above). All bids must be unconditional and submitted electronically via Parity® in accordance with this Notice of Sale.

Receipt of Bids

Sealed bids for the Notes will be received electronically via Parity until 11:00 A.M., Eastern Time, on Thursday, October 22, 2009 (or on such later date as may be established by the State and communicated through Thomson Municipal Market Monitor not less than twenty-four (24) hours prior to the time the bids are to be received). To the extent any instructions or directions set forth on Parity conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about Parity, potential bidders may contact I-Deal LLC at 1359 Broadway, 2nd Floor, New York, NY 10018, or telephone (212) 849-5021. The use of Parity shall be at the bidder's risk and expense, and the State shall have no liability with respect thereto. Only bids submitted through Parity will be considered. No telephone, facsimile, mail, courier delivery or personal delivery bids will be accepted. To participate, bidders must be a contracted customer of the BiDCOMP Competitive Bidding System (the "System"). If the prospective bidder does not have a contract with the System, call (212) 849-5021 to become a customer and to obtain a list of the bidding rules and procedures.

Bond Insurance

The State has not contracted for the issuance of any policy of municipal bond insurance for the Notes. If the Notes qualify for any such policy or commitment therefor, any purchase of such insurance or commitment shall be at the sole option and expense of the successful bidder, and any increased costs of issuance or delivery of the Notes resulting by reason of such insurance or commitment shall be assumed by such bidder. Bids shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Notes to be so insured or of any such policy or commitment to be issued shall not in any way relieve the successful bidder of its contractual obligations arising from the acceptance of its bid for the purchase of the Notes.

Basis of Award

The Notes will be awarded to the bidder offering to purchase the Notes, at the lowest net interest cost (NIC) to the State. The NIC under each proposal to purchase the Notes will be determined by computing the total amount of interest payable on the principal amount of the Notes, at the rate stated, from October 29, 2009 until the maturity of the Notes (June 15, 2010) and deducting therefrom the premium, if any, offered in said proposal, and dividing the resulting difference by the product of the par value of the Notes that said proposal offers to purchase times the average life of said Notes. The NIC will be computed as a percentage rate, as noted above, and will be rounded to six decimal places. If there is more than one such proposal making said offer at the same lowest net interest cost, the Notes will be sold to the bidder whose proposal is selected by the Deputy Treasurer by lot from among all such proposals at the same lowest net interest cost.

Bids will be accepted or rejected promptly after receipt and not later than 11:00 a.m. (E.D.T.) on the date of the sale.

The State reserves the right to reject any or all proposals and to reject any proposals not complying with the Notice of Sale. The State also reserves the right, so far as permitted by law, to waive any irregularity or informality with respect to any proposal.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Notes. All expenses in relation to the printing of CUSIP numbers on the Notes shall be paid for by the State.

Expenses

The State will pay: (i) the cost of the preparation of the Notes; (ii) the fees and expenses of Bond Counsel; (iii) the fees of the rating agencies relating to the Notes, and (iv) the cost of preparation and printing of the Official Statement.

Undertakings of the Successful Bidder

The successful bidder shall make a bona fide public offering of the Notes. The successful bidder must, by facsimile transmission or delivery received by the Deputy Treasurer within 24 hours after notification of the award, furnish the following information to Bond Counsel to complete the Official Statement in final form, as described below:

A. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all Notes are sold at the prices or yields at which the successful bidder advised the Deputy Treasurer that the Notes were initially offered to the public).

B. The identity of the underwriters if the successful bidder is part of a group or syndicate.

C. Any other material information the Deputy Treasurer determines is necessary to complete the Official Statement in final form.

Prior to delivery of the Notes, the successful bidder Notes shall furnish to the State a certificate acceptable to Bond Counsel to the effect that as of the date of acceptance of its bid, such successful bidder had sold or reasonably expected to sell all of the Notes to the public (excluding bond houses, brokers or similar persons or other intermediaries) at the Initial Reoffering Prices.

Delivery of the Notes

The Notes will be delivered on or about October 29, 2009 in New York, New York at DTC against payment of the purchase price therefor in Federal Funds.

Documents to be Delivered at Closing

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Notes that contemporaneously with or before accepting the Notes and paying therefor, the successful biddershall be furnished, without cost, with (a) the approving opinion of the firm of Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel to the State, as to the validity and tax status of the Notes, substantially in the form provided in Appendix G to the Official Statement, referred to below; (b) a certificate of the Treasurer of State (the "Treasurer") to the effect that, to the best of his knowledge, the Official Statement referred to below does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading; and (c) an opinion of the Department of the Attorney General of the State, dated as of the date of delivery of the Notes, to the effect that there is no litigation of any nature pending or threatened to restrain or enjoin the issuance or delivery of the Notes or in any way contesting or affecting the validity of the Notes or any of the proceedings taken with respect to the issuance and sale thereof or the levy or collection of any taxes to pay principal of or interest on the Notes. In addition, such opinion will state that, based on consultations with certain officers of the State, there is no litigation of any nature now pending or threatened by or against the State wherein an adverse judgment or ruling could have a material adverse effect on the financial condition of the State or adversely affect the power of the State to levy, collect or enforce the collection of taxes or other revenues for the payment of its Notes which has not been disclosed in the Official Statement referred to below.

Official Statement

The Preliminary Official Statement dated October 20, 2009 and the information contained therein have been deemed final by the State as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") with permitted omissions, but is subject to change without notice and to completion or amendment in the Official Statement in final form (the "Final Official Statement").

The State, at its expense, will make available to the successful bidder up to 200 copies of the Final Official Statement, for delivery to each potential investor requesting a copy of the Final Official Statement and to each person to whom the bidder and members of its bidding group initially sell the Notes, within seven business days of the award of the Notes, provided that the successful bidder cooperate in providing the information required to complete the Final Official Statement.

The successful bidder shall comply with the requirements of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board, including an obligation, if any, to update the Final Official Statement.

Continuing Disclosure

In order to assist bidders in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the State will undertake to provide notices of certain material events. A description of this undertaking is set forth in the Preliminary Official Statement.

Right to Change the Notice of Sale and to Postpone Offering

The State reserves the right to make changes to the Notice of Sale and also reserves the right to postpone, from time to time, the date and time established for the receipt of bids. ANY SUCH POSTPONEMENT WILL BE ANNOUNCED NOT LATER THAN 1:00 P.M. (E.D.T.) ON THE LAST BUSINESS DAY PRIOR TO ANY ANNOUNCED DATE FOR RECEIPT OF BIDS. If any date and time fixed for the receipt of bids and the sale of the Notes is postponed, an alternative sale date and time will be announced at least 48 hours prior to such alternative sale date. On any such alternative sale date and time, any bidder may submit a bid for the purchase of the Notes in conformity in all respects with the provisions of this Notice of Sale, except for the date and time of sale and except for any changes announced at the time the sale date and time are announced.

Additional Information

For further information relating to the Notes, reference is made to the Preliminary Official Statement dated October 20, 2009 prepared for and authorized by the Treasurer. The Preliminary Official Statement may be obtained by accessing the following website: www.munios.com/download/2009/MEStateGO2-POS.pdf. For further information, please contact Barbara Raths, Deputy State Treasurer, 39 State House Station, Augusta, Maine 04333 (telephone: 207-624-7477; facsimile 207-287-2367).

THE STATE OF MAINE

By David G. Lemoine
Treasurer of State

Date: October 20, 2009

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STATE OF MAINE • GENERAL OBLIGATION BOND ANTICIPATION NOTES

Mixed Sources

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State of Maine

$14,325,000
General Obligation Bond Anticipation Notes
(the "Notes")

Certificate of the Treasurer

The undersigned, David G. Lemoine, the duly elected Treasurer of the State of Maine, certifies with respect to the Notes issued as of the date set forth below by the State of Maine (the "State") as follows:

1. All consents, approvals and authorizations of governmental officials or bodies required for the due authorization, execution, issuance and delivery of the Notes by the State have been obtained.

