

# State of Maine

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## Comprehensive Annual Financial Report

For the Fiscal Year Ended

June 30, 2018



Prepared by

Office of the State Controller



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COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

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# STATE OF MAINE



FOR THE FISCAL YEAR ENDED JUNE 30, 2018

PAUL R. LEPAGE  
Governor

ALEXANDER E. PORTEOUS  
Commissioner  
Department of Administrative & Financial Services

DOUGLAS E. COTNOIR, CPA, CIA  
State Controller

Prepared by the Office of the State Controller

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

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

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

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

<http://www.maine.gov>

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

For the Fiscal Year Ended June 30, 2018

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# INTRODUCTORY SECTION

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

SERVING THE PUBLIC AND DELIVERING ESSENTIAL SERVICES TO STATE GOVERNMENT

ALEXANDER E. PORTEOUS  
COMMISSIONER

DOUGLAS E. COTNOIR, CPA, CIA  
STATE CONTROLLER

December 6, 2018

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

We are pleased to present the State of Maine's Fiscal Year 2018 Comprehensive Annual Financial Report (CAFR) prepared in accordance with Generally Accepted Accounting Principles (GAAP). The annual CAFR, required by Title 5 MRSA § 1547, is compiled and published by the Office of the State Controller (OSC). The report is the primary means of reporting the State's financial activities. The objective of this report is to provide a clear picture of our government as a single, unified entity, as well as providing traditional fund based financial statements.

## **INTRODUCTION TO THE REPORT**

### **Responsibility**

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

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

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

### **Format of Report**

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

OFFICE LOCATED ON 4<sup>TH</sup> FLOOR, BURTON M CROSS BUILDING

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FAX: (207) 626-8422



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

### **Internal Control Structure**

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

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

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

### **Independent Auditors**

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

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

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

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

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

## PROFILE OF THE GOVERNMENT

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

### **Reporting Entity**

The Governor and Legislature govern all funds and accounts for every executive agency, board, commission, public trust, authority and component unit. The State of Maine financial reporting entity reflected in the CAFR, which is more fully described in Note 1 to the Basic Financial Statements, includes these funds, agencies, organizations, boards, commissions, authorities and major component units in accordance with GASB Statement No. 14 as amended by GASB Statement No. 39 and GASB Statement No. 61. There are 7 major component units, 5 non-major component units, one blended component unit, and one fiduciary component unit included in the CAFR. The major component units are discretely presented in the financial statements, and the blended component unit is included as separate funds in the fund financial statements. The fiduciary component unit is presented in the fiduciary fund and similar component unit financial statements, along with the other fiduciary activities of the State. The fiduciary activities are not included in the government-wide financial statements because the resources of these funds are not available to support the State's own programs.

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

### **Budgetary Control**

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

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

The total General Fund appropriation for each fiscal year of the biennium in the Governor's budget submission to the Legislature may not exceed the General Fund appropriation of the previous fiscal year multiplied by one plus the average real personal income growth rate, as defined in Title 5 MRSA § 1665, subsection 1. This appropriation limitation may be exceeded only by the amount of the additional costs or the lost federal revenue from the following exceptional circumstances: unfunded or under-funded new federal mandates; losses in federal revenues or other revenue sources; citizens' initiatives or referenda that require increased State spending; court orders or decrees that require additional State resources to comply with the orders or decrees; and sudden or significant increases in demand for existing State services that are not the result of legislative changes that increased eligibility or increased benefits. The Governor may designate exceptional circumstances that are not explicitly defined, but meet the intent

of this statute. "Exceptional circumstances" means an unforeseen condition or conditions over which the Governor and the Legislature have little or no control. Exceptional circumstances do not apply to new programs or program expansions that go beyond existing program criteria and operation.

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

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

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

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

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

Balances in the fund do not lapse; but carry forward each year. The money in the fund may be invested with any earnings credited to the fund except when the fund is at its statutory cap. In addition to interest earnings, the fund is capitalized at the close of each fiscal year. In fiscal year 2018, a net \$76.6 million was transferred into the fund, resulting in an ending balance of \$272.9 million.

## **MAJOR INITIATIVES AND FUTURE PROJECTS**

### **Fiscal Stability**

Governor Paul R. LePage, recognized by the Cato Institute in fiscal year 2014, 2016 and again in 2018 as one of the nation's top Governors for fiscal management, has led a combination of comprehensive reforms that have closed the State's out-year structural gap projection from \$1.1 billion reported in 2010 to \$509 million reported in 2018, which includes \$147 million for 2017 voter approved, citizen initiated MaineCare expansion legislation, and have increased the reserves in the Maine Budget Stabilization Fund by \$77 million to \$272.9 million or 7.6% of the state's 2018 fiscal year general fund revenue. At the same time, the State's budget provided for the needs of several varying State policy issues including: major infrastructure funding through a combination of appropriations and several voter approved general obligation bonds; comprehensive reforms to support the State's efforts toward Maine's opiate crisis; veterans' services expansion; streamlining of veterans' occupational licensing; and, wage increases to address recruitment and retention of the State's corrections, law enforcement, child welfare and psychiatric personnel. Favorable financial performance has provided the State with the ability to continue phasing out smaller accruals for tax revenues for budgetary purposes in recent fiscal years. The State's cash position has continued to show significant improvement and internal borrowing for cash flow purposes was not needed again at any time in the 2018 fiscal year. Finally, the Administration conducted the first formal "stress-testing" for sales and individual income tax revenue as part of the continuing assessment of Maine's capacity to address both economic and financial uncertainties.

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

At the recommendation of Governor LePage, the fiscal year 2018-2019 biennial budget included a provision to stress-test General Fund revenues to inform policymakers on the estimated impact of a moderate and severe recession on sales and individual income tax revenues, and the sufficiency and needs of the Budget Stabilization Fund (BSF) in each of the recession scenarios. The Legislature included this proposal as written in the enacted biennial budget. The first joint biennial report by the Consensus Economic Forecasting Commission and the Revenue Forecasting Committee was issued on October 1, 2018.

The two forecasting groups concluded that the current BSF of \$273 million is not sufficient to fully offset the revenue shortfalls estimated through fiscal year 2022 as the result of a moderate or severe recession. However, the BSF is at a level that will provide the Governor and Legislature time during the preliminary stages of the next recession to make the changes necessary to bring the budget back into balance. The statutory maximum for the BSF of 18 percent of prior year General Fund revenues (currently \$646 million) would be sufficient to fully offset a moderate recession modeled in this report. This means that estimated revenues during a moderate recession combined with drawdowns of the BSF would allow a level of spending equal to the base appropriation limitation for the duration of a revenue shortfall. A BSF of 10 percent of fiscal year 2018 revenue, the percentage recommended by Moody's Analytics to offset a moderate recession, would be sufficient to cover all the revenue shortfall in fiscal years 2019 and 2020, and approximately 30 percent (\$69 million) of the fiscal year 2021 shortfall. A BSF of this size would provide the Governor and Legislature 18 months to institute budget adjustments to bring the fiscal year 2021 budget back into balance.

### **Tax Reform**

In fiscal year 2018, Governor LePage continued to lead with the goal of tax reduction and reform to ensure that the "State of Maine is competitive, attracting new job creators, retaining existing businesses by lowering taxes, reducing energy costs and providing a welcome atmosphere for businesses and capital investment." In addition to the historic tax reduction in the 2012-2013 biennium, and the compromise version of the tax reform package of the State's 2016-2017 biennial budget, the State has moved forward to address additional relief provided through: a repeal of

the education 3% income tax surcharge imposed on taxable income in excess of \$200,000; the establishment of a refundable income tax credit for the construction or expansion of major business headquarters in Maine; an expansion of the Opportunity Maine Tax Credit to retain and attract young people to the State of Maine; additional protections for the elderly from tax lien foreclosures; extension of Pine Tree Development Zone program benefits; the extension of benefits to encourage major investments in shipbuilding facilities and preservation of jobs; and legislation conforming to certain provisions of the most recent changes in federal tax law for 2018 tax returns.

### **Medicaid Reform**

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

### **Education**

The Administration continues to lead innovative education funding initiatives, including: the expansion of educational benefits through the Maine National Guard Postsecondary Fund to provide for a 100% tuition waiver at State and private non-profit postsecondary institutions; and, the establishment of regional education service agencies with the goal of improving programs and services for students, expanded access to experiential learning through career and technical education in Maine schools, grants that prioritize efficiencies through regional cost sharing, and funding for students to earn post-secondary credit while still in high school to develop technical and life skills for success in college, careers and civic life through the Bridge Year program. In fiscal year 2018, the State contributed slightly more than \$1 billion to the cost of K-12 education, comprised of a General Fund appropriation and a portion of funding received from Casino revenues that is now permanently considered part of the State's contribution to education. The State contributed 52.02% of the total cost of education, including teacher retirement, retired teachers' health insurance and retired teacher's life insurance. The increase in the State's contribution in fiscal year 2018 over fiscal year 2017, is sufficient to attain the increase in the state-share percentage of the total cost of funding public education from kindergarten to grade 12 by at least one percentage point, before new programs or initiatives as set forth in state statute.

### **Transportation**

The Maine Department of Transportation (MaineDOT) receives its funding from the State Highway Fund, the TransCap Trust Fund, federal funds, proceeds from authorized bond sales, and other sources. In 2018, MaineDOT released a \$2.3 billion work plan for all MaineDOT work activities for calendar years 2018 through 2020. The work plan consists of \$1.4 billion in capital work over three years, consisting of \$1.1 billion for highway and bridge projects and \$296 million in multi-modal projects. For calendar year 2018, the plan includes \$67.6 million for 48 miles of highway construction and rehabilitation, \$93.8 million for 356 miles of preservation paving, and \$22 million for 600 miles of light capital paving.

## **Transparency**

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

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

## **OTHER INFORMATION**

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the State of Maine for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This is the eleventh time that Maine has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

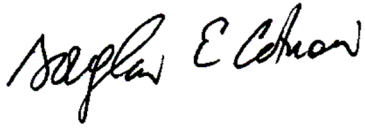
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we will be submitting it to the GFOA to determine its eligibility for another certificate.

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

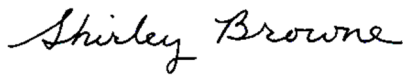
State government continues to have many accomplishments of which it can be proud. Consistent with the vision of Governor LePage to improve and enhance the fiscal administration of governmental operations, the Office of the State Controller continues to improve and refine its skills to meet the challenges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

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


Sincerely,

Handwritten signature of Douglas E. Cotnoir in black ink.

Douglas E. Cotnoir, CPA, CIA  
State Controller

Handwritten signature of Shirley A. Browne in black ink.

Shirley A. Browne, CIA  
Deputy State Controller

Handwritten signature of Sandra J. Royce in black ink.

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



# STATE OF MAINE

## OFFICIALS OF STATE GOVERNMENT

AS OF JUNE 30, 2018

### EXECUTIVE

Paul R. LePage, Governor

### LEGISLATIVE

Michael D. Thibodeau, President of the Senate

Sara Gideon, Speaker of the House

#### Constitutional/Statutory Officers

Janet T. Mills, Attorney General

Pola Buckley, State Auditor

Matthew Dunlap, Secretary of State

Terry Hayes, State Treasurer

### JUDICIAL

Leigh Ingalls Saufley, Chief Justice of the State Supreme Court





# STATE OF MAINE ORGANIZATION CHART AS OF JUNE 30, 2018

**MAINE  
VOTERS**

**LEGISLATIVE BRANCH**

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

**EXECUTIVE BRANCH**

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

The Governor  
 appoints all  
 Judicial Officers

**JUDICIAL BRANCH**

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

**CONSTITUTIONAL OFFICERS**

Secretary of State  
 State Treasurer  
 State Attorney General

**STATUTORY OFFICER**

State Auditor

**CABINET LEVEL DEPARTMENTS**

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

**MISCELLANEOUS BOARDS &  
COMMISSIONS**

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

**MAJOR COMPONENT UNITS**

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



Government Finance Officers Association

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

Presented to

**State of Maine**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO

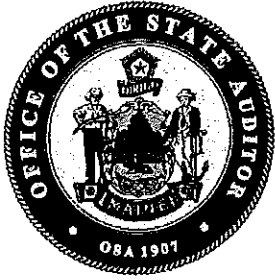
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**FINANCIAL SECTION**  
**INDEPENDENT AUDITOR'S REPORT**  
**BASIC FINANCIAL STATEMENTS**

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

66 STATE HOUSE STATION  
AUGUSTA, ME 04333-0066

TEL: (207) 624-6250

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

**Melissa Perkins, CPA**  
Deputy State Auditor

**INDEPENDENT AUDITOR'S REPORT**

Honorable Troy Jackson  
President of the Senate

Honorable Sara Gideon  
Speaker of the House of Representatives

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Maine, as of and for the year ended June 30, 2018, and the related notes to the financial statements. We did not audit the financial statements of the aggregate discretely presented component units. These financial statements collectively comprise the State of Maine's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following component units: Child Development Services, Efficiency Maine Trust, Finance Authority of Maine, Maine Community College System, Maine Governmental Facilities Authority, Maine Health and Higher Educational Facilities Authority, Maine Maritime Academy, Maine Municipal Bond Bank, Maine Public Employees Retirement System, Maine State Housing Authority, Maine Turnpike Authority, Midcoast Regional Redevelopment Authority, Northern New England Passenger Rail Authority, and the University of Maine System. The financial statements of these named component units comprise 100 percent of the assets, revenue and net position of the aggregate discretely presented component units; 94 percent of assets and 98 percent of fund balance/net position of the aggregate remaining fund information (Maine Public Employees Retirement System and Maine Governmental Facilities Authority); and 3% of the liabilities of the governmental activities (Maine Governmental Facilities Authority). The financial statements of these named component units were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these component units, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the

Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of a Matter**

#### *Change in Accounting Principle*

As described in Note 3 to the financial statements, the State of Maine adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in 2018. Our opinion is not modified with respect to this matter.

#### *Change in Reporting Entity*

As described in Note 3 to the financial statements, the State of Maine excluded six of the smallest component units from the financial statements in an effort to streamline its reporting burden in 2018. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 17 to 27, and Budgetary Comparison Information, State Retirement Plans, Other Post-Employment Benefit Plans, and Information about Infrastructure Assets Reported Using the Modified Approach on pages 125 to 152, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited

procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

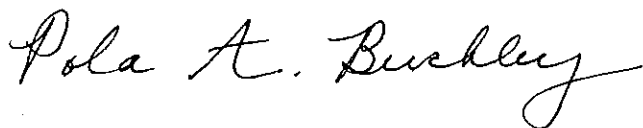
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Maine's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section, are presented for purposes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

The combining and individual non-major fund financial statements on pages 153 to 211 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual non-major fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

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



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

Augusta, Maine  
December 6, 2018

## 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, 2018. 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 net position of Governmental Activities increased by \$344.8 million, while net position of Business-Type Activities increased by \$40.9 million. The State's assets and deferred outflows exceeded its liabilities and deferred inflows by \$696.0 million at the close of fiscal year 2018. Of this amount \$3.5 billion was reported as negative "Unrestricted" net position. A negative balance means that it would be necessary to convert restricted assets (e.g., capital assets) to unrestricted assets if all ongoing obligations were immediately due and payable. Component units reported net position of \$3.0 billion, an increase of \$124.7 million (4.3 percent) from the previous year. As a result of implementing GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, numerous changes were made to beginning fund balances. For additional information please refer to Note 3 - Accounting Changes and Restatements.

#### Fund level:

- At the end of the fiscal year, the State's governmental funds reported combined ending fund balances of \$1.1 billion, an increase of \$110.3 million from the previous year. The General Fund's total fund balance was a \$332.3 million, an increase of \$158.8 million from the previous year. The Highway Fund total fund balance was \$3.3 million, a decrease of \$19.9 million from the prior year.
- The proprietary funds reported net position at year-end of \$697.6 million, an increase of \$104.8 million from the previous year. The increase is primarily the result of an increase in the Employment Security Fund of \$42.1 million and an increase in four Internal Service Funds; Retiree Health Insurance of \$13.3 million, Employee Health Insurance of \$21.6 million, Transportation Facilities of \$15.5 million and Workers' Compensation of \$6.2 million.

#### Long-term Debt:

- The State's liability for general obligation bonds decreased by \$88.4 million during the fiscal year, which represents the difference between new issuances and payments of outstanding debt. The State did not issue bonds in fiscal year 2018. It made principal payments of \$88.4 million.

Additional information regarding the government-wide, fund level, and long-term debt activities can be found beginning on page 20.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

## Government-wide Statements

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

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

Both government-wide statements report three activities:

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

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

*Component units* - Although legally separate, component units are important because the State is financially accountable for these entities. The State has one "blended" component unit, the Maine Governmental Facilities Authority (MGFA) with Governmental Activities as described above. Maine reports 12 other component units (7 major and 5 non-major) as discretely presented component units of the State, and one component unit is reported with the State's fiduciary funds. Complete financial statements of the individual component units may be obtained directly from their respective administrative offices as shown in Note 1 A to the financial statements.

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

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



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

## **Fund Financial Statements**

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

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

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

*Fiduciary funds:* The State is the trustee or fiduciary for assets that belong to others. The State is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. These funds include pension and other employee benefit trusts administered by the Maine Public Employees Retirement System, a component unit, private-purpose trusts, and agency funds. Fiduciary funds are reported using the accrual basis of accounting, except for Agency funds which have no measurement focus. The State excludes these activities from the government-wide financial statements because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

## **Notes to the Financial Statements**

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

## **Required Supplementary Information**

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

## Other Supplementary Information

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

## FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

The State's net position increased to \$696.0 million over the course of fiscal year ended June 30, 2018, as detailed in Tables A-1 and A-2. The increase is primarily due to a decrease in total liabilities and an increase in net revenue for governmental and business-type activities.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017*	2018	2017*	2018	2017*
Current and other noncurrent assets	\$ 2,545,222	\$ 2,353,405	\$ 519,249	\$ 474,048	\$ 3,064,471	\$ 2,827,453
Total capital assets net of accum depr	4,277,998	4,179,693	33,521	35,402	4,311,519	4,215,095
Total Assets	<u>6,823,220</u>	<u>6,533,098</u>	<u>552,770</u>	<u>509,450</u>	<u>7,375,990</u>	<u>7,042,548</u>
Deferred Outflows of Resources	<u>540,136</u>	<u>942,510</u>	<u>5,579</u>	<u>9,144</u>	<u>545,715</u>	<u>951,654</u>
Current liabilities	1,204,436	1,189,785	40,341	35,347	1,244,777	1,225,132
Non-current liabilities	5,711,822	6,348,762	44,818	51,229	5,756,640	6,399,991
Total Liabilities	<u>6,916,258</u>	<u>7,538,547</u>	<u>85,159</u>	<u>86,576</u>	<u>7,001,417</u>	<u>7,625,123</u>
Deferred Inflows of Resources	<u>223,785</u>	<u>58,542</u>	<u>493</u>	<u>242</u>	<u>224,278</u>	<u>58,784</u>
Net Position (Deficit)						
Net Investment in Capital Assets	3,580,547	3,501,237	33,521	35,402	3,614,068	3,536,639
Restricted	134,705	125,429	471,256	429,124	605,961	554,553
Unrestricted (deficit)	<u>(3,491,939)</u>	<u>(3,748,147)</u>	<u>(32,080)</u>	<u>(32,750)</u>	<u>(3,524,019)</u>	<u>(3,780,897)</u>
Total Net Position	<u>\$ 223,313</u>	<u>\$ (121,481)</u>	<u>\$ 472,697</u>	<u>\$ 431,776</u>	<u>\$ 696,010</u>	<u>\$ 310,295</u>

\* As Restated

The State's fiscal year 2018 revenues totaled \$8.5 billion. (See Table A-2) Taxes and operating grants and contributions accounted for most of the State's revenue by contributing 48.2 percent and 35.5 percent, respectively. The remainder came from charges for services and other miscellaneous sources.

The total cost of all programs and services totaled \$8.1 billion for the year 2018. (See Table A-2) These expenses are predominantly (68.9 percent) related to health & human services and education activities. The State's governmental support & operations activities accounted for 5.3 percent of total costs. Total net position increased by \$385.7 million, primarily due to an increase in tax revenue and charges for services.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2018</b>	<b>2017 *</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 564,220	\$ 583,870	\$ 623,684	\$ 588,619	\$ 1,187,904	\$ 1,172,489
Operating grants and contributions	3,002,173	2,966,809	9,510	8,714	3,011,683	2,975,523
General Revenues:						
Taxes	4,083,891	3,944,991	-	-	4,083,891	3,944,991
Other	193,394	143,785	-	-	193,394	143,785
<b>Total Revenues</b>	<b>7,843,678</b>	<b>7,639,455</b>	<b>633,194</b>	<b>597,333</b>	<b>8,476,872</b>	<b>8,236,788</b>
<b>Expenses:</b>						
Governmental Activities:						
Governmental Support	432,870	354,421	-	-	432,870	354,421
Education	1,774,309	1,804,804	-	-	1,774,309	1,804,804
Health & Human Services	3,804,516	3,774,348	-	-	3,804,516	3,774,348
Justice & Protection	433,728	493,427	-	-	433,728	493,427
Transportation Safety	627,901	664,921	-	-	627,901	664,921
Other	482,392	495,753	-	-	482,392	495,753
Interest Expense	51,788	38,992	-	-	51,788	38,992
Business-type Activities:						
Employment Security	-	-	83,159	96,075	83,159	96,075
Lottery	-	-	230,678	214,670	230,678	214,670
Alcoholic Beverages	-	-	137,426	131,192	137,426	131,192
Military Equipment Maintenance	-	-	10,895	3,858	10,895	3,858
Other	-	-	21,495	20,581	21,495	20,581
<b>Total Expenses</b>	<b>7,607,504</b>	<b>7,626,666</b>	<b>483,653</b>	<b>466,376</b>	<b>8,091,157</b>	<b>8,093,042</b>
Excess (Deficiency) before Special Items and Transfers	236,174	12,789	149,541	130,957	385,715	143,746
Special Items	-	-	-	895	-	895
Transfers	108,620	93,845	(108,620)	(93,845)	-	-
<b>Increase (Decrease) in Net Position</b>	<b>344,794</b>	<b>106,634</b>	<b>40,921</b>	<b>38,007</b>	<b>385,715</b>	<b>144,641</b>
Net Position, beginning of year (As Restated)	(121,481)	(228,115)	431,776	393,769	310,295	165,654
<b>Ending Net Position</b>	<b>\$ 223,313</b>	<b>\$ (121,481)</b>	<b>\$ 472,697</b>	<b>\$ 431,776</b>	<b>\$ 696,010</b>	<b>\$ 310,295</b>

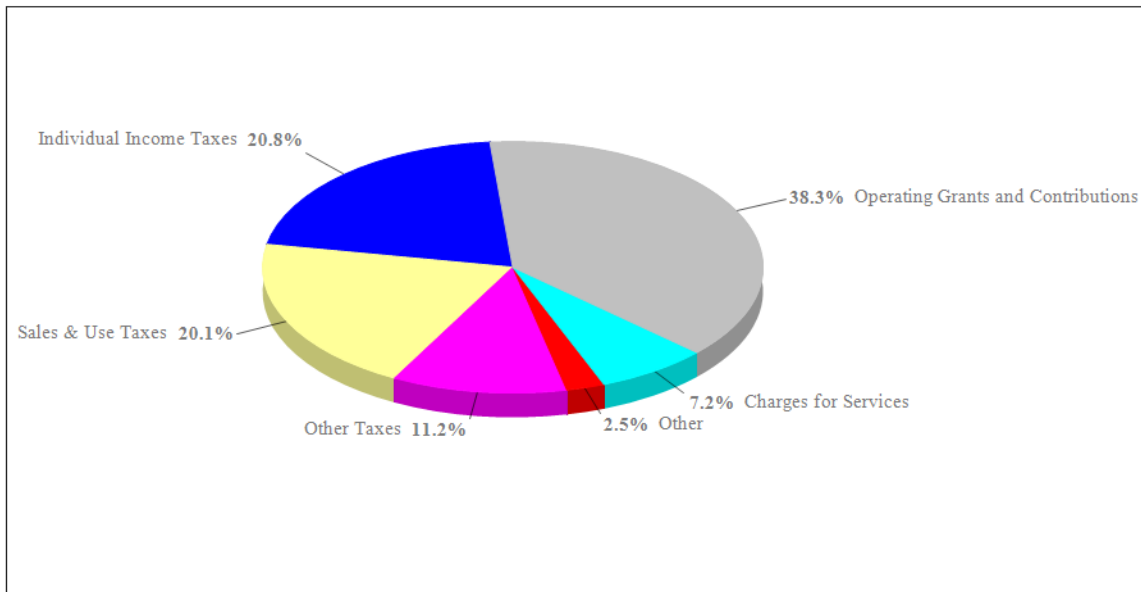
\*For the year ended June 30, 2017, an adjustment was recorded to reallocate cumulative pension expense to various policy areas which affects comparability.

