SUPPLEMENT
DATED JUNE 17, 2015

to

OFFICIAL STATEMENT
DATED JUNE 9, 2015

RELATING TO

$102,555,000
STATE OF MAINE
GENERAL OBLIGATION BONDS
Consisting of
$14,200,000 2015 Series A (Federally Taxable)
and
$88,355,000 2015 Series B

The State of Maine Official Statement dated June 9, 2015 (the "Official Statement") with respect to the above-captioned bonds (collectively, the "Bonds") is hereby revised and supplemented as follows:

Paragraph A of Appendix H of the Official Statement is hereby restated to read as follows (with strikethrough text being deleted from the original and underlined text being inserted):

"A. Within one year after the end of each fiscal year of the State, the State will provide to the Municipal Securities Rulemaking Board (the "MSRB") financial information and operating data, for the prior fiscal year, of the type set forth in Appendices A through F ~~B, D and E~~ of this Official Statement;"

This Supplement does not constitute an offer to sell or the solicitation of an offer to buy the Bonds.

THE STATE OF MAINE

Dated: June 17, 2015

New Issue

This Official Statement provides information about the Bonds. Some of the information appears on this cover page for ready reference. A prospective investor should read the entire Official Statement to make an informed investment decision.

$102,555,000
STATE OF MAINE
GENERAL OBLIGATION BONDS

Consisting of

$14,200,000 2015 Series A
(Federally Taxable)
and
$88,355,000 2015 Series B

Dated: Date of Delivery **Due: as shown on the inside cover**

Bond Ratings Moody's Investors Service, Inc. See "RATINGS" herein.
Standard & Poor's Ratings Services. See "RATINGS" herein.

Interest Payment Dates June 1 and December 1, commencing December 1, 2015.

Redemption The Bonds are not subject to redemption prior to maturity.

Source of Payment The Bonds will be general obligations of the State of Maine ("the State") and the full faith and credit of the State are pledged to the punctual payment of principal of and interest on the Bonds, with the State Treasurer being obligated under the Maine Constitution to set aside available General Fund revenues to the extent needed to make said payments if legislative appropriations are insufficient, as more fully described herein. See "DESCRIPTION OF THE BONDS" herein.

Tax Matters In the opinion of Locke Lord LLP, Bond Counsel to the State, interest on the Series B Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended. Interest on the Series B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the Series A Bonds is included in the gross income of the owners of the Series A Bonds for federal income tax purposes. Under existing law, interest on the Bonds 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 Bonds. See "TAX MATTERS" herein.

Purpose The Bonds are being issued to pay at maturity on June 30, 2015 the principal amount of certain bond anticipation notes issued by the State to finance certain capital expenditures of the State and to finance certain additional capital expenditures of the State. See "DESCRIPTION OF THE BONDS" herein.

Initial Denominations Multiples of $5,000.

Closing June 25, 2015.

Global Book-Entry System The Bonds, 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 Bonds. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased.

Bond Counsel Locke Lord LLP. See "TAX MATTERS" herein.

Financial Advisor First Southwest Company, LLC. See "FINANCIAL ADVISOR" herein.

Issuer Contact Terry Hayes, Treasurer of State. See "MISCELLANEOUS" herein.

Official Statement dated June 9, 2015

MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS

$102,555,000
State of Maine
General Obligation Bonds

$14,200,000
General Obligation Bonds, 2015 Series A
(Federally Taxable)

Maturity (June 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP[†] No.
2016	$10,260,000	1.25%	0.35%	56052AYC4
2017	3,940,000	0.85	0.85	56052AYD2

$88,355,000
General Obligation Bonds, 2015 Series B

Maturity (June 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP[†] No.
2017	$ 6,315,000	5.00%	0.69%	56052AYE0
2018	10,255,000	5.00	1.10	56052AYF7
2019	10,255,000	5.00	1.36	56052AYG5
2020	10,255,000	5.00	1.60	56052AYH3
2021	10,255,000	5.00	1.87	56052AYJ9
2022	10,255,000	5.00	2.05	56052AYK6
2023	10,255,000	5.00	2.18	56052AYL4
2024	10,255,000	3.00	2.36	56052AYM2
2025	10,255,000	3.00	2.47	56052AYN0

No dealer, broker, salesperson or other person has been authorized by the State to give any information or to make any representation, other than those contained in this Official Statement. If given or made, such other information or representation must not be relied upon as having been authorized by the State. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstance create any implication that there has been no change in the affairs of the State since the date hereof.

[†] Copyright, American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the State or the Financial Advisor and are included solely for the convenience of the holders of the Bonds. The State is not responsible for the selection or uses of the CUSIP numbers and no representation is made as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to change after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that may be applicable to all or a portion of certain maturities of the Bonds.

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$102,555,000
STATE OF MAINE
GENERAL OBLIGATION BONDS
Consisting of
$14,200,000 2015 Series A
(Federally Taxable)
and
$88,355,000 2015 Series B

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 $14,200,000 General Obligation Bonds, 2015 Series A (Federally Taxable) (the "Series A Bonds") and its $88,355,000 General Obligation Bonds, 2015 Series B (the "Series B Bonds" and, together with the Series A Bonds, the "Bonds"). The Bonds 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 Bonds will be general obligations of the State.

DESCRIPTION OF THE BONDS

The Bonds will bear interest from the date of their delivery payable semiannually on June 1 and December 1 of each year, commencing December 1, 2015, until payment of the principal of the Bonds. Interest on the Bonds will be paid on the interest payment dates, and principal of the Bonds will be paid at maturity, to The Depository Trust Company, New York, New York ("DTC") or its nominee as registered owner of the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, disbursement of such payments to DTC is the responsibility of the State, disbursement of such payments to the Direct Participants (as defined under the heading "The Depository Trust Company" below) is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (as defined under the heading "The Depository Trust Company" below) is the responsibility of the Direct Participants or Indirect Participants (as defined under the heading "The Depository Trust Company" below) as more fully described herein. See "The Depository Trust Company" below. The Bonds will bear interest at the rates and will mature on the dates and in the amounts set forth on the inside cover page hereof. Interest on the Bonds will be computed on the basis of a 30-day month and a 360-day year.

The Bonds are not subject to redemption prior to maturity.

The Bonds 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 Bonds. 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 all bonded debt (including the Bonds), 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 Bonds as such principal and interest become due.

The Bonds are being issued (i) to pay the principal of the State's $38,150,000 General Obligation Bond Anticipation Notes which were issued to finance certain capital expenditures of the State and (ii) to finance certain additional capital expenditures of the State. See Appendix D hereto.

INFORMATION CONCERNING THE STATE

Certain information regarding the State is included in Appendix A hereto. The State's audited financial statements for the fiscal year ended June 30, 2014 and certain other selected financial information pertaining to the State are included in Appendix B 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. Certain information derived from actuarial valuation reports for the retirement programs administered by the Maine Public Employee Retirement System is included in Appendix E hereto. Selected economic information pertaining to the State is included in Appendix F 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 Bonds, or in any way contesting or affecting the validity of the Bonds, or any law or other authorization with respect to the issuance or sale of the Bonds, or the payment of the Bonds, 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 Bonds. See "Litigation" in Appendix A hereto.

TAX MATTERS

Series B Bonds – Tax Exempt Bonds

In the opinion of Locke Lord LLP, Bond Counsel to the State ("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 Series B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Series B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Series B Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series B Bonds. Failure to comply with these requirements may result in interest on the Series B Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the

Series B Bonds. The State has covenanted to comply with such requirements to ensure that interest on the Series B Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Series B Bonds is excluded from gross income for Maine income tax purposes. Bond Counsel expresses no opinion regarding any other Maine tax consequences arising with respect to the Series B Bonds. Bond Counsel also has not opined as to the taxability of the Series B Bonds or the income therefrom under the laws of any state other than Maine. A complete copy of the proposed form of opinion of Bond Counsel with respect to the Series B Bonds is set forth in Appendix G hereto.

To the extent the issue price of any maturity of the Series B Bonds is less than the amount to be paid at maturity of such Series B Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series B Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series B Bonds 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 Series B Bonds is the first price at which a substantial amount of such maturity of the Series B Bonds 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 Series B Bonds accrues daily over the term to maturity of such Series B Bonds 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 Series B Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series B Bonds. Beneficial Owners of the Series B Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series B Bonds with original issue discount, including the treatment of purchasers who do not purchase such Series B Bonds in the original offering to the public at the first price at which a substantial amount of such Series B Bonds is sold to the public.

Series B Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Series B Bonds, or, in some cases, at the earlier redemption date of such Series B Bonds ("Premium Bonds"), will be treated as having amortizable bond premium for federal income tax purposes and for Maine personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Beneficial Owner's basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds 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 Series B Bonds may adversely affect the value of, or the tax status of interest on, the Series B Bonds.

Prospective Beneficial Owners should be aware that from time to time legislation is or may be proposed which, if enacted into law, could result in interest on the Series B Bonds being subject directly or indirectly to federal income taxation, or otherwise prevent Beneficial Owners from realizing the full benefit provided under current federal tax law of the exclusion of interest on the Series B Bonds from gross income. To date, no such legislation has been enacted into law. However, it is not possible to predict whether any such legislation will be enacted into law. Further, no assurance can be given that any 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 market value and marketability of, or the tax status of interest on, the Series B Bonds. Prospective Beneficial Owners are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

Although Bond Counsel is of the opinion that interest on the Series B Bonds is excluded from gross income for federal income tax purposes and for Maine personal income taxes purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series B Bonds may otherwise affect a Beneficial Owner's federal or state tax liability. The nature and extent of all such other tax consequences will depend upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income, deduction or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Beneficial Owners should consult with their own tax advisors with respect to such consequences.

Series A Bonds – Federally Taxable Bonds

In the opinion of Bond Counsel, under existing law, interest on the Series A Bonds is included in gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other federal tax law consequences related to the ownership or disposition of, or accrual or receipt of interest on, the Series A Bonds.

Bond Counsel is also of the opinion that, under existing law, interest on the Series A Bonds is excluded from gross income for Maine income tax purposes. Bond Counsel expresses no opinion regarding any other Maine tax consequences arising with respect to the Series A Bonds. Bond Counsel also has not opined as to the taxability of the Series A Bonds or the income therefrom under the laws of any state other than Maine. A complete copy of the proposed form of opinion of Bond Counsel with respect to the Series A Bonds is set forth in Appendix G hereto.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to Beneficial Owners of the Series A Bonds that acquire their Series A Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not address all U.S. federal income tax consequences applicable to any given investor, nor does it address the U.S. federal income tax considerations applicable to investors who may be subject to special taxing rules (regardless of whether or not such persons constitute U.S. Holders), such as certain U.S. expatriates, banks, real estate investment trusts, regulated investment companies, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors who hold their Series A Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, the following discussion does not address (i) alternative minimum tax consequences or (ii) the indirect effects on persons who hold equity interests in a Beneficial Owner of Series A Bonds. In addition, this summary generally is limited to investors who become Beneficial Owners of Series A Bonds pursuant to the initial offering for the issue price that is applicable to such Series A Bonds (i.e., the price at which a substantial amount of such Series A Bonds is first sold to the public) and who will hold their Series A Bonds as "capital assets" within the meaning of the Code.

As used herein, "U.S. Holder" means a Beneficial Owner of a Series A Bond who for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any State thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust with respect to which a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a Beneficial Owner of a Series A Bond (other than a partnership) who is not a U.S. Holder. If an entity classified as a partnership for U.S. federal income tax purposes is a Beneficial Owner of Series A Bonds, the tax treatment of a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partners in such partnerships should consult their own tax advisors regarding the tax consequences of an investment in the Series A Bonds (including their status as U.S. Holders or Non-U.S. Holders).

U.S. Holders

Interest. Stated interest on the Series A Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

"Original issue discount" will arise for U.S. federal income tax purposes in respect of any Series A Bond if its stated redemption price at maturity exceeds its issue price by more than a de minimis amount (as determined for tax purposes). For any Series A Bonds issued with original issue discount, the excess of the stated redemption price at maturity of that Series A Bond over its issue price will constitute original issue discount for U.S. federal income tax purposes. The stated redemption price at maturity of a Series A Bond is the sum of all scheduled amounts payable on such Series A Bond other than qualified stated interest. U.S. Holders of Series A Bonds generally will be required to include any original issue discount in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders of Series A Bonds issued with original issue discount generally will be required to include in income increasingly greater amounts of original issue discount in successive accrual periods.

“Premium” generally will arise for U.S. federal income tax purposes in respect of any Series A Bond to the extent its issue price exceeds its stated principal amount. A U.S. Holder of a Series A Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Series A Bond.

Disposition of the Series A Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the State), reissuance or other disposition of a Series A Bond will be a taxable event for U.S. federal income tax purposes. In such event, a U.S. Holder of a Series A Bond generally will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Series A Bond which will be taxed in the manner described above under “Interest”) and (ii) the U.S. Holder’s adjusted tax basis in the Series A Bond (generally, the purchase price paid by the U.S. Holder for the Series A Bond, increased by the amount of any original issue discount previously included in income by such U.S. Holder with respect to such Series A Bond and decreased by any payments previously made on such Series A Bond, other than payments of qualified stated interest, or decreased by any amortized premium). Any such gain or loss generally will be capital gain or loss. Defeasance or material modification of the terms of any Series A Bond may result in a deemed reissuance thereof, in which event a Beneficial Owner of the defeased Series A Bonds generally will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the Beneficial Owner’s adjusted tax basis in the Series A Bond.

In the case of a non-corporate U.S. Holder of the Series A Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain may be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. Holder’s holding period for the Series A Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Medicare Tax on Unearned Income. The Health Care and Education Reconciliation Act of 2010 (P.L. 111-152) requires certain U.S. Holders that are individuals, estates or trusts to pay an additional 3.8% tax on, among other things, interest and gains from the sale or other disposition of the Series A Bonds for taxable years beginning after December 31, 2012. U.S. Holders that are individuals, estates or trusts should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of the Series A Bonds.

Non-U.S. Holders

The following discussion applies only to non-U.S. Holders. This discussion does not address all aspects of U.S. federal income taxation that may be relevant to non-U.S. Holders in light of their particular circumstances. For example, special rules may apply to a non-U.S. Holder that is a “controlled foreign corporation” or a “passive foreign investment company,” and, accordingly, non-U.S. Holders should consult their own tax advisors to determine the United States federal, state, local and other tax consequences of holding the Series A Bonds that may be relevant to them.

Interest. Subject to the discussion below under the heading “Information Reporting and Backup Withholding,” payments of principal of, and interest on, any Series A Bond to a Non-

U.S. Holder, other than a bank which acquires such Series A Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, generally will not be subject to any U.S. withholding tax provided that the Beneficial Owner of the Series A Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Disposition of the Series A Bonds. Subject to the discussion below under the heading "Information Reporting and Backup Withholding," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the State), reissuance or other disposition of a Series A Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the State), reissuance or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A Series A Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that at the time of such individual's death, payments of interest with respect to such Series A Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding—U.S. Holders and non-U.S. Holders

Interest on, and proceeds received from the sale of, a Series A Bond generally will be reported to U.S. Holders, other than certain exempt recipients, such as corporations, on IRS Form 1099. In addition, a backup withholding tax may apply to payments with respect to the Series A Bonds if the U.S. Holder fails to furnish the payor with a correct taxpayer identification number or other required certification or fails to report interest or dividends required to be shown on the U.S. Holder's federal income tax returns.

In general, a non-U.S. Holder will not be subject to backup withholding with respect to interest payments on the Series A Bonds if such non-U.S. Holder has certified to the payor under penalties of perjury (i) the name and address of such non-U.S. Holder and (ii) that such non-U.S. Holder is not a United States person, or, in the case of an individual, that such non-U.S. Holder is neither a citizen nor a resident of the United States, and the payor does not know or have reason to know that such certifications are false. However, information reporting on IRS Form 1042-S may still apply to interest payments on the Series A Bonds made to non-U.S. Holders not subject to backup withholding. In addition, a non-U.S. Holder will not be subject to backup withholding with respect to the proceeds of the sale of a Series A Bond made within the United States or conducted through certain U.S. financial intermediaries if the payor receives the certifications described above and the payor does not know or have reason to know that such certifications are false, or if the non-U.S. Holder otherwise establishes an exemption. Non-U.S. Holders should consult their own tax advisors regarding the application of information reporting and backup withholding in their particular circumstances, the availability of exemptions and the procedure for obtaining such exemptions, if available.

Backup withholding is not an additional tax, and amounts withheld as backup withholding are allowed as a refund or credit against a holder's federal income tax liability, provided that the required information as to withholding is furnished to the IRS.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal income taxation that may be relevant to a particular Beneficial Owner of Series A Bonds in light of the Beneficial Owner's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Series A Bonds, including the application and effect of state, local, foreign and other tax laws.

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

Absence of Litigation

Upon delivery of the Bonds, the State will furnish an opinion of the Department of the Attorney General, dated the date of delivery of the Bonds, to the effect that there is no litigation of any nature pending or threatened to restrain or enjoin the issuance or delivery of the Bonds or in any way contesting or affecting the validity of the Bonds 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 Bonds. 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 Bonds which has not been disclosed in this Official Statement.

Treasurer's Certificate

Upon delivery of the Bonds, the State will furnish a certificate of the Treasurer of State, dated the date of delivery of the Bonds, to the effect that to the best of her 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 Opinions

The opinions of Locke Lord LLP with respect to the validity and tax status of the Bonds will be delivered at the time of delivery of the Bonds in substantially the forms set forth in Appendix G to this Official Statement.

Except as to matters expressly set forth in their opinion, the scope of engagement of Bond Counsel does not extend to passing upon or assuming responsibility for the accuracy or adequacy of any statement made in this Official Statement, and they make no representation that they have independently verified the same other than matters expressly set forth as their opinion.

Secondary Market Disclosure

In connection with the issuance of the Bonds, the State will undertake in the Bonds to provide annual financial information and 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 undertakings of the State are summarized in Appendix H hereto.

The following information describes the instances in the previous five years of non-compliance known to the State with the terms of certain of its previous undertakings entered into pursuant to the Rule.

The State has provided continuing disclosure undertakings with respect to its general obligation bonds issued from time to time and with respect to certain bonds issued from time to time by the Maine Governmental Facilities Authority ("MGFA") and agreed therein to provide audited financial statements and annual financial information and operating data within one year after the June 30 end of each of its fiscal years. In order to fulfill such continuing disclosure undertakings, it has been the State's practice to post its official statements with respect to such bonds on EMMA and to associate such official statements with CUSIP numbers to which such continuing disclosure undertakings apply. On June 5, 2012, the State's official statement dated May 31, 2012, which included annual financial information and operating data for the fiscal year ended June 30, 2011 ("FY2011 Annual Financial Information"), was posted on EMMA. However, that filing did not specifically associate such official statement with CUSIP numbers to which continuing disclosure undertakings apply. On August 16, 2013 a corrective filing was made with respect to the FY 2011 Annual Financial Information. In addition, the State has determined that while its annual financial information and audited financial statements were filed with EMMA in a timely manner each year, such filings did not specifically associate such filings with the MGFA bonds CUSIP numbers to which its continuing disclosure undertakings apply. On August 19, 2013, the State made a corrective filing with respect to its annual financial information and audited financial statements for the years ended June 30, 2008 through 2012. On June 18, 2014, the State's official statement dated June 12, 2014, which included annual financial information and operating data for the fiscal year ended June 30, 2013 ("FY2013 Annual Financial Information"), was posted on EMMA. However, that filing did not specifically associate such official statement with CUSIP numbers to which the State's continuing disclosure undertakings apply. On July 14, 2014, a corrective filing was posted on EMMA with respect to the FY2013 Annual Financial Information.

As described above, the Maine Municipal Bond Bank (the "Bank") has issued its Grant Anticipation Bonds (Maine Department of Transportation) (the "GARVEE Bonds") and, in connection with such bonds, entered into substantially similar continuing disclosure agreements with the trustee for such bonds and the State, acting by and through the Treasurer of State and MaineDOT. In or about July, 2012, it was determined that MaineDOT had not complied in a timely fashion with its continuing disclosure undertaking to post on EMMA within three months after the end of each federal fiscal year annual financial information and operating data with respect to federal highway apportionments, obligation authority and reimbursement receipts available for GARVEE Bond payments. Such information for the federal fiscal years ended September 30, 2011 and 2012 was filed on EMMA on July 9, 2012 and January 8, 2013, respectively.

The Bank has issued its Transportation Infrastructure Revenue Bonds (the "TransCap Bonds"), Series 2008A, Series 2009A, Series 2009B and Series 2011A and, in connection with such bonds, entered into substantially similar continuing disclosure agreements with the trustee for such bonds and MaineDOT. Before the issuance of the TransCap Bonds, Series 2011A, it was determined that MaineDOT had not complied in a timely fashion with its continuing disclosure agreements pertaining to the TransCap Bonds with respect to certain annual financial information. On November 3, 2011, MaineDOT made filings that fulfilled all previously unmet continuing disclosure undertakings related to such TransCap Bonds and MaineDOT advised the Bank that it had implemented procedures that MaineDOT believed to be adequate to assure timely filing of information sufficient to comply with its continuing disclosure undertakings with respect to the TransCap Bonds. With respect to the December 30, 2012 filing deadline, certain financial information was filed on EMMA April 1, 2013. Audited financial statements of the State required to be filed by June 30 of each fiscal year for each fiscal year ended the prior June 30, were filed with EMMA in a timely manner; however, certain filings did not specifically associate such filings with TransCap Bonds CUSIP numbers to which continuing disclosure undertakings apply. On August 16, 2013, the State made a corrective filing with respect to those financial statements for the years ended June 30, 2009 through 2012.

THE DEPOSITORY TRUST COMPANY

DTC will act as securities depository for the Bonds. The Bonds 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 Series A Bond certificate will be issued in the aggregate principal amount of each maturity thereof and will be deposited with DTC. One fully-registered Series B Bond 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 a Standard & Poor's rating of

AA+. 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions and defaults. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds 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 Bonds 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 Bonds are credited on the record date (identified in a listing attached to the omnibus proxy).

Principal and interest on the Bonds 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 Bonds at any time by giving reasonable notice to the State. Under such circumstances, in the event that a successor securities depository is not obtained, Bond 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, Bond 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 BONDS. 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 BONDS, 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 BONDS, REFERENCES HEREIN TO THE OWNERS OR HOLDERS OF THE BONDS 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 BONDS, ANY REQUIREMENTS OF NOTICE TO HOLDERS OF THE BONDS AND ANY RIGHTS OF CONSENT OF THE HOLDERS OF THE BONDS SHALL APPLY TO CEDE & CO., AS HOLDER OF THE BONDS, AND NO REPRESENTATIONS ARE MADE IN RESPECT OF THE FOREGOING TO THE BENEFICIAL OWNERS OF THE BONDS.

RATINGS

Moody’s Investors Service, Inc. and Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., have assigned their municipal bond ratings of “Aa2” with a “Stable” outlook and “AA” with a “Stable” outlook, respectively, to the Bonds. The State has furnished such rating agencies with certain information and materials concerning the Bonds and the State, some of which is not included in this Official Statement. Generally, each such rating agency bases its ratings on such information and materials and also on such investigations, studies and assumptions as each may undertake or establish independently.

The ratings are not a recommendation to buy, sell or hold the Bonds and each such rating should be evaluated independently and should not be relied on in making any investment decision. Such ratings reflect only the respective views of each rating agency, and an explanation of the significance of such ratings may be obtained from the rating agency furnishing the same. There is no assurance that a rating will continue for any given period of time or that a rating will not be revised or withdrawn entirely by any or all of such rating agencies if, in its or their judgment, circumstances so warrant. Any downward revision or withdrawal of a rating could have an adverse effect on the market prices of the Bonds.

COMPETITIVE SALE OF BONDS

The Bonds were offered for sale at competitive bidding on June 9, 2015, in accordance with the Amended and Restated Notice of Sale dated June 8, 2015 (attached as Appendix I). Morgan Stanley & Co. LLC (the "Series A Purchaser") was the successful bidder for the Series A Bonds. Information provided by the Series A Purchaser regarding the interest rates and reoffering yields of the Bonds is set forth on the inside cover of this Official Statement. The Series A Bonds are being purchased from the State by the Series A Purchaser at an aggregate price of $14,264,963.13, reflecting the principal amount of $14,200,000, plus aggregate original issue premium of $85,876.20, less underwriter's discount of $20,913.07. Barclays Capital Inc. (the "Series B Purchaser") was the successful bidder for the Series B Bonds. Information provided by the Series B Purchaser regarding the interest rates and reoffering yields of the Bonds is set forth on the inside cover of this Official Statement. The Series B Bonds are being purchased from the State by the Series B Purchaser at an aggregate price of $99,831,494.05, reflecting the principal amount of $88,355,000, plus aggregate original issue premium of $11,583,403.60, less underwriter's discount of $106,909.55.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, the successful bidder for the Series A Bonds, has entered into a retail distribution arrangement with Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series A Bonds.

FINANCIAL ADVISOR

The State has retained First Southwest Company, LLC (the "Financial Advisor") to serve as its financial advisor in connection with the issuance of the Bonds. The Financial Advisor has not independently verified any of the information contained in this Official Statement and makes no guarantee as to its completeness or accuracy. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds, and receipt by the State of payment therefor. The State may engage the Financial Advisor to perform other services, including without limitation, providing certain investment services with regard to the investment of Bond proceeds.

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, including all appendices hereto, 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 Terry Hayes, Treasurer of State, 39 State House Station, Augusta, Maine 04333, telephone: 207-624-7477; facsimile: 207-287-2367.

STATE OF MAINE

By: /s/ Terry Hayes

Dated: June 9, 2015

Treasurer of State

STATE OF MAINE INFORMATION STATEMENT

EXHIBIT A

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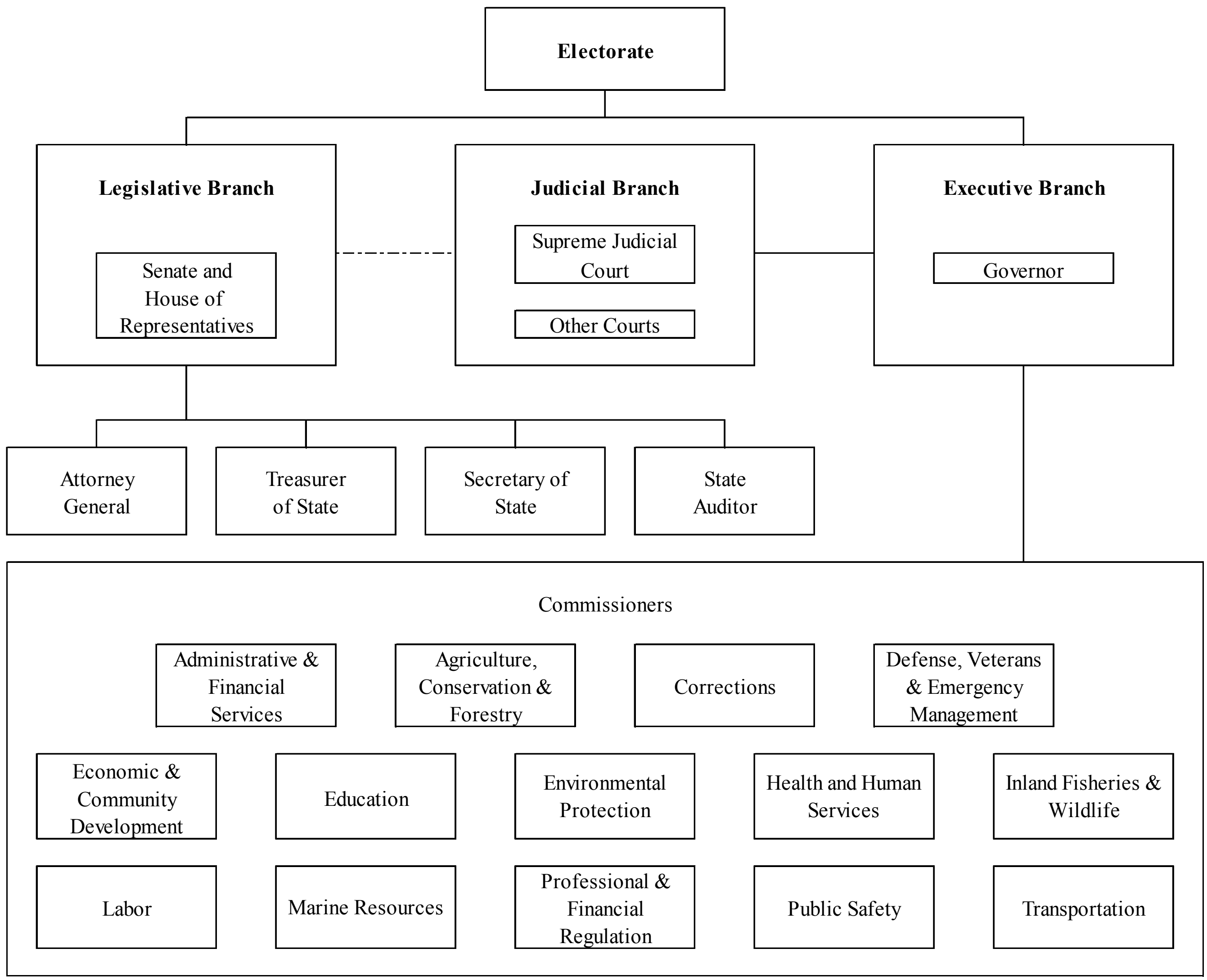
GOVERNMENTAL ORGANIZATION

The State of Maine (the "State" or "Maine") became the twenty-third state 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 2015. 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 14 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 to the Governor, Senate and House of Representatives as they shall respectively require; appoints and renews all notaries public commissions; prepares commissions for appointees, 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 the Office of the Small Business Advocate; 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, reconcile said balances and temporarily invest idle funds; to sell bonds and notes 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 a number of 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 Board of Emergency Municipal Finance, the Indian Housing Mortgage Insurance Committee, the Dirigo Health Agency Board of Trustees, Maine Vaccine Board 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. 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 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.

Office of the State Auditor

The Office of the State Auditor 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 Office of the State Auditor 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.

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; Labor, Commerce, 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; Veterans and Legal Affairs; Marine Resources; Environment and Natural Resources; State and Local Government; Taxation; Transportation; Energy Utilities and Technology; and Government Oversight. From time to time, the Legislature has established joint select committees on such matters as Maine's workforce and economic future, property tax reform, health care 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 127^{th} Legislature is currently meeting in its first regular session.

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 Territories located within the county.

The State is further divided into 22 cities, 433 towns, 34 plantations, and 4 Indian nations or territories which exercise the functions of municipal government, including the provision of elementary and secondary education. There are also a number of unorganized townships and 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 and the Associate Commissioner for Tax Policy.

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. See Exhibit D, "Selected Information Regarding Authorized and Outstanding Debt of the State - Authorized Expenditures," herein sets forth information regarding bonds currently authorized pursuant to certain enactments which have been ratified by a majority of the voters at various elections. 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." 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 current 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, except as otherwise provided 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" and "State Budgets" 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 revenue 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 Associate Commissioner for Tax Policy, 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 2014 and 2015 Reports. The Consensus Economic Forecasting Commission ("CEFC") issued its latest report dated April 1, 2015, which updated the forecast it released in November 2014. National and state economic indicators suggest continued improvement in economic conditions since the CEFC report dated November 2014. Nationwide, consumer sentiment and small business optimism are up over year-ago levels. Personal income in Maine grew 2.9% from 2013 to 2014, while wage and salary income grew 2.7% over the same period. The Consumer Price Index was unchanged between February 2014 and February 2015 driven primarily by declines in energy prices.

The price of crude oil declined 25.5% in the fourth quarter of 2014 to $77 per barrel. Home sales in Maine were up 8.6% in January 2015 compared to January 2014. Month-over-month, housing permits in Maine were 1.7% higher from February2014 to January 2015 than in the previous 12 month period. The median home price in the Portland Metropolitan Statistical Area (York, Cumberland, and Sagadahoc Counties) increased by 0.5% year-over-year in the fourth quarter of 2014. Mortgage delinquency rates have been declining but at a slower pace than nationally. The foreclosure rate in Maine was 0.49% in the third quarter of 2014 and remained above the national rate.

The November 2013 report revised downward the wage and salary employment, wage and salary income, supplements to wages and salaries and, and total personal income. These changes were made based on the consensus that Moody's Analytics and IHS forecasts were based on overly optimistic population projections for the state of Maine, causing employment forecasts, among other things, to grow at an unattainable rate. The April 2015 CEFC report reflects the impact of a drop in oil prices and the surge in the dollar which contributed to changes in the forecast for CPI, personal income, and corporate profits. Total personal income growth remained unchanged for 2013 and was revised downwards by a four-tenths of a percentage point for 2014 and 2015. The forecast for 2016-2019 was increased in each year. The April 2015 report adjusted inflation, as measured by the Consumer Price Index (CPI), downward for each year from 2014-2019.

The Revenue Forecasting Committee (RFC) met on April 29, 2015 to review and update the December 2014 revenue forecast. The revised forecast, which was issued on May 1, 2015, revises General Fund revenue estimates upward by $22.1 million in fiscal year 2015, downward by $32.3 million in fiscal year 2016 and upward by $3.1 million in fiscal year 2017; this results in an aggregate downward revision of $7 million over the three year period 2015-2017.

The new economic forecast from the CEFC resulted in the revenue forecasting model used by the MRS Office of Tax Policy (OTP) to project significantly lower sales and use tax revenue for all the fiscal years in the current budget window. Based on sales and use tax receipts through March 2015, and preliminary data through late April, there is no indication that the December 1st forecast should be adjusted at this time. Taxable sales surged during the final quarter of calendar year 2014 as energy prices plunged. While taxable sales slowed throughout the nation in the first quarter of calendar year 2015, the Maine sales and use tax forecast remained close to budget and is expected to continue to track the December forecast through the remainder of fiscal year 2015. With expectations that energy prices will remain relatively low and the economic recovery will continue, the RFC decided to accept the Office of Tax Policy recommendation that the sales and use tax forecast from December go unchanged.

The individual income tax forecast is one of the few revenue lines that the RFC adjusted in the May forecast. The Office of Tax Policy recommended an increase in the fiscal year 2015 projection of $51.3 million, $6.6 million in fiscal year 2016 and $33 million in fiscal year 2017. The change in the 2018-2019 biennium is an increase of $119.7 million. While the new economic forecast generally resulted in relatively minor downward adjustments to the forecast, there were two technical changes that accounted for most of the net upward reprojection. First, in the original revenue estimate, and subsequent revenue forecasts, OTP assumed the New Markets Tax Credit (NMTC) would be claimed by owners of pass-through entities and therefore impact individual income tax revenues. Based on updated information we now know that corporations and financial institutions will be claiming the credit. Recognition of this information merely shifts the revenue impact from the individual income tax to the corporate income tax, with the timing of the revenue impact being the only change to the General Fund forecast. Second, with the April 15 processing complete, it is clear the Property Tax Fairness Credit (PTFC) will be less than previously projected. OTP now estimates the cost of the PTFC will be $16.5 million, roughly half of the amount forecasted in December. Preliminary analysis of 2014 tax returns shows that a combination of overestimating eligibility for the PTFC and imperfect credit take-up among eligible taxpayers are the reasons for the lower cost.

In addition to the two technical changes above, the new individual income tax forecast recognizes the strong performance of April 2015 final and estimated payments. Final payments increased by a healthy 10.5% over last April and the first estimated payment of 2015 was up 37%. The percentage increase in the first estimated payment is well above any other in the last 15 years and is not easily explainable. Information from other states indicates that Maine is one of a handful of states that experienced an increase in the April estimated payment of this magnitude. Given the lack of information at this time, the RFC has assumed the April surplus on estimated payments is a timing issue that will be reversed through lower estimated payments later in the calendar year. As a result of this cautious assumption, fiscal year 2016 individual income tax receipts are essentially unchanged in the May forecast.

Corporate income tax revenue is the other revenue line the RFC made significant adjustments to during the latest meeting. The committee reduced corporate income tax receipts by $19 million in fiscal year 2015, $65 million in the 2016-2017 biennium and $88 million in the 2018-2019 biennium. As explained in the previous section on the individual income tax, the shift of the New Markets Tax Credit from the individual income tax to the corporate income tax is the cause of some of the reduction in the corporate forecast. Final information on the 2013 tax year, which is the basis for this part of the forecast, shows that corporate liability was $23 million below the December forecast. In addition, approximately $15 million of refunds associated with the 2012 tax year are expected to be settled by MRS and corporate taxpayers early in fiscal year 2016. Finally, a slightly less optimistic forecast by the CEFC of corporate profits explains a portion of the out year downward adjustments.

For a description of enacted and proposed laws amending the budgets for fiscal years 2013, 2014, 2015, 2016 and 2017 and for information regarding fiscal year 2013, 2014, 2015, 2016 and 2017 revenues, see "State Budgets" below.

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 was approximately $3.4 billion for fiscal year 2011, $3.5 billion for fiscal year 2012, $3.5 billion for fiscal year 2013 and is approximately $3.6 billion for fiscal year 2014. The Growth Limit Factor for fiscal year 2011 was 2.76%. The Growth Limit Factor for the 2012-2013 biennium was 2.05%. The Growth Limit Factor for the 2014-2015 biennium is 1.37%. The Growth Limit Factor for the 2016-2017 biennium is 1.08%.

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 (the "EPS Costs"). Current law provides that the State will pay 55% of the total State and local cost of K-12 Education for fiscal year 2016 and that the General Fund appropriation limit will include the State share of the cost of K-12 Education beginning with fiscal year 2016. See "Certain Expenditures and Obligations - Education Funding" herein.

The General Fund appropriation limit may be exceeded for certain extraordinary circumstances which must be outside the control of the Legislature, 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 temporarily increased for such other purposes only by a vote of both Houses of the Legislature in a separate measure that identifies the intent of the Legislature to exceed the General Fund appropriation limit. 2005 Chapter 2 is also subject to modification or repeal at any time by the Legislature.

"Baseline General Fund revenue" and other available budgeted General Fund resources that exceed the General Fund appropriation limit plus the EPS Costs 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 ("2005 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 Retirement Allowance Fund; 20% to the Reserve for General Fund Operating Capital; 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 2011, chapter 1 ("2011 Chapter 1") required the transfer of $3,188,702 from the fiscal year 2011 unappropriated surplus of the General Fund to the Stabilization Fund no later than June 30, 2011. Public Laws of Maine 2011, chapter 28 ("2011 Chapter 28") changed the priority order of distribution for fiscal year 2011 and directed the transfer of up to $25 million to the Stabilization Fund as the first priority following the transfers to the State Contingent Account and the Loan Insurance Reserve and before the 35% transfer to the Stabilization Fund. The State closed fiscal year 2011 with approximately $82 million available in General Fund unappropriated surplus before the year end transfers. The total transfer to the Stabilization Fund, including the $25 million authorized in 2011 Chapter 28, was $35.3 million and the Reserve for General Fund Operating Capital received $5.9 million. The remainder of the year end balance was distributed as follows: $5.9 million to the Retirement Allowance Fund, $4.4 million to the Retiree Health Fund, $2.9 million to the Capital Construction and Improvement Reserve Fund, $1 million to Loan Insurance Reserve Fund and $350 thousand to the State Contingent Account. Additionally, $5 million was transferred to the Department of Health and Human Services Bureau of Medical Services account and $2,500,488 was transferred to the Department of Administrative and Financial Services, Accident, Sickness and Health Insurance Internal Service Fund.

Public Laws of Maine 2011, chapter 380 ("2011 Chapter 380") further changed the priority order of distribution. Prior to the percentage distributions ordered in 2005 Chapter 15, 2011 Chapter 380 provides for two transfers from the unappropriated surplus, if any: a transfer of $15,000,000 to a retirement reserve account to provide a non-cumulative COLA payment to retirees for fiscal years 2012, 2013 and 2014 and a transfer of $25,000,000 for hospital settlements in fiscal year 2012 (this language was extended to fiscal year 2013 in Public Laws of Maine 2011, chapter 657). After the transfer of $15,000,000 to the retirement reserve account, the remaining unappropriated surplus balance of $9,688,205 was transferred for hospital settlements. Public Laws of Maine 2011, chapter 692 ("2011 Chapter 692"), "An Act to Provide Tax Relief for Maine's Citizens by Reducing Income Taxes," amends the Tax Relief Fund for Maine Residents, and provides that amounts, if any, credited to this fund in the future will be used to allow for potential future incremental reductions in the individual income tax rates to 4%. The bill provides for the State Tax Assessor to calculate annually the amount by which income tax rates may be reduced in subsequent years using the amount available from the Tax Relief Fund for Maine Residents to offset the lower tax revenue expected to be received in the following year. 2011 Chapter 692 provides for an initial minimum reduction of 0.2 percentage points. 2011 Chapter 692 only provides for reductions in tax rates and does not provide for any increases.

2011 Chapter 692 also changes the distribution of the unappropriated surplus of the General Fund to: 35% Stabilization Fund; 13% Retirement Allowance Fund; 13% Reserve for General Fund Operating Capital; 9% Retiree Health Insurance Internal Service Fund; 10% Capital Construction and Improvements Reserve Fund and 20% to the Tax Relief Fund for Maine Residents. If the General Fund has an unappropriated surplus and the Tax Relief Fund for Maine Residents is fully funded, this legislation further provides for an individual income tax rate reduction until the individual income tax rate reaches 4 percent. Maine Revenue Services estimates that a reduction of the individual income tax rate from its current top rate of 7.95% to 4% would decrease annual State revenues by approximately $600 million. Maine Revenue Services has also estimated that in order to provide the initial minimum reduction of 0.2 percentage points, the balance in the Tax Relief Fund for Maine Residents would need to be approximately $40 million and that aggregate unappropriated General Fund surpluses of over $200 million would be needed to generate such a balance in the fund.

Public Laws of Maine 2013, chapter 1 ("2013 Chapter 1") further changed the priority order of distribution after transfers to the State Contingent account, Loan Insurance Reserve account, and Reserve for Retirement Benefits account to 48% to the Stabilization Fund, 13% to the Reserve for General Fund Operating Capital account, 9% to the Retiree Health Insurance Internal Service Fund and 10% to the Capital Construction and Improvements Reserve Fund. An exception to the transfers of the statutory year-end reserves was included in 2013 Chapter 1 that authorizes 80% of the year – end reserves to be transferred to the Budget Stabilization Fund, with the remaining 20%, allocated as follows: to the Reserve for General Fund Operating Capital, 25%, Retiree Health Insurance Internal Service Fund, 17.5%, Capital Construction and Improvements Reserve Fund, 19% and the Tax Relief Fund for Maine Residents, 38.5% for fiscal year 2013 only. This law further authorizes a transfer of $40 million from the Budget Stabilization Fund and $17.1 million from the Reserve for General Fund Operating Capital fund to unappropriated surplus in fiscal year 2013.

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 June 30, 2014, the balances in the Retiree Health Insurance Internal Service Fund and the Capital Construction and Improvements Reserve Fund were $41.0 million and $4.5 million, respectively.

The fiscal year 2013 year-end balance in the Budget Stabilization Fund was $59.7 million. The increase in the Budget Stabilization Fund, as compared to the prior year balance, is primarily related to the transfers of $13 million from unappropriated surplus as authorized in 2011 Chapter 657, and of $42.1 million which represents the one-time transfer of 80% of the year-end reserves as authorized in 2013 Chapter 1. 2013 Chapter 451 authorized the transfer of $21 million from the Budget Stabilization Fund to the unappropriated surplus of the General Fund no later than June 30, 2015. 2013 Chapter 487 repealed this transfer, leaving the balance in the Budget Stabilization Fund as of June 30, 2013 at $59.7 million.

The fiscal year 2014 year-end balance in the Budget Stabilization fund was $68.2 million. The increase in the Budget Stabilization Fund, as compared to the prior year balance, is primarily related to the transfer of 48% of the year-end reserves as authorized in 2013 Chapter 1.

Citizen Initiative Petitions

On March 5th, 2014, a citizens initiative seeking to prohibit the use of dogs, bait or traps when hunting bears except under certain circumstances was certified to go forward by the Secretary of State. This initiative was defeated by the voters of the State at the statewide election on November 4th, 2014.

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 capital assets of the State not accounted for in Proprietary Funds. The State records its general long-term obligations and capital assets in the government-wide statement of net assets.

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 prepares a Comprehensive Annual Financial Report ("CAFR") in accordance with standards established by GASB. This report is the official financial report of the State government.

The State Controller's annual financial report for the fiscal year ended June 30, 2014 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, 2014 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, 2014 which are set forth in Section I of Appendix B have been prepared by the State Controller and have been audited by the Office of the State Auditor in accordance with auditing standards generally accepted in the United States of America. The Office of the State Auditor 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, 2014."

Annual financial reports prepared by the State Controller for the fiscal year ending June 30, 2014 and for prior fiscal years are available upon request directed to Kristi Carlow, Deputy State Treasurer, 39 State House Station, Augusta, Maine 04333, telephone: 207-624-7477; facsimile: 207-287-2367. The CAFR for the fiscal year ended June 30, 2014 and for prior fiscal years are also available at http://www.maine.gov/osc/finanrept/cafr.shtml. The CAFR for the fiscal year ended June 30, 2014 has also been filed with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system and may be accessed at http://emma.msrb.org/EA678604-EA531627-EA927860.pdf

Audit Reports

The State Auditor is required by law to 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 December 31, 2014 with respect to the fiscal year ending June 30, 2014 is set forth in Appendix B hereto. Single audit reports prepared by the Office of the State Auditor for the fiscal year ending June 30, 2014 and for certain prior fiscal years are available upon request directed to the Deputy State Treasurer. See "Miscellaneous" herein.

All information in this Official Statement for any period ending after June 30, 2014 is unaudited and therefore is subject to change.

STATE BUDGETS

Laws authorizing General Fund and Highway Fund expenditures for fiscal years 2010 through 2014 have been enacted and provide for such expenditures in the amounts set forth in the table below. Amounts listed for fiscal year 2015 include legislation enacted through the end of the second regular session of the 126th Legislature and proposed adjustments currently under consideration by the first regular session of the 127th Legislature. The amounts identified for fiscal years 2016 and 2017 represent amounts included the Governor's Biennial Budget submissions for 2016-2017, which are subject to legislative action and may change when finally enacted into law.

Fiscal Year Ending June 30	General Fund Expenditures Authorized	Highway Fund Expenditures Authorized
2010	$ 2,849,227,923	$ 316,706,397
2011	2,872,754,172	304,310,083
2012	3,130,209,894	318,920,211
2013	3,081,951,199	317,272,450
2014	3,199,811,630	311,621,111
2015*	3,217,529,636	321,687,608
2016*	3,272,000,781	310,883,462
2017*	3,292,632,554	319,687,037

For information regarding fiscal years 2010 through 2017 expenditures, see "Certain Expenditures and Obligations – General Fund Expenditures" below.