2. To the best of my knowledge, the Official Statement of the State dated October 22, 2009 relating to the Notes, as of its date and as of the date hereof, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

David G. Lemoine
Treasurer of State
State of Maine

Dated: October 29, 2009

Tax Certificate

This Tax Certificate is executed and delivered by the State of Maine (the "State") in connection with its issuance of $14,325,000 aggregate stated principal amount of its General Obligation Bond Anticipation Notes (the "Notes"). By delivery of this Tax Certificate, the State intends to bind itself to the holders of the Notes with respect to the undertakings set forth herein in consideration of the purchase of and payment for the Notes by such holders, and in furtherance thereof, and in part pursuant to Treasury Regulations Sections 1.141-2(d)(1) and 1.148-2(b)(2)(i), the State certifies, covenants, warrants and represents as follows in connection with the issuance of the Notes:

ARTICLE I. IN GENERAL

1.1 **Delivery of the Notes**. On the date hereof, in exchange for receipt of good funds, the State is delivering the Notes to Goldman, Sachs & Co., as the purchaser of the Notes (the "Purchaser"), for resale to the general public.

1.2 **Purpose of Tax Certificate**. The State is delivering this Tax Certificate to Edwards Angell Palmer & Dodge LLP, as bond counsel, with the understanding that Edwards Angell Palmer & Dodge LLP will rely in part upon this Tax Certificate in rendering its opinion that interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986.

1.3 **Purpose of Financing**. The Notes are being issued to finance a portion of the costs of acquisition and construction of certain capital improvement projects within the State of Maine as set forth in Exhibit A hereto (the "Projects") and to pay costs of issuance and other common costs of the Notes.

1.4 **Single Issue**. All the Notes were sold to the Purchaser on October 22, 2009 (the "Sale Date"), pursuant to the same plan of financing, and are expected to be paid out of substantially the same source of funds. No other governmental obligations have been or will be sold within the 31-day period beginning 15 days before the Sale Date pursuant to the same plan of financing as the Notes.

1.5 **Statutory Authorizations**. The Notes are being issued pursuant to valid acts of the Legislature of the State ratified by the voters of the State as described in the Official Statement for the Notes (collectively, the "Acts").

1.6 **Definitions**. Capitalized terms used and not otherwise defined herein shall have the respective meanings set forth in Appendix A hereto.

1.7 **Reliance**. With respect to certain matters contained in this Tax Certificate, the State specifically relies upon the certifications of the Purchaser outlined in the Certificate of the Purchaser attached hereto as Exhibit B and upon the certifications set forth in the other exhibits attached hereto (if any). The State is not aware of any facts or circumstances that would cause it to question the accuracy or reasonableness of any representation made in this Tax Certificate or in the exhibits hereto.

ARTICLE II. GENERAL TAX LIMITATIONS

2.1 **Application of Sale Proceeds and Other Moneys**. All of the Sale Proceeds, less the amount of $1,862.25, which is being retained by the Purchaser as underwriter's discount, and less the amount of $4,277.75, which is being allocated to the payment of interest accruing on the Notes within six months after the Closing Date, are being deposited on the Closing Date to the various capital project funds established by the State for use in connection with the Projects (such funds being referred to collectively hereinafter as the "Project Funds") and will be used to pay a portion of the costs of the Projects. Investment Proceeds earned in respect of the Sale Proceeds will be used to pay debt service on the Notes.

2.2 **Expenditure of Gross Proceeds**. For purposes of this Tax Certificate, Sale Proceeds and Investment Proceeds will be treated as spent when they are used to pay or reimburse disbursements by the State that are (i) capital expenditures, (ii) costs of issuing the Notes, (iii) interest on the Notes through the later of three years after the Closing Date or one year after the Project component to which such interest expense is allocable is placed in service, (iv) initial operating expenses directly associated with the Projects (in aggregate amount not exceeding 5% of the Sale Proceeds), (v) grants to parties other than related parties to the State that are described in Treasury Regulations Section 1.148-6(d)(4), or (vi) other miscellaneous expenditures described in Treasury Regulations Section 1.148-6(d)(3)(ii).

The State hereby certifies that no disbursement to be paid or reimbursed from proceeds of the Notes shall have been previously paid or reimbursed from the proceeds of any other obligation, whether issued by the State or any other party. Absent an Opinion of Counsel, all expenditures of proceeds of the Notes will be made in respect of (a) Preliminary Expenditures, (b) capital expenditures reimbursed in respect of payments made by the State that are described in Section 2.2.1 hereof, (c) costs of issuing the Notes, or (d) other payments made by the State on or after the Closing Date.

2.2.1 **Reimbursements**. In connection with the expenditure of the proceeds of the Notes, the State may make allocations of proceeds to reimburse itself for disbursements previously made from the Project Funds to pay certain costs of the Projects. In all such cases, (i) such reimbursements will be made not later than eighteen (18) months after the later of (A) the date such costs were originally paid; or (B) the date the Project component to which such expenditure relates is placed in service or abandoned, but in no event more than three (3) years after the original expenditure is paid; and (ii) all such costs will have been paid or incurred not earlier than sixty (60) days prior to the date the State adopted one or more Acts evidencing its official intent to issue debt to finance the costs of acquiring or constructing such Project component.

2.3 **Governmental Bond Status**. Absent an Opinion of Counsel, the State will not loan more than 5% of the Note proceeds to one or more Nongovernmental Persons. The Notes are expected to be paid from the proceeds of the Bonds, and the Bonds will be payable from generally applicable taxes imposed and collected by the State. As reflected in Exhibit A hereto, it is expected that in order to accomplish certain governmental purposes of the State, a portion of the Sale Proceeds will be granted to Nongovernmental Persons. The transfer of funds pursuant to each such grant arrangement does not and will not impose any obligation or condition directly or indirectly to repay any amount to the State, and each such grant arrangement does not and will not impose any obligation or condition other than an obligation or condition intended solely to assure expenditure of the amounts granted in accordance with the governmental purpose of the grant. In the event any amounts granted are repaid to the State, such amounts will be expended to pay other costs of the Projects within 60 days of such repayment. In part on the basis of the foregoing, the State does not expect and (absent an Opinion of Counsel) will not permit the payment of debt service on more than 10% of the Notes directly or indirectly to be (i) secured by any interest in property used or to be used for a private business use or by any interest in payments in respect of such property or (ii) derived from payments in respect of property comprising a portion of the Projects, or borrowed money, used for a private business use. The State will not permit any uses of the assets comprising the Projects to be undertaken by Nongovernmental Persons if such uses are disproportionate or unrelated to the governmental uses of such assets.

2.4 **Registered Form**. The Notes are being issued in registered form.

2.5 **Federal Guarantee**. The State will not directly or indirectly use or permit the use of any Note proceeds or any other funds of the State or any related party or take or omit to take any action that would cause the Notes to be obligations that are "federally guaranteed" within the meaning of Code Section 149(b)(1). In furtherance of this covenant, the State will not allow the payment of principal or interest with respect to the Notes to be guaranteed (directly or indirectly) in whole or in part by the United States or any agency or instrumentality thereof. Except as provided in the next sentence, the State will not use 5% or more of the proceeds of the Notes to make or finance loans the payment of principal or interest with respect to which is guaranteed in whole or in part by the United States or any agency or instrumentality thereof, nor will it invest 5% or more of such proceeds in federally insured deposits or accounts. The preceding sentence shall not apply to Note proceeds held in the Project Funds during the three-year temporary period described in Section 3.5 hereof or to investments in obligations issued by the United States Department of the Treasury and other investments specified in Code Section 149(b)(3) or in Treasury Regulations Section 1.149(b)-1 (to the extent applicable to the Notes).