## Governmental Activities

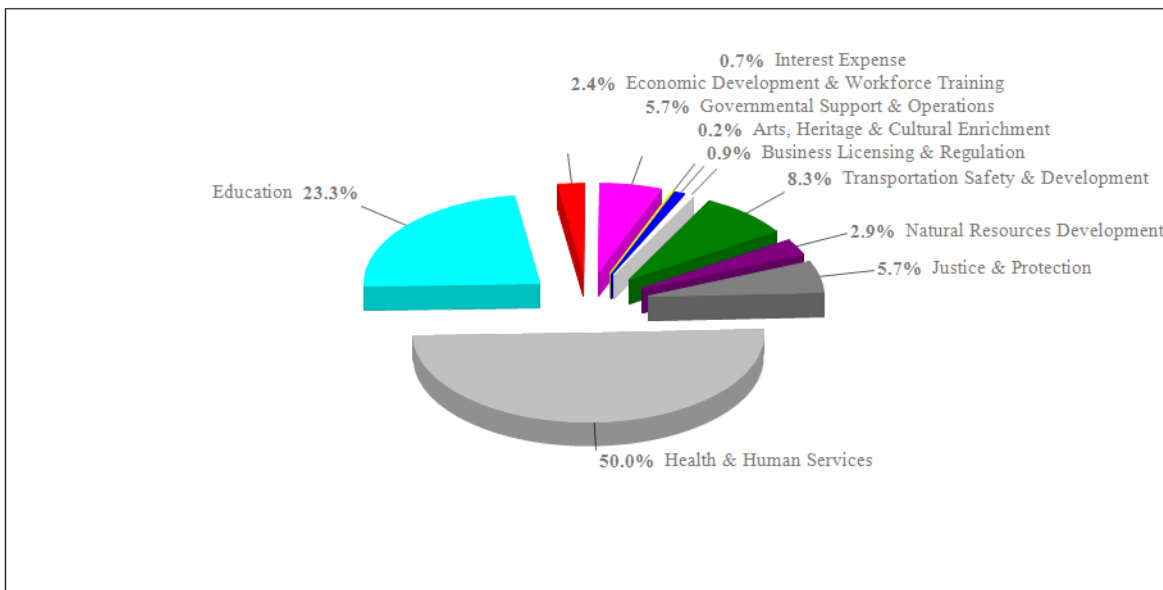
Revenues for the State's Governmental Activities totaled \$7.8 billion while total expenses equaled \$7.6 billion. The increase in net position for Governmental Activities was \$344.8 million in 2018, which was primarily the result of an increase in tax revenue of \$138.9 million and current year transfers from the State's Business-Type Activities of \$108.6 million. The State's Business-Type Activities transfers of \$108.6 million (net) to the Governmental Activities, included statutorily required profit transfers, capital contributions, and the pledged profit of the Alcoholic Beverages Fund to finance the payment of the Liquor Revenue Bonds. These transfers are discussed further on page 23.

The users of the State's programs financed \$564.2 million of the cost. The federal and State governments subsidized certain programs with grants and contributions of \$3.0 billion. \$4.3 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 2018**



**TABLE A-4: TOTAL EXPENSES FOR GOVERNMENTAL ACTIVITIES FOR FISCAL YEAR 2018**



## Business-Type Activities

Revenues for the State's Business-Type Activities totaled \$633.2 million while expenses totaled \$483.7 million. The increase in net position for Business-Type Activities was \$40.9 million in 2018, due primarily to the increase in revenue for Alcoholic Beverages and Lottery of \$12.1 and \$18.9 million, respectively and a decrease in expense for Employment Security of \$12.9 million.

Table A-5 presents the cost of State Business-Type Activities: Employment Security, Alcoholic Beverages, Lottery, Ferry Services, Military Equipment Maintenance, Consolidated Emergency Communications 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)

	Total Cost		Net (Cost) Revenue	
	2018	2017	2018	2017
Employment Security	\$ 83,159	\$ 96,075	\$ 42,404	\$ 30,846
Alcoholic Beverages	137,426	131,192	51,837	45,992
Lottery	230,678	214,670	63,081	60,232
Ferry Services	12,950	12,271	(7,894)	(7,672)
Military Equipment Maintenance	10,895	3,858	333	1,230
Consolidated Emergency Communications	6,952	6,489	(674)	(83)
Other	1,593	1,821	454	412
Total	<u>\$ 483,653</u>	<u>\$ 466,376</u>	<u>\$ 149,541</u>	<u>\$ 130,957</u>

The cost of all Business-Type Activities this year was \$483.7 million. The users of the State's programs financed most of the cost. The State's net revenue from Business-Type Activities was \$149.5 million, with Alcoholic Beverages and Lottery making up \$51.8 and \$63.1 million of the total, respectively. The \$108.6 million (net) of State's Business-Type Activities transferred to the Governmental Activities, included statutorily required profit transfers and the pledged profit of the Alcoholic Beverages Fund to finance the payment of the Liquor Revenue Bonds.

## FINANCIAL ANALYSIS OF THE STATE'S FUNDS

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

	2018	2017	Change
General	\$ 332,259	\$ 173,424	\$ 158,835
Highway	3,280	23,155	(19,875)
Federal	18,789	23,721	(4,932)
Other Special Revenue	626,033	554,133	71,900
Other Governmental Funds	95,978	191,582	(95,604)
Total	<u>\$ 1,076,339</u>	<u>\$ 966,015</u>	<u>\$ 110,324</u>

As of the end of the fiscal year, the State's governmental funds reported combined ending fund balances of \$1.1 billion, an increase of \$110.3 million in comparison with the prior year. Of this total, \$34.2 million (3,109.1 percent) is classified as non-spendable, either due to its form or legal constraints, and \$629.8 million (57,254.5 percent) is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. Unspent bond proceeds and revenue restricted for transportation, natural resources or other programs are included in restricted fund balance. At the end of fiscal year 2018, the unassigned fund balance of the General Fund was \$169.7 million, an increase of \$110.6 million.

General Fund revenues and other sources surpassed General Fund expenditures and other uses resulting in an increase in the fund balance of \$158.8 million. Revenues and other sources of the General Fund increased by approximately \$119.1 million (3.3 percent) which is mainly attributed to an increase in tax revenue of \$118.5 million. General Fund expenditures and other financing uses increased by \$64.6 million (1.9 percent). This is due, primarily, to an increase in expense for education of \$14.3 million, governmental support & operations of \$17.8 million and health & human services of \$16.3 million.

The fund balance of the Highway Fund decreased \$19.9 million from fiscal year 2017, due mainly to the increase in the Highway Fund's expenditures of \$52.8 million, of which \$54.8 million relates to transportation safety & development.

## Budgetary Highlights

For the 2018 fiscal year, the final legally adopted budgeted expenditures for the General Fund amounted to \$3.63 billion, an increase of about \$84 million from the original legally adopted budget of approximately \$3.54 billion. Actual expenditures on a budgetary basis amounted to approximately \$199.0 million less than those authorized in the final budget. After deducting the encumbered obligations and other commitments that will come due in fiscal year 2018, including the budgeted starting balance for fiscal year 2018, there were funds remaining of \$101.2 million to distribute in fiscal year 2018. Actual revenues exceeded final budget forecasts by \$93.4 million. At year end, the State transferred \$76.2 million to the Budget Stabilization Fund. Interest earnings along with legislatively and statutorily approved transfers increased the balance in the Budget Stabilization Fund to \$272.9 million as of June 30, 2018. This item is further explained in Note 2 of the Financial Statements.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

By the end of fiscal year 2018, the State had roughly \$4.3 billion in a broad range of capital assets, including land, infrastructure, improvements, buildings, equipment, vehicles and intangibles. During fiscal year 2018, the State acquired or constructed more than \$153.5 million of capital assets. The most significant impact on capital assets during the year resulted from continued construction and rehabilitation of roads and bridges, and major construction and renovation of State-owned facilities. More detailed information about the State's capital assets and significant construction commitments is presented in Notes 8 and 17 to the financial statements.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	\$ 641,049	\$ 628,824	\$ 2,389	\$ 2,389	\$ 643,438	\$ 631,213
Buildings	845,476	781,762	4,655	4,655	850,131	786,417
Equipment	307,118	298,115	32,701	32,658	339,819	330,773
Improvements other than buildings	113,492	109,165	42,757	42,757	156,249	151,922
Software	76,243	75,973	-	-	76,243	75,973
Infrastructure	2,901,466	2,869,006	-	-	2,901,466	2,869,006
Construction in Progress	58,946	46,996	971	-	59,917	46,996
Total Capital Assets	4,943,790	4,809,841	83,473	82,459	5,027,263	4,892,300
Accumulated Depreciation	665,792	630,148	49,952	47,057	715,744	677,205
Capital Assets, net	<u>\$ 4,277,998</u>	<u>\$ 4,179,693</u>	<u>\$ 33,521</u>	<u>\$ 35,402</u>	<u>\$ 4,311,519</u>	<u>\$ 4,215,095</u>

### Modified Approach for Infrastructure

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

Highways and bridges are included in the State's infrastructure. There are 8,812 highway miles or 17,897 lane miles within the State. Bridges have a deck area of 12.2 million square feet among 2,970 total bridges. The State has established a policy to maintain its highways at an average condition assessment of 60. At June 30, 2018, the actual average condition was 71.8. Its policy for bridges is an average sufficiency rating condition assessment of 60. The actual average condition for bridges was 74.0 at June 30, 2018. Preservation costs for fiscal year 2018 totaled \$141.2 million compared to estimated preservation costs of \$154.0 million.

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 478, PL 2015, \$50 million in General Fund bonds were spent during fiscal year 2018. Of the amount authorized by Chapter 299, PL 2017, \$10 million in General Fund bonds were spent during fiscal year 2018.

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 \$1.3 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	
	2018	2017	2018	2017	2018	2017
<b>General Obligation</b>						
Bonds	\$ 376,115	\$ 460,240	\$ -	\$ -	\$ 376,115	\$ 460,240
Unmatured Premiums	31,631	35,892	-	-	31,631	35,892
Other Long-Term Obligations	877,487	867,812	806	755	878,293	868,567
Total	<u>\$ 1,285,233</u>	<u>\$ 1,363,944</u>	<u>\$ 806</u>	<u>\$ 755</u>	<u>\$ 1,286,039</u>	<u>\$ 1,364,699</u>

During the year, the State reduced outstanding long-term obligations by \$88.4 million for general obligation bonds and \$298.8 million for other long-term debt. Also during fiscal year 2018, the State incurred \$308.5 million of additional long-term obligations.

## Credit Ratings

The State's credit was rated during fiscal year 2018 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**

Both the national and state economies had a good year in 2017 and the available data for the first half of 2018 indicates that both the U.S. economy and Maine economy continue to grow. Since the last Consensus Economic Forecasting Commission (CEFC) meeting in late January 2018, the Bureau of Economic Analysis (BEA) has released considerable revisions to state personal income data, with the 2017 total personal income growth for Maine being revised up from 2.7% to 4.2%. Oil and gasoline prices have continued to trend upward as well.

Maine's real GDP grew 0.6% in the first quarter of 2018. Personal income in Maine grew 4.3% from the first two quarters of 2017 to the first two quarters of 2018, while wage and salary income, which is the largest component of total personal income, grew 4.1% over the same period. The debt-to-income level for Maine businesses and households continued to rise to new levels in the fourth quarter of 2017. The Consumer Price Index (CPI) was up 2.3% in September 2018 from a year ago, boosted by recent increases in energy prices.

Nationwide, consumer sentiment has been relatively stable in recent months. The August 2018 level was down 0.6% from a year ago and down 1.7% from July 2018. Small business optimism reached a new record high in August 2018 of 108.8. Compared to August 2017, the index was up by 3.3% and up by 0.8% from the previous month in July 2018.

The price of crude oil has continued increasing recently with prices in the third quarter of 2018 over \$79 per barrel. As a result, heating oil prices and gasoline prices have been higher as well. Heating oil is around \$3.04 per gallon while gasoline is currently averaging \$2.92 per gallon.

Existing single-family home sales in Maine were down 5.1% in September 2018 compared to the same month last year and average housing permits for the September 2017 – August 2018 period were 6.9% lower than the previous 12-month period. The median home price in York, Cumberland, and Sagadahoc counties increased by 4.0, 5.7, and 7.5%, respectively, year-over-year. Mortgage delinquency rates in Maine have been declining but remain higher than the national rate. The foreclosure rate in Maine was 0.30% in the third quarter of 2018.

The Commission members continued to believe that the Moody's forecast is overly optimistic in its employment projections for the State. Moody's has moderated its population forecast to a more reasonable level and IHS has brought its employment growth down to a more realistic scenario. 2016 saw very strong employment growth in Maine, bringing non-farm payrolls back to pre-recession levels. 2017 has continued to see robust employment growth, although not as strong as 2016. While some growth is expected to continue in 2018, the primary source of concern for the CEFC continues to be Maine's demographic situation, with an aging population and little to no population growth. While 2016 and 2017 showed strong employment growth, perhaps indicating that there has been an increase in in-migration to Maine in recent years, there is little confidence that these growth rates will continue into future years, especially as the baby boom generation continues to move into retirement age.

Employment growth rates were revised upward for 2017 and 2018 based on stronger than expected employment growth year-to-date in 2017. The remaining years were left unchanged through 2020 and 2021. Employment reaches a peak level of 623,300 in 2018.

Wage and salary income growth for 2016 was revised downward by the U.S. Bureau of Economic Analysis, providing a lower baseline level for the forecast. 2017 was revised downward by 0.2 percentage points and 2018 was revised downward by 0.8 percentage points. The forecasts for 2019-2021 were left unchanged, with growth holding steady at 3.7%. The forecast for supplements to wages and salaries was revised upward by 0.9 percentage points in 2017, left unchanged in 2018, revised upward by 1.0 percentage point in 2019, revised upward by 0.8 percentage points in 2020, and left unchanged in 2021. This general trend of increases reflects the Commission's view that continued tightening of the state's labor market will likely induce employers to provide increased benefits at the same time that health insurance costs continue to increase. The overall result for total personal income was a 0.2 percentage point revision downward for 2017, a 0.5 percentage point revision downward for 2018, no change to 2019, a 0.2 percentage point revision upward for 2020, and no change to 2021. This follows a revision by the U.S. Bureau of Economic Analysis bringing the 2016 growth rate down from 3.7% to 3.0%.

The CEFC revised its forecast for inflation using the CPI downward by 0.3 percentage points in 2017 and left the remaining years unchanged from the previous forecast.

The forecast for corporate profits was revised upward by 1.5 percentage points in 2017 and 2.8 percentage points in 2018, reflecting the possibility of corporate tax cuts that would be implemented in 2018. The remaining years were left unchanged.



The Revenue Forecasting Committee (RFC) will meet to review and update the current revenue forecast to comply with the statutory reporting date in December 2018. Based on the CEFC forecast, the RFC will consider its revenue projections through the fiscal year ending June 30, 2021 for the General Fund, Highway Fund, Fund for a Healthy Maine and Medicaid/MaineCare Dedicated Revenue Taxes.

At June 30, 2018, the State of Maine reported an ending fund balance of \$332.3 million in the General Fund on a GAAP basis, an increase of more than \$158 million since the end of fiscal year 2017. The “unassigned” component of fund balance was \$169.7 million. This is the second consecutive year that the General Fund has reflected a positive “unassigned” fund balance on a GAAP basis.

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

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

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

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

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



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# **BASIC FINANCIAL STATEMENTS**

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

June 30, 2018  
(Expressed in Thousands)

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>Assets</b>				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ 896,531	\$ 10,634	\$ 907,165	\$ 41,497
Cash and Cash Equivalents	263	2,689	2,952	53,789
Cash with Fiscal Agent	143,871	-	143,871	-
Investments	114,901	-	114,901	759,304
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	30,115	-	30,115	-
Restricted Deposits and Investments	4,297	446,171	450,468	435,899
Inventories	6,650	4,472	11,122	2,014
Receivables, Net of Allowances for Uncollectibles:				
Taxes Receivable	425,628	-	425,628	-
Loans & Notes Receivable	4,990	-	4,990	106,423
Other Receivables	271,768	62,704	334,472	65,927
Internal Balances	10,898	(10,898)	-	-
Due from Other Governments	269,868	-	269,868	164,227
Due from Primary Government	-	-	-	11,010
Loans Receivable from Primary Government	-	-	-	52,609
Due from Component Units	77,823	-	77,823	-
Other Current Assets	7,195	1,122	8,317	40,652
Total Current Assets	<u>2,264,798</u>	<u>516,894</u>	<u>2,781,692</u>	<u>1,733,351</u>
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	198,536	2,355	200,891	9,189
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	6,669	-	6,669	-
Restricted Deposits and Investments	-	-	-	349,542
Pension Assets	5,443	-	5,443	-
Investments	-	-	-	549,577
Receivables, Net of Current Portion:				
Taxes Receivable	65,270	-	65,270	-
Loans & Notes Receivable	-	-	-	1,841,958
Other Receivables	465	-	465	10,729
Due from Other Governments	4,041	-	4,041	1,352,770
Loans Receivable from Primary Government	-	-	-	325,655
Due from Primary Government	-	-	-	416
Other Noncurrent Assets	-	-	-	15,788
Capital Assets:				
Land, Infrastructure, & Other Non-Depreciable Assets	3,601,461	3,360	3,604,821	658,333
Buildings, Equipment & Other Depreciable Assets	676,537	30,161	706,698	1,021,204
Total Noncurrent Assets	<u>4,558,422</u>	<u>35,876</u>	<u>4,594,298</u>	<u>6,135,161</u>
Total Assets	<u>6,823,220</u>	<u>552,770</u>	<u>7,375,990</u>	<u>7,868,512</u>
<b>Deferred Outflows of Resources</b>	<u>\$ 540,136</u>	<u>\$ 5,579</u>	<u>\$ 545,715</u>	<u>\$ 102,686</u>

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

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	\$ 509,580	\$ 14,359	\$ 523,939	\$ 63,120
Accrued Payroll	50,464	823	51,287	4,491
Tax Refunds Payable	225,258	-	225,258	-
Due to Component Units	13,010	-	13,010	-
Due to Primary Government	-	-	-	77,823
Current Portion of Long-Term Obligations:				
Compensated Absences	7,510	104	7,614	3,168
Due to Other Governments	79,311	-	79,311	1,033
Amounts Held under State & Federal Loan Programs	-	-	-	22,438
Claims Payable	20,623	-	20,623	-
Bonds & Notes Payable	77,976	-	77,976	258,464
Revenue Bonds Payable	22,966	-	22,966	35,157
Obligations under Capital Leases	6,095	-	6,095	769
Certificates of Participation & Other Financing Arrangements	28,483	-	28,483	-
Loans Payable to Component Unit	52,609	-	52,609	-
Accrued Interest Payable	5,554	1	5,555	30,070
Unearned Revenue	824	260	1,084	41,189
Other Post-Employment Benefits	91,801	1,353	93,154	-
Other Current Liabilities	12,372	23,441	35,813	65,272
<b>Total Current Liabilities</b>	<b>1,204,436</b>	<b>40,341</b>	<b>1,244,777</b>	<b>602,994</b>
Long-Term Liabilities:				
Compensated Absences	42,101	702	42,803	-
Due to Component Units	416	-	416	-
Due to Other Governments	-	-	-	5,008
Amounts Held under State & Federal Loan Program	-	-	-	47,146
Claims Payable	46,406	-	46,406	-
Bonds & Notes Payable	329,770	-	329,770	3,423,016
Revenue Bonds Payable	186,189	-	186,189	530,365
Obligations under Capital Leases	50,423	-	50,423	2,861
Certificates of Participation & Other Financing Arrangements	43,885	-	43,885	-
Loans Payable to Component Unit	325,655	-	325,655	-
Unearned Revenue	13,376	-	13,376	-
Net Pension Liability	2,438,797	21,524	2,460,321	63,988
Other Post-Employment Benefits	2,190,262	22,592	2,212,854	90,944
Pollution Remediation & Landfill Obligations	44,542	-	44,542	-
Other Noncurrent Liabilities	-	-	-	154,957
<b>Total Long-Term Liabilities</b>	<b>5,711,822</b>	<b>44,818</b>	<b>5,756,640</b>	<b>4,318,285</b>
<b>Total Liabilities</b>	<b>6,916,258</b>	<b>85,159</b>	<b>7,001,417</b>	<b>4,921,279</b>
<b>Deferred Inflows of Resources</b>	<b>223,785</b>	<b>493</b>	<b>224,278</b>	<b>56,430</b>
<b>Net Position</b>				
Net Investment in Capital Assets	3,580,547	33,521	3,614,068	1,161,922
Restricted:				
Business Licensing & Regulation	14,271	-	14,271	-
Governmental Support & Operations	5,443	-	5,443	-
Employment Security	-	471,256	471,256	-
Other Purposes	-	-	-	1,285,747
Funds Held for Permanent Investments:				
Expendable	84,525	-	84,525	-
Nonexpendable	30,466	-	30,466	264,367
Unrestricted	(3,491,939)	(32,080)	(3,524,019)	281,453
<b>Total Net Position</b>	<b>\$ 223,313</b>	<b>\$ 472,697</b>	<b>\$ 696,010</b>	<b>\$ 2,993,489</b>

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

Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)

	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
Governmental Activities:				
Governmental Support & Operations	\$ 432,870	\$ 93,862	\$ 4,491	\$ -
Arts, Heritage & Cultural Enrichment	11,821	876	3,321	-
Business Licensing & Regulation	67,030	81,866	583	-
Economic Development & Workforce Training	185,166	6,286	71,682	-
Education	1,774,309	36,221	221,167	-
Health & Human Services	3,804,516	13,673	2,378,668	-
Justice & Protection	433,728	86,995	49,415	-
Natural Resources Development & Protection	218,375	99,351	42,817	-
Transportation Safety & Development	627,901	145,090	230,029	-
Interest Expense	51,788	-	-	-
Total Governmental Activities	<u>7,607,504</u>	<u>564,220</u>	<u>3,002,173</u>	<u>-</u>
Business-Type Activities:				
Employment Security	83,159	116,053	9,510	-
Alcoholic Beverages	137,426	189,263	-	-
Lottery	230,678	293,759	-	-
Ferry Services	12,950	5,056	-	-
Military Equipment Maintenance	10,895	11,228	-	-
Consolidated Emergency Communications	6,952	6,278	-	-
Other	1,593	2,047	-	-
Total Business-Type Activities	<u>483,653</u>	<u>623,684</u>	<u>9,510</u>	<u>-</u>
Total Primary Government	<u>8,091,157</u>	<u>1,187,904</u>	<u>3,011,683</u>	<u>-</u>
<b>Component Units:</b>				
Finance Authority of Maine	44,905	25,084	19,859	-
Maine Community College System	143,591	13,973	54,258	999
Maine Health & Higher Education Facilities Authority	26,557	24,510	1,258	-
Maine Municipal Bond Bank	67,883	54,827	3,097	23,181
Maine State Housing Authority	215,284	66,918	167,389	-
Maine Turnpike Authority	102,266	136,066	-	-
University of Maine System	713,195	311,752	194,768	4,370
All Other Non-Major Component Units	168,472	43,534	100,088	12,539
Total Component Units	<u>\$ 1,482,153</u>	<u>\$ 676,664</u>	<u>\$ 540,717</u>	<u>\$ 41,089</u>

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



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

Governmental Activities	Business-type Activities	Total	Component Units
\$ (334,517)	\$ -	\$ (334,517)	\$ -
(7,624)	-	(7,624)	-
15,419	-	15,419	-
(107,198)	-	(107,198)	-
(1,516,921)	-	(1,516,921)	-
(1,412,175)	-	(1,412,175)	-
(297,318)	-	(297,318)	-
(76,207)	-	(76,207)	-
(252,782)	-	(252,782)	-
(51,788)	-	(51,788)	-
<u>(4,041,111)</u>	<u>-</u>	<u>(4,041,111)</u>	<u>-</u>
-	42,404	42,404	-
-	51,837	51,837	-
-	63,081	63,081	-
-	(7,894)	(7,894)	-
-	333	333	-
-	(674)	(674)	-
-	454	454	-
-	<u>149,541</u>	<u>149,541</u>	<u>-</u>
<u>(4,041,111)</u>	<u>149,541</u>	<u>(3,891,570)</u>	<u>-</u>
-	-	-	38
-	-	-	(74,361)
-	-	-	(789)
-	-	-	13,222
-	-	-	19,023
-	-	-	33,800
-	-	-	(202,305)
-	-	-	(12,311)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (223,683)</u>

**General Revenues:**

Taxes:				
Corporate Taxes	187,519	-	187,519	-
Individual Income Taxes	1,628,709	-	1,628,709	-
Fuel Taxes	249,927	-	249,927	-
Property Taxes	66,226	-	66,226	-
Sales & Use Taxes	1,573,544	-	1,573,544	-
Other Taxes	377,966	-	377,966	-
Unrestricted Investment Earnings	26,621	-	26,621	14,322
Non-Program Specific Grants, Contributions & Appropriations	-	-	-	326,643
Miscellaneous Income	99,208	-	99,208	13,218
Gain (Loss) on Sale of Assets	-	-	-	(19)
Tobacco Settlement	67,565	-	67,565	-
Special Items	-	-	-	(5,782)
Transfers - Internal Activities	108,620	(108,620)	-	-
Total General Revenues and Transfers	<u>4,385,905</u>	<u>(108,620)</u>	<u>4,277,285</u>	<u>348,382</u>
Change in Net Position	344,794	40,921	385,715	124,699
Net Position - Beginning (as restated)	(121,481)	431,776	310,295	2,868,790
Net Position - Ending	<u>\$ 223,313</u>	<u>\$ 472,697</u>	<u>\$ 696,010</u>	<u>\$ 2,993,489</u>



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# GOVERNMENTAL FUND FINANCIAL STATEMENTS

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## MAJOR FUNDS

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

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

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

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

## NON-MAJOR FUNDS

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

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

June 30, 2018  
(Expressed in Thousands)