On December 1, 2010, the Revenue Forecasting Committee issued a scheduled updated forecast. The December report reflected an upward adjustment of revenues of $111.6 million in fiscal year 2011,

* Projection as of May 11, 2015.

$170.5 million in fiscal year 2012 and $195.1 million in fiscal year 2013. The December report also projected revenues of $3.3 billion in fiscal year 2014 and $3.4 billion in fiscal year 2015.

On January 12, 2011, the Governor released his supplemental budget recommendations to provide $248 million in State and federal funds for hospital settlements dating back to fiscal year 2006. The budget recommendations also addressed projected growth in the MaineCare programs and a phased reduction in the Federal Medicaid Assistance Percentage from 6.2 to 1.2 percentage points by June 30, 2011.

A second supplemental budget was released by the Governor on March 28, 2011 to restore a deappropriation included in 2009 Chapter 571 related to the disallowance of federal financial participation for targeted case management claims in fiscal years 2002 and 2003. The funds were proposed to be restored to the Medical Care – Payments to Providers program to address shortfalls that resulted from the deappropriation with the expectation that the Federal government would be reimbursed in fiscal year 2012. The budget recommendations further addressed growth in the MaineCare program and provided funds for Child Development Services to address a projected shortfall for the program.

On February 8, 2011, the Legislature enacted the first supplemental budget based on the Governor's recommendations; the Governor signed that budget into law the same day. The law, 2011 Chapter 1, amended the 2010-2011 biennial budget enacted in the spring of 2009, 2009 Chapter 213 and the 2010-2011 supplemental budget enacted in the spring of 2010, 2009 Chapter 571. On April 14, 2011, the Legislature enacted the second supplemental budget for fiscal year 2011 based on the Governor's recommendations; the Governor signed that budget into law on the same day. The law, 2011 Chapter 28, further amended the budgets previously mentioned.

Prior to the December 2010 upward revenue projection, the Bureau of the Budget updated its four year revenue and expenditure forecast in September 2010 for the fiscal year ending June 30, 2013. As required by State law, the forecast assumed the continuation of current laws and included reasonable and predictable estimates of growth in revenues and expenditures based on national and local trends and program operations. At the time of the forecast the structural gap was projected to be $1.2 billion for the 2012-2013 biennium.

The gap assumed increases in General Purpose Aid for Local Schools (GPA) of $216.5 million in fiscal year 2012 and $238.4 million in fiscal year 2013 over fiscal year 2011 levels. The preliminary amounts would increase GPA $423.9 million over the previous 2010-2011 biennium and achieve the commitment made in 2005 Chapter 2, as amended, for a 55% State share of education costs. The structural gap also reflected significant increases in future State contributions to address the increased unfunded pension liability for state employees and teachers. See "Defined Benefit Retirement Programs" below.

In order to address the projected shortfall, the Governor's recommended budget for the 2012-2013 biennium included proposals to delay the attainment of 55% for GPA until the 2014-2015 biennium and to make several changes to pension benefits in order to reduce the unfunded pension liability for state employees and teachers. 2011 Chapter 380 was signed by the Governor on June 20, 2011. In addition to delaying the attainment of 55% for GPA until the 2014-2015 biennium, it amended the requirement to include the cost of teacher retirement, retired teachers' health insurance and retired teachers' life insurance in the calculation. See "Certain Expenditures and Obligations – Education Funding" below. It increased the retirement age of state employee and teacher members of the Retirement System having less than 5 years of service to 65 years of age, froze cost-of-living increases for retirees for 3 years and capped them at 3% for the first $20,000 beginning in fiscal year 2014. The pension changes resulted in savings to the General Fund of $123.1 million in fiscal year 2012 and $126.2 million in fiscal year 2013 and eliminated $1.7 billion, or 41%, of the then estimated unfunded pension liability. See "CERTAIN EXPENDITURES AND OBLIGATIONS – Defined Benefit Retirement Programs – Litigation" below.

The Governor's budget amended statutory provisions pertaining to retired teachers' health insurance to include 10 year vesting periods, require retirees to pay 100% of the cost of their health insurance if they retire before reaching their normal retirement age and cap the State's cost for premiums at fiscal year 2011 totals. These changes resulted in savings to the General Fund of $5.5 million in fiscal year 2012 and $9.2 million in fiscal year 2013. The State's cost of health insurance premiums for active employees for the 2012-2013 biennium was also capped at fiscal year 2011 totals resulting in savings to the General Fund of $4.6 million in fiscal year 2012 and $9.5 million in fiscal year 2013. In addition to freezing merit increases for State employees for the biennium and eliminating longevity payments for certain individuals not eligible on June 30, 2011, the approved budget offered a retirement incentive to employees who were eligible to retire. These three initiatives resulted in estimated savings to the General Fund of $7.7 million in fiscal year 2012 and $12.6 million in fiscal year 2013.

The December 2010 upward projection of revenue allowed the Governor to propose tax cuts intended to stimulate economic growth in his biennial budget for 2012-2013. 2011 Chapter 380 reformed the income tax provisions by flattening the rate structure and reducing the top rate from 8.50% to 7.95%. It conformed to the federal income tax code Section 179 expensing provisions for small business investment and to the federal standard deduction for joint filers (marriage penalty relief) and personal exemption amount. These changes resulted in the reduction of undedicated revenue to the General Fund of $17.3 million in fiscal year 2012 and $81.0 million in fiscal year 2013. The approved budget adopted the new Maine Capital Investment Credit to provide a credit equal to 10% of the federal bonus depreciation on certain qualified property place in service in Maine resulting in an estimated reduction of General Fund revenues of $24.7 million in fiscal year 2012 and $7.0 million in fiscal year 2013. It eliminated the requirement that out-of-state residents pay income taxes after 10 days and exempted meals provided at retirement facilities from the sales tax. These initiatives resulted in an estimated reduction of General Fund revenues of $4.5 million in fiscal year 2012 and $3.1 million in fiscal year 2013.

2011 Chapter 380 has amended the Maine Residents Property Tax and Rent Refund, or "Circuit Breaker" program to permanently fund the program at 80%. This increased General Fund revenues by $11 million in fiscal year 2012 and $11.3 million in fiscal year 2013. The budget authorized the transfer of the 5% local government fund share of certain taxes that increased from current levels as a result of revised revenue projects and other tax initiatives to the General Fund resulting in an increase of undedicated revenue of $42.4 million in fiscal year 2012 and $48.6 million in fiscal year 2013.

In December 2011, the Governor proposed a budget to address a projected shortfall in the MaineCare program of approximately $120.9 million in fiscal year 2012 and $101.0 million in fiscal year 2013. At that time the Legislature also received a budget that reflected the recommendations of the Streamline and Prioritize Core Government Services Task Force to reduce spending by approximately $25 million by fiscal year 2013. In its December 2011 report, the Revenue Forecasting Committee revised its May 2011 forecast for the General Fund and increased projections for fiscal year 2012 by $10.6 million and decreased projections for fiscal year 2013 by $9.6 million. The Legislature chose to address the fiscal year 2012 portion of the shortfall first and combined the proposals into the streamlining budget. The result was 2011 Chapter 477, which was approved by the Governor on February 23, 2012. In addition to implementing the recommendations of the Streamline and Prioritize Core Government Services Task Force, it provided General Fund appropriations totaling $107.3 million in fiscal year 2012 to address the MaineCare shortfall. It recognized savings in fiscal year 2013 intended to reduce the overall cost of the MaineCare program by reducing rates paid to agency per diem homes by 5% ($3.7 million), reducing funding for contracts ($2 million), limiting access to certain combination drugs ($0.6 million), and increasing compliance with statutes mandating the use of generic drugs ($5.8 million). It extended the freeze on new enrollment in the MaineCare childless adult waiver program, saving $11 million in fiscal year 2013 and provides one-time savings of $10 million from the Dirigo Health program to fund a portion of the fiscal year 2012 cost of the childless adult waiver program. 2011 Chapter 477 also authorized a one-time assessment on hospitals equal to 0.39% of hospital net operating revenue resulting in $14.2 million in revenue in fiscal year 2013 to the General Fund.

On May 16, 2012, the Governor signed into law 2011 Chapter 657, which addressed a net fiscal year 2013 shortfall in the MaineCare program of $78.6 million. In addition to resolving the revised fiscal year 2013 MaineCare shortfall, it provided $4.3 million for the municipal general assistance program to fund an increase in demand for services and $3.8 million for operation of the E-911 program. It transferred $13 million to the Budget Stabilization Fund in fiscal year 2013 and included authority to transfer up to $7.4 million from the fund, if necessary, to add to $3.2 million appropriated for the State's psychiatric hospitals for the cost of forensic patients determined ineligible for federal reimbursement, and an additional transfer of $3.8 million, if necessary, to reimburse the federal government for funds drawn for ineligible MaineCare recipients. It generated savings from eliminating of some MaineCare optional coverage and services, resulting in fiscal year 2013 savings to the General Fund of $13.8 million. It reallocated Fund for a Healthy Maine resources to the MaineCare program, providing savings of $9.9 million, and directed the Department of Health and Human Services to develop a Medicaid stabilization plan to achieve savings of $5.3 million. It eliminated $2 million from the Head Start program and reduced funding by requiring hospital based primary care practices that also provide mental health services to participate in the Maine Health Access Foundation's integrated care initiative for outpatient mental health and primary care service, saving $1.5 million in fiscal year 2013. It raised the loan reserve cap for the Finance Authority of Maine from $35 million to $40 million and transferred $2 million to the General Fund, implemented a use tax compliance and education program to generate $5.3 million in one-time revenue, and authorized the use of overtime to enhance the collection of tax receivables, resulting in net savings of $1.7 million. In fiscal year 2013, it required revenues in excess of $10.6 million from the Oxford casino that would otherwise go to the Department of Education for essential programs and services to be transferred to the Department of Health and Human Services to be used for hospital settlements.

2011 Chapter 657 amended the pension income tax subtraction modification for certain retirement benefits to raise the $6,000 limit to $10,000, it provided an income tax exemption to active duty military service men and women for pay received while in service outside of Maine and provided a sales tax exemption for commercial wood harvesting and commercial greenhouse and nursery products. These changes are expected to result in a revenue loss of $8.7 million in fiscal year 2014 and $23.5 million in fiscal year 2015.

Prior to the December 2012 downward revenue projection the Bureau of the Budget updated its four year revenue and expenditure forecast in September 2012 for the fiscal year ending June 30, 2015. As required by State law, the forecast assumed the continuation of current laws and included reasonable and predictable estimates of growth in revenues and expenditures based on national and local trends and program operations. At the time of the forecast the structural gap was projected to be $755.5 million for the 2014-2015 biennium.

The gap assumed increases in General Purpose Aid for Local Schools (GPA) of $119.4 million in fiscal year 2014 and $135.1 million in fiscal year 2015 over the fiscal year 2013 level. The preliminary amounts would increase GPA $274.1 million over the previous 2012-2013 biennium and achieve the commitment made in 2005 Chapter 2, as amended by 2007 Chapters 240 and 539, for a 55% State share of education costs. The structural gap assumed Health and Human Services increases totaling $298.6 million for the biennium, which reflects increases for program growth and utilization in MaineCare over the 2014-2015 biennium in the amount of $148.1 million.

On December 1, 2012, the Revenue Forecasting Committee issued a regularly scheduled update to the forecast. The December report reflected a downward adjustment of General Fund revenues of $35.5 million in fiscal year 2013, $58.3 million in fiscal year 2014 and $66.9 million in fiscal year 2015. The December report also projected revenues of $3.1 billion in fiscal year 2016 and $3.2 billion in fiscal year 2017.

On January 11, 2013, the Governor released his supplemental budget which addressed the revenue shortfall and funded a projected Medicaid shortfall; offsets for the revenue shortfall were initially implemented by the Governor's temporary curtailment of allotments. 2013 Chapter 1 was enacted into law, without the Governor's signature, on March 6, 2013. This supplemental budget for fiscal year 2013 provided $2 million to address unmet needs in the consent decree for Bates vs. DHHS, $3.6 million for foster care/adoption assistance and $85.1 million for the State's Medicaid program. These appropriations were offset with savings initiatives originally included in the temporary curtailment, revenue enhancements, transfers from other funds, as well as targeted reductions in the Medicaid program. The Department of Health and Human Services was directed to reduce rates by 5% for services provided by licensed clinical professional counselors and licensed marriage and family therapists, limit hospital and therapeutic leave days from nursing facilities, and implement targeted care management for the top 20% of high-cost members in the Medicaid program. On June 14, 2013, the Governor signed an additional supplemental budget bill, 2013 Chapter 248, providing $35 million more in appropriation to the MaineCare program for fiscal year 2013.

In order to address the projected shortfall in fiscal years 2014 and 2015, the Governor's recommended budget, LD 1509, for the 2014-2015 biennium included proposals to delay the attainment of 55% for GPA until the 2016-2017 biennium. In addition to this delay, the Governor's 2014-2015 Biennial Budget proposal shifted the responsibility for funding the normal cost component of teacher retirement from being 100% borne by the State to a 50/50 state and local funding responsibility. This proposal would reduce funding to the Teacher Retirement program by $28.9 million in fiscal year 2014 and by $29.9 million in fiscal year 2015 representing the total cost of the normal cost component for teacher retirement and appropriates $14.4 million and $14.96 million in fiscal year 2014 and 2015, respectively, to the General Purpose Aid for Local Schools program for the State's share of normal cost. The Governor's budget recommended increasing appropriations to MaineCare in the amount of $318 million over the 2014-2015 biennium, offset by deappropriations totaling $148.8 million over the 2014-2015 biennium. The Governor's recommended budget suspended revenue sharing transfers of 5% of the Sales, Income, Corporate and Service Provider taxes to municipalities in the amount of $281.5 million during the 2014-2015 biennium. The recommended budget also contained initiatives which continued the freeze on employee merit increases and longevity pay, as well as froze the amount of funding available for employee and retiree health insurance for both 2014 and 2015. Finally, tax proposals included restructuring the Maine Residents Property Tax Program, sunset of the BETR program, coupled with movement of equipment in the BETR program to the BETE program, the inflation adjustment pertaining to the income tax and the repeal of the sales tax exemption for publications issued at average intervals.

On May 1, 2013, the Revenue Forecasting Committee issued a regularly scheduled update to the forecast. The May report reflected an increase to revenues of $43.5 million in fiscal year 2013, and a downward adjustment of $33.8 million in fiscal year 2014 and $24.3 million in fiscal year 2015. The May report also projected revenues of $3.1 billion in fiscal year 2016 and $3.2 billion in fiscal year 2017.

On May 8, 2013, the Governor released the recommended changes to the fiscal year 2014-2015 budget proposal, LD 1509, which included additional recommended changes for fiscal year 2013. This change package addressed the revenue shortfall forecasted on the May 1, 2013 report for the next biennium and utilized the additional revenue forecasted in fiscal year 2013 of $45.3 million to fund a projected MaineCare shortfall of $33.4 million, a $1.9 million initiative added by the legislature in PL 2013, Chapter 1 to delay MaineCare payments until 2014, $1.0 million for the Maine Commission on Indigent Legal Services and $3.0 million in assistance for Maine's dairy farmers. This change package provides additional savings in 2014-2015 through initiatives that adjust the savings for retired teacher and retired state employee health insurance for the most recent actuarial valuation, merit and debt service savings. This change package also provides savings from the transfer of available balances in Maine Revenue Services, and statewide initiatives for the installation of natural gas and reduction in rates for risk management. Finally, the Department of Health and Human Services was able to reduce their requests for the biennium by further refining savings proposals, recognizing a lesser reduction to federal funding than originally included and requesting additional staff to perform disability determinations in a timely manner thereby avoiding temporary Medicaid authorizations at a 100% state only cost.

The final version of the bill was passed by the Legislature and vetoed by the Governor. The Legislature overrode the Governor's veto and Public Law 2013 Chapter 368 was enacted on June 26, 2013. The law included several of the Governor's proposals including the transition of 100% of the responsibility for the normal cost of Teacher Retirement to local schools. One-half of the normal cost is appropriated in the 2014-2015 biennium into the General Purpose Aid for Local Schools program. The Governor's proposal capped the State's cost of health insurance premiums for active employees for the 2014-2015 biennium at fiscal year 2011 levels resulting in savings to the General Fund of $3.8 million in fiscal year 2014 and $8.0 million in fiscal year 2015. In the final version of the bill, the Legislature authorized a 1.5% increase in spending for the State's health insurance program; however, because the bill was enacted after the deadline for the State's Health Plan design in April, 2013, the increased amount will not be spent in fiscal year 2014. In addition, the approved budget froze merit increases for State employees in 2015 and froze longevity payments for the biennium resulting in savings of $4.6 million over the biennium. Finally, the approved budget adjusts funding for the State Police to 65% General Fund and 35% Highway Fund at a total cost to the General Fund of $6.5 million in fiscal year 2014 and $6.7 million in fiscal year 2015.

The enacted biennial budget restored a portion of the revenue sharing by approving the Governor's proposal for a statewide study to reduce the cost of government through analysis of the structures and functions designed to save a total of $33.75 million in both structural and operational savings over the biennium, establishing a task force to review tax expenditures saving $40 million and authorizing an increase in the Sales tax, from 5% to 5.5% and Meals and Lodging tax from 7% to 8%. Both the Sales and Meals and lodging tax increases have a sunset provision of June 30, 2015. The 2014-2015 enacted biennial budget included the repayment of a deferral of a portion of the June 2013 subsidy payment for General Purpose Aid to Local Schools in the amount of $18.5 million, funding for the MaineCare program, elimination of benefits under the Maine Residents Property Tax program that resulted in an estimated savings of $50.7 million over the biennium, establishment of the Property Tax Fairness Program at a General Fund cost of $65.5 million and reorganization the Business Equipment Tax Reimbursement (BETR) and Business Equipment Tax Exemption (BETE) programs for a savings of $11.7 million over the biennium. Finally, the Governor's proposal was approved to suspend the inflation adjustment for tax years beginning in 2014 and amending the inflation adjustment calculation for tax years beginning after 2015 based on the Chained Consumer Price Index (C-CPI) instead of the Consumer Price Index (CPI). This tax change resulted in estimated savings to the General Fund of $8.7 million over the biennium.

On January 15, 2014, the Governor presented a request to the Appropriations and Financial Affairs Committee for net additional General Fund needs of $119.5M for the 2014-2015 biennium. The request comprised of six departments and agencies offset by the increase in General Fund revenues in the December 1, 2013 Revenue Forecasting Committee update of $20.6M and a revenue decrease from the reinstatement of the sales tax exemption for free newspapers of $3.1 million over the biennium. The

Department of Health and Human services, MaineCare program comprised the majority of the request in the amount of $108 million. The remaining Health and Human Services requests of $14.7 million, primarily address the action plan to ensure staff and patient safety and comply with federal certification requirements at Riverview Psychiatric Center. On January 24, 2014, the Department of Health and Human Services presented an update of its forecast for MaineCare which resulted in a reduction in the net request over the biennium of $30 million. The final requested additional supplemental General Fund need over the 2014-2015 biennium by the Governor totaled to $89.5 million. On February 12, 2014 Health and Human Services further reduced the request for Riverview Psychiatric Center of $8.6M based on the Department's position of Riverview's status as an Institute for Mental Disease, in which the hospital decertification does not affect the continuance to draw disproportionate share funding. If the Centers for Medicare and Medicaid Services (CMS) ultimately disagrees with this opinion, the potential future findings may include an estimated $8.6 million for the period of January 1, 2014-June 30, 2014 and $6.35 million already drawn for the period of September 2, 2013 through December 30, 2013.

On April 3, 2014, LD 1843 became law without the Governor's signature (2013 Chapter 502) which primarily provided funding for the fiscal year 2014 portion of the Governor's request. The MaineCare shortfall was funded at less than the Governor's final request, at a net increase of $31M, due to the actual trending of current MaineCare cycle payments. Both savings initiatives and one-time resources were included to fill the gap, including elimination of the Income Tax Super Credit for substantially increased research and development for tax years beginning on or after January 1, 2014. Transfers to fund balance included $10.1 million from the forecasted December 1st increase in casino revenues over the biennium, $6.2 million in transfers resulting from the dissolution of the Dirigo Health Fund and other balances in the Fund for a Healthy Maine, $5.1 million, and lapsing personal services balances in the Education Unorganized Territory account of $1.8 million. On May 1, 2014 the Legislature voted to override the Governor's veto of LD 1858 (2013 Chapter 595),, funding primarily the remaining fiscal year 2015 portion of the Governor's request and enacting the remaining structures and operations savings initiatives (Part F of 2013 Chapter 368). Both savings initiatives and one-time transfers to fund balance were included to offset a reduced request primarily for MaineCare in fiscal year 2015. Timing of MaineCare payments from the current approximate timing of 7 to 12 days was extended permanently to one weekly payment cycle before required federal deadlines to yield one-time booked savings in the MaineCare program of $20 million. This language also provides the Department discretion in the application to those providers considered to have the financial ability to withstand the change in payments. Other savings initiatives included a proposal by Maine Revenue Services to continue to automate tax collection functions, for $1.9 million in fiscal year 2015 and increased recoveries and savings from enhanced MaineCare program integrity activities. Transfers to fund balance consisted of $1 million from the Finance Authority of Maine's loan insurance reserve, $1 million from Maine State Housing Authority's Housing Opportunities for Maine fund and a reduction of the transfer from Professional and Financial Regulation of $1 million that was included in LD 1843, 2013 Chapter 502.

Prior to the December 2014 revenue projection, the Bureau of the Budget updated its four year revenue and expenditure forecast in September 2014 through the fiscal year ending June 30, 2017. As required by State law, the four year revenue and expenditure forecast assumes the continuation of current laws and includes reasonable and predictable estimates of growth in revenues and expenditures based on national and local trends and program operations. At the time of the forecast the structural gap was projected to be $461.1 million for the 2016-2017 biennium.

The gap assumes increases in General Purpose Aid for Local Schools (GPA) of $296.7 million in the 2016-2017 biennium to achieve the commitment made in 2005 Chapter 2, as amended by 2007 Chapters 240 and 539, for a 55% state share of education costs. The structural gap assumed restoration of state-municipal revenue sharing which reflects an increase over the 2014-2015 biennium of $85 million.

On December 1, 2014, the Revenue Forecasting Committee issued a regularly scheduled update to the forecast. The December report reflected an adjustment upward of General Fund revenues of $45.5 million in fiscal year 2015, $28.4 million in fiscal year 2016 and $39.2 million in 2017. The December report also projected General Fund revenues of $3.4 billion in fiscal year 2018 and $3.5 billion in fiscal year 2019.

On January 9, 2015, the Governor's 2016-2017 Biennial Budget (LD 1019) proposals were released. The Governor's proposal includes significant changes to Maine's tax policies intended to bring relief to Maine families by transitioning from a tax code dependent on earnings to a more modern tax code dependent on consumption. The proposed changes include reductions to Maine's income tax rates, modernization of the sales tax base and increase in the general sales tax rate, the elimination of the estate tax, increases the amount of pension income exempt from income tax and completely exempts military pension income. The Governor has also made services in the Department of Health and Human Services a priority. The budget proposal provides $52 million in funding over the biennium to assist thousands of people currently waiting for services through MaineCare waivers. Over $10 million of the dollars are available based on a plan to transition the funding structure of the General Assistance program in order to gain better control of the expenditures. The Governor recommended an increase of $22 million over the biennium to support Nursing Facilities based on the 2013 Chapter 594, An Act to Implement the Recommendations of the Commission to Study Long-term Care Facilities. Recognizing the importance of primary care and preventative services, the budget included requests to continue funding so the State can continue to pay the enhanced rates for Health Homes and primary care physicians that were given via the federal Patient Protection and Affordable Care Act ("Affordable Care Act"). Thirty-eight positions and over $3 million in General Fund resources are included each year for the Riverview Psychiatric Center, in order to assist the hospital in meeting the requirement for re-certification by the federal Centers for Medicare and Medicaid Services.

Throughout January of 2015, additional Governor's Bills were released to address a variety of 2015 Department funding requests. The Governor's proposals included $20 million for the Department of Health and Human Services to replace the reduction included in 2013 Chapter 595 which was booked in anticipation of savings associated with extending the timing of MaineCare payments from the current 7 to 12 days. This policy was not implemented due to provider feedback. Additional funding for unmet needs in the AMHI Consent Decree should assist in meeting the requirements set forth in the settlement agreement. The State continues to work towards recertification of the Riverview Psychiatric Center. The Governor recommended 29 new positions and an additional $1.1 million in General fund support for the hospital, many based on the recommendations of an independent review. The Governor included funding requests for the Judicial Branch to accommodate increases in the cost of guardian ad litem services, psychological exam costs and increased facility costs at both the Bangor courthouse and the new Judicial Center. During review of the Governor's Bills, the Legislature combined most of the requests into one bill, LD 236. The amended version of LD 236 funds continued efforts toward recertification of Riverview Psychiatric Hospital, with 27 new permanent positions and an additional $1.1 million in funding and provides funding for Health and Human Services to replace the reduction of $20M due to changes in cash management for the extension in the timing of payments. Funding was also provided in the Department of Health and Human Services in the amount of $1.5 million to replace expiring federal funds that support enhanced levels of reimbursement for physicians and $4.0 million to repay the federal government for a portion of an audit finding. In addition, $1.7 million in funding for the Maine Commission on Indigent Legal Services and $2.5 million in funding for the State Board of Corrections was provided to address anticipated shortfalls in fiscal year 2014-15. This LD was passed by the Legislature on March 31, 2015 and became law without the Governor's signature.. Requests related to the Department of Education and the cultural agencies remained separate and became law as 2015

Chapter 7. Finally, the State also conformed its income tax laws to certain federal tax laws that resulted in a cost to the General Fund of $16 million in fiscal year 2015 (LD 138, 2015 Chapter 1). Resources to fund fiscal year 2015 initiatives in the bills discussed in this section comprised of a $45 million increase in fiscal year 2015 current law General Fund revenues per the December 1, 2014 Revenue Forecasting Committee report, approximately $2.2 million from a balance of prior year funds in the Fund for a Healthy Maine, $4.3 million in funding from the Reserve for Future Funding Needs enacted in PL 2013, chapter 595, part X for the 2014-2015 biennium and $3.3 million in transfers from other funds to the General Fund.

On May 5, 2015 a public hearing was held for LD 1367, a resolution proposing an amendment to the Constitution of Maine to eliminate the income tax. This resolution proposed by the Governor would amend the Constitution of Maine to prohibit the Legislature, beginning January 1, 2020, from enacting or imposing a tax upon income of persons in this State and to prohibit the State from levying or collecting such a tax for any period beginning on or after January 1, 2020. On May 13th a work session was held in the Joint Standing Committee on Taxation which resulted in a majority of the Committee voting against the measure, with a divided committee report that will go to the whole Legislature. The Legislature has not yet voted on LD 1367. If as required, two-thirds of Maine's Legislature were to pass LD 1367 and Maine voters were to approve the amendment to the Maine Constitution, the Governor is fully committed to working with Maine's legislature to develop a tax system free of individual income tax that will achieve the same objectives as those in the current budget proposal.

On May 1, 2015, the Revenue Forecasting Committee issued a regularly scheduled update to the forecast. The May report reflected an upward adjustment of General Fund revenues of $22.1 million in fiscal year 2015, downward $32.3 million in fiscal year 2016 and upward $3.1 million in fiscal year 2017. The May report also projected revenues of $3.4 billion in fiscal year 2018 and $3.5 billion in fiscal year 2019.

On May 7, 2015, the Governor presented a change package to LD 1019 primarily consisting of revisions resulting from the May 1 Revenue Forecasting Committee's report and updated initiatives associated with the Governor's original 2016-2017 Biennial Budget recommendation. The Department of Health and Human Services no longer requires additional funding over baseline funding for the State's MaineCare program's projected increase in health costs and additional fiscal year 2016 cycle payment, based on the most recent MaineCare forecasts for the 2016-2017 biennium. The removal of the $14 million request for MaineCare over the biennium funded several other initiatives, which included $7 million for two 7-bed secure residential facilities to house forensic patients that do not require a hospital level of care, building upon the Governor's recommendation to continue to move forward towards the recertification of Riverview Psychiatric Hospital. In addition, a one-time four percent rate increase, approximately $4 million over the biennium, is proposed to be applied to the assisted living reimbursement rate at Private Non-Medical Institutions beginning July 1, 2015 and a one-time eighteen month pilot project, just over $500 thousand for the biennium, for individuals with opioid or alcohol dependency who were recently incarcerated or have been referred by the Department of Corrections or the Drug Court. Several new items such as the transfer of the Department of Health and Human Services drinking water, subsurface waste and radiation control activities to the Department of Environmental Protection, wage parity in the Department of Corrections between State correctional employees and the county jails employees who perform similar direct supervision, language to limit the salaries of positions in the Department of Defense to the thresholds allowed by the federal authority which currently provides one hundred percent of the funding and the separation of the land and water quality program in the Department of Environmental Protection to establish separate programs for both land and water in the Department. Finally, the Governor's change package included funding and/or language for several bills proposed in the 127th legislature, LD 13, An Act To Provide an Exemption from Sales Tax and Service Provider Tax to Nonprofit Collaboratives of Libraries, LD

48, An Act To Reduce Registration Fees and Excise Taxes for For-hire Vehicles with Adaptive Equipment Enabling Access by Persons with Disabilities and LD 1343, An Act To Increase Access to Postsecondary Education for Maine National Guard Members.

From late February and well into the month of March the legislature invited public comment on the Governor's tax recommendations. The joint standing policy committees of the Legislature developed their own prioritized report-backs of the two year budget proposal, which were presented to the Appropriations and Financial Affairs Committee throughout the month of April. The Democratic caucus and the Republican caucus of the Legislature each have announced their own tax reform plans, as well as re-stating their commitment to enact tax reform this year. The Legislature and the Governor are currently engaged in the budget negotiations as the legislative session moves toward statutory adjournment in June.

CERTAIN EXPENDITURES AND OBLIGATIONS

General Fund Expenditures

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, as amended by the supplemental General Fund budget, 2009 Chapter 571, 2011 Chapter 1 and 2011 Chapter 28.

	2010	**2011**
Governmental Support and Operations	$251,862,046	$236,824,102
Economic Development & Workforce Training	35,707,478	34,588,383
Education	1,412,297,179	1,398,741,990
Arts, Heritage & Cultural Enrichment	7,461,189	7,189,756
Natural Resources Development & Protection	68,419,220	66,225,967
Health & Human Services	795,586,471	850,852,097
Justice & Protection	277,894,340	271,331,877
Business Licensing & Regulation		7,000,000
Total	$2,849,227,923	$2,872,754,172

The following table sets forth, by certain major categories, General Fund expenditures set forth in 2011 Chapter 380, the budget for fiscal years 2012 and 2013, as amended by the supplemental General Fund budgets, 2011 Chapter 477, 2011 Chapter 655, 2011 Chapter 657, 2013 Chapter 1, 2013 Chapter 248, 2013 Chapter 368, 2013 Chapter 377 and other miscellaneous laws.

	2012	**2013**
Governmental Support and Operations	$255,174,711	$259,012,199
Economic Development & Workforce Training	33,738,745	32,351,279
Education	1,373,401,473	1,358,129,798
Arts, Heritage & Cultural Enrichment	7,422,644	7,036,620
Natural Resources Development & Protection	67,994,914	65,000,840
Health & Human Services	1,116,567,462	1,082,063,410
Justice & Protection	275,909,945	274,709,069
Business Licensing & Regulation		3,647,984
Total	$3,130,209,894	$3,081,951,199

The following table sets forth, by certain major categories, General Fund expenditures set forth in 2013 Chapter 368, the budget for fiscal years 2014 and 2015, as amended by 2013 Chapter 487, 2013 Chapter 502, 2013 Chapter 595, 2015 Chapter 7, 2015 Chapter (LD235), and miscellaneous laws.

	2014	2015
Governmental Support and Operations	$240,632,732	243,152,641
Economic Development & Workforce Training	31,261,438	32,643,008
Education	1,430,575,788	1,422,067,932
Arts, Heritage & Cultural Enrichment	7,450,637	7,350,161
Natural Resources Development & Protection	67,823,951	69,963,005
Health & Human Services	1,123,503,952	1,129,996,638
Justice & Protection	297,423,132	312,356,251
Business Licensing & Regulation	1,140,000	
Total	$3,199,811,630	$3,217,529,636

The following table sets forth, by certain major categories, General Fund expenditures set forth in the Governor's Biennial Budget proposals, the budget for fiscal years 2016 and 2017.

	2016	2017
Governmental Support and Operations	$ 251,010,592	$ 251,158,994
Economic Development & Workforce Training	40,199,760	40,155,872
Education	1,418,106,322	1,432,744,648
Arts, Heritage & Cultural Enrichment	8,091,335	7,975,542
Natural Resources Development & Protection	76,729,639	75,090,508
Health & Human Services	1,143,492,532	1,145,121,480
Justice & Protection	334,370,601	340,385,510
Total	$3,272,000,781	$3,292,632,554

Total spending in the Governor's biennial budget recommendation for fiscal year 2016 and 2017 is 1.69% and 2.33% respectively over fiscal year 2015. Total spending in the Governor's biennial budget recommendation over the 2016 - 2017 biennium is approximately $6.57 billion. Of the $6.57 billion, 43.43% is attributable to education, 34.86% to health and human services, and 21.78% to other purposes of State government. For additional information regarding General Fund expenditures during fiscal years 2010 through 2014, and for information regarding Highway Fund expenditures during fiscal years 2010 through 2014, see Exhibits 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.

Public Laws of Maine 2007, Chapter 539 which took effect on March 31, 2008 ("2007 Chapter 539") provided that, as a target, (a) the State would 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 would 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, included 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 would 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 would be delayed until fiscal year 2011.

The Governor's Executive Order issued in November 2009 included curtailment of State spending for K-12 Education in the amount of approximately $38.1 million. The supplemental General Fund budget, 2009 Chapter 571, includes a reduction in baseline funding for GPA in fiscal year 2010 in an amount equal to this curtailment, and it also includes a reduction in GPA funding for fiscal year 2011 of approximately $9 million. These reductions do not violate the "maintenance of effort" requirements of the American Recovery and Reinvestment Act of 2009 ("ARRA").

With the enactment of the supplemental budget, 2009 Chapter 571, GPA was approximately 48.93% of the total State and local cost of K-12 education in fiscal year 2010 and 45.84% in fiscal year 2011 as amended by 2011 Chapter 1. The State General Fund contribution was approximately $909.2 million in fiscal year 2010 and approximately $872.6 million in fiscal year 2011, totaling approximately $1,781,800,000 for the 2010-2011 biennium. The balance of the government payments are derived from ARRA monies awarded to the State for K-12 Education and added approximately $116 million over the course of the 2010-2011 biennium. Total payments by the State to local school districts (including ARRA monies) comprised 49.78% of the total cost of Essential Program and Services in fiscal year 2010 and comprised of 47.83% in fiscal year 2011.

The biennial budget enacted in 2011 Chapter 380, as amended by 2011 Chapter 477, 2011 Chapter 655 and 2013 Chapter 1 for fiscal years 2012 and 2013 included a State General Fund commitment to the cost of K-12 education of $888,752,379 in fiscal year 2012 and $895,071,007 in fiscal year 2013. Those General Fund appropriations resulted in a 45.05% State share of the total cost of education in fiscal year 2012 and 44.91% in fiscal year 2013. Maine public schools also received federal jobs funds of $36,214,417 for the 2012-13 biennium to help retain or hire critical staff. The enacted budget also includes the State share of teacher retirement, retired teacher's health insurance, and retired teacher's life insurance of $172,592,848 in 2012 and $174,932,892 in 2013 when considering the State's contribution for Essential Programs and Services. Including the State contribution to teacher retirement, retired teacher's health insurance, and retired teacher's life insurance the State's contribution towards the total cost of education was 49.47% in fiscal year 2012 and 49.35% in fiscal year 2013.

For fiscal year 2014 the biennial budget enacted in 2013 Chapter 368 and amended in 2013 Chapters 487 and 502 contained a State commitment to the cost of K-12 education of $1,111,006,225 which was made up of General Fund appropriation and Education's portion of funding received from casino revenues. The State's contribution towards the total cost of education including teacher retirement, retired teacher's health insurance and retired teacher's life insurance was 50.44% in fiscal year 2014.

For fiscal year 2015 the budget enacted in 2013 Chapter 368, amended by 2013 Chapter 487 and further amended by 2013 Chapter 502, which appropriated $9.6 million to offset the savings recommendation in the 2013 Chapter 368, Part F structure and operations review findings to the General Purpose Aid to Local Schools program. Further actions to amend funding in fiscal year 2015 were taken in 2013 chapters 581 and 595 which included additional funding of $300,000 for the Jobs for Maine's graduates program and one-time funding of $650,000 for the 2nd year of the comprehensive early college program resulting in State contribution to the costs of K-12 education of $1,120,789,831. The State's contribution towards the total cost of education including teacher retirement, retired teacher's health insurance and retired teacher's life insurance is 50.13% in fiscal year 2015.

In LD 1019, which is pending action by the Legislature, the State's contribution for fiscal year 2016 is $1,111,985,349 which if enacted, would equate to the State's contribution towards the total cost of education including teacher retirement, retired teacher's health insurance and retired teacher's life insurance of 49.10% in fiscal year 2016. This LD also includes one-time transfers of $5,000,000 in both fiscal year 2016 and fiscal year 2017 from the General Fund to support the consolidation of school administrative units.

Health and Human Services Funding

After education, proposed spending for health and human services and programs comprise the second most significant area of expenditure, at approximately 34.97% of General Fund appropriations for the 2016-2017 biennium. Furthermore, General Fund expenditures for the State's Medicaid program, MaineCare, are the largest, comprising $1.54 billion or 67.2%, of all health and human services spending. The State continues to make significant efforts to hold down the rate of increase in the growth of MaineCare expenditures. While remaining committed to provide access to care for the State's most vulnerable residents, the State is employing even more aggressive care management techniques, continues to standardize provider reimbursement rates and has developed more capacity in the area of third party recovery. Regardless of these efforts, additional General Fund resources were needed for fiscal year 2011 totaling $46 million, and funding amounting to approximately $118 million was provided for the 2012-2013 biennium. The first 2012-2013 supplemental budget, 2011 Chapter 477, proposed more changes to the MaineCare program in the areas of generic drug utilization, opioid prescribing policies, rate reform, service limitations and enhanced efforts in the area of collection of overpayments, legal settlements and through increased cost avoidance, yet provided funding to address an estimated shortfall of $108 million. A second 2012-2013 supplemental budget, 2011 Chapter 657, included structural changes to the MaineCare program by eliminating some Medicaid optional services and coverage options; despite these initiatives, additional 2012-2013 General Fund resources of approximately $66.8 million were required. Several of the changes proposed in 2011 Chapter 657 required the approval of the Centers for Medicare and Medicaid Services ("CMS"). The Department of Health and Human Services was notified that some of the proposals would violate the Maintenance of Effort provisions of the Affordable Care Act and therefore could not be implemented. The Department's budget was reduced in 2011 Chapter 657 and without approval from CMS, the Department would require additional General Fund monies in fiscal year 2013. The Governor's supplemental budget addressed this issue, as well as an overall shortfall in the program. 2013 Chapter 1 was enacted on March 6, 2013 and provided $85 million for the Medicaid program to continue providing payments in fiscal year 2013. An additional $35.3 million was appropriated to the Medicaid program in 2013 Chapter 248, which was signed by the Governor on June 14, 2013. This final appropriation enabled the Department to fully fund Medicaid cycle payments in fiscal year 2013.

During fiscal year 2008-09 and the 2010-2011 biennium, the American Recovery and Reinvestment Act provided a substantial infusion of federal funds into the MaineCare program which was primarily in the form of enhanced federal matching dollars. This funding assisted the State in meeting the 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. However, the extension passed by Congress phased down the federal match rate and required Maine to provide additional General Fund support of $33 million in fiscal year 2011. The 2012-2013 baseline appropriation for the Medicaid program provided approximately $360 million in General Fund resources necessary to replace reduced federal funds.

The 2012-2013 budget continued funding for the patient-centered medical home initiative to encourage Maine health care providers to provide better access to primary care physician services to MaineCare members. Funding was also provided to address shortfalls in the municipal General Assistance program resulting from the economic downturn, to pay for the cost of forensic patients at the State's psychiatric hospitals, to provide sufficient resources for the foster care and adoption assistance programs, to service individuals with intellectual disabilities and autism who are current waiting for services, to increase funding available for mental health services to those not Medicaid eligible and for housing services for individuals with mental illness.

The 2012-2013 budget supported Maine's efforts to pay its obligations to hospitals on a timely basis. General Fund resources of approximately $63 million were designated to transition payments to Maine's noncritical access hospitals from a prospective interim payment system to methodologies based on diagnosis related groupings and ambulatory payment classifications in order to pay hospitals on a real-time basis and reduce the use of paying hospital settlements several years after hospitals have incurred costs. The budget also continued the effort to pay outstanding hospital settlements through an initiative which provided over $9 million General Fund resources from 2012 year end balances.

Prior to fiscal year 2014, the State had accrued a liability to hospitals for Medicaid services provided by such hospitals with the use of a Prospective Interim Payment methodology. In the 2012-2013 budget, Maine transitioned from the Prospective Interim Payment system to methodologies based on Diagnosed Related Groupings and Ambulatory Payment Classifications, which pays Maine's noncritical access hospitals on a real-time basis, based on claims. As of June 30, 2012, the aggregate liability totaled approximately $484.4 million, of which $186.3 million was the State share, with the balance expected to be paid on or after October 1, 2013 by the federal government as its federal match. On June 14, 2013, the Governor signed into law 2013 Chapter 269, An Act to Strengthen Maine's Hospitals and to Provide for a New Spirits Contract. This law authorized the Maine Municipal Bond Bank to issue up to $187.0 million of revenue bonds, the proceeds of which were used, together with federal moneys, to satisfy this obligation to the hospitals. The bonds are payable from moneys to be received in connection with an agreement for certain wholesale liquor activities. Payments to settle the debts owed to hospitals were made in September of calendar year 2013.

The 2014-2015 budget, 2013 Chapter 368, continued funding the priorities identified in previous budgets. The Department requested additional resources in both fiscal year 2014 and 2015 to address needs in the Medicaid program. In addition to the request for increases to the baseline budgets, the Department received the funding necessary to fill waiver slots on two of the State's largest Medicaid waivers serving those with developmental or intellectual disabilities. Funding was also provided for the General Assistance program while coupled with structural changes to the program that mitigated a larger request. The budget included funding to provide additional mental health services to those not Medicaid eligible in fiscal year 2014 and to fund adequately the foster care/adoption assistance programs based on the increasing number of children in care in both years of the biennium. In an effort to reduce expenditures and restructure the services offered by the Department of Health and Human Services, there are several proposals in the budget which would restructure some benefits for dually eligible members and implement two new waivers to better serve those with brain injury and other conditions. The Department also proposed to save funds based on the implementation of care management for high-cost users in the Medicaid program. An additional $31 million in Medicaid funding was provided for fiscal year 2014 in a supplemental budget prepared by the Legislature and enacted in 2013 Chapter 502.

The supplemental budget enacted as 2013 Chapter 502 also provided additional funding for the state's two psychiatric hospitals. In September of 2013, the Department of Health and Human Services was notified that the Riverview Psychiatric Center would no longer receive CMS hospital certification. This de-certification called into question the ability of the hospital to continue receiving Medicaid Disproportionate Share Hospital funding which accounts for more than half of its budget. The Department requested additional General Fund support to enact several changes at the hospital while they pursue re-certification. The Department also maintains that they are eligible to continue receiving Disproportionate Share Hospital funding as they are an Institute of Mental Disease and do not need Medicare hospital certification to receive this funding. Several items in 2013 Chapter 502 were intended to increase recruitment and retention at both Riverview Psychiatric Center and the Dorothea Dix Psychiatric Center in Bangor.

PL 2015, chapter 16 (LD 236) passed into law without the Governor's signature contains adjustments to the fiscal year 2015 budget. This includes funding to address both the physical environment at Riverview Psychiatric Center and personnel needs by establishing 29 new positions. The Department requested this funding to assist in regaining certification from the Centers for Medicare and Medicaid Services. This bill also contains funding to replace expiring federal funds that support enhanced payments for primary care physicians, as implemented by the Affordable Care Act. Public Law 2013, Chapter 595 modified the timing of MaineCare payments to providers resulting in a reduction in General Fund appropriation of $20 million. As set forth in the language enacting the reduction in Chapter 595, the department reported to the Appropriations Committee in September of 2014 the potential negative impact on certain provider groups. As a result, Chapter 16 restores the $20 million and does not require the modification of the timing of MaineCare payments. Additionally, funding is requested to repay the federal government for a portion of an audit finding included in the federal Department of Health and Human Services, Office of Inspector General report.

The Governor's 2016-2017 biennial budget recommendation, Legislative Document 1019, outlines the key priorities of the Department going into the next biennium. The Department has requested funding to eliminate waitlists for home and community based services and for nursing home facilities. The Department has also requested funding for Health Homes for individuals with Stage A and Stage B conditions as well as reimbursement for primary care physicians due to a loss in federal funding under the Affordable Care Act. Additionally, the Department has requested funding for core services under the Consent Decree including funding the Bridging Rental Assistance Program (BRAP) specifically for Consent Decree clients.

Debts of the State

As of April 30, 2015, there were outstanding general obligation bonds of the State in the principal amount of $383,880,000, including $291,685,000 to be paid from the General Fund and $92,195,000 to be paid from the Highway Fund. As of April 30, 2015, there are outstanding bond anticipation notes of the State in the principal amount of $38,150,000 which mature June 30, 2015. Debt service requirements to maturity for the outstanding general obligation bonds are set forth in Exhibit D herein.

As of April 30, 2015, there are no outstanding tax anticipation notes of the State. As of April 30, 2015, the State is using interfund borrowings from the State investment pool in the amount of $50,000,000 to satisfy its fiscal year 2015 cash flow needs. The State also plans to continue to use internal cash flow borrowing to meet cash flow needs in fiscal year 2016. Additional external borrowing may be needed in fiscal year 2016. The amount budgeted to be borrowed externally in fiscal year 2016 is not currently expected to exceed $150,000,000. 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.

As of April 30, 2015, there is indebtedness authorized by the voters of the State for certain purposes, but unissued as either bonds or notes, in the aggregate principal amount of $138,807,809. As of April 30, 2015, 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.