2.6 **Information Reporting**. The State will cause a properly completed and executed IRS Form 8038-G to be filed with respect to the Notes no later than February 15, 2010.

2.7 **No Refunding**. Note proceeds will not be used directly or indirectly to make principal, interest or premium payments with respect to any governmental obligations other than the Notes.

2.8 **No Pooling**. The State will not use any Note proceeds directly or indirectly to make or finance loans to two or more ultimate borrowers.

2.9 **No Hedge Bonds**. The State reasonably expects that more than 85% of Net Sale Proceeds will be expended for governmental purposes of the Notes before October 29, 2012.

Not more than 50% of Note proceeds will be invested at a substantially guaranteed yield for four years or more.

ARTICLE III. ARBITRAGE GENERAL

3.1 **Reasonable Expectations.** This Article III sets forth the State's reasonable expectations with respect to the amounts and uses of Note proceeds and certain other moneys.

3.2 **Reoffering Price.** The State is delivering the Notes to the Purchaser on the date hereof in exchange for payment of $14,426,277.75, which represents the total amount of Sale Proceeds, less underwriter's discount in the amount of $1,862.25. As reflected in Exhibit B, based upon advice of the Purchaser, all of the Notes have been reoffered to the public (excluding any bond house, broker or other intermediary) at the price set forth therein. Also as reflected in Exhibit B, based upon advice of the Purchaser, the initial reoffering price represents the fair market price of the Notes as of the Sale Date.

3.3 **Funds and Accounts.** The State is not creating or establishing or using any funds or accounts in connection with the issuance of the Notes, other than the Project Funds. The State does not expect that either it or any other person benefiting from the issuance of the Notes will use any moneys in any fund or account other than the Debt Service Fund (as such term is defined in Section 3.4.3 hereof) to pay principal of, redemption premium, or interest on the Notes; nor is any other fund or account, however established, so pledged as security for the Notes that there is a reasonable assurance that amounts held in such other fund or account will be available if needed to pay debt service on the Notes.

3.4 **Debt Service Fund.**

3.4.1 **Payment of the Notes.** The Notes are general obligations of the State to which the full faith and credit of the State are pledged. Principal on the Notes is expected to be paid from the proceeds of the Bonds, which in turn are expected to be paid from tax revenues of the State, and interest on the Notes is expected to be paid from a portion of the Note proceeds as described in Section 2.1 and tax revenues of the State.

3.4.2 **Revenues.** The General Fund of the State of Maine (the "General Fund") is the depository for all revenues accruing to the State of Maine that are not otherwise required under Maine law to be deposited in another fund or used for other designated purposes. Amounts in the General Fund include, without limitation, revenues derived from the imposition of individual and corporate income taxes, sales and use taxes and other tax revenues and receipts.

3.4.3 **Match Between Revenues and Debt Service.** Amounts (if any) in the General Fund that are reasonably expected to be used to pay debt service on the Notes (such portion of the General Fund being referred to herein as the "Debt Service Fund") will be allocated to the payment of debt service on the Notes on a "first in, first out" (FIFO) basis. Accordingly, the Debt Service Fund will be used primarily to achieve a proper matching of revenues and debt service on the Notes within each Bond Year. The Debt Service Fund will be depleted at least once a year except for a carryover amount not to exceed the greater of the earnings on such fund for the immediately preceding Bond Year or 1/12th of the debt service paid in respect of the Notes for the immediately preceding Bond Year. Amounts contributed to the Debt Service Fund will be spent within thirteen months after the date of such contribution and any amounts received from the investment or reinvestment of monies held in such fund will be expended within one year after the date of accumulation thereof in the Debt Service Fund. Amounts in the Debt Service Fund will be invested without regard to yield.

3.5 **Three-Year Temporary Period.** Sale Proceeds in the amount of $14,422,000 will be deposited in the Project Funds for the purpose of paying costs of the Projects. The State reasonably expects that at least 85% of the Net Sale Proceeds will be spent to pay costs of the Projects before October 29, 2012. The State heretofore has incurred or within six months hereafter will incur a binding obligation to one or more unrelated parties involving an expenditure of not less than 5% of Net Sale Proceeds. Completion of the Projects and allocations of Net Sale Proceeds and Investment Proceeds to costs of the Projects will proceed with due diligence. Proceeds of the Notes held in the Project Funds will be invested without regard to yield through October 29, 2012.

3.6 **No Other Replacement Proceeds.** Neither the State nor any related person will use any Gross Proceeds of the Notes directly or indirectly to replace funds of the State or any related person, which funds are or will be used directly or indirectly to acquire Investment Property reasonably expected to produce a yield that is materially higher than the yield on the Notes.

3.7 **No Overissuance.** Taking into account anticipated investment earnings, proceeds from the sale of the Notes do not exceed the amount necessary to pay costs of the Projects and to pay costs of issuing the Notes.

3.8 **No Expected Sale.** It is not expected that any part of the Projects to be owned by the State or another Governmental Unit which is financed in whole or in part by the Notes will be sold or otherwise disposed of before the expected final maturity date of the Bonds which are to be issued to refund the Notes.

ARTICLE IV. ARBITRAGE - YIELD AND YIELD RESTRICTION

4.1 **Yield.** Yield on the Notes or yield on Investment Property generally means that discount rate which, when used in computing the present value of all unconditionally payable payments representing principal adjusted, as required, for any substantial discounts or premiums, interest and costs of qualified guarantees or qualified hedges produces an amount equal to the adjusted aggregate issue price of the Notes or the purchase price of the Investment Property, as appropriate. The adjusted aggregate issue price of the Notes is $14,428,140.00, which represents the price at which the Notes were offered to the ultimate purchaser(s), as represented by the Purchaser in Exhibit B hereto. The yield on the Notes has been calculated to be 0.350495%.

4.2 **No Qualified Hedges.** No contract has been, and, absent an Opinion of Counsel, no contract will be, entered into such that failure to take the contract into account would distort the yield on the Notes or otherwise would fail clearly to reflect the economic substance of the transaction.

4.3 **Yield Restriction.** Absent an Opinion of Counsel, if the sum of (A) any amounts held in the Project Funds after October 29, 2012, plus (B) any amounts held in the Debt Service

Fund and remaining unexpended after 13 months from the date of accumulation therein for the purpose of paying debt service on the Notes, at any time in the aggregate exceeds $100,000, the excess will be invested either (i) in Investment Property with a yield not exceeding the yield on the Notes, (ii) in assets that are not treated as Investment Property (e.g., Tax-Exempt Bonds) or (iii) in assets that satisfy the requirements for qualified yield reduction payments set forth in Treasury Regulations Section 1.148-5(c), subject to the limitation set forth in Section 1.148-10(b)(1)(ii).

ARTICLE V. REBATE

5.1 **Undertakings**. The State hereby covenants to comply with the requirements of the Code pertaining to the payment of the Rebate Requirement. The State acknowledges that the United States Department of the Treasury has issued regulations with respect to certain of these undertakings, including the proper method for computing whether any rebate amount is due the federal government under Section 148(f) of the Code. (Treasury Regulations Sections 1.148-1 through 1.148-11, 1.150-1 and 1.150-2.) The State further acknowledges that the United States Department of the Treasury may yet issue additional regulations with respect to certain other of these undertakings. The State covenants that it will undertake to determine what is required with respect to the rebate provisions contained in Section 148(f) of the Code and said regulations from time to time and will comply with any requirements that may apply to the Notes.