	<u>General</u>	<u>Highway</u>	<u>Federal</u>	<u>Other Special Revenue</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Equity in Treasurer's Cash Pool	\$ 447,649	\$ 19,859	\$ 6,815	\$ 346,702	\$ 92	\$ 821,117
Cash & Short-Term Investments	103	117	-	41	-	261
Cash with Fiscal Agent	9,422	495	-	131,417	-	141,334
Investments	-	-	-	-	114,901	114,901
Restricted Assets:						
Restricted Equity in Treasurer's Cash Pool	-	-	-	-	36,784	36,784
Inventories	2,812	1	459	-	-	3,272
Receivables, Net of Allowance for						
Uncollectibles:						
Taxes Receivable	451,937	26,117	-	12,844	-	490,898
Loans Receivable	1	-	-	4,989	-	4,990
Other Receivable	96,597	3,090	80,408	75,450	-	255,545
Due from Other Funds	21,922	2,379	2,253	71,757	-	98,311
Due from Other Governments	-	-	269,284	-	-	269,284
Due from Component Units	-	-	-	77,823	-	77,823
Other Assets	672	2	149	19	-	842
Working Capital Advances Receivable	111	-	-	-	-	111
Total Assets	<u>\$ 1,031,226</u>	<u>\$ 52,060</u>	<u>\$ 359,368</u>	<u>\$ 721,042</u>	<u>\$ 151,777</u>	<u>\$ 2,315,473</u>
<b>Liabilities</b>						
Accounts Payable	\$ 149,963	\$ 30,796	\$ 244,613	\$ 28,985	\$ 787	\$ 455,144
Accrued Payroll	24,557	9,175	4,656	8,840	-	47,228
Tax Refunds Payable	225,251	7	-	-	-	225,258
Due to Other Governments	-	-	79,276	-	-	79,276
Due to Other Funds	58,628	4,124	6,998	10,700	54,518	134,968
Due to Component Units	948	1	2,746	6,945	489	11,129
Unearned Revenue	-	4,132	459	9,127	3	13,721
Other Accrued Liabilities	7,179	-	1,796	4,475	2	13,452
Total Liabilities	<u>466,526</u>	<u>48,235</u>	<u>340,544</u>	<u>69,072</u>	<u>55,799</u>	<u>980,176</u>
<b>Deferred Inflows of Resources</b>	<u>232,441</u>	<u>545</u>	<u>35</u>	<u>25,937</u>	<u>-</u>	<u>258,958</u>
<b>Fund Balances</b>						
Nonspendable:						
Permanent Fund Principal	-	-	-	-	30,466	30,466
Inventories & Prepaid Items	3,172	-	610	-	-	3,782
Restricted	16,449	3,280	18,179	474,079	117,810	629,797
Committed	23,978	-	-	101,969	-	125,947
Assigned	118,986	-	-	49,985	-	168,971
Unassigned	169,674	-	-	-	(52,298)	117,376
Total Fund Balances	<u>332,259</u>	<u>3,280</u>	<u>18,789</u>	<u>626,033</u>	<u>95,978</u>	<u>1,076,339</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 1,031,226</u>	<u>\$ 52,060</u>	<u>\$ 359,368</u>	<u>\$ 721,042</u>	<u>\$ 151,777</u>	<u>\$ 2,315,473</u>

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

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

Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)

Total fund balances for governmental funds		\$ 1,076,339
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.		4,497,583
Accumulated Depreciation	<u>439,039</u>	4,058,544
Refunded Bond Deferred Outflows		3,421
Pollution Remediation Receivable		1,273
Long-term liabilities are not due and payable in the current period. Therefore, long-term liabilities are not reported in the governmental fund statements. However, these amounts are included in the Statement of Net Position. This net effect of these balances on the statement:		
Bonds Payable	(616,901)	
Interest Payable Related to Long-term Financing	(3,701)	
Certificates of Participation and Other Financing Arrangements	(52,620)	
Capital Leases	(1,589)	
Loans Payable to Component Unit	(378,264)	
Compensated Absences	(45,735)	
Pension Liabilities and Deferrals	(2,022,236)	
Other Post-Employment Benefit Liabilities and Deferrals	(2,238,352)	
Pollution Remediation and Landfill Obligations	<u>(44,542)</u>	(5,403,940)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		258,958
Other Revenue		3,782
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		<u>224,936</u>
Net position of governmental activities		<u>\$ 223,313</u>

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

**STATE OF MAINE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)

	<u>General</u>	<u>Highway</u>	<u>Federal</u>	<u>Other Special Revenue</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>						
Taxes	\$ 3,529,960	\$ 225,828	\$ -	\$ 307,336	\$ -	\$ 4,063,124
Assessments	102,271	99,400	-	177,683	-	379,354
Federal Grants & Reimbursements	1,638	-	2,992,243	8,816	-	3,002,697
Charges for Services	44,055	4,570	454	124,414	-	173,493
Investment Income	10,048	327	12	2,276	11,026	23,689
Miscellaneous Revenues	1,484	90	2,186	152,085	-	155,845
Total Revenues	<u>3,689,456</u>	<u>330,215</u>	<u>2,994,895</u>	<u>772,610</u>	<u>11,026</u>	<u>7,798,202</u>
<b>Expenditures</b>						
Current:						
Governmental Support & Operations	278,502	2,456	4,569	104,353	242	390,122
Economic Development & Workforce						
Training	41,861	-	72,195	48,969	25,001	188,026
Education	1,518,098	-	222,955	37,280	3,644	1,781,977
Health & Human Services	1,142,645	-	2,374,399	340,036	-	3,857,080
Business Licensing & Regulation	73	-	57	69,332	-	69,462
Natural Resources Development &						
Protection	79,245	32	42,728	107,514	1,735	231,254
Justice & Protection	338,241	30,307	48,796	57,912	2,160	477,416
Arts, Heritage & Cultural Enrichment	7,921	-	3,169	973	-	12,063
Transportation Safety & Development	-	360,268	172,200	70,307	2,564	605,339
Debt service:						
Principal Payments	86,075	18,285	14,310	33,640	-	152,310
Interest Expense	26,074	1,480	5,093	13,049	-	45,696
Capital Outlay	-	-	-	-	68,468	68,468
Total Expenditures	<u>3,518,735</u>	<u>412,828</u>	<u>2,960,471</u>	<u>883,365</u>	<u>103,814</u>	<u>7,879,213</u>
Revenue over (under) Expenditures	<u>170,721</u>	<u>(82,613)</u>	<u>34,424</u>	<u>(110,755)</u>	<u>(92,788)</u>	<u>(81,011)</u>
<b>Other Financing Sources (Uses)</b>						
Transfer from Other Funds	113,151	73,732	8,415	204,796	1,407	401,501
Transfer to Other Funds	(147,142)	(11,589)	(47,771)	(81,559)	(4,223)	(292,284)
COPs & Other	22,105	595	-	883	-	23,583
Bonds Issued	-	-	-	58,535	-	58,535
Net Other Finance Sources (Uses)	<u>(11,886)</u>	<u>62,738</u>	<u>(39,356)</u>	<u>182,655</u>	<u>(2,816)</u>	<u>191,335</u>
Net Change in Fund Balances	<u>158,835</u>	<u>(19,875)</u>	<u>(4,932)</u>	<u>71,900</u>	<u>(95,604)</u>	<u>110,324</u>
Fund Balance at Beginning of Year	<u>173,424</u>	<u>23,155</u>	<u>23,721</u>	<u>554,133</u>	<u>191,582</u>	<u>966,015</u>
Fund Balances at End of Year	<u>\$ 332,259</u>	<u>\$ 3,280</u>	<u>\$ 18,789</u>	<u>\$ 626,033</u>	<u>\$ 95,978</u>	<u>\$ 1,076,339</u>

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

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

Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)

Net change in fund balances - total governmental funds		\$ 110,324
Amounts reported for governmental activities in the Statement of Net Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Outlay	101,976	
Depreciation Expense	(33,535)	
The net effect of various transactions involving capital assets (i.e. sales, trade-ins and contributions) is to increase net position.	<u>(898)</u>	67,543
Refunded Bond Deferred Outflows		(1,014)
Pollution Remediation Receivable		171
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	(58,535)	
Proceeds from Other Financing Arrangements	(22,700)	
Repayment of Bond Principal	104,360	
Repayment of Other Financing Debt	20,246	
Repayment of Pledged Revenue Principal	50,449	
Repayment of Capitalized Lease Principal	529	
Accrued Interest	502	
Amortization of Bond Premiums	<u>4,261</u>	99,112
Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported as expenditures on the Statement of Net Position and have been eliminated from the Statement of Position as follows:		
Compensated Absences	(1,877)	
Pension Liabilities and Deferrals	36,678	
Other Post-employment Benefit Liabilities and Deferrals	(36,487)	
Pollution Remediation and Landfill Obligations	<u>(11,003)</u>	(12,689)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		17,463
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is included in governmental activities in the Statement of Activities.		<u>63,884</u>
Changes in net position of governmental activities		<u>\$ 344,794</u>

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





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# PROPRIETARY FUND

# FINANCIAL STATEMENTS

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## MAJOR FUNDS

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

## NON-MAJOR FUNDS

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

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

June 30, 2018  
(Expressed in Thousands)

	Business-Type Activities			Governmental Activities
	Enterprise Funds			
	Major Employment Security	Non-Major Other Enterprise	Total	
<b>Assets</b>				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ -	\$ 10,634	\$ 10,634	\$ 224,301
Cash & Short-Term Investments	1,935	754	2,689	2
Cash with Fiscal Agent	-	-	-	2,537
Restricted Assets:				
Restricted Deposits & Investments	446,171	-	446,171	4,297
Inventories	-	4,472	4,472	3,378
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	26,709	35,995	62,704	11,719
Due from Other Funds	176	2,338	2,514	26,468
Other Assets	-	1,122	1,122	6,353
Total Current Assets	<u>474,991</u>	<u>55,315</u>	<u>530,306</u>	<u>279,055</u>
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	-	2,355	2,355	49,649
Capital Assets - Net of Depreciation	-	33,521	33,521	219,454
Total Noncurrent Assets	<u>-</u>	<u>35,876</u>	<u>35,876</u>	<u>269,103</u>
Total Assets	<u>474,991</u>	<u>91,191</u>	<u>566,182</u>	<u>548,158</u>
<b>Deferred Outflows of Resources</b>	<u>\$ -</u>	<u>\$ 5,579</u>	<u>\$ 5,579</u>	<u>\$ 21,627</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	\$ 2,133	\$ 12,226	\$ 14,359	\$ 17,107
Accrued Payroll	-	823	823	3,236
Due to Other Funds	-	14,090	14,090	11,060
Due to Component Units	-	-	-	2,297
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	-	-	-	9,078
Obligations under Capital Leases	-	-	-	5,566
Claims Payable	-	-	-	20,623
Compensated Absences	-	104	104	508
Unearned Revenue	-	260	260	365
Net Other Post-Employment Benefit Liability	-	1,353	1,353	4,923
Accrued Interest Payable	-	-	-	60
Other Accrued Liabilities	1,602	21,840	23,442	713
Total Current Liabilities	<u>3,735</u>	<u>50,696</u>	<u>54,431</u>	<u>75,536</u>
Long-Term Liabilities:				
Working Capital Advances Payable	-	-	-	111
Unearned Revenue	-	-	-	114
Certificates of Participation & Other Financing Arrangements	-	-	-	10,670
Obligations under Capital Leases	-	-	-	49,363
Claims Payable	-	-	-	46,406
Compensated Absences	-	702	702	3,368
Net Pension Liability	-	21,524	21,524	81,350
Net Other Post-Employment Benefit Liability	-	22,592	22,592	75,421
Total Long-Term Liabilities	<u>-</u>	<u>44,818</u>	<u>44,818</u>	<u>266,803</u>
Total Liabilities	<u>3,735</u>	<u>95,514</u>	<u>99,249</u>	<u>342,339</u>
<b>Deferred Inflows of Resources</b>	<u>\$ -</u>	<u>\$ 493</u>	<u>\$ 493</u>	<u>\$ 1,832</u>
<b>Net Position</b>				
Net Investment in Capital Assets:	-	33,521	33,521	147,314
Restricted for:				
Unemployment Compensation	471,256	-	471,256	-
Other Purposes	-	-	-	498
Unrestricted	<u>-</u>	<u>(32,758)</u>	<u>(32,758)</u>	<u>77,802</u>
Total Net Position	<u>\$ 471,256</u>	<u>\$ 763</u>	<u>472,019</u>	<u>\$ 225,614</u>
Amounts reported for business-type activities in the government-wide Statement of Activities are different due to elimination of the State's internal business-type activities			<u>678</u>	
Net Position of Business-Type Activities			<u>\$ 472,697</u>	

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

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

Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)

	<b>Business-Type Activities</b>			<b>Governmental Activities Internal Service Funds</b>
	<b>Enterprise Funds</b>			
	<b>Major Employment Security</b>	<b>Non-Major Other Enterprise</b>	<b>Total</b>	
<b>Operating Revenues</b>				
Charges for Services	\$ -	\$ 507,609	\$ 507,609	\$ 452,727
Assessments	115,968	-	115,968	-
Miscellaneous Revenues	85	7	92	704
Total Operating Revenues	<u>116,053</u>	<u>507,616</u>	<u>623,669</u>	<u>453,431</u>
<b>Operating Expenses</b>				
General Operations	-	398,153	398,153	373,293
Depreciation	-	2,900	2,900	23,961
Claims/Fees Expense	83,159	-	83,159	7,368
Other Operating Expenses	-	-	-	689
Total Operating Expenses	<u>83,159</u>	<u>401,053</u>	<u>484,212</u>	<u>405,311</u>
Operating Income (Loss)	<u>32,894</u>	<u>106,563</u>	<u>139,457</u>	<u>48,120</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment Revenue (Expenses) - net	9,510	-	9,510	2,932
Interest Expense	-	-	-	(12,477)
Other Nonoperating Revenue (Expenses) - net	-	15	15	7,013
Total Nonoperating Revenues (Expenses)	<u>9,510</u>	<u>15</u>	<u>9,525</u>	<u>(2,532)</u>
Income (Loss) Before Capital Contributions, Transfers and Special Items	<u>42,404</u>	<u>106,578</u>	<u>148,982</u>	<u>45,588</u>
<b>Capital Contributions, Transfers and Special Items</b>				
Capital Contributions from (to) Other Funds	-	1,021	1,021	13,487
Transfer from Other Funds	61	5,336	5,397	6,279
Transfer to Other Funds	(333)	(114,705)	(115,038)	(911)
Total Capital Contributions, Transfers and Special Items	<u>(272)</u>	<u>(108,348)</u>	<u>(108,620)</u>	<u>18,855</u>
Change in Net Position	42,132	(1,770)	40,362	64,443
Net Position - Beginning (as restated)	<u>429,124</u>	<u>2,533</u>		<u>161,171</u>
Net Position - End of Year	<u>\$ 471,256</u>	<u>\$ 763</u>		<u>\$ 225,614</u>
Amounts reported for business-type activities in the government-wide Statement of Activities are different due to elimination of the State's internal business-type activities			<u>559</u>	
Changes in Business-Type Net Position			<u>\$ 40,921</u>	

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

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

June 30, 2018  
(Expressed in Thousands)

	<u>Business-type Activities - Enterprise Funds</u>			<b>Governmental Activities Internal Service Funds</b>
	<b>Major Employment Security</b>	<b>Non-Major Other Enterprise</b>	<b>Totals</b>	
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 114,594	\$ 500,570	\$ 615,164	\$ 39,553
Other Operating Cash Receipts (Payments)				
Cash Received from Interfund Services	-	9,314	9,314	435,252
Payments of Benefits	(82,697)	-	(82,697)	-
Payments to Prize Winners	-	(193,698)	(193,698)	-
Payments to Suppliers	-	(179,777)	(179,777)	(254,734)
Payments to Employees	-	(18,654)	(18,654)	(75,600)
Payments for Interfund Goods and Services	(165)	(7,827)	(7,992)	(54,518)
Net Cash Provided (Used) by Operating Activities	<u>31,732</u>	<u>109,928</u>	<u>141,660</u>	<u>89,953</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers from Other Funds	61	5,336	5,397	6,279
Transfers to Other Funds	(333)	(114,705)	(115,038)	(911)
Negative Cash Balance Implicitly Financed	-	2,425	2,425	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(272)</u>	<u>(106,944)</u>	<u>(107,216)</u>	<u>5,368</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments for Acquisition of Capital Assets	-	-	-	(16,289)
Proceeds from Financing Arrangements	-	-	-	5,500
Principal and Interest Paid on Financing Arrangements	-	-	-	(25,037)
Proceeds from Sale of Capital Assets	-	2	2	7,274
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>2</u>	<u>2</u>	<u>(28,552)</u>
<b>Cash Flows from Investing Activities</b>				
Interest Revenue	9,510	15	9,525	2,932
Net Cash Provided (Used) by Investing Activities	<u>9,510</u>	<u>15</u>	<u>9,525</u>	<u>2,932</u>
Net Increase (Decrease) in Cash/Cash Equivalents	40,970	3,001	43,971	69,701
Cash/Cash Equivalents - Beginning of Year	407,136	10,742	417,878	211,085
Cash/Cash Equivalents - End of Year	<u>\$ 448,106</u>	<u>\$ 13,743</u>	<u>\$ 461,849</u>	<u>\$ 280,786</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating Income (Loss)	\$ 32,894	\$ 106,563	\$ 139,457	\$ 48,120
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	-	2,900	2,900	23,961
Decrease (Increase) in Assets				
Accounts Receivable	(1,459)	(1,083)	(2,542)	(1,417)
Interfund Balances	(165)	(501)	(666)	(799)
Inventories	-	222	222	910
Other Assets	-	(110)	(110)	25,689
Deferred Outflows	-	3,565	3,565	12,140
Increase (Decrease) in Liabilities				
Accounts Payable	(475)	1,909	1,434	12,175
Accrued Payroll Expense	-	(21)	(21)	114
Due to Other Governments	-	-	-	(6,495)
Compensated Absences	-	51	51	185
Deferred Inflows	-	251	251	993
Net Pension Liability	-	(6,460)	(6,460)	(15,718)
Other Accruals	937	2,630	3,567	(9,948)
Net OPEB Liability	-	12	12	43
Total Adjustments	(1,162)	3,365	2,203	41,833
Net Cash Provided (Used) by Operating Activities	<u>\$ 31,732</u>	<u>\$ 109,928</u>	<u>\$ 141,660</u>	<u>\$ 89,953</u>
<b>Non Cash Investing, Capital and Financing Activities</b>				
Property Leased, Accrued or Acquired	-	-	-	1,756
Contributed Capital Assets	-	1,021	1,021	13,487

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

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# FIDUCIARY FUND

## FINANCIAL STATEMENTS

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

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

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

Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)

	<b>Pension (and Other Employee Benefits)</b>	<b>Private Purpose Trusts</b>	<b>Agency Funds</b>
<b>Assets</b>			
Equity in Treasurer's Cash Pool	\$ -	\$ 540	\$ 16,870
Cash & Short-Term Investments	32,417	2,527	27
Receivables, Net of Allowance for Uncollectibles:			
State and Local Agency Contributions	31,317	-	-
Interest and Dividends	2,423	-	-
Due from Brokers for Securities Sold	2,534	-	-
Other Receivable	-	815	-
Investments at Fair Value:			
Equity Securities	2,256,044	-	-
Common/Collective Trusts	12,696,405	-	-
Investments - Other	-	20,320	-
Restricted Deposits & Investments	-	-	11
Securities Lending Collateral	208,030	-	-
Due from Other Funds	-	37,329	-
Investments Held on Behalf of Others	-	-	59,889
Capital Assets - Net of Depreciation	5,992	-	-
Other Assets	-	4,010	4,648
Total Assets	<u>15,235,162</u>	<u>65,541</u>	<u>81,445</u>
<b>Liabilities</b>			
Accounts Payable	6,819	715	5
Due to Other Funds	-	2	4,502
Agency Liabilities	-	-	74,134
Obligations Under Securities Lending	208,030	-	-
Other Accrued Liabilities	23,521	-	2,804
Total Liabilities	<u>238,370</u>	<u>717</u>	<u>81,445</u>
<b>Net Position</b>			
Restricted for Pension	14,607,379	-	-
Restricted for Other Post-Employment Benefits	389,413	-	-
Restricted for Individuals, Organizations and Other Governments	-	64,824	-
Total Net Position	<u>\$ 14,996,792</u>	<u>\$ 64,824</u>	<u>\$ -</u>

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

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

Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)

	<u>Pension (and Other Employee Benefits)</u>	<u>Private Purpose Trusts</u>
<b>Additions:</b>		
Contributions:		
Members	\$ 196,844	\$ -
State & Local Agencies	357,978	-
Other Contributing Entity	132,881	-
Investment Income (Loss):		
Net Increase (Decrease) in the Fair Value of Investments	1,409,236	1,493
Interest & Dividends	74,736	238
Securities Lending Income	933	-
Less Investment Expense:		
Investment Activity Expense	101,485	-
Securities Lending Expense	(412)	-
Net Investment Income (Loss)	1,383,832	1,731
Miscellaneous Revenues	-	19,094
Transfer from Other Funds	-	603
Total Additions	<u>2,071,535</u>	<u>21,428</u>
<b>Deductions:</b>		
Benefits Paid to Participants or Beneficiaries	1,039,321	11,070
Refunds & Withdrawals	25,363	-
Administrative Expenses	13,965	351
Claims Processing Expense	986	-
Transfer to Other Funds	-	5,547
Total Deductions	<u>1,079,635</u>	<u>16,968</u>
Net Increase (Decrease)	991,900	4,460
<b>Net Position:</b>		
Restricted		
Beginning of Year	<u>14,004,892</u>	<u>60,364</u>
End of Year	<u>\$ 14,996,792</u>	<u>\$ 64,824</u>

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





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# COMPONENT UNIT

## FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

June 30, 2018  
(Expressed in Thousands)

	<u>Finance Authority of Maine</u>	<u>Maine Community College System</u>	<u>Maine Health &amp; Higher Educational Facilities Authority</u>	<u>Maine Municipal Bond Bank</u>
<b>Assets</b>				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ 19,094	\$ 7,152	\$ 4,272	\$ -
Cash & Short-Term Investments	3,061	15,911	1,161	383
Investments	64,758	56,498	15,961	24,374
Restricted Assets:				
Restricted Deposits & Investments	-	-	23,248	305,798
Inventories	-	18	-	-
Receivables, Net of Allowance for Uncollectibles:				
Loans Receivable	40,778	-	34,735	-
Other Receivable	2,783	5,186	308	1,003
Due from Other Governments	-	-	-	145,793
Due from Primary Government	-	609	-	3,450
Loans Receivable from Primary Government	-	-	-	52,609
Other Assets	11,517	1,881	872	17,802
<b>Total Current Assets</b>	<b>141,991</b>	<b>87,255</b>	<b>80,557</b>	<b>551,212</b>
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	4,228	1,584	946	-
Restricted Assets:				
Restricted Assets	12,293	1,117	68,459	174,573
Investments	-	14,974	25,453	-
Receivables, Net of Current Portion:				
Loans & Notes Receivable	56,909	-	461,894	-
Other Receivables	-	-	-	-
Due from Other Governments	-	-	-	1,352,586
Due from Primary Government	-	-	-	-
Loans Receivable from Primary Government	-	-	-	325,655
Capital Assets - Net of Depreciation	1,330	181,568	-	338
Other Non-Current Assets	-	-	-	-
<b>Total Noncurrent Assets</b>	<b>74,760</b>	<b>199,243</b>	<b>556,752</b>	<b>1,853,152</b>
<b>Total Assets</b>	<b>216,751</b>	<b>286,498</b>	<b>637,309</b>	<b>2,404,364</b>
<b>Deferred Outflows of Resources</b>	<b>\$ 695</b>	<b>\$ 19,692</b>	<b>\$ -</b>	<b>\$ 32,673</b>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	\$ 5,163	\$ 3,574	\$ 24	\$ 322
Accrued Payroll	-	-	-	-
Compensated Absences	-	2,532	-	-
Due to Other Governments	-	-	-	245
Due to Primary Government	-	-	-	76,745
Amounts Held Under State & Federal Loan Programs	-	-	-	22,438
Bonds & Notes Payable	7,317	804	35,095	165,542
Obligations under Capital Leases	-	14	-	-
Accrued Interest Payable	347	-	12,029	12,446
Unearned Revenue	1,633	2,789	2,592	4,988
Other Accrued Liabilities	20,411	7,141	-	-
<b>Total Current Liabilities</b>	<b>34,871</b>	<b>16,854</b>	<b>49,740</b>	<b>282,726</b>
Long-Term Liabilities				
Due to Other Governments	2,656	-	-	1,012
Amounts Held Under State & Federal Loan Programs	47,146	-	-	-
Bonds & Notes Payable	85,927	18,346	530,280	1,430,278
Obligations under Capital Leases	-	-	-	-
Net Pension Liability	-	52,462	-	850
Net Other Post-Employment Benefit Liability	-	12,113	-	-
Total Other Post-Employment Benefit Liability	-	-	-	885
Other Noncurrent Liabilities	-	-	-	-
<b>Total Long-Term Liabilities</b>	<b>135,729</b>	<b>82,921</b>	<b>530,280</b>	<b>1,433,025</b>
<b>Total Liabilities</b>	<b>170,600</b>	<b>99,775</b>	<b>580,020</b>	<b>1,715,751</b>
<b>Deferred Inflows of Resources</b>	<b>-</b>	<b>22,283</b>	<b>-</b>	<b>381</b>
<b>Net Position</b>				
Net Investment in Capital Assets	1,330	163,521	-	338
Restricted	18,524	42,734	-	652,336
Unrestricted	26,992	(22,123)	57,289	68,231
<b>Total Net Position</b>	<b>\$ 46,846</b>	<b>\$ 184,132</b>	<b>\$ 57,289</b>	<b>\$ 720,905</b>