For additional information concerning long-term debts of the State, see Exhibit 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 April 30, 2015, the aggregate principal amount of such lease obligations outstanding was $97,179,277. 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."

Defined Benefit Retirement Programs

Overview. The Maine Public Employees Retirement System ("MainePERS" or "System") administers three defined benefit pension plans (often referred to as "Programs") on behalf of the State with approximately the following membership as of June 30, 2014: the State Employee and Teacher Retirement Program, with 39,669 active, 36,611 inactive non-vested, 7,447 terminated vested and 32,391 retired members and surviving beneficiaries; the Judicial Retirement Program, with 60 active, 1 inactive non-vested, 2 terminated vested and 67 retired members and surviving beneficiaries; and the Legislative Retirement Program, with 181 active, 94 inactive non-vested, 122 terminated vested and 153 retired members and surviving beneficiaries (collectively "State Plans"). In addition, MainePERS administers the Participating Local District Consolidated Plan on behalf of 299 participating state and local public entities ("PLDs"). In addition, the System also administers a group life insurance plan which provides or makes available life insurance benefits for active and retired System members and employees of certain PLDs. As of June 30, 2014, the System's group life insurance plan, for actuarial purposes, was comprised of approximately 31,194 active members and 17,715 retirees, which includes 5,486 PLD active members and 2,673 PLD retirees and surviving beneficiaries. A full actuarial valuation of the group life insurance program is done on a biennial basis, the most recent as of June 30, 2014. The State has no retirement or group life insurance obligations to the PLDs or to their covered employees. The trust fund balances associated with each plan administered by MainePERS are segregated. The funds are commingled only for investment purposes. The administrative operating expenses of the System are charged against each trust fund balance as directed by statute and in accordance with generally accepted accounting standards. The budgeted administrative operating expenses of the System for fiscal year 2015 are $11,950,000, as compared to $10,310,384 for fiscal year 2014.

The System's retirement programs provide defined retirement benefits based on members' three-year average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten-year requirement was reduced by legislative action to five years for state employees and teachers; separate legislation enacted the same reduced requirement for judges, legislators, and employees of PLDs). Vesting also occurs upon the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for "regular service retirement plan" State employees and teachers, judges and legislative members is age 60, 62 or 65[1]. The normal retirement age is determined based upon the amount of service to which a member is credited as of a specific date. For "regular service retirement plan" PLD members, normal retirement age is 60 or 65, depending upon when plan membership commenced. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by statute for State employees and teacher members and by contract with other participating employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 5.0%. Employer contributions for terminated members are not refunded and remain assets of the applicable plan.

Other Available Information

The following documents related to the System and the Programs are incorporated herein by reference:

- Comprehensive Annual Financial Report of the System for the fiscal year ended June 30, 2014 available at http://mainepers.org/PDFs/CAFRS/CAFR14.pdf.
- Actuarial Valuation Report for each of the retirement programs administered by the System as of June 30, 2014 available at http://www.mainepers.org/bonds.htm.
- Final Report of the State Employee and Teacher Retirement Program experience study, dated December 22, 2011 available at http://www.mainepers.org/PDFs/Bonds/Maine%20Assumption%20Changes_12222011_vf.pdf.
- "New Pension Plan Design and Implementation Plan" dated March 2012 prepared by the New Pension Plan Working Group available at http://www.mainepers.org/Pensions/NPP_Report_3-5-2012.pdf.
- New Pension Plan proposed legislation and plan document submitted to the Joint Standing Committee on Appropriations and Financial Affairs on January 15, 2013 available at http://www.mainepers.org/Pensions/NPPI%20Package%2001172013.pdf.
- New State/Teacher Retirement Plan Report to the Legislature, "New State/Teacher Plan 2 Proposed Legislation and Implementation Plan" submitted to the Joint Standing Committee on Appropriations and Financial Affairs on May 6, 2013 available at http://www.mainepers.org/Pensions/NPP%20Report%20Final%2005072013.pdf.

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[1] Because of the nature of their jobs, certain employees, typically those in law enforcement positions, are members of a "special service retirement plan," rather than the "regular service retirement plan" which covers most employees. Special plans typically differ from regular plans in the areas of retirement eligibility requirements, benefit determination, and contribution rates. Special plans are typically more expensive than regular plans.

For additional information about the System contained in this Information Statement, see also Note 9 and Required Supplementary Information in the State's financial statements on pages B-60 – B-65 and B-101 – B-103 herein and "Exhibit E – Maine Public Employees Retirement System Actuarial Balance Sheet, June 30, 2014".

Funding Policy and Status

The costs of the State Plans, including those of the State Employee and Teacher Retirement Program, generally consist of two elements:

Normal Costs - the present value of future pension benefits earned by employees in the current year. Normal costs are based on each year's projected annual collective employee earnings. The State's share of the normal cost for fiscal years 2014 and 2015 is 3.67%. Most State employees and teachers are required by statute to contribute 7.65% of their earnings. As previously noted, some State employees may pay a higher rate as a result of participation in a so-called "special plan", which typically permit a member to retire younger or with fewer years of service. Other State employees may pay a lesser rate as a result of a collective bargaining agreement or other arrangement with the State. The employee contribution rate did not change as a result of the recent experience study or plan design changes.

Unfunded Actuarial Accrued Liability (UAAL) - the amount by which the actuarial liability for current and former employees is greater than pension assets. The actuarial liability is the present value of prospective pensions owed to members when they retire based on service as of the calculation date.

State Employee and Teacher Retirement Program annual and/or biennial costs are defined as those normal and UAAL costs required by State law and the Maine Constitution to fund the plan. The State's employer normal cost contributions, along with current member contributions, support benefits currently being earned by active members. The State's unfunded actuarial accrued liability (UAAL) contribution is a payment on the amortized debt that represents the liability for benefits in excess of the amount supported by assets of the System. The Maine Constitution requires that the June 30, 1996 UAAL be fully funded in not more than 31 years from July 1, 1997. In addition, the Maine Constitution requires that unfunded liabilities resulting from experience losses must be retired over a period not exceeding 10 years.

Maine is one of 14 states that do not participate in Social Security for State employees, judges, legislators or teachers while they are active members of the State Plans. Neither the State nor covered plan members contribute any amounts to Social Security. This means that covered members do not earn Social Security credits.

The State appropriates funding for pension costs associated with the State Plans, covering all State employees and teachers, legislators and judges. Retirement, disability and death benefits provided by the System are funded by employee contributions as set by statute and by employer contributions determined on an actuarial basis. An actuarial valuation is prepared annually and the valuation completed in the even year for each of the state's three defined benefit plans is used to determine the State's employer contribution requirements for the ensuing biennium. For example, the valuation as of June 30, 2012 was used to set contributions for the 2014-2015 biennium, and the valuation dated as of June 30, 2014 was used to establish the contributions to be made in the 2016-2017 biennium.

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 State Employee and Teacher Retirement Program's UAAL. As of June 30, 2014, the actuarial value of assets of the State Employee and Teacher Retirement Program (which does not include members of the judicial and legislative programs) was $10,017,512,006 and the actuarial accrued liability was $12,320,158,783 resulting in a UAAL of $2,302,646,777 and a funded ratio of 81.3%. The State is obligated under an amendment to the Maine Constitution adopted in 1995 to amortize the UAAL of the State Employee and Teacher Retirement Program as of June 30, 1996 by no later than the end of fiscal year 2028. As of June 30, 2014, 14 years remained in the current, constitutionally mandated amortization period for the unfunded liability of the State Employee and Teacher Retirement Program. The Maine Constitution also prohibits the creation of new unfunded liabilities other than those arising from experience losses. Any such liabilities are required to be amortized within 10 years. The constitutional requirement does not apply to the Legislative Retirement Program or the Judicial Retirement Program. MainePERS monitors all relevant proposed bills to ensure continued compliance with the constitutional requirement.

The judicial retirement plan had an actuarial surplus of $858,375 at June 30, 2014. The legislative retirement plan had an actuarial surplus of $3,270,508 at June 30, 2014.

The ARC originally determined for the 2014-2015 biennial budget was based upon an estimate of the assets and liabilities as of June 30, 2012. The estimated assets included the June 30, 2012 assets (at market value), except that the private market values were based on the March 31, 2012 value, with a projection of total cash flows for the year. The liabilities included the June 30, 2011 liabilities, rolled forward based on projected actuarial assumptions for fiscal year 2012. This new process, as compared to the prior process of waiting for all values at June 30 to become available, was recommended by Cheiron, the System's actuary, and approved by the System's Board of Trustees, and was implemented in order to provide employer contribution rates to the State as early as possible in the biennial budget process. The completion of the actuarial valuation as of June 30, 2012 by the System's actuary, using all values as of June 30, 2012, demonstrated no material difference between the estimated results, used to establish the employer contribution, and the results of the actual valuation. This same methodology was used to determine the ARC for the 2016-2017 biennial budget.

The amount paid by the State in fiscal year 2014 was $264,275,000. The amounts projected to be paid by the State, using the rate-setting process as described above, in fiscal years 2015 and 2016 are $305,440,000 and $295,667,000, respectively.

The State has generally funded its annual required contribution for State employees, teachers, judges and legislators as shown in the table below. Differences between the ARC and the actual contribution may be the result of the differences between projected and actual salary amounts for any given year. Differences may also be the result of additional contributions paid by the State, as previously required by statute, from general fund surplus money available at the close of a given fiscal year. In 2013, the statute was amended by the 126th Legislature such that general fund surplus money is no longer allocated to MainePERS.

Valuation Date 6/30/YY	**Annual Required Contribution**	**Actual Contribution**	**Percent Contributed**
2014	$264,275,000	$264,275,000	100.0%
2013	264,381,000	264,381,000	100.0
2012	252,830,000	252,830,000	100.0
2011	328,075,000	333,944,000	101.8
2010	317,992,000	329,207,000	103.5
2009	320,112,000	320,112,000	100.0
2008	305,361,000	305,361,000	100.0
2007	303,076,000	303,075,774	100.0
2006	286,439,000	303,438,610	106.0

Valuation Date 6/30/YY	Annual Required Contribution	Actual Contribution	Percent Contributed
2005	261,698,000	274,697,901	105.0
2004	251,483,000	273,482,848	108.8
2003	252,709,000	263,209,148	104.2
2002	242,486,000	242,486,089	100.0

As of June 30, 2014, the State had a net pension obligation ("NPO") in connection with the State Plans of $1,958,955. The NPO is the cumulative difference between annual pension cost and the employer's contributions to a plan, including the pension liability or asset at transition, if any. Measured is the annual pension cost equal to (a) the ARC, (b) one year's interest on the NPO, and (c) an adjustment to the ARC to offset the effect of actuarial amortization of past under- or over-contributions. "Transition" refers to the point in time when the employer implemented GASB Statement # 27 and measured its initial pension liability or asset at that point in time.

The following table sets forth a projection of the contributions expected to be made by the State to pay both the normal cost and to amortize the UAAL of the State Employee and Teacher Retirement Program for the period from fiscal year 2014 through fiscal year 2028. The dollar amounts (expressed as millions) are shown both as future year dollars and current year dollars (discounted at a 3.5% rate). The amounts shown in the table below include the results of the actuarial valuation as of June 30, 2014.

Projected Contributions

Fiscal Year	Normal Cost future dollars*	Normal Cost current dollars*	UAL Cost future dollars*	UAL Cost current dollars*	Total Cost future dollars*	Total Cost current dollars*
2015	68	68	252	252	319	319
2016	70	68	223	215	293	283
2017	73	68	230	215	303	283
2018	75	68	191	173	266	241
2019	78	68	198	173	276	241
2020	80	68	185	156	265	224
2021	83	68	192	156	275	224
2022	86	68	189	149	275	217
2023	89	68	185	141	274	209
2024	92	68	188	138	280	206
2025	96	68	245	174	341	242
2026	99	68	279	191	378	259
2027	102	68	308	204	410	272
2028	106	68	335	214	441	282

*All costs in millions.

The amounts in the preceding table are based on projections derived from the 2014 actuarial assumptions and other information then known to the State and the System. The actual amounts required to be contributed by the State in the future will likely differ from these amounts and, depending upon actual circumstances, such differences may be substantial. The actual contributions to be made by the State for any future fiscal year, including the amount required to amortize the then UAAL, will be based upon actual investment results and other factors as they occur in the future and the applicable actuarial valuation used to certify the contribution rates for such year and will reflect all actuarial assumptions and circumstances then in effect. The State cannot predict with certainty what the actual dollar amount of required contributions to the System will be for fiscal years beyond fiscal year 2017.

Pursuant to 2013 Chapter 368, beginning in fiscal year 2013-14, the employer normal cost for teacher members must be paid by local school administrative units. Those costs were previously paid by the State. The amount paid by the State was $28,477,233 in fiscal year 2013. The amount paid by the local school administrative units was $29,495,441 in fiscal year 2014 and is projected to be $31,613,496 in fiscal year 2015, $39,269,778 in fiscal year 2016 and $40,644,220 in fiscal year 2017 . The State continues to pay the employer unfunded liability costs for teacher members. Legislation pending in the current legislative session would make the State again responsible for the payment of the employer normal cost for teacher members.

Recent Actuarial Assumption Changes. State law provides that at least once in each six-year period, the System's actuary is to make an investigation into account program demographics and changes in program demographics, employment patterns and projections, relevant economic measures and expectations and other factors that the Board or actuary considers significant. The actuary must also make recommendations for certain modifications of the actuarial assumptions, as needed. The final report of the most recent experience study, which was conducted in 2010, is available at http://www.mainepers.org/bonds.htm. At its July 10, 2014 meeting, the Board adopted a rate of investment return assumption of 7.125%, a change from the previous rate of investment return assumption of 7.25%, which change increased the UAAL by approximately $168 million.. In addition to the assumption change, the Board voted to recognize an additional 37.5% of past investment gains in the asset smoothing method used in the completion of the 2014 valuation report, which had the effect of reducing the UAAL by approximately $192 million.

Actuarial Valuation. By State law, the System's assets and liabilities are calculated annually by the System's actuaries. Each even year's valuation serves as the basis for the State's ARC in the biennium that begins two years from the date of the valuation. This report is delivered to the State in late October and contains an actuarial valuation of the plans administered by the System as of the end of the most recent fiscal year and sets out the ARC for the upcoming biennium. The report also includes, for each plan, a description of the actuarial assumptions and methods used, a brief summary of the principal plan provisions and a summary of member data. The actuarial reports for the fiscal year ending June 30, 2014 the "2014 Valuations" (the most recently completed actuarial report) are incorporated by reference herein and are available at http://www.mainepers.org/bonds.htm.

The actuarial valuation calculates the actuarial accrued liability for each of the defined benefit plans, which represents the present value of benefits the System will pay to its retired members and active members upon retirement, based on certain demographic and economic assumptions. Some examples of these assumptions include an expected rate of return on assets, age of retirement of active members, future salary increases for current employees and assumed mortality rates for retirees and beneficiaries. If the actual experience of a plan differs from these assumptions, the UAAL of the plan may increase or decrease to the extent of any such variance. This could have a resulting impact on the ARC, which may increase or decrease the amount of the State's contribution to the plans. As previously discussed, the actuarial assumptions of the State Employee and Teacher Retirement Program were recently changed to reflect the results of the latest experience study. See "Recent Actuarial Assumption Changes" above.

The actuarial valuation also compares the actuarial accrued liability with the actuarial value of assets and any excess of that liability over the assets forms the UAAL of the system. The actuarial valuation will express the percentage that a plan is funded through a "funded ratio," which represents the actuarial value of assets of the plan divided by the actuarial accrued liability of such plan. The actuarial valuation will also state an annual required contribution ("ARC"), which is a recommended amount that the State and other sponsoring employers contribute to the applicable plan. The ARC consists of two components: (1) normal cost, which represents the portion of the present value of retirement benefits that are allocable to active members' current year service, and (2) an amortized portion of the UAAL.

With respect to the expected rate of return of assets, the actual rate of return on investments depends on the performance of its investment portfolio. The value of the securities and other investments in the investment portfolio changes from one fiscal year to the next, which, in turn, causes increases or decreases in the funded ratio of each plan and in the UAAL. Currently, the assumed rate of return is 7.125%. For fiscal year 2014, the actuarial rate of return of the assets was 12.2% as compared to a market rate of return of 16.7%. Information about the System's Investment Program is available at www. mainepers.org/Investments/Investments.htm.

The 2014 Valuation includes an analysis of the impact of both higher and lower actual rates of return, as compared to the current assumed rate of return of 7.125%. If the Programs were to earn 8.125% annual returns, the State's contribution rate would decline from the projected rate in the 2014 Valuation of 18.06% and the unfunded actuarial liability would be paid in full by 2025 rather than 2028. If, however, the Programs were to earn 6.125% annual returns, the contribution rate would rise to about 23% of payroll in order to meet the Constitutional requirement. Again, as noted above, the actual future circumstances will likely vary from those assumed in the 2014 Valuation and thereby result in potentially significantly different required contribution amounts.

The following table sets out the actual rate of investment return as compared to the actuarial assumed rate of return (taking into account the three-year smoothing method described below) for the calendar years 2014 through 1991, inclusive.

Calendar Year	Actual Rate of Investment Return	Actuarial Assumed Rate of Return*
2014	16.70%	7.125%
2013	11.20	7.25
2012	12.86	7.25
2011	0.22	7.25
2010	12.20	7.75
2009	21.50	7.75
2008	-27.60	7.75
2007	9.10	7.75
2006	11.30	7.75
2005	7.70	8.00
2004	13.10	8.00
2003	25.60	8.00
2002	-10.30	8.00
2001	-5.00	8.00
2000	-3.80	8.00
1999	15.30	8.00
1998	15.30	8.00
1997	18.50	8.00
1996	13.50	8.00
1995	25.70	8.00
1994	-0.10	8.00
1993	13.90	8.00
1992	7.20	8.00
1991	23.90	8.50

*Changes effective July 1 of stated year

In addition to the above-described assumptions, the actuarial valuations of the plans use the entry age normal ("EAN") method to calculate the actuarial value of assets and actuarial accrued liability. The System believes that the EAN method is a more accurate indicator of actuarial funding progress and it is now, in fact, the predominant method used by public retirement systems throughout the United States.

An additional actuarial method used in arriving at the actuarial valuation is so-called "smoothing," whereby the difference between the market value of assets and the actuarial value of assets is smoothed over a period of three years to offset the effects of volatility of market values in any single year. The following chart presents, for each program, the actuarial accrued liability, the actuarial value of assets, the unfunded actuarial liability, the funded ratio of the plan based on the actuarial value of assets, the market value of assets, the funded ratio of the plan based on the market value of assets and the ratio of the actuarial value of assets over the market value of assets.

State & Teachers

Valuation date 6/30/YY	Actuarial Accrued Liability	Actuarial Assets	Unfunded Actuarial Liability	Funded Ratio (AVA)	Market Assets	Funded Ratio (MVA)	Actuarial Assets Over Market
2014	$12,320,158,783	$10,017,512,006	$2,302,646,777	81.31%	$10,337,615,927	83.90%	96.90%
2013	11,830,649,882	9,177,749,627	2,652,900,255	77.58	9,091,347,964	76.85	101.00
2012	11,553,306,281	8,880,730,120	2,672,576,161	76.87	8,453,862,754	73.20	105.10
2011	11,281,665,186	8,736,885,121	2,544,780,065	77.44	8,677,947,874	76.90	100.70
2010	12,617,144,005	8,313,459,810	4,303,684,195	65.90	7,239,332,094	57.40	114.80
2009	12,321,219,332	8,325,951,236	3,995,268,096	67.60	6,620,849,642	53.70	125.80
2008	11,668,032,511	8,631,557,629	3,036,474,882	74.00	8,311,970,624	71.20	103.80
2007	11,157,770,138	8,245,520,019	2,912,250,119	73.90	8,668,381,195	77.70	95.10
2006	10,547,299,194	7,504,219,546	3,043,079,648	71.10	7,503,201,781	71.10	100.00
2005	9,999,250,038	6,964,597,457	3,034,652,581	69.70	6,997,802,832	70.00	99.50
2004	9,442,389,399	6,452,570,244	2,989,819,155	68.30	6,280,951,942	66.50	102.70
2003	9,442,389,399	6,452,570,244	2,989,819,155	68.30	6,280,951,942	66.50	102.70

Judicial

Valuation date 6/30/YY	Actuarial Accrued Liability	Actuarial Assets	Unfunded Actuarial Liability	Funded Ratio (AVA)	Market Assets	Funded Ratio (MVA)	Actuarial Assets Over Market
2014	$54,560,642	$55,419,017	$ -858,375	101.57%	$57,189,900	104.80%	96.90%
2013	52,374,785	51,055,251	1,319,534	97.50	50,574,604	96.60	101.00
2012	46,340,678	49,735,004	-3,394,326	107.32	47,344,407	102.20	105.10
2011	47,868,297	49,324,784	-1,456,487	103.00	48,992,049	102.40	100.70
2010	53,149,699	47,677,635	5,472,064	89.70	41,517,520	78.10	114.80
2009	50,543,320	48,478,344	2,064,976	95.90	38,550,289	76.30	125.80
2008	47,634,452	50,418,942	-2,784,490	105.80	48,552,160	101.90	103.80
2007	46,842,351	48,225,053	-1,382,702	103.00	50,698,214	108.20	95.10
2006	43,102,409	44,350,649	-1,248,240	102.90	44,344,633	102.90	100.00
2005	41,804,673	41,842,216	-37,543	100.10	42,041,709	100.60	99.50
2004	36,388,731	39,210,995	-2,822,264	107.80	38,168,105	104.90	102.70
2003	41,931,130	41,842,216	88,914	99.80	42,041,709	100.30	99.50

Legislative

Valuation date 6/30/YY	Actuarial Accrued Liability	Actuarial Assets	Unfunded Actuarial Liability	Funded Ratio (AVA)	Market Assets	Funded Ratio (MVA)	Actuarial Assets Over Market
2014	$7,505,193	$10,775,701	$-3,270,508	143.31%	$11,120,032	148.20%	96.90%
2013	6,872,614	9,771,955	-2,899,341	142.20	9,679,959	140.90	101.00
2012	6,243,939	9,322,419	-3,078,780	149.31	8,874,321	142.10	105.10
2011	5,725,193	9,040,180	-3,314,987	157.90	8,979,197	156.80	100.70
2010	6,073,364	8,634,635	-2,561,271	142.20	7,519,010	123.80	114.80
2009	5,499,809	8,717,885	-3,218,076	158.50	6,932,518	126.10	125.80
2008	5,605,005	9,099,133	-3,494,128	162.30	8,762,234	156.30	103.80
2007	5,095,638	8,721,571	-3,625,933	171.20	9,168,846	179.90	95.10
2006	7,944,468	7,944,468	0	100.00	7,943,390	100.00	100.00
2005	7,406,475	7,406,475	0	100.00	7,441,788	100.50	99.50
2004	6,827,478	6,827,478	0	100.00	6,645,888	97.30	102.70
2003	7,406,475	7,406,475	0	100.00	7,441,788	100.50	99.50
2002	6,246,247	6,246,247	0	100.00	5,411,908	86.60	115.40

ALL STATE PLANS							
Valuation date 6/30/YY	Actuarial Accrued Liability	Actuarial Assets	Unfunded Actuarial Liability	Funded Ratio (AVA)	Market Assets	Funded Ratio (MVA)	Actuarial Assets Over Market
2014	$12,382,224,618	$10,083,706,724	$2,298,517,894	81.40%	$10,405,925,859	84.00%	96.90%
2013	11,889,897,281	9,238,576,833	2,651,320,448	77.70	9,151,602,527	77.00	101.00
2012	11,605,890,598	8,939,787,543	2,666,103,055	77.00	8,510,081,482	73.30	105.10
2011	11,335,258,676	8,795,250,085	2,540,008,591	77.60	8,735,919,120	77.10	100.70
2010	12,676,367,069	8,369,772,080	4,306,594,989	66.00	7,288,368,624	57.50	114.80
2009	12,377,262,461	8,383,147,465	3,994,114,996	67.70	6,666,332,449	53.90	125.80
2008	11,721,271,967	8,691,075,704	3,030,196,263	74.10	8,369,285,018	71.40	103.80
2007	11,209,708,127	8,302,466,643	2,907,241,484	74.10	8,728,248,255	77.90	95.10
2006	10,598,346,071	7,556,514,663	3,041,831,408	71.30	7,555,489,804	71.30	100.00
2005	10,048,461,186	7,013,846,148	3,034,615,038	69.80	7,047,286,328	70.10	99.50
2004	9,485,605,608	6,498,608,717	2,986,996,891	68.50	6,325,765,935	66.70	102.70
2003	9,491,727,004	6,501,818,935	2,989,908,069	68.50	6,330,435,439	66.70	102.70
2002	8,511,834,626	5,920,475,637	2,591,358,989	69.60	5,129,650,969	60.30	115.40

For further information regarding the actuarial method and significant assumptions used to determine the ARC, see Note 6 to the System's Comprehensive Annual Financial Report for the year ended June 30, 2014, which is available at www.mainepers.org/Publications/Publications.htm, and also "Recent Actuarial Assumption Changes" above. The estimated market value of All State Plans as of March 31, 2015 was $10,195,675,736.

Legislative Changes. The Legislature has in the past adopted laws that have had the effect of both increasing and decreasing future retirement benefits payable under one or more of the State Plans. Any increases in retirement benefits have the effect of increasing the actuarial accrued liability of the plan, which also has the effect of increasing the ARC with respect to the State Plans. Any decreases in benefits have the effect of limiting the future growth of the actuarial accrued liability of the plan, which also has the effect of limiting the growth of the ARC for the State for the plan in future years.

In June 2011, the 125th Legislature passed 2011 Chapter 380, the biennial budget for fiscal years 2012 and 2013. Part U of the budget established a working group to develop an implementation plan designed to close the current State Employee and Teacher Retirement Program and replace it with a retirement benefit plan that is supplemental to Social Security. The new plan would apply to all state employees and teachers first hired after June 30, 2015. In March, 2012, the Working Group issued its report entitled "New Pension Plan Design and Implementation Plan" which is available at www.mainepers.org. The Legislature considered the report and enacted additional legislation that required MainePERS to submit, no later than January 15, 2013, proposed legislation to implement the new plan as described in the report. The proposed legislation and accompanying documents, submitted by MainePERS on January 15, 2013, can be found at http://www.mainepers.org/Pensions/NPPI%20Package%2001172013.pdf. On May 6, 2013, MainePERS submitted a report for plan implementation to supplement the legislation submitted on January 15, 2013. The report can be found at http://www.mainepers.org/Pensions/NPP%20Report%20Final%2005072013.pdf. This new plan is currently before the Legislature in the form of L.D. 1032.

Pursuant to other provisions of 2011 Chapter 380, several changes were made to the State Plans. The changes include: changes to the retiree cost-of-living provisions, including a three-year freeze on cost-of-living adjustments, a reduction in the cost-of-living cap from 4% to 3%, and the establishment of a $20,000 limit on the amount of benefit subject to the cost-of-living adjustment; an increase in the normal retirement age from age 62 to age 65 for non-vested members of the regular plan component of the State Employee and Teacher Retirement Program (the non-special plan tiers); and a change that ties eligibility for subsidized health insurance coverage (health insurance benefits are funded directly by the State) to normal retirement age. See "Litigation" below.

Group Life Insurance Program. MainePERS also administers a group life insurance program which is available to eligible participants. As of June 30, 2014, the program had an unfunded actuarial accrued liability (UAAL) of $94.6 million. The annual required contribution for fiscal year 2014 was $9.0 million and the annual contribution paid was $7.95 million, representing 88.2% of the annual required contribution. As the result of a group life insurance premium study in 2012, the actuary recommended an increase in premiums to be more consistent with actual and projected program costs. The Board of Trustees adopted increased rates, which were implemented beginning in fiscal year 2014. Differences between the annual required contribution and the actual premium may also be the result of the differences between projected and actual coverage amounts for the year.

Litigation. On February 13, 2012, a lawsuit was brought by the Maine Association of Retirees and four of its active members against the Board of Trustees of MainePERS in the United States District Court for the District of Maine. The court subsequently granted a motion to intervene filed by the Maine State Employee Association, the Maine Education Association and the Maine State Troopers Association. *Maine Association of Retirees, et al. v. Board of Trustees of the Maine Public Employees Retirement System, Docket No. 1:12-CV-00059-GZS.* The Plaintiffs asked the District Court to declare that the 2011 cost-of-living adjustment ("COLA") statutes discussed above violate either or both the Contract Clause of and the Fifth Amendment to the Federal Constitution. By agreement of the parties, the Contract Clause claims were presented first for summary judgment. On June 24, 2013, the United States District Court (Singal, J.) dismissed all of Plaintiffs' claims, concluding that there was insufficient evidence of a legislative intent to contract and that, in any event, the cost-of-living adjustments did not cause a "substantial" impairment of any contractual obligation. The Plaintiffs filed a timely appeal to the 1st Circuit Court of Appeals. On June 27, 2014, the 1st Circuit Court of Appeals affirmed the decision of the District Court. The Plaintiffs did not appeal the decision to the United States Supreme Court within the required time frame (by filing a petitition for writ of certiorari). Therefore, the decision of the 1st Circuit Court of Appeals constitutes a final dismissal of Plaintiffs' case on all claims.

The System is also involved in a small number of administrative appeals brought by members whose requests have been denied by the System. Most often, those cases are appeals from adverse decisions in connection with applications for disability retirement benefits. Less often, there are administrative appeals involving or relating to group life insurance matters or retirement eligibility matters. In each case, the relief requested by appellants is to have the System's determination in their case reversed and the sought-after benefit granted.

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 retiree-only premium of their respective plans.

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 in the State Employee Plan who are the beneficiaries of the irrevocable trust fund. Annually, beginning with the fiscal year starting July 1, 2007, the Legislature shall appropriate funds to meet the State's obligations under any group health plan, policy or contract purchased by the State Employee Health Commission. Unfunded liabilities may not be created except those resulting from experience losses. Unfunded liability resulting from experience losses must be retired over a period not to exceed 10 years. The unfunded liability for retiree health benefits for eligible participants must be retired in 30 years or less from July 1, 2007. Public Law 2007 Chapter 240 amended Title 5 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. Public Law 2011, Chapter 380, Pt. Y §2 established separate Irrevocable Trust Funds for Other Post-employment Benefits to meet the State's unfunded liability obligations for retiree health benefits for eligible participants in the Teachers Plan and the First Responders Plan who are the beneficiaries of their irrevocable trust funds. Annually, beginning with the fiscal year starting July 1, 2011 for eligible first responders and July 1, 2015 (as amended by Public Law 2013, Chapter 368 Pt. H §2) for eligible teachers, the Legislature shall appropriate funds to meet the State's obligations to retire the unfunded liability in 30 years or less from July 1, 2007.

In order to meet the statutory requirement to retire the unfunded liability in 30 years or less from July 1, 2007, the State has developed a schedule to pre-fund the trust over eight years. The actuaries have calculated a contribution schedule to meet the State's pay-as-you-go contribution requirement plus a percentage necessary to fund the trust such that after eight years the State will then be able to fund the ARC thereafter. This schedule was used as the basis for the amounts budgeted for contributions in the 2016-17 biennial budget.

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 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 fiscal year 2014 and the related information for each plan are as follows:

(Expressed in Thousands)	State Employees	Teachers	First Responders
Annual required contribution	$ 99,000	$ 45,000	$ 1,769
Interest on net OPEB obligation	6,000	8,000	186
Adjustment to annual required contribution	(13,000)	(15,000)	(344)
Annual OPEB cost	92,000	38,000	1,611
Contributions made	63,228	24,956	593
Increase (decrease) in net healthcare obligation	28,772	13,044	1,018
Net healthcare obligation beginning of year	111,228	185,956	4,644
Net healthcare obligation end of year	$ 140,000	$ 199,000	$ 5,662

As of June 30, 2014, there were 11,056 retired eligible State employees, 9,933 retired teachers, and 87 retired first responders. In fiscal year 2014, the State made contributions for other post-employment healthcare benefits of $63 million for retired employees, $25 million for retired teachers and $600 thousand for first responders. The actuarial determined budgeted amounts for fiscal years 2015 and 2016 are $72 million and $56 million for the state employee plan and $26 million and $32 million, respectively, for the teacher plan.

The funded status of the plans as of June 30, 2014 was as follows:

Plan	Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a)/c) UAAL (as a percentage of covered payroll)
State	June 30, 2014	167	1,224	1,057	13.64%	543	194.66%
Employees	June 30, 2013	150	1,166	1,016	12.86%	518	196.14%
(in millions)	June 30, 2012	136	1,316	1,180	10.33%	502	235.06%
Teachers	June 30, 2014	0	684	684	0.00%	1,106	61.84%
(in millions)	June 30, 2013	0	685	685	0.00%	1,194	57.37%
	June 30, 2012	0	665	665	0.00%	1,156	57.53%
First	June 30, 2013	0	22,369	22,369	0.00%	53,366	41.92%
Responders	June 30, 2012	0	23,442	23,442	0.00%	43,510	53.88%
(in thousands)	June 30, 2011	0	21,921	21,921	0.00%	42,242	51.89%

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 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.

Employee Relations

As of May 12, 2015, the State had approximately 10,820 Executive Branch employees.

The State Employees Labor Relations Act allows State employees in the Executive Branch to engage in collective bargaining. As of May 12, 2015, approximately 9,747 employees were covered by the law. There are seven bargaining units within the Executive Branch. The Maine

State Employees Association (MSEA-SEIU) is the bargaining agent for four bargaining units which include approximately 8,324 employees. The American Federation of State, County, and Municipal Employees (AFSCME) represents the employees in State institutions; the Maine State Law Enforcement Association (MSLEA) represents those in law enforcement activities excluding State Police; and the Maine State Troopers Association (MSTA) 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. The State is currently in negotiations with the MSEA-SEIU, AFSCME, MSLEA, and the MSTA for successors to the agreements which will expire June 30, 2015.

Collective bargaining has also been extended to employees of the Judicial Department, Legislative Branch, 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, 2014:

Interfund Receivables
(Expressed in Thousands)

	Due to Other Funds				
Due from Other Funds	**General**	**Highway**	**Federal**	**Other Special Revenue**	**Other Governmental**
General	$ -	$ -	$ 1,302	$ -	$ -
Highway	31	2	18,316	2	-
Federal	9,217	2	121	629	-
Other Special Revenue	101,984	102	180	219	24
Other Governmental	437	-	129	-	-
Employment Security	-	-	22	-	-
Alcoholic Beverages	-	-	-	-	-
Non-Major Enterprise	165	135	2	4	-
Internal Service	10,781	3,689	3,482	4,408	-
Fiduciary	24,007	-	-	-	-
Total	$ 146,622	$ 3,930	$ 23,554	$ 5,262	$ 24

Due from Other Funds	**Employment Security**	**Alcoholic Beverages**	**Non-Major Enterprise**	**Internal Service**	**Fiduciary**	**Total**
General	$ -	$ -	$ 9,103	$ 4,811	$ 3,320	$ 18,536
Highway	-	-	-	12	-	18,363
Federal	-	-	-	-	-	9,969
Other Special Revenue	-	183,482	16	43	-	286,050
Other Governmental	-	-	-	-	-	566
Employment Security	-	-	-	-	-	22
Alcoholic Beverages	-	-				-
Non-Major Enterprise	-	-	1	-	-	307
Internal Service	-	-	442	1,809	11	24,622
Fiduciary	-	-	-	-	-	24,007
Total	$ -	$ 183,482	$ 9,562	$ 6,675	$ 3,331	$ 382,442

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, 2014:

Schedule of Advances to or from Other Funds
June 30, 2014

(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 Exhibits B and C.

General Fund revenue collections for the month of April 2015 were over budget by $33.8 million or 8.8%. Revenues for the ten month period ending April 2015 totaled $2,494.6 million and were over budget by $55.5 million or 2.2 %. Compared to the same period last fiscal year, General Fund revenues are up $26.4 million or 6.7%. Individual Income Tax revenues were over budget for the month by 33.1 million or 14.8% and were over budget year-to-date through April 2015 by $76.9 million or 6.7%. Sales and Service Provider Taxes, combined, were over budget for the month by $0.724 million or 1%, and are under budget year-to-date by $3.5 million or 0.4%. Corporate Tax revenues were under budget for the month by $4.4 million or 15.8%, and $18.6 million or 12. 7% under budget year-to-date. Estate Taxes were under budget by $1.6 million or 73.8% for the month and $5. 2 million or 17.7% under budget year-to-date. Cigarette and Tobacco Taxes were $0.251 million or 2.4% under budget for the month, and over budget by $1.5 million or 1. 3% year-to-date. Insurance Companies Tax was over budget by $7.7 million or 59.2% for the month and over budget by $5.0 million or 1.3% year-to-date. Fines, Forfeits and Penalties were $0.430 million or 24.3% under budget for the month, and $0.537 million or 2.9% under budget for the year. Lottery income was under budget by $0.078 million or 1.8% for the month, and under budget by $1.9 million or 4.2% for the year. Transfers for Tax Relief were were $0.327 million or 226.4% over budget inApril, and $0.891 million or 1.5% under budget year-to-date. Other Taxes and Fees were over budget by $0.084 million or 0.9% for the month, and were over budget by $4.4 million or 4.1% year-to-date. “Other Revenues” were under budget for the month by $1.6 million or 32.6%, and under budget by $1.4 million or 5.7% year-to-date.

The following table for fiscal year 2014, reflects the updated budgeted revenue re-projections after the December 2010 Revenue Forecasting Committee Meeting and the March 2014 Revenue Forecasting Committee Meeting and the budget through the 126th second regular session. The table for 2015 reflects the updated budgeted revenue reprojections after the December 2010 Revenue Forecasting Committee Meeting, the budget through the 126th second regular session, and the updated budgeted revenue reprojections after the December 2014 Revenue Forecasting Committee Meeting. The table for 2016 reflects the updated budgeted revenue reprojections after the December 2012 Revenue Forecasting Committee Meeting, the budget through the 126th second regular session, and the updated budgeted revenue reprojections after the December 2014 Revenue Forecasting Committee. See "State Budgets" above.

CATEGORY	Fiscal year 2014 Baseline Budget December 2010 RFC	Fiscal year 2014 as Revised by the March RFC	Fiscal year 2014 budget through the 126th 2nd Regular Session
Sales and Use Tax	$1,036,894,736	$1,108,677,783	$1,107,378,483
Service Provider Tax	64,809,166	49,317,427	49,317,427
Individual Income Tax	1,662,574,000	1,380,685,000	1,380,685,000
Corporate Income Tax	252,110,933	169,706,958	169,706,958
Cigarette and Tobacco Tax	138,621,367	135,900,000	135,900,000
Insurance Companies Tax	76,015,000	80,715,000	80,715,000
Estate Tax	54,924,035	27,553,982	27,553,982
Fines, Forfeits and Penalties	30,777,049	23,468,666	23,468,666
Income from Investments	205,585	132,523	132,523
Transfer from Lottery Commission	52,034,250	53,500,000	53,500,000
Transfer for Tax Relief Programs	(115,257,579)	(62,258,370)	(62,258,370)
Transfer to Municipal Revenue Sharing	(153,458,062)	(64,904,675)	(64,839,710)
Other Taxes and Fees	138,401,848	128,459,912	128,659,912
Other Revenues	43,317,373	43,200,283	44,447,248
Total Undedicated Revenues	**$3,281,969,701**	**$3,074,154,489**	**$3,074,367,119**

CATEGORY	Fiscal year 2015 baseline budget December 2010 RFC	Fiscal year 2015 budget through the 126th 2nd Regular Session	Fiscal year 2015 as Revised by the May 2015 RFC
Sales and Use Tax	$1,070,820,228	$1,187,737,653	$1,194,004,518
Service Provider Tax	66,947,869	50,303,776	50,303,776
Individual Income Tax	1,754,681,000	1,455,836,200	1,500,252,088
Corporate Income Tax	267,054,252	177,651,225	167,655,640
Cigarette and Tobacco Tax	136,200,611	133,590,000	134,890,000
Insurance Companies Tax	76,015,000	80,715,000	82,250,000
Estate Tax	56,950,563	26,957,040	35,377,288
Fines, Forfeits and Penalties	30,772,049	23,421,666	22,665,758
Income from Investments	205,585	93,858	519,546
Transfer from Lottery Commission	52,034,250	57,350,462	53,800,000
Transfer for Tax Relief Programs	(115,281,994)	(58,183,362)	(59,183,362)
Transfer to Municipal Revenue Sharing	(160,928,111)	(61,066,238)	(59,183,362
Other Taxes and Fees	140,272,961	132,978,084	134,347,436
Other Revenues	42,850,998	39,939,411	45,846,694
Total Undedicated Revenues	**$3,418,595,261**	**$3,247,324,775**	**$3,298,922,590**

CATEGORY	Fiscal year 2016 baseline budget December 2012 RFC	Fiscal year 2016 budget through the 126th 2nd Regular Session	Fiscal year 2016 as Revised by the May 2015 RFC
Sales and Use Tax	$1,136,763,189	$1,122,506,072	$1,127,459,003
Service Provider Tax	60,487,623	51,309,851	51,309,851
Individual Income Tax	1,507,450,000	1,525,607,128	1,548,776,595
Corporate Income Tax	209,574,314	186,375,104	133,441,000
Cigarette and Tobacco Tax	131,374,000	131,374,000	133,441,000
Insurance Companies Tax	80,715,000	80,715,000	82,700,000
Estate Tax	25,456,198	27,989,759	30,675,326
Fines, Forfeits and Penalties	24,397,754	23,421,666	22,615,858
Income from Investments	216,840	189,255	439,232
Transfer from Lottery Commission	54,400,000	56,816,776	54,900,000
Transfer for Tax Relief Programs	(126,935,063)	(66,771,938)	(66,771,938)
Transfer to Municipal Revenue Sharing	(148,884,039)	(156,948,496)	(156,424,711)
Other Taxes and Fees	129,215,875	129,037,739	131,979,472
Other Revenues	34,859,576	34,724,687	31,334,648
Total Undedicated Revenues	**$3,119,091,267**	**$3,146,346,603**	**$3,142,518,939**

Certain State Taxes

Individual Income Tax. The State assesses individual income taxes at progressive rates from 0% to 7.95%, 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 2014, the maximum rate applies to Maine taxable income of $41,850 or greater for married persons filing joint returns ($20,900 for single individuals and married persons filing separate returns and $31,350 for individuals filing as heads of households). A resident individual is allowed $3,950 (same as federal) 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, 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. The 7% rate is temporarily increased to 8% for the period October 1, 2013 to June 30, 2015. The 5% rate is temporarily raised to 5.5% for the same time period.

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, and prepared food); prescription medicines; certain products used in agricultural and aqua cultural 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 $0.300 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 $0.312 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. Indexing of motor fuel excise tax rates was repealed effective July 1, 2013.

Estate Tax. 2011 Chapter 380 reformed the estate tax with respect to decedents dying after December 31, 2012. The exclusion amount increases from $1,000,000 to $2,000,000. Also beginning in 2013, a progressive rate structure applies: 8% on estate value of more than $2,000,000 but less than or equal to $5,000,000; 10% on estate value of more than $5,000,000 but less than or equal to $8,000,000; 12% on estate value of more than $8,000,000.

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.

The Governor's proposed 2016-2017 Biennial Budget includes significant changes to Maine's tax policies intended to bring relief to Maine families by transitioning from a tax code dependent on earnings to a more modern tax code dependent on consumption. The proposed changes include reductions to Maine's income tax rates, modernization of the sales tax base and increase in the general sales tax rate, the elimination of the estate tax, increases the amount of pension income exempt from income tax and completely exempts military pension income.

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 $45,000,000 in fiscal year 2006. The State received $49,475,682.05 in fiscal year 2015 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 involved in 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 involved in similar arbitration proceedings seeking a determination of the amount to which they are entitled for previous years' tobacco settlement payments to their states.

Maine prevailed in the arbitration proceeding that determined it had diligently enforced its qualifying statute as the issue related to Maine's 2003 payment. As a result of that favorable decision, the State determined that it was entitled to an additional payment of $5,569,152.87, which amount was paid to the State in April 2014. The State has received its 2014 payment, which may have included additional funds as a result of a miscalculation by the Independent Auditor, PwC. PwC is continuing to modify its calculations, and the State's payment may be subject to subsequent adjustments.

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 $558,281,781.83 in fiscal year 2014. The balance of the State investment pool as of April 30, 2015 was approximately $793,000,000.

Collateralized bank accounts, repurchase agreements and certificates of deposit collateralized by U.S. Treasuries and Agencies and direct holdings in U.S. Treasuries make up the cash pool portfolio. On April 30, 2015, the weighted average final maturity of the pool was 213 days.

CERTAIN PUBLIC INSTRUMENTALITIES

Maine Governmental Facilities Authority

The Maine Governmental Facilities Authority ("MGFA") 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. MGFA 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. No securities may be issued without the prior approval of the Legislature. Neither the full 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 MGFA's bonds. MGFA has no taxing power. As of April 30, 2015, the aggregate principal amount of MGFA's bonds outstanding was $170,870,000. The State has agreed, subject to appropriation, to make rental payments to be applied to payment of MGFA's bonds. Debt service on MGFA's bonds for the State fiscal year ending June 30, 2015 is $26,699,100

Finance Authority of Maine

The Finance Authority of Maine ("FAME") was created in 1983 to undertake various economic development finance programs and to assume the responsibilities of several smaller state authorities. FAME is currently authorized to insure repayment of commercial loans and to require the State to fund its 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 March 31, 2015, amounts outstanding pursuant to these authorizations were $77,489,000 and $491,000 respectively. See "Fiscal Management - Constitutional Debt Limit" herein. Since the creation of FAME in 1983, the Treasurer of State has not been asked to issue bonds of the State to pay off defaulted loans insured by FAME pursuant to these authorizations.

In 1990, FAME 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, FAME 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 March 31, 2015, the student loan insurance obligations of FAME were $514,706,000. 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, FAME 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 FAME include Capital Reserve Provisions. As of March 31, 2015, the aggregate principal amount outstanding of FAME's obligations undertaken pursuant to its Capital Reserve Provisions was $10,990,000 for waste motor oil disposal site remediation projects, $7,000,000 for major business expansion projects, and $27,699,000 for other projects. The State has not been asked to restore FAME's Capital Reserve since the inception of its Capital Reserve Provision. See "Governmental Organization - Independent Authorities and Agencies" herein.