5.2 **Monies Held to Satisfy Rebate Requirement**. The State hereby agrees to separately track and account for all amounts held to satisfy the Rebate Requirement in respect of the Notes.

5.3 **Recordkeeping**. The State shall maintain or cause to be maintained detailed records with respect to each Nonpurpose Investment allocable to Gross Proceeds, including: (a) purchase date; (b) purchase price; (c) information establishing fair market value on the date such investment became a Nonpurpose Investment; (d) any accrued interest paid; (e) face amount; (f) coupon rate; (g) periodicity of interest payments; (h) disposition price; (i) any accrued interest received; and (j) disposition date. Such detailed recordkeeping is required to facilitate the calculation of the Rebate Requirement.

5.4 **Exceptions to the Rebate Requirement**.

5.4.1 **Bona Fide Debt Service Fund Exception**. Based on the representations set forth in Section 3.4.3 hereof, no rebate calculations are required to be made in respect of amounts in the Debt Service Fund.

5.4.2 **Eighteen-Month Expenditure Exception**. In general, no rebate calculations will be required with respect to Adjusted Gross Proceeds if at least 15% of expected Adjusted Gross Proceeds actually are spent within six months after the Closing Date, at least 60% of expected Adjusted Gross Proceeds actually are spent within twelve months after the Closing Date, and 100% of actual Adjusted Gross Proceeds actually are spent within eighteen months after the Closing Date. The requirement that 100% of actual Adjusted Gross Proceeds be spent within eighteen months after the Closing Date will be met if at least 95% of Adjusted Gross Proceeds is spent within eighteen months and the remainder is held as a reasonable retainage, as permitted by contracts with the State's contractors, and such remainder is spent within thirty months after the Closing Date.

ARTICLE VI. OTHER MATTERS

6.1 **Expectations**. The undersigned is an authorized representative of the State acting for and on behalf of the State in executing this Tax Certificate. To the best of the knowledge and belief of the undersigned, there are no other facts, estimates or circumstances that would materially change the expectations as set forth herein, and said expectations are reasonable.

6.2 **Amendments**. Notwithstanding any other provision of this Tax Certificate, the State may amend this Tax Certificate and thereby alter any actions allowed or required by this Tax Certificate if such amendment is signed by an authorized officer and is supported by an Opinion of Counsel.

6.3 **Record Retention.** In order to ensure that interest on the Notes continues to be excluded from gross income for federal tax law purposes, the State acknowledges that records should be maintained to support the representations, certifications and expectations set forth in this Tax Certificate (including the exhibits hereto) at least until the date six (6) years after the later of (a) the date on which the Notes are retired and (ii) if any of the Notes are refunded with the proceeds of any other tax-exempt obligations ("Refunding Obligations"), the date on which the last of the Refunding Obligations is retired. In addition to the items described in Section 5.3 hereof, records to be retained include, but are not limited to:

(i) Basic records and documents relating to the Notes;

(ii) Documentation evidencing the expenditure of proceeds of the Notes;

(iii) Documentation evidencing the use of the Projects or any component thereof by public and private sources (i.e., copies of management contracts, research agreements, leases, etc.);

(iv) Documentation evidencing all sources of payment or security for the Notes;

(v) Documentation evidencing compliance with the timing and allocation of expenditures of proceeds of the Notes;

(vi) Records of all amounts paid to the United States in satisfaction of the Rebate Requirement for the Notes and IRS Forms 8038-T (or successor forms thereto) related to such payments.

6.4 **Survival of Defeasance**. Notwithstanding any provision in this Tax Certificate or in any other agreement or instrument relating to the Notes to the contrary, the obligation to remit the Rebate Requirement, if any, to the United States Department of the Treasury and to comply with all other requirements contained in this Tax Certificate shall survive defeasance of the Notes.

Dated: October 29, 2009

STATE OF MAINE

By ______________________

David G. Lemoine
Treasurer of State

APPENDIX A

For purposes of the Tax Certificate to which this Appendix A is attached, the following capitalized terms have the following meanings:

"Adjusted Gross Proceeds" generally means Gross Proceeds, less amounts held in the Debt Service Fund.

"Bonds" means the general obligation bonds of the State expected to be issued in June 2010 in part for the purpose of refunding the Notes.

"Bond Year" means the one-year period beginning on the Closing Date and ending on October 29, 2010 (or on an earlier date selected by the State in accordance with Treasury Regulations Section 1.148-1(b)), and each successive one-year period thereafter. The last Bond Year will end on the last day on which any Note is outstanding for federal tax purposes.

"Closing Date" means October 29, 2009, the date of the Tax Certificate.

"Code" means the Internal Revenue Code of 1986.

"Debt Service Fund" has the meaning ascribed to such term in Section 3.4.3 of the Tax Certificate.

"Governmental Unit" means any State, or political subdivision of a State, but excludes the United States and its agencies and instrumentalities.

"Gross Proceeds" generally means all proceeds derived from or relating to the Notes, including Sale Proceeds, Investment Proceeds, and other amounts expected to be used or pledged to pay debt service on the Notes.

"Investment Proceeds" means earnings received from investing and reinvesting Sale Proceeds and from investing and reinvesting such earnings.

"Investment Property" means any security or obligation, any annuity contract, or any other investment-type property, but does not include any Tax-Exempt Bond unless such obligation is a "specified private activity bond" within the meaning of Section 57(a)(5)(C) of the Code.

"Net Sale Proceeds" means Sale Proceeds, less any amount invested as part of the "minor portion" pursuant to Section 148(e) of the Code.

"Nongovernmental Person" means any person or entity other than a Governmental Unit.

"Nonpurpose Investment" means any Investment Property in which Gross Proceeds are invested.

"Opinion of Counsel" means a written opinion of nationally recognized bond counsel, delivered to the State, to the effect that the exclusion from gross income for federal income tax purposes of interest on the Notes will not be adversely affected.

"Preliminary Expenditures" means architectural, engineering, surveying, soil testing, costs of issuing the Notes, and similar costs paid with respect to the Projects in an aggregate amount not exceeding $2,885,628.00 (i.e., no more than 20% of the issue price of the Notes). However, Preliminary Expenditures do not include land acquisition, site preparation or similar costs incident to the commencement of construction.

"Rebate Requirement" means the amount of rebatable arbitrage computed as of the last day of any Bond Year pursuant to Section 1.148-3 of the Treasury Regulations.

"Sale Proceeds" means the amount of $14,428,140.00, comprising the aggregate stated principal amount of the Notes ($14,325,000.00), plus aggregate original issue premium thereon in the amount of $103,140.00.

"Tax Certificate" means the Tax Certificate to which this Appendix A is attached.

"Tax-Exempt Bond" means any obligation the interest on which is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, other than a "specified private activity bond" within the meaning of Section 57(a)(5)(C) of the Code, as well as (i) stock in a "regulated investment company" (within the meaning of Section 852 of the Code) to the extent at least 95 percent of income to the stockholder is treated as interest on Tax-Exempt Bonds and (ii) any demand deposit obligation issued by the United States Department of the Treasury pursuant to Subpart C of 31 CFR Part 344.