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

<u>Maine State Housing Authority</u>	<u>Maine Turnpike Authority</u>	<u>University of Maine System</u>	<u>Non-Major Component Units</u>	<u>Total</u>
\$ -	\$ -	\$ 10,977	\$ 2	\$ 41,497
1,105	9,833	4,255	18,080	53,789
328,592	12,985	244,029	12,107	759,304
-	67,991	-	38,862	435,899
-	1,151	-	845	2,014
29,846	-	63	1,001	106,423
9,383	5,505	38,467	3,292	65,927
4,332	-	7,804	6,298	164,227
3,449	-	2,792	710	11,010
-	-	-	-	52,609
-	1,511	5,637	1,432	40,652
<u>376,707</u>	<u>98,976</u>	<u>314,024</u>	<u>82,629</u>	<u>1,733,351</u>
-	-	2,431	-	9,189
-	52,130	14,828	26,142	349,542
107,584	-	388,561	13,005	549,577
1,265,488	-	40,210	17,457	1,841,958
-	230	9,956	543	10,729
184	-	-	-	1,352,770
-	-	119	297	416
-	-	-	-	325,655
556	629,512	700,203	166,030	1,679,537
1,144	2,682	10,558	1,404	15,788
<u>1,374,956</u>	<u>684,554</u>	<u>1,166,866</u>	<u>224,878</u>	<u>6,135,161</u>
<u>1,751,663</u>	<u>783,530</u>	<u>1,480,890</u>	<u>307,507</u>	<u>7,868,512</u>
\$ 13,341	\$ 19,857	\$ 12,571	\$ 3,857	\$ 102,686
\$ 8,662	\$ 12,165	\$ 17,260	\$ 15,950	\$ 63,120
-	3,324	-	1,167	4,491
-	-	-	636	3,168
416	-	-	372	1,033
-	-	-	1,078	77,823
-	-	-	-	22,438
48,685	20,640	13,213	2,325	293,621
-	-	745	10	769
5,248	-	-	-	30,070
3,757	10,612	9,513	5,305	41,189
-	8,796	27,995	929	65,272
<u>66,768</u>	<u>55,537</u>	<u>68,726</u>	<u>27,772</u>	<u>602,994</u>
-	-	-	1,340	5,008
-	-	-	-	47,146
1,355,645	376,015	144,803	12,087	3,953,381
-	-	2,861	-	2,861
3,712	-	77,505	6,964	63,988
-	-	-	-	89,618
6,462	40,097	108,398	441	1,326
-	-	-	-	154,957
<u>1,365,819</u>	<u>416,112</u>	<u>333,567</u>	<u>20,832</u>	<u>4,318,285</u>
<u>1,432,587</u>	<u>471,649</u>	<u>402,293</u>	<u>48,604</u>	<u>4,921,279</u>
<u>2,384</u>	<u>7,033</u>	<u>21,283</u>	<u>3,066</u>	<u>56,430</u>
556	293,812	550,818	151,547	1,161,922
295,988	31,973	419,046	89,513	1,550,114
33,489	(1,080)	100,021	18,634	281,453
<u>\$ 330,033</u>	<u>\$ 324,705</u>	<u>\$ 1,069,885</u>	<u>\$ 259,694</u>	<u>\$ 2,993,489</u>

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

Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)

	<b>Finance Authority Of Maine</b>	<b>Maine Community College System</b>	<b>Maine Health &amp; Higher Educational Facilities Authority</b>	<b>Maine Municipal Bond Bank</b>
<b>Expenses</b>	\$ 44,905	\$ 143,591	\$ 26,557	\$ 67,883
<b>Program Revenues</b>				
Charges for Services	25,084	13,973	24,510	54,827
Program Investment Income	106	843	1,258	1,016
Operating Grants & Contributions	19,753	53,415	-	2,081
Capital Grants & Contributions	-	999	-	23,181
Net Revenue (Expense)	<u>38</u>	<u>(74,361)</u>	<u>(789)</u>	<u>13,222</u>
<b>General Revenues</b>				
Unrestricted Investment Earnings	315	2,725	168	170
Non-program Specific Grants, Contributions & Appropriations	-	66,891	-	-
Miscellaneous Revenues	-	2,881	119	1,313
Gain (Loss) on Assets Held for Sale	-	-	-	-
Special Items	-	-	-	-
Total General Revenues	<u>315</u>	<u>72,497</u>	<u>287</u>	<u>1,483</u>
Change in Net Position	353	(1,864)	(502)	14,705
Net Position, Beginning of Year (as restated)	<u>46,493</u>	<u>185,996</u>	<u>57,791</u>	<u>706,200</u>
Net Position, End of Year	<u>\$ 46,846</u>	<u>\$ 184,132</u>	<u>\$ 57,289</u>	<u>\$ 720,905</u>

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

<b>Maine State Housing Authority</b>	<b>Maine Turnpike Authority</b>	<b>University Of Maine System</b>	<b>Non-Major Component Units</b>	<b>Total</b>
\$ 215,284	\$ 102,266	\$ 713,195	\$ 168,472	\$ 1,482,153
66,918	136,066	311,752	43,534	676,664
5,216	-	19,207	9	27,655
162,173	-	175,561	100,079	513,062
-	-	4,370	12,539	41,089
<u>19,023</u>	<u>33,800</u>	<u>(202,305)</u>	<u>(12,311)</u>	<u>(223,683)</u>
208	1,168	6,490	3,078	14,322
-	-	241,305	18,447	326,643
-	6,944	-	1,961	13,218
-	(123)	(443)	547	(19)
-	-	-	(5,782)	(5,782)
<u>208</u>	<u>7,989</u>	<u>247,352</u>	<u>18,251</u>	<u>348,382</u>
19,231	41,789	45,047	5,940	124,699
<u>310,802</u>	<u>282,916</u>	<u>1,024,838</u>	<u>253,754</u>	<u>2,868,790</u>
<u>\$ 330,033</u>	<u>\$ 324,705</u>	<u>\$ 1,069,885</u>	<u>\$ 259,694</u>	<u>\$ 2,993,489</u>



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# NOTES TO THE FINANCIAL STATEMENTS

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**STATE OF MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**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 should be reported as component units if their resources are for the direct benefit of the State and the State can access those resources. Although the State has not identified any organizations that would qualify as direct component units of the State by meeting all of the criteria of GASB Statement No. 39, a few of the component units described later in this note have significant foundations that meet the criteria of GASB Statement No. 39.

**Blended Component Units**

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

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

**Discrete Component Units**

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

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

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

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

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

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

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

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

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

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

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

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

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

Finance Authority of Maine 5 Community Dr. PO Box 949 Augusta, ME 04432	Maine Health and Higher Education Facilities Authority PO Box 2268 Augusta, ME 04338	Maine Public Employees Retirement System PO Box 349 Augusta, ME 04332-0349	Maine Turnpike Authority 2360 Congress Street Portland, ME 04102
Maine Community College System 323 State Street Augusta, ME 04330	Maine Municipal Bond Bank PO Box 2268 Augusta, ME 01338	Maine State Housing Authority 89 State House Station 353 Water Street Augusta, ME 04330	University of Maine System 5703 Alumni Hall, Suite 101 Orono, ME 04469

### 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 \$606.0 million of restricted net position, of which \$485.5 million is restricted by enabling legislation.

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

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

### Fund Financial Statements

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

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

### Measurement Focus and Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements except for agency funds which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

### **Financial Statement Presentation**

The State reports the following major governmental funds:

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

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

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

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

The State reports the following major enterprise fund:

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

Additionally, the State reports the following fund types:

### **Governmental Fund Types:**

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

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

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

### **Proprietary Fund Types:**

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

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

### **Fiduciary Fund Types:**

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

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

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

**D. FISCAL YEAR-ENDS**

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

**E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE****Equity in Treasurer's Cash Pool**

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

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

**Cash and Cash Equivalents**

Cash equivalents consist of short-term investments that mature within three months. On the Statement of Cash Flows, the amount reported as "Cash and Cash Equivalents" is equal to the total of the amounts reported on the Statement of Net Position as "Equity in Treasurer's Cash Pool," "Cash and Cash Equivalents," "Cash with Fiscal Agent," "Restricted Equity in Treasurer's Cash Pool," and "Restricted Deposits and Investments."

**Cash with Fiscal Agent**

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

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

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

**Investments Held on Behalf of Others**

These assets include amounts held by the State in a fiduciary capacity, acting as either a trustee or an agent for individuals, organizations or other funds. Generally, these investments are reported at fair value or at amortized cost which approximates fair value. The State also holds \$123.7 million of Workers' Compensation, \$58.5 million of Bureau of Insurance, and \$33.7 million of Maine Department of Labor surety bonds and letters of credit that are not reflected on the financial statements.

**Restricted Deposits and Investments**

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

**Inventories**

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

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

**Receivables**

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

**Interfund Transactions and Balances**

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

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

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

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

**Due from/to Other Governments**

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

**Capital Assets**

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

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

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

**Deferred Outflows of Resources**

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

**Accounts Payable**

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers. Incurred but not paid (IBNP) Medicaid claims settlements are actuarially estimated. The IBNP estimate recorded at June 30, 2018 is \$216.9 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, 2018 but paid after the fiscal year end are also reported in the funds. Approximately 56% of the governmental fund compensated absences are liquidated by the general fund. In the discretely presented component units, employees' accumulated compensated absences are recorded as an expense and liability as the benefits accrue.

**Net Pension Liability**

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

**OPEB Liability**

The total OPEB liability is the portion of the actuarial present value of projected benefit payments attributed to past periods of employee service. It is the liability of employers and nonemployer contributing entities to employees for benefits provided through an OPEB plan that is not administered through a trust. The net OPEB liability is the liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit OPEB plan that is administered through a trust.

**Deferred Inflows of Resources**

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

**Loans Payable to Component Units**

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

**Long-Term Obligations**

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

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

**Net Position/Fund Balances**

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

**Fund Balance Restrictions**

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

The State reported the following fund balance restrictions:

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

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

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

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

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

#### **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 \$169.7 million unassigned General Fund fund balance. Amounts in the stabilization fund may be expended only to offset a General Fund revenue shortfall. The Governor may also allocate funds for payment of death benefits for law enforcement officers, firefighters and emergency medical services personnel.

Balances in the fund do not lapse, but carry forward each year. Money in the fund may be invested with any earnings credited to the fund except when the fund is at its statutory cap. The State Controller is required to transfer to the fund 80 percent of the amount available from the unappropriated surplus after all required deductions of appropriations, budgeted financial commitments and adjustments at the close of each fiscal year when the fund is not at its statutory cap. In accordance with the statute, the State Controller made the required transfer for fiscal year 2018. The State Controller transferred \$2.0 million from the Budget Stabilization Fund to the General Fund unappropriated surplus in accordance with Public Law 2017, Chapter 284, Part CCCCCC-2.



The statutory cap for the fund is 18 percent of the total General Fund revenue received in the immediately preceding fiscal year. At the close of the fiscal year, the cap is based on the revenue received in the fiscal year being closed. Based on fiscal year 2018 actual General Fund revenue, the statutory cap at the close of fiscal year 2018 and during fiscal year 2018 was \$645.8 million. At the close of fiscal year 2018, the balance of the Maine Budget Stabilization Fund was \$272.9 million. No reductions to the Maine Budget Stabilization Fund balance are required when it exceeds the balance of the statutory cap as a result of a decline of General Fund revenue.

### Budget Stabilization Fund Activity

(Expressed in Thousands)

Balance, beginning of year	\$ 196,290
Increase in fund balance	<u>76,571</u>
Balance, end of year	<u><u>\$ 272,861</u></u>

### Budget and Budgetary Expenditures

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

Except in specific instances, only the Legislature may transfer appropriations between departments. Changes in appropriation, allocation, or funding for new programs are presented to the Legislature as supplemental budgets or separate pieces of legislation. For the year ended June 30, 2018, the Legislature decreased appropriations to the General Fund by \$26 thousand.

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

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

The State's fund balances represent: (1) restricted purposes, which include balances legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (2) committed purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature; (3) assigned purposes, which includes balances that are constrained by government's intent to be used for specific purposes, but are neither restricted nor committed. A summary of the nature and purpose of these fund balance types at June 30, 2018 are detailed on the following pages.

### Governmental Fund Balances

(Expressed in Thousands)

	<u>NSIF</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
<b>General Fund:</b>				
Education	\$ -	\$ -	\$ -	\$ 25,590
Economic & Community Development	-	-	3,005	-
Governmental Support & Operations	-	8,502	-	52,087
Treasury	-	-	-	13,054
Health & Human Services	-	-	20,973	23,109
Public Safety	-	920	-	-
Justice & Protection	-	-	-	2,811
Natural Resources Development & Protection	-	1,010	-	-
Inland Fisheries & Wildlife	-	6,017	-	-
Agriculture & Conservation	-	-	-	1,750
All Other	3,172	-	-	585
Total	<u>\$ 3,172</u>	<u>\$ 16,449</u>	<u>\$ 23,978</u>	<u>\$ 118,986</u>
<b>Highway Fund:</b>				
Transportation, Highway & Bridge Construction	\$ -	\$ 3,280	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ 3,280</u>	<u>\$ -</u>	<u>\$ -</u>

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

	<u>NSIF</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
<b>Federal Fund:</b>				
Health & Human Services	\$ -	\$ 2,179	\$ -	\$ -
Centers for Disease Control	-	1,269	-	-
Office of Family Independence	-	1,902	-	-
Substance Abuse & Mental Health	-	1,820	-	-
Office of Child & Family Services	-	6,578	-	-
Justice & Protection	-	1,039	-	-
Public Safety	-	2,695	-	-
Transportation - Highway & Bridge Construction	-	628	-	-
All Other	610	69	-	-
Total	<u>\$ 610</u>	<u>\$ 18,179</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Other Special Revenue Fund:</b>				
Business Licensing & Regulation	\$ -	\$ 1,904	\$ -	\$ -
Workers Compensation Board	-	18,527	-	-
Professional & Financial Regulation	-	60,457	-	-
Public Utilities Commission	-	11,308	-	8,359
Education	-	-	2,721	7,256
Higher Education	-	-	-	1,094
Economic & Community Development	-	34,869	6,568	-
Governmental Support & Operations	-	22,005	23,748	968
Liquor Bond	-	18,294	-	-
Bonds for Highway & Bridge Construction	-	104,226	-	-
Health & Human Services	-	1,163	-	-
Aging & Disability Services	-	-	-	1,053
Fund for Healthy Maine	-	-	38,024	-
Office of Family Independence	-	-	-	4,703
Office of the Commissioner	-	-	-	1,012
Substance Abuse & Mental Health	-	-	10,152	2,363
Centers for Disease Control & Prevention	-	1,757	3,226	-
MaineCare	-	21,701	(5,243)	-
Defense, Veterans & Emergency Management	-	1,798	-	2,396
Justice & Protection	-	74,828	-	4,872
Public Safety	-	10,989	-	1,312
Natural Resources Development & Protection	-	4,013	-	-
Agriculture & Conservation	-	2,978	9,593	10,768
Environmental Protection	-	22,323	2,295	-
Inland Fisheries & Wildlife	-	11,884	-	-
Marine Resources	-	4,576	-	3,829
Transportation Safety & Development	-	4,676	1,492	-
Transportation - Highway & Bridge Construction	-	22,861	-	-
Motor Vehicles	-	6,939	-	-
Multimodal Transportation	-	-	9,393	-
Transcap	-	6,398	-	-
All Other	-	3,605	-	-
Total	<u>\$ -</u>	<u>\$ 474,079</u>	<u>\$ 101,969</u>	<u>\$ 49,985</u>
<b>Other Governmental Funds:</b>				
Capital Projects - Agriculture & Conservation	\$ -	\$ 7,617	\$ -	\$ -
Capital Projects - Justice & Protection	-	5,447	-	-
Capital Projects - Multimodal Transportation	-	16,478	-	-
Capital Projects - Environmental Protection	-	2,966	-	-
Capital Projects - Other	-	777	-	-
Permanent Funds - Baxter Park	-	-	8,325	-
Permanent Funds - All Others	-	-	22,141	-
Special Revenue Funds - Baxter Park	-	84,422	-	-
Special Revenue Funds - All Other	-	103	-	-
Total	<u>\$ -</u>	<u>\$ 117,810</u>	<u>\$ 30,466</u>	<u>\$ -</u>

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

During fiscal year ended June 30, 2018, the State implemented the following accounting standard that required numerous changes to beginning balances:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information.

*Primary Government* As a result of implementing these new standards, numerous changes were made to beginning balances as shown in the table below. Also see Note 10 for further information on OPEB reporting.

(Expressed in Millions)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Remove Prior Year OPEB Obligation and Asset Balances	\$ 388	\$ 3	\$ 391
Record Deferred Outflows	87	2	89
Record Net OPEB Liabilities	(1,015)	(24)	(1,039)
Record Total OPEB Liabilities	<u>(1,350)</u>	<u>-</u>	<u>(1,350)</u>
 Change in Net Position	 <u>\$ (1,890)</u>	 <u>\$ (19)</u>	 <u>\$ (1,909)</u>

*Component Units* Three major component units and one non-major component unit implemented GASB 75 and restated their beginning net position. Decreases to net position included: University of Maine System \$89.6 million, Maine Community College \$15.1 million, Maine Municipal Bond Bank \$.3 million and non-major Northern New England Passenger Rail Authority \$.3 million.

During fiscal year ended June 30, 2018, the State implemented the following accounting standards that had no impact on the State's financial statements:

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement enhances the comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. This Statement also enhances the decision-usefulness of general purpose external financial reports, and their value for assessing accountability, by more clearly identifying the resources that are available for the government to carry out its mission.

GASB Statement No. 85, *Omnibus 2017*. The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The requirements of this Statement will increase consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. The requirements of this Statement also will enhance consistency in financial reporting of prepaid insurance related to debt that has been extinguished. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance.

**Change in Reporting Entity**

A financial reporting entity, as defined in GASB Codification 2100.511, is "[a] primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete." Determining which discretely presented component unit disclosures are essential to fair presentation is a matter of professional judgment and should be done on a component unit-by-component unit basis.

Management reassessed its position to include all identified component units in its financial reporting entity. Inclusion is not meaningful to the readers of its financial statements and creates an undue burden for these entities to meet an accelerated deadline for publication in the State's CAFR. Management determined that six of the smallest component units could be excluded without making its financial statements misleading or incomplete. The six formerly reported component units were ConnectME Authority, Loring Development Authority, Maine Educational Center for the Deaf and Hard of Hearing, Maine Port Authority, Maine Technology Institute and the Small Enterprise Growth Fund. Their exclusion removed 2 percent of assets, 2 percent of expenses and 3 percent of net position, or \$86.0 million. The Maine School of Science and Mathematics, a newly identified non-major component unit, will also be excluded from the reporting entity.

**Non-GASB 75 Restatement – Component Unit**

Midcoast Regional Redevelopment Authority reduced its net position \$78 thousand.

**NOTE 4 - DEFICIT FUND BALANCES/NET POSITION****NON-MAJOR GOVERNMENTAL FUNDS**

The Capital Projects fund, had a deficit unassigned fund balance of \$52.3 million. The fund balance deficit was caused by expenditures for projects for which bonds had not yet been issued. On July 31, 2018 the State issued \$111.3 million in General Obligation Bonds. See Note 18 - Subsequent Events for additional details.

**PROPRIETARY FUNDS**

Five internal service funds showed deficits for the fiscal year ended June 30, 2018. The Workers' Compensation Fund reported a deficit of \$23.1 million, which reflects accruals for actuarially determined claims payable. The Leased Space Fund had a deficit of \$5.3 million because rates charged were insufficient to cover expenses incurred. The Postal, Printing & Supply fund reported a deficit of \$7.0 million because expenses are recognized when incurred; however, related revenue is not earned until jobs are satisfactorily completed. All of the deficits mentioned above are expected to be funded by future service charges. The remaining two internal service funds, Financial and Personnel Services and Information Services, reported deficits of \$34.9 million and \$54.3 million, respectively. These deficits are primarily the result of the implementation of GASB Statement No. 68 in Fiscal Year 2015, which required the recognition of the entire net pension liability and the restatement of beginning net position due to the implementation of GASB Statement No. 75.

Two enterprise funds showed deficits for the fiscal year ended June 30, 2018. Maine Military Authority and Consolidated Emergency Communication Fund reported deficits of \$17.6 million and \$9.3 million, respectively. The deficits for these funds are primarily the result of the implementation of GASB Statement No. 68 in Fiscal Year 2015, which required the recognition of the entire net pension liability and the restatement of beginning net position due to the implementation of GASB Statement No. 75.

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

Approved investments include bonds, notes, certificates of indebtedness, other obligations of the United States that mature not more than 36 months from the date of investment; repurchase agreements secured by obligations of the United States that mature within the succeeding 12 months; prime commercial paper with maturities not exceeding 270 days from the date of purchase; tax-exempt obligations that mature not more than 36 months from the date of investment and have a long-term rating of no less than "AA" or the equivalent; corporate bonds rated "AAA" that mature within 36 months from the date of investment; banker's acceptances with an original maturity not exceeding 180 days and rated in the highest short-term category by at least one nationally recognized securities rating organization (NRSRO); and "no-load" shares of an investment company registered under the Federal Investment Company Act of 1940, which are rated "AAAm" or "AAAm-G" by Standard & Poor's, or the equivalent by another NRSRO. Although authorized to do so, the Treasurer does not participate in the securities loan market.

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

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

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

The Primary Government's Deposits and Investments, excluding component units that are fiduciary in nature, at June 30, 2018 are as follows:

### Primary Government Deposits and Investments

(Expressed in Thousands)

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Private Purpose Trusts</b>	<b>Agency Funds</b>	<b>Total</b>
Equity in Treasurer's Cash Pool	\$ 1,095,067	\$ 12,989	\$ 540	\$ 16,870	\$ 1,125,466
Cash and Cash Equivalents	263	2,689	2,527	27	5,506
Cash with Fiscal Agent	143,871	-	-	-	143,871
Investments	114,901	-	20,320	-	135,221
Restricted Equity in Treasurer's Cash Pool	36,784	-	-	-	36,784
Restricted Deposits and Investments	4,297	446,171	-	11	450,479
Investments Held on Behalf of Others	-	-	-	59,889	59,889
<b>Total Primary Government</b>	<b>\$ 1,395,183</b>	<b>\$ 461,849</b>	<b>\$ 23,387</b>	<b>\$ 76,797</b>	<b>\$ 1,957,216</b>

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. In general, the State holds securities to maturity. All debt securities are reported at full-term.

The following table provides the segmented time distribution of the Primary Government's investments at June 30, 2018:

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

	Less than 1	1-5	6-10	11-20	More than 20	No Maturity	Fair Value
<i>Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds</i>							
US Instrumentalities	\$ 70,172	\$ 180,056	\$ -	\$ -	\$ -	\$ -	\$ 250,228
US Treasury Notes	142,283	-	-	-	-	-	142,283
Corporate Notes and Bonds	18,390	9,143	-	-	-	-	27,533
Commercial Paper	270,093	-	-	-	-	-	270,093
Certificates of Deposit	115,771	23,154	-	-	-	-	138,925
Cash and Cash Equivalents	394	-	-	-	-	322,633	323,027
Unemployment Fund	-	-	-	-	-	446,171	446,171
<i>Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds</i>							
US Instrumentalities	1,045	2,701	334	354	871	-	5,305
US Treasury Notes	4,411	5,056	4,177	-	987	3,081	17,712
Corporate Notes and Bonds	7,785	3,023	256	-	359	43,403	54,826
Other Fixed Income Securities	106	-	33,568	-	-	35,351	69,025
Commercial Paper	4,107	-	-	-	-	-	4,107
Certificates of Deposit	11,258	358	-	-	-	2,539	14,155
Money Market	-	-	-	-	-	3,192	3,192
Cash and Cash Equivalents	2,527	-	-	-	-	19,704	22,231
Equities	-	-	-	-	-	18,179	18,179
Other	-	-	-	-	-	6,353	6,353
	<u>\$ 648,342</u>	<u>\$ 223,491</u>	<u>\$ 38,335</u>	<u>\$ 354</u>	<u>\$ 2,217</u>	<u>\$ 900,606</u>	<u>\$ 1,813,345</u>
Other Assets							
Cash with Fiscal Agent							143,871
Total Primary Government							<u>\$ 1,957,216</u>

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

The Primary Government's total investments by credit quality rating as of June 30, 2018 are presented below:

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

	A1	A	AA	AAA	BB	BBB	Not Rated	Total
<i>Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds</i>								
US Instrumentalities	\$ -	\$ -	\$ 246,323	\$ -	\$ -	\$ -	\$ 3,905	\$ 250,228
US Treasury Notes	54,526	-	87,757	-	-	-	-	142,283
Corporate Notes and Bonds	-	-	-	-	-	-	27,533	27,533
Commercial Paper	270,093	-	-	-	-	-	-	270,093
<i>Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds</i>								
US Instrumentalities	-	-	3,770	-	-	-	1,535	5,305
US Treasury Notes	-	829	2,529	-	-	-	14,354	17,712
Corporate Notes and Bonds	-	774	466	64	-	1,218	52,304	54,826
Commercial Paper	4,107	-	-	-	-	-	-	4,107
Money Market	-	-	-	-	-	-	3,192	3,192
Other Fixed Income Securities	-	-	-	-	-	-	6,353	6,353
Total Primary Government	<u>\$ 328,726</u>	<u>\$ 1,603</u>	<u>\$ 340,845</u>	<u>\$ 64</u>	<u>\$ -</u>	<u>\$ 1,218</u>	<u>\$ 109,176</u>	<u>\$ 781,632</u>

*Concentration of Credit Risk* – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The State limits concentration of credit risk in its trusts by requiring that no single stock represent more than seven percent of the total portfolio. There is no concentration of credit risk policy for the Treasurer’s Cash Pool. At June 30, 2018, 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 \$150 million invested in non-negotiable certificates of deposit, certain CD’s exceeded the FDIC insured amounts for the institutions at which they were held. However, certificates of deposits, money market accounts and regular cash deposits are all collateralized at a minimum of 100% with pledged securities or a Federal Home Loan Bank letter of credit. The State does not have a policy regarding custodial credit risk for its trusts. The Percival P. Baxter Trust is held by the counterparty’s trust department, but not in the State’s name.