Maine State Housing Authority

The Maine State Housing Authority ("MSHA") was created in 1969 to undertake various programs related to housing. The bonds and other obligations of MSHA 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 March 31, 2015, MSHA had $1,254,610,000 of housing bonds outstanding which require a capital reserve. The statutes governing MSHA include Capital Reserve Provisions. The State has not been asked to restore MSHA's Capital Reserves since the inception of its Capital Reserve Provisions. See "Governmental Organization - Independent Authorities and Agencies" herein. MSHA also has $41,315,000 of Maine Energy, Housing and Economic Recovery Bonds for a grand total of $1,295,925,000 outstanding.

MHSA is also authorized to insure repayment of mortgage loans on Indian housing and to require the State to fund these 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 March 31, 2015, MSHA's Indian housing mortgage insurance obligations were approximately $150,000. See "Fiscal Management – Constitutional Debt Limit" herein.

Maine Municipal Bond Bank

The Maine Municipal Bond Bank ("MMBB") 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 MMBB 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 March 31, 2015, the aggregate principal amount of the MMBB's bonds outstanding was $1,519,551,713 of which (a) $21,105,000 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) $114,240,000 is attributable to certain grant anticipation bonds payable solely from annual federal highway grants to the State, (c) $186,370,000 is attributable to certain transportation revenue bonds payable solely from certain State revenues, (d) $32,846,380 is for Qualified School Construction Bonds (e) $220,660,000 is attributable to certain liquor revenue bonds payable solely from certain State revenues and (f) substantially all of the balance is attributable to the Original Program. The MMBB is expected to close its $70,380,0002015 Series B Bonds on May28, 2015. Such bonds will be attributable to loans to certain municipalities. The statutes governing the MMBB include Capital Reserve Provisions. The State has not been asked to restore the MMBB's Capital Reserves since the inception of its 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 ("MHHEFA") 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 MHHEFA do not constitute or create any debt or debts, liability or liabilities, on behalf of the State or any political subdivision thereof other than MHHEFA 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 MHHEFA. As ofApril 30, 2015, the aggregate principal amount of MHHEFA's bonds outstanding secured by the Capital Reserve was $872,715,000. The statutes governing MHHEFA include a Capital Reserve Provision. The State has not been asked to restore MHHEFA's Capital Reserve since the inception of its Capital Reserve Provision. See "Governmental Organization - Independent Authorities and Agencies" herein.

Maine Educational Loan Authority

The Maine Educational Loan Authority ("MELA") 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 MELA 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 MELA, 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 MELA. As of March 31, 2015, the aggregate principal amount of MELA's bonds outstanding was $119,720,000. The statutes governing MELA include a Capital Reserve Provision. The State has not been asked to restore MELA's Capital Reserve since the inception of its Capital Reserve Provision. See "Governmental Organization - Independent Authorities and Agencies" herein.

Loring Development Authority

Loring Development Authority ("LDA") was established in 1993 to acquire and manage the former Loring Air Force Base in northern Maine. Bonds of LDA are payable solely from the income, proceeds, revenues and funds of LDA and do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. As of March 31, 2015, LDA had not issued any bonds. The statutes governing LDA include a Capital Reserve Provision. See "Governmental Organization - Independent Authorities and Agencies" herein.

University of Maine System

The University of Maine System (the "University 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 University System and evidences of indebtedness issued by the University 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 University System or any project for which they are issued. As of March 31, 2015, the aggregate principal amount of the University System's bonds outstanding was $145,820,000. The University System's Series 2015 bonds were issued on April 8, 2015, bringing the aggregate principal amount of bonds outstanding to $156,120,000 as of April 30, 2015.

Maine Turnpike Authority

The Maine Turnpike Authority ("MTA") was created in 1941 and has constructed and operates and maintains a turnpike approximately 109 miles long between York and Augusta. Bonds issued by MTA 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 March 31, 2015, the aggregate principal amount of MTA's bonds outstanding was $428,820,000.

Maine Public Utility Financing Bank

The Maine Public Utility Financing Bank ("MPUFB") was created in 1981 to lend money to public utilities in the State. Bonds and notes issued by MPUFB 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 March 31, 2015, there were no outstanding bonds of MPUFB.

Maine Port Authority

The Maine Port Authority ("MPA") 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 MPA do not constitute a debt of the State, or of any agency or political subdivision thereof, but are payable solely from the revenues of MPA, and neither the faith nor credit nor taxing power of the State, or any political subdivision thereof, is pledged to the payment of MPA's bonds. As of March 31, 2015, there were no outstanding bonds of MPA.

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 Exhibit B hereto should be noted.

The Maine Association of Retirees, now joined by the Maine State Employees Association, the Maine Education Association and the Maine State Troopers Association, sued the Board of Trustees of the Maine Public Employees Retirement System in federal court challenging the constitutionality of legislation that changes the cost of living adjustments ("COLA") for retirees. The Plaintiffs seek to have that portion of the legislation that reduces the COLA, determined null and void. No damages are sought, but attorney fees and costs are requested. If the Plaintiffs prevail on all counts, the State will have to make provision to retroactively reinstate COLA payments to the prior level. Such provision may have an impact on the System's unfunded actuarial liability. To avoid an appearance of conflict, the Office of the Attorney General has contracted outside counsel to defend the Board. Current federal case law is such that predicting the outcome of this case cannot be done with any degree of accuracy. More details regarding the challenged legislation and the pending lawsuit can be found in the section "Recent Legislative Changes Affecting Benefits Levels". The U. S. District Court granted MainePERS motion for summary judgment and motion to dismiss. The Plaintiffs filed an appeal with the U. S. Appeals Court. The State prevailed on the appeal.

In fiscal year 2011, the Legislature enacted certain changes to the State's retirement plan and related benefits. One of the changes requires State employees who retire prior to their normal retirement age to pay 100% of their retiree health insurance premiums until they reach normal retirement age. A claimant has alleged that the requirement to pay 100% of the retiree health insurance premium discriminates on the basis of age. The EEOC rejected the allegations and found in favor of the State.

There is pending arbitration regarding the "diligent enforcement" of the 1998 Tobacco Settlement Agreement, by which 46 states and territories settled their claims against major tobacco companies in return for annual payments of funds in perpetuity. This matter does not contemplate a "liability" of the State, but it may result in substantial loss of revenue. The Agreement required the states to "diligently enforce" certain tobacco laws against tobacco companies that did not enter into the Agreement. If the states or some of them did not "diligently enforce" those laws, the settling tobacco companies could seek to decrease the amounts they paid through binding arbitration. The settling companies filed such an arbitration for the year 2003, but the case was resolved in favor of the State. The companies and the states are now in the preliminary stages of preparing for an arbitration for the year 2004. If Maine loses the arbitration, the future payments to Maine would be diminished by as much as $47,824,637.78 (the amount Maine received in 2004). It is unlikely that any decision would issue within the next 18 months. For more details regarding the Settlement Agreement and this dispute, see the section "Tobacco Master Settlement Agreement".

Another matter may result in reduction of future payments to Maine. The dispute involves whether Maine, as part of its Temporary Assistance for Needy Families Program (TANF), met its two-parent work participation rate for the federal fiscal year 2007. The U.S. Department of Health and Human Services has assessed a penalty against Maine of just over $1 million. The State entered into and has been proceeding under a corrective action plan that required compliance with federal requirements by the end of fiscal year 2012. The State has met this compliance date. There is yet no indication that the U. S. Department of Health and Human Services will abate or eliminate the penalty.

The U. S. Department of Agriculture, Food and Nutrition Service ("FNS") seeked to recoup overpayments by the Maine Department of Health and Human Services ("DHHS") to recipients of food supplement benefits in the amount of $2.8 million. FNS asserted that DHHS may not recoup these overpayments from recipients. The State agreed to invest $2.8 million in activities to improve SNAP (Supplemental Nutrition Assistance Program) recipient integrity in the State.

In *John F. Murphy Homes v. State of Maine*, a provider of Maine Care services is claiming that the State failed to pay it $7.5 million for services it provided between 2001 and 2011. It also claims that the State has improperly received $15.7 million in federal payments for these services. This litigation is at its earliest stages and, therefore, its outcome is uncertain at this time.

Aldrich v. LePage, is a class action suit filed on behalf of developmentally disabled adults on the waiting list for certain home- and community-based services waiver programs has seeking an expansion of services. This case has been settled. The Settlement Agreement provides for State funding from the following sources: An appropriation, seeded in June 2015, of an additional $1 million ($1,000,000) per year in state funds for the Section 21 Waiver and an additional $4 million per year in state funding for the Section 29 Waiver, as set forth in P.L. 2014, ch. 595, § B-1. The transfer of up to $1.3 million ($1,300,000) of the anticipated surplus from the State Fiscal Year 2014 to the Section 21 Waiver Program to reduce the Priority 1 waitlist, as set forth in P.L. 2014 ch. 595, § X-3. The transfer of $1 million ($1,000,000) from the Office of the Maine Attorney General to DHHS for the sole purpose of extending services to individuals on the Priority 1 waitlist and/or Section 29 waitlist.

All state funding is expected to be matched by federal funding at the then-applicable Federal Medical Assistance Percentage ("FMAP") rate. Nothing in the Settlement Agreement limits the state from using alternate sources of funding to meet their obligations under the Agreement.

In *Edson v. State of Maine, Department of Health and Human Services*, the plaintiff has filed a notice of claim with regard to an incident that occurred at the Riverview Psychiatric Center on December 2, 2013. The plaintiff alleges that she was assaulted and pepper-sprayed and claims to have damages at a minimum of $1.0 million.

In *Dobson v. State of Maine, Department of Health and Human Services*, the plaintiff has filed a notice of claim with regard to the death on December 26, 2014 of the plaintiff's twin son that was placed in foster care. The plaintiff alleges that a foster parent fell asleep after consuming alcohol and prescription medication resulting in the suffocation of the child who was on the foster parent's chest. For himself, plaintiff seeks damages in the amount of $2.0 million.

Plaintiff has filed a second notice of claim on behalf the estate of his son for wrongful death and on behalf of his twin daughter who was placed in foster care in the same home. The plaintiff alleges that the Department was negligent in placing his daughter with the foster parents. Plaintiff claims damages of $1.0 million for the wrongful death of his son and $1.0 million for his daughter.

Adle v. Maine State Police, Maine Warden Service and unnamed governmental employees. The notice of claim relates to the death of Shad Gerken. The claim alleges that officers of the Maine State Police, wardens of the Maine Warden Service and law enforcement officers of the Penobscot County Sheriff's Department illegally confronted Gerken and used excessive force, causing his death. The notice of claim alleges $7.5 million dollars in compensatory and punitive damages.

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STATE OF MAINE
GENERAL OBLIGATION BONDS

APPENDIX B

Selected Financial Information
Pertaining to the State of Maine
for Fiscal Years 2010 through 2014

INDEX TO FINANCIAL INFORMATION

Section I - General Purpose Financial Statements of the State of Maine for the Year Ended June 30, 2014 **Page**

INDEX TO FINANCIAL INFORMATION

Section II - Certain Information from the State Controller's Budgetary and Legal Requirements Reports for Fiscal Years 2010 through 2014 (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 Honorable Michael D. Thibodeau, President of the Senate and
the Honorable Mark W. Eves, Speaker of the House of Representatives

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following component units: Child Development Services, Connect ME Authority, Efficiency Maine Trust, Finance Authority of Maine, Loring Development Authority, Maine Community College System, Maine Educational Center for the Deaf and Hard of Hearing, Maine Educational Loan Authority, Maine Governmental Facilities Authority, Maine Health and Higher Educational Facilities Authority, Maine Maritime Academy, Maine Municipal Bond Bank, Maine Port Authority, Maine Public Employees Retirement System, Maine State Housing Authority, Maine Technology Institute, Maine Turnpike Authority, Midcoast Regional Redevelopment Authority, Northern New England Passenger Rail Authority, Small Enterprise Growth Fund, and the University of Maine System. These financial statements reflect 100% of the assets and net position of the Aggregate Discretely Presented Component Units, 95% of assets and 97% of net position/fund balance of the Aggregate Remaining Fund Information, and 7% of liabilities of the Governmental Activities. These statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it related 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 the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Efficiency Maine Trust, Loring Development Authority, Maine Educational Loan Authority, Maine Port Authority, Maine Technology Institute, and the Small Enterprise Growth Fund were not audited in accordance with *Government Auditing Standards.*

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maine, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5-16, Budgetary Comparison information, State Retirement Plan and Other Post-Employment Benefit Plans and Information about Infrastructure Assets Reported Using the Modified Approach on pages 108-120, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements on pages 122-173 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual nonmajor fund statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* our report on our consideration of the State's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters will be issued under separate cover. The purpose of that report is to describe the scope of our testing 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 read in conjunction with this report in assessing the results of our audit.

Pola Buckley

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

December 31, 2014

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, 2014. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:

- The State's net position decreased by 0.8 percent from the previous fiscal year. Net position of Governmental Activities increased by $147.5 million, while net position of Business-Type Activities decreased by $174.8 million. The State's assets exceeded its liabilities by $3.6 billion at the close of fiscal year 2014. Component units reported net position of $2.9 billion, an increase of $120.8 million (4.4 percent) from the previous year.

Fund level:

- At the end of the fiscal year, the State's governmental funds reported combined ending fund balances of $416.0 million, an increase of $171.4 million from the previous year. The General Fund's total fund balance was a negative $215.4 million, a decline of $71.1 million from the previous year. The Highway Fund total fund balance was $37.8 million, an improvement of $3.5 million from the prior year.

- The proprietary funds reported net position at year end of $412.1 million, a decrease of $162.5 million from the previous year. This decrease is due primarily to a decrease in the Alcoholic Beverages Fund of $171.0 million.

Long-term Debt:

- The State's liability for general obligation bonds increased by $29.4 million during the fiscal year, which represents the difference between new issuances and payments of outstanding debt. During the year, the State issued $112.9 million in bonds and made principal payments of $83.5 million.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Statements

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

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

Both government-wide statements report three activities:

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

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

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

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

- Capital assets used in governmental activities are not reported on governmental fund statements but are included on government-wide statements.

- Certain tax revenues that are earned, but not available, are reported as revenues in the Governmental Activities, but are reported as deferred inflows on the governmental fund statements.

- Other long-term assets that are not available to pay for current period expenditures are recorded as deferred outflows in governmental fund statements, but not deferred on the government-wide statements.

- Internal service funds are reported as Governmental Activities in the government-wide statements, but reported as proprietary funds in the fund financial statements.

- Governmental fund long-term liabilities, such as certificates of participation, 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 position balances are allocated as follows:

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

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

  Unrestricted Net Position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet any of the above restrictions.

Fund Financial Statements

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

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

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

The State's net position decreased by 0.8 percent to $3.6 billion at June 30, 2014, as detailed in Tables A-1 and A-2.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013 *	2014	2013	2014	2013
Current and other noncurrent assets	$ 1,860,634	$ 1,937,953	$ 188,740	$ 362,402	$ 2,049,374	$ 2,300,355
Capital assets	4,004,210	3,940,296	44,462	55,340	4,048,672	3,995,636
Total Assets	**5,864,844**	**5,878,249**	**233,202**	**417,742**	**6,098,046**	**6,295,991**
Current liabilities	1,037,500	1,444,030	23,577	33,778	1,061,077	1,477,808
Long-term liabilities	1,478,277	1,232,666	5,394	4,981	1,483,671	1,237,647
Total Liabilities	**2,515,777**	**2,676,696**	**28,971**	**38,759**	**2,544,748**	**2,715,455**
Net position (deficit):						
Net investment in capital assets	3,326,970	3,262,047	44,462	55,340	3,371,432	3,317,387
Restricted	523,133	404,218	331,799	321,112	854,932	725,330
Unrestricted (deficit)	(501,036)	(464,712)	(172,030)	2,531	(673,066)	(462,181)
Total Net Position	**$ 3,349,067**	**$3,201,553**	**$ 204,231**	**$ 378,983**	**$ 3,553,298**	**$3,580,536**

* As restated

Changes in Net Position

The State's fiscal year 2014 revenues totaled $7.5 billion. (See Table A-2) Taxes and operating grants and contributions accounted for most of the State's revenue by contributing 46.7 percent and 37.6 percent, respectively, of every dollar raised. The remainder came from charges for services and other miscellaneous sources.

The total cost of all programs and services totaled $7.6 billion for the year 2014. (See Table A-2) These expenses are predominantly (70.6 percent) related to health & human services and education activities. The

State's governmental support & operations activities accounted for 5.0 percent of total costs. Total net position decreased by $27.2 million.

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

	Governmental Activities 2014	Governmental Activities 2013 *	Business-Type Activities 2014	Business-Type Activities 2013	Total Primary Government 2014	Total Primary Government 2013
Revenues						
Program Revenues:						
Charges for Services	$ 528,673	$ 508,039	$ 457,147	$ 543,926	$ 985,820	$ 1,051,965
Operating Grants/Contributions	2,831,956	3,047,714	7,036	7,032	2,838,992	3,054,746
General Revenues:						
Taxes	3,523,533	3,540,712	-	-	3,523,533	3,540,712
Other	195,689	161,340	-	-	195,689	161,340
Total Revenues	7,079,851	7,257,805	464,183	550,958	7,544,034	7,808,763
Expenses						
Governmental Activities:						
Governmental Support	377,269	428,011			377,269	428,011
Education	1,676,908	1,581,556			1,676,908	1,581,556
Health & Human Services	3,669,552	3,657,573			3,669,552	3,657,573
Justice & Protection	410,641	401,656			410,641	401,656
Transportation Safety	524,024	521,638 *			524,024	521,638
Other	468,725	516,398			468,725	516,398
Interest	47,271	46,541			47,271	46,541
Business-Type Activities:						
Employment Security			159,058	169,334	159,058	169,334
Lottery			180,087	176,094	180,087	176,094
Military Equip. Maint.			11,466	36,971	11,466	36,971
Dirigo Health			26,863	56,229	26,863	56,229
Other			19,408	19,213	19,408	19,213
Total Expenses	7,174,390	7,153,373	396,882	457,841	7,571,272	7,611,214
Excess (Deficiency) before Special Items and Transfers	(94,539)	104,432	67,301	93,117	(27,238)	197,549
Special Items	193,192	92,401	(193,192)	(108,288)	-	(15,887)
Transfers	48,861	54,916	(48,861)	(54,916)	-	-
Increase (Decrease) in Net Position	147,514	251,749	(174,752)	(70,087)	(27,238)	181,662
Net Position, beginning of year (As Restated)	3,201,553	2,949,804	378,983	449,070	3,580,536	3,398,874
Ending Net Position	$ 3,349,067	$ 3,201,553	$ 204,231	$ 378,983	$ 3,553,298	$ 3,580,536

* As restated

Governmental Activities

Revenues for the State's Governmental Activities totaled $7.1 billion while total expenses equaled $7.2 billion. The increase in net position for Governmental Activities was $147.5 million in 2014, much of which was the result of transfers from the State's Business-Type Activities discussed below. 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 decreased by $17.2 million from the prior year, primarily in the Individual Income and Corporate Tax lines. Net expenses supported by tax revenue increased by approximately $216.1 million (as restated), primarily in the Health and Human Services and Education areas. Additionally, the State's Business-Type Activities transferred $242.1 million (net) to the Governmental Activities, which included statutorily required profit transfers, capital contributions, and the pledged profit of the Alcoholic Beverages Fund to finance the payment of the Liquor Revenue Bonds. These transfers are discussed futher on page 11.

The users of the State's programs financed $528.7 million of the cost. The federal and State governments subsidized certain programs with grants and contributions of $2.8 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 2014

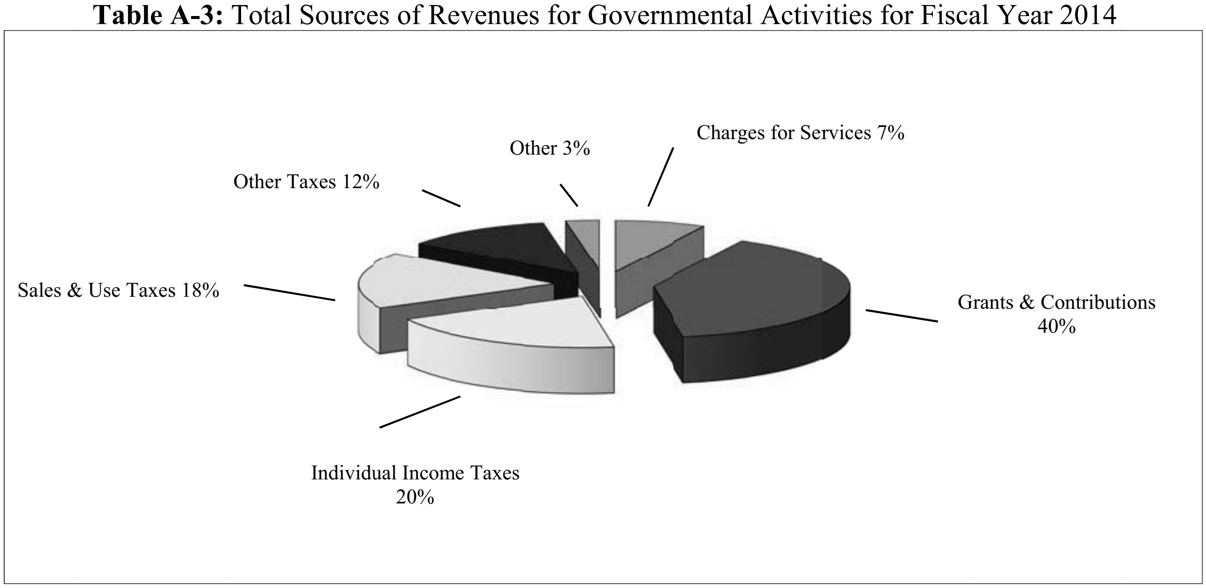
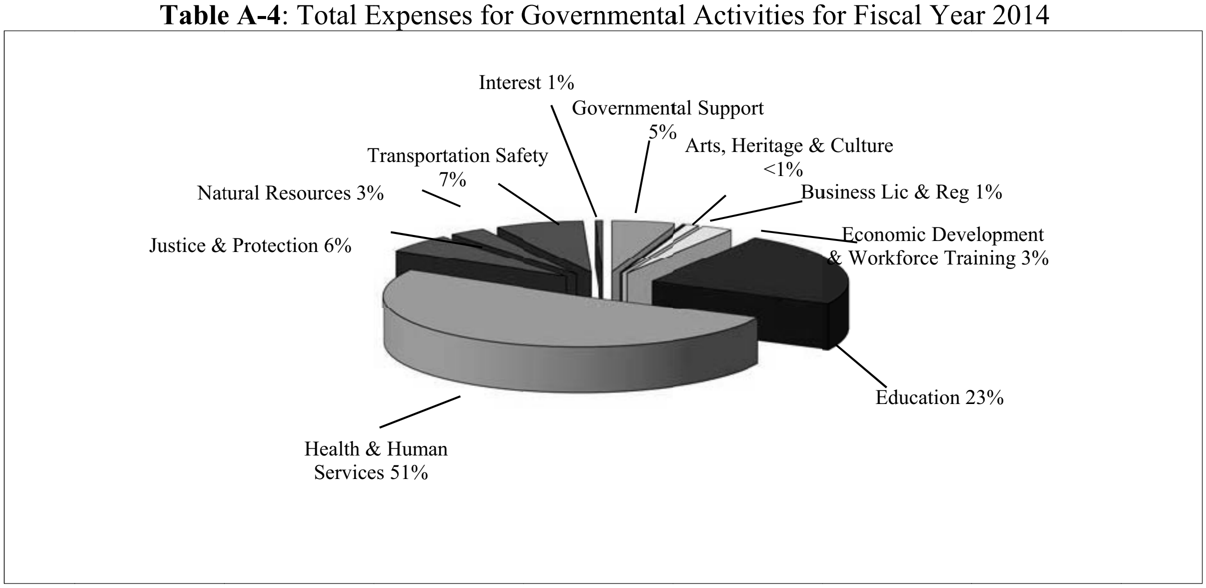


Table A-4: Total Expenses for Governmental Activities for Fiscal Year 2014



Business-Type Activities

Revenues for the State's Business-Type Activities totaled $464.2 million while expenses totaled $396.9 million. However, due to the conversion of the Marine Ports Enterprise Fund to an Other Special Revenue Fund of $9.7 million and the transfer recorded for the Healthcare Liability Retirement Fund (for payments due to healthcare providers for services prior to December 1, 2012) totaling $183.5 million (see Note 17), the net position for Business-Type Activities decreased by $174.8 million in 2014.

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 2014	Total Cost 2013	Net (Cost) Revenue 2014	Net (Cost) Revenue 2013
Employment Security	$ 159,058	$ 169,334	$ 11,330	$ 26,531
Alcoholic Beverages	19	-	12,520	12,533
Lottery	180,087	176,094	52,333	53,471
Military Equip. Maint.	11,466	36,971	(1,364)	(1,157)
Dirigo Health	26,863	56,229	(1,061)	9,225
Other	19,389	19,213	(6,457)	(7,486)
Total	$ 396,882	$ 457,841	$ 67,301	$ 93,117

The cost of all Business-Type Activities this year was $396.9 million. The users of the State's programs financed most of the cost. The State's net revenue from Business-Type Activities was $67.3 million, with the Lottery making up $52.3 million of the total. The State’s Business-Type Activities transferred $242.1 million (net) to the Governmental Activities, which included statutorily required profit transfers of $52.4 million, the transfer of balances totaling $9.7 million from the Marine Ports Enterprise Fund and the transfer of $183.5 million recorded for the Healthcare Liability Retirement Fund discussed above. Additionally, the Governmental Activities contributed $2.2 million to purchase capital assets that are recorded in the Business-Type activities.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

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

Fund	2014	2013	Change
General	$ (215,436)	$ (144,375)	$ (71,061)
Highway	37,790	34,324	3,466
Federal	9,291	24,751	(15,460)
Other Special Revenue	416,273	247,223	169,050
Other Governmental	168,094	82,713	85,381
Total	$ 416,012	$ 244,636	$ 171,376

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of $416.0 million, an increase of $171.4 million in comparison with the prior year. Of this total amount, $27.2 million (6.5 percent) is classified as non-spendable, either due to its form or legal constraints, and $546.0 million (131.2 percent) is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. Unspent bond proceeds, revenue restricted for transportation, natural resources or other programs are included in restricted fund balance. At the end of the current fiscal year, the unassigned fund balance of the General Fund was a deficit of $221.3 million, a decline of $70.1 million.

General Fund expenditures and other uses surpassed General Fund revenues and other sources resulting in an decrease in the fund balance by $71.1 million. Revenues and other sources of the General Fund decreased by approximately $12.3 million (.36 percent) which is mainly attributed to an decrease in tax revenue ($50.2 million primarily from Individual Income and Corporate Tax). General Fund expenditures and other financing uses increased by $264 million (8.2 percent). This is due, primarily, to an increase in expenditures for health and human services and an increase in education expense.

The fund balance of the Highway Fund increased $3.5 million from fiscal year 2013, due mainly to the Highway Fund's decrease in other expenses from the prior year, of $5.6 million.

Budgetary Highlights

For the 2014 fiscal year, the final legally adopted budgeted expenditures for the General Fund amounted to $3.3 billion, an increase of about $46.8 million from the original legally adopted budget of approximately $3.2 billion. Actual expenditures on a budgetary basis amounted to approximately $85.6 million less than those authorized in the final budget. After deducting the encumbered obligations and other commitments that will come due in fiscal year 2015, including the budgeted starting balance for Fiscal Year 2014, there were funds remaining of $49.1 million to distribute in Fiscal Year 2014. Actual revenues exceeded final budget forecasts by $54.4 million. In addition, the year-end cascade transferred $8.5 million to the Budget Stabilization Fund. Interest earnings along with the legislatively and statutorily approved transfers increased the balance in the Budget Stabilization Fund to $68.3 million as of June 30, 2014. 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 2014, the State had roughly $4.0 billion in a broad range of capital assets, including land, infrastructure, improvements, buildings, equipment, vehicles and intangibles. During fiscal year 2014, the State acquired or constructed more than $133.4 million of capital assets. The most significant impact on capital assets during the year resulted from a $1.5 billion write down of infrastructure due to a correction of the capitalization policy. 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 2014	Governmental Activities 2013	Business-type Activities 2014	Business-type Activities 2013	Total Primary Government 2014	Total Primary Government 2013
Land	$ 575,382	$ 571,268	$ 2,255	$ 7,292	$ 577,637	$ 578,560
Buildings	666,425	660,538	4,395	4,395	670,820	664,933
Equipment	268,621	265,956	32,268	36,339	300,889	302,295
Improvements	71,875	52,251	41,124	48,767	112,999	101,018
Software	74,670	72,551	-	-	74,670	72,551
Infrastructure	2,761,257	2,719,346 *	-	-	2,761,257	2,719,346
Construction in Progress	109,989	83,273 *	1,869	1,138	111,858	84,411
Total Capital Assets	4,528,219	4,425,183	81,911	97,931	4,610,130	4,523,114
Accumulated Depreciation	524,009	484,887	37,449	42,591	561,458	527,478
Capital Assets, net	$ 4,004,210	$ 3,940,296	$ 44,462	$ 55,340	$ 4,048,672	$ 3,995,636

* As restated

Modified Approach for Infrastructure

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

Highways and bridges are included in the State's infrastructure. There are 8,827 highway miles or 17,951 lane miles within the State. Bridges have a deck area of 11.8 million square feet among 2,964 total bridges. The State has established a policy to maintain its highways at an average condition assessment of 60. At June 30, 2014, the actual average condition was 75.5. Its policy for bridges is an average sufficiency rating condition assessment of 60. The actual average condition for bridges was 78 at June 30, 2014. Preservation costs for fiscal year 2014 totaled $234 million compared to estimated preservation costs of $27.8 million.

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 697, PL 2011, $26 million in General fund bonds was spent during FY2014.

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

Long-Term Debt

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

At year-end, the State had $1.7 billion in general obligation and other long-term debt outstanding. More detailed information about the State's long-term liabilities is presented in Note 11 to the financial statements.

Table A-8 - Outstanding Long-Term Debt
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
General Obligation Bonds	$ 399,190	$ 369,725	$ -	$ -	$ 399,190	$ 369,725
Other Long-Term Obligations	1,285,279	1,035,226	5,522	5,147	1,290,801	1,040,373
Total	$ 1,684,469	$ 1,404,951	$ 5,522	$ 5,147	$ 1,689,991	$ 1,410,098

During the year, the State reduced outstanding long-term obligations by $83.5 million for outstanding general obligation bonds and $686.0 million for other long-term debt. Also during fiscal year 2014, the State incurred $1,049.4 million of additional long-term obligations.

Credit Ratings

The State's credit was rated during fiscal year 2014 by Moody's Investors Service as Aa2 with a stable outlook and by Standard & Poor's as AA with a stable outlook.

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

The Maine and U.S. economies continued to show signs of improvement since the Consensus Economic Forecasting Commission (CEFC) last met in January 2014. Maine's Gross Domestic Product for 2013 was slightly higher than 2012, with all of the growth coming from private industry, but total GDP growth for the state was half the national growth. Personal income in Maine grew 3.4 percent year-over-year in the first half of 2014, while wage and salary income, which makes up around half of total personal income, grew 2.7 percent over the same period. The Consumer Price Index was 1.7 percent higher in August 2014 than it was in August 2013.

The price of crude oil decreased 5.8 percent in the third quarter of 2014 to around $103 per barrel. Heating oil prices were considerably lower at the start of the current heating season compared to the past three years and gasoline prices have also declined recently. The number of new automobile titles issued by the Maine Bureau of Motor Vehicles increased 7 percent in fiscal year 2013 compared to fiscal year 2012, while the number of used auto titles decreased just 0.3 percent. Existing single-family home sales in Maine were up 6.6 percent in September 2014 compared to September 2013 and housing permits for the September 2013-August 2014 year were 6.6 percent higher than the previous 12-month period. The median home price in the Portland Metropolitan Statistical Area (York, Cumberland, and Sagadahoc Counties) decreased 2.6 percent year-over-year in the second quarter of 2014. Mortgage delinquency rates in Maine have been declining but at a slower pace than nationally. The foreclosure rate in Maine was 0.57 percent in the second quarter of 2014 and remained above the national rate for an eighth straight quarter.

Overall, while the Commission continues to forecast slow growth for Maine's economy, the demographic situation in the state is of great concern, as the aging population and lack of population growth will limit employment growth and income growth going forward.

The 2014 wage and salary employment forecast was revised downwards slightly, while the 2014-2017 employment forecast was revised upward slightly, projecting a return to Maine's pre-recession employment levels in 2017. Wage and salary income growth was revised upwards for 2015-2017. Total personal income was also revised downwards for 2014-2017, reflecting the lower wage and salary income growth. Inflation, as measured by the Consumer Price Index (CPI), was adjusted upward for 2014-2017.

General Fund revenue estimates were revised upward by $45.5 million in fiscal year 2015 and by $67.5 million over the 2016-2017 biennium. Upward revisions to the Sales and Use Tax, the Individual Income Tax, the Corporate Income Tax, and the Estate Tax account for most of the net changes to the General Fund revenue forecast.

At June 30, 2014, the deficit in the State of Maine's Unassigned Fund Balance Account in the General Fund has increased to $221.3 million (from a deficit unassigned balance of $151.3 for fiscal year 2013). This increase is primarily due to a decrease in tax revenue and an increase in expenditures for health and human services as described on page 12.

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

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

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

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

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

STATE OF MAINE
STATEMENT OF NET POSITION

June 30, 2014
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	$ 293,824	$ 11,226	$ 305,050	$ 49,336
Cash and Cash Equivalents	4,820	3,443	8,263	106,831
Cash with Fiscal Agent	77,785	-	77,785	-
Investments	95,706	-	95,706	607,831
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	55,795	-	55,795	-
Restricted Deposits and Investments	3,662	297,686	301,348	114,748
Inventories	5,051	2,866	7,917	3,874
Receivables, Net of Allowance for Uncollectibles:				
Taxes Receivable	381,290	-	381,290	-
Loans Receivable	3,960	-	3,960	96,584
Notes Receivable	-	-	-	8,080
Other Receivables	233,372	61,661	295,033	72,842
Internal Balances	192,631	(192,631)	-	-
Due from Other Governments	257,250	-	257,250	159,002
Due from Primary Government	-	-	-	15,674
Loans receivable from primary government	-	-	-	45,333
Due from Component Units	46,217	-	46,217	-
Other Current Assets	5,325	195	5,520	52,542
Total Current Assets	1,656,688	184,446	1,841,134	1,332,677
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	112,375	4,294	116,669	18,870
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	21,340	-	21,340	-
Restricted Deposits and Investments	-	-	-	560,533
Investments	-	-	-	521,098
Receivables, Net of Current Portion:				
Taxes Receivable	62,279	-	62,279	-
Loans Receivable	-	-	-	2,117,249
Notes Receivable	-	-	-	67,897
Other Receivables	2,593	-	2,593	8,609
Due from Other Governments	4,049	-	4,049	1,308,309
Loans receivable from primary government	-	-	-	427,643
Due From Primary Government	-	-	-	482
Post-Employment Benefit Asset	1,310	-	1,310	12,333
Other Noncurrent Assets	-	-	-	19,627
Capital Assets:				
Land, Infrastructure and Other Non-Depreciable Assets	3,446,628	4,124	3,450,752	567,406
Buildings, Equipment and Other Depreciable Assets, Net	557,582	40,338	597,920	1,029,346
Total Noncurrent Assets	4,208,156	48,756	4,256,912	6,659,402
Total Assets	5,864,844	233,202	6,098,046	7,992,079
Deferred Outflows of Resources				
Accumulated Decrease in Fair Value of Hedging Derivatives	-	-	-	15,152
Deferred Loss on Refunding	-	-	-	41,533
Total Deferred Outflows of Resources	$ -	$ -	$ -	$ 56,685

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

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Liabilities				
Current Liabilities:				
Accounts Payable	$ 463,315	$ 3,313	$ 466,628	$ 52,359
Accrued Payroll	48,232	1,009	49,241	2,705
Tax Refunds Payable	194,063	-	194,063	-
Due to Component Units	15,829	-	15,829	-
Due to Primary Government	-	-	-	46,217
Current Portion of Long-Term Obligations:				
Compensated Absences	6,236	128	6,364	2,154
Due to Other Governments	87,292	-	87,292	1,115
Amounts Held under State & Federal Loan Programs	-	-	-	34,213
Claims Payable	28,103	-	28,103	-
Bonds and Notes Payable	80,945	-	80,945	217,014
Revenue Bonds Payable	19,205	-	19,205	53,053
Obligations under Capital Leases	5,571	-	5,571	374
Certificates of Participation and Other Financing Arrangements	33,333	-	33,333	-
Loans Payable to Component Unit	45,333	-	45,333	-
Accrued Interest Payable	4,991	-	4,991	38,824
Unearned Revenue	1,260	210	1,470	57,029
Other Current Liabilities	3,792	18,917	22,709	72,476
Total Current Liabilities	1,037,500	23,577	1,061,077	577,533
Long-Term Liabilities:				
Compensated Absences	37,276	930	38,206	-
Due to Component Units	327	-	327	-
Due to Other Governments	-	-	-	4,071
Amounts Held under State & Federal Loan Programs	-	-	-	39,770
Claims Payable	41,646	-	41,646	-
Bonds and Notes Payable	318,245	-	318,245	3,479,824
Revenue Bonds Payable	167,970	-	167,970	921,636
Obligations under Capital Leases	29,644	-	29,644	5,311
Certificates of Participation and Other Financing Arrangements	73,477	-	73,477	-
Loans Payable to Component Unit	427,643	-	427,643	-
Unearned Revenue	12,207	-	12,207	-
Pension Obligation	1,959	-	1,959	-
Other Post-Employment Benefit Obligation	340,198	4,464	344,662	2,129
Pollution Remediation and Landfill Obligations	27,685	-	27,685	-
Other Noncurrent Liabilities	-	-	-	134,755
Total Long-Term Liabilities	1,478,277	5,394	1,483,671	4,587,496
Total Liabilities	2,515,777	28,971	2,544,748	5,165,029
Deferred Inflows of Resources				
Deferred Inflow of Grant Income	-	-	-	5,538
Deferred Inflow of Loan Origination Points	-	-	-	66
Total Deferred Inflows of Resources	-	-	-	5,604
Net Position				
Net Investment in Capital Assets	3,326,970	44,462	3,371,432	1,007,914
Restricted:				
Transportation Purposes	171,695	-	171,695	-
Business Licensing & Regulation	53,467	-	53,467	-
Justice and Protection	40,832	-	40,832	-
Natural Resources	50,453	-	50,453	-
Health and Human Services	13,075	-	13,075	-
Education	17,151	-	17,151	-
Government Support & Operations	42,988	-	42,988	-
Employment Security	-	331,799	331,799	-
Other Purposes	37,633	-	37,633	1,214,821
Funds Held as Permanent Investments:				
Expendable	73,944	-	73,944	-
Nonexpendable	21,895	-	21,895	228,008
Unrestricted	(501,036)	(172,030)	(673,066)	427,388
Total Net Position	$ 3,349,067	$ 204,231	$ 3,553,298	$ 2,878,131

STATE OF MAINE
STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2014
(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	$ 377,269	$ 96,712	$ 3,969	$ -
Arts, Heritage & Cultural Enrichment	11,401	1,315	2,501	-
Business Licensing & Regulation	73,016	74,799	250	-
Economic Development & Workforce Training	175,338	7,410	99,433	-
Education	1,676,908	37,467	200,560	-
Health & Human Services	3,669,552	11,953	2,211,452	-
Justice & Protection	410,641	82,347	44,249	-
Natural Resources Development & Protection	208,970	88,035	41,289	-
Transportation Safety & Development	524,024	128,635	228,253	-
Interest Expense	47,271	-	-	-
Total Governmental Activities	7,174,390	528,673	2,831,956	-
Business-Type Activities:				
Employment Security	159,058	163,352	7,036	-
Alcoholic Beverages	19	12,539	-	-
Lottery	180,087	232,420	-	-
Ferry Services	11,849	4,912	-	-
Military Equipment Maintenance	11,466	10,102	-	-
Dirigo Health	26,863	25,802	-	-
Other	7,540	8,020	-	-
Total Business-Type Activities	396,882	457,147	7,036	-
Total Primary Government	$ 7,571,272	$ 985,820	$ 2,838,992	$ -
Component Units:				
Finance Authority of Maine	32,703	18,038	17,971	-
Maine Community College System	135,765	18,384	60,265	7,001
Maine Health & Higher Educational Facilities Authority	45,042	41,552	6,347	-
Maine Municipal Bond Bank	71,561	60,518	7,557	22,526
Maine State Housing Authority	220,707	72,099	132,459	-
Maine Turnpike Authority	90,746	121,817	-	-
University of Maine System	693,209	297,293	214,962	7,403
All Other Non-Major Component Units	146,773	50,359	69,143	21,210
Total Component Units	$ 1,436,506	$ 680,060	$ 508,704	$ 58,140

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 Position
Net Position - Beginning (As Restated)
Net Position - Ending

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

Governmental Activities	Business-type Activities	Total	Component Units
Net (Expenses) Revenues and Changes in Net Position — Primary Government			
$ (276,588)	$ -	$ (276,588)	$ -
(7,585)	-	(7,585)	-
2,033	-	2,033	-
(68,495)	-	(68,495)	-
(1,438,881)	-	(1,438,881)	-
(1,446,147)	-	(1,446,147)	-
(284,045)	-	(284,045)	-
(79,646)	-	(79,646)	-
(167,136)	-	(167,136)	-
(47,271)	-	(47,271)	-
(3,813,761)	-	(3,813,761)	-
-	11,330	11,330	-
-	12,520	12,520	-
-	52,333	52,333	-
-	(6,937)	(6,937)	-
-	(1,364)	(1,364)	-
-	(1,061)	(1,061)	-
-	480	480	-
-	67,301	67,301	-
$ (3,813,761)	$ 67,301	$ (3,746,460)	$ -
-	-	-	3,306
-	-	-	(50,115)
-	-	-	2,857
-	-	-	19,040
-	-	-	(16,149)
-	-	-	31,071
-	-	-	(173,551)
-	-	-	(6,061)
$ -	$ -	$ -	$ (189,602)
194,770	-	194,770	-
1,399,238	-	1,399,238	-
237,439	-	237,439	-
51,684	-	51,684	-
1,257,376	-	1,257,376	-
383,026	-	383,026	-
19,950	-	19,950	21,126
-	-	-	287,643
118,043	-	118,043	10,948
(53)	-	(53)	(2,143)
57,749	-	57,749	-
193,192	(193,192)	-	(7,220)
48,861	(48,861)	-	-
3,961,275	(242,053)	3,719,222	310,354
147,514	(174,752)	(27,238)	120,752
3,201,553	378,983	3,580,536	2,757,379
$ 3,349,067	$ 204,231	$ 3,553,298	$ 2,878,131

STATE OF MAINE
BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2014
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Treasurer's Cash Pool	$ 6,363	$ 28,872	$ 15,587	$ 188,955	$ 133	$ 239,910
Cash and Short-Term Investments	106	117	1	44	4,549	4,817
Cash with Fiscal Agent	1,622	734	-	63,684	-	66,040
Investments	-	-	-	-	95,706	95,706
Restricted Assets:						
Restricted Equity in Treasurer's Cash Pool	-	-	-	-	77,135	77,135
Inventories	2,050	-	689	-	-	2,739
Receivables, Net of Allowance for Uncollectibles:						
Taxes Receivable	410,074	22,028	-	11,467	-	443,569
Loans Receivable	1	9	-	3,950	-	3,960
Other Receivable	79,603	2,768	65,838	74,734	6	222,949
Due from Other Funds	18,536	18,363	9,969	286,050	566	333,484
Due from Other Governments	-	-	256,666	-	-	256,666
Due from Component Units	1,000	-	25	40,330	107	41,462
Other Assets	1,946	55	380	127	180	2,688
Working Capital Advances Receivable	111	-	-	-	-	111
Total Assets	$ 521,412	$ 72,946	$ 349,155	$ 669,341	$ 178,382	$ 1,791,236
Liabilites, Deferred Inflows and Fund Balances						
Liabilities						
Accounts Payable	$ 145,343	$ 16,275	$ 231,382	$ 18,325	$ 4,160	$ 415,485
Accrued Payroll	20,352	7,414	5,606	9,701	965	44,038
Tax Refunds Payable	194,055	8	-	-	-	194,063
Due to Other Governments	12,972	-	73,598	-	-	86,570
Due to Other Funds	146,622	3,930	23,554	5,262	24	179,392
Due to Component Units	2,593	1,881	3,098	498	4,055	12,125
Compensated Absences	-	-	-	-	456	456
Unearned Revenue	-	4,916	689	6,785	230	12,620
Other Accrued Liabilities	1,679	1	1,215	1,701	398	4,994
Total Liabilities	523,616	34,425	339,142	42,272	10,288	949,743
Deferred Inflow of Resources						
Tax and Assessment Revenue	213,232	731	722	27,314	-	241,999
Pledged Revenue Transfer from Enterprise Fund	-	-	-	183,482	-	183,482
Total Deferred Inflows of Resources	213,232	731	722	210,796	-	425,481
Fund Balances						
Nonspendable:						
Permanent Fund Principal	-	-	-	-	21,895	21,895
Inventories and Prepaid Items	3,807	55	1,071	214	181	5,328
Restricted	2,064	37,735	8,220	351,691	146,265	545,975
Committed	-	-	-	48,381	-	48,381
Assigned	-	-	-	15,987	-	15,987
Unassigned	(221,307)	-	-	-	(247)	(221,554)
Total Fund Balances	(215,436)	37,790	9,291	416,273	168,094	416,012
Total Liabilities, Deferred Inflows and Fund Balances	$ 521,412	$ 72,946	$ 349,155	$ 669,341	$ 178,382	$ 1,791,236

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

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

June 30, 2014
(Expressed in Thousands)

Total fund balances for governmental funds			$ 416,012
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	*	4,151,442	
Less: Accumulated depreciation		(324,340)	3,827,102
Other post-employment benefit assets are not financial resources			1,310
Pollution remediation receivable			2,914
Long-term liabilities are not due and payable in the current period. Therefore, long-term liabilities are not reported in the governmental fund statements. However, these amounts are included in the Statement of Net Position. This is the net effect of these balances on the statement:			
Bonds payable		(586,365)	
Interest payable related to long-term financing		(3,435)	
Certificates of participation and other financing arrangements		(64,031)	
Capital leases		(3,809)	
Other accrued		(9)	
Loans payable to component unit		(472,976)	
Due from component unit debt service interest reserve		4,755	
Compensated absences		(39,451)	
Pension obligation		(1,959)	
Other post-employment benefit obligation		(340,198)	
Pollution remediation and landfill obligations		(27,685)	
			(1,535,163)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.			245,589
Special Item - Liquor bond funds owed by the Alcoholic Beverages Enterprise Fund will be paid from the profits of the fund.			183,482
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.			207,821
Net position of governmental activities			$ 3,349,067

* As restated. - See footnote 3 for further detail.