EXHIBIT A
Projects Schedule

Purpose	Authorizing Act	Expenditure	Private Use[1] %	Private Use[1] $	Private Payment/ Security $
New Century Community Program	2005 P&S, C 462	$ 50,000	100%	$50,000	0
Wastewater construction grants; wastewater state revolving fund;	2007 PL, C 39, B	500,000	0	0	0
Building renovations and improvements at UMS, MCCS and MMA campuses; school repairs and renovations; New Century Community Program	2007 PL, C 39, C	7,125,000	8.77%	$625,000	0
State parks and historic sites; working waterfront preservation; land conservation, water access, outdoor recreation, wildlife and fish habitat, farmland preservation	2007 PL, C 39, E	3,697,000	0	0	0
Hatchery rehabilitation; Small Community Grant Program; hazardous waste; ferries and ports	2007 PL, C 39, G	1,350,000	70.37%	$950,000	0
Wastewater state revolving fund	2007 PL, C 673	1,700,000	0	0	0
TOTALS		**$14,422,000**	**11.27%**	**$1,625,000**	**$0**

[1] All Project components used in the trades or businesses of Nongovernmental Persons will be so used pursuant to grant arrangements, as reflected in Section 2.3 of the Tax Certificate, and, accordingly, no private payments or security will arise with respect to such uses.

EXHIBIT B

CERTIFICATE OF THE PURCHASER

Goldman, Sachs & Co. (the "Purchaser") has purchased the $14,325,000 aggregate stated principal amount of the General Obligation Bond Anticipation Notes (the "Notes"), being issued on the date hereof by the State of Maine (the "State"). The undersigned hereby certifies and represents the following with respect to the Notes. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Tax Certificate to which these certifications are attached as an exhibit.

A. **Issue Price.**

1. As of October 22, 2009 (the "Sale Date"), the Purchaser had offered or reasonably expected to offer all of the Notes to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of purchasers or wholesalers) in a bona fide public offering at a price equal to 100.720% of the stated principal amount thereof.

2. Such price represents the fair market price of the Notes as of the Sale Date.

3. As of the date of this certificate, all of the Notes have been offered to the general public in a bona fide offering at such price, and at least 10% of the Notes actually has been sold to the general public at such price.

Dated: October 29, 2009

GOLDMAN, SACHS & CO.

By ______________________________

EDWARDS ANGELL PALMER & DODGE LLP

111 Huntington Avenue Boston, MA 02199 617.239.0100 fax 617.227.4420 eapdlaw.com

Rita R. Paul
617.239.0688
fax 617.227.4420
rrpaul@eapdlaw.com

October 29, 2009

Certified Article Number
7160 3901 9844 1228 1466
SENDERS RECORD

BY CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Internal Revenue Service Center
Ogden Submission Processing Center
Ogden, UT 84201

Re: $14,325,000 State of Maine General Obligation Bond Anticipation Notes

Enclosed is an Information Return for Tax-Exempt Governmental Obligations (Form 8038-G) to be filed in connection with above-captioned transaction, which closed on October 29, 2009.

Sincerely,

Rita R. Paul
Paralegal

Enclosure

BOS111 12429718.1

Form **8038-G**

(Rev. November 2000)

Department of the Treasury Internal Revenue Service

Information Return for Tax-Exempt Governmental Obligations

▶ Under Internal Revenue Code section 149(e)

▶ See separate instructions.

Caution: *If the issue price is under $100,000, use Form 8038-GC.*

OMB No. 1545-0720

Part I Reporting Authority

If Amended Return, check here ▶ ☐

1 Issuer's name: State of Maine	2 Issuer's employer identification number: 01-6000001
3 Number and street (or P.O. box if mail is not delivered to street address): Treasury Department, 39 State House Station	Room/suite: — / 4 Report number: 3 3
5 City, town, or post office, state, and ZIP code: Augusta, Maine 04333	6 Date of issue: October 29, 2009
7 Name of issue: General Obligation Bond Anticipation Notes	8 CUSIP number: 56052AVX1
9 Name and title of officer or legal representative whom the IRS may call for more information: Barbara M. Raths, Deputy Treasurer	10 Telephone number of officer or legal representative: (207) 624-7477

Part II Type of Issue (check applicable box(es) and enter the issue price) See instructions and attach schedule

11	☐ Education	11	
12	☐ Health and hospital	12	
13	☐ Transportation	13	
14	☐ Public safety	14	
15	☐ Environment (including sewage bonds)	15	
16	☐ Housing	16	
17	☐ Utilities	17	
18	☒ Other. Describe ▶ Various Capital Projects	18	14,428,140
19	If obligations are TANs or RANs, check box ▶ ☐ If obligations are BANs, check box ▶ ☒		
20	If obligations are in the form of a lease or installment sale, check box ▶ ☐		

Part III Description of Obligations. (Complete for the entire issue for which this form is being filed.)

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	June 15, 2010	$ 14,428,140	$ 14,325,000	0.6278 years	0.350495 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22	Proceeds used for accrued interest			22	0
23	Issue price of entire issue (enter amount from line 21, column (b))			23	14,428,140
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	1,862		
25	Proceeds used for credit enhancement	25	0		
26	Proceeds allocated to reasonably required reserve or replacement fund	26	0		
27	Proceeds used to currently refund prior issues	27	0		
28	Proceeds used to advance refund prior issues	28	0		
29	Total (add lines 24 through 28)			29	1,862
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)			30	14,426,278

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)

31 Enter the remaining weighted average maturity of the bonds to be currently refunded ▶ n/a years

32 Enter the remaining weighted average maturity of the bonds to be advance refunded ▶ n/a years

33 Enter the last date on which the refunded bonds will be called ▶

34 Enter the date(s) the refunded bonds were issued ▶

Part VI Miscellaneous

35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35	0
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a	0
b	Enter the final maturity date of the guaranteed investment contract ▶		
37	Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units	37a	0

b If this issue is a loan made from the proceeds of another tax-exempt issue, check box ▶ ☐ and enter the name of the issuer ▶ ______ and the date of the issue ▶ ______

38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box ▶ ☐

39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box ▶ ☐

40 If the issuer has identified a hedge, check box ▶ ☐

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Signature of issuer's authorized representative: [signature] | Date: 10/29/2009 | Type or print name and title: Barbara M. Raths, Deputy Treasurer

THE WALZ CERTIFIED MAILER™ FROM **WALZ**™

FORM #35663 VERSION: 8/02
U.S. PAT. NOS. 5,501,393; 4,368,903

Internal Revenue Service Center
Ogden Submission Processing Center
Ogden, UT 84201

Label #1

Edwards Angell Palmer & Dodge LLP
111 Huntington Avenue
Boston, MA 02199

Label #2

Rita R. Paul/01545 –240138-0001

Label #3

FOLD AND TEAR THIS WAY ⟶ OPTIONAL

TEAR ALONG THIS LINE

7160 3901 9844 1228 1466

TO: Internal Revenue Service Center
Ogden Submission Processing Center
Ogden, UT 84201

SENDER: Rita R. Paul/01545

REFERENCE:

PS Form 3800, June 2000

RETURN RECEIPT SERVICE		
	Postage	
	Certified Fee	
	Return Receipt Fee	
	Restricted Delivery	
	Total Postage & Fees	0.00

US Postal Service
Receipt for Certified Mail
No Insurance Coverage Provided
Do Not Use for International Mail

POSTMARK OR DATE

Label #5

Certified Article Number
7160 3901 9844 1228 1466
SENDERS RECORD

Internal Revenue Service Center
Ogden Submission Processing Center
Ogden, UT 84201

Charge Amount:

Charge To: 240138-0001

FOLD AND TEAR THIS WAY ⟶

Label #6

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF RETURN ADDRESS. FOLD AT DOTTED LINE