The fair value of the trust’s investments as of June 30, 2018 was \$84.3 million and was comprised of the following (expressed in thousands):

U.S. Instrumentalities	\$	1,535
U.S. Treasury Notes		1,360
Corporate Notes and Bonds		2,643
Other Fixed Income Securities		14,115
Equities		59,410
Cash and Equivalents		1,021
Other		4,223
Total	\$	<u>84,307</u>

The State and certain vendors contract with a fiscal intermediary, Clareon, for electronic disbursements from the State to its vendors. During fiscal year 2018 these disbursements, on average, exceeded \$174 million per month. The funds in transit are not collateralized and are not held by the State Treasurer. Until the vendor receives payment, the State retains some liability.

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

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

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

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

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

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

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

- *Market Approach* - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

- *Cost Approach* – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost);
- *Income Approach* – Techniques to convert future amount to a single present amount based on market exceptions (including present value techniques).

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

**Investments classified as level 1:** Investments classified as level 1 are primarily exchange traded equity securities and other fixed income securities valued at market prices using interactive exchange data. Investment are evaluated by obtaining feeds from a number of live data sources including active market makers and inter-dealer brokers. Sources are reviewed on the basis of their historical accuracy for individual issues and maturity ranges. Treasury notes and bonds are evaluated by gathering information from market sources and integrate relative credit information, observed market movements, and sector news into the evaluated pricing applications and models.

**Investments classified as level 2:** Investments classified as level 2 including fixed income corporate bond, fixed income government bonds and treasury notes are priced using a published mid-price. Investments are evaluated as follows: a. A bullet (non-call) spread scale is created for each issuer for maturities going out to forty years. These spreads represent credit risk and are obtained from the new issue market, secondary trading, and dealer quotes. Each issuer-spread line has the capability to link parent/subsidiary and related companies to capture relevant movements. b. An Option Adjusted Spread (OAS) model is incorporated to adjust spreads of issues that have early redemption features. c. Final spreads are added to both a 15: and 16: (ET) U.S. Treasury curve. A special cash discounting yield/price routine calculates prices from final yields to accommodate odd coupon payment dates typical of medium-term notes. d. Evaluators maintain quality by surveying the dealer community, obtaining benchmark quotes, incorporating relevant trade data, and updating spreads daily. Note: Floating-rate medium-term notes are evaluated using the Floating-Rate Note Evaluation Model which generates evaluations for floating-rate notes by calculating current and future coupons, then discounting each cash flow by an appropriate discount margin.

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

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

The following table set forth by level, within the fair value hierarchy, the State of Maine's assets carried at fair value on a recurring basis as of June 30, 2018:

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

	Total	Quoted Prices in		Significant Unobservable Inputs Level 3
		Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	
Commercial Paper	\$ 292,453	\$ -	\$ 292,453	\$ -
Corporate Notes and Bonds	86,879	-	32,316	54,563
U.S. Instrumentalities	267,991	-	267,991	-
U.S. Treasury Notes	155,815	155,815	-	-
Other Fixed Income Securities	25,266	25,266	-	-
Equities	98,182	98,182	-	-
Other	4,223	-	-	4,223
<b>Total</b>	<b>\$ 930,809</b>	<b>\$ 279,263</b>	<b>\$ 592,760</b>	<b>\$ 58,786</b>



**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM**

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

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

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

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

Cash collateral is invested in a short-term investment pool. Cash collateral may also be invested separately in "term loans." At June 30, 2018 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, 2018 was \$278.1 million and \$272.0 million, respectively.

The system did not have any derivative investments as of June 30, 2018 or during the year then ended.

*Concentration of Credit Risk* – Concentration of credit risk is the risk of loss that may be attributed to the magnitude of investment in a single issue. The System's investment policy places no limit on the amount the System may invest in any one issuer. At June 30, 2018 one investment in BlackRock 0-5 Year TIPS pooled fixed income funds exceeded 5% of the fiduciary net position for the defined benefit plans.

**COMPONENT UNITS**

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

Certain component units also invest in the Treasurer's Cash Pool and comprise approximately 6 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 \$50.7 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 \$7.1 million, consisting of Finance Authority of Maine component unit fiduciary funds that, because of GASB Statement No. 34 reporting criteria, are not shown in the accompanying financial statements as invested in the Treasurer's Cash Pool.

**NOTE 6 - RECEIVABLES**

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

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

	<u>Taxes</u>	<u>Accounts</u>	<u>Loans</u>	<u>Allowance for Uncollectibles</u>	<u>Net Receivables</u>
<b>Governmental Funds:</b>					
General	\$ 558,178	\$ 152,509	\$ 1	\$ (162,153)	\$ 548,535
Highway	26,146	3,107	-	(46)	29,207
Federal	-	112,445	-	(32,037)	80,408
Other Special Revenue	13,003	96,304	5,040	(21,064)	93,283
Total Governmental Funds	597,327	364,365	5,041	(215,300)	751,433
Allowance for Uncollectibles	(106,429)	(108,820)	(51)		
Net Receivables	<u>\$ 490,898</u>	<u>\$ 255,545</u>	<u>\$ 4,990</u>		<u>\$ 751,433</u>
<b>Proprietary Funds:</b>					
Employment Security	\$ -	\$ 48,317	\$ -	\$ (21,608)	\$ 26,709
Nonmajor Enterprise	-	36,143	-	(148)	35,995
Internal Service	-	11,719	-	-	11,719
Total Proprietary Funds	-	96,179	-	(21,756)	74,423
Allowance for Uncollectibles	-	(21,756)	-		
Net Receivables	<u>\$ -</u>	<u>\$ 74,423</u>	<u>\$ -</u>		<u>\$ 74,423</u>

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

	<u>Accounts</u>	<u>Loans</u>	<u>Allowance for Uncollectibles</u>	<u>Net Receivables</u>
Finance Authority of Maine	\$ 2,783	\$ 102,907	\$ (5,220)	\$ 100,470
Maine Community College System	6,220	-	(1,034)	5,186
Maine Health and Educational Facilities Authority	381	496,629	(73)	496,937
Maine Municipal Bond Bank	1,003	-	-	1,003
Maine State Housing Authority	9,383	1,304,466	(9,132)	1,304,717
Maine Turnpike Authority	5,735	-	-	5,735
University of Maine System	56,732	42,109	(10,145)	88,696
Net Receivables	<u>\$ 82,237</u>	<u>\$ 1,946,111</u>	<u>\$ (25,604)</u>	<u>\$ 2,002,744</u>

**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, 2018 were:

<b>Interfund Receivables</b> (Expressed in Thousands)					
<b>Due to Other Funds</b>					
<b>Due from Other Funds</b>	<b>General</b>	<b>Highway</b>	<b>Federal</b>	<b>Other Special Revenue</b>	<b>Other Governmental</b>
General	\$ -	\$ -	\$ 372	\$ 2,825	\$ -
Highway	2	6	2,370	-	-
Federal	5	1	100	2,147	-
Other Special Revenue	8,650	519	1,440	1,385	54,518
Other Governmental	-	-	-	-	-
Employment Security	-	-	176	-	-
Non-Major Enterprise	2,335	3	-	-	-
Internal Service	10,307	3,595	2,540	4,343	-
Fiduciary	37,329	-	-	-	-
<b>Total</b>	<b>\$ 58,628</b>	<b>\$ 4,124</b>	<b>\$ 6,998</b>	<b>\$ 10,700</b>	<b>\$ 54,518</b>

<b>Due to Other Funds</b>					
<b>Due from Other Funds</b>	<b>Employment Security</b>	<b>Non-Major Enterprise Funds</b>	<b>Internal Service Funds</b>	<b>Fiduciary Funds</b>	<b>Total</b>
General	\$ -	\$ 8,848	\$ 5,388	\$ 4,489	\$ 21,922
Highway	-	-	1	-	2,379
Federal	-	-	-	-	2,253
Other Special Revenue	-	4,822	423	-	71,757
Other Governmental	-	-	-	-	-
Employment Security	-	-	-	-	176
Non-Major Enterprise	-	-	-	-	2,338
Internal Service	-	420	5,248	15	26,468
Fiduciary	-	-	-	-	37,329
<b>Total</b>	<b>\$ -</b>	<b>\$ 14,090</b>	<b>\$ 11,060</b>	<b>\$ 4,504</b>	<b>\$ 164,622</b>

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

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

During fiscal year 2018, the State of Maine, in accordance with the legislatively authorized budget, recorded the following non-routine, nonrecurring transfers.

The Other Special Revenue Fund transferred \$17.4 million to the unappropriated surplus of the General Fund. The General Fund transferred \$6.0 million to the Other Special Revenue, Maine Clean Election Fund.

Interfund transfers for the year ended June 30, 2018 consisted of the following:

<b>Interfund Transfers</b> (Expressed in Thousands)					
<b>Transferred From</b>					
<b>Transferred To</b>	<b>General</b>	<b>Highway</b>	<b>Federal</b>	<b>Other Special Revenue</b>	<b>Other Governmental</b>
General	\$ -	\$ -	\$ 6,786	\$ 38,374	\$ -
Highway	1,680	-	40,300	31,728	-
Federal	75	-	-	8,007	-
Other Special Revenue	139,210	6,253	624	3,450	2,213
Other Governmental Funds	-	-	-	-	1,407
Employment Security	-	-	61	-	-
Non-Major Enterprise	-	5,336	-	-	-
Internal Service	6,177	-	-	-	-
Fiduciary	-	-	-	-	603
<b>Total</b>	<b>\$ 147,142</b>	<b>\$ 11,589</b>	<b>\$ 47,771</b>	<b>\$ 81,559</b>	<b>\$ 4,223</b>

<b>Transferred From</b>					
<b>Transferred To</b>	<b>Employment Security</b>	<b>Non-Major Enterprise Funds</b>	<b>Internal Service Funds</b>	<b>Fiduciary Funds</b>	<b>Total</b>
General	\$ -	\$ 62,307	\$ 785	\$ 4,899	\$ 113,151
Highway	-	-	24	-	73,732
Federal	333	-	-	-	8,415
Other Special Revenue	-	52,398	-	648	204,796
Other Governmental Funds	-	-	-	-	1,407
Employment Security	-	-	-	-	61
Non-Major Enterprise	-	-	-	-	5,336
Internal Service	-	-	102	-	6,279
Fiduciary	-	-	-	-	603
<b>Total</b>	<b>\$ 333</b>	<b>\$ 114,705</b>	<b>\$ 911</b>	<b>\$ 5,547</b>	<b>\$ 413,780</b>

**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, 2018:

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

	<u>Beginning Balance</u>	<u>Increases and Other Additions</u>	<u>Decreases and Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<b>Capital assets not being depreciated</b>				
Land	\$ 628,824	\$ 13,379	\$ 1,154	\$ 641,049
Construction in progress	46,996	49,269	37,319	58,946
Infrastructure	<u>2,869,006</u>	<u>32,460</u>	<u>-</u>	<u>2,901,466</u>
Total capital assets not being depreciated	<u>3,544,826</u>	<u>95,108</u>	<u>38,473</u>	<u>3,601,461</u>
<b>Capital assets being depreciated</b>				
Buildings	781,762	68,477	4,763	845,476
Equipment	298,115	21,586	12,583	307,118
Improvements other than buildings	109,165	4,362	35	113,492
Software	<u>75,973</u>	<u>270</u>	<u>-</u>	<u>76,243</u>
Total capital assets being depreciated	<u>1,265,015</u>	<u>94,695</u>	<u>17,381</u>	<u>1,342,329</u>
<b>Less accumulated depreciation for</b>				
Buildings	331,549	21,254	9,500	343,303
Equipment	197,543	25,463	13,977	209,029
Improvements other than buildings	54,975	5,112	35	60,052
Software	<u>46,081</u>	<u>7,327</u>	<u>-</u>	<u>53,408</u>
Total accumulated depreciation	<u>630,148</u>	<u>59,156</u>	<u>23,512</u>	<u>665,792</u>
Total capital assets being depreciated, net	<u>634,867</u>	<u>35,539</u>	<u>(6,131)</u>	<u>676,537</u>
Governmental Activities Capital Assets, net	<u>\$ 4,179,693</u>	<u>\$ 130,647</u>	<u>\$ 32,342</u>	<u>\$ 4,277,998</u>
	<u>Beginning Balance</u>	<u>Net Additions</u>	<u>Net Deletions</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
<b>Capital assets not being depreciated</b>				
Land	\$ 2,389	\$ -	\$ -	\$ 2,389
Construction in progress	<u>-</u>	<u>971</u>	<u>-</u>	<u>971</u>
Total capital assets not being depreciated	<u>2,389</u>	<u>971</u>	<u>-</u>	<u>3,360</u>
<b>Capital assets being depreciated</b>				
Buildings	4,655	-	-	4,655
Equipment	32,658	50	7	32,701
Improvements other than buildings	<u>42,757</u>	<u>-</u>	<u>-</u>	<u>42,757</u>
Total capital assets being depreciated	<u>80,070</u>	<u>50</u>	<u>7</u>	<u>80,113</u>
<b>Less accumulated depreciation for</b>				
Buildings	2,772	137	-	2,909
Equipment	14,352	1,264	7	15,609
Improvements other than buildings	<u>29,933</u>	<u>1,501</u>	<u>-</u>	<u>31,434</u>
Total accumulated depreciation	<u>47,057</u>	<u>2,902</u>	<u>7</u>	<u>49,952</u>
Total capital assets being depreciated, net	<u>33,013</u>	<u>(2,852)</u>	<u>-</u>	<u>30,161</u>
Business-Type Activities Capital Assets, net	<u>\$ 35,402</u>	<u>\$ (1,881)</u>	<u>\$ -</u>	<u>\$ 33,521</u>

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

### Governmental Activities - Depreciation Expense

(Expressed in Thousands)

	<u>Amount</u>
<b>Governmental Activities:</b>	
Arts, Heritage and Cultural Enrichment	\$ 53
Business Licensing and Regulation	426
Economic Development and Workforce Training	1,393
Education	154
Governmental Support and Operations	13,099
Health and Human Services	8,492
Justice and Protection	15,782
Natural Resources Development and Protection	6,443
Transportation Safety and Development	<u>11,654</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 57,496</u>

## NOTE 9 - MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

### OVERVIEW OF THE SYSTEM

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

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

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

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

The System administers three defined contribution plans for employees of PLD's that elect to participate. At June 30, 2018, there were 80 employers participating in these plans. The 1,084 participants individually direct the \$38.0 million covered by the plans.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for the plan. The June 30, 2018 report may be obtained from the Maine Public Employees Retirement System, PO Box 349 Augusta, ME 04332-0349 or on-line at [www.maineopers.org](http://www.maineopers.org).

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

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

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

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

#### **PENSIONS**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit retirement plans and additions to or deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by the System. The measurement period used is June 30, 2017. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

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

#### **MEMBERSHIP**

State employees and teachers are covered under the Maine Public Employees Retirement System's State Employee and Teacher Retirement Program (SETP). State employees and public school teachers are required by law to become members of SETP when hired. Membership is optional for elected, appointed officials and substitute teachers. SETP also covers eligible employees of two discretely presented State component units: Maine Community College System and the Northern New England Passenger Rail Authority. At June 30, 2018 there were 236 employers, including the State of Maine, participating in the plan.

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

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

Membership in each single employer defined benefit plan consisted of the following at the measurement date of June 30, 2017:

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

	<u>Judicial</u>	<u>Legislative</u>
Inactive employees or beneficiaries currently receiving benefits	75	185
Terminated participants:		
Vested	2	120
Inactive employees due refunds	1	110
Active employees	<u>63</u>	<u>185</u>
Total participants	<u>141</u>	<u>600</u>

**STATE EMPLOYEES AND TEACHERS PENSION PLAN BENEFITS**

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

**PARTICIPATING LOCAL DISTRICTS PLAN BENEFITS**

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

**CONTRIBUTION INFORMATION**

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

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



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

On occasion, the State may agree to pay employee pension contributions as a part of the compensation and benefits that are negotiated with employees. The employer-paid contributions are treated as part of their pension compensation. In accordance with statute, the actuary accumulates them in the Retirement Allowance Fund. Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to terminated members' accounts is set by the System's Board of Trustees and is currently 2.4 percent.

#### CONTRIBUTION RATES - DEFINED BENEFIT PENSION PLANS

The Maine Constitution, Maine Statutes and the System's funding policy provide for periodic employer contributions at actuarially determined rates that, based upon certain assumptions, are expressed as percentages of annual covered payroll and are sufficient to accumulate adequate assets to pay benefits when due. On July 20, 2017 Chapter 1, Constitutional Resolution was passed by the legislature and ratified by the voters in November. Any unfunded liability resulting from experience losses must be retired over a period not exceeding 20 years. Prior to the change a 10 year amortization period was used.

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

Contribution rates<sup>1</sup> in effect for the fiscal years ended June 30, 2018 and June 30, 2017 are as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<b>SETP - State Employees</b>		
Employees <sup>2</sup>	7.65% - 8.65%	7.65% - 8.65%
Employer <sup>1</sup>	23.48% - 47.73%	21.99% - 42.18%
<b>SETP - Teachers</b>		
Employees <sup>2</sup>	7.65%	7.65%
Employer <sup>1</sup>	3.97%	3.36%
Non-employer entity <sup>1</sup>	11.08%	10.02%
<b>Judicial Plan</b>		
Employees <sup>2</sup>	7.65%	7.65%
Employer <sup>1</sup>	14.94%	14.98%
<b>Legislative Plan</b>		
Employees <sup>2</sup>	7.65%	7.65%
Employer <sup>1</sup>	0.00%	0.00%
<b>Consolidated Participating Local Entities</b>		
Employees <sup>2</sup>	4.00% - 9.00%	4.00% - 9.00%
Employer <sup>1</sup>	3.90% - 15.70%	4.60% - 14.20%

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

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

For the year ended June 30, 2018, the contributions recognized as part of pension expense (grant expense for Teacher Members) for each plan were as follows:

(Expressed in Thousands)

**State Employee and Teacher Pension Plan:**

State & Component Unit Members	
State Employees	\$ 155,416
1 Major and Non-major Component Unit and 1 formerly reported component unit. See Note 3.	<u>7,718</u>
Subtotal State & Component Unit Members	<u>\$ 163,134</u>
Teacher Members (Non-employer contribution)	<u>\$ 116,415</u>

**NET PENSION LIABILITY - SINGLE EMPLOYER**

The State is the sole employer for two defined benefit pension plans. The State's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The changes in net pension liabilities for these plans are as follows:

(Expressed in Thousands)

	Judicial Pension Plan			Legislative Pension Plan		
	Total Pension Liability (Asset) (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)	Total Pension Liability (Asset) (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2017	<u>\$ 63,723</u>	<u>\$ 60,892</u>	<u>\$ 2,831</u>	<u>\$ 7,680</u>	<u>\$ 10,807</u>	<u>\$ (3,127)</u>
<b>Changes for the Year:</b>						
Service Cost	1,466	-	1,466	265	-	265
Interest	4,358	-	4,358	530	-	530
Differences Between Expected and Actual Experience	(893)	-	(893)	158	-	158
Benefit Payments, Including Refunds	(3,652)	(3,652)	-	(469)	(469)	-
Employer Contributions	-	1,144	(1,144)	-	-	-
Member Contributions	-	585	(585)	-	202	(202)
Net Investment Income	-	7,800	(7,800)	-	1,366	(1,366)
Administrative Expense	-	(57)	57	-	(9)	9
Net Changes	<u>1,279</u>	<u>5,820</u>	<u>(4,541)</u>	<u>484</u>	<u>1,090</u>	<u>(606)</u>
Balances at June 30, 2018	<u>\$ 65,002</u>	<u>\$ 66,712</u>	<u>\$ (1,710)</u>	<u>\$ 8,164</u>	<u>\$ 11,897</u>	<u>\$ (3,733)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability			102.6 %			145.7 %
Covered Payroll			\$ 7,640			\$ 2,651
Net Pension Liability as a Percentage of Covered Payroll			(22.4)%			(140.8)%

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

The State's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State's net pension liability is measured as the proportionate share of the net pension liability. The State's proportion of the net pension liability was based on a projection of the State's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers and non-employer contributors, actuarially determined. The State's proportionate share of the collective net pension liability for each plan at June 30, 2018 and June 30, 2017 is as follows:

(Expressed in Thousands)

<b>Pension Plan</b>	Proportionate Share June 30, 2017	Proportionate Share June 30, 2018	Net Pension Asset June 30, 2018	Net Pension Liability June 30, 2018
SETP - State Employees <sup>1</sup>	94.498857 %	94.829879 %	\$ -	\$ 1,080,168
SETP - Teachers <sup>2</sup>	95.002519 %	95.016790 %	-	1,380,153
Total Primary Government			-	2,460,321
SETP - 1 Major and Non-major Component Unit and 1 formerly reported component unit <sup>1</sup>	5.501143 %	5.170121 %	\$ -	\$ 58,890

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

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

The State's SETP – State Employee Plan is allocated to governmental and proprietary funds based on employer contributions as shown below. Of the portion charged to governmental funds, 50 percent is posted to the General Fund, 22 percent to Other Special Revenue Funds, 15 percent to Highway Funds and 13 percent to Federal Funds.

Proportion	June 30, 2017	June 30, 2018	Change Increase (Decrease)
Governmental Funds	90.15 %	90.48 %	0.33 %
Internal Service Funds	7.65 %	7.53 %	(0.12)%
Enterprise Funds	2.20 %	1.99 %	(0.21)%

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

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

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

	<u>SETP State of Maine</u>	<u>Component Units<sup>1</sup></u>	<u>Total State of Maine Employees SETP</u>	<u>SETP Teachers</u>
<b>Total Pension Liability</b>				
Service Cost	\$ 72,058	\$ 3,929	\$ 75,987	\$ 137,060
Interest	297,887	16,241	314,128	572,707
Differences Between Expected and Actual Experience	27,688	1,510	29,198	66,009
Benefit Payments, Including Refunds of Member Contributions	(278,606)	(15,190)	(293,796)	(486,362)
Change in Proportionate Share	<u>15,353</u>	<u>(15,353)</u>	<u>-</u>	<u>-</u>
Net Change in Total Pension Liability	134,380	(8,863)	125,517	289,414
Beginning Total Pension Liability	<u>4,382,471</u>	<u>255,121</u>	<u>4,637,592</u>	<u>8,432,365</u>
Ending Total Pension Liability	4,516,851	246,258	4,763,109	8,721,779
 <b>Plan Fiduciary Net Position</b>				
Employer Contributions	154,700	8,434	163,134	46,800
Non-employer Contributions	-	-	-	116,415
Member Contributions	43,906	2,394	46,300	93,166
Transfers	(137)	(7)	(144)	617
Net Investment Income	395,415	21,558	416,973	839,072
Benefit Payments, Including Refunds of Member Contributions	(278,606)	(15,190)	(293,796)	(486,362)
Change in Proportionate Share	10,905	(10,905)	-	-
Administrative Expense	<u>(2,891)</u>	<u>(158)</u>	<u>(3,049)</u>	<u>(6,169)</u>
Net Change in Plan Fiduciary Net Position	323,292	6,126	329,418	603,539
Beginning Plan Fiduciary Net Position (restated)	<u>3,113,391</u>	<u>181,242</u>	<u>3,294,633</u>	<u>6,665,704</u>
Ending Plan Fiduciary Net Position	<u>3,436,683</u>	<u>187,368</u>	<u>3,624,051</u>	<u>7,269,243</u>
Ending Net Pension Liability	<u>\$ 1,080,168</u>	<u>\$ 58,890</u>	<u>\$ 1,139,058</u>	<u>\$ 1,452,536</u>
 <b>Proportion</b>				
June 30, 2018	94.829879 %	5.170121 %	100 %	95.016790 %
June 30, 2017	<u>94.498857 %</u>	<u>5.501143 %</u>	<u>100 %</u>	<u>95.002519 %</u>
Change - Increase (Decrease)	0.331022 %	(0.331022)%	0 %	0.014271 %

<sup>1</sup>Includes combined totals for one major component unit, one non-major component unit, and 1 formerly reported component unit. See Note 3.

**Actuarial Assumptions**

Actuarial assumptions used in the June 30, 2017 and June 30, 2016 valuations were based on results of an actuarial experience study for the period June 30, 2012 through June 30, 2015. Actuarially determined contribution rates are calculated based on a 2014 actuarial valuation developed as a roll-forward of the 2013 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2014 using assets as of June 30, 2014. The individual entry age normal method is used to determine liabilities. A 3-year smoothed market approach is used for the asset valuation method. Each plan's unfunded actuarial liability is being amortized as a level percentage of payroll. For the SETP, a closed 18-year amortization of UAL prior to 2012 and individual, closed, level percent of payroll, 10-year amortization of UAL arising each year beginning in 2012. The amortization period used by both the Judicial and Legislative Plans is an open 10-year amortization of the 2014 UAL. The investment rate of return used for contributions in 2014 was 7.125 percent. The investment rate of return, inflation rate and annual salary increases, including inflation were 6.875 percent, 2.75 percent and 2.75 percent plus merit component based on employee's years of service. All plans used a 2.20 percent cost-of-living. 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 Judicial and Legislative Plans assume that 100 percent retirement occurs at age 60 for members with at least 10 years of creditable service on July 1, 1993. For members with less than 5 years of creditable service on July 1, 2001, 50 percent are assumed to retire each year after reaching age 65.