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, 2014
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	$ 3,027,088	$ 214,119	$ -	$ 289,150	$ -	$ 3,530,357
Assessments and Other Revenue	97,622	94,240	-	158,896	-	350,758
Federal Grants and Reimbursements	1,988	-	2,818,388	9,707	-	2,830,083
Service Charges	50,580	4,188	352	108,682	659	164,461
Investment Income	716	80	9	740	16,222	17,767
Miscellaneous Revenue	23,706	3,688	4	125,247	1,574	154,219
Total Revenues	3,201,700	316,315	2,818,753	692,422	18,455	7,047,645
Expenditures						
Current:						
Governmental Support & Operations	219,125	2,596	4,905	105,442	112	332,180
Economic Development & Workforce Training	32,635	-	96,699	38,808	5,726	173,868
Education	1,404,149	-	199,595	66,984	30,520	1,701,248
Health and Human Services	1,159,000	-	2,208,900	307,348	5,756	3,681,004
Business Licensing & Regulation	3,797	-	99	68,124	-	72,020
Natural Resources Development & Protection	66,684	33	39,358	85,561	3,890	195,526
Justice and Protection	283,477	25,151	47,015	62,179	74	417,896
Arts, Heritage & Cultural Enrichment	7,459	-	2,796	852	47	11,154
Transportation Safety & Development	-	274,375	195,386	63,904	3,330	536,995
Debt Service:						
Principal Payments	85,735	16,035	12,465	11,065	25	125,325
Interest Payments	18,163	4,274	3,331	9,052	-	34,820
Capital Outlay	-	-	-	-	35,227	35,227
Total Expenditures	3,280,224	322,464	2,810,549	819,319	84,707	7,317,263
Revenue over (under) Expenditures	(78,524)	(6,149)	8,204	(126,897)	(66,252)	(269,618)
Other Financing Sources (Uses):						
Transfer from Other Funds	169,095	25,200	15,490	189,083	27,856	426,724
Transfer to Other Funds	(206,907)	(16,320)	(39,154)	(113,974)	(3,412)	(379,767)
COP's and Other	45,275	735	-	31,742	69	77,821
Loan Proceeds from Component Units	-	-	-	183,482	-	183,482
Bonds Issued	-	-	-	10,055	112,945	123,000
Bonds Defeased	-	-	-	(4,500)	-	(4,500)
Premium on Bonds Issued	-	-	-	-	14,175	14,175
Net Other Finance Sources (Uses)	7,463	9,615	(23,664)	295,888	151,633	440,935
Special Item	-	-	-	59	-	59
Net Change in Fund Balances	(71,061)	3,466	(15,460)	169,050	85,381	171,376
Fund Balances at Beginning of Year	(144,375)	34,324	24,751	247,223	82,713	244,636
Fund Balances at End of Year	$ (215,436)	$ 37,790	$ 9,291	$ 416,273	$ 168,094	$ 416,012

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, 2014
(Expressed in Thousands)

Net change in fund balances - total governmental funds		$ 171,376
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	71,926	
Capital assets transfer, net	27,188	
Depreciation expense	(31,056)	68,058
The net effect of various transactions involving capital assets (i.e. sales, trade-ins and contributions) is to increase net position.		621
Post-employment benefit asset funding, net		(561)
Pollution Remediation Receivable		(5,937)
The issuance of long-term debt provides current financial resources to governmental funds which increases long-term debt in the Statement of Net Position. Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but repayment reduces long-term debt in the Statement of Net Position. This is the amount that proceeds exceed repayments:		
Bond proceeds	(123,000)	
Proceeds from other financing arrangements	(77,752)	
Loan proceeds from component unit	(193,816)	
Changes in component unit debt service interest reserve	4,755	
Loan proceeds from capitalized leases	(69)	
Repayment of bond principal	106,270	
Repayment of other financing debt	21,444	
Repayment of pledged revenue principal	24,885	
Repayment of capitalized lease principal	554	
Accrued interest	313	(236,416)
Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported as expenditures on the Statement of Net Position and have been eliminated from the Statement of Position as follows:		
Pension obligation	30	
Other post-employment benefit obligation	(42,137)	
Pollution remediation and landfill obligations	4,447	
Compensated absences	(1,847)	(39,507)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		(5,826)
Special Item - Liquor bond funds owed by the Alcoholic Beverages Enterprise Fund will be paid from profits of the fund.		183,482
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.		12,224
Changes in net position of governmental activities		$ 147,514

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


DIRIGO
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STATE OF MAINE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2014
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds Major Employment Security	Major Alcoholic Beverages	Non-Major Other Enterprise	Total	Governmental Activities Internal Service Funds
Assets					
Current Assets:					
Equity in Treasurer's Cash Pool	$ -	$ 361	$ 10,865	$ 11,226	$ 120,284
Cash and Short-Term Investments	2,687	-	756	3,443	3
Cash with Fiscal Agent	-	-	-	-	11,745
Restricted Assets:					
Restricted Deposits and Investments	297,686	-	-	297,686	3,662
Inventories	-	-	2,866	2,866	2,312
Receivables, Net of Allowance for Uncollectibles:					
Other Receivable	34,334	-	27,327	61,661	7,092
Due from Other Funds	22	-	307	329	24,622
Other Current Assets	-	-	195	195	2,637
Total Current Assets	334,729	361	42,316	377,406	172,357
Noncurrent Assets:					
Equity in Treasurer's Cash Pool	-	138	4,156	4,294	46,005
Capital Assets - Net of Depreciation	-	-	44,462	44,462	177,108
Total Noncurrent Assets	-	138	48,618	48,756	223,113
Total Assets	334,729	499	90,934	426,162	395,470
Liabilities					
Current Liabilities:					
Accounts Payable	1,942	6	1,365	3,313	23,812
Accrued Payroll	-	13	996	1,009	4,194
Due to Other Funds	-	183,482	9,562	193,044	6,675
Due to Component Units	-	-	-	-	4,031
Current Portion of Long-Term Obligations:					
Certificates of Participation and Other Financing Arrangements	-	-	-	-	11,484
Obligations Under Capital Leases	-	-	-	-	5,016
Claims Payable	-	-	-	-	28,103
Compensated Absences	-	-	128	128	435
Unearned Revenue	-	-	210	210	344
Accrued Interest Payable	-	-	-	-	345
Other Accrued Liabilities	988	500	17,429	18,917	-
Total Current Liabilities	2,930	184,001	29,690	216,621	84,439
Long-Term Liabilities:					
Working Capital Advances Payable	-	-	-	-	111
Unearned Revenue	-	-	-	-	503
Certificates of Participation and Other Financing Arrangements	-	-	-	-	31,295
Obligations Under Capital Leases	-	-	-	-	26,390
Claims Payable	-	-	-	-	41,646
Compensated Absences	-	-	930	930	3,181
Other Post-Employment Benefit Obligation	-	-	4,464	4,464	-
Total Long-Term Liabilities	-	-	5,394	5,394	103,126
Total Liabilities	2,930	184,001	35,084	222,015	187,565
Net Position					
Net Investment in Capital Assets	-	-	44,462	44,462	117,237
Restricted for:					
Employment Security	331,799	-	-	331,799	-
Other Purposes	-	-	-	-	468
Unrestricted	-	(183,502)	11,388	(172,114)	90,200
Total Net Position	$ 331,799	$ (183,502)	$ 55,850	$ 204,147	$ 207,905

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	84
Net Position of Business-Type Activities	$ 204,231

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

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

Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds				Governmental Activities
	Major Employment Security	Major Alcoholic Beverages	Non-Major Other Enterprise	Total	Internal Service Funds
Operating Revenues					
Charges for Services	$ -	$ 39	$ 280,991	$ 281,030	$ 440,328
Assessments	163,341	-	-	163,341	-
Miscellaneous Revenues	11	-	214	225	441
Total Operating Revenues	163,352	39	281,205	444,596	440,769
Operating Expenses					
General Operations	-	19	234,762	234,781	390,270
Depreciation	-	-	3,456	3,456	17,082
Claims/Fees Expense	159,058	-	-	159,058	10,755
Other Operating Expenses	-	-	-	-	48
Total Operating Expenses	159,058	19	238,218	397,295	418,155
Operating Income (Loss)	4,294	20	42,987	47,301	22,614
Nonoperating Revenues (Expenses)					
Investment Revenue (Expense) - net	7,036	-	-	7,036	443
Interest Expense	-	-	-	-	(8,291)
Other Nonoperating Revenues (Expenses)- net	-	12,500	51	12,551	(18,483)
Total Nonoperating Revenues (Expenses)	7,036	12,500	51	19,587	(26,331)
Income (Loss) Before Capital Contributions, Transfers and Special Items	11,330	12,520	43,038	66,888	(3,717)
Capital Contributions, Transfers and Special Items					
Capital Contributions from (to) Other Funds	-	-	2,231	2,231	1,693
Transfers from Other Funds	-	-	4,672	4,672	18,002
Transfers to Other Funds	(643)	(39)	(55,082)	(55,764)	(3,341)
Special Items	-	(183,482)	(9,710)	(193,192)	-
Total Capital Contributions, Transfers In (Out) and Special Items	(643)	(183,521)	(57,889)	(242,053)	16,354
Change in Net Position	10,687	(171,001)	(14,851)	(175,165)	12,637
Net Position - Beginning of Year	321,112	(12,501)	70,701	379,312	195,268
Net Position - End of Year	$ 331,799	$ (183,502)	$ 55,850		$ 207,905
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				413	
Changes in Business-Type Net Position				$ (174,752)	

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

STATE OF MAINE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

June 30, 2014
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds				Governmental Activities
	Major Employment Security	Major Alcoholic Beverages	Non-Major Other Enterprise	Totals	Internal Service Funds
Cash Flows from Operating Activities					
Receipts from Customers and Users	$ 170,388	$ 39	$ 278,376	$ 448,803	$ 440,099
Payments of Benefits	(158,974)	-	-	(158,974)	-
Payments to Prize Winners	-	-	(148,077)	(148,077)	-
Payments to Suppliers	-	499	(58,640)	(58,141)	(316,783)
Payments to Employees	-	-	(21,139)	(21,139)	(68,934)
Net Cash Provided (Used) by Operating Activities	11,414	538	50,520	62,472	54,382
Cash Flows from Noncapital Financing Activities					
Transfers from Other Funds	-	-	4,672	4,672	18,002
Transfers to Other Funds	(643)	(39)	(55,082)	(55,764)	(3,341)
Net Cash Provided (Used) by Noncapital Financing Activities	(643)	(39)	(50,410)	(51,092)	14,661
Cash Flows from Capital and Related Financing Activities					
Payments for Acquisition of Capital Assets	-	-	(76)	(76)	(28,252)
Proceeds from Financing Arrangements	-	-	-	-	16,300
Principal and Interest Paid on Financing Arrangements	-	-	-	-	(26,223)
Proceeds from Sale of Capital Assets	-	-	61	61	65
Net Cash Provided (Used) by Capital Financing Activities	-	-	(15)	(15)	(38,110)
Cash Flows from Investing Activities					
Interest Revenue	7,036	-	9	7,045	443
Net Cash Provided (Used) by Investing Activities	7,036	-	9	7,045	443
Net Increase (Decrease) in Cash/Cash Equivalents	17,807	499	104	18,410	31,376
Cash/Cash Equivalents - Beginning of Year	282,566	-	15,673	298,239	150,322
Cash/Cash Equivalents - End of Year	$ 300,373	$ 499	$ 15,777	$ 316,649	$ 181,698
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	$ 4,294	$ 20	$ 42,987	$ 47,301	$ 22,614
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation Expense	-	-	3,456	3,456	17,082
Decrease (Increase) in Assets					
Accounts Receivable	6,827	-	(2,829)	3,998	3,544
Interfund Balances	209	(1)	3,503	3,711	(3,580)
Inventories	-	-	(557)	(557)	(246)
Other Assets	-	-	-	-	(48)
Increase (Decrease) in Liabilities					
Accounts Payable	(148)	6	(563)	(705)	15,651
Accrued Payroll Expenses	-	13	(561)	(548)	205
Change in Compensated Absences	-	-	(322)	(322)	(62)
Other Accruals	232	500	5,406	6,138	(778)
Total Adjustments	7,120	518	7,533	15,171	31,768
Net Cash Provided (Used) by Operating Activities	$ 11,414	$ 538	$ 50,520	$ 62,472	$ 54,382
Non Cash Investing, Capital and Financing Activities					
Property Leased, Accrued or Acquired	-	-	-	-	921
Contributed Capital Assets	-	-	2,231	2,231	1,693
Decrease of deferred revenue from the sale of liquor operations	-	12,500	-	12,500	-
Special Item	-	(183,482)	(9,710)	(193,192)	-

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

STATE OF MAINE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2014
(Expressed in Thousands)

	Pension (and Other Employee Benefit) Trusts	Private Purpose Trusts	Agency Funds
Assets			
Equity in Treasurer's Cash Pool	$ -	$ 1,982	$ 18,310
Cash and Short-Term Investments	31,272	-	27
Receivables, Net of Allowance for Uncollectibles:			
Interest and Dividends	4,389	-	-
Due from Brokers for Securities Sold	99	-	-
Other	19,369	-	-
Investments at Fair Value:			
Equity Securities	3,967,803	-	-
Common/Collective Trusts	9,211,945	-	-
Other	-	14,900	-
Restricted Deposits and Investments	-	-	11
Securities Lending Collateral	260,224	-	-
Due from Other Funds	-	24,007	-
Investments Held on Behalf of Others	-	-	52,641
Capital Assets - Net of Depreciation	8,719	-	-
Other Assets	-	4,621	4,416
Total Assets	13,503,820	45,510	75,405
Liabilities			
Accounts Payable	6,213	88	1,064
Due to Other Funds	-	4	3,327
Due to Brokers for Securities Purchased	534	-	-
Agency Liabilities	-	-	70,983
Obligations Under Securities Lending	260,224	-	-
Other Accrued Liabilities	20,801	-	31
Total Liabilities	287,772	92	75,405
Net Position			
Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes	13,216,048	45,418	-
Total Net Position	$ 13,216,048	$ 45,418	$ -

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

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

Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Pension (and Other Employee Benefit) Trusts	Private Purpose Trusts
Additions:		
Contributions:		
Members	$ 163,219	$ -
State and Local Agencies	268,581	-
Other Contributing Entity	142,303	-
Investment Income (Loss):		
Net Increase (Decrease) in the Fair Value of Investments	1,855,602	2,090
Interest and Dividends	126,528	319
Securities Lending Income	1,494	-
Less Investment Expense:		
Investment Activity Expense	41,310	-
Securities Lending Expense	(1,201)	-
Net Investment Income (Loss)	1,943,515	2,409
Miscellaneous Revenues	-	9,714
Transfers In	-	738
Total Additions	2,517,618	12,861
Deductions:		
Benefits Paid to Participants or Beneficiaries	869,133	69
Refunds and Withdrawals	31,225	-
Administrative Expenses	10,624	157
Claims Processing Expense	835	-
Transfers Out	-	7,834
Total Deductions	911,817	8,060
Net Increase (Decrease)	1,605,801	4,801
Net Position:		
Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:		
Beginning of Year, as Restated	11,610,247	40,617
End of Year	$ 13,216,048	$ 45,418

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

STATE OF MAINE
STATEMENT OF NET POSITION
COMPONENT UNITS

June 30, 2014
(Expressed in Thousands)

	Finance Authority of Maine	Maine Community College System	Maine Health and Higher Educational Facilities Authority	Maine Municipal Bond Bank
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	$ 18,740	$ 10,725	$ 3,662	$ -
Cash and Cash Equivalents	3,541	15,093	3,783	246
Investments	46,348	45,188	36,309	21,249
Restricted Assets:				
Restricted Deposits and Investments	-	-	-	-
Inventories	-	1,394	-	-
Receivables, Net of Allowance for Uncollectibles:				
Loans Receivable	-	-	47,286	-
Notes Receivable	-	-	-	-
Other Receivables	1,313	6,766	211	1,020
Due from Other Governments	315	-	-	135,630
Due from Primary Government	-	1,437	-	-
Loans Receivable from Primary Government	-	-	-	45,333
Other Current Assets	1,648	1,903	796	40,512
Total Current Assets	71,905	82,506	92,047	243,990
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	7,167	4,102	1,401	-
Restricted Assets:				
Restricted Deposits and Investments	-	1,637	132,093	375,842
Investments	-	14,835	-	-
Receivables, Net of Current Portion:				
Loans Receivable	-	-	827,231	-
Notes Receivable	22,584	-	-	-
Other Receivables	-	-	-	-
Due from Other Governments	-	-	-	1,308,309
Due from Primary Government	-	-	-	-
Loans Receivable from Primary Government	-	-	-	427,643
Post-Employment Benefit Asset	-	12,333	-	-
Capital Assets - Net of Depreciation	1,473	161,462	-	550
Other Noncurrent Assets	-	-	-	-
Total Noncurrent Assets	31,224	194,369	960,725	2,112,344
Total Assets	103,129	276,875	1,052,772	2,356,334
Deferred Outflows of Resources				
Accumulated Decrease in Fair Value of Hedging Derivatives	-	-	-	-
Deferred Loss on Refunding	-	-	-	22,555
Total Deferred Outflows of Resources	$ -	$ -	$ -	$ 22,555
Liabilities				
Current Liabilities:				
Accounts Payable	2,989	4,718	174	730
Accrued Payroll	-	-	-	-
Compensated Absences	-	1,965	-	-
Due to Other Governments	-	-	-	724
Due to Primary Government	1,000	-	-	44,458
Amounts Held Under State & Federal Loan Programs	-	-	-	34,213
Bonds and Notes Payable	807	649	51,505	151,070
Obligations Under Capital Leases	-	10	-	-
Accrued Interest Payable	-	-	20,393	12,385
Deferred Revenue	1,130	2,414	2,805	273
Other Current Liabilities	21,034	8,894	-	-
Total Current Liabilities	26,960	18,650	74,877	243,853
Long-Term Liabilities:				
Due to Other Governments	-	-	435	1,005
Amounts Held Under State & Federal Loan Programs	39,770	-	-	-
Bonds and Notes Payable	593	22,647	921,605	1,485,890
Obligations Under Capital Leases	-	2,199	-	-
Other Post-Employment Benefits Obligation	-	-	-	-
Other Noncurrent Liabilities	-	-	-	-
Total Long-Term Liabilities	40,363	24,846	922,040	1,486,895
Total Liabilities	67,323	43,496	996,917	1,730,748
Deferred Inflows of Resources				
Deferred Inflow of Grant Income	-	-	-	-
Deferred Inflow of Loan Origination Points	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Net Position				
Net Investment in Capital Assets	1,473	137,594	-	548
Restricted	17,054	40,303	34,283	577,447
Unrestricted	17,279	55,482	21,572	70,146
Total Net Position	$ 35,806	$ 233,379	$ 55,855	$ 648,141

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

Maine State Housing Authority	Maine Turnpike Authority	University of Maine System	Non-Major Component Units	Total
$ -	$ -	$ 15,132	$ 1,077	$ 49,336
1,307	17,779	886	64,196	106,831
227,989	-	221,902	8,846	607,831
-	81,809	-	32,939	114,748
-	1,604	-	876	3,874
30,920	-	-	18,378	96,584
8	-	63	8,009	8,080
18,027	4,425	35,023	6,057	72,842
3,959	-	13,069	6,029	159,002
-	-	5,658	8,579	15,674
-	-	-	-	45,333
-	875	5,338	1,470	52,542
282,210	106,492	297,071	156,456	1,332,677
-	-	5,788	412	18,870
-	34,100	400	16,461	560,533
103,490	14,301	365,529	22,943	521,098
1,184,850	-	-	105,168	2,117,249
86	-	41,820	3,407	67,897
1,062	14	4,490	3,043	8,609
-	-	-	-	1,308,309
-	-	327	155	482
-	-	-	-	427,643
-	-	-	-	12,333
1,492	497,236	698,219	236,320	1,596,752
5,640	12,515	-	1,472	19,627
1,296,620	558,166	1,116,573	389,381	6,659,402
1,578,830	664,658	1,413,644	545,837	7,992,079
15,152	-	-	-	15,152
6,348	7,652	3,957	1,021	41,533
$ 21,500	$ 7,652	$ 3,957	$ 1,021	$ 56,685
8,423	6,819	13,137	15,369	52,359
-	2,298	-	407	2,705
-	-	-	189	2,154
391	-	-	-	1,115
-	-	-	759	46,217
-	-	-	-	34,213
29,360	17,820	9,346	9,510	270,067
-	-	359	5	374
5,477	-	-	569	38,824
1,181	7,243	11,049	30,934	57,029
-	10,797	30,340	1,411	72,476
44,832	44,977	64,231	59,153	577,533
-	-	-	2,631	4,071
-	-	-	-	39,770
1,244,268	430,975	155,767	139,715	4,401,460
-	-	3,112	-	5,311
-	-	-	2,129	2,129
15,152	15,361	104,081	161	134,755
1,259,420	446,336	262,960	144,636	4,587,496
1,304,252	491,313	327,191	203,789	5,165,029
2,984	-	-	2,554	5,538
66	-	-	-	66
3,050	-	-	2,554	5,604
1,492	117,417	531,742	217,648	1,007,914
267,236	49,832	371,458	85,216	1,442,829
24,300	13,748	187,210	37,651	427,388
$ 293,028	$ 180,997	$ 1,090,410	$ 340,515	$ 2,878,131

STATE OF MAINE
STATEMENT OF ACTIVITIES
COMPONENT UNITS

Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Finance Authority of Maine	Maine Community College System	Maine Health and Higher Educational Facilities Authority	Maine Municipal Bond Bank
Expenses	$ 32,703	$ 135,765	$ 45,042	$ 71,561
Program Revenues				
Charges for Services	18,038	18,384	41,552	60,518
Program Investment Income	196	3,505	6,347	7,050
Operating Grants and Contributions	17,775	56,760	-	507
Capital Grants and Contributions	-	7,001	-	22,526
Net Revenue (Expense)	3,306	(50,115)	2,857	19,040
General Revenues				
Unrestricted Investment Earnings	458	2,799	71	64
Non-program Specific Grants, Contributions and Appropriations	-	57,086	-	-
Miscellaneous Income	230	1,413	127	2,735
Gain (Loss) on Assets Held for Sale	-	-	-	-
Special Item	-	-	-	-
Total General Revenues	688	61,298	198	2,799
Change in Net Position	3,994	11,183	3,055	21,839
Net Position, Beginning of the Year (as restated)	31,812	222,196	52,800	626,302
Net Position, End of Year	$ 35,806	$ 233,379	$ 55,855	$ 648,141

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

Maine State Housing Authority	Maine Turnpike Authority	University of Maine System	Non-Major Component Units	Total
$ 220,707	$ 90,746	$ 693,209	$ 146,773	$ 1,436,506
72,099	121,817	297,293	50,359	680,060
(10,969)	-	38,692	65	44,886
143,428	-	176,270	69,078	463,818
-	-	7,403	21,210	58,140
(16,149)	31,071	(173,551)	(6,061)	(189,602)
17	(475)	13,081	5,111	21,126
-	-	213,278	17,279	287,643
-	5,283	-	1,160	10,948
-	(2,509)	-	366	(2,143)
-	-	-	(7,220)	(7,220)
17	2,299	226,359	16,696	310,354
(16,132)	33,370	52,808	10,635	120,752
309,160	147,627	1,037,602	329,880	2,757,379
$ 293,028	$ 180,997	$ 1,090,410	$ 340,515	$ 2,878,131

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. REPORTING ENTITY

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

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

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

Blended Component Units – Blended component units are entities that are legally separate from the State, but provide services entirely, or almost entirely to the State or otherwise exclusively, or almost exclusively, benefits the primary government even though they do not provide services directly to it. The State reports two 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. Its purpose includes assisting in the financing, acquisition, construction, improvement, reconstruction, and equipping of additions to structures designed for use as a court facility, State office or State activity space. In their separately issued financial statements, MGFA records a lease receivable from the State and a liability for bonds issued. However, in accordance with GASB, capital leases that exist between the State and MGFA are not recorded as leases in this report. The assets associated with these leases are reported in the government-wide statements along with the related debt. The corresponding debt service activity is recorded in the Governmental Funds. MGFA financial activity associated with servicing the debt is reported in an internal service fund. Therefore, the State reports MGFA's balances and transactions as though they were part of the primary government, using the blending method.

Child Development Services (CDS) is a legally separate organization, which ensures the provision of child find activities, early intervention services and free, appropriate public education services to eligible children. The State's Education Commissioner appoints and supervises the CDS director. Therefore, the State reports CDS balances and transactions as though they were a non-major special revenue fund.

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

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

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

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

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

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

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

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

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

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

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

Maine Public Employees Retirement System administers a public employee retirement system. It provides pension, death, and disability benefits to its members, which include employees of the State, some public school employees, employees of approximately 300 local municipalities and other public entities in Maine. The Governor appoints four of the Board's eight voting trustees. A fifth trustee is either the Treasurer of State or the Deputy Treasurer of State.

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

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

Restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Constraints placed on restricted components of net position are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports $854.9 million of restricted net position, of which $144.2 million is restricted by enabling legislation.

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

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

Fund Financial Statements

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

The *Other Special Revenue Fund* accounts for specific revenue sources that are legally 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. Examples of the most significant types of revenue sources include: Fund for a Healthy Maine (tobacco settlement revenue), State municipal revenue sharing, hospital and service provider taxes, and oil transfer fees.

The State reports the following major enterprise fund:

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

The *Alcoholic Beverages Fund* licenses and regulates the sale of alcoholic beverages. During fiscal year 2004, the State of Maine entered into a 10 year contract with a vendor to manage and operate wholesale liquor distribution as the State's agent. Fiscal year 2014 was the final year of the contract.

Additionally, the State reports the following fund types:

Governmental Fund Types:

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

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

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

Proprietary Fund Types:

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

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

Fiduciary Fund Types:

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

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

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

D. FISCAL YEAR-ENDS

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

E. ASSETS, LIABILITIES, AND NET POSITION/FUND BALANCE

Equity in Treasurer's Cash Pool

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

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

Cash and Cash Equivalents

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

Cash with Fiscal Agent
Cash with Fiscal Agent in Governmental Funds represents cash that will be used for debt service on bonds, 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 $107 million of Workers' Compensation, $51 million of Bureau of Insurance, and $30 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.

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

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

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

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

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

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

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

Accounts Payable
Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers. Incurred but not paid (IBNP) Medicaid claims settlements are actuarially estimated. The IBNP estimate recorded at June 30, 2014 is $219 million.

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

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

Compensated Employee Absences
In the government-wide statements and proprietary fund financial statements, compensated absences are recorded as a long-term liability as required by GASB. In the governmental fund financial statements, vested or accumulated leave is reported as an expenditure and fund liability when incurred upon retirement, termination or death. Sick and vacation payments to terminated employees as of June 30, 2014 but paid after the fiscal year end is also reported in the funds. In the discretely presented component units, employees' accumulated compensated absences are recorded as an expense and liability as the benefits accrue.

Deferred Inflows of Resources
In addition to liabilities, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate element represents an acquisition of fund equity that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The government funds report unavailable revenues, which arise only under the modified accrual basis of accounting, from two sources: tax and assessment revenue and pledged revenue transfer from an Enterprise Fund.

Loans Payable to Component Unit
In the Statement of Net Position, the amount of bond proceeds received by a component unit for unmatured GARVEE and TransCap bond proceeds is called "Loans Payable to Component Unit." The offsetting receivables are classified as "Loans Receivable from Primary Government." In fiscal year 2014 a Liquor Revenue Bond was issued by the Component Unit. The bond, including debt service reserves, totaled $220.7 million. See Note 11 for additional information on the Liquor Bond.

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

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

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

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

The State reported the following fund balance restrictions:

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

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

Committed Fund Balances – indicates assets can be used only for specific purposes pursuant to constraints imposed by a formal action of the Maine Legislature, the State's highest level of decision-making authority. This formal action is the passage of law by the legislature, creating, modifying, or rescinding an appropriation.

Assigned Fund Balances – include amounts that are constrained by the State's intent to be used for a specific purpose, but are neither restricted or committed. Legislative assignments include formal actions passed into law that lapse. Maine statute also set forth powers and duties of management. Assignments also include decisions made by management, including encumbrances. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not restricted or committed.

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

F. REVENUES AND EXPENDITURES/EXPENSES

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

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

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

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

NOTE 2 – BUDGETING AND BUDGETARY CONTROL, AND LEGAL COMPLIANCE

Appropriation Limits

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

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

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

Budget Stabilization Fund

The Maine Budget Stabilization Fund, a fund designation established under Title 5 MRSA C. 142, is included in the negative $221 million unassigned General Fund fund balance. Amounts in the stabilization fund may be expended only to offset a General Fund revenue shortfall. The Governor may also allocate funds for payment of death benefits for law enforcement officers, firefighters and emergency medical services personnel.

Balances in the fund do not lapse, but carry forward each year. Money in the fund may be invested with any earnings credited to the fund except when the fund is at its statutory cap. As the fifth priority before any other transfer, the State Controller is required to transfer 48 percent of the unappropriated surplus of the General Fund when the fund is not at its statutory cap. In accordance with the statute, the State Controller made the required transfer for fiscal year 2014.

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 2014 actual General Fund revenue, the statutory cap at the close of fiscal year 2014 and during fiscal year 2014 was $373.6 million. At the close of fiscal year 2014, the balance of the Maine Budget Stabilization Fund was $68.3 million. No reductions to the Maine Budget Stabilization Fund balance are required when it exceeds the balance of the statutory cap as a result of a decline of General Fund revenue.

Budget Stabilization Fund Activity
(Expressed in Thousands)

Balance, beginning of year	$ 59,701
Increase in fund balance	8,570
Balance, end of year	$ 68,271

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

Except in specific instances, only the Legislature may transfer appropriations between departments. Changes in appropriation, allocation, or funding for new programs are presented to the Legislature as a supplemental budgets or separate pieces of legislation. For the year ended June 30, 2014, the Legislature increased appropriations to the General Fund by $26.3 million.

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

Governmental Fund Balances – Restricted, Committed and Assigned
The State's fund balances represent: (1) restricted purposes, which include balances legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (2) committed purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature; (3) assigned purposes, which includes balances that are constrained by government's intent to be used for specific purposes, but are neither restricted or committed. A summary of the nature and purpose of these fund balance types at June 30, 2014 are detailed on the following page.

Governmental Fund Balances
(Expressed in Thousands)

	NSIF	Restricted	Committed	Assigned
General Fund:				
Public Safety	$ -	$ 1,365	$ -	$ -
All Other	3,807	699	-	-
Total	$ 3,807	$ 2,064	$ -	$ -
Highway Fund:				
Light Highway & Bridge Capital	$ -	$ 20,522	$ -	$ -
Highway and Bridge Construction		14,319		
Department of Motor Vehicles	-	847	-	-
All Other	55	2,047	-	-
Total	$ 55	$ 37,735	$ -	$ -
Federal Fund:				
HHS Office of Family Independence	$ -	$ 1,739	$ -	$ -
HHS Office of Child and Family Services	-	2,443	-	-
HHS Substance & Mental Health	-	1,989	-	-
Other General Support and Operations	-	619	-	-
Other Justice and Protection	-	1,430	-	-
All Other	1,071	-	-	-
Total	$ 1,071	$ 8,220	$ -	$ -
Other Special Revenue Fund:				
Agriculture & Conservation	$ -	$ 18,049	$ 3,673	$ -
Bonds for Highway & Bridge Construction	-	73,537	-	-
Environmental Protection	-	19,242	-	-
Fund for a Healthy Maine	-	-	8,351	-
GSO Other	-	42,882	8,864	-
HHS Centers for Disease Control	-	-	4,614	-
HHS COM	-	-	-	-
HHS MaineCare (Medicaid Program)	-	-	3,241	-
HHS Office of Family Independence	-	-	-	6,963
HHS Other	-	26,434	1,672	2,967
Highway & Bridge Construction	-	14,110	-	-
Inland Wildlife & Fisheries	-	10,032	-	-
Multimodal Transportation	-	-	6,862	-
Natural Resources Other	-	9,585	-	-
Professional & Financial Regulation	-	50,692	-	-
Public Safety	-	43,609	-	-
Workers Compensation Board	-	13,853	-	-
All Other	214	29,666	11,104	6,057
Total	$ 214	$ 351,691	$ 48,381	$ 15,987

Other Governmental Funds:	NSIF	Restricted	Permanent
Permanent Funds - Baxter Park	$ -	$ -	$ 6,814
Permanent Funds - All Others	-	-	15,081
Capital Projects - Highway & Bridge Construction	-	30,455	-
Capital Projects - Multimodal Transportation	-	17,883	-
Capital Projects - Higher Education	-	16,669	-
Capital Projects - Agriculture & Conservation	-	3,091	-
Capital Projects - Community & Economic Develop:	-	2,361	-
Capital Projects - All Other	-	1,787	-
Special Revenue Funds - Baxter Park	-	73,772	-
Special Revenue Funds - CDS	181	75	-
Special Revenue Funds - All Other	-	172	-
Total	$ 181	$ 146,265	$ 21,895

NOTE 3 - ACCOUNTING CHANGES AND RESTATEMENTS

Accounting Changes
During fiscal year ended June 30, 2014, the State implemented the following accounting standards:

GASB issued *Codification of Governmental Accounting and Financial Reporting Standards*. This integration includes GASB pronouncements issued and effective through December 31, 2013 and is intended to provide authoritative accounting and financial reporting guidance for state and local governmental entities. GASB pronouncements issued before December 31, 2013, but not effective at that date, may alter, amend, supplement, revoke, or supersede the guidance contained in this Codification. The State's current financial statement disclosures may refer to specific codification sections instead of GASB Standards.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As a result of implementing this new standard, presentation and terminology changes were made to the government-wide and fund financial statements as necessary.

GASB Statement No. 66, *Technical Corrections – 2012 an amendment of GASB Statements No. 10 and No. 62*. This Statement resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. There was no impact on the State's financial statements as a result of implementing GASB 66.

GASB Statement No. 67, *Financial Reporting for Pension Plans an amendment of GASB Statement No. 25*. This Statement improves financial reporting by state and local governmental pension plans by providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. There was no impact on the State's financial statements as a result of implementing GASB 67.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. As a result of implementing this new standard, slight changes were made to the disclosures of State constitutional obligations.

Restatements – Primary Government
The beginning net position for Governmental Activities in the Statement of Net Position were decreased by $1.5 billion to correct an overstatement of Infrastructure assets that had been incorrectly capitalized in prior years and increased by $14.9 million for construction in progress assets that should have been capitalized in the prior year.

Restatements - Component Units
The cumulative effect of implementing GASB #65 reduced beginning net position of discretely presented component units for a total of $25.2 million. The net position reductions result primarily from the change in accounting of deferred bond issuance costs and certain deferred loan costs and fees that are no longer reported as assets. The net position of the Maine Community College System, Maine Municipal Bond Bank, Maine State Housing Authority, Maine Turnpike Authority and the University of Maine decreased by: $0.2 million, $6.5 million, $9.7 million, $6.0 million and $2.7 million, respectively.

Three non-major discretely presented component units reduced their beginning net position as a result of correcting errors. Maine Educational Loan Authority reduced its beginning net position $.5 as a correction of an error in the calculation of its arbitrage rebatable liability. Maine Educational Center for the Deaf and Hard of Hearing reduced its beginning net position $1.9 million as a result of recognizing its Other Post Employment Benefit Obligation. Midcoast Regional Redevelopment Authority increased its beginning net position $0.8 million since certain construction and engineering costs had been excluded from the calculation of construction in progress.

A fiduciary component unit, Maine Public Employees Retirement System, restated its beginning net position as a result of changing how it reports results of pension plans and OPEB Trusts. As a result, fiduciary net position increased $9.1 million.

NOTE 4 - DEFICIT FUND BALANCES/NET POSITION

Three internal service funds showed deficits for the fiscal year ended June 30, 2014. The Workers' Compensation Fund reported a deficit of $20.8 million, which reflects accruals for actuarially determined claims payable. The Leased Space Fund had a deficit of $3.9 million because rates charged were insufficient to cover expenses incurred. The Postal, Printing & Supply fund reported a deficit of $2.8 million because expenses are recognized when incurred; however, related revenue is not earned until jobs are satisfactorily completed. All of the deficits mentioned above are expected to be funded by future service charges.

The Alcoholic Beverages Enterprise Fund shows a deficit of $183.5 million. During fiscal year 2014, Maine Municipal Bond Bank (MMBB) issued Liquor Operation Revenue Bonds on behalf of the State of Maine. The bonds are special, limited obligations of MMBB. The proceeds from the bonds were used for the purpose of making payments to health care providers for services provided prior to December 1, 2012. The bonds do not constitute a debt or liability of the State and neither the faith and credit nor the taxing power of the State is pledged to the payment of any amount due pursuant to the bonds. The bonds are secured by revenues received from the Bureau of Alcoholic Beverages and Lottery Operations from the operations of the State's liquor program pursuant to 28-A MRSA §90. A Due To the Other Special Revenue Fund has been recorded.

The General Fund shows a deficit fund balance of $215.4 million at June 30, 2014. This deficit is primarily due to the full recognition of the State's share of Medicaid liabilities at fiscal year end. The federal portion of these liabilities is also fully accrued, with an offsetting receivable from the federal government as allowed under Governmental Accounting Standards Board (GASB) Statement No. 33. Per GASB 33, revenue associated with government mandated non-exchange transactions should be recognized when applicable eligibility requirements have been met and the resources are available. Medicaid is an entitlement program. Therefore, the funds are available when the payments for these liabilities are processed.

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

The Primary Government's Deposits and Investments excluding component units that are fiduciary in nature at June 30, 2014:

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	$ 406,199	$ 15,520	$ 1,982	$18,310	$ 442,011
Cash and Cash Equivalents	4,820	3,443	-	27	8,290
Cash with Fiscal Agent	77,785	-	-	-	77,785
Investments	95,706	-	14,900	-	110,606
Restricted Equity in Treasurer's Cash Pool	77,135	-	-	-	77,135
Restricted Deposits and Investments	3,662	297,686	-	11	301,359
Investments Held on Behalf of Others	-	-	-	52,641	52,641
Other Assets	-	-	-	-	-
Total Primary Government	$ 665,307	$ 316,649	$ 16,882	$70,989	$1,069,827

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, 2014:

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	$ 29,963	$ 95,833	$ -	$ -	$ -	$ -	$ 125,796
US Treasury Notes	-	57,912	-	-	-	-	57,912
Repurchase Agreements	-	-	-	-	-	-	-
Corporate Notes and Bonds	-	-	-	-	-	-	-
Commercial Paper	72,564	-	-	-	-	-	72,564
Certificates of Deposit	2,099	2,680	-	-	-	-	4,779
Money Market	-	-	-	-	-	-	-
Cash and Cash Equivalents	903	-	-	-	-	248,825	249,728
Unemployment Fund Deposits with US Treasury	-	-	-	-	-	297,686	297,686
Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds							
US Instrumentalities	1,178	3,926	2	359	907	-	6,372
US Treasury Notes	-	12,877	3,092	2,834	-	-	18,803
Repurchase Agreements	-	-	-	-	-	-	-
Corporate Notes and Bonds	196	1,254	1,898	7,278	1,034	-	11,660
Other Fixed Income Securities	10,696	20	7,349	-	-	-	18,065
Commercial Paper	2,952	-	-	-	-	-	2,952
Certificates of Deposit	6,290	112	-	-	-	3,642	10,044
Money Market	13	-	-	-	-	2,396	2,409
Cash and Cash Equivalents	920	-	-	-	-	23,074	23,994
Equities	-	-	-	-	-	84,852	84,852
Other	-	-	-	-	-	4,426	4,426
	$127,774	$174,614	$12,341	$10,471	$ 1,941	$ 664,901	$ 992,042
Other Assets							
Cash with Fiscal Agent							77,785
Total Primary Government							$1,069,827

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

The Primary Government's total investments by credit quality rating as of June 30, 2014 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	$ -	$ -	$ 125,796	$ -	$ -	$ -	$ -	$ -	$ 125,796
US Treasury Notes	-	-	57,912	-	-	-	-	-	57,912
Corporate Notes and Bonds	-	-	-	-	-	-	-	-	-
Commercial Paper	72,564	-	-	-	-	-	-	-	72,564
Money Market	-	-	-	-	-	-	-	-	-
Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds									
US Instrumentalities	-	-	5,005	-	-	-	-	1,367	6,372
US Treasury Notes	-	-	3,456	-	-	-	-	15,347	18,803
Corporate Notes and Bonds	-	859	300	-	-		495	10,006	11,660
Commercial Paper	2,952	-	-	-	-	-	-	-	2,952
Money Market	-	-	-	-	-	-	-	-	-
Other Fixed Income Securities	-	-	-	-	7,369	-	-	10,696	18,065
Total Primary Government	$ 75,516	$ 859	$ 192,469	$ -	$ 7,369	$ -	$ 495	$ 37,416	$ 314,124

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 7 percent of the total portfolio. There is no concentration of credit risk policy for the Treasurer's Cash Pool. At June 30, 2014, there were no investments that exceeded five percent of the Treasurer's Cash Pool.

Custodial Credit Risk - For investments, custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the State will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The State limits its custodial credit risk for the Treasurer's Cash Pool by maintaining a file of the most recent credit rating analysis reports performed for each approved financial institution. The State also requires that all securities be perfected in the name of the State and held in third party safekeeping by a state approved custodian. Of the cash pool's $5.9 million invested in non-negotiable certificates of deposit, none exceeded the FDIC insured amounts for the institutions at which they were held. The State does not have a policy regarding custodial credit risk for its trusts. The Percival P. Baxter Trust is held by the counterparty's trust department, but not in the State's name.

The fair value of the trust's investments as of June 30, 2014 was $73.7 million and was comprised of the following (expressed in thousands):

U.S. Instrumentalities	$ 1,268
US Treasury Notes	1,100
Corporate Notes and Bonds	1,713
Other Fixed Income Securities	10,716
Equities	56,599
Cash and Equivalents	973
Other	1,344
Total	$ 73,713

The State and certain vendors contract with a fiscal intermediary, Clareon, for electronic disbursements from the State to its vendors. During fiscal year 2014 these disbursements, on average, exceeded $125 million per month. The funds in transit are not collateralized and are not held by the State Treasurer. Until the vendor receives payment, the State retains some liability.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

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

Foreign currency forward contracts are used to hedge against the currency risk in the System's foreign equity and fixed income security portfolios. The System's fixed income managers invest in Collateralized Mortgage Obligations (CMOs) and Asset-Backed Securities to improve the yield or adjust the duration of the fixed income portfolio. At June 30, 2014, the System held no CMO and Asset-Backed Securities. The System also invests in swaps. Interest rate swaps are used to adjust interest rate and yield curve exposures and substitute for physical securities.

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

Cash open collateral is invested in a short-term investment pool, the Core Limited Collateral Section. Cash collateral may also be invested separately in "term loans." At June 30, 2014 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, 2014 was $260.2 million and $253.6 million, respectively.

The following table details the System's derivative investments at June 30, 2014:

(Expressed in Thousands)

	2014 Changes in Fair Value	Fair Value at June 30, 2014		Notional
		Classification	Amount	Amount
Futures:				
Equity Index Futures Contracts	$ 305	Investments	$ 95	$ 75,920

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 14 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 $68.2 million of the component units' participation to "Equity in Treasurer's Cash Pool" on the State's financial statements. In addition to the amounts reported, the State Treasurer's Cash Pool includes $11.5 million, consisting of Finance Authority of Maine component unit fiduciary funds that, because of GASB Statement No. 34 reporting criteria, are not shown in the accompanying financial statements as invested in the Treasurer's Cash Pool.

NOTE 6 - RECEIVABLES

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

Primary Government – Receivables
(Expressed in Thousands)

	Taxes	Accounts	Loans	Allowance for Uncollectibles	Net Receivables
Governmental Funds:					
General	$ 538,762	$ 137,536	$ 1	$ (186,621)	$ 489,678
Highway	22,910	2,798	9	(912)	24,805
Federal	-	110,903	-	(45,065)	65,838
Other Special Revenue	11,941	88,801	3,982	(14,573)	90,151
Other Governmental Funds	-	6	-	-	6
Total Governmental Funds	573,613	340,044	3,992	(247,171)	670,478
Allowance for Uncollectibles	(130,044)	(117,095)	(32)		
Net Receivables	$ 443,569	$ 222,949	$ 3,960		$ 670,478
Proprietary Funds:					
Employment Security	$ -	$ 58,954	$ -	$ (24,620)	$ 34,334
Nonmajor Enterprise	-	27,982	-	(655)	27,327
Internal Service	-	7,092	-	-	7,092
Total Proprietary Funds	-	94,028	-	(25,275)	68,753
Allowance for Uncollectibles	-	(25,275)	-		
Net Receivables	$ -	$ 68,753	$ -		$ 68,753

Component Units – Receivables
(Expressed in Thousands)

	Accounts	Loans	Notes	Allowance For Uncollectibles	Net Receivables
Finance Authority of Maine	$ 1,313	$ -	$ 28,397	$ (5,813)	$ 23,897
Maine Community College System	7,853	-	-	(1,087)	6,766
Maine Health and Educational Facilities Authority	327	874,517	-	(116)	874,728
Maine Municipal Bond Bank	1,020	-	-	-	1,020
Maine State Housing Authority	19,089	1,227,182	121	(11,439)	1,234,953
Maine Turnpike Authority	4,439	-	-	-	4,439
University of Maine System	44,667	-	43,230	(6,501)	81,396

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, 2014 were:

Interfund Receivables
(Expressed in Thousands)

	Due to Other Funds				
Due from Other Funds	**General**	**Highway**	**Federal**	**Other Special Revenue**	**Other Governmental**
General	$ -	$ -	$ 1,302	$ -	$ -
Highway	31	2	18,316	2	-
Federal	9,217	2	121	629	-
Other Special Revenue	101,984	102	180	219	24
Other Governmental	437	-	129	-	-
Employment Security	-	-	22	-	-
Alcoholic Beverages	-	-	-	-	-
Non-Major Enterprise	165	135	2	4	-
Internal Service	10,781	3,689	3,482	4,408	-
Fiduciary	24,007	-	-	-	-
Total	$ 146,622	$ 3,930	$ 23,554	$ 5,262	$ 24

Due from Other Funds	**Employment Security**	**Alcoholic Beverages**	**Non-Major Enterprise**	**Internal Service**	**Fiduciary**	**Total**
General	$ -	$ -	$ 9,103	$ 4,811	$ 3,320	$ 18,536
Highway	-	-	-	12	-	18,363
Federal	-	-	-	-	-	9,969
Other Special Revenue	-	183,482	16	43	-	286,050
Other Governmental	-	-	-	-	-	566
Employment Security	-	-	-	-	-	22
Alcoholic Beverages	-	-	-	-	-	-
Non-Major Enterprise	-	-	1	-	-	307
Internal Service	-	-	442	1,809	11	24,622
Fiduciary	-	-	-	-	-	24,007
Total	$ -	$ 183,482	$ 9,562	$ 6,675	$ 3,331	$ 382,442

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.