CERTIFIED MAIL

7160 3901 9844 1228 1466

RETURN RECEIPT REQUESTED

Thank you for using Return Receipt Service

RETURN RECEIPT REQUESTED
USPS MAIL CARRIER
DETACH ALONG PERFORATION

2. Article Number

7160 3901 9844 1228 1466

3. Service Type CERTIFIED MAIL

4. Restricted Delivery? *(Extra Fee)* ☐ Yes

1. Article Addressed to:

Internal Revenue Service Center
Ogden Submission Processing Center
Ogden, UT 84201

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)

B. Date of Delivery

C. Signature

X ☐ Agent ☐ Addressee

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

Rita R. Paul/01545

Thank you for using Return Receipt Service

WALZ Certified Mailer™ 1-800-882-3111 www.walzpostal.com

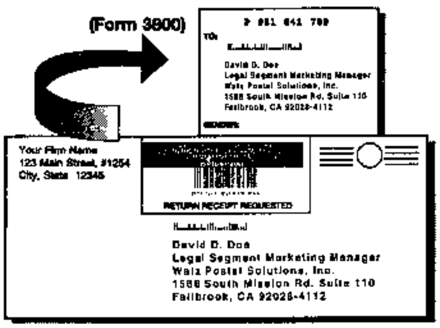
BOS11 12201221.1

AFFIX POSTAGE TO MAIL PIECE TO COVER FIRST CLASS POSTAGE, CERTIFIED FEE, RETURN RECEIPT FEE AND CHARGES FOR ANY SELECTED OPTIONAL SERVICES.

1. Detach the form 3811, Domestic return receipt by tearing left to right across perf. Attach to mailpiece by peeling back the adhesive strips and affixing to front of mailpiece if space permits. Otherwise affix to back of mailpiece.

2. If you do not want the receipt postmarked, stick the article # label to the right of the return address, date receipt and retain the receipt.

3. If you want this receipt postmarked, slip the 3800 receipt between the return receipt, and the mailpiece, and slide the edge of the receipt to the gummed edge of adhesive. This will hold the receipt in place to present to your mailcenter, or post office service window. (SEE ILLUSTRATION)



4. Enter fees for the services requested in the appropriate spaces on the front of this receipt.

5. Save this receipt and present it if you make an inquiry.

WALZ CERTIFIED MAILER™

FORM #35663
VERSION: 8/02

WALZ™

To reorder go to WALZPOSTAL.COM
or call 1-800-882-3811
or contact your WALZ™ sales representative

Use The Walz Macro Tool™ To Merge Data Into Labels

Labels #1, #2, #3: The Walz Certified Mailer™ provides 3 mailing labels tha can be used for a variety of mailing needs including: outbound addressing of a certified mailing piece, outbound addressing of simultaneous certified/ first class mailings, return addressing of remittance envelopes, return addressing of oversize envelopes or any other document that can be enhanced by affixing of a precise computer generated, laser printed address

Label #4: The Senders Record of the Certified Article Number provides a convenient and accurate record of the article number that has been assignec to the mailpiece. It can be affixed to the file copy of the outbound document, or maintained on a manifest of certified mail transactions.

Label #5: This label can either be left on the middle section for use as an automated charge back slip or peeled off the carrier and affixed in a USPS 3877 "Firm Mailing Book for Accountable Mail".

Label #6: Form 3800 Certified Sticker: Remove and place on mailpiece at the top of the envelope to the right of the return address. Fold it over the top on the dotted line. Remove "Return Receipt Requested" portion if not using Return Receipt service.

Section B Optional Uses

Department/User Chargeback: Detach Section B at perforations. Enter appropriate chargeback fee in **Charge Amount** area. Enter file, case matter, or department in **Charge To** area. Forward appropriate accounting function.

Use with USPS Firm Mailing Book (3877): Detach section B, insert between envelope and "Return Receipt", and send to your Mailcenter. Mailcenter staff places labels **#4** and **#5** in "Firm Mailing Book for Accountable Mail".

Detaching and Attaching the Green Card -- Please Read Carefully

Detaching Green Card from Form: Fold and tear horizontal perforation in direction indicated by ❶.

Attaching Green Card to Mail Piece: Expose adhesive by peeling back and tearing off liner to edge ❷.

Do not bend perforation ❷ as this may weaken the perforation causing the Green Card to separate before delivery.

❷ DO NOT BEND VERTICAL PERF ❶ FOLD THEN TEAR HORIZONTAL PERF THIS WAY DO NOT BEND VERTICAL PERF ❷

PEEL BACK TO EDGE

UNITED STATES POSTAL SERVICE

First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

PEEL BACK TO EDGE

● PRINT YOUR NAME, ADDRESS AND ZIP CODE BELOW ●

EDWARDS & ANGELL LLP
101 FEDERAL STREET
BOSTON MA 02110-1800

AttN: Rita R. Paul (240138-0001)

7160 3901 9844 1228 1466

TO: Internal Revenue Service Center
Ogden Submission Processing Center
Ogden, UT 84201

SENDER: Rita R. Paul/01545

REFERENCE:

PS Form 3800, June 2000

RETURN RECEIPT SERVICE	Postage	
	Certified Fee	
	Return Receipt Fee	
	Restricted Delivery	
	Total Postage & Fees	0.00

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided
Do Not Use for International Mail

POSTMARK OR DATE

2. Article Number

7160 3901 9844 1228 1466

3. Service Type **CERTIFIED MAIL**

4. Restricted Delivery? *(Extra Fee)* ☐ Yes

1. Article Addressed to:

Internal Revenue Service Center
Ogden Submission Processing Center
Ogden, UT 84201

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)

B. Date of Delivery

C. Signature

X ☐ Agent ☐ Addressee

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

RECEIVED
E1-255 NOV 0 5 2009 IRS-OSC
OGDEN, UT

Rita R. Paul/01545

PS Form 3811, July 2001 Domestic Return Receipt

STATE OF MAINE
2009 GENERAL OBLIGATION
BOND ANTICIPATION NOTE No. 1
CUSIP No. 56052AVX1 (TAX EXEMPT)

Principal Amount: $14,325,000 **Maturity Date: June 15, 2010**
Interest Rate: 1.50% per annum **Settlement Date: October 29, 2009**

THE STATE OF MAINE, for value received, promises to pay to Cede & Co. or registered assigns the Principal Amount on the Maturity Date stated above in lawful money of the United States of America, and to pay accrued interest (calculated on the basis of a 30-day month and a 360-day year) on such principal sum at the Interest Rate. This note will bear interest from the Settlement Date.

This Note is issued in anticipation of the issuance of bonds for the Maine State Cultural Affairs Council for the New Century Community Program, as authorized by Chapter 462, Public Laws of 2005; for the Department of Environmental Protection for wastewater construction grants, the Small Community Grant Program and hazardous waste investigation and clean-up, for the Department of Inland Fisheries and Wildlife for rehabilitation and upgrades to fish hatcheries, for the Department of Conservation for capital improvements at state parks and historic sites, for the Department of Transportation for ferry and port improvements, for the Maine Community College System for interior and exterior building renovations, improvements and additions at all campuses, for the Maine State Cultural Affairs Council for the New Century Community Program, for the State Planning Office for the acquisition of land and interest in land for conservation, water access, outdoor recreation, wildlife and fish habitats, and farm land preservation, and for working waterfront preservation, for the University of Maine System for interior and exterior building renovations, improvements and additions at all campuses, all as authorized by Chapter 39, Public Laws of 2007; for the Department of Environmental Protection for the wastewater state revolving fund, as authorized by Chapter 673, Public Laws of 2007. All acts, formalities and conditions essential to the validity hereof have been performed, complied with, and exist, and for the payment of the principal of and interest on the Note as they become due, the full faith and credit of the State of Maine is hereby pledged.