The Maine State Constitution Article IX, Section 18-A was amended in fiscal year 2018 by CR 2017, c. 1. Any unfunded liability resulting from experience losses must be retired over a period not exceeding 20 years. Prior to the change a 10-year amortization period was used.

**ANNUAL PENSION COST AND NET PENSION LIABILITY**

For the year ended June 30, 2018, the State recognized pension expense of \$251,816 which includes \$104,166 of teacher pensions recorded in grant expense. At June 30, 2018, the State reported \$403,750 of deferred outflows of resources and \$55,219 of deferred inflows of resources related to its pension plans. Deferred outflows of resources of \$277,902 relate to the State contributions that were made subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense over the next four years. Information by pension plan is as follows:

(Expressed in Thousands)

	SETP State of Maine		1 Major Component Unit and 2 Formerly Reported Component Units		Total State of Maine Employees SETP	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience demographic and economic	\$ 28,023	\$ -	\$ 1,528	\$ -	\$ 29,551	\$ -
Changes of assumptions	31,134	-	1,697	-	32,831	-
Net difference between projected and actual earnings on pension plan investments	-	12,178	-	663	-	12,841
Changes in proportion and differences between State contributions and proportionate share of contributions	8,508	26	244	8,724	8,752	8,750
State and component unit contributions subsequent to the measurement date	147,703	-	7,347	-	155,050	-
<b>Total</b>	<b>\$ 215,368</b>	<b>\$ 12,204</b>	<b>\$ 10,816</b>	<b>\$ 9,387</b>	<b>\$ 226,184</b>	<b>\$ 21,591</b>
<b>For the Year Ended</b>						
2019	39,874		(5,481)		34,393	
2020	48,200		1,341		49,541	
2021	4,137		226		4,363	
2022	(36,750)		(2,004)		(38,754)	
2023	-		-		-	

	SETP Teachers		Legislative		Judicial	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience demographic and economic	\$ 58,045	\$ -	\$ -	\$ -	\$ -	\$ 447
Changes of assumptions	-	21,556	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	20,298	-	40	-	519
Changes in proportion and differences between State contributions and proportionate share of contributions	138	155	-	-	-	-
State and component unit contributions subsequent to the measurement date	129,016	-	5	-	1,178	-
<b>Total</b>	<b>\$ 187,199</b>	<b>\$ 42,009</b>	<b>\$ 5</b>	<b>\$ 40</b>	<b>\$ 1,178</b>	<b>\$ 966</b>
<b>For the Year Ended</b>						
2019	(17,233)		(56)		(819)	
2020	98,064		129		590	
2021	9,226		14		-	
2022	(73,883)		(127)		(737)	
2023	-		-		-	

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Public Equities	30.0 %	6.0 %
U.S. Equities	7.5 %	2.3 %
Private Equity	15.0 %	7.6 %
Real Assets:		
Real Estate	10.0 %	5.2 %
Infrastructure	10.0 %	5.3 %
Natural Resources	5.0 %	5.0 %
Traditional Credit	7.5 %	3.0 %
Alternative Credit	5.0 %	4.2 %
Diversifiers	10.0 %	5.9 %

The discount rate used to measure the collective total pension liability was 6.875 percent for the 2017 and 2016 actuarial valuations for the State Employee and Teacher Plan. The PLD Plan used 6.875 percent for the 2017 and 2016 actuarial valuation. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at actuarially determined, contractually required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

(Expressed in Thousands)

<b>Defined Benefit Plans Administered Through MPERS</b>	<b>1% Decrease (5.875%)</b>	<b>Current Discount Rate (6.875%)</b>	<b>1% Increase (7.875%)</b>
<b>State Employee and Teacher Pension Plan:</b>			
State & Component Unit Members			
State Employees	\$ 1,611,375	\$ 1,080,168	\$ 644,949
Maine Community College System	78,263	52,462	31,324
2 Formerly Reported Component Units. See Note 3.	9,590	6,428	3,838
Subtotal State & Component Unit Members	1,699,228	1,139,058	680,111
Teacher Members	2,548,771	1,452,536	547,439
Total State Employee and Teacher Pension Plan	<u>\$ 4,247,999</u>	<u>\$ 2,591,594</u>	<u>\$ 1,227,550</u>
Judicial Pension Plan	4,200	(1,710)	(6,809)
Legislative Pension Plan	(2,899)	(3,733)	(4,456)

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

*Differences Between Expected and Actual Experience* The difference between actual and expected experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. For 2017, this was one year for the Legislative Plan, two years for the Judicial Plan, three years for the State Employee and Teacher Plan and for the PLD Consolidated Plan. Prior to 2017, this was two years for the Legislative Plan and four years for the PLD Consolidated Plan.

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

*Changes in Assumptions* Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the June 30, 2017 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015.

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

#### **COMPONENT UNIT PARTICIPANTS**

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

#### **NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS**

##### **POST RETIREMENT HEALTHCARE PLANS AND BENEFITS**

###### **State Employees**

The State has a single-employer defined benefit healthcare OPEB plan that is administered through a trust. The State of Maine funds postretirement health care benefits for most retired State employees and legislators, as authorized by Title 5 MRSA § 285. For fiscal years ending after June 30, 2015 statute limited the total premium increase for active and retired State employee health insurance to no more than any percentage increase in the Consumer Price Index, as defined in Title 5 MRSA §17001, subsection 9 plus 3 percent. 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.

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.

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



**Teachers and First Responders**

The State also committed to pay a statutorily determined portion of the retiree healthcare premiums for retired Teachers and retired First Responders as authorized by Title 20-A MRSA § 13451 and Title 5 MRSA § 286-M, respectively. First Responders are defined in statute as retired county or municipal law enforcement officers and municipal firefighters who participate in an employer-sponsored retirement plan. Specifically excluded (Title 5 MRSA § 285 1-B) from the definition of Teachers 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. Each group is a collection of single employer defined benefit plans. State contributions are based on rates negotiated by each school district and municipality and reflect their individual healthcare experience rating. The plans are currently funded on a pay-as-you-go basis with the State directly paying insurers.

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. Eligibility mirrors that of State Employees.

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

**POST RETIREMENT GROUP LIFE INSURANCE PLAN**

The Maine Public Employees Retirement System (the System) is a component unit of the State of Maine. For financial reporting purposes, the System administers two multiple-employer cost-sharing, defined benefit Group Life Insurance Plans (GLIP) administered by a third party insurance company in accordance with Title 5 MRSA C. 423 and 425. Members include employees of the State, public school employees (defined by Maine law as teachers), members of the Judiciary and the Legislature, which are eligible for membership in the System. The State of Maine is also a non-employer contributing entity in that the State pays contributions for retired public school teachers in the plan. Group life insurance benefits are also provided to employees of approximately 130 local municipalities and other public entities (Participating Local Districts, or PLDs) in Maine that elect to participate under provisions of the relevant statutes.

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

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

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, 2018 report may be obtained from the Maine Public Employees Retirement System, PO Box 349, Augusta, ME 04332-0349 or on-line at [www.maineopers.org](http://www.maineopers.org).

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The State and the System'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. 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.

**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.

**PLAN MEMBERSHIP**

Membership in the OPEB plans is as follows:

	<b>Healthcare</b>			<b>Group Life</b>	
	<b>State Employees</b>	<b>Teachers</b>	<b>First Responders</b>	<b>State Employees</b>	<b>Teachers</b>
Actives	12,076	27,056	628	11,174	14,045
Retirees	8,568	10,473	102	8,110	7,003
Inactives Vested	182	449	-	-	-
Total	20,826	37,978	730	19,284	21,048
Number of employers	1	224	61	1	224
Contributing entities	1	1	1	1	1

**STATE EMPLOYEE HEALTHCARE FUNDING POLICY**

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

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

**TEACHERS PLAN AND FIRST RESPONDERS PLAN HEALTHCARE FUNDING POLICY**

A special funding situation exists for these plans. The State is statutorily responsible for contributions to the Teachers Plan and the First Responders Plan that cover the retirees of other governmental entities. The State is the sole contributing entity for Teachers and for the First Responders, therefore, making the contribution on behalf of the employing jurisdictions at a 45 percent level for the current portion of the health plan costs. Plan members 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.

**GROUP LIFE INSURANCE 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 76 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.

**CHANGES IN THE TOTAL OPEB LIABILITY**

The changes in total OPEB liabilities are as follows:

	<b>Healthcare</b>	
	Increase (Decrease)	
	Teachers	First Responders
Balances at June 30, 2017	\$ 1,323,731	\$ 26,052
<b>Changes for the Year:</b>		
Service Cost	42,214	1,836
Interest	38,521	786
Contributions - Employee	-	(618)
Contributions - Non-Employer Contributing Entity	(28,848)	(78)
Administrative Expenses	-	99
Differences Between Expected and Actual Experience	-	(2,909)
Changes in Assumptions - Discount Rate	(170,420)	(1,325)
Changes in Assumptions - Others	-	(4,863)
Differences Between Expected and Actual Investment Earnings	43,128	-
Net Changes	<u>(75,405)</u>	<u>(7,072)</u>
Balances at June 30, 2018	<u>\$ 1,248,326</u>	<u>\$ 18,980</u>
Covered Payroll	\$ 1,149,126	\$ 62,551
Total OPEB Liability as a Percentage of Covered Payroll	108.6 %	30.3 %
State's Proportionate Share of the Collective Total OPEB Liability at June 30, 2018 and 2017	83 %	23 %

The State's proportionate share for fiscal years ended June 30, 2016 and June 30, 2017 was estimated using the same share of implicit subsidy for each school district's or municipality's OPEB Plan.

**CHANGES IN NET OPEB LIABILITY**

Changes in net OPEB liabilities are as follows:

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

	<b>Healthcare</b>	<b>Group Life Insurance</b>	
	<b>State Employees</b>	<b>State Employees</b>	<b>Teachers</b>
<b>Total OPEB Liability</b>			
Service Cost	\$ (16,446)	\$ (887)	\$ (1,178)
Interest	(76,105)	(6,119)	(5,896)
Differences Between Expected and Actual Experience	(9,854)	-	-
Benefit Payments, Including Refunds of Member Contributions - Explicit	53,118	3,712	2,292
Benefit Payments, Including Refunds of Member Contributions - Implicit	21,628	-	-
Net Change in Total OPEB Liability	(27,659)	(3,294)	(4,782)
Beginning Total OPEB Liability	(1,147,800)	(89,949)	(85,697)
Ending Total OPEB Liability	(1,175,459)	(93,243)	(90,479)
<b>Plan Fiduciary Net Position</b>			
Employer Contributions - Explicit	(57,118)	(3,650)	-
Employer Contributions - Implicit	(21,628)	-	-
Non-employer Contributions	-	-	(3,271)
Transfers	-	-	(6,175)
Net Investment Income	(26,514)	(3,711)	-
Benefit Payments, Including Refunds of Member Contributions	74,746	3,712	2,292
Administrative Expense	6	511	824
Net Change in Plan Fiduciary Net Position	(30,508)	(3,138)	(6,330)
Beginning Plan Fiduciary Net Position	(203,088)	(29,357)	(48,058)
Ending Plan Fiduciary Net Position	(233,596)	(32,495)	(54,388)
Ending Net OPEB Liability	\$ (941,863)	\$ (60,748)	\$ (36,091)
<b>Proportion</b>			
June 30, 2018	(100.000000)%	(94.993644)%	(100.000000)%
June 30, 2017	(100.000000)%	(94.697972)%	(100.000000)%
Change - Increase (Decrease)	0.000000 %	(0.295672)%	0.000000 %
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	(19.872748)%	(34.849801)%	(60.111186)%

## ACTUARIAL METHODS AND ASSUMPTIONS

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

### State Health Insurance

The valuation date is June 30, 2017 rolled back to June 30, 2016. Costs are developed using the entry age normal cost method based on a level percentage of payroll. The participation rate for future retirees is 95 percent of active participants currently enrolled. Actuarial assumptions used in the June 30, 2017 and June 30, 2016 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2017 and June 30, 2016 include: a 6.75 percent investment rate of return, a 2.75 percent inflation rate; and, annual salary increases, including inflation of 2.75 percent plus merit component based on employee's years of service. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis. The unfunded liability will be fully recognized by June 30, 2037. Assumption changes, plan changes and experience gains are amortized over a 20 year fixed period. Experience losses are amortized over a 10 year fixed period. The initial medical trend rate had been 6.80 percent at June 30, 2016 and 6.60 percent at June 30, 2017. The ultimate medical trend rate for both years is 4.29 percent reached at 2075. The State actively manages premium increases within the statutory cap, so healthcare cost increases are limited to no more than inflation plus 3 percent in any year. For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table was used. For State employees rates are based on 104 percent and 120 percent for males and females, respectively.

The long-term expected rate of return on Other Post-Employment Benefit Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of long-term real rates of return for each major asset class were benchmarked against returns by asset class as forecast by Horizon Actuarial Services, LLC.

### Group Life Insurance

The valuation date is June 30, 2016 projected to June 30, 2017. Costs are developed using the individual entry age normal cost method based on a level percentage of payroll. The participation rate for future retirees is 100 percent of those currently enrolled. Actuarial assumptions used in the June 30, 2017 and June 30, 2016 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2017 and June 30, 2016 include: a 6.875 percent investment rate of return, a 2.75 percent inflation rate; and, annual salary increases, including inflation of 2.75 percent plus merit component based on employee's years of service. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis. As of June 30, 2017, there were 20 years remaining in the amortization schedule for state employees and teachers. For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table was used. For State employees rates are based on 104 percent and 120 percent for males and females, respectively. Teachers rates are based on 99 percent for both genders.

The long-term expected rate of return on Other Post-Employment Benefit Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of long-term real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table:

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

**Teachers Health Insurance**

The valuation date is June 30, 2017 rolled back to June 30, 2016. Costs are developed using the entry age normal cost method based on a level percentage of payroll. 93.33 percent of all Teachers are assumed to be eligible to receive a State contribution at retirement. 75 percent of active participants currently with coverage continue coverage at retirement. The State is currently funding the plan on a pay-as-you-go basis. One third of active participants who have currently waived coverage elect coverage at retirement. Actuarial assumptions used in the June 30, 2017 and June 30, 2016 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2017 and June 30, 2016 include: using a 2.75 percent inflation rate and 3.00 annual salary increases. Since the State's portion of the Teachers' postretirement medical plans are not being funded by assets in a separate trust, GASB No. 75 requires that the discount rate be based on the index rate as of the measurement date of a 20-year tax-exempt general obligation municipal bond index with an average rating of AA/Aa or higher. The State of Maine elected to determine the discount rate using the Bond Buyer 20-Bond General Obligation Index. The discount rate was 3.58% as of the measurement date, June 30, 2017, (2.85% as of June 30, 2016). The initial medical trend rate had been 6.80 percent at June 30, 2016 and 6.60 percent at June 30, 2017. The ultimate medical trend rate for both years is 4.29 percent reached at 2075. For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table was used. For Teachers rates are adjusted based on 99 percent for males and females.

**First Responders Health Insurance**

The valuation date is June 30, 2017 with a rollback to June 30, 2016. Costs are developed using the entry age normal cost method based on a level percentage of payroll. 90 percent of all active members who currently have coverage are assumed to elect coverage at retirement. No employee who has waived coverage will be assumed to be eligible for coverage at retirement. The State is currently funding the plan on a pay-as-you-go basis. The valuation assumes the State will continue this policy. Since the State's portion of the First Responders' postretirement medical plans are not being funded by assets in a separate trust, GASB No. 75 requires that the discount rate be based on the index rate as of the measurement date of a 20-year tax-exempt general obligation municipal bond index with an average rating of AA/Aa or higher. The State of Maine elected to determine the discount rate using the Bond Buyer 20-Bond General Obligation Index. The discount rate was 3.58% as of the measurement date, June 30, 2017, (2.85% as of June 30, 2016). Actuarial assumptions used in the June 30, 2017 and June 30, 2016 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. Other significant actuarial assumptions employed by the actuary for June 30, 2017 and June 30, 2016 include using a 2.75 percent inflation rate and 3.00 percent annual salary increase. The initial medical trend rate had been 7.50 percent at June 30, 2016 and 6.60 percent at June 30, 2017. The ultimate medical trend rate at June 30, 2017 and June 30, 2016 was 4.29 percent and 5.00 percent, respectively, reached at 2075. For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table was used. Rates were adjusted 104 percent for males and 120 percent based on females.

**OPEB EXPENSE AND DEFERRALS**

For the year ended June 30, 2018, the State recognized OPEB expense of \$151,534. Costs related to non-State employees are charged to the General Fund. Of State employee costs charged to governmental funds, 48 percent is charged to the General Fund, 22 percent to Other Special Revenue Funds, 16 percent to the Highway Fund and 14 percent to Federal funds. At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Healthcare</b>					
	(Expressed in Thousands)					
	<u>State</u>		<u>Teachers</u>		<u>First Responders</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience demographic and economic	\$ 7,944	\$ -	\$ 37,292	\$ -	\$ -	\$ 2,514
Changes of assumptions	-	-	-	147,359	-	5,348
Net difference between projected and actual earnings on OPEB plan investments	-	10,245	-	-	-	-
State and component unit contributions subsequent to the measurement date	<u>58,347</u>	<u>-</u>	<u>26,855</u>	<u>-</u>	<u>524</u>	<u>-</u>
Total	<u>\$ 66,291</u>	<u>\$ 10,245</u>	<u>\$ 64,147</u>	<u>\$ 147,359</u>	<u>\$ 524</u>	<u>\$ 7,862</u>

**For the Year Ended**

2019	(651)	(17,225)	(1,235)
2020	(651)	(17,225)	(1,235)
2021	(651)	(17,225)	(1,235)
2022	(652)	(17,225)	(1,235)
2023	304	(17,225)	(1,235)
Thereafter	-	(23,942)	(1,687)

**Group Life Insurance**  
(Expressed in Thousands)

	<u>State</u>		<u>Teachers</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 1,301	\$ -	\$ 2,292
Changes in proportion and differences between State contributions and proportionate share of contributions	154	-	-	-
State and component unit contributions subsequent to the measurement date	<u>3,969</u>	<u>-</u>	<u>3,459</u>	<u>-</u>
Total	<u>\$ 4,123</u>	<u>\$ 1,301</u>	<u>\$ 3,459</u>	<u>\$ 2,292</u>

**For the Year Ended**

2019	(300)	(573)
2020	(300)	(573)
2021	(300)	(573)
2022	(300)	(573)
2023	26	-
Thereafter	27	-

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

Asset Class:	State Employee Healthcare		Group Life Insurance	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	45.00 %	9.73 %	- %	- %
U.S. Government Securities	9.00 %	3.25 %	9.00 %	2.30 %
Public Equity	70.00 %	6.00 %	70.00 %	6.00 %
International Equity	25.00 %	9.42 %	- %	- %
Traditional Credit	16.00 %	4.59 %	16.00 %	3.00 %
Real Assets:				
Real Estate	5.00 %	5.20 %	5.00 %	5.20 %

For the year ended June 30, 2018, the annual money-weighted average rate of return on investments, net of investment expense was 9.00 percent for both plans. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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



**SENSITIVITY ANALYSIS**

The following tables show how the collective OPEB liabilities would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The discount rate used for the funded healthcare plan is 6.75 percent. The discount rate used for unfunded healthcare plans is 3.58 percent. The discount rate used for funded group life insurance plans is 6.875 percent.

**Discount Rate**  
(Expressed in Thousands)

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
<b>Net OPEB Liabilities</b>			
State Employee Healthcare Plan	\$ 1,079,593	\$ 941,863	\$ 826,944
State Employee Group Life	\$ 70,037	\$ 57,707	\$ 47,632
Teacher Group Life	\$ 49,758	\$ 36,091	\$ 25,041
<b>Total OPEB Liabilities</b>			
Teacher Healthcare Plan	\$ 1,489,680	\$ 1,248,326	\$ 1,057,488
First Responders Healthcare Plan	\$ 20,825	\$ 18,980	\$ 17,341

**Healthcare Cost Trend Rate**  
(Expressed in Thousands)

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB State Employee Healthcare Plan	\$ 810,261	\$ 941,863	\$ 1,101,134
Total OPEB Teacher Healthcare Plan	\$ 1,029,272	\$ 1,248,326	\$ 1,537,004
Total OPEB First Responder Healthcare Plan	\$ 17,044	\$ 18,980	\$ 21,244

For all plans, the current trend rate is 6.60 percent grading down to 4.29 percent.

**Plan Information**

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

Information not already contained in this note disclosure at June 30, 2018 follows. The Trustees of the State Retiree Healthcare Plan (SRHP) are the State Controller and State Treasurer.

Components of the Net OPEB Liability for the plans at June 30, 2018 were as follows:

(Expressed in Millions)

	<b>State Employee Healthcare Plan</b>	<b>State and Teachers Group Life Insurance Benefit Plan</b>
Total OPEB liability	\$ 1,200	\$ 196
Plan fiduciary net position	257	94
State of Maine's net OPEB liability	<u>\$ 943</u>	<u>\$ 102</u>
Plan fiduciary net position as a percentage of the total OPEB liability	21.42 %	47.96 %

Actuarial assumptions for both funded OPEB plans used in the June 30, 2018 valuations were based on results from an actuarial experience study for the period of June 30, 2012 to June 30, 2015. The individual entry age normal method is used to determine liabilities. Asset amounts are taken as reported to the actuaries by the System without audit or change. Specific health and group life insurance OPEB plans' actuarial assumptions are included in the plan specific section of this note. For the 2018 healthcare valuation, 2 changes were made. Actuaries increased the initial medical trend rate from 5.75 percent to 6.40 percent and decreased the ultimate medical trend rate from 4.75 percent to 4.29 percent. The only change in the 2018 group life insurance plan valuation decreased the discount rate down to 6.750 percent from 6.875 percent. The expected long-term rate of return for both plans is 6.750 percent.

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

	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Asset Class for State Employee Healthcare Benefit Plan and for the State Employee and Teacher Group Life Insurance Benefit Plan</b>		
Public Equity	70.0 %	6.0 %
Real Estate	5.0 %	5.2 %
Traditional Credit	16.0 %	3.0 %
U.S. Government Securities	9.0 %	2.3 %

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 9.0 percent for both plans. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

The following table shows how the collective net OPEB liabilities would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate used for both plans is 6.75 percent.

(Expressed in Thousands)

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
State Employee Healthcare Plan	\$ 1,083	\$ 943	\$ 825
State Employee and Teacher Group Life Insurance Benefit Plan	\$ 131	\$ 102	\$ 79

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.* The following table shows how the collective net OPEB liabilities would change if the healthcare rate used was one percentage point lower or one percentage point higher than the current rate of 6.4 percent grading down to 4.3 percent.

(Expressed in Thousands)

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
State Employee Healthcare Plan	\$ 808	\$ 943	\$ 1,105

## 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 compensated employee absences; and the State's net pension liability; other post-employment benefits; and obligations for pollution remediation and landfill closure and post-closure care costs.

### GENERAL OBLIGATIONS BONDS

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

Changes in general obligation bonds of the primary government during fiscal year 2018 were:

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

(Expressed in Thousands)

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
General Obligation Debt:					
General Fund	\$ 419,635	\$ -	\$ 65,840	\$ 353,795	\$ 61,215
Special Revenue Fund	40,605	-	18,285	22,320	12,500
Unamortized Premiums:					
General Fund	<u>35,892</u>	<u>-</u>	<u>4,261</u>	<u>31,631</u>	<u>4,261</u>
Total	<u>\$ 496,132</u>	<u>\$ -</u>	<u>\$ 88,386</u>	<u>\$ 407,746</u>	<u>\$ 77,976</u>

Debt service requirements (principal and interest) for all outstanding general obligation bonds of the primary government, from June 30, 2018 until maturity, are summarized in the following table:

**Future Debt Service on General Obligation Bonds**

(Expressed in Thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 73,715	\$ 17,005	\$ 90,720
2020	60,390	14,075	74,465
2021	54,695	11,690	66,385
2022	45,860	8,956	54,816
2023	41,125	6,663	47,788
2024-2028	<u>100,330</u>	<u>9,321</u>	<u>109,651</u>
Total	<u>\$ 376,115</u>	<u>\$ 67,710</u>	<u>\$ 443,825</u>
Unamortized Premiums	<u>31,631</u>		
Total Principal	<u>\$ 407,746</u>		

General fund, special revenue and other general obligation bonds issued and outstanding at June 30, 2018 are as follows:

### Primary Government - General Obligation Bonds Outstanding

(Expressed in Thousands)

	Amounts Issued	Outstanding June 30, 2018	Fiscal Year Maturities		Interest Rates
			First Year	Last Year	
General Fund:					
Series 2008	\$ 46,525	\$ -	2009	2018	3.00% - 5.13%
Series 2009	96,035	8,730	2011	2019	2.50% - 5.00%
Series 2010	31,755	290	2011	2020	1.41% - 4.00%
Series 2011	86,010	19,875	2012	2021	1.625% - 5.00%
Series 2012	49,265	18,940	2013	2022	1.00% - 5.00%
Series 2014	112,945	67,765	2015	2024	0.20% - 5.00%
Series 2015	102,555	71,785	2016	2025	0.85% - 5.00%
Series 2016	97,705	78,160	2017	2026	1.00% - 5.00%
Series 2017	98,060	88,250	2018	2027	2.00% - 5.00%
		353,795			
Plus Unamortized Bond Premium		31,631			
Total General Fund		<u>\$ 385,426</u>			
Special Revenue Fund:					
Series 2008	57,550	-	2009	2018	3.00% - 5.13%
Series 2009	37,310	4,600	2011	2019	2.50% - 5.00%
Series 2010	25,080	11,090	2011	2020	1.41% - 4.00%
Series 2011	22,125	6,630	2012	2021	1.625% - 5.00%
Total Special Revenue		<u>\$ 22,320</u>			

#### 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, 2018, general obligation bonds authorized and unissued totaled \$190.2 million.