Included in the Due to/Due from Other Funds is $183.5 due to the Other Special Revenue Fund that relates to the future profit due from the Alcoholic Beverages Fund. These profits will be used solely to make payments on the Liquor Revenue Bonds until the bonds are paid in full. Additionally, $98.5 million due to the Other Special Revenue Fund from the General Fund relates to the interfund borrowing authorized in Public Law 2013, Chapter 368, Part KKK-1.

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 2014, the State of Maine, in accordance with the legislatively authorized budget, recorded the following non-routine, nonrecurring transfers.

The Other Special Revenue Fund transferred $6.7 million to the unappropriated surplus of the General Fund.

Interfund transfers for the year ended June 30, 2014, consisted of the following:

Interfund Transfers
(Expressed in Thousands)

	Transferred From				
Transferred To	**General**	**Highway**	**Federal**	**Other Special Revenue**	**Other Governmental**
General	$ -	$ -	$ 8,092	$ 97,820	$ -
Highway	2,016	-	21,838	1,346	-
Federal	465	-	-	14,377	-
Other Special Revenue	169,822	5,211	9,224	-	1,567
Other Governmental Funds	26,749	-	-	-	1,107
Employment Security	-	-	-	-	-
Alcoholic Beverages	-	-	-	-	-
Non-Major Enterprise	-	4,302	-	370	-
Internal Service	7,855	6,807	-	-	-
Fiduciary	-	-	-	61	738
Total	$ 206,907	$ 16,320	$ 39,154	$ 113,974	$ 3,412

	Transferred From					
Transferred To	**Employment Security**	**Alcoholic Beverages**	**Non-Major Enterprise**	**Internal Service**	**Fiduciary**	**Total**
General	$ -	$ 39	$ 52,646	$ 1	$ 10,497	$ 169,095
Highway	-	-	-	-	-	25,200
Federal	643	-	-	-	5	15,490
Other Special Revenue	-	-	2,436	-	823	189,083
Other Governmental Funds	-	-	-	-	-	27,856
Employment Security	-	-	-	-	-	-
Alcoholic Beverages	-	-	-	-	-	-
Non-Major Enterprise	-	-	-	-	-	4,672
Internal Service	-	-	-	3,340	-	18,002
Fiduciary	-	-	-	-	-	799
Total	$ 643	$ 39	$ 55,082	$ 3,341	$ 11,325	$ 450,197

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, 2014:

Primary Government – Capital Assets
(Expressed in Thousands)

	Beginning Balance	Increases and Other Additions	Decreases and Deletions	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 571,268	$ 11,498	$ 7,384	$ 575,382
Construction in progress	83,273 **	41,283	14,567	109,989
Infrastructure	2,719,346 **	41,911	-	2,761,257
Total capital assets not being depreciated	3,373,887	94,692 *	21,951	3,446,628
Capital assets being depreciated:				
Buildings	660,538	6,929	1,042	666,425
Equipment	265,956	24,933	22,268	268,621
Improvements other than buildings	52,251	19,740	116	71,875
Software	72,551	2,119	-	74,670
Total capital assets being depreciated	1,051,296	53,721 *	23,426	1,081,591
Less accumulated depreciation for:				
Buildings	261,722	17,553	1,495	277,780
Equipment	177,461	22,896	15,846	184,511
Improvements other than buildings	34,681	9,239	41	43,879
Software	11,023	6,816	-	17,839
Total accumulated depreciation	484,887	56,504 *	17,382	524,009
Total capital assets being depreciated, net	566,409	(2,783)	6,044	557,582
Governmental Activities Capital Assets, net	$ 3,940,296 **	$ 91,909	$ 27,995	$ 4,004,210

	Beginning Balance	Net Additions	Net Deletions	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	$ 7,292	$ -	$ 5,037	$ 2,255
Construction in progress	1,138	1,433	702	1,869
Total capital assets not being depreciated	8,430	1,433	5,739	4,124
Capital assets being depreciated:				
Buildings	4,395	8	8	4,395
Equipment	36,339	821	4,892	32,268
Improvements other than buildings	48,767	702	8,345	41,124
Total capital assets being depreciated	89,501	1,531	13,245	77,787
Less accumulated depreciation for:				
Buildings	2,176	132	-	2,308
Equipment	16,991	1,600	8,605	9,986
Improvements other than buildings	23,424	1,731	-	25,155
Total accumulated depreciation	42,591	3,463	8,605	37,449
Total capital assets being depreciated, net	46,910	(1,932)	4,640	40,338
Business-Type Activities Capital Assets, net	$ 55,340	$ (499)	$ 10,379	$ 44,462

* The total Increase and Other Additions for Governmental Activities and Net Deletions for Business-Type Activities includes $18.0 million in assets net of $8.3 million in accumulated depreciation related to the transfer of assets from an Enterprise Fund in FY 2014. See Footnote 17 - Special Items disclosure for additional information.
** As restated. Infrastructure assets were decrease by approximately $1.5 billion due to a correction in the capitalization policy.

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	$ 16
Business Licensing and Regulation	430
Economic Development and Workforce Training	1,502
Education	524
Governmental Support and Operations	9,344
Health and Human Services	8,963
Justice and Protection	12,361
Natural Resources Development and Protection	3,569
Transportation Safety and Development	11,427
Total Depreciation Expense – Governmental Activities	$ 48,136

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. Title 5 MRSA C. 421, 423, and 425 authorized the establishment and administration of the defined benefit plans. The System administers 2 cost sharing multiple-employer defined benefit plans which provide pension, disability, and death benefits to its members. The State Employees and Teachers Plan (SETP) is a multiple-employer cost sharing plan with a special funding situation. The plan covers employees of the State and public school employees (defined by Maine law as teachers). State of Maine is also a non-employer contributing entity in that the State pays the unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members. The Participating Local Districts Plan (Consolidated PLD) covers employees of approximately 300 local municipalities and other public entities (Participating Local Districts, or PLDs) in Maine, each of which contracts for participation in the System under provisions of the relevant statutes. The System also administers a closed agent, multiple-employer defined benefit plan (Agent PLD) which covers PLD's who previously withdrew from the plan and single employers that could not join the Consolidated PLD Plan. 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, 2014 report may be obtained from the Maine Public Employees Retirement System, 46 State House Station, Augusta, ME 04333.

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, 2014, there were 66 employers participating in these plans. The 914 participants individually direct the $25.0 million 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 2 Retiree Health Insurance Post-Employment Benefits Investment Trust Funds. 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 common collective trusts is based on unit values reported by the funds. The fair value of other investments, including private market partnerships, is based on third-party appraisals and valuations provided by the sponsor of the partnerships. 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, 2014:

	State Employees and Teachers Plan	Consolidated Plan for PLD	Agent Plan for PLD
Active vested and nonvested members	39,910	10,848	24
Terminated vested participants	7,571	2,071	14
Retirees and benefit recipients	32,611	8,333	191
Total	80,092	21,252	229
Number of participating employers	229	286	13
Number of non-employer contributors	1	-	-

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

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

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

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 5 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 for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and survivor benefits, which are established by statute for State employee and teacher members, and by contract with other participating employers under applicable statutory provisions.

PARTICIPATING LOCAL DISTRICTS PLAN SPECIFICS

In the event that a member of the Consolidated PLD Plan withdraws from the System, its individual employee-members can terminate membership or remain contributing members of the Agency PLD plan. 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

Prior to fiscal year 2014, the State was legally responsible for contributions to the Teacher Group that covers retirees of other governmental entities. The State was the sole "employer" contributor for the teachers; and, therefore, was acting as the employer. Beginning in 2014, the State pays the unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members.

FUNDED STATUS AND FUNDING PROGRESS – DEFINED BENEFIT PENSION PLANS

The funded status of each plan as of June 30, 2014, the most recent biennial actuarial valuation date, is as follows:

(Expressed in Thousands)

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	10,083,707	12,382,225	2,298,518	81.4%	1,711,516	134.3%
PLD's [1]	2,415,219	2,649,405	234,186	91.2%	461,243	50.8%

1 combined Agency and Consolidated PLD Plans

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, 2014	June 30, 2014
Actuarial cost method	Entry age	Entry age
Version	Individual	Individual
Amortization method	Level percent closed	Level dollar open
Remaining amortization period	14 [1]	15
Asset valuation method	3 - Year smoothed market	3 - Year smoothed market
Asset valuation	additional recognition of past investment gains in the asset smoothing balance FY14 37.5%	
Funding	The State is responsible for funding all costs for its employees and the UAAL for teachers. School districts pay the normal costs for teachers.	
Actuarial assumptions:		
Investment rate of return	7.125%	7.25%
Projected salary increases	3.50%	3.50% - 9.50%
Includes inflation at	3.50%	3.50%
Cost of living adjustments	no change	3.12%
Former actuarial assumptions:		
Investment rate of return	7.25%	no change
Cost of living adjustments	no change	2.55%
Funding	the State paid all costs for State employees and teachers	
Most recent review of plan experience:	2011	2011

[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 2010 was determined by the 2008 valuation, and reflects the relengthened amortization period. The unfunded actuarial accrual liability of the judicial plan is amortized over a period of which 3 years remained at June 30, 2014.

CONTRIBUTION RATES – DEFINED BENEFIT PENSION PLANS

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

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

Contribution rates[1] in effect for 2014 for participating entities:

State	
Employees [2]	7.65 - 8.65%
Employer [2]	13.25 - 40.43%
Teachers	
Employees	7.65%
Employer	2.65%
Non-employer entity	13.03%
Participating Local Entities	
Employees [2]	3.0 - 8.0%
Employer [2]	3.4 - 12.8%

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

[2] Employer and employee retirement contribution rates vary depending on specific terms of plan benefits for certain classes of employees or, in the case of participating local districts (PLDs), on benefit plan options selected by a particular PLD. 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 and to the UAAL for the teacher members. 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	$ 264,275
Interest on net pension obligation	144
Adjustment to annual required contribution	(174)
Annual pension cost	264,245
Contributions made	264,275
Increase (decrease) in net pension obligation	(30)
Net pension obligation beginning of year	1,989
Net pension obligation end of year	$ 1,959

Analysis of Funding Progress
(Expressed in Thousands)

Year	Annual Pension Cost	Percentage Covered	Net Pension Obligation
2014	$ 264,245	100.01%	$ 1,959
2013	264,360	100.01%	1,989
2012	252,812	100.01%	2,010

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

POST-RETIREMENT HEALTHCARE PLANS

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

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

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

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

For State employees and teachers, other options exist. Part-time employees are eligible for prorated benefits 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 two non-major discretely presented component units. Under the Ancillary Group Plan, the State acts as the plan administrator only.

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

PLAN MEMBERSHIP
Membership in the four healthcare plans is as follows:

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

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

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

TEACHERS PLAN AND FIRST RESPONDERS PLAN FUNDING

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

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

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

ANCILLARY GROUP PLAN

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

ANNUAL OPEB COST

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

(Expressed in Thousands)

	State Employees	Teachers	First Responders
Annual required contribution	$ 99,000	$ 45,000	$ 1,769
Interest on net OPEB obligation	6,000	8,000	186
Adjustment to annual required contribution	(13,000)	(15,000)	(344)
Annual OPEB cost	92,000	38,000	1,611
Contributions made	63,228	24,956	593
Increase (decrease) in net healthcare obligation	28,772	13,044	1,018
Net healthcare obligation beginning of year	111,228	185,956	4,644
Net healthcare obligation end of year	$ 140,000	$ 199,000	$ 5,662

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

Analysis of Funding Progress
(Expressed in Thousands)

Plan	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
State Employees	6/30/2014	92,000	68.73%	140,000
	6/30/2013	87,000	78.16%	111,228
	6/30/2012	123,000	59.35%	92,228
Teachers	6/30/2014	38,000	65.67%	199,000
	6/30/2013	37,000	67.57%	185,956
	6/30/2012	49,000	44.90%	173,956
First Responders	6/30/2014	1,611	36.81%	5,662
	6/30/2013	1,563	36.92%	4,644
	6/30/2012	1,254	34.61%	3,658

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plans as of June 30, 2014 was as follows:

Plan	Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a)/c) UAAL (as a percentage of covered payroll)
State Employees (in millions)	June 30, 2014	167	1,224	1,057	13.64%	543	194.66%
	June 30, 2013	150	1,166	1,016	12.86%	518	196.14%
	June 30, 2012	136	1,316	1,180	10.33%	502	235.06%
Teachers (in millions)	June 30, 2014	0	684	684	0.00%	1,106	61.84%
	June 30, 2013	0	685	685	0.00%	1,194	57.37%
	June 30, 2012	0	665	665	0.00%	1,156	57.53%
First Responders (in thousands)	June 30, 2013	0	22,369	22,369	0.00%	53,366	41.92%
	June 30, 2012	0	23,442	23,442	0.00%	43,510	53.88%
	June 30, 2011	0	21,921	21,921	0.00%	42,242	51.89%

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

ACTUARIAL METHODS AND ASSUMPTIONS

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

	State Employees	Teachers	First Responders
Valuation date	June 30, 2014	June 30, 2014	June 30, 2013
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	23	23	24
Plan changes	30-year fixed	30-year fixed	rolling 15 year period
Actuarial (gains) /losses	10-year fixed	15-year fixed	rolling 15 year period
Asset valuation method	investment gains and losses spread over a 5 - year period no less than 80% nor more than 120% of market value	n/a	n/a
Actuarial assumptions:			
Investment rate of return	4.00% 7.25% ultimate	4.00% 7.25% ultimate	4.00%
Projected salary increases	3.25%	3.25%	3.5% - 9.5%
Inflation rate	3.00%	3.00%	3.00%
Healthcare inflation rate	initial - actual premiums ultimate 5.00% [1]	initial - actual premiums ultimate 5.00% [2]	7.5% at 2014 ultimate 5.00% at 2024
Former actuarial assumptions:			
Healthcare inflation rate			8.5% in 2011 ultimate 5.00% at 2019

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

CONTRIBUTIONS AND RESERVES

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

INVESTMENTS

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

POST RETIREMENT GROUP LIFE INSURANCE BENEFIT PLAN

The Maine Public Employees Retirement System, (the System), is a component unit of the State of Maine. For financial reporting purposes, the System administers an agent, multiple-employer, defined benefit Group Life Insurance Plan (GLIP) administered by a third party insurance company in accordance with Title 5 MRSA C. 423 and 425. Members include employees of the State, public school employees (defined by Maine law as teachers), members of the Judiciary and the Legislature, that are eligible for membership in the System. Group life insurance benefits are also provided to employees of approximately 400 local municipalities and other public entities (Participating Local Districts, or PLDs) in Maine that elect to participate under provisions of the relevant statutes. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for the plan. The June 30, 2014 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 percent per year to the greater of 40 percent of the initial amount or $2,500.

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

BASIS OF ACCOUNTING

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

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

INVESTMENTS

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

FUNDING POLICY

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

ANNUAL OPEB COST

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

(Expressed in Thousands)

	State Employees	Teachers
Annual required contribution	$ 4,768	$ 3,440
Interest on net OPEB obligation	$ (136)	$ -
Adjustment to annual required contribution	$ 128	$ -
Annual OPEB cost	$ 4,760	$ 3,440
Contributions made	$ 4,199	$ 3,440
Increase (decrease) in net healthcare obligation	$ 561	$ -
Net healthcare (asset) obligation beginning of year	$ (1,871)	$ -
Net healthcare (asset) obligation end of year	$ (1,310)	$ -

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

Analysis of Funding Progress
(Expressed in Thousands)

Plan	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB (Asset)
State Employees	6/30/2014	4,760	88.21%	(1,310)
	6/30/2013	4,562	102.43%	(1,871)
	6/30/2012	3,224	145.29%	(1,760)
Teachers	6/30/2014	3,440	100.00%	-
	6/30/2013	3,099	100.00%	-
	6/30/2012	2,959	100.00%	-

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plan as of June 30, 2014 was as follows:

(Expressed in Thousands)

Plan	Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a)/c) UAAL (as a percentage of covered payroll)
State Employees	June 30, 2014	31,800	87,300	55,500	36.43%	563,500	9.85%
	June 30, 2013	27,000	83,800	56,800	32.22%	572,800	9.92%
	June 30, 2012	24,700	80,900	56,200	30.53%	553,500	10.15%
Teachers	June 30, 2014	45,100	75,600	30,500	59.66%	666,200	4.58%
	June 30, 2013	36,000	74,200	38,200	48.52%	652,800	5.85%
	June 30, 2012	30,100	71,000	40,900	42.39%	630,800	6.48%

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, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent open
Asset valuation method	market
Actuarial assumptions:	
Investment rate of return	7.25% PLD's all others 7.125%
Projected salary increases	3.5% - 10.50%
Inflation rate	3.50%
Cost of living increases in life benefits	N/A
Participation percent for future retirees	100.00%
Form of benefit payment	lump sum
Former actuarial assumptions:	
Investment rate of return	7.25% for all plans

NOTE 11 - LONG-TERM OBLIGATIONS

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

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

Changes in general obligation bonds of the primary government during fiscal year 2014 were:

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

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Due Within One Year
General Obligation Debt:					
General Fund	$ 261,495	$ 112,945	$ 67,445	$ 306,995	$ 65,670
Special Revenue Fund	108,230	-	16,035	92,195	15,275
Total	$ 369,725	$ 112,945	$ 83,480	$ 399,190	$ 80,945

Debt service requirements (principal and interest) for all outstanding general obligation bonds of the primary government, from June 30, 2014 until maturity, are summarized in the following table:

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

Fiscal Year	Principal	Interest	Total
2015	$ 80,945	$ 15,589	$ 96,534
2016	65,635	13,344	78,979
2017	60,400	10,972	71,372
2018	54,290	8,619	62,909
2019	43,885	6,374	50,259
2020 - 2024	94,035	11,216	105,251
Total	$ 399,190	$ 66,114	$ 465,304

General fund, special revenue and other general obligation bonds issued and outstanding at June 30, 2014 are as follows:

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

	Amounts Issued	Outstading June 20, 2014	Fiscal Year Maturities First Year	Last Year	Interest Rates
General Fund:					
Series 2004	$ 117,275	$ -	2005	2014	2.00% - 5.27%
Series 2005	137,525	15,310	2006	2015	2.00% - 5.27%
Series 2006	52,390	10,470	2007	2016	4.00% - 5.51%
Series 2007	33,975	10,185	2008	2017	4.00% - 5.50%
Series 2008	46,525	18,600	2009	2018	3.00% - 5.13%
Series 2009	96,035	43,545	2011	2019	2.50% - 5.00%
Series 2010	31,755	11,670	2011	2020	1.41% - 4.00%
Series 2011	86,010	46,375	2012	2021	1.625% - 5.00%
Series 2012	49,265	37,895	2013	2022	1.00% - 5.00%
Series 2014	112,945	112,945	2015	2024	0.20% - 5.00%
Total General Fund		$ 306,995			
Special Revenue Fund:					
Series 2004	$ 13,000	$ -	2005	2014	2.00% - 4.00%
Series 2007	27,000	8,100	2008	2017	4.00% - 5.50%
Series 2008	57,550	23,020	2009	2018	3.00% - 5.13%
Series 2009	37,310	23,120	2011	2019	2.50% - 5.00%
Series 2010	25,080	22,475	2011	2020	1.41% - 4.00%
Series 2011	22,125	15,480	2012	2021	1.625% - 5.00%
Total Special Revenue		$ 92,195			

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, 2014, general obligations bonds authorized and unissued totaled $127.0 million.

REVENUE BONDS OF THE MAINE GOVERNMENTAL FACILITIES AUTHORITY

The State included $187.2 million in other financing arrangements to reflect revenue bonds issued by the Maine Governmental Facilities Authority (MGFA), a blended component unit. Payment of the bonds is subject to, and dependent upon, biennial appropriations being made by the State Legislature. Debt issued by MGFA is not debt of the State or any political subdivision within the State. The State is not obligated for such debt, nor is the full faith and credit of the State pledged for such debt. MGFA may not issue securities in excess of $347.8 million outstanding, at any one time, except for the issuance of certain revenue refunding securities.

During the fiscal year ended June 30, 2014, MGFA issued Series 2014A Bonds, which totaled $10.1 million at an interest rate of 1.98 percent. A portion of the 2014A bonds totaling $4.6 million were used to in-substance defease $4.5 million in certain maturities of outstanding 2002 and 2003 bonds with an average interest rate of 4.75 percent. The net proceeds of approximately $4.6 million, after payment of underwriting fees and other issuance costs, were used to purchase U.S. government securities which will provide for all future debt service payments on the defeased bonds. The economic benefits associated with the refunding inure to the lessee. The Authority reduced its aggregate debt service payments and the lessee's aggregate debt service payments by approximately $0.3 million over the next nine years, resulting in an economic gain to the lessee of approximately $0.3 million. At June 30, 2014, the remaining balance of in-substance defeased bonds total approximately $4.5 million.

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 $65 million of Bond Anticipation Notes during fiscal year 2014. Short-term obligations are used to meet temporary operating cash flow needs. At June 30, 2014 there were no outstanding Tax Anticipation Notes or Bond Anticipation Notes.

OTHER LONG-TERM OBLIGATIONS

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

Changes in other long-term obligations for governmental and business-type activities for the fiscal year ended June 30, 2014, are summarized as follows:

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

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Governmental Activities:					
MGFA Revenue Bonds	$ 199,910	$ 10,055	$ 22,790	$ 187,175	$ 19,205
COP's and Other Financing	47,938	94,052	35,180	106,810	33,333
Compensated Absences	41,712	7,769	5,969	43,512	6,236
Claims Payable	70,464	191,217	191,932	69,749	28,103
Capital Leases	38,975	1,888	5,648	35,215	5,571
Loans Payable to Component Unit	304,045	193,816	24,885	472,976	45,333
Net Pension Obligation	1,989	264,245	264,275	1,959	-
Other Post-Employment Benefit Obligation	298,061	129,218	87,081	340,198	-
Pollution Remediation and Landfill	32,132	953	5,400	27,685	-
Total Governmental Activities	$ 1,035,226	$ 893,213	$ 643,160	$ 1,285,279	$ 137,781
Business-Type Activities:					
Compensated Absences	$ 1,380		$ 322	$ 1,058	$ 128
Other Post-Employment Benefit Obligation	3,767	2,209	1,512	4,464	-
Total Business-Type Activities	$ 5,147	$ 2,209	$ 1,834	$ 5,522	$ 128

Debt service requirements (principal and interest) for COP's and other financing arrangements of the primary government, from June 30, 2014 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**
2015	$ 21,850	$ 88	$ 21,938	$ 30,688	$ 8,098	$ 38,786
2016	20,987	69	21,056	29,709	7,147	36,856
2017	20,157	37	20,194	27,278	6,190	33,468
2018	1,038	9	1,047	22,701	5,299	28,000
2019	-	-	-	21,515	4,479	25,994
2020 - 2024	-	-	-	49,237	14,407	63,644
2025 - 2029	-	-	-	31,310	7,090	38,400
2030 - 2034	-	-	-	17,515	1,550	19,065
2035 - 2039	-	-	-	-	-	-
Total	$ 64,032	$ 203	$ 64,235	$ 229,953	$ 54,260	$ 284,213

LOANS PAYABLE TO COMPONENT UNIT

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

In 2014 the State of Maine pledged the profit from the Alcoholic Beverages Enterprise Fund as security for $220.6 million ($193.8 million net of the debt service reserve) of bonds issued by MMBB. The bonds are special, limited obligations of the MMBB. The proceeds of the bonds were used for the purpose of making payments to health care providers for services provided prior to December 1, 2012 under the MaineCare program. A Due To Other Special Revenue Fund from the Alcoholic Beverages Enterprise Fund was recorded for $183.5 million.

Changes in GARVEE, TransCap and Liquor revenue bonds during fiscal year 2014 were:

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

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Due Within One Year
Loans Payable to Components Unit:					
Federal Funds	$ 95,960	$ -	$ 12,713	$ 83,247	$ 13,137
Special Revenue Fund	208,085	193,816	12,172	389,729	32,196
Total	$ 304,045	$ 193,816	$ 24,885	$ 472,976	$ 45,333

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

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

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

GARVEE, TransCap and Liquor Revenue bonds issued and outstanding at June 30, 2014 are as follows:

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

	Amounts Issued	Outstanding June 30, 2014	Fiscal Year Maturities First Year	Last Year	Interest Rates
Federal Funds:					
Series 2004	$ 48,395	$ 10,410	2005	2015	2.50% - 5.00%
Series 2008	50,000	31,690	2009	2020	3.25% - 4.00%
Series 2010A	25,915	16,175	2011	2017	2.00% - 5.00%
Series 2010B	24,085	24,085	2018	2022	4.52% - 5.32%
Total Federal Funds		$ 82,360			
Special Revenue Fund:					
Series 2008	$ 50,000	$ 37,205	2009	2023	3.00% - 5.50%
Series 2009A	105,000	80,890	2010	2023	2.50% - 5.00%
Series 2009B	30,000	26,635	2010	2024	2.00% - 5.00%
Series 2011A	55,000	53,130	2012	2026	2.00% - 5.00%
Series 2013	220,660	220,660	2015	2024	1.07% - 4.35%
Total Special Revenue Funds		$ 418,520			

Total principal and interest requirements over the life of the 2004 GARVEE bonds are $60.2 million, with annual requirements of up to $5.5 million; for the 2008 GARVEE bonds total principal and interest requirements are $63.1 million, with annual requirements of up to $5.2 million; for 2010 GARVEE bonds total principal and interest requirements are $66.3 million, with annual requirements of up to $5.6 million. Federal transportation funds received by the State for the federal fiscal year preceding the issuance of the 2004 GARVEE bonds totaled $175 million. Total federal highway transportation funds received in federal fiscal year 2014 were $211 million. Current year payments to MMBB for GARVEE bonds were $16.0 million (7.6 percent of federal highway transportation funds received).

Total principal and interest requirements over the life of the 2008 TransCap Revenue Bond are $71.9 million, with annual requirements up to $4.8 million. Total principal and interest requirements over the life of the 2009A TransCap Revenue Bonds are $144.3 million, with annual requirements up to $10.2 million; for the 2009B TransCap Revenue Bonds total principal and interest requirements are $46.2 million, with annual requirements up to $15.9 million. Total principal and interest requirements over the life of the 2011A TransCap Revenue Bond are $84.2 million, with annual requirements up to $20.3 million. Total revenue received for revenue sources used as pledged revenues were $38.6 million in fiscal year 2014.

Total principal and interest requirements over the life of the Liquor Operation Bond are $273.8 million, with annual requirements up to $26.8 million. There were no principal payments paid to MMBB for the Liquor Operation Bond in fiscal year 2014.

OBLIGATIONS UNDER CAPITAL LEASES

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

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

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

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

At June 30, 2014 capital assets include capitalized buildings of $74.1 million in Governmental Activities, net of related accumulated depreciation of $42.7 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 $2.8 million during the year.

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

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

Fiscal Year	**Capital Leases**	**Operating Leases**
2015	$ 5,576	$ 3,298
2016	5,030	2,655
2017	4,666	2,069
2018	4,569	1,668
2019	3,830	1,446
2020 - 2024	11,198	3,674
2025 - 2029	3,885	823
2030 - 2034	1,658	580
2035 - 2039	-	548
2040 - 2044	-	628
2045- 2049	-	721
2050 - 2054	-	414
Total Minimum Payments	40,412	$ 18,524
Less: Amount Representing Interest	5,197	
Present Value of Future Minimum Payments	$ 35,215	

MGFA REVENUE BONDS, COP'S AND OTHER FINANCING ARRANGEMENTS

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

CLAIMS PAYABLE

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

COMPENSATED ABSENCES

In the government-wide statements and proprietary fund financial statements, compensated absences are reported as long-term liabilities as required by GASB. In the governmental fund financial statements, vested or accumulated leave is reported as an expenditure and fund liability when incurred upon retirement, termination or death. Sick and vacation payments made to terminated employees as of June 30, 2014 but paid after the fiscal year end is also reported in the funds.

COMPONENT UNITS

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

Component Unit Bonds Outstanding
(Expressed in Thousands)

Component Unit	Interest Rates	Amount	Maturity Dates
Finance Authority of Maine	1.00%	1,400	2014 – 2025
Maine Community College System	3.0 - 5.0%	23,296	2014 - 2037
Maine Health and Higher Educational Facilities Authority	1.25 - 6.0%	973,110	2014 - 2040
Maine Municipal Bond Bank	.5 - 6.12%	1,636,960	2014 - 2044
Maine State Housing Authority	0.70 - 5.55%	1,273,628	2014 – 2042
Maine Turnpike Authority	2.0 - 6.0%	448,795	2014 – 2042
University of Maine System	2.0 - 5.0%	165,113	2014 – 2037

In periods of declining interest rates, MHHEFA has refunded its bond obligations, reducing aggregate debt service. The proceeds of the refunding bonds were principally used to purchase U.S. Government securities that will provide for future payment on the debt. At June 30, 2014 there were approximately $118.0 million of in-substance defeased bonds remaining outstanding with respect to all advance-refunding issues within the reserve fund resolution.

On May 23, 2013, UMS issued $65.3 million in revenue bonds to currently refund $10.8 million in revenue bonds and to advance refund $61.3 million in revenue bonds. UMS completed the refunding to reduce its total debt service payments over the following 22 years by $10.5 million and to obtain economic gain (difference between the present values of the old and new debt service payments) of $7.5 million. The principal amount of debt refunded through in-substance defeasance was $72.0 million. The amount still outstanding at June 30, 2014 was $48.3 million. Refunding proceeds of $77.0 million were placed in an escrow account to pay the interest due on the refunded bonds and to retire the bonds on their respective maturity dates which range from fiscal year 2013 through fiscal year 2015. The escrow is invested to yield enough earnings to pay required future payments, which are $50.6 million as of June 30, 2014. The refunding resulted in a deferred amount of refunding of $3.9 million which represents the difference between the reacquisition price and the carrying value of the refunded bonds. The unamortized portion of the deferred amount on refunding is $3.7 million at June 30, 2014. This amount is included in deferred outflows.

In periods of declining interest rates, MMBB has refunded certain of its bond obligations, reducing aggregate debt service. Where allowed, the bank retires outstanding bonds prior to their contractual maturity. In other cases, the proceeds of the refunding bonds were principally used to purchase U.S. Government securities that will provide for future payment on the debt. The U.S. Treasury obligations are deposited with the trustees of the in-substance defeased bonds. At June 30, 2014 the remaining balances of the General Tax-Exempt Fund Group in-substance defeased bonds total approximately $132.9 million.

For the period ended December 31, 2013, MSHA redeemed prior to maturity $435.1 million of its Mortgage Purchase Fund Group bonds from surplus revenues and the proceeds of refunding bonds. Mortgage Purchase Fund losses of $0.7 million were attributed to recognition of the bond discount and debt issuance expenses associated with the redeemed bonds.

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

Component Units Principal Maturities
(Expressed in Thousands)

Fiscal Year Ending	FAME	MMBB	MCCS	MSHA	MTA	UMS	MHHEFA
2015	$ 807	$ 122,825	$ 649	$ 29,360	$ 17,820	$ 7,741	$ 51,505
2016	58	136,407	671	35,965	18,655	7,837	46,515
2017	58	130,604	698	42,485	19,445	8,140	46,835
2018	59	127,434	729	51,215	20,365	9,122	46,765
2019	59	126,805	756	47,690	21,315	8,557	47,855
2020 - 2024	307	534,115	4,305	246,845	80,410	41,749	242,925
2025 - 2029	52	312,821	5,440	322,300	102,540	35,105	216,200
2030 - 2034	-	79,510	6,488	243,470	81,975	32,055	161,210
2035 - 2039	-	8,125	2,947	220,285	44,660	4,136	100,655
2040 - 2044	-	3,575	-	35,975	15,950	-	12,645
2045 - 2049	-	560	-	-	-	-	-
Net unamortized premium or (deferred amount)	-	54,179	613	(1,962)	25,660	10,671	-
Total Principal Payments	$ 1,400	$1,636,960	$ 23,296	$1,273,628	$ 448,795	$ 165,113	$ 973,110

NOTE 12 - SELF-INSURANCE

A. RISK MANAGEMENT

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

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

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

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

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

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

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

All risk-financing liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims liabilities represent the estimated cost of claims as of March 31, 2014.

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, 2014 and 2013, the present value of the claims payable for the State's self-insurance plan was estimated at $4.3 million and $4.0 million, respectively. The actuary calculated this based on the State's rate on investments.

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

	2014	2013
Liability at Beginning of Year	$ 4,032	$ 3,770
Current Year Claims and		
Changes in Estimates	1,706	686
Claims Payments	1,444	424
Liability at End of Year	$ 4,294	$ 4,032

As of June 30, 2014, fund assets of $26.1 million exceeded fund liabilities of $4.6 million by $21.5 million. The portion of this amount that may be reserved for catastrophic losses has not been determined.

B. UNEMPLOYMENT INSURANCE

The State is self-insured for unemployment compensation. As a direct reimbursement employer, the State recognizes all costs for unemployment compensation as claims are paid. These costs totaled $1.3 million for the fiscal year ended June 30, 2014.

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, 2014:

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

	2014	2013
Liability at Beginning of Year	$ 43,847	$ 42,113
Current Year Claims and Changes in Estimates	9,311	11,069
Claims Payments	8,409	9,335
Liability at End of Year	$ 44,749	$ 43,847

Based on the actuarial calculation as of June 30, 2014, the State is liable for unfunded claims, and incurred but not reported claims, of approximately $54.1 million. The discounted amount is $44.7 million and was calculated based on a 3.0 percent interest rate on investments.

D. EMPLOYEE HEALTH INSURANCE

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

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

There are two primary health plans available. POS II is a point-of-service plan available to all active employees and retirees not eligible for Medicare. Smart Value is a Medicare Advantage plan available to Medicare eligible retirees. Total enrollment averaged approximately 37,800 covered individuals. This total includes 30,000 active employees and dependents and 7,800 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, 2014 the State recorded a receivable of $6.9 million for an overpayment of health care premiums.

Expenses and liabilities for incurred but not reported claims, based on an actuarial analysis of claim lag pattern, have been recorded as liabilities in the amount of $20.7 million. Changes in the Employee Health Insurance and Retiree Health Insurance claims liability for the fiscal year ending June 30, 2014 follows (in thousands):

	Employee Health Fund	Retiree Health Fund
Liability at Beginning of Year	$ 16,939	$ 5,646
Current Year Claims and Changes in Estimates	154,540	25,660
Claims Payments	155,949	26,130
Liability at End of Year	$ 15,530	$ 5,176

The table above reflects actual activity of the employee health and retiree health insurance programs. In accordance with GASB Statement No. 45, certain costs reported above were reclassified for financial statement purposes. Retiree healthcare costs of $48.3 million were reclassified from the internal service fund to the OPEB Trust Fund, a fiduciary fund. Additionally, $15.0 million of active employee healthcare costs was reclassified from the internal service fund to the OPEB Trust Fund to reflect age-adjusted claims.

NOTE 13 – JOINT VENTURES

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

Tri-State Lotto Commission

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

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

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

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

The Tri-State Lotto Commission financial report for fiscal year 2014, 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	$ 15,777
Noncurrent Assets	33,794
Total Assets	$ 49,571
Current Liabilities	$ 13,165
Long-term Liabilities	26,634
Total Liabilities	39,799
Designated Prize Reserves	4,346
Reserve for Unrealized Gains	5,426
Total Net Position	9,772
Total Liabilities and Net Position	$ 49,571
Total Revenue	$ 56,123
Total Expenses	37,658
Allocation to Member States	18,465
Change in Unrealized Gain on Investments Held for Resale	(1,381)
Change in Net Position	$ (1,381)

Multi-State Lottery Association

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

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

The Multi-State Lottery Association's financial report for fiscal year 2014 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	$ 469,342
Investments in US Government Securities	69,335
US Government Securities Held for Prize Annuities	140,912
Due from Party Lotteries	15,717
Patent, net of accumulated amortization	10,140
Other Assets	705
Total Assets	$ 706,151
Amount Held for Future Prizes	$ 552,055
Grand Prize Annuities Payable	141,057
Other Liabilities	2,836
	695,948
Net Position, Unrestricted	10,203
Total Liabilities and Net Position	$ 706,151
Total Revenue	$ 3,170
Total Expenses	4,991
Excess of revenue over expenses	(1,821)
Net Position, beginning	12,024
Net Position, ending	$ 10,203

NOTE 14 - RELATED PARTY TRANSACTIONS

PRIMARY GOVERNMENT

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

COMPONENT UNITS

The State provided appropriations and grant monies to the following discretely presented component units: University of Maine System, $224.2 million; Maine Community College System, $64.2 million; Maine Municipal Bond Bank, $43.0 million; Finance Authority of Maine, $11.0 million; and Maine State Housing Authority, $14.2 million.

FAME administers several revolving loan funds on behalf of the State of Maine. FAME recorded these funds, which total $29.7 million at June 30, 2014, as a liability in Amounts Held Under State Revolving Loan Programs in their fiduciary financial statements. The state reports the asset as a receivable in the Special Revenue Fund. During fiscal year 2014, the State expended $2.6 million to FAME for State revolving loan funds. The State also transferred $1 million from its Loan Insurance Reserves to FAME. In fiscal year 2014, State statute required FAME to return $1 million of the Loan Insurance Reserves. As of June 30, 2014, $1 million was owed to the State.

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 $5.8 million in grants to the University of Maine System (UMS) on behalf of eligible students. The UMS reflected these as grant revenues from the State.

The Maine Turnpike Authority (MTA) pays the State for services rendered by the Maine State Police (MSP). MSP has a separate troop responsible for patrolling the Maine Turnpike. MTA pays all costs associated with that troop. For fiscal year 2014, the amount billed totaled $6.0 million.

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. Certain cases have the potential for liability in excess of $1 million. Even if liability is found, the State should not expect to pay out the full amounts being sought against it in all of the cases. In any given case, however, the State could incur a large judgment.

Aldrich v. LePage. This matter involves the provision of home- and community-based services to persons with intellectual disabilities and/or autism. The case is before the Superior Court of Maine. The case has just been settled. It will cost the State more than $1 million in the provision of services.

John F. Murphy Homes v. State of Maine (Me. Superior Court). The claim is in the amount of $7+ million for payments allegedly due for educational services over the last dozen years. Discovery is ongoing. We estimate a low-medium chance of losing more than $1 million.

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

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

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

ENCUMBRANCES
Encumbrances are reported in the restricted, committed, and assigned fund balances of the governmental funds. General fund, highway fund, federal fund, other special revenue fund and other governmental funds balances are $28.2 million, $2.3 million, $115.0 million, $23.6 million and $1.8 million, respectively.

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

POLLUTION REMEDIATION
The Department of Environmental Protection (DEP) and Department of Transportation (DOT) have pollution remediation obligations as defined by Governmental Accounting Standards Board (GASB) Statement No. 49. The State's total amount of pollution remediation obligation as of June 30, 2014 is $20.3 million. Superfund sites account for approximately $9.4 million. Superfund is the federal government program to clean up hazardous waste sites.

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

Eastland Woolen Mill – The State recorded a liability for pollution remediation activities of approximately $1.1 million. Currently the State shares the costs with Environmental Protection Agency (EPA) in a cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in September of 2018, the State will assume 100 percent of the operation and maintenance and long-term monitoring costs.

Eastern Surplus – The State recorded a liability for pollution remediation activities of approximately $1.4 million. Beginning in August of 2012, the State assumed 100 percent of the operation and maintenance and monitoring costs. As of June 30, 2014 the State has received $2 million in recoveries from the Department of Defense. The State expects to recover additional costs of $321 thousand.

Callahan Mine – The State recorded a liability for pollution remediation activities of approximately $6.9 million. Currently the State shares the costs with EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA. The State will assume 100 percent of the cost for the operation and maintenance of the site.

The State recorded a liability for pollution remediation activities of approximately $11.5 million (net of unrealized recoveries of $671 thousand) related five uncontrolled hazardous substance sites. The State expects to recover $2.9 million in costs. The Uncontrolled Hazardous Substance Sites Program was created in response to the threats and potential threats to human health and the environment posed primarily by abandoned hazardous waste sites. The Uncontrolled Hazardous Substance Sites program is the State's equivalent to the Federal Superfund Program.

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

MUNICIPAL SOLID WASTE LANDFILLS

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

The State will recognize a portion of the estimated total current cost of closure and postclosure care as an expense and a liability on the Statement of Activities and Statement of Net Position, respectively, in each period that the landfill accepts solid waste. The $7.4 million reported as landfill closure and postclosure care liability at June 30, 2014, represents the cumulative amount reported to date based on the use of 94 percent of the estimated capacity of the landfill. The State will recognize the remaining estimated cost of closure and postclosure care of $465 thousand as the remaining estimated capacity is filled. Based on estimated annual disposal volumes of 500 cubic yard to 1,000 cubic yards per year, the estimated remaining landfill life would be 400 to 800 years. Actual costs may be higher due to inflation, changes in technology or changes in applicable laws or regulations.

Cost-Sharing Program – Title 38 M.R.S.A., §1310-F establishes within the Department of Environmental Protection (DEP) a cost-sharing program for the closure and remediation of municipal solid waste landfills that pose an actual or potential hazard to the environment and public health.

The State has an obligation to provide cost sharing for remediation and closure activities to municipalities; however this obligation is subject to the availability of funds approved for that purpose. Until fiscal year 2013, there was no solid waste funding available to reimburse municipalities for closure or remediation activities. In 2013, a fee on disposal of Construction and Demolition Debris (CDD) earmarked for landfill closure and remediation came into effect under 38 MRSA §2203-A for these obligations as discussed below. The fee effective January 1, 2013 was $1.00 per ton of CDD and doubled to $2.00 effective January 1, 2014. In fiscal year 2014, during which both rates applied, the CDD fee generated $530 thousand. A full year of that fee at $2.00 per ton is expected to generate $770 thousand.

Regarding landfill closures, changes per PL 2011, c.544 to landfill legislation at 38 MRSA §1310-F(1-B)(E) extended DEP's obligation to reimburse 75% of landfill closure expenses at municipal landfills that incur eligible closure costs until 2015. In fiscal year 2014, $203 thousand was reimbursed to municipalities for closure expenses. As of the end of fiscal year 2014, the DEP has received applications from four municipalities and has a total outstanding obligation, after fiscal year 2014 payments, of $5.2 million in closure expenses. This closure obligation will increase in fiscal year 2015 as one landfill is still undergoing closure construction and will incur additional costs and several other municipalities have landfills that will be eligible for reimbursement of closure costs if they elect to close by the 2015 deadline.

Regarding landfill remediation, under the law the State is obligated to pay up to 90% of the cost of remediation for threats posed by municipal landfills to the public health and the environment after closure. Remediation expenses are ongoing and have no specific timeframe. In fiscal year 2014, $256 thousand was reimbursed to municipalities in remediation expenses. As of the end of fiscal year 2014, the DEP obligation for remediation expenses after fiscal year 2014 payments, total $2.6 million. In light of ongoing investigations at closed landfills that show additional work is necessary and the increasing frequency of residential development near closed municipal landfills, the State's obligation for landfill remediation is expected to increase.

As of June 30, 2014, the DEP's total landfill closure and remediation obligation to municipalities is $7.8 million. A full year of the CDD fee at $2.00 per ton is estimated to generate $770 thousand, indicating that at the current funding rate and obligation, it will take approximately 10 year for the DEP to fully fund its closure and remediation obligation. However, the financial obligation is expected to increase as additional eligible landfills close prior to the 2015 deadline; and as remediation expenses at closed landfills continue, extending this timeline for repayment.

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 $6.4 million. This consists of approximately $2.1 million for State-owned facilities and approximately $4.3 million for the State's share, under a cost sharing arrangement, for municipal facilities.

POLLUTION ABATEMENT PROGRAM

Title 38 MRSA § 411, § 411-A, § 412 establishes within DEP cost-sharing programs for pollution abatement projects. Subject to funding by the Legislature and the approval of the Commissioner, the State may contribute to the planning of municipal pollution abatement facilities; the design, engineering and construction of private, commercial and municipal pollution abatement facilities; and make payments to the Maine Municipal Bond Bank to supply the State's share of the revolving loan fund established by Title 30-A §6006-A. During the 2014 fiscal year, $5.6 million of general obligation bond funds were expended for pollution abatement projects. As of June 30, 2014, amounts encumbered for pollution abatement projects totaled $620 thousand; and general obligation bonds authorized for these projects, but not yet encumbered or expended, totaled $320 thousand. As of June 30, 2014, DEP estimated the total cost (federal, State, and local) of future projects to be $1 billion.

GROUND WATER OIL CLEAN-UP FUND

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

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

CONSTRUCTION COMMITMENTS

A portion of the payment that is made to municipalities for General Purpose Aid to Local Schools is allocated for debt service. Although the outstanding indebtedness for school construction projects is debt of the municipalities, the State subsidizes 46.8 percent of the annual payments. As of June 30, 2014, outstanding commitments by municipalities for school bond issues that are eligible for State subsidy totaled $904.3 million.

At June 30, 2014, the Department of Transportation had contractual commitments of approximately $182.8 million for construction of various highway projects. The State's share of that amount is expected to be approximately $40.3 million. Of these amounts, $5.2 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 six civil jurisdictions (collectively 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 multiple counts of misconduct and claiming punitive and compensatory damages, including a claim for all the State's Medicaid costs caused by or related to tobacco use. The MSA includes provisions to annually compensate the State for smoking-related Medicaid costs and to impose marketing and advertising restrictions on PM's to protect public health. In this settlement, the PM's agreed, among other things, to make annual payments to the states and jurisdictions based on their allocable share of the market. In return, the states agreed to relinquish claims to further damages resulting from, among other things, Medicaid costs. Annual payments fluctuate subject to various adjustments and are partially contingent on the passage and enforcement of a State statute imposing economic conditions related to the

State's public health claims on the Nonparticipating manufacturers (NPM's) in the form of an annual escrow payment due from each NPM with in-state sales. The NPM Adjustment is set forth in the Master Settlement Agreement (MSA). If the PM's claim an NPM Adjustment for a given year and prove that they lost market share to the NPM's and it is determined that the MSA was a significant factor contributing to that lost market share then an NPM Adjustment 'shall apply' unless a Settling State passed a qualifying statute and 'diligently enforced' that statute. In effect this means that the Allocated Payment to a Settling State that diligently enforced will not be reduced, but a Settling State that did not diligently enforce its qualifying statute will be subject to a reduction in its payment due to the NPM Adjustment. NPM Adjustment Due to the provisions of the MSA, a State that is found not to have diligently enforced its qualifying statute may lose up to its entire annual payment amount due to the NPM Adjustment for a given year.