This Note is being issued by means of a book-entry system, with a note certificate immobilized at The Depository Trust Company, New York, New York ("DTC") evidencing ownership of the Note in principal amounts of $5,000 or integral multiples thereof, and with transfers of beneficial ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC. Note certificates are not available for distribution to the public. The principal of and interest on this Note are payable by the State of Maine in immediately available funds to Cede & Co., as nominee of DTC. Transfer of principal and interest payments to participants of DTC is the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The State of Maine is not responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

Unless this note certificate is presented by an authorized representative of The Depository Trust Company to the State of Maine for registration of transfer, exchange or payment, and any note certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

In the event that (a) DTC determines not to continue to act as securities depository for this Note or (b) the State of Maine determines that continuation of the book-entry system of evidence and transfer of ownership would adversely affect the interests of the beneficial owners of the Note, the State of Maine will discontinue the book-entry system with DTC and will authenticate and deliver replacement notes in the form of fully registered certificates.

In accordance with the Municipal Securities Disclosure Rule, 17 C.F.R. § 240.15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission (the "SEC"), the State hereby covenants for the benefit of the beneficial owners of this Note that the State will provide, in a timely manner to the Municipal Securities Rulemaking Board (the "MSRB"), notice of any of the following events with respect to this Note if material:

1. principal and interest payment delinquencies;
2. non payment related defaults;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions or events affecting the tax-exempt status of the Note;
7. modifications to rights of the holders (including beneficial owners) of the Note;
8. bond calls;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the Note; and
11. rating changes.

The covenants set forth herein with respect to the Rule (the "Covenants") are for the benefit of the beneficial owners of this Note and shall be enforceable by any beneficial owner. No beneficial owner may institute any suit, action or proceeding at law or in equity ("Proceeding") for the enforcement of the Covenants, unless such beneficial owner shall have filed with the Treasurer of State and the Attorney General of the State a written request to cure such breach, and the State shall have refused or failed to comply within a reasonable time. Any assertion of beneficial ownership must be included in such written request and must be supported by independent evidence or documents. All Proceedings shall be instituted only in a State court located in the City of Augusta, Maine for the equal benefit of all beneficial owners of the outstanding Note. If a court of competent jurisdiction finds that the State has breached any of the Covenants, then the sole remedy for any such breach shall be an order of specific performance of the Covenants and there shall be no right of acceleration of this Note. Moreover, Proceedings filed by beneficial owners against the State may be subject to the defense of sovereign immunity which may substantially limit the scope and nature of any legal action against the State or of any order of specific performance that may be granted against the State.

The Covenants may only be amended if:

(i) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the State, or type of business conducted; the Covenants, as amended, would have complied with the Rule as of the date hereof, after taking into account any amendments or changes in circumstances; and the amendment does not materially impair the interest of beneficial owners, as determined by parties unaffiliated with the State; or

(ii) all or any part of the Rule, as interpreted by the staff of the SEC at the date of the adoption of such Rule, ceases to be in effect for any reason, and the State elects that the Covenants shall be deemed amended accordingly.

The State further covenants that it will take all lawful action necessary to comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Notes in order that interest on the Notes be and continue to be excluded from gross income for federal income tax purposes and it will refrain from taking any action that would cause interest on the Notes to become included in gross income for federal income tax purposes.

IN WITNESS WHEREOF, the State of Maine has caused its seal to be affixed hereon, and this instrument to be signed by its State Treasurer or Deputy Treasurer, and attested by its Commissioner of Administrative and Financial Services or its State Controller, this 29th day of October, 2009.

STATE OF MAINE

SPECIMEN

Treasurer of State

ATTEST:

Commissioner of Administrative and Financial Services or State Controller

LEGAL OPINION

The following opinion is based on facts and the law existing on the date of original delivery of the Notes described therein.

EDWARDS ANGELL PALMER & DODGE LLP
111 Huntington Avenue
Boston, Massachusetts

The Honorable David G. Lemoine
Treasurer of State
The State of Maine
39 State House Station
Augusta, Maine 04333

$14,325,000
State of Maine
General Obligation Bond Anticipation Notes
Dated Date of Delivery

We have acted as bond counsel to the State of Maine in connection with the issuance by the State of Maine of the above-referenced notes (the "Notes"). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the State of Maine contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Notes are valid and binding general obligations of the State of Maine and the full faith and credit of the State of Maine are pledged for the payment of the principal of and interest on the Notes.

2. Interest on the Notes is excluded from the gross income of the owners of the Notes for federal income tax purposes. In addition, interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes and is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the State of Maine with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The State of Maine has covenanted to comply with all such requirements. Failure by the State of Maine to comply with certain of such requirements may cause interest on the

Notes to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes.

3. Interest on the Notes is excluded from gross income for State of Maine income tax purposes. We express no opinion regarding any other State of Maine tax consequences arising with respect to the Notes or any tax consequences arising with respect to the Notes under the laws of any state other than the State of Maine.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Notes and the enforceability of the Notes may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

/S/ EDWARDS ANGELL PALMER & DODGE LLP

BOS111 12425797.2

State of Maine

$14,325,000
General Obligation Bond Anticipation Notes
(the "Notes")

Certificate of Delivery and Payment

The undersigned, David G. Lemoine, Treasurer of the State of Maine, hereby certifies that, on the date hereof, the State of Maine (the "State") has caused the Notes to be delivered to or upon the order of Goldman, Sachs & Co., upon receipt of payment of the aggregate purchase price for the Notes as follows:

Par Amount	$14,325,000.00
Plus: Original Issue Premium	103,140.00
Less: Underwriter's Discount	1,862.25
Amount this day received	$14,426,277.75

David G. Lemoine
Treasurer of State
State of Maine

Dated: October 29, 2009

State of Maine

$14,325,000
General Obligation Bond Anticipation Notes
(the "Notes")

Receipt for the Notes

The undersigned, Sylvia Yeh, Vice President, of Goldman, Sachs & Co. (the "Purchaser"), acknowledges, on behalf of the Purchaser, receipt, on the date hereof, of the Notes dated as of and issued and delivered by the State of Maine on the date hereof.

GOLDMAN, SACHS & CO.

By:______________________________

Dated: October 29, 2009

EDWARDS ANGELL PALMER & DODGE LLP

111 Huntington Avenue Boston, MA 02199 617.239.0100 fax 617.227.4420 eapdlaw.com

October 29, 2009

The Honorable David G. Lemoine
Treasurer of State
The State of Maine
39 State House Station
Augusta, Maine 04333

$14,325,000
State of Maine
General Obligation Bond Anticipation Notes
Dated Date of Delivery

We have acted as bond counsel to the State of Maine in connection with the issuance by the State of Maine of the above-referenced notes (the "Notes"). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the State of Maine contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Notes are valid and binding general obligations of the State of Maine and the full faith and credit of the State of Maine are pledged for the payment of the principal of and interest on the Notes.

2. Interest on the Notes is excluded from the gross income of the owners of the Notes for federal income tax purposes. In addition, interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes and is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the State of Maine with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The State of Maine has covenanted to comply with all such requirements. Failure by the State of Maine to comply with certain of such requirements may cause interest on the Notes to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes.

3. Interest on the Notes is excluded from gross income for State of Maine income tax purposes. We express no opinion regarding any other State of Maine tax consequences arising with respect to the Notes or any tax consequences arising with respect to the Notes under the laws of any state other than the State of Maine.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Notes and the enforceability of the Notes may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Edwards Angell Palmer & Dodge LLP

EDWARDS ANGELL PALMER & DODGE LLP

BOS111 12425758.3

EDWARDS ANGELL PALMER & DODGE LLP

111 Huntington Avenue Boston, MA 02199 617.239.0100 fax 617.227.4420 eapdlaw.com

October 29, 2009

Goldman, Sachs & Co.
New York, New York 10004

Re: $14,325,000 State of Maine General Obligation Bond Anticipation Notes

Reference is made to our opinion of even date regarding the above-referenced notes, dated the date hereof, a copy of which is attached hereto. You may rely on such opinion as if it was addressed to you.