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

The State included \$209.2 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 \$646.1 million outstanding, at any one time, except for the issuance of certain revenue refunding securities.

During the fiscal year ended June 30, 2018, MGFA issued \$58.5 million in 2017AB bonds with interest rates between 2.50 percent and 5.00 percent.

At June 30, 2018, there was \$21.1 million of MGFA in-substance defeased bonds outstanding.

**CERTIFICATES OF PARTICIPATION AND OTHER FINANCING ARRANGEMENTS**

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

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

**SHORT-TERM OBLIGATIONS**

The State of Maine did not issue or retire Bond Anticipation Notes during fiscal year 2018. Short-term obligations are used to meet temporary operating cash flow needs. At June 30, 2018 there were no outstanding Tax Anticipation Notes or Bond Anticipation Notes.

**OTHER LONG-TERM OBLIGATIONS**

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

Changes in other long-term obligations for governmental and business-type activities for the fiscal year ended June 30, 2018, are summarized as follows:

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due Within</u> <u>One Year</u>
<b>General Activities:</b>					
MGFA Revenue Bonds	\$ 171,870	\$ 58,535	\$ 21,250	\$ 209,155	\$ 22,966
COP's and Other Financing	74,537	28,200	30,369	72,368	28,483
Compensated Absences	47,549	8,449	6,387	49,611	7,510
Claims Payable	77,289	174,283	184,543	67,029	20,623
Capital Leases	34,276	26,848	4,606	56,518	6,095
Loans Payable to Component Unit	428,713	-	50,449	378,264	52,609
Pollution Remediation and Landfill	33,578	12,067	1,103	44,542	-
Total Government Activities	<u>\$ 867,812</u>	<u>\$ 308,382</u>	<u>\$ 298,707</u>	<u>\$ 877,487</u>	<u>\$ 138,286</u>
<b>Business-Type Activities:</b>					
Compensated Absences	<u>\$ 755</u>	<u>\$ 142</u>	<u>\$ 91</u>	<u>\$ 806</u>	<u>\$ 104</u>

Debt service requirements (principal and interest) for COP's and other financing arrangements of the primary government, from June 30, 2018 until maturity, are summarized as follows:

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

Fiscal Year	Governmental Funds			Internal Service Funds		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 19,405	\$ 453	\$ 19,858	\$ 32,044	\$ 8,338	\$ 40,382
2020	16,993	351	17,344	27,429	7,295	34,724
2021	4,694	269	4,963	18,796	6,477	25,273
2022	3,219	196	3,415	14,368	5,897	20,265
2023	3,278	137	3,415	13,094	5,354	18,448
2024 - 2028	5,031	92	5,123	58,174	19,031	77,205
2029 - 2033	-	-	-	40,373	8,606	48,979
2034 - 2038	-	-	-	24,625	2,232	26,857
Total	<u>\$ 52,620</u>	<u>\$ 1,498</u>	<u>\$ 54,118</u>	<u>\$ 228,903</u>	<u>\$ 63,230</u>	<u>\$ 292,133</u>

**LOANS PAYABLE TO COMPONENT UNIT**

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

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

Changes in GARVEE, TransCap and Liquor Operations revenue bonds during fiscal year 2018 were:

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

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
<b>Loans Payable to Components Unit:</b>					
Federal Funds	\$ 140,185	\$ -	\$ 15,926	\$ 124,259	\$ 17,015
Special Revenue Fund	288,528	-	34,523	254,005	35,594
Total	<u>\$ 428,713</u>	<u>\$ -</u>	<u>\$ 50,449</u>	<u>\$ 378,264</u>	<u>\$ 52,609</u>

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

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

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

GARVEE, TransCap and Liquor Operations Revenue bonds issued and outstanding at June 30, 2018 are as follows:

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

	Amounts Issued	Outstanding June 30, 2018	Fiscal Year Maturities		
			First Year	Last Year	Interest Rates
Federal Funds:					
Series 2008	\$ 50,000	\$ 14,625	2009	2020	3.25% - 4.00%
Series 2010B	24,085	24,085	2018	2022	4.52% - 5.32%
Series 2014A	44,810	36,420	2015	2026	2.00% - 5.00%
Series 2016A	44,105	41,760	2017	2028	2.63% - 5.00%
Total Federal Funds		<u>\$ 116,890</u>			
Special Revenue Fund:					
Series 2008	\$ 50,000	\$ 3,590	2009	2023	3.00% - 5.50%
Series 2009A	105,000	35,760	2010	2023	2.50% - 5.00%
Series 2009B	30,000	4,120	2010	2024	2.00% - 5.00%
Series 2011A	55,000	48,865	2012	2026	2.00% - 5.00%
Series 2013	220,660	140,225	2015	2024	1.07% - 4.35%
Series 2015A	54,680	54,680	2019	2024	4.00% - 5.00%
Total Special Revenue Funds		<u>\$ 287,240</u>			

Total principal and interest requirements over the life of the 2008 GARVEE bonds are \$63.1 million, with annual requirements of up to \$5.2 million; for 2010 GARVEE bonds total principal and interest requirements are \$66.3 million, with annual requirements of up to \$5.6 million; for 2014 GARVEE bonds total principal and interest requirements are \$59.0 million, with annual requirements of up to \$5.0 million; for 2016 GARVEE bonds total principal and interest requirements are \$58.0 million, with annual requirements up to \$4.9 million. Total federal highway transportation funds received in federal fiscal year 2018 were \$202 million. Current year payments to MMBB for GARVEE bonds were \$19.6 million (9.7 percent of federal highway transportation funds received).

Total principal and interest requirements over the life of the 2008 TransCap Revenue bonds are \$69.5 million, with annual requirements up to \$4.8 million. Total principal and interest requirements over the life of the 2009A TransCap Revenue bond are \$139.3 million, with annual requirements up to \$10.1 million; for the 2009B TransCap Revenue bonds total principal and interest requirements are \$45.2 million, with annual requirements up to \$15.9 million. Total principal and interest requirements over the life of the 2011A TransCap Revenue bond are \$84.2 million, with annual requirements up to \$20.3 million. Total principal and interest requirements over the life of the 2015A TransCap Revenue bond are \$74.4 million, with annual requirements up to \$16.6 million. Total revenue received for revenue sources used as pledged revenues were \$41.0 million in fiscal year 2018.

Total principal and interest requirements over the life of the 2013 Liquor Operation Revenue bond are \$273.7 million, with annual requirements up to \$26.8 million. Current year payments to MMBB for the Liquor Operation bonds were \$26.8 million. Total revenue received from revenue sources used as pledged revenue were \$51.7 million in fiscal year 2018.

#### 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, 2018 capital assets include capitalized buildings of \$98.4 million in Governmental Activities, with related accumulated depreciation of \$47.0 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 \$3.2 million during the year.

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

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

<b>Fiscal Year</b>	<b>Capital Leases</b>	<b>Operating Leases</b>
2019	\$ 6,095	\$ 2,719
2020	5,658	2,311
2021	5,296	2,091
2022	4,382	1,640
2023	4,053	1,195
2024-2028	15,925	3,356
2029-2033	9,391	955
2034-2038	6,457	803
2039-2043	5,544	696
2044-2048	4,454	797
2049-2053	843	627
Total Minimum Payments	<u>68,098</u>	<u>\$ 17,190</u>
Less: Amount Representing Interest	11,580	
Present Value of Future Minimum Payments	<u>\$ 56,518</u>	

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

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

#### **CLAIMS PAYABLE**

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

#### **COMPENSATED ABSENCES**

In the government-wide statements and proprietary fund financial statements, compensated absences are reported as long-term liabilities as required by GASB. In the governmental fund financial statements, vested or accumulated leave is reported as an expenditure and fund liability when incurred upon retirement, termination or death. Sick and vacation payments made to terminated employees as of June 30, 2018 but paid after the fiscal year end is also reported in the funds.

**COMPONENT UNITS**

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

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

<u>Component Unit</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Maturity Dates</u>
Finance Authority of Maine	3.300% - 5.875%	\$ 93,245	2018 - 2039
Maine Community College System	2.500% - 5.000%	19,150	2018 - 2036
Maine Health and Higher Educational Facilities Authority	2.000% - 5.750%	565,375	2018 - 2040
Maine Municipal Bond Bank	0.500% - 6.120%	1,595,820	2018 - 2046
Maine State Housing Authority	0.900% - 5.000%	1,404,330	2018 - 2052
Maine Turnpike Authority	2.000% - 6.000%	396,655	2018 - 2042
University of Maine System	1.500 - 5.000	158,016	2018 - 2037

On December 28, 2017, Maine Health and Higher Educational Facilities Authority (MHHEFA) issued \$43.6 million in series 2017B reserve resolution bonds with an average interest rate of 4.4 percent, all of which was used to defease \$49.0 million of outstanding reserve fund maturities within the 2007B and 2008C bond series. The net proceeds of approximately \$50.4 million, respectively, including other sources of funds and after payment of underwriting fees, insurance and other issuance costs, were used to purchase U.S. Government securities which will provide for all future debt service payments on defeased bonds. The economic benefits associated with the refunding inure to the respective institutions. At June 30, 2018 there were approximately \$75.6 million of defeased bonds remaining outstanding with respect to all advance-refunding issues within the reserve fund resolution.

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

On November 2, 2017, MMBB issued \$82.7 million in General Tax-Exempt Series 2017D bonds with an average interest rate of 4.29 percent to in-substance defease \$88.5 million of various outstanding maturities of the 2007A, 2007C, 2009C, and 2011A bonds. The net proceeds of approximately \$93.3 million, including a bond premium of approximately \$11.0 million and after payment of approximately \$0.4 million in underwriting fees and other issuance costs, were used to purchase U.S. Government securities which will provide for all future debt service payments on the refunded bonds. Although the in-substance defeasance resulted in the recognition of a deferred accounting loss of approximately \$4.0 million in the year ended June 30, 2018, the MMBB in effect reduced its aggregate debt service payments by approximately \$9.5 million over the next fourteen years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately \$8.2 million. As a result of the in-substance defeasance, MMBB will reduce future debt service requirements of borrowers by approximately \$8.7 million over a period of fourteen years.

At June 30, 2018, the remaining balances of the General Tax-Exempt Fund Group in-substance defeased bonds total approximately \$194.1 million.

At June 30, 2018, the remaining balances of the Transportation Infrastructure Fund Group in-substance defeased bonds total approximately \$56.8 million.

At June 30, 2018, Maine Community College System (MCCS) had \$16.9 million principal outstanding related to debt refunded through in-substance defeasance.

For the period ended December 31, 2017, the Maine State Housing Authority redeemed prior to maturity \$285.9 million of its Mortgage Purchase Fund Group bonds from surplus revenues and the proceeds of refunding bonds. Mortgage Purchase Fund losses of \$54 thousand 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)

<u>Fiscal Year Ending</u>	<u>FAME</u>	<u>MMBB</u>	<u>MCCS</u>	<u>MSHA</u>	<u>MTA</u>	<u>UMS</u>	<u>MHHEFA</u>
2019	\$ 7,315	\$ 126,935	\$ 804	\$ 48,685	\$ 20,640	\$ 11,090	\$ 35,095
2020	5,340	142,845	765	39,335	14,945	11,888	36,560
2021	3,115	143,235	810	34,410	16,015	10,842	36,125
2022	3,815	134,800	850	49,845	17,350	11,315	36,950
2023	7,170	124,360	895	55,875	18,435	10,783	34,105
2024 - 2028	30,495	497,231	4,995	232,530	106,845	47,439	156,960
2029 - 2033	24,505	202,165	6,130	253,040	100,660	36,465	137,715
2034 - 2038	3,595	100,550	1,607	256,540	48,985	8,030	73,465
2039 - 2043	7,930	7,810	-	164,140	21,750	-	18,400
2044 - 2048	-	3,190	-	202,320	-	-	-
2049 - 2053	-	-	-	59,120	-	-	-
Net Unamortized Premium (or Deferred Amount)	(35)	112,699	2,294	8,490	31,030	10,164	-
Total Principal Payments	<u>\$ 93,245</u>	<u>\$ 1,595,820</u>	<u>\$ 19,150</u>	<u>\$ 1,404,330</u>	<u>\$ 396,655</u>	<u>\$ 158,016</u>	<u>\$ 565,375</u>

**NOTE 12 - SELF - INSURANCE**

**A. RISK MANAGEMENT**

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

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

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

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

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

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

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

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

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

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

All risk-financing liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims liabilities represent the estimated cost of claims as of March 31, 2018. 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, 2018 and 2017 the present value of claims payable for the State's self-insurance plan was estimated at \$8.0 million and \$8.2 million, respectively. The actuary calculated this based on the State's rate on investments.

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

	<b>2018</b>	<b>2017</b>
Liability at Beginning of Year	\$ 8,196	\$ 8,016
Current Year Claims and Changes in Estimates	1,455	2,903
Claims/Fees Expense	1,625	2,723
Liability at End of Year	<u>\$ 8,026</u>	<u>\$ 8,196</u>

As of June 30, 2018, fund assets of \$26.3 million exceeded fund liabilities of \$9.5 million by \$16.8 million. The portion of this amount that may be reserved for catastrophic losses has not been determined.

**B. UNEMPLOYMENT INSURANCE**

The State is self-insured for unemployment compensation. As a direct reimbursement employer, the State recognizes all costs for unemployment compensation as claims are paid. These costs totaled \$789 thousand for the fiscal year ended June 30, 2018.

**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, 2018:

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

	<u>2018</u>	<u>2017</u>
Liability at Beginning of Year	\$ 49,419	\$ 48,193
Current Year Claims and Changes in		
Estimates	5,743	10,931
Claims Payments	<u>9,013</u>	<u>9,705</u>
Liability at End of Year	<u>\$ 46,149</u>	<u>\$ 49,419</u>

Based on the actuarial calculation as of June 30, 2018, the State is liable for unfunded claims, and incurred but not reported claims, of approximately \$57.1 million. The discounted amount is \$46.1 million and was calculated based on a 3.0 percent interest rate on investments.

**D. EMPLOYEE HEALTH INSURANCE**

The employee health and retiree health insurance programs are accounted for in two Internal Service Funds. The State became self-insured for employee and retiree health care coverage on July 1, 2003. A stop loss agreement provides catastrophic coverage for individual claims exceeding \$750 thousand.

The State retained third-party administration (TPA) services for claims administration, utilization review, and case management services. Premium equivalents are developed with the technical assistance of the plan's consulting actuary and paid by subscribers and associated State departments.

There are two primary health plans available. A Preferred Provider Organization (PPO) plan is available to all active employees and some retirees not eligible for Medicare Part A. A Medicare Advantage plan is available to Medicare eligible retirees. Total enrollment averaged approximately 35,500 covered individuals. This total includes approximately 26,850 active employees, retirees and their dependents in the PPO plan and 8,650 Medicare retirees and dependents.

The State maintains PPO plan funding through the accumulation of premiums from employee contract holders and from the departments with whom they are employed. Claims and administrative expense are paid through these accumulated premiums based on invoices remitted from the TPA. For the period ending June 30, 2018 the State recorded a receivable of \$9.4 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 \$12.9 million. Changes in the Employee Health Insurance and Retiree Health Insurance claims liability for the fiscal year ending June 30, 2018 follows:

(Expressed in Thousands)

	<b>Employee Health Fund</b>	<b>Retiree Health Fund</b>
Liability at Beginning of Year	\$ 14,755	\$ 4,919
Claims and Changes in Estimate	126,619	40,466
Claims Payments	131,733	42,172
Liability at End of Year	<u>\$ 9,641</u>	<u>\$ 3,213</u>

The table above reflects actual activity of the employee health and retiree health insurance programs. In accordance with GASB Statement No. 45, certain costs reported above were reclassified for financial statement purposes. Retiree healthcare costs of \$58.3 million were reclassified from the internal service fund to the OPEB Trust Fund, a fiduciary fund. Additionally, \$21.6 million of active employee healthcare costs were reclassified from the internal service fund to the OPEB Trust Fund to reflect age-adjusted claims.

#### NOTE 13 - JOINT VENTURES

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

##### TRI-STATE LOTTO COMMISSION

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

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

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

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

The Tri-State Lotto Commission financial report for fiscal year 2018, 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	\$ 19,517
Noncurrent Assets	23,719
Total Assets	<u>\$ 43,236</u>
Current Liabilities	\$ 18,297
Long-term Liabilities	18,910
Total Liabilities	<u>\$ 37,207</u>
Designated Prize Reserves	\$ 4,346
Reserve for Unrealized Gains	1,683
Total Net Position	<u>6,029</u>
Total Liabilities and Net Position	<u>\$ 43,236</u>
Total Revenue	\$ 68,723
Total Expenses	46,224
Allocation to Member States	22,499
Change in Unrealized Gain on Investments Held for Resale	(1,119)
Change in Net Position	<u>\$ (1,119)</u>

**Multi-State Lottery Association**

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

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

The Multi-State Lottery Association's financial report for fiscal year 2018, 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	\$ 314,847
Investments in US Government Securities	74,288
US Government Securities Held for Prize Annuities	63,407
Due from Party Lotteries	30,607
Patent, net of accumulated amortization	3,031
Other Assets	756
Total Assets	<u>\$ 486,936</u>
Amount Held for Future Prizes	\$ 412,402
Grand Prize Annuities Payable	63,468
Other Liabilities	2,018
	<u>477,888</u>
Net Position, Unrestricted	<u>9,048</u>
Total Liabilities and Net Position	<u>\$ 486,936</u>
Total Revenue	\$ 10,421
Total Expenses	<u>6,517</u>
Excess of Revenues over Expenses	3,904
Net Position, beginning	<u>5,144</u>
Net Position, ending	<u>\$ 9,048</u>



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

The State of Maine entered into memoranda of understanding with the Wells National Estuarine Research Reserve Management Authority, a jointly governed organization, through the Bureau of Parks and Lands. These agreements outline each entity's responsibilities in relation to the operation of the Reserve and the management of the property included within the boundaries of the Reserve. The agreement continues in effect from year to year until termination by either the Bureau or the Authority pursuant to Articles 8 and 9.

Catholic Charities of Maine, a non-profit organization, received \$10.1 million in pass-through grant awards from various State agencies and \$7.6 million in Medicaid claims during fiscal year 2018. An employee of Maine's Department of Environmental Protection serves as an uncompensated member of its Board of Directors.

**COMPONENT UNITS**

The State provided appropriations and grant monies to the following discretely presented component units: University of Maine System, \$235.6 million; Maine Community College System, \$72.8 million; Maine Municipal Bond Bank, \$41.1 million; Finance Authority of Maine, \$17.9 million; and Maine State Housing Authority, \$21.8 million.

FAME administers several revolving loan funds on behalf of the State of Maine. FAME recorded these funds, which total \$29.6 million at June 30, 2018, 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 2018, the State expended \$3.1 million to FAME for State revolving loan funds. The State also transferred \$1.0 million from its Loan Insurance Reserves to FAME.

Title 20-A MRSA Chapter 419-A established the Maine State Grant Program as a fund under the jurisdiction of the Finance Authority of Maine. All grant revenues under this fund must be distributed by FAME to students who meet the eligibility requirements for a grant under this chapter. FAME paid approximately \$7.6 million in grants to the University of Maine System (UMS) on behalf of eligible students. The UMS reflected these as grant revenues from the State.

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 2018, the amount billed totaled \$7.5 million.

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

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

(Expressed in Thousands)

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>	
<b>Deferred Outflows of Resources:</b>				
Accumulated Decrease in Fair Value of Hedging				
Derivatives	\$ -	\$ -	\$ -	\$ 6,462
Refunding of Debt	3,421	-	3,421	53,365
Pension Related	399,823	3,927	403,750	37,662
OPEB Related	136,892	1,652	138,544	5,197
Total Deferred Outflows of Resources	<u>\$ 540,136</u>	<u>\$ 5,579</u>	<u>\$ 545,715</u>	<u>\$ 102,686</u>
<b>Deferred Inflows of Resources:</b>				
Grant Income	\$ -	\$ -	\$ -	\$ 5,399
Loan Origination Fees	-	-	-	538
Pension Related	54,976	243	55,219	32,818
OPEB Related	168,809	250	169,059	17,675
Total Deferred Inflows of Resources	<u>\$ 223,785</u>	<u>\$ 493</u>	<u>\$ 224,278</u>	<u>\$ 56,430</u>

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

**Governmental Funds**  
(Expressed in Thousands)

	<b>General</b>	<b>Highway</b>	<b>Federal</b>	<b>Other Special Revenue</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Deferred Inflows of Resources:</b>						
Tax Revenue or Assessments	\$ 232,441	\$ 545	\$ 35	\$ 25,937	\$ -	\$ 258,958
Total Deferred Inflows of Resources	<u>\$ 232,441</u>	<u>\$ 545</u>	<u>\$ 35</u>	<u>\$ 25,937</u>	<u>\$ -</u>	<u>\$ 258,958</u>

**NOTE 16 - TAX ABATEMENTS**

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

As of June 30, 2018, the State provided tax abatements through the following programs:

<u>Program Name</u>	<u>Pine Tree Development Zone Tax Credit</u>	<u>Employment Tax Increment Financing</u>	<u>New Markets Capital Investment Tax Credit</u>
Program Purpose	The program encourages capital investment and job creation in designated industries and geographic areas within the state.	The program is designed to create and prevent loss of employment in designated industries and geographic areas within the state.	The program is designed to encourage investment in qualified businesses located in economically distressed areas within the state.
Tax Types Abated	Personal income, corporate income, insurance premiums, bank franchise and sales taxes.	State income tax withholding from employee salary.	Personal income, corporate income, insurance premiums, and bank franchise taxes.
Statutory Authority	36 M.R.S.A. §5219-W	36 M.R.S.A. §6754	36 M.R.S.A. §5219-HH
Eligibility Criteria	Businesses apply to be certified as a qualified business, agree to conduct a qualified business activity, and hire at least one net new employee within two years.	Businesses apply for certification and agree to hire at least five net new employees within two years.	A person must make a qualified equity investment that has been certified by the Finance Authority of Maine, and execute a memorandum of agreement with the state.
Abatement Method	Allowance of credit against taxes attributable to qualified business activity, up to the amount of tax liability (nonrefundable credit).	Qualified business applies for annual reimbursement payment independent of any other tax reporting requirements.	Allowance of credit against taxes. Taxpayer receives full amount of annual credit regardless of tax liability (refundable credit).
Abatement Computation	Credit equals 100 percent of the tax liability attributable to the qualified activity of a certified business for a period of five years. Businesses located in certain areas receive a 50 percent credit for an additional five years.	Reimbursement equals 30 - 80 percent of qualified state-withheld taxes, depending on the unemployment rate in the area where the employee works, for a period of ten years.	The credit amount equals a total of 39 percent of the qualified investment, spread over a period of seven years in varying amounts each year.
Recapture Provisions	None.	Any overpayment must be applied to reduce future reimbursement payments. Overpayments must be repaid if the business no longer qualifies for future payments.	The abatement amount may be recaptured upon 1) recapture of any amount of the related federal NMTC credits; 2) early repayment of any portion of the principle amount that forms the qualified equity investment, or 3) failure to reinvest less than 85% of the qualified equity investment into a qualified business.
Estimated Revenue Reduction for Fiscal Year 2018	\$2,783,415	\$13,326,078	\$15,443,152

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

**NOTE 17 - COMMITMENTS AND CONTINGENCIES****PRIMARY GOVERNMENT****LITIGATION**

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

*Ali v. Long Creek Youth Development Center.* This lawsuit alleges use of excessive force, inadequate medical care, disability discrimination and negligent use of force relating to an eleven-year old juvenile at Long Creek Youth Development Center. The probability that this case will result in future losses to the State in excess of \$1 million is undetermined at this time.

*Boland v. Rodney Bouffard et al.* This case arises out of the death of Maine State Prison inmate Michael Boland. Another inmate was convicted and sentenced to life imprisonment in connection with this incident. The defendants, the warden, deputy warden and unit manager at the Maine State Prison, are being sued in their individual capacity. Plaintiff alleges that the defendants violated the 8th Amendment proscription against cruel and unusual punishment by placing him in a prison unit with the other inmate known to the defendants to have a history of violent behavior. The probability that this case will result in future losses to the State in excess of \$1 million is undetermined at this time.

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

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

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

*Irish, Brittany v. Maine State Police et. al.* This lawsuit seeks damages for the kidnapping of Brittany Irish and shooting of Kimberly Irish by Anthony Lord. The probability that this case will result in future losses to the State in excess of \$1 million is undetermined at this time.

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

*Maine Equal Justice Partners et al. v. Hamilton.* This lawsuit seeks to require the Commissioner of the Department of Health and Human Services to implement Medicaid expansion. The probability that this case will result in future losses to the State in excess of \$1 million is undetermined at this time.