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

In addition, in the MSA, the PM's agreed to pay \$8.6 billion in Strategic Contribution Payments (SCP) to certain states and jurisdictions as compensation for their contribution to the overall settlement. Maine's share of this total amount is approximately \$114 million. Maine will receive this amount through ten annual SCP payments starting in 2008. In April 2014, Maine received a total of \$56.4 million including both the annual payment amount and the strategic contribution amount.

ESCHEAT PROPERTY

The State Abandoned Property Statute requires the deposit of certain defined and unclaimed assets into a state-managed Abandoned Property Fund (Private Purpose Trust Fund). The State Statute provides that whenever the cash balance of the fund exceeds \$500 thousand at fiscal year-end, the excess must be remitted to the General Fund where it is reported as operating transfers from other funds. At June 30, 2014, the Fund included \$4.6 million of securities not yet liquidated that were not subject to transfer to the General Fund. Net collections from inception (1979) to June 30, 2014 of approximately \$200.6 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, 2014, the amount reported in the Fund for claimant liability is \$29.1 million. The General Fund shows a \$24 million payable to the Escheat Fund.

CONSTITUTIONAL OBLIGATIONS

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

Article 9, § 14-A, C, and D of the Maine State Constitution provides that the State may insure the payment of mortgage loans for industrial, manufacturing, fishing, agricultural and recreational enterprises; mortgage loans for the acquisition, construction, repair and remodeling of houses owned or to be owned by members of two tribes on several Indian reservations; and mortgage loans to resident Maine veterans of the Armed Forces of the United States, including loans to a business organization owned in whole or in part by resident Maine veterans. The aggregate of these obligations, at any one time, may not exceed $90 million, $1 million, and $4 million, respectively. At June 30, 2014, loans outstanding pursuant to these authorizations are $74.4 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, 2014.

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, 2014, 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, 2014.

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	$ 973,110	$ 86,316	no limit	22 MRSA § 2075
Finance Authority of Maine	38,043	-	$ 642,000	10 MRSA §1032, 1053
	-	-	50,000	20-A MRSA §11449
	-	-	50,000	38 MRSA §2221
Loring Development Authority *	-	-	100,000	5 MRSA §13080-N
Maine Municipal Bond Bank	1,269,716	148,529	no limit	30-A MRSA §6006
Maine Educational Loan Authority *	132,635	13,848	225,000	20-A MRSA §11424
Maine State Housing Authority	1,275,590	98,147	2,150,000	30-A MRSA §4906
Total	$ 3,689,094	$ 346,840		

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

COMPONENT UNITS

CONSTRUCTION CONTRACTS
At June 30, 2014, UMS had outstanding commitments on uncompleted construction contracts that totaled $9.2 million.

At June 30, 2014, MCCS had $5 million remaining in construction commitments primarily to improve existing academic buildings.

At December 31, 2013, the Maine Turnpike Authority had $19.5 million remaining in on outstanding construction projects for improvements and maintenance.

MORTGAGE COMMITMENTS
Mortgage commitments are agreements to lend provided there is no violation of any term or condition of the agreement. Generally, once exercised, the loans made under the terms of such commitments are secured by a lien on the related property and other collateral as deemed necessary. At December 31, 2013 Maine State Housing Authority (MSHA) had outstanding commitments to originate multi-family loans of approximately $24.0 million.

MSHA, under its single-family program, enters into purchase agreements to lenders to purchase mortgage loans. At December 31, 2013, single-family loans being processed by lenders totaled $18.1 million.

INSURED LOAN COMMITMENTS
The Finance Authority of Maine (FAME) insures loans made by financial institutions to qualifying businesses under various insurance programs. FAME is contingently liable for the insured portion of payments due on these loans. At June 30, 2014, FAME had insurance outstanding for commercial loans under the Loan Insurance Program totaling approximately $101.3 million. At June 30, 2014, FAME was insuring loans with an aggregate outstanding principle balance approximating $4.7 million which were 90 or more days delinquent. The aggregate insured balance of these loans was approximately $2.7 million at June 30, 2014. In addition, FAME has entered into commitments to insure loans at some future date. At June 30, 2014, these commitments under the Loan Insurance Program were approximately $8.5 million.

NOTE 16 - SUBSEQUENT EVENTS

PRIMARY GOVERNMENT

In September 2014 the State issued $38.1 million of Bond Anticipation Notes which mature in June 2015.

On November 14, 2014, the Maine Municipal Bond Bank issued $44.8 million of GARVEE grant anticipation revenue bonds on behalf of the Maine Department of Transportation. The bonds bear interest rates from 2.0% to 5.0%, and maturities from 2015 to 2026. The bonds are secured by future receipt of federal transportation funds, subject to continuing federal appropriations of those funds. The bonds do not constitute a debt or obligation of the State.

COMPONENT UNITS

Through March 20, 2014, Maine State Housing Authority (MSHA) redeemed at par $65.2 million of bonds in the General Mortgage Purchase Bond Resolution. On February 27, 2014, MSHA issued, at par $51.6 million of bonds in the General Mortgage Purchase Bond Resolution.

On July 24, 2014, Maine Health and Higher Educational Facilities Authority issued series 2014A reserve resolution tax-exempt bonds in the amount of $43.2 million with an average interest rate of 4.43%. A portion of the bonds was used to in-substance defease $47.6 million of outstanding reserve fund maturities within the

1997B, 1998C, 2003A, 2003D and 2004A reserve bond series. The net proceeds of approximately $48.0 million were used to purchase U.S. Government securities that will provide for all future debt service payments on the defeased bonds. The economic benefits associated with the refunding inure to the respective institutions.

NOTE 17 – SPECIAL ITEMS

Pursuant to Public Law 2011, Chapter 649 Part A, the Marine Ports Enterprise Fund was converted to an Other Special Revenue Fund. Accordingly, the State transferred balances totaling $9.7 million from the Marine Ports Enterprise Fund to the Other Special Revenue Fund. These transfers are recorded as Special Items in the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position ($9.7 million), the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances ($59 thousand), and the Entity-wide Statement of Activities ($9.7 million).

Pursuant to Public Law 2013, Chapter 269, the State of Maine authorized the Maine Municipal Bond Bank (MMBB) to issue Liquor Operation Revenue Bonds on behalf of the State for the purpose of making payments to healthcare providers for services provided prior to December 1, 2012 under the Maine Care program. These bonds were secured by the State of Maine's pledge of the profits from the Alcoholic Beverages Enterprise Fund and the proceeds were deposited into the Health Care Liability Retirement Fund, an Other Special Revenue Fund. The resulting loans payable to MMBB is recorded as a liability in the Governmental Activities column in the Statement of Net Position. The transfer of the future pledged profits from the Enterprise Fund to reduce this liability is recorded as a Special Item in the Proprietary Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Statement of Activities for $183.5 million.

STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

Fiscal Year Ended June 30, 2014
(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	$ 2,924,349	$ 2,929,821	$ 2,976,515	$ 46,694	$ 210,011	211,815	$ 217,503	$ 5,688
Assessments and Other	95,956	97,666	100,317	2,651	88,699	89,384	90,202	818
Federal Grants	1,594	1,987	1,988	1	-	-	-	-
Service Charges	41,118	47,767	48,564	797	6,314	6,045	6,204	159
Income from Investments	78	133	469	336	122	53	80	27
Miscellaneous Revenue	67,570	66,949	70,871	3,922	2,712	8,066	3,692	(4,374)
Total Revenues	3,130,665	3,144,323	3,198,724	54,401	307,858	315,363	317,681	2,318
Expenditures								
Governmental Support and Operations	259,663	261,184	253,172	8,012	37,206	38,011	34,760	3,251
Economic Development & Workforce Training	32,230	32,138	31,656	482	-	-	-	-
Education	1,422,651	1,424,825	1,409,592	15,233	-	-	-	-
Health and Human Services	1,108,521	1,143,735	1,103,755	39,980	-	-	-	-
Business Licensing & Regulation	1,562	4,210	4,200	10	-	-	-	-
Natural Resources Development & Protection	69,493	68,681	66,450	2,231	33	33	33	-
Justice and Protection	302,144	308,239	288,890	19,349	25,927	25,742	24,103	1,639
Arts, Heritage & Cultural Enrichment	7,664	7,668	7,405	263	-	-	-	-
Transportation Safety & Development	-	-	-	-	242,357	297,516	287,295	10,221
Total Expenditures	3,203,928	3,250,680	3,165,120	85,560	305,523	361,302	346,191	15,111
Revenues Over (Under) Expenditures	(73,263)	(106,357)	33,604	139,961	2,335	(45,939)	(28,510)	17,429
Other Financing Sources (Uses)								
Operating Transfers Net	(81,105)	(83,401)	21,934	105,335	-	(5,096)	17,969	23,065
Proceeds from Pledged Future Revenues								
Net Other Financing Sources (Uses)	(81,105)	(83,401)	21,934	105,335	-	(5,096)	17,969	23,065
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ (154,368)	$ (189,758)	$ 55,538	$ 245,296	$ 2,335	$ (51,035)	$ (10,541)	$ 40,494
Fund Balances at Beginning of Year			190,661				58,774	
Fund Balances at End of Year			$ 246,199				$ 48,233	

Federal Funds				Other Special Revenue Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
$ -	$ -	$ -	$ -	$ 293,507	$ 292,826	$ 288,785	$ (4,041)
4	4	-	(4)	171,172	180,115	158,057	(22,058)
3,236,042	3,541,143	2,761,743	(779,400)	11,373	11,448	9,707	(1,741)
434	435	352	(83)	205,083	231,839	219,650	(12,189)
-	-	9	9	1,196	1,201	324	(877)
5,553	5,479	9,406	3,927	363,832	363,366	293,198	(70,168)
3,242,033	3,547,061	2,771,510	(775,551)	1,046,163	1,080,795	969,721	(111,074)
6,293	8,819	5,432	3,387	138,349	148,300	138,174	10,126
112,064	142,932	97,372	45,560	46,145	50,654	38,115	12,539
279,940	291,457	193,762	97,695	38,334	45,670	38,208	7,462
2,464,369	2,606,691	2,100,903	505,788	734,559	746,890	674,891	71,999
244	203	101	102	76,735	77,908	66,931	10,977
53,739	60,741	36,134	24,607	126,263	141,952	84,538	57,414
148,699	153,579	45,550	108,029	43,249	49,753	38,929	10,824
3,258	3,669	2,726	943	1,861	1,942	838	1,104
192,685	283,304	198,839	84,465	53,305	119,671	73,351	46,320
3,261,291	3,551,395	2,680,819	870,576	1,258,800	1,382,740	1,153,975	228,765
(19,258)	(4,334)	90,691	95,025	(212,637)	(301,945)	(184,254)	117,691
(76,353)	(77,137)	(89,158)	(12,021)	(11,864)	(11,703)	(112,259)	(100,556)
				220,035	275,035	230,884	(44,151)
(76,353)	(77,137)	(89,158)	(12,021)	208,171	263,332	118,625	(144,707)
$ (95,611)	$ (81,471)	$ 1,533	$ 83,004	$ (4,466)	$ (38,613)	$ (65,629)	$ (27,016)
		15,174				255,342	
		$ 16,707				$ 189,713	


DIRIGO
MAINE

STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION

Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	General Fund	Highway Fund	Federal Funds	Special Revenue Fund
Fund Balances - Non-GAAP Budgetary Basis	$ 246,199	$ 48,233	$ 16,707	$ 189,713
Basis Differences				
Revenue Accruals/Adjustments:				
Taxes Receivable	209,068	778	-	9,982
Intergovernmental Receivables	-	-	256,452	-
Other Receivables	42,756	2,650	65,140	64,027
Inventories	2,048	-	689	-
Due from Component Units	1,000		25	40,330
Due from Other Funds	16,854	21,690	9,796	398,336
Other Assets	1,759	55	330	214
Unearned Revenues	-	(4,916)	(689)	-
Deferred Inflows - Taxes and Assessment Revenues	(213,232)	(731)	(722)	(27,314)
Deferred Inflows - Unearned Revenue from Enterprise Fund	-	-	-	(183,482)
Total Revenue Accruals/Adjustments	60,253	19,526	331,021	302,093
Expenditure Accruals/Adjustments:				
Accounts Payable	(145,594)	(16,705)	(232,871)	(17,829)
Due to Component Units	(2,293)	(1,618)	(1,597)	(321)
Accrued Liabilities	(20,352)	(7,414)	(6,817)	(9,701)
Taxes Payable	(194,055)	(8)	-	-
Intergovernmental Payables	(12,972)	-	(73,598)	-
Due to Other Funds	(146,622)	(4,224)	(23,554)	(47,682)
Total Expenditure Accruals/Adjustments	(521,888)	(29,969)	(338,437)	(75,533)
Fund Balances - GAAP Basis	$ (215,436)	$ 37,790	$ 9,291	$ 416,273

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING

Statutory/Budgetary Presentation

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

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

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

Detailed budgetary control is maintained at the program and line category level at which appropriations and allocations are approved by the Legislature, principally through a quarterly allotment system. The State Budget Officer and the Governor must approve budget revisions during the year, reflecting program changes or intradepartmental administrative transfers. Except in specific instances, only the Legislature may transfer appropriations between departments. Increases in appropriation, allocation, or funding for new programs are presented to the Legislature as a supplemental budget or separate pieces of legislation. For the year ended June 30, 2014, the legislature increased appropriations to the General Fund by $26.3 million.

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

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

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

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

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

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

The budgetary comparison schedule presented for the General Fund, the Highway Fund, the Federal Fund, and the Other Special Revenue Fund presents the original and final appropriated budgets for fiscal year 2014-2015, as well as the actual resource inflows, outflows and fund balances stated on the budgetary basis.

The original budget and related estimated revenues represent the spending authority enacted into law by the appropriation bills as of June 26, 2013, and includes encumbrances carried forward from the prior year.

Generally accepted accounting principles (GAAP) require that the final legal budget be reflected in the "final budget" column. Therefore updated revenue estimates available for appropriations as of June 30, 2014 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

(Expressed in Thousands)

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c)
Actuarial Valuation June 30,	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)
2014	10,083,707	12,382,225	2,298,518	81.4%	1,711,516	134.3%
2013	9,238,577	11,889,897	2,651,320	77.7%	1,671,668	158.6%
2012	8,939,788	11,605,891	2,666,103	77.0%	1,727,667	154.3%
2011	8,795,250	11,335,259	2,540,009	77.6%	1,652,576	153.7%
2010	8,369,772	12,676,367	4,306,595	66.0%	1,681,593	256.1%
2009	8,383,148	12,377,262	3,994,114	67.7%	1,678,931	237.9%
2008	8,691,076	11,721,272	3,030,196	74.1%	1,628,421	186.1%
2007	8,302,467	11,209,708	2,907,241	74.1%	1,595,200	182.2%

Major changes in actuarial assumptions include the following:

Valuation date	June 30, 2014	June 30, 2012	June 30, 2011	June 30, 2008
Major actuarial assumption changes:				
Retirement assumption	The State is responsible for funding all costs for its employees and the UAAL for teachers. School districts pay the normal costs for teachers.	Lowered to reflect the closing of the retirement window for early retiree health coverage		
Version of actuarial cost method		New entrant		
Asset valuation method	Additional recognition of past investment gains in the asset smoothing balance FY14 37.5%			
Investment rate of return	7.125%		7.25%	7.75%
Projected salary increases			3.50%	4.75% - 10.00%
Includes inflation at			3.50%	4.50%
Cost of living adjustments			2.25%	3.75%

The June 30, 2011 valuation included changes to the plan and actuarial assumptions. For members with fewer than 5 years of creditable service on July 1, 2011, the normal retirement age increased to 65. Projected salary increases include a 3.5 percent across the board increase at each year of service. The first 2 fiscal years assume a flat 1.5 percent pay increase across the board. The cap on annual cost of living adjustments was lowered from 4 percent per year to 3 percent per year on the first $20,000 of annual benefit (indexed). No COLA will be made until September 2014.

The Maine Public Retirement System (the System), which is a component unit of the State, is the administrator of 2 large cost sharing multiple-employer defined benefit plans and an agent multiple-employer defined benefit plan covering public employees. The June 30, 2014 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 2014 was determined by the 2012 valuation, and reflects the relengthened amortization period. The unfunded actuarial accrual liability of the judicial plan is amortized over a period of which 3 years remained at June 30, 2014.

Note: Unless plan changes occur, actuarial valuations are performed biennially on even years. Rollforward valuations occur on odd numbered years. The latest actuarial valuation occurred June 30, 2014.

Required Supplementary Information – Other Post-employment Benefit Plans

Schedules of Funding Progress

Healthcare Plans

Plan	Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a)/c) UAAL (as a percentage of covered payroll)
State Employees (in millions)	June 30, 2014	167	1,224	1,057	13.64%	543	194.66%
	June 30, 2013	150	1,166	1,016	12.86%	518	196.14%
	June 30, 2012	136	1,316	1,180	10.33%	502	235.06%
Teachers (in millions)	June 30, 2014	0	684	684	0.00%	1,106	61.84%
	June 30, 2013	0	685	685	0.00%	1,194	57.37%
	June 30, 2012	0	665	665	0.00%	1,156	57.53%
First Responders (in thousands)	June 30, 2013	0	22,369	22,369	0.00%	53,366	41.92%
	June 30, 2012	0	23,442	23,442	0.00%	43,510	53.88%
	June 30, 2011	0	21,921	21,921	0.00%	42,242	51.89%

Group Life Insurance Plans

(Expressed in Thousands)

Plan	Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a)/c) UAAL (as a percentage of covered payroll)
State Employees	June 30, 2014	31,800	87,300	55,500	36.43%	563,500	9.85%
	June 30, 2013	27,000	83,800	56,800	32.22%	572,800	9.92%
	June 30, 2012	24,700	80,900	56,200	30.53%	553,500	10.15%
Teachers	June 30, 2014	45,100	75,600	30,500	59.66%	666,200	4.58%
	June 30, 2013	36,000	74,200	38,200	48.52%	652,800	5.85%
	June 30, 2012	30,100	71,000	40,900	42.39%	630,800	6.48%

Schedule of Employer Contributions

(Expressed in Thousands)

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

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

As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Assets accounted for under the modified approach include 8,827 highway miles or 17,951 lane miles of roads and 2,964 bridges having a total deck area of 11.8 million square feet that the State is responsible to maintain.

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

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

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

<u>Highways</u>

Measurement Scale for Highways

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

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

Bridges

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

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

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

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

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

Fiscal Year	Highways	Bridges
2014	75.5	78.0
2013	76.0	78.0
2012	75.4	79.0

Comparison of Estimated-to-Actual Preservation Costs

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

Actual Preservation Costs
(Expressed in millions)

	2014	2013	2012	2011	2010
Highways	$ 163.0 [1]	$ 90.5	$ 91.5	$ 101.4	$ 68.6
Bridges	71.0 [1]	14.7	13.2	9.3	9.2
Total	$ 234.0	$ 105.2	$ 104.7	$ 110.7	$ 77.8

Estimated Preservation Costs
(Expressed in millions)

	2014	2013	2012	2011	2010
Highways	$ 24.7	$ 84.1	$ 155.0	$ 86.1	$ 48.5
Bridges	3.1	13.7	30.0	7.9	6.5
Total	$ 27.8	$ 97.8	$ 185.0	$ 94.0	$ 55.0

[1] As restated

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

Transportation Bonds

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 697, PL 2011, $26 million in General fund bonds were spent during FY2014.


DIRIGO
MAINE

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

	2010	2011(1)	2012	2013	2014
Revenues					
Taxes					
Sales, Use and Service Provider Tax	1,073,443	1,095,072	1,154,480	1,164,216	1,227,734
Individual Income Tax	1,368,185	1,490,879	1,513,710	1,607,831	1,414,110
Corporate Income Tax	183,751	251,345	271,943	217,338	211,854
Cigarette and Tobacco Tax	149,067	145,229	139,729	137,952	136,160
Inheritance and Estate Tax	31,210	49,323	44,866	79,083	23,962
Gasoline, Use Fuel and Motor Carrier Tax	241,424	239,184	242,123	236,763	239,988
Insurance Tax	109,689	93,029	112,291	103,549	110,909
Public Utilities Tax	46,340	49,555	39,418	40,301	39,888
Other Industry or Occupation Taxes	226,940	216,974	217,902	247,246	256,199
Real Estate Transfer Tax	19,186	19,621	18,644	22,449	24,777
Unorganized Territories Property Tax	27,062	26,700	26,309	26,692	27,031
Other Taxes	35,679	11,740	11,027	13,950	14,015
Total Taxes	3,511,976	3,688,651	3,792,442	3,897,370	3,726,627
From Federal Government	3,139,053	3,064,954	2,705,040	2,616,027	2,763,077
From Cities, Towns and Counties	13,448	13,890	8,409	9,624	31,213
From Private Sources	184,425	207,509	231,132	230,134	235,794
Service Charge for Current Services	181,276	138,689	132,505	129,563	134,208
Fines, Forfeitures & Penalties	44,684	39,476	37,477	37,291	37,284
Vehicle Registration and Drivers Licenses	82,619	100,483	103,635	108,811	102,128
Hunting, Fishing and Related Licenses	18,124	17,934	18,235	18,464	18,380
Transferred from Bureau of Alcoholic Beverages	-	-	-	-	-
Transferred from Lottery Commission	52,202	49,548	53,786	52,909	51,845
Transferred from Other Funds	20,515	16,255	22,130	34,078	37,182
Transferred for Revenue Sharing	(122,809)	(131,302)	(137,228)	(140,241)	(139,369)
Transferred for Tax Relief (2)	(113,605)	(113,935)	(115,336)	(111,674)	(65,358)
Income from Investments	1,339	501	1,650	674	961
Other Revenues	24,149	483	21,611	412	5,539
	3,525,420	3,404,485	3,083,046	2,986,072	3,212,885
Other Financial Resources					
Proceeds of General Obligation Bonds	58,391	120,331	55,775	-	8
Other	103,736	121,312	94,433	103,447	514,882
Total Revenues and Resources	7,199,523	7,334,779	7,025,696	6,986,889	7,454,402
Expenditures					
Governmental Support & Operations	431,744	388,285	410,477	448,340	431,538
Arts, Heritage & Cultural Enrichment	11,772	10,848	11,620	10,306	11,025
Business Licensing & Regulation	76,125	65,781	63,967	64,295	71,232
Economic Development & Workforce Training	434,770	412,673	339,837	241,055	170,785
Education	1,731,496	1,713,750	1,609,206	1,560,404	1,648,218
Health & Human Services	3,440,041	3,351,536	3,419,603	3,390,838	3,887,234
Justice & Protection	401,711	393,314	373,338	379,876	397,543
Natural Resources Development & Protection	220,084	207,649	203,326	207,717	194,333
Transportation Safety & Development	567,864	672,108	630,384	618,551	597,442
Total Expenditures	7,315,607	7,215,944	7,061,758	6,921,382	7,409,350
Excess Resources Over (Under) Expenditures	(116,084)	118,835	(36,062)	65,507	45,052
Fund Equity July 1 of preceding calendar year	583,822	390,479	509,315	473,253	538,760
Fund Equity June 30	$ 467,738	$ 509,314	$ 473,253	$ 538,760	$ 583,812

(1) Fund Equity for Highway Fund as restated.
(2) Prior to 2010, transferred amounts for tax relief programs were reported as a net amount in the Individual Income Tax line. Prior year amounts were not restated. Therefore, comparisons between 2010 and prior years may not be possible in this instance.

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

	2010	2011	2012	2013	2014
Revenues					
Taxes					
Sales, Use and Service Provider Tax	954,025	976,359	1,029,513	1,036,888	1,156,332
Individual Income Tax	1,298,036	1,415,284	1,434,217	1,521,863	1,406,118
Corporate Income Tax	175,292	241,225	260,452	208,452	211,854
Cigarette and Tobacco Tax	149,067	145,229	139,729	137,952	136,160
Inheritance and Estate Tax	31,210	49,323	44,866	79,083	23,962
Insurance Tax	80,019	76,930	82,986	79,609	83,204
Public Utilities Tax	17,524	17,668	10,870	10,076	6,843
Other Industry or Occupation Taxes	59,597	52,270	50,783	60,661	50,055
Real Estate Transfer Tax	12,181	13,816	8,935	11,667	10,695
Unorganized Territories Property Tax	13,218	13,382	10,727	13,333	12,448
Other Taxes	30,792	6,449	6,419	5,514	5,186
Total Taxes	2,820,961	3,007,935	3,079,497	3,165,098	3,102,856
From Federal Government	9,308	10,379	1,904	414	416
From Cities, Towns and Counties	187	219	282	248	274
From Private Sources	8,697	8,923	9,650	10,175	11,688
Service Charge for Current Services	33,329	30,557	35,957	28,728	26,629
Fines, Forfeitures & Penalties	32,787	28,513	25,121	23,749	23,474
Vehicle Registration and Drivers Licenses	16,277	15,864	15,875	16,079	0
Hunting, Fishing and Related Licenses	-	-	-	-	15,988
Transferred from Bureau of Alcoholic Beverages	52,202	49,548	53,786	52,909	51,845
Transferred from Lottery Commission	17,868	37,396	45,725	48,635	84,613
Transferred from Other Funds	(122,809)	(131,302)	(137,228)	(140,241)	(139,369)
Transferred for Revenue Sharing	(113,605)	(113,935)	(115,336)	(111,674)	(65,358)
Transferred for Tax Relief (2)	265	278	156	148	301
Income from Investments	23,456	7,998	(4,932)	(6,196)	(10,866)
	(42,038)	(55,562)	(69,040)	(77,026)	(366)
Other Financial Resources					
Proceeds of General Obligation Bonds	-	-	-	-	-
Other	76,823	(32,959)	110,144	(61,588)	118,168
Total Revenues and Resources	2,855,746	2,919,414	3,120,601	3,026,484	3,220,658
Expenditures					
Governmental Support & Operations	251,522	234,222	259,280	266,830	253,172
Arts, Heritage & Cultural Enrichment	7,392	7,078	7,068	6,932	7,405
Business Licensing & Regulation	26	-	-	578	4,200
Economic Development & Workforce Training	35,788	34,495	33,529	31,728	31,656
Education	1,419,788	1,387,720	1,365,933	1,341,083	1,409,592
Health & Human Services	802,461	845,417	1,103,849	1,079,612	1,103,755
Justice & Protection	276,030	268,880	261,702	264,824	288,890
Natural Resources Development & Protection	67,360	64,864	65,763	63,852	66,450
Transportation Safety & Development	-	7,000	-	-	-
Total Expenditures	2,860,367	2,849,676	3,097,124	3,055,439	3,165,120
Excess Resources Over (Under) Expenditures	(4,621)	69,738	23,477	(28,955)	55,538
Fund Equity July 1 of preceding calendar year	131,021	126,401	196,139	219,616	190,661
Fund Equity June 30	$ 126,400	$ 196,139	$ 219,616	$ 190,661	$ 246,199

(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 Community 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) Prior to 2010, transferred amounts for tax relief programs were reported as a net amount in the Individual Income Tax line. Prior year amounts were not restated. Therefore, comparisons between 2010 and prior years may not be possible in this instance.

HIGHWAY FUND

STATEMENT OF RESOURCES, EXPENDITURES AND CHANGES IN FUND EQUITY

For the Years Ended June 30

(thousands $000's)

	2010	2011	2012	2013	2014
Revenues					
Taxes					
Gasoline, Use Fuel and Motor Carrier Tax	$ 219,191	$ 217,034	$ 219,728	$ 214,800	$ 217,757
Other Taxes	952	1,291	1,030	4,329	4,355
Total Taxes	220,143	218,325	220,758	219,129	222,112
From Federal Government	4,796	4,304	4,270	4,455	4,205
Service Charges for Current Services	1,440	1,145	1,044	1,030	976
Fines, Forfeitures & Penalties	80,965	83,886	86,628	89,550	84,616
Vehicle Registration and Drivers Licenses	-	-	-	4,402	4,880
Transfer from Other Funds	162	125	141	105	80
Income from Investments	3,684	3,458	4,120	1,509	271
	91,047	92,918	96,203	101,051	95,028
Other Financial Resources					
Proceeds of General Obligation Bonds	-	-	-	-	-
Other	16,558	2,173	17,804	5,215	18,510
Total Revenues and Resources	327,748	313,416	334,765	325,395	335,650
Expenditures					
Governmental Support & Operations (2)	35,452	3,227	3,639	2,614	34,760
Economic Development & Workforce Training	-	-	-	-	-
Justice & Protection	30,720	29,262	28,634	28,584	24,103
Natural Resources Development & Protection	38	33	33	33	33
Transportation Safety & Development (1)(2)	234,579	295,073	304,735	296,491	287,295
Total Expenditures	300,789	327,595	337,041	327,722	346,191
Excess Resources Over (Under) Expenditures	26,959	(14,179)	(2,276)	(2,327)	(10,541)
Fund Equity July 1 of preceding calendar year	127,857	77,556	63,377	61,101	58,774
Fund Equity June 30	$ 154,816	$ 63,377	$ 61,101	$ 58,774	$ 48,233

(1) Includes payment of debt service on bonds of the State previously issued for highway purposes.
(2) Beginning in fiscal year 2011, the State reported expenditures for the Bureau of Motor Vehicles ($30.7 million) within the Transportation Safety & Development function. Previously, these expenditures were classified as Governmental Support and Operations.
(3) Fund Equity as restated.

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

	2010	2011	2012	2013	2014
Revenues					
Taxes					
Sales, Use and Service Provider Tax	$ 119,417	$ 118,713	$ 124,967	$ 127,328	$ 71,402
Individual Income Tax	70,149	75,595	79,493	85,968	7,992
Corporate Income Tax	8,459	10,120	11,491	8,885	-
Gasoline, Use Fuel and Motor Carrier Tax	22,234	22,150	22,395	21,963	22,231
Insurance Tax	29,670	16,099	29,305	23,939	27,705
Public Utilities Tax	28,816	31,886	28,548	30,225	33,046
Other Industry or Occupation Taxes	167,343	164,704	166,162	185,650	205,249
Real Estate Transfer Tax	7,004	5,805	9,709	10,782	14,081
Unorganized Territories Property Tax	13,844	13,319	15,582	13,359	14,583
Other Taxes	3,936	3,999	4,535	5,042	5,370
Total Taxes	470,872	462,390	492,187	513,141	401,659
From Federal Government	3,129,745	3,054,575	2,703,136	2,615,613	2,762,661
From Cities, Towns and Counties	13,146	13,657	8,127	9,376	30,937
From Private Sources	175,728	198,586	221,482	219,960	224,086
Service Charge for Current Services	143,151	103,828	92,278	96,380	103,374
Fines, Forfeitures & Penalties	10,457	9,818	11,312	12,512	12,834
Vehicle Registration and Drivers Licenses	1,654	16,598	17,007	19,261	17,512
Hunting, Fishing and Related Licenses	1,847	2,070	2,360	2,386	2,392
Transferred from Other Funds	2,647	(21,142)	(23,595)	(18,959)	(52,310)
Income from Investments	625	481	343	341	333
Other Revenues	(2,535)	(11,216)	22,334	5,036	16,137
	3,476,465	3,367,255	3,054,784	2,961,906	3,117,956
Other Financial Resources					
Proceeds of General Obligation Bonds	-	-	-	-	-
Other	10,355	152,098	(33,515)	159,820	251,084
Total Revenues and Resources	3,957,692	3,981,743	3,513,456	3,634,867	3,770,698
Expenditures					
Governmental Support & Operations	134,660	144,061	145,563	178,877	143,606
Arts, Heritage & Cultural Enrichment	3,606	3,546	4,466	3,275	3,564
Business Licensing & Regulation	76,099	65,781	63,967	63,717	67,032
Economic Development & Workforce Training	384,632	347,309	288,545	208,407	135,487
Education	298,371	321,605	233,603	215,969	231,970
Health & Human Services	2,637,580	2,502,719	2,315,489	2,311,226	2,775,794
Justice & Protection	94,459	94,928	83,002	86,168	84,479
Natural Resources Development & Protection	144,562	134,371	131,028	137,662	120,672
Transportation Safety & Development	299,105	302,170	300,593	317,090	272,190
Total Expenditures	4,073,074	3,916,490	3,566,256	3,522,391	3,834,794
Excess Resources Over (Under) Expenditures	(115,382)	65,253	(52,800)	112,476	(64,096)
Fund Equity July 1 of preceding calendar year	260,968	145,585	210,840	158,040	270,516
Fund Equity June 30	$ 145,586	$ 210,838	$ 158,040	$ 270,516	$ 206,420

GOVERNMENTAL FUNDS
COMBINED BALANCE SHEETS

JUNE 30, 2014
(thousands $000's)

	Total (Memorandum) (only)	General Fund	Highway Fund	Other Special Revenues	Capital Projects	Debt Service
ASSETS						
Equity in Treasurer's Cash Pool	$ 317,289	$ 1,173	$ 26,503	$ 206,653	$ 77,134	$ 5,826
Cash - Other	438	105	117	216	-	-
Accounts, Notes and Grants Receivable						
Net of Reserves for Uncollectible Accounts	271,272	232,795	21,377	17,100	-	-
Due from Other Funds	9,632	8,497	70	1,065	-	-
Working Capital Advances to Other Funds	(9,291)	111	-	(9,402)	-	-
Prepaid Expenses and Other Assets	150	187	-	(37)	-	-
TOTAL ASSETS	589,490	242,868	48,067	215,595	77,134	5,826
LIABILITIES AND EQUITY						
LIABILITIES:						
Accounts Payable	568	49	(166)	685	-	-
Other Liabilities	5,110	(3,380)	-	8,490	-	-
TOTAL LIABILITIES	5,678	(3,331)	(166)	9,175	-	-
EQUITY:						
Reserved for Encumbrances	168,912	28,233	2,299	136,563	1,817	-
Reserved for Authorized Expenditures	360,422	92,974	35,617	149,840	81,991	-
Reserved for Utility Loans	9	-	9	-	-	-
Working Capital Advances to Other Funds	111	111	-	-	-	-
Designated for Other Purposes	44,092	44,092	-	-	-	-
Budget Stabilization Fund	68,271	68,271	-	-	-	-
Unappropriated Surplus	(58,005)	12,518	10,308	(79,983)	(6,674)	5,826
TOTAL EQUITY	583,812	246,199	48,233	206,420	77,134	5,826
TOTAL LIABILITIES AND EQUITY	$ 589,490	$ 242,868	$ 48,067	$ 215,595	$ 77,134	$ 5,826

GENERAL FUND UNAPPROPRIATED SURPLUS

For the Years Ended June 30

	General Fund Unappropriated Surplus (Million)	General Fund Revenues (Million)	Surplus as Percentage of Revenues
2014	$12.5	$3,220.7	0.39%
2013	7.7	3,026.5	0.25%
2012	54.0	3120.6	1.73%
2011	19.2	2919.4	0.66%
2010	(13.0)	2855.7	-0.46%
2009	12.9	2819.0	0.46%
2008	26.5	3109.4	0.85%
2007	17.6	3022.6	0.58%
2006	14.5	2931.8	0.50%
2005	33.7	2790.8	1.21%
2004	14.9	2683.5	0.55%
2003	28.9	2394.7	1.21%
2002	0.0	2331.7	0%
2001	38.8	2390.6	1.62%
2000	300.9	2500.9	12.03%
1999	229.2	2336.1	9.81%
1998	98.3	2111.9	4.65%
1997	21.1	1863.1	1.13%
1996	25.8	1766.4	1.46%
1995	4.4	1671.7	0.26%
1994	3.8	1623.8	0.23%

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STATE OF MAINE
GENERAL OBLIGATION BONDS

APPENDIX C

Certain Revenues of the State (Unaudited)

STATE OF MAINE

UNDEDICATED REVENUES

GENERAL FUND

FISCAL YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2012

	2011				2012			
	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)
Sales and Use Tax	$923,686,973	$916,746,307	6,940,666	0.8%	$981,257,805	$973,215,697	8,042,108	0.8%
Service Provider Tax	52,672,306	55,214,486	(2,542,180)	(4.6%)	48,255,501	50,366,313	(2,110,812)	(4.2%)
Individual Income Tax	1,415,283,534	1,392,702,302	22,581,232	1.6%	1,434,217,189	1,444,897,209	(10,680,020)	(0.7%)
Corporate Income Tax	208,996,598	193,182,264	15,814,334	8.2%	232,117,995	218,610,460	13,507,535	6.2%
Cigarette and Tobacco Tax	145,229,303	146,209,555	(980,252)	(0.7%)	139,729,147	142,123,350	(2,394,203)	(1.7%)
Public Utilities Tax	-	-	-	-	-	-	-	-
Insurance Companies Tax	76,930,329	76,765,000	165,329	0.2%	82,985,771	79,215,000	3,770,771	4.8%
Inheritance & Estate Tax	49,323,494	45,052,787	4,270,707	9.5%	44,865,567	38,260,185	6,605,382	17.3%
Property Tax - Unorganized Territory	-	-	-	-	-	-	-	-
Fines, Forfeits and Penalties	28,513,040	28,799,339	(286,299)	(1.0%)	25,120,959	25,754,504	(633,545)	(2.5%)
Income from Investments	277,770	245,127	32,643	13.3%	155,531	106,808	48,723	45.6%
Transfer for Tax Relief Programs	(113,934,585)	(113,986,593)	52,008	(0.0%)	-115,336,149	-114,418,263	(917,886)	0.8%
Transfer to Municipal Revenue Sharing	(93,156,725)	(91,930,345)	(1,226,380)	1.3%	-96,876,964	-96,854,505	(22,459)	0.0%
Transfer from Lottery Commission	49,547,800	49,034,250	513,550	1.0%	53,785,567	50,700,000	3,085,567	6.1%
Other Taxes and Fees	151,676,495	149,672,089	2,004,406	1.3%	131,943,407	132,077,778	(134,371)	(0.1%)
Other Revenues	49,910,424	48,357,956	1,552,468	3.2%	53,316,896	51,390,200	1,926,696	3.7%
Total Undedicated Revenue	**$2,944,956,756**	**$2,896,064,524**	**$48,892,232**	**1.7%**	**$3,015,538,222**	**$2,995,444,736**	**$20,093,486**	**0.7%**

STATE OF MAINE
UNDEDICATED REVENUES
GENERAL FUND
FISCAL YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2014

	2013				2014			
	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)
Sales and Use Tax	$ 986,747,637	$ 984,910,746	$ 1,836,891	0.2%	$1,106,158,236	$1,107,378,483	$ (1,220,247)	(0.1%)
Service Provider Tax	50,139,878	48,739,710	1,400,168	2.9%	50,173,388	49,317,427	855,961	1.7%
Individual Income Tax	1,521,862,756	1,495,000,000	26,862,756	1.8%	1,406,117,705	1,380,685,000	25,432,705	1.8%
Corporate Income Tax	171,987,073	171,021,732	965,341	0.6%	182,928,181	169,706,958	13,221,223	7.8%
Cigarette and Tobacco Tax	137,951,824	138,180,000	(228,176)	(0.2%)	136,159,833	135,900,000	259,833	0.2%
Public Utilities Tax	-	-	-	-	-	-	-	-
Insurance Companies Tax	79,609,419	80,715,000	(1,105,581)	(1.4%)	83,203,879	80,715,000	2,488,879	3.1%
Inheritance & Estate Tax	79,083,058	70,230,328	8,852,730	12.6%	23,961,911	27,553,982	(3,592,071)	(13.0%)
Property Tax – Unorganized Territory	-	-	-	-	-	-	-	-
Fines, Forfeits and Penalties	23,748,503	24,552,639	(804,136)	(3.3%)	23,473,506	23,468,666	4,840	0.0%
Income from Investments	148,434	83,883	64,551	77.0%	301,144	132,523	168,621	127.2%
Transfer for Tax Relief Programs	(111,674,333)	(112,086,562)	412,229	(0.4%)	(65,357,986)	(62,258,370)	(3,099,616)	5.0%
Transfer to Municipal Revenue Sharing	(95,974,153)	(95,086,810)	(887,343)	0.9%	(66,063,110)	(64,839,710)	(1,223,400)	1.9%
Transfer from Lottery Commission	52,908,602	52,550,000	358,602	0.7%	51,845,477	53,500,000	(1,654,523)	(3.1%)
Other Taxes and Fees	153,796,137	150,894,327	2,901,810	1.9%	130,140,462	128,659,912	1,480,550	1.2%
Other Revenues	44,049,007	38,637,097	5,411,910	14.0%	50,454,306	44,447,248	6,007,058	13.5%
Total Undedicated Revenue	**$3,094,383,842**	**$3,048,342,090**	**$46,041,752**	**1.5%**	**3,113,496,933**	**$3,074,367,119**	**$39,129,814**	**1.3%**

STATE OF MAINE
PRELIMINARY UNDEDICATED REVENUES
GENERAL FUND
TEN MONTHS ENDED April 30, 2015

	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 6/30/15
Sales and Use Tax	$ 88,771,129	$ 87,807,765	$ 963,364	1.1%	$ 886,313,532	$ 888,613,999	$ (2,300,467)	(0.3%)	$1,194,004,518
Service Provider Tax	3,927,848	4,166,782	(238,934)	(5.7%)	36,060,782	37,294,101	(1,233,319)	(3.3%)	50,303,776
Individual Income Tax	256,873,336	223,744,933	33,128,403	14.8%	1,222,233,460	1,145,374,833	76,858,627	6.7%	1,448,905,200
Corporate Income Tax	23,576,375	27,993,858	(4,417,483)	(15.8%)	127,596,167	146,231,769	(18,635,602)	(12.7%)	186,481,769
Cigarette and Tobacco Tax	10,141,705	10,393,643	(251,938)	(2.4%)	112,219,648	110,763,062	1,456,586	1.3%	134,890,000
Insurance Companies Tax	20,768,184	13,041,542	7,726,642	59.2%	48,044,195	43,067,863	4,976,332	11.6%	82,250,000
Estate Tax	600,189	2,295,000	(1,694,811)	(73.8%)	24,157,939	29,344,951	(5,187,012)	(17.7%)	38,406,991
Fines, Forfeits & Penalties	1,340,488	1,770,490	(430,002)	(24.3%)	18,167,796	18,704,671	(536,875)	(2.9%)	23,000,770
Income from Investments	35,870	(32,573)	68,443	(210.1%)	388,641	41,608	347,033	834.1%	112,451
Transfer from Lottery Commission	4,363,823	4,442,342	(78,519)	(1.8%)	45,462,576	47,455,193	(1,992,617)	(4.2%)	57,350,462
Transfers for Tax Relief Programs	(471,285)	(144,371)	(326,914)	226.4%	(57,999,591)	(58,891,426)	891,835	(1.5%)	(59,183,362)
Transfer to Municipal Revenue Sharing	(3,255,523)	(4,153,583)	898,060	(21.6%)	(48,368,734)	(46,324,964)	(2,043,770)	4.4%	(61,599,125)
Other Taxes and Fees	9,008,358	8,924,417	83,941	0.9%	111,765,205	107,407,230	4,357,975	4.1%	132,333,097
Other Revenues	3,394,996	5,036,814	(1,641,818)	(32.6%)	24,041,129	25,498,015	(1,456,886)	(5.7%)	49,587,338
Total Undedicated Revenue	**$ 419,075,491**	**$ 385,287,059**	**$ 33,788,432**	**8.8%**	**$2,550,082,744**	**$2,494,580,905**	**$ 55,501,839**	**2.2%**	**$3,276,843,885**

NOTES:

(1) Included in the above is $3,255,523 for the month and $48,368,734 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 adjustments in projected revenue provided by the Maine State Revenue Forecasting Committee in its Dec 2014 report, updated by PL 2013 c. 380 and PL 2015 c. 1. For additional information concerning the revisions to the State's fiscal year 2015 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, 2011 AND JUNE 30, 2012

	2011				2012			
	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)
Fuel Taxes	$ 217,033,892	$ 215,546,404	$ 1,487,488	0.7%	$ 219,463,118	$ 218,088,754	$ 1,374,364	0.6%
Motor Vehicle Registration & Fees	80,841,240	78,986,392	1,854,848	2.3%	83,563,402	82,738,186	825,216	1.0%
Inspection Fees	2,977,702	3,032,500	(54,798)	(1.8%)	2,997,951	2,982,500	15,451	0.5%
Miscellaneous Taxes and Fees	1,358,069	1,325,823	32,246	2.4%	1,361,888	1,313,165	48,723	3.7%
Fines, Forfeits & Penalties	1,145,044	1,205,049	(60,005)	(5.0%)	1,044,271	993,049	51,222	5.2%
Earnings on Investments	124,518	120,434	4,084	3.4%	141,082	121,761	19,321	15.9%
All Other Revenues	7,870,691	8,072,531	(201,840)	(2.5%)	8,630,697	8,734,112	(103,415)	(1.2%)
TOTAL	**$ 311,351,156**	**$ 308,289,133**	**$ 3,062,023**	**1.0%**	**$ 317,202,409**	**$ 314,971,527**	**$ 2,230,882**	**0.7%**

Source: Revenue Highway General Accounting

STATE OF MAINE
HIGHWAY FUND
REVENUES
FISCAL YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2014

	2013				2014			
	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)
Fuel Taxes	$ 214,539,829	$ 213,301,215	$ 1,238,614	0.6%	$217,494,739	$211,814,977	$ 5,679,762	2.7%
Motor Vehicle Registration & Fees	89,333,202	87,785,489	1,547,713	1.8%	84,815,991	84,095,120	720,871	0.9%
Inspection Fees	3,495,704	2,982,500	513,204	17.2%	3,109,258	2,982,500	126,758	4.3%
Miscellaneous Taxes & Fees	1,309,810	1,276,365	33,445	2.6%	1,307,949	1,298,729	9,220	0.7%
Fines, Forfeits & Penalties	1,030,267	1,039,868	(9,601)	(0.9%)	976,084	1,007,998	(31,914)	(3.2%)
Earnings on Investments	105,414	99,513	5,901	5.9%	80,299	52,553	27,746	52.8%
All Other Revenues	9,011,474	8,920,662	90,812	1.0%	9,292,645	9,015,334	277,311	3.1%
TOTAL	**$ 318,825,700**	**$ 315,405,612**	**$ 3,420,088**	**1.1%**	**$ 317,076,965**	**$ 310,267,211**	**$ 6,809,754**	**2.2%**