Edwards Angell Palmer & Dodge LLP

EDWARDS ANGELL PALMER & DODGE LLP

JANET T. MILLS
ATTORNEY GENERAL

TEL: (207) 626-8800
TTY: 1-888-577-6690

STATE OF MAINE
OFFICE OF THE ATTORNEY GENERAL
6 STATE HOUSE STATION
AUGUSTA, MAINE 04333-0006

REGIONAL OFFICES:
84 HARLOW ST., 2ND FLOOR
BANGOR, MAINE 04401
TEL: (207) 941-3070
FAX: (207) 941-3075

44 OAK STREET, 4TH FLOOR
PORTLAND, MAINE 04101-3014
TEL: (207) 822-0260
FAX: (207) 822-0259
TDD: (877) 428-8800

14 ACCESS HIGHWAY, STE 1
CARIBOU, MAINE 04736
TEL: (207) 496-3792
FAX: (207) 496-3291

October 29, 2009

The Honorable David G. Lemoine
Treasurer, State of Maine
39 State House Station
Augusta, Maine 04333-0039

Goldman, Sachs & Co.
New York, New York 10004

Re: **$14,325,000 State of Maine General Obligation Bond Anticipation Notes**

Ladies and Gentlemen:

We are of the opinion that there is no pending or threatened action, suit, proceeding or investigation at law or in equity (hereinafter collectively, "action") before any judicial board or body against or affecting the State of Maine (the "Issuer") and (1) seeking to restrain or enjoin the issuance or delivery of any of the above-described General Obligation Bond Anticipation Notes (the "Notes") or the application of the proceeds of the Notes as described in the Issuer's Official Statement dated October 22, 2009 (the "Official Statement"); or (2) in any way contesting or affecting any authority for the issuance or sale of the Notes or the validity of the Notes.

We are further of the opinion (3) that there is no pending or threatened action seeking to restrain or enjoin the sale of the Notes or the payment of the Notes or the levy or collection of any taxes to pay principal of or interest on the Notes, or in any way contesting the existence of the Issuer, or the title to the office of officers thereof, or affecting any powers of the Issuer under the statutes of the State of Maine and that no authority or proceedings for the issuance of the Notes has or have been repealed, revoked or rescinded; (4) that the execution and delivery by the Issuer of the Notes, and compliance with the terms and provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with any existing law, court order or consent decree to which the Issuer is subject, and such execution, delivery and compliance does not and will not constitute on the part of the Issuer a breach of or default under any agreement or other instrument to which the Issuer is a party; and (5) that all authorizations, consents, approvals and reviews required for the Issuer's execution, delivery, issuance or performance of the Notes have been obtained or effected.

Based on consultations with certain officers of the Issuer, there is no litigation of any nature now pending or threatened by or against the Issuer wherein an adverse judgment or ruling could have a material adverse effect on the financial condition of the Issuer or adversely affect the power of the Issuer to levy, collect or enforce the collection of taxes or other revenues for the payment of its Notes which has not been disclosed in the Official Statement.

We have participated in the preparation of the Official Statement and based upon that participation, we are of the opinion that the statements contained in the Official Statement under the heading entitled "Litigation" are correct in all material respects.

Based upon our participation in the preparation of the Official Statement and without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, we have no reason to believe that, as of the date of the Official Statement and as of the date hereof, the Official Statement[1] contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

William H. Laubenstein III
Assistant Attorney General

BOS111 12425779.3

[1] We express no opinion, however, with regard to the information concerning The Depository Trust Company and its nominee, Cede & Co., and the information contained in Appendices C, D (except for certain laws referred to in Appendix D) and I, and any financial and statistical data included in the Official Statement.

Moody's Investors Service

7 World Trade Center at 250 Greenwich Street
New York, New York 10007

October 21, 2009

Ms. Barbara Raths
Assistant State Treasurer
Maine (State of)
Burton M. Cross Building
111 Sewall Street
3rd Floor
August, MA 04333-0039

Dear Ms. Raths,

We wish to inform you that on October 20, 2009, Moody's Investors Service assigned a rating of MIG 1 to the State of Maine's General Obligation Bond Anticipation Notes.

In order for us to maintain the currency of our ratings, we request that you provide ongoing disclosure, including annual financial and statistical information.

Moody's will monitor this rating and reserves the right, at its sole discretion, to revise or withdraw this rating at any time in the future.

The rating, as well as any revisions or withdrawals thereof, will be publicly disseminated by Moody's through normal print and electronic media and in response to verbal requests to Moody's ratings desk.

Should you have any questions regarding the above, please do not hesitate to contact me or the analyst assigned to this transaction, Nicole Johnson, at 212-553-4573.

Sincerely,

Edith F. Behr
Vice President/Senior Credit Officer

Blanket Issuer Letter of Representations

[To be Completed by Issuer]

THE STATE OF MAINE
[Name of Issuer]

February 15, 1995
[Date]

Attention: Underwriting Department — Eligibility
The Depository Trust Company
55 Water Street, 50th Floor
New York, NY 10041-0099

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request be made eligible for deposit by The Depository Trust Company ("DTC").

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that Issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

Note:
Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Very truly yours,

THE STATE OF MAINE
[Issuer]

By: Samuel Shapiro
[Authorized Officer's Signature]

Samuel Shapiro / State Treas.
Capitol St. St. Office Bldg.
Augusta, Maine 04333
207-287-2771

Received and Accepted:

THE DEPOSITORY TRUST COMPANY

By: James McGreevy

The PFM Group

99 Summer Street
Suite 1020
Boston, MA
02110-1240

617 330-6914
617 951-2361 fax
www.pfm.com

$14,325,000
State of Maine
General Obligation Bond Anticipation Notes

The closing of the State of Maine General Obligation Bond Anticipation Notes will occur on October 29, 2009. See the chart below for settlement information:

Settlement Information

The purchase price for the Bonds is determined as follows:

Par Amount of Bonds:	$ 14,325,000.00
Plus: Original Issue Premium:	103,140.00
Less: Underwriter's Discount:	1,862.25
Purchase Price:	$ 14,426,277.75

Wiring Instructions

On October 29th, Goldman Sachs will wire $14,426,277.75, representing par plus premium, less Underwriter's Discount, to TD Banknorth for the benefit of the State of Maine:

Amount:	$14,426,277.75
To:	TD Banknorth
ABA #:	211274450
AC:	7999060327
Acct Name:	Treasurer, State of Maine
Ref:	General Obligation BANs
Contact:	Connie Brennan
Phone:	(207) 831-6450 (mobile)
Email:	Constance.Brennan@TDBanknorth.com

Silvia Yeh, (212) 902-6636, will act as Goldman's contact for the above wire.

The State will allocate $14,422,000 to be deposited into the Project Fund and $4,277.75 towards the payment of interest accruing on the Notes within six months after October 29, 2009.

If there are questions regarding the above, please call Jeremy Bass or David Orise of Public Financial Management, Inc. at (617) 330-6914.

cc: David Lemoine and Barbara Raths, *State of Maine*
Walter St. Onge and Isaac Fine, *Edwards Angell Palmer & Dodge LLP*
Jeremy Bass & David Orise, *Public Financial Management, Inc.*
Silvia Yeh, *Goldman Sachs*
Connie Brennan, *TD Banknorth*