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

*Quinn v. U.S. Prisoner Transport Inc, et al.* In this lawsuit, Plaintiff alleges that she was extradited from Florida to Maine and during the transport of her by a private transport company she was injured and mistreated. The transport company was retained by the District Attorney, a State Officer. The probability that this case will result in future losses to the State in excess of \$1 million is undetermined at this time.

*Riverview Psychiatric Center.* The United States Centers for Medicare and Medicaid Services ("CMS") has notified the Maine Department of Health and Human Services that it has disallowed \$51.1 million in federal financial participation payments for Medicaid services and for disproportionate share hospital payments claimed for the quarterly periods ending ("QE") December 31, 2013 through March 31, 2017 related to the Riverview Psychiatric Center. CMS has also disallowed additional amounts as follows, \$3.5 million (QE June 30, 2017), \$3.5 million (QE September 30, 2017), \$3.5 million (QE December 31, 2017) and \$3.5 million (QE March 31, 2018). All of the disallowances are under appeal. The probability that this case will result in future losses to the State in excess of \$1 million is undetermined at this time.

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

There are also numerous workers' compensation claims 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 \$66.1 million, \$1.7 million, \$142.8 million, \$30.4 million and \$5.0 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, 2018 is \$23.5 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 \$750 thousand. Currently the State shares the costs with Environmental Protection Agency (EPA) in a cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in September of 2018, the State will assume 100 percent of the operation and maintenance and long-term monitoring costs.

*Eastern Surplus* – The State recorded a liability for pollution remediation activities of approximately \$2.1 million. Beginning in August of 2012, the State assumed 100 percent of the operation, maintenance and monitoring costs. As of June 30, 2018, the State has received \$2.1 million in recoveries from the Department of Defense. The State expects to recover additional costs of \$808 thousand.

*Callahan Mine* – The State recorded a liability for pollution remediation activities of approximately \$6.5 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 \$13.3 million (net of unrealized recoveries of \$837 thousand) related to five uncontrolled hazardous substance sites. The State expects to recover \$0.46 million in costs. The Uncontrolled Hazardous Substance Sites Program was created in response to the threats and potential threats to human health and the environment posed primarily by abandoned hazardous waste sites. The Uncontrolled Hazardous Substance Sites program is the State's equivalent to the Federal Superfund Program.

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

#### **MUNICIPAL SOLID WASTE LANDFILLS**

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

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

*Cost-Sharing Program* – Title 38 M.R.S.A., §1310-F establishes within the Department of Environmental Protection (DEP) a cost-sharing program for the closure and remediation of municipal solid waste landfills that pose a potential hazard and that meet other qualifying criteria. The law provides for reimbursement of 75% of a municipality's closure expenses. If initial closure of a landfill fails to protect public health and the environment, DEP is obligated to reimburse up to 90% of a municipality's subsequent remediation expenses. However, these obligations are subject to the availability of funds approved for that purpose. In 2012, DEP through bonds had paid all of the outstanding match requirements for closure, but had \$2,568,654 in outstanding match obligation for remediation. Additionally, several Municipalities needed to close their failing landfills early, but could not afford to do so without the state match for closure, which had expired. To address this, in 2013 the legislature enacted a fee on disposal of certain Construction and Demolition Debris (CDD), and in 2015 extended the eligibility date for reimbursement of closure costs from 2015 to 2025. There is no eligibility end date for reimbursement of remediation costs. Therefore, DEP continues to incur new match cost obligations as additional qualifying landfills close before the 2025 date, and as others undertake necessary remediation actions. As the CDD fee does not generate enough funding to pay the Department's cost share obligations in their entirety, the Department provides partial payments to municipalities on a quarterly basis.

In FY2018 the DEP received \$1,098,157 from the CDD fee. As required, the entirety of this fee was used to reimburse municipalities for eligible expenses. At the beginning of FY18, DEP's total outstanding reimbursement obligation to municipalities was \$5,955,412. At the end of FY18 the outstanding match obligation was \$5,079,017. Although the overall outstanding debt during the year decreased, additional debt was incurred due primarily to landfill closure and remediation expenses which were submitted over the course of the year. DEP incurred the oldest outstanding match obligations in 2008.

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

The State estimates the potential aggregate cost to comply with the environmental requirements associated with the Sand and Salt Storage program to be \$2.7 million. This consists of approximately \$1.7 million for State-owned facilities and approximately \$1.0 million for the State's share, under a cost sharing arrangement, for municipal facilities.

#### **POLLUTION ABATEMENT PROGRAM**

Title 38 M.R.S.A. §411, §411-A, and §412 establish within DEP cost-sharing programs for pollution abatement projects. Subject to funding by the Legislature and the approval of the Commissioner, the State may contribute to the planning of municipal pollution abatement facilities; the design, engineering, and construction of private, commercial, and municipal pollution abatement facilities; and make payments to the Maine Municipal Bond Bank to supply the State's share of the revolving loan fund established by Title 30A §6006-A. During the 2018 fiscal year, \$90 thousand of general obligation bond funds and \$2.48 million of Liquor Operation Revenue Funds were expended for pollution abatement projects. As of June 30, 2018, amounts encumbered for pollution abatement projects totaled \$21 thousand, and general obligation bonds authorized for these projects, but not yet encumbered, totaled \$2.28 million. As of June 30, 2018, DEP estimates the total cost (federal, State, and local) of future projects to be \$1 billion.

**GROUND WATER OIL CLEAN-UP FUND**

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

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

**CONSTRUCTION COMMITMENTS**

A portion of the payment that is made to municipalities for General Purpose Aid to Local Schools is allocated for debt service. Although the outstanding indebtedness for school construction projects is debt of the municipalities, the State subsidizes 49.14 percent of the annual payments. As of June 30, 2018 outstanding commitments by municipalities for school bond issues that are eligible for State subsidy totaled \$887.4 million.

At June 30, 2018, the Department of Transportation had contractual commitments of approximately \$233.3 million for construction of various highway projects. The State's share of that amount is expected to be approximately \$96.3 million. Of these amounts, \$7.1 million has already been accrued. Federal and State funds plus bond proceeds are expected to fund these future expenditures.

**TOBACCO SETTLEMENTS**

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

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

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

In April 2018, Maine received an annual tobacco settlement payment of \$67.8 million.

**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, 2018, the Fund included \$4.0 million of securities not yet liquidated that were not subject to transfer to the General Fund. Net collections from inception (1979) to June 30, 2018 of approximately \$238.5 million represent a contingent liability to the State since claims for refund may be filed by the owners of such property.

A liability representing the probable amount of escheat property that will be reclaimed and paid to claimants and other third parties is reported in the Fund. To the extent that the assets in the Fund are less than the claimant liability, a receivable (due from other funds) is reported in that Fund and an equal liability (due to other funds) is reported in the General Fund. At June 30, 2018, the amount reported in the Fund for claimant liability is \$41.8 million. The General Fund shows a \$37.3 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, 2018, loans outstanding pursuant to these authorizations are \$83.1 million, less than \$1 million, and \$0.2 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, 2018.

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, 2018, 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, 2018.

**MORAL OBLIGATIONS**

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

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

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



The following summarizes information regarding outstanding moral obligations:

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

<b>Issuer</b>	<b>Bonds Outstanding</b>	<b>Required Debt Reserve</b>	<b>Obligation Debt Limit <sup>1</sup></b>	<b>Legal Citation</b>
Maine Health and Higher Educational Facilities Authority	\$ 565,375	\$ 60,000	NIL	22 MRSA § 2075
Finance Authority of Maine	43,517	3,410	\$ 642,000	10 MRSA §1032, 1053
	-	-	50,000	20-A MRSA §11449
	-	-	50,000	38 MRSA §2221
	93,280	2,581	225,000	20-A MRSA §11424
Maine Municipal Bond Bank	1,186,370	149,749	NIL	30-A MRSA §6006
Maine State Housing Authority	1,363,465	115,806	2,150,000	30-A MRSA §4906
Total	<u>\$ 3,252,007</u>	<u>\$ 331,546</u>		

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

**COMPONENT UNITS**

**CONSTRUCTION CONTRACTS**

At June 30, 2018, UMS had outstanding commitments on uncompleted construction contracts that totaled \$10.4 million.

At December 31, 2017, the Maine Turnpike Authority had \$24.1 million remaining in commitments on outstanding construction projects for improvements and maintenance.

**MORTGAGE COMMITMENTS**

Mortgage commitments are agreements to lend provided there is no violation of any term or condition of the agreement. Generally, once exercised, the loans made under the terms of such commitments are secured by a lien on the related property and other collateral as deemed necessary. At December 31, 2017 Maine State Housing Authority (MSHA) had outstanding commitments to originate multi-family loans of approximately \$81.5 million.

MSHA, under its single-family program, enters into purchase agreements to lenders to purchase mortgage loans. At December 31, 2017, single-family loans being processed by lenders totaled \$44.1 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, 2018, FAME had insurance outstanding for commercial loans under the Loan Insurance Program totaling approximately \$115.3 million. At June 30, 2018, FAME was insuring loans with an aggregate outstanding principle balance approximating \$4.6 million which were 90 or more days delinquent. The aggregate insured balance of these loans was approximately \$3.2 million at June 30, 2018. In addition, FAME has entered into commitments to insure loans at some future date. At June 30, 2018, these commitments under the Loan Insurance Program were approximately \$7.0 million.

**FEDERAL STUDENT LOAN RESERVE FUND**

FAME holds and administers the Federal Student Loan Reserve Fund for the US Department of Education. Total outstanding guarantees issued under the FFELP approximated \$330.0 million at June 30, 2018. A portion of the defaults on FFELP loan guarantees are paid by the US Department of Education. At June 30, 2018, the reserve level was approximately \$3.3 million.

**NOTE 18 - SUBSEQUENT EVENTS****PRIMARY GOVERNMENT**

On July 31, 2018 the State issued \$111.3 million in General Obligation Bonds, of which \$95.8 million was tax exempt and \$15.5 million was taxable. The bonds bear interest rates from 3.125 percent to 5.000 percent and maturities from 2019 to 2028.

On September 13, 2018, the Maine Governmental Facilities Authority issued \$50.5 million of Series 2018A Lease Revenue Bonds to fund various State projects. The bonds bear interest rates from 3.50 percent to 5.00 percent and maturities from 2019 to 2038. The bonds do not constitute a legal debt or obligation of the State.

On October 25, 2018, the Maine Municipal Bond Bank issued \$44.3 million of Series 2018A Grant Anticipation Bonds on behalf of the Maine Department of Transportation. The bonds bear interest rates from 4.00 percent to 5.00 percent and maturities from 2023 to 2030. The bonds do not constitute a legal debt or obligation of the State.

On October 25, 2018, the Maine Municipal Bond Bank issued \$9.9 million of Series 2018B Grant Anticipation Refunding Bonds on behalf of the Maine Department of Transportation. The bonds bear an interest rate of 4.00 percent and maturities from 2019 to 2020, all of which will be used to refund \$9.9 million of outstanding maturities within the 2008A bond series. The bonds do not constitute a legal debt or obligation of the State.

**COMPONENT UNITS**

On March 12, 2018, Maine State Housing Authority (MSHA), which has a December 31 fiscal year end, redeemed at par \$59.5 million of bonds in the General Mortgage Purchase Bond Resolution.

Between July 18, 2018 and August 1, 2018, Maine Health and Higher Educational Facilities Authority (MHHEFA) issued \$216.5 million of bonds under the General Bond resolution with final maturity dates between July 1, 2036 and September 30, 2048. Interest rates averaged from 4.8 percent up to 5.5 percent. The debt of the General Bond resolution is considered conduit debt and neither the Authority nor the State of Maine is under obligation for repayment.

On September 26, 2018, MHHEFA committed up to \$2.9 million of bonds under the General Bond resolution with a variable interest rate and a final maturity date of September 1, 2043. The debt of the General Bond resolution is considered conduit debt and neither the Authority nor the State of Maine is under obligation for repayment.

On November 1, 2018, the Maine Municipal Bond Bank closed its 2018 Series B bond issue with a par of \$134.8 million.

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**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

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

Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)

	General Fund				Highway Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>								
Taxes	\$ 3,334,527	\$ 3,395,618	\$ 3,480,244	\$ 84,626	\$ 226,821	\$ 224,172	\$ 226,000	\$ 1,828
Assessments and Other	96,437	98,964	102,332	3,368	92,137	93,687	98,360	4,673
Federal Grants	1,785	1,785	1,638	(147)	-	-	-	-
Service Charges	42,270	40,535	42,375	1,840	6,485	5,971	6,250	279
Income from Investments	2,994	5,429	9,126	3,697	594	219	327	108
Miscellaneous Revenue	3,194	1,194	1,201	7	3,474	4,631	4,624	(7)
<b>Total Revenues</b>	<b>3,481,207</b>	<b>3,543,525</b>	<b>3,636,916</b>	<b>93,391</b>	<b>329,511</b>	<b>328,680</b>	<b>335,561</b>	<b>6,881</b>
<b>Expenditures</b>								
Governmental Support & Operations	292,216	325,415	298,663	26,752	39,399	41,593	38,286	3,307
Economic Development & Workforce								
Training	46,252	47,280	42,062	5,218	-	-	-	-
Education	1,540,122	1,543,043	1,516,708	26,335	-	-	-	-
Health and Human Services	1,204,908	1,249,712	1,133,294	116,418	-	-	-	-
Business Licensing & Regulation	-	-	-	-	-	-	-	-
Natural Resources Development & Protection	81,982	85,317	79,374	5,943	33	33	33	-
Justice and Protection	370,786	369,948	351,824	18,124	31,255	31,006	29,540	1,466
Arts, Heritage & Cultural Enrichment	8,210	8,066	7,892	174	-	-	-	-
Transportation Safety & Development	-	-	-	-	259,263	305,379	277,678	27,701
<b>Total Expenditures</b>	<b>3,544,476</b>	<b>3,628,781</b>	<b>3,429,817</b>	<b>198,964</b>	<b>329,950</b>	<b>378,011</b>	<b>345,537</b>	<b>32,474</b>
Revenues Over (Under) Expenditures	(63,269)	(85,256)	207,099	292,355	(439)	(49,331)	(9,976)	39,355
<b>Other Financing Sources (Uses)</b>								
Operating Transfers Net	(47,131)	(53,659)	(28,752)	24,907	-	-	(6,253)	(6,253)
Proceeds from Pledged Future Revenues	-	-	-	-	-	-	-	-
<b>Net Other Financing Sources (Uses)</b>	<b>(47,131)</b>	<b>(53,659)</b>	<b>(28,752)</b>	<b>24,907</b>	<b>-</b>	<b>-</b>	<b>(6,253)</b>	<b>(6,253)</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (110,400)	\$ (138,915)	\$ 178,347	\$ 317,262	\$ (439)	\$ (49,331)	\$ (16,229)	\$ 33,102
Fund balances, beginning of year			506,363				57,564	
Fund balances, end of year			<u>\$ 684,710</u>				<u>\$ 41,335</u>	

Federal Funds				Other Special Revenue Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ 309,664	\$ 310,195	\$ 307,318	\$ (2,877)
324	324	-	(324)	182,880	183,652	177,094	(6,558)
3,085,641	3,243,636	2,763,184	(480,452)	14,167	14,976	8,816	(6,160)
5,240	5,239	454	(4,785)	192,506	197,503	180,508	(16,995)
1	1	12	11	491	519	1,318	799
325	2,825	10,024	7,199	289,874	308,699	344,032	35,333
<u>3,091,531</u>	<u>3,252,025</u>	<u>2,773,674</u>	<u>(478,351)</u>	<u>989,582</u>	<u>1,015,544</u>	<u>1,019,086</u>	<u>3,542</u>
4,356	5,806	2,557	3,249	150,057	162,885	148,620	14,265
112,311	108,843	69,335	39,508	62,047	69,055	47,741	21,314
299,276	309,824	220,817	89,007	50,252	52,073	36,829	15,244
2,250,776	2,279,111	2,151,628	127,483	640,881	688,311	489,838	198,473
123	123	56	67	73,097	82,313	68,118	14,195
47,464	51,069	38,072	12,997	131,082	152,696	105,028	47,668
135,492	147,093	49,731	97,362	53,398	59,540	46,638	12,902
3,372	4,192	3,247	945	2,053	2,106	973	1,133
210,533	265,302	233,182	32,120	47,271	128,605	97,380	31,225
<u>3,063,703</u>	<u>3,171,363</u>	<u>2,768,625</u>	<u>402,738</u>	<u>1,210,138</u>	<u>1,397,584</u>	<u>1,041,165</u>	<u>356,419</u>
27,828	80,662	5,049	(75,613)	(220,556)	(382,040)	(22,079)	359,961
(11,403)	(11,396)	(6,786)	4,610	12,218	17,036	(14,188)	(31,224)
-	-	-	-	17,520	77,520	21,396	(56,124)
<u>(11,403)</u>	<u>(11,396)</u>	<u>(6,786)</u>	<u>4,610</u>	<u>29,738</u>	<u>94,556</u>	<u>7,208</u>	<u>(87,348)</u>
<u>\$ 16,425</u>	<u>\$ 69,266</u>	<u>\$ (1,737)</u>	<u>\$ (71,003)</u>	<u>\$ (190,818)</u>	<u>\$ (287,484)</u>	<u>\$ (14,871)</u>	<u>\$ 272,613</u>
		11,311				422,877	
		<u>\$ 9,574</u>				<u>\$ 408,006</u>	

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

Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Federal Funds</u>	<u>Special Revenue Fund</u>
Fund Balances - Non-GAAP Budgetary Basis	\$ 684,710	\$ 41,335	\$ 9,574	\$ 408,006
<b>Basis Differences</b>				
Revenue Accruals/Adjustments:				
Taxes Receivable	251,636	4,442	-	12,474
Intergovernmental Receivables	-	-	267,816	-
Other Receivables	63,581	3,013	79,311	62,298
Inventories	2,803	-	459	-
Due from Component Units	-	12	-	79,496
Due from Other Funds	24,452	3,377	2,141	142,706
Other Assets	361	2	98	12
Unearned Revenues	-	(4,132)	(459)	5,898
Deferred Inflows - Taxes and Assessment Revenues	(232,441)	(545)	(35)	(25,937)
Deferred Inflows - Unearned Revenue from Enterprise Fund	-	-	-	-
Total Revenue Accruals/Adjustments	<u>110,392</u>	<u>6,169</u>	<u>349,331</u>	<u>276,947</u>
Expenditure Accruals/Adjustments:				
Accounts Payable	(154,179)	(30,918)	(246,281)	(28,364)
Due to Component Units	(228)	-	(1,113)	(8,497)
Bonds Issued	-	-	-	-
Accrued Liabilities	(24,557)	(9,175)	(6,448)	(8,840)
Taxes Payable	(225,251)	(7)	-	-
Intergovernmental Payables	-	-	(79,276)	-
Due to Other Funds	(58,628)	(4,124)	(6,998)	(13,219)
Total Expenditure Accruals/Adjustments	<u>(462,843)</u>	<u>(44,224)</u>	<u>(340,116)</u>	<u>(58,920)</u>
Fund Balances - GAAP Basis	<u>\$ 332,259</u>	<u>\$ 3,280</u>	<u>\$ 18,789</u>	<u>\$ 626,033</u>



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

Fiscal Year Ended June 30, 2018

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**Statutory/Budgetary Presentation**

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

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

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

Detailed budgetary control is maintained at the program and line category level at which appropriations and allocations are approved by the Legislature, principally through a quarterly allotment system. The State Budget Officer and the Governor must approve budget revisions during the year, reflecting program changes or intradepartmental administrative transfers. Except in specific instances, only the Legislature may transfer appropriations between departments. Increases in appropriation, allocation, or funding for new programs are presented to the Legislature as a supplemental budget or separate pieces of legislation. For the year ended June 30, 2018, the legislature decreased appropriations to the General Fund by \$26.1 thousand.

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

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

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

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

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

The budgetary comparison schedule presented for the General Fund, the Highway Fund, the Federal Fund, and the Other Special Revenue Fund presents the original and final appropriated budgets for fiscal year 2017 - 2018, 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 July 4, 2017, and includes encumbrances carried forward from the prior year.

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

Fiscal Year Ended June 30, 2018

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Generally accepted accounting principles (GAAP) require that the final legal budget be reflected in the “final budget” column. Therefore updated revenue estimates available for appropriations as of June 30, 2018 rather than the amounts shown in the original budget, are reported.

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

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

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

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

Last Four Fiscal Years  
(Expressed in Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total Pension Liability</b>				
Service Cost	\$ 1,466	\$ 1,397	\$ 1,606	\$ 1,518
Interest	4,358	4,155	3,863	3,736
Changes in Benefit Terms	-	2,017	28	17
Differences Between Expected and Actual Experience	(893)	(1,746)	2,238	(292)
Changes of Assumptions	-	2,490	-	426
Benefit Payments, Including Refunds of Member Contributions	(3,652)	(3,502)	(3,384)	(3,219)
Net Change in Total Pension Liability	1,279	4,811	4,351	2,186
Beginning Total Pension Liability	63,723	58,912	54,561	52,375
Ending Total Pension Liability	65,002	63,723	58,912	54,561
<b>Plan Fiduciary Net Position</b>				
Employer Contributions	1,144	1,078	979	932
Member Contributions	585	550	550	528
Net Investment Income	7,800	130	1,055	8,416
Transfers	-	6,343	-	-
Benefit Payments, Including Refunds of Member Contributions	(3,652)	(3,502)	(3,384)	(3,219)
Administrative Expense	(57)	(48)	(49)	(42)
Net Change in Plan Fiduciary Net Position	5,820	4,551	(849)	6,615
Beginning Plan Fiduciary Net Position	60,892	56,341	57,190	50,575
Ending Plan Fiduciary Net Position	66,712	60,892	56,341	57,190
Ending Net Pension Liability (Asset)	\$ (1,710)	\$ 2,831	\$ 2,571	\$ (2,629)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	102.6 %	95.6 %	95.6 %	104.0 %
Covered Payroll	\$ 7,640	\$ 7,188	\$ 7,186	\$ 7,186
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(22.4)%	39.4 %	35.8 %	(36.0)%

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

Last Four Fiscal Years  
(Expressed in Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total Pension Liability</b>				
Service Cost	\$ 265	\$ 412	\$ 451	\$ 450
Interest	530	549	545	503
Changes in Benefit Terms	-	-	4	4
Differences Between Expected and Actual Experience	158	(246)	(508)	(93)
Changes of Assumptions	-	(147)	-	86
Benefit Payments, Including Refunds of Member Contributions	(469)	(446)	(439)	(318)
Net Change in Total Pension Liability	484	122	53	632
Beginning Total Pension Liability	7,680	7,558	7,505	6,873
Ending Total Pension Liability	8,164	7,680	7,558	7,505
<b>Plan Fiduciary Net Position</b>				
Employer Contributions	-	-	4	4
Member Contributions	202	138	193	140
Net Investment Income	1,366	48	206	1,622
Benefit Payments, Including Refunds of Member Contributions	(469)	(446)	(439)	(318)
Administrative Expense	(9)	(8)	(9)	(8)
Net Change in Plan Fiduciary Net Position	1,090	(268)	(45)	1,440
Beginning Plan Fiduciary Net Position	10,807	11,075	11,120	9,680
Ending Plan Fiduciary Net Position	11,897	10,807	11,075	11,120
Ending Net Pension Liability (Asset)	\$ (3,733)	\$ (3,127)	\$ (3,517)	\$ (3,615)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	145.7 %	140.7 %	146.5 %	148.2 %
Covered Payroll	\$ 2,651	\$ 2,590	\$ 2,528	\$ 2,590
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(140.8)%	(120.7)%	(139.1)%	(139.6)%

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

Last Five Fiscal Years  
(Expressed in Thousands)

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Judicial Pension Plan</b>					
Actuarially Determined Contribution	\$ 1,179	\$ 1,144	\$ 1,078	\$ 951	\$ 932
Contributions in Relation to the Actuarially Determined Employer Contribution	<u>(1,179)</u>	<u>(1,144)</u>	<u>(1,078)</u>	<u>(951)</u>	<u>(932)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 7,894	\$ 7,640	\$ 7,188	\$ 7,186	\$ 6,742
Contributions as a percentage of covered payroll	14.94 %	14.97 %	15.00 %	13.23 %	13.82 %
<b>Legislative Pension Plan</b>					
Actuarially Determined Contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Actuarially Determined Employer Contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4)</u>
Covered Payroll	\$ 2,711	\$ 2,651	\$ 2,590	\$ 2,528	\$ 2,535
Contributions as a Percentage of Covered Payroll	0.00 %	0.00 %	0.00 %	0.00 %	0.16 %

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2018 can be found in the June 30, 2016 actuarial valuation report.

Notes to Schedule

**Key Methods and Assumptions Used to Determine Contribution Rates**

Valuation date	June 30, 2015
Actuarial cost method	June 30, 2018 actuarially determined contribution rates are calculated based on a 2016 actuarial valuation developed as a roll-forward of the 2015 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2016 using assets as of June 30, 2016.
Asset valuation method	Entry age normal
Amortization method	3-Year smoothed market
Discount rate	Level percent of payroll, open 10-year amortization of 2016 UAL.
Amortization growth rate	6.75%
Price inflation	2.75%
Salary increases	2.75%
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.
Most recent review of plan experience	2015
Mortality	104 percent and 120 percent of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females.

**STATE OF MAINE**  
**SCHEDULE OF STATE CONTRIBUTIONS**  
**SINGLE EMPLOYER BENEFIT PENSION PLANS - EMPLOYER CONTRIBUTIONS (CONTINUED)**

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**Former actuarial assumptions:**

Discount