Source: Revenue Highway General Accounting

STATE OF MAINE
PRELIMINARY HIGHWAY FUND
REVENUES
TEN MONTHS ENDED April 30, 2015

	Month				Year to Date				
	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)	Total Budgeted Fiscal Year Ending 6/30/2015
Fuel Taxes	$ 17,468,315	$ 16,845,751	$ 622,564	3.7%	$ 163,988,569	$ 162,449,151	$ 1,539,418	0.9%	$ 217,413,634
Motor Vehicle Registration & Fees	8,723,606	8,487,094	236,512	2.8%	71,860,614	68,647,349	3,213,265	4.7%	83,467,472
Inspection Fees	217,757	289,952	(72,195)	(24.9%)	2,543,672	2,402,604	141,068	5.9%	2,982,500
Miscellaneous Taxes & Fees	107,025	99,727	7,298	7.3%	989,666	988,552	1,114	0.1%	1,270,229
Fines, Forfeits & Penalties	55,558	79,727	(24,169)	(30.3%)	740,350	828,259	(87,909)	(10.6%)	1,007,998
Earnings on Investments	23,470	9,418	14,052	149.2%	112,246	86,687	25,559	29.5%	105,523
All Other	783,003	498,415	284,588	57.1%	8,746,511	8,565,316	181,195	2.1%	9,726,971
Total Revenue	**$ 27,378,735**	**$ 26,310,084**	**$ 1,068,651**	**4.1%**	**$ 248,981,627**	**$ 243,967,918**	**$ 5,013,709**	**2.1%**	**$ 315,974,327**

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 adjustments in projected revenue provided by the Maine State Revenue Forecasting Committee in its Dec 2014 report, updated by PL 2013 c. 380 and PL 2015 c.1. For additional information concerning the revisions to the State’s fiscal year 2015 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 BONDS

APPENDIX D

Selected Information Regarding Authorized And Outstanding Debt of the State

AUTHORIZED EXPENDITURES

The purpose 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	Amount Auth/Uniss
DAG	2009 PL Ch 414	Agricultural water source development grant program.	$ 126,275
DEP	2013 PL Ch 589	Stream crossing, culvert upgrades, or other public improvement projects	5,400,000
DEP	2013 PL Ch 589	Restoration of state wetlands	400,000
DEP	2013 PL Ch 589	Wastewater treatment facilities	2,400,000
DHHS	2009 PL Ch 414 as amd by Ch 645	Health and Dental Clinic Upgrades	91,736
DHHS	2013 PL Ch 589	Drinking water systems	1,800,000
DOC	2009 PL Ch 414 as amd by Ch 645	Land acquisitions for conservation, water access, outdoor recreation, wildlife, etc.	6,000,000
DOC	2009 PL Ch 414 as amd by Ch 645	Working farmland preservation	300,000
DOC	2009 PL Ch 414 as amd by Ch 645	Working waterfront preservation	170,000
DOC	2011 PL Ch 696	Land for Maine's Future Board	5,000,000
DOT	2011 PL Ch 697	Transit buses	600,000
DOT	2011 PL Ch 697	Port investment/development at Searsport, Mack Point, and Sears Island	2,925,000
DOT	2011 PL Ch 697	Equipment for Mack Point port	500,000
DOT	2011 PL Ch 697	Aviation facilities	1,200,000
DOT	2011 PL Ch 697	Lifeflight	150,000

Agency	Law	Description	Amount Auth/Uniss
DOT	2013 PL Ch 429	Highway and bridge construction	60,471,298
DOT	2013 PL Ch 429	Highway and bridge construction	73,500
DOT	2013 PL Ch 429	Ports, harbors, marine transport, aviation, freight, and passenger rail and transit.	10,400,000
DVEM	2013 PL Ch 432	Armory Upgrades	10,315,000
DVEM	2013 PL Ch 432	Land for Training Facility	3,000,000
FAME	2013 PL Ch 596	Loans to small businesses to spur investment and innovation	4,000,000
FAME	2013 PL Ch 596	rural economy	8,000,000
MCCS	2013 PL Ch 431	Facility upgrades at MCCS campuses	13,000,000
Pres	2009 PL Ch 414 as amd by Ch 645	Downtown revitalization	1,050,000
MTI	2013 PL Ch 568	Human Health research (through DECD)	3,000,000
MTI	2013 PL Ch 574	Expansion of biomedical research (through DECD)	10,000,000
MTI	2013 PL Ch 592	sustainability in the marine economy (through DECD)	7,000,000
UMS	2009 PL Ch 414 as amd by Ch 645	Maine Marine Wind Energy Fund R&D	6,085,000
UMS	2013 PL Ch 430	Updating and improving lab and classroom facilities of UMS	5,500,000
UMS	2013 PL Ch 572	Animal/plant disease & insect control facility at UME Co-op Ext	8,000,000
		TOTAL $	176,957,809

GENERAL FUND BONDS
DEBT SERVICE REQUIREMENTS TO MATURITY
June 30, 2014

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL
2015	$ 65,670,000.00	$ 11,674,237.79	$ 77,344,237.79
2016	50,335,000.00	10,078,820.80	60,413,820.80
2017	39,385,000.00	8,371,339.20	47,756,339.20
2018	36,005,000.00	6,928,067.10	42,933,067.10
2019	31,385,000.00	5,468,019.30	36,853,019.30
2020	22,945,000.00	4,027,831.80	26,972,831.80
2021	22,655,000.00	3,063,500.00	25,718,500.00
2022	16,030,000.00	1,930,750.00	17,960,750.00
2023	11,295,000.00	1,129,250.00	12,424,250.00
2024	11,290,000.00	564,500.00	11,854,500.00
	$ 306,995,000.00	**$ 53,236,315.99**	**$ 360,231,315.99**

HIGHWAY FUND BONDS
DEBT SERVICE REQUIREMENTS TO MATURITY
June 30, 2014

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL
2015	$ 15,275,000.00	$ 3,914,653.56	$ 19,189,653.56
2016	15,300,000.00	3,265,078.56	18,565,078.56
2017	21,015,000.00	2,600,578.56	23,615,578.56
2018	18,285,000.00	1,691,210.10	19,976,210.10
2019	12,500,000.00	905,540.30	13,405,540.30
2020	7,610,000.00	389,668.00	7,999,668.00
2021	2,210,000.00	110,500.00	2,320,500.00
	$ 92,195,000.00	**$ 12,877,229.08**	**$ 105,072,229.08**

GF + HF	**$ 399,190,000.00**	**$ 66,113,545.07**	**$ 465,303,545.07**

INFORMATION REGARDING LEASE FINANCING AGREEMENTS

Agency	Date of Agreement	Original Principal Amount	Principal Amount Outstanding 04/30/15	Principal & Interest Due 5/1/2015 - 06/30/15
Administrative & Financial Services	July, 2010	$10,000,000	$3,003,829	$ -
Administrative & Financial Services	October, 2010	5,000,000	1,865,525	387,655
Administrative & Financial Services	May, 2011	5,000,000	1,556,986	-
Administrative & Financial Services	May, 2012	4,600,000	2,312,501	1,165,711
Administrative & Financial Services	January, 2013	15,000,000	9,723,436	1,117,172
Administrative & Financial Services	March, 2013	2,100,000	819,344	315,110
Department of Education	March, 2013	5,400,000	2,713,735	-
Department of Education	March, 2013	4,250,000	2,580,876	-
Department of Education	August, 2013	71,560,416	40,252,733	4,472,525
Department of Education	September. 2013	891,324	501,368	55,708
Department of Education	September. 2013	1,682,978	862,048	-
Department of Education	September. 2013	67,646	34,651	-
Department of Education	October, 2013	550,176	309,474	34,386
Department of Education	February, 2015	146,642	108,790	-
Department of Education	March, 2015	91,840	67,830	-
Department of Education	April, 2015	22,850	16,951	-
Administrative & Financial Services	August, 2014	8,736,160	7,098,130	546,010
Administrative & Financial Services	October, 2014	109,600	94,987	7,307
Administrative & Financial Services	December, 2013	900,000	647,583	-
Administrative & Financial Services	December, 2013	11,500,000	9,076,866	-
Administrative & Financial Services	March, 2014	2,100,000	1,048,697	-
Administrative & Financial Services	April, 2014	4,800,000	3,609,766	-
Public Safety	March, 2015	2,100,000	1,879,961	-
Public Safety	March, 2015	4,800,000	4,501,211	-
Public Safety	April, 2015	2,700,000	2,492,000	-
Totals		$164,109,632	$97,179,277	$8,101,584

Debt Ratios

The following table sets forth the certain ratios relating to the State's general obligation debt as of June 30, 2014.

	Amount of Debt (P&I)	Per Capita (1)	Debt to Estimated Full Valuation (2)	Debt to Personal Income (3)
General Fund	$ 360,231,316	$ 270.83	0.23%	0.64%
Highways & Bridges	105,072,229	79.00	0.07%	0.19%
Total	**$ 465,303,545**	**$ 349.83**	**0.29%**	**0.83%**

(1) Based on population estimate of 1,330,089 for 2014 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 2015 of $159,770,050,000.

(3) Based on State of Maine total personal income reported by the U.S. Department of Commerce for 2014 of $55,958,042,000.

Debt Ratio Statistics

June 30, 2014

Debt to Full Value

2012	0.34%
2013	0.27%
2014	0.29%

Debt to Personal Income

2012	1.04%
2013	0.78%
2014	0.83%

Per Capita Debt

2012	$409.46
2013	$318.77
2014	$349.83

DEBT SERVICE PAID OVER THE PAST TEN FISCAL YEARS ENDING JUNE 30

Fiscal Year	General Fund Principal	General Fund Interest	Highway Fund Principal	Highway Fund Interest	Total Principal	Total Interest
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
2011	72,905,000	13,609,228	15,100,000	5,312,205	88,005,000	18,921,433
2012	81,055,000	14,015,648	16,385,000	5,698,368	97,440,000	19,714,016
2013	85,595,000	12,924,559	16,735,000	5,151,841	102,330,000	18,076,400
2014	67,445,000	10,159,578	16,035,000	4,544,279	83,480,000	14,703,857

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
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	14.3%
1993	405,823,000	136,320,000	2,562,000	544,705,000	3,178,491,000	17.1%
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	6,230,265,000	7.2%
2008	378,575,000	97,260,000	-	475,835,000	6,406,301,524	7.4%
2009	408,925,000	121,065,000	-	529,990,000	6,827,986,832	7.8%
2010	365,775,000	134,325,000	-	500,100,000	7,083,733,435	7.1%
2011	378,880,000	141,350,000	-	520,230,000	7,190,530,232	7.2%
2012	347,090,000	124,965,000	-	472,055,000	6,947,865,367	6.8%
2013	261,495,000	108,230,000	-	369,725,000	6,959,425,993	5.3%
2014	306,995,000	92,195,000	-	399,190,000	7,315,154,917	5.5%

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APPENDIX E

The information contained in this Appendix E is derived from information contained in the actuarial valuation reports for the year ended June 30, 2014 for the State Employee and Teacher Retirement Program, the Legislative Retirement Program, the Judicial Retirement Program, and the Group Life Insurance Program. These actuarial valuation reports are available at www.mainepers.org/bonds.htm. See also "Defined Benefit Retirement Programs" in Appendix A hereto.

Maine Public Employees Retirement System
State Employees and Public School Teachers
Actuarial Balance Sheet, June 30, 2014

ASSETS **(Present Value of expected income)**	**State Employees**	**MTRA Teachers**	**All Employees**
(1) Invested Assets			
(a) Members Contribution Fund	$ 798,885,490	$ 1,516,190,415	$ 2,315,075,905
(b) Retirement Allowance Fund	2,532,306,077	5,170,130,024	7,702,436,101
(c) Total Invested Assets (a + b)*	$3,331,191,567	$ 6,686,320,439	$10,017,512,006
(2) Future Contributions			
(a) Member Contributions	$ 308,476,325	$ 535,850,011	$ 844,326,336
(b) Actuarial Costs	1,201,621,905	1,493,103,186	2,694,725,091
(c) Total Contribution Income (a + b)	$1,510,098,230	$2,028,953,197	$ 3,539,051,427
(3) Present Value of Total Income (1 + 2)	$4,841,289,797	$8,715,273,636	$13,556,563,433
LIABILITIES **(Present Value of expected benefit payments)**			
(1) Active Employees			
(a) Current Accrued Benefits	$1,209,333,810	$2,625,779,473	$ 3,835,113,283
(b) Future Benefit Accruals	752,791,177	1,396,620,688	2,149,411,865
(c) Total Active Benefits (a + b)	$1,962,124,987	$4,022,400,161	$ 5,984,525,148
(2) Inactive Employees			
(a) Total Inactive Benefits	$2,879,164,810	$4,692,873,475	$ 7,572,038,285
(3) Present Value of Total Benefits (1 + 2)	$4,841,289,797	$8,715,273,636	$13,556,563,433

*Actuarial Value

Maine Public Employees Retirement System

Judicial Plan

Actuarial Balance Sheet, June 30, 2014

Assets
(Present Value of expected income)

(1) Invested Assets	
(a) Members Contribution Fund	$ 9,466,378
(b) Retirement Allowance Fund	45,952,639
(c) Total Invested Assets (a+b)*	$55,419,017
(2) Future Contributions	
(a) Member Contributions	$ 2,045,830
(b) Actuarial Costs	3,038,280
(c) Total Contribution Income (a+b)	$ 5,084,110
(3) Present Value of Total Income (1+2)	$60,503,127

Liabilities
(Present Value of Expected Benefit Payments)

(1) Active Employees	
(a) Current Accrued Benefits	$23,429,073
(b) Future Benefit Accruals	8,288,517
(c) Total Active Benefits (a+b)	$31,717,590
(2) Inactive Employees	
(a) Total Inactive Benefits	$28,785,537
(3) Present Value of Total Benefits (1+2)	$60,503,127

*Actuarial Value

Maine Public Employees Retirement System

Legislative Plan

Actuarial Balance Sheet, June 30, 2014

Assets
(Present Value of expected income)

(1) Invested Assets

(a) Members Contribution Fund	$ 2,464,847
(b) Retirement Allowance Fund	8,310,854
(c) Total Invested Assets (a+b)*	$10,775,701

(2) Future Contributions

(a) Member Contributions	$ 1,039,668
(b) Actuarial Costs	(2,072,117)
(c) Total Contribution Income (a+b)	($1,032,449)

(3) Present Value of Total Income (1+2)	$ 9,743,252

Liabilities
(Present Value of Expected Benefit Payments)

(1) Active Employees

(a) Current Accrued Benefits	$ 2,286,918
(b) Future Benefit Accruals	2,382,946
(c) Total Active Benefits (a+b)	$ 4,669,864

(2) Inactive Employees

(a) Total Inactive Benefits	$ 5,073,388

(3) Present Value of Total Benefits (1+2)	$ 9,743,252

*Actuarial Value

Maine Public Employees Retirement System
State Employees and Public School Teachers
Actuarial Balance Sheet for Group Life Insurance, June 30, 2014

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	31,330,556	45,071,053	76,401,609
(c) Total Invested Assets (a + b)*	$ 31,330,556	$ 45,071,053	$ 76,401,609
(2) Future Contributions			
(a) Member Contributions	$ 0	$ 0	$ 0
(b) Actuarial Costs	61,204,277	35,698,037	96,902,314
(c) Total Contribution Income (a + b)	$ 61,204,277	$ 35,698,037	$ 96,902,314
(3) Present Value of Total Income (1 + 2)	$ 92,534,833	$ 80,769,090	$173,303,923
LIABILITIES **(Present Value of expected benefit payments)**			
(1) Active Employees			
(a) Current Accrued Benefits	$ 19,790,312	$ 20,902,798	$ 40,693,110
(b) Future Benefit Accruals	14,134,488	11,386,135	25,520,623
(c) Total Active Benefits (a + b)	$ 33,924,800	$ 32,288,933	$ 66,213,733
(2) Inactive Employees			
(a) Total Inactive Benefits	$ 58,610,033	$ 48,480,157	$107,090,190
(3) Present Value of Total Benefits (1 + 2)	$ 92,534,833	$ 80,769,090	$173,303,923

*Actuarial Value

Maine Public Employees Retirement System

Judicial Plan

Actuarial Balance Sheet for Group Life Insurance, June 30, 2014

Assets
(Present Value of expected income)

(1) Invested Assets		
(a) Members Contribution Fund	$	0
(b) Retirement Allowance Fund		524,668
(c) Total Invested Assets (a+b)*	$	524,668
(2) Future Contributions		
(a) Member Contributions	$	0
(b) Actuarial Costs		1,055,058
(c) Total Contribution Income (a+b)	$	1,055,058
(3) Present Value of Total Income (1+2)	$	1,579,726

Liabilities
(Present Value of Expected Benefit Payments)

(1) Active Employees		
(a) Current Accrued Benefits	$	578,452
(b) Future Benefit Accruals		185,052
(c) Total Active Benefits (a+b)	$	763,504
(2) Inactive Employees		
(a) Total Inactive Benefits	$	816,222
(3) Present Value of Total Benefits (1+2)	$	1,579,726

*Actuarial Value

Maine Public Employees Retirement System

Legislative Plan

Actuarial Balance Sheet for Group Life Insurance, June 30, 2014

Assets
(Present Value of expected income)

(1) Invested Assets

(a) Members Contribution Fund	$	0
(b) Retirement Allowance Fund		10,356
(c) Total Invested Assets (a+b)*	$	10,356

(2) Future Contributions

(a) Member Contributions	$	0
(b) Actuarial Costs		18,053
(c) Total Contribution Income (a+b)	$	18,053

(3) Present Value of Total Income (1+2)	$	28,409

Liabilities
(Present Value of Expected Benefit Payments)

(1) Active Employees

(a) Current Accrued Benefits	$	0
(b) Future Benefit Accruals		0
(c) Total Active Benefits (a+b)	$	0

(2) Inactive Employees

(a) Total Inactive Benefits	$	28,409

(3) Present Value of Total Benefits (1+2)	$	28,409

*Actuarial Value

STATE OF MAINE
GENERAL OBLIGATION BONDS

APPENDIX F

Selected Economic Information with Respect to the State

Maine Population

Year	Population	Rank U.S.	Percent Change	Per Square Mile
1920	768,000	35	-	24.9
1930	797,000	-	3.80%	25.8
1940	847,000	35	6.30%	27.5
1950	914,000	35	7.90%	29.6
1960	969,000	36	6.00%	31.4
1970	992,000	38	2.40%	32.2
1980	1,126,000	38	13.50%	36.5
1990	1,227,928	38	9.10%	39.8
2000	1,274,923	40	3.80%	41.3
2001	1,284,470	40	0.70%	41.6
2002	1,294,464	40	0.80%	42.0
2003	1,305,728	40	0.90%	42.3
2004	1,317,253	40	0.90%	42.7
2005	1,321,505	40	0.30%	42.8
2006	1,321,574	40	0.01%	42.8
2007	1,317,207	40	-0.30%	42.7
2008	1,316,456	40	-0.06%	42.7
2009	1,318,301	40	0.14%	42.7
2010	1,328,361	41	0.76%	43.1
2011	1,327,930	41	-0.03%	43.1
2012	1,328,592	41	0.05%	43.1
2013	1,328,702	41	0.01%	43.1
2014	1,330,089	41	0.10%	43.1

Source: US Census Bureau

Personal Income and Earnings by Industry in Maine 2010-2014

	2010	2011	2012	2013	2014
Personal income (thousands of dollars)	49,395,325	51,523,515	52,957,962	54,358,810	55,958,042
Earnings by place of work	33,009,172	33,561,283	34,358,446	35,344,912	36,414,968
Farm earnings	200,888	178,118	192,111	216,336	224,157
Nonfarm earnings	32,808,284	33,383,165	34,166,335	35,128,576	36,190,811
Forestry, fishing, related activities, and other	405,436	378,645	confidential	429,992	555,927
Mining	13,611	16,374	confidential	16,082	17,398
Utilities	201,381	189,952	186,220	197,458	211,632
Construction	2,014,196	2,104,788	2,169,079	2,294,215	2,378,364
Manufacturing	3,437,093	3,474,621	3,483,825	3,535,930	3,561,155
Wholesale trade	1,302,405	1,350,010	1,417,487	1,468,146	1,536,109
Retail trade	2,774,087	2,803,715	2,819,896	2,904,811	2,999,769
Transportation and warehousing	863,709	884,165	899,397	933,373	980,898
Information	578,540	524,536	518,039	516,725	511,155
Finance and insurance	1,892,430	1,940,807	1,982,377	2,065,979	1,975,803
Real estate and rental and leasing	460,314	568,444	671,608	706,873	722,787
Professional and technical services	2,065,290	2,172,783	2,231,001	2,333,462	2,452,763
Management of companies and enterprises	569,660	615,238	683,620	684,067	816,423
Administrative and waste services	1,127,689	1,202,291	1,216,927	1,286,816	1,389,908
Educational services	596,440	626,381	665,399	686,791	740,312
Health care and social assistance	5,432,348	5,531,796	5,642,837	5,759,950	5,916,396
Arts	278,640	283,077	311,788	330,079	320,602
Accommodation and food services	1,177,374	1,229,029	1,292,470	1,344,077	1,413,116
Other services, except public administration	1,139,385	1,170,518	1,214,742	1,282,992	1,322,578
Government and government enterprises	6,478,256	6,315,995	6,316,005	6,350,758	6,367,718

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Per Capita Personal Income Maine, New England, and US									
	Per Capita Income			Maine as a Percent of			Annual Percent Increase		
	US	NE	Maine	US	NE		US	NE	Maine
2001	31,524	38,215	28,271	89.7%	74.0%				
2002	31,800	38,253	29,009	91.2%	75.8%		0.9%	0.1%	2.6%
2003	32,677	39,145	30,251	92.6%	77.3%		2.8%	2.3%	4.3%
2004	34,300	41,304	31,715	92.5%	76.8%		5.0%	5.5%	4.8%
2005	35,888	42,974	32,259	89.9%	75.1%		4.6%	4.0%	1.7%
2006	38,127	46,048	34,106	89.5%	74.1%		6.2%	7.2%	5.7%
2007	39,804	48,362	35,513	89.2%	73.4%		4.4%	5.0%	4.1%
2008	40,873	49,407	36,661	89.7%	74.2%		2.7%	2.2%	3.2%
2009	39,379	48,213	36,842	93.6%	76.4%		-3.7%	-2.4%	0.5%
2010	40,144	49,398	37,213	92.7%	75.3%		1.9%	2.5%	1.0%
2011	42,332	51,860	38,802	91.7%	74.8%		5.5%	5.0%	4.3%
2012	44,200	54,156	39,863	90.2%	73.6%		4.4%	4.4%	2.7%
2013	44,765	54,797	40,924	91.4%	74.7%		1.3%	1.2%	2.7%
2014	46,129	56,642	42,071	91.2%	74.3%		3.0%	3.4%	2.8%
Source: U.S. Department of Commerce, Bureau of Economic Analysis									

State Valuation of Taxable Real and Personal Property

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
January 2010	170,336,350,000
January 2011	166,990,700,000
January 2012	163,424,200,000
January 2013	160,011,900,000
January 2014	158,661,600,000
January 2015	159,770,050,000

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 Average						
	2009	2010	2011	2012	2013	2014
Nonfarm Wage and Salary Employment	596,300	593,000	597,700	598,100	601,700	604,400
Manufacturing Employment	52,300	50,800	50,700	50,800	50,400	50,200
Nonmanufacturing Employment	544,000	542,200	547,000	547,300	551,300	554,200
Average Weekly Hours of Manufacturing Production	40.0	41.1	40.8	41.3	41.7	41.9
Average Hourly Earnings of Manufacturing Production	$19.97	$20.18	$20.21	$20.50	$20.86	$20.55
Unemployment Rate	8.1%	8.1%	7.9%	7.5%	6.6%	5.7%
Number Unemployed	56,270	56,550	55,080	52,430	46,930	39,880
Source: Maine Department of Labor, Center for Workforce Research & Information.						

Civilian Labor Force
Employed and Unemployed by Labor Market Area, Not Seasonally Adjusted
March, 2015

Maine Labor Force Estmates for Labor Market Areas												
	Civilian Labor Force			Employment			Unemployment			Unemployment Rate		
LABOR MARKET AREA	Mar-15	Feb-15	Mar-14	Mar-15	Feb-15	Mar-14	Mar-15	Feb-15	Mar-14	Mar-15	Feb-15	Mar-14
Acton, ME LMA	4,327	4,305	4,375	4,065	4,027	4,069	262	278	306	6.1%	6.5%	7.0%
Augusta, ME Micropolitan	40,769	40,708	41,831	38,694	38,520	39,255	2,075	2,188	2,576	5.1	5.4	6.2
Bangor, ME Metropolitan	70,874	71,560	72,474	67,218	67,657	67,968	3,656	3,903	4,506	5.2	5.5	6.2
Belfast, ME LMA	14,128	14,015	14,273	13,144	13,073	13,147	984	942	1,126	7.0	6.7	7.9
Boothbay, ME LMA	3,055	3,018	3,137	2,773	2,724	2,782	282	294	355	9.2	9.7	11.3
Bridgton-Paris, ME LMA	14,267	14,296	14,596	13,285	13,272	13,458	982	1,024	1,138	6.9	7.2	7.8
Brunswick, ME Micropolitan	33,244	33,132	33,752	31,737	31,535	31,883	1,507	1,597	1,869	4.5	4.8	5.5
Calais, ME LMA	5,521	5,463	5,659	4,989	4,913	5,051	532	550	608	9.6	10.1	10.7
Conway, LMA ME part	3,799	3,835	3,889	3,610	3,630	3,656	189	205	233	5.0	5.3	6.0
Dover-Durham, Metropolitan ME part	11,617	11,661	11,631	11,080	11,073	10,999	537	588	632	4.6	5.0	5.4
Dover-Foxcroft, ME LMA	9,317	9,308	9,578	8,675	8,621	8,771	642	687	807	6.9	7.4	8.4
Ellsworth, ME LMA	27,097	26,766	27,837	24,607	24,188	25,101	2,490	2,578	2,736	9.2	9.6	9.8
Farmington, ME LMA	18,611	18,641	19,109	17,542	17,471	17,722	1,069	1,170	1,387	5.7	6.3	7.3
Houlton, ME LMA	7,721	7,672	7,888	7,181	7,104	7,228	540	568	660	7.0	7.4	8.4
Lewiston-Auburn, ME	55,469	55,989	56,670	52,548	52,860	53,091	2,921	3,129	3,579	5.3	5.6	6.3
Lincoln, ME LMA	3,286	3,274	3,425	3,011	2,980	3,036	275	294	389	8.4	9.0	11.4
Machias, ME LMA	7,882	7,645	8,035	7,169	6,923	7,190	713	722	845	9.0	9.4	10.5
Madawaska, ME LMA	2,921	2,896	3,085	2,755	2,722	2,875	166	174	210	5.7	6.0	6.8
Millinocket, ME LMA	3,574	3,594	3,874	3,163	3,137	3,298	411	457	576	11.5	12.7	14.9
Pittsfield, ME LMA	7,414	7,464	7,770	6,757	6,765	7,031	657	699	739	8.9	9.4	9.5
Portland-South Portland, ME Metropolitan	195,863	196,068	199,420	187,291	186,829	188,560	8,572	9,239	10,860	4.4	4.7	5.4
Portsmouth, Metropolitan ME part	15,894	15,857	16,040	15,262	15,190	15,248	632	667	792	4.0	4.2	4.9
Presque Isle, ME LMA	22,304	22,169	23,169	20,672	20,433	21,137	1,632	1,736	2,032	7.3	7.8	8.8
Rockland-Camden, ME LMA	20,309	20,067	20,724	19,105	18,770	19,336	1,204	1,297	1,388	5.9	6.5	6.7
Rumford, ME LMA	9,307	9,415	9,563	8,667	8,737	8,764	640	678	799	6.9	7.2	8.4
Sanford, ME Micropolitan	11,560	11,560	11,838	10,735	10,660	10,805	825	900	1,033	7.1	7.8	8.7
Skowhegan, ME LMA	14,349	14,312	14,734	13,156	13,021	13,349	1,193	1,291	1,385	8.3	9.0	9.4
Waldoboro, ME LMA	8,831	8,727	9,031	8,329	8,190	8,425	502	537	606	5.7	6.2	6.7
Waterville, ME Micropolitan	22,762	22,819	23,227	21,417	21,387	21,675	1,345	1,432	1,552	5.9	6.3	6.7
Wells, ME LMA	8,094	8,067	8,192	7,565	7,485	7,535	529	582	657	6.5	7.2	8.0
Maine	679,352	679,456	694,099	641,103	638,759	647,353	38,249	40,697	46,746	5.6	6.0	6.7
United States(000)	156,318	156,213	155,627	147,635	147,118	145,090	8,682	9,095	10,537	5.6	5.8	6.8

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STATE OF MAINE
GENERAL OBLIGATION BONDS

APPENDIX G

PROPOSED FORMS OF APPROVING OPINIONS OF BOND COUNSEL

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Locke Lord LLP

Locke Lord Edwards
111 Huntington Avenue
Boston, MA 02199
Telephone: 617-239-0100
Fax: 617-227-4420
www.lockelord.com

APPENDIX G

PROPOSED FORMS OF APPROVING OPINIONS OF BOND COUNSEL

[Date of Delivery]

The Honorable Terry Hayes
Treasurer of State
The State of Maine
39 State House Station
Augusta, Maine 04333

$14,200,000
State of Maine
General Obligation Bonds, 2015 Series A
(Federally Taxable)
Dated Date of Delivery

We have acted as bond counsel to the State of Maine (the "State") in connection with the issuance by the State of the above-referenced bonds (the "Bonds"). 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 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 Bonds are valid and binding general obligations of the State and the full faith and credit of the State are pledged for the payment of the principal of and interest on the Bonds.

2. Interest on the Bonds is included in the gross income of the owners of the Bonds for federal income tax purposes. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

3. Interest on the Bonds 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 Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than the State of Maine.

Atlanta | Austin | Boston | Chicago | Dallas | Hartford | Hong Kong | Houston | Istanbul | London | Los Angeles | Miami | Morristown | New Orleans
New York | Orange County | Providence | Sacramento | San Francisco | Stamford | Tokyo | Washington DC | West Palm Beach

This opinion is not intended or written by Locke Lord LLP to be used and cannot be used by you for the purpose of avoiding penalties that may be imposed under federal tax law in connection with the Bonds.

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 Bonds and the enforceability of the Bonds 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.

LOCKE LORD LLP

Locke Lord LLP

Locke Lord Edwards
111 Huntington Avenue
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www.lockelord.com

[Date of Delivery]

The Honorable Terry Hayes
Treasurer of State
The State of Maine
39 State House Station
Augusta, Maine 04333

$88,355,000
State of Maine
General Obligation Bonds, 2015 Series B
Dated Date of Delivery

We have acted as bond counsel to the State of Maine (the "State") in connection with the issuance by the State of the above-referenced bonds (the "Bonds"). 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 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 Bonds are valid and binding general obligations of the State and the full faith and credit of the State are pledged for the payment of the principal of and interest on the Bonds.

2. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is 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 with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The State has covenanted to comply with all such requirements. Failure by the State to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

3. Interest on the Bonds 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 Bonds or any tax consequences arising with respect to the Bonds 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 Bonds and the enforceability of the Bonds 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.

LOCKE LORD LLP

STATE OF MAINE
GENERAL OBLIGATION BONDS

APPENDIX H

Secondary Market Disclosure

Pursuant to the Municipal Securities Disclosure Rule, 17 CFR §240.15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission (the "SEC"), the Underwriters shall not purchase or sell the Bonds unless the Underwriters have reasonably determined that the State, as issuer of the Bonds, has undertaken in a written agreement or contract for the benefit of the holders of the Bonds to provide certain information in the manner and to the locations described below. In order to assist the Underwriters in complying with the Rule, the State has covenanted in the Bonds for the benefit of the Beneficial Owners that:

A. Within one year after the end of each fiscal year of the State, the State will provide to the Municipal Securities Rulemaking Board (the "MSRB") financial information and operating data, for the prior fiscal year, of the type set forth in Appendices B, D and E of this Official Statement;

B. If not submitted as part of the annual financial information described in paragraph A above, then when and if available, the State will provide to the MSRB audited financial statements for the State prepared in accordance with generally accepted accounting principles in effect from time to time;

C. The State will provide in a timely manner, not in excess of ten (10) business days after the occurrence of the event, to the MSRB notice of any of the following events with respect to the Bonds:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on the debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on the credit enhancements reflecting financial difficulties;

(v) substitution of the credit or liquidity providers or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to rights of bondholders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the State[*];

(xiii) the consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material; and

D. The State will provide, in a timely manner, to the MSRB, notice of any failure of the State to comply with paragraph A above.

The State expects to provide the information described in paragraph A above by providing an official statement or a preliminary official statement for its bonds, notes or other obligations that includes such information for the preceding fiscal year or, if no such official statement is available within one year after the end of such preceding fiscal year, by providing its controller's annual financial report within such one year.

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 Bonds, 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 in this Appendix H (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

[*] As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the State in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the State, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the State.

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 Bonds. 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 Bonds. 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 of issuance of the Bonds, 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.

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APPENDIX I

REVISED JUNE 8, 2015 AS TO PAR AMOUNTS

REVISED NOTICE OF SALE

of the

STATE OF MAINE

relating to

$14,220,000*
General Obligation Bonds, 2015 Series A
(Federally Taxable)

and

$86,565,000*
General Obligation Bonds, 2015 Series B

Notice is hereby given that bids will be received until:

10:30 a.m., Eastern Daylight Saving Time, with respect to the Series A Bonds and Series B Bonds,

on Tuesday, June 9, 2015

via Parity®, subject to the terms and conditions hereof, for the purchase of $14,220,000* State of Maine General Obligation Bonds, 2015 Series A (Federally Taxable) (the "Series A Bonds") and $86,565,000* State of Maine General Obligation Bonds, 2015 Series B (the "Series B Bonds" and, together with the Series A Bonds, the "Bonds").

Description of the Bonds

The Bonds will bear interest from the date of their delivery payable semiannually on June 1 and December 1 of each year, commencing December 1, 2015, until payment of the principal of the Bonds. Interest on the Bonds will be paid on the interest payment dates, and principal of the Bonds will be paid at maturity, to The Depository Trust Company, New York, New York ("DTC") or its nominee as registered owner of the Bonds. Interest on the Bonds will be computed on the basis of a 30-day month and a 360-day year.

Principal of and interest on the Bonds are payable from the General Fund of the State of Maine (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 Bonds when due, then the Treasurer of State (the "Treasurer") 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 Bonds as such principal and interest become due.

* Preliminary, subject to change.

The Bonds are being issued (i) to pay at maturity on June 30, 2015 the principal amount of certain bond anticipation notes issued by the State to finance certain capital expenditures of the State and (ii) to finance certain additional capital expenditures of the State.

Details of the Bonds

The Series A Bonds will be dated their date of delivery and will mature on June 1 in each of the years 2016 to 2017, inclusive, in the principal amounts described in the table below, subject to any adjustments described in "Adjustment of Maturity Schedule" below:

Year	Principal Amount*
2016	$10,080,000
2017	4,140,000

The Series B Bonds will be dated the date of delivery and will mature on June 1 in each of the years 2017 to 2025, inclusive, in the principal amounts described in the table below, subject to any adjustments described in "Adjustment of Maturity Schedule" below:

Year	Principal Amount*
2017	$ 5,940,000
2018	10,080,000
2019	10,080,000
2020	10,080,000
2021	10,080,000
2022	10,080,000
2023	10,075,000
2024	10,075,000
2025	10,075,000

Authorization and Security

The Bonds will be general obligations of 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 Bonds.

Redemption

The Bonds are not subject to redemption prior to maturity.

Adjustment of Maturity Schedule

The State reserves the right to change the aggregate principal amount of either or both series of the Bonds and the maturity schedule for either series after the determination of the winning bid by increasing or decreasing the principal amount of each maturity by such amount as may be necessary to (i) produce sufficient funds for the purposes for which the Bonds are being issued after taking into account

*Preliminary, subject to change as described herein.

any premium to be received by the State, and (ii) to produce substantially level annual payments of principal on the Bonds. In such event, the final aggregate principal amount of each series of the Bonds will be increased or decreased by the net amount of such change or changes in principal amount of one or more maturities, which net change will not exceed fifteen percent (15%) of the original aggregate principal amount of each series of the Bonds. The State anticipates that the final maturity schedule will be communicated to the successful bidders by 3:00 p.m. Eastern Daylight Saving Time on the date of award provided the State has received the reoffering prices and yields for the Bonds from the successful bidders within one hour after being notified of the awards of the Bonds. The adjusted bid prices will reflect changes in the dollar amount of the underwriter's discounts and original issue premiums, but will not change the per-bond underwriter's discount as calculated from the bid and reoffering prices required to be delivered to the State as stated herein. The successful bidder for each series may not withdraw its bid or change the interest rates bid or initial reoffering prices as a result of any changes made to the principal amounts within these limits.

Book-Entry Only

The Bonds will be issued by means of a book-entry system with no physical distribution of Bonds made to the public. One Bond certificate for each maturity of each series will be issued to The Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Bonds in principal amounts of $5,000 or integral 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. The successful bidder of each series, as a condition to delivery of the Bonds, shall be required to deposit the Bond certificates with DTC, registered in the name of Cede & Co.

Interest on the Bonds will be payable semiannually on June 1 and December 1, beginning December 1, 2015. Principal of the Bonds will be paid annually on June 1, as set forth in the foregoing maturity schedules subject to adjustment as described above under "Adjustment of Maturity Schedule," to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be 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 record date for principal and interest payments will be the fifteenth day of the month next preceding the date on which interest is to be paid. 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.

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds or (b) the Treasurer determines that continuation of the book-entry system of evidence and transfer of ownership of the Bonds would adversely affect the interests of the beneficial owners of the Bonds, 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 authenticate and deliver replacement Bonds in the form of fully registered certificates.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds in accordance with the terms of its bid. No CUSIP identification numbers shall be deemed to be part of any Bond or a part of the contract evidenced thereby and no liability shall hereafter attach to the State or any of its officers or agents because of or on account of such numbers. The State shall pay all expenses in connection with the initial assignment and printing of CUSIP numbers. The underwriter for each series will be responsible for applying for and obtaining CUSIP identification numbers for the Bonds.

Bid Specifications

Bidders may bid on the Series A Bonds only, the Series B Bonds only or both series. Bidders should state the rate or rates of interest that the Series A Bonds and the Series B Bonds are to bear, in multiples of 1/8 or 1/20 of one percent, but shall not state (a) more than one interest rate for any Bonds of a series having a like maturity or (b) any interest rate greater than 5%. In order to fund its planned capital expenditures, the total proceeds payable to the State (par plus premium, if any) must be at least \$113,842,601. Accordingly, the par amount of the Series A Bonds and the Series B Bonds will be adjusted, as needed, and as described above, in order that the total proceeds of the Series A Bonds and the Series B Bonds are as nearly as practicable (within \$5,000) to \$14,230,000 and \$99,612,601, respectively. No bids for other than all of the Series A Bonds and the Series B Bonds will be accepted. No bid for less than 100% of the principal amount of the Series A Bonds or the Series B Bonds will be accepted (subject to adjustments as provided above.) Each bid for the Series A Bonds must be for the entire issue at a price not less than 100% plus a premium of at least \$50,000 but not more than \$100,000. Each bid for the Series B Bonds must be for the entire issue at a price not less than 100% plus a premium of at least \$10 million but not more than \$15 million. All bids must be unconditional and submitted electronically via Parity® in accordance with this Notice of Sale.

Receipt of Bids

Sealed bids for the Series A Bonds and the Series B Bonds will be received electronically via Parity until 10:30 a.m., Eastern Daylight Saving Time, on Tuesday June 9, 2015 (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(s) do 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.

Basis of Award

The Bonds will be awarded to the bidder(s) offering to purchase the Bonds, as applicable, at the lowest interest cost to the State. Separate awards will be made with respect to the Series A Bonds and the Series B Bonds. **Such award shall be determined on a true interest cost (TIC) basis. True interest cost (expressed as an annual interest rate) shall be determined for each bid by doubling the semiannual interest rate, compounded semiannually, necessary to discount the debt service payments from the payment dates to the date of delivery and to the price bid.** In the event there is more than one bid specifying the lowest such rate, each series of Bonds will be awarded to the bidder whose bid is selected by the Treasurer by lot from among all such bids. It is requested that each bid be accompanied by a statement of such interest cost, computed at the interest rate or rates stated in the bid in accordance with the above method of computation (computed to six decimal places), but such statement will not be considered as part of the bid.

Bids will be accepted or rejected promptly after receipt 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 this 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 Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the State. However, the CUSIP Service Bureau charge for the assignment of such numbers shall be the responsibility of and be paid by the successful bidder.

Expenses

The State will pay: (i) the cost of the preparation of the Bonds; (ii) the fees and expenses of Bond Counsel; (iii) the fees of the rating agencies relating to the Bonds, and (iv) the cost of preparation and printing of the Official Statement.

Undertakings of the Successful Bidder(s)

The successful bidder(s) shall make a bona fide public offering of the Bonds. The successful bidder(s) 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 Bonds are sold at the prices or yields at which the successful bidder(s) advised the Treasurer that the Bonds were initially offered to the public).

B. The identity of the underwriters if the successful bidder(s) is part of a group or syndicate.

C. Any other material information the Treasurer determines is necessary to complete the Official Statement in final form.

On or prior to the date of delivery of the Series B Bonds, the successful bidder for the Series B Bonds shall furnish to the State a certificate acceptable to Bond Counsel to the State generally to the effect that (i) as of June 9, 2015 (the "Sale Date"), the successful bidder had offered or reasonably expected to offer all of the Series B Bonds to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the prices set forth in such certificate, plus accrued interest, if any, (ii) such prices represent fair market prices of the Series B Bonds as of the Sale Date, and (iii) as of the date of such certificate, all of the Series B Bonds have been offered to the general public in a bona fide offering at the prices set forth in such certificate, and at least 10% of each maturity of the Series B Bonds actually has been sold to the general public at such prices. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Series B Bonds, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the Series B Bonds for federal tax law purposes. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Series B Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on the Series B Bonds resulting from payment of insurance premiums or other credit enhancement fees.

Delivery of the Bonds

The Bonds will be delivered on or about June 25, 2015 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(s) to accept delivery of and pay for the Bonds that contemporaneously with or before accepting the Bonds and paying therefor, the successful bidder(s) shall be furnished, without cost, with (a) the approving opinions of the firm of Locke Lord LLP, Boston, Massachusetts, Bond Counsel to the State, as to the validity and tax status of the Bonds, substantially in the forms provided in Appendix G to the Final Official Statement, referred to below; (b) a certificate of the Treasurer to the effect that, to the best of her knowledge, the Final 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 Bonds, to the effect that there is no litigation of any nature pending or threatened to restrain or enjoin the issuance or delivery of the Bonds or in any way contesting or affecting the validity of the Bonds 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 Bonds. 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 Bonds which has not been disclosed in the Final Official Statement referred to below.

In connection with the issuance of the Bonds, the State will undertake in the Bonds to provide annual financial information and notices of certain events pursuant to Municipal Securities Disclosure Rule, 17 CFR §240.15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission.

Official Statement

The Preliminary Official Statement dated June 1, 2015 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(s) up to 75 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(s) and members of its bidding group initially sell the Bonds, within seven business days of the award of the Bonds, provided that the successful bidder(s) cooperate in providing the information required to complete the Final Official Statement.

The successful bidder(s) 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 annual financial information and notices of certain significant 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 this 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 Bonds 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 Bonds 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.

Good Faith Deposit

The State is not requiring the submission of a good faith deposit prior to the date of award of the Bonds to the successful bidder. Rather, the successful bidder, as determined by the State in accordance with this Notice of Sale, must submit a good faith deposit in the amount of $142,200* for a bid on the Series A Bonds, and in the amount of $865,650* for a bid on the Series B Bonds. The good faith deposit will secure the State from any loss resulting from the failure of the successful bidder to comply with the terms of its bid. The successful bidder shall transfer the good faith deposit by wire transfer directly to the State upon notification, but in any case, no later than 3:00 p.m., Eastern Daylight Saving Time, on the date of award of the Bonds. The good faith deposit will be held by the State and applied toward a portion of the total purchase price of the Bonds. No interest on the good faith deposit will accrue to the successful bidder. Wire instructions will be provided to the successful bidder upon notification of the Preliminary Award.

Additional Information

For further information relating to the Bonds, reference is made to the Preliminary Official Statement dated June 1, 2015 prepared for and authorized by the Treasurer. The Preliminary Official Statement may be obtained by accessing the following website: http://www.imagemaster.com/. For further information, please contact Kristi Carlow, Deputy State Treasurer, 39 State House Station, Augusta, Maine 04333 (telephone: 207-624-7477; facsimile 207-287-2367).

THE STATE OF MAINE

By Terry Hayes
Treasurer of State

Date: June 8, 2015

*Preliminary, subject to change.

INSTRUCTIONS TO SUBMIT A BID VIA Parity

- You must be a contracted customer of Parity's Competitive Bidding System. If you do not have a contract with Parity, call (212) 849-5021 to become a customer.
- In Parity select the State of Maine sale among the list of current sales.
- Go to the bid form page. Keep notice of the time clock and be sure to read all bid specifications on bottom.
- Once you have created and saved a bid in Parity, click the final bid button in Parity to submit the bid to Parity.
- Upon clicking the Final Bid button, the bidder will see a message box in Parity that states: "Do you want to submit this bid to Parity? By submitting the bid electronically via PARITY, you represent and warrant that this bid for the purchase of the Bonds is submitted by the representative who is duly authorized to bind the bidder to a legal, valid, enforceable contract for the purchase of the Bonds. The Official Notice of Sale is incorporated herein by this reference."
- If during bid calculation Parity warns you that your current bid violates the bid parameters, please change your bid to meet bid specifications. The Parity system will submit bids, which violate the bid parameters, but the State does not intend to consider any bids that do not meet its parameters.
- You may choose to proceed with submission of the bid or choose to cancel the submission.
- Contact Parity at (212) 849-5021 or with questions or problems.

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STATE OF MAINE • GENERAL OBLIGATION BONDS, 2015 SERIES A (FEDERALLY TAXABLE) AND 2015 SERIES B

Mixed Sources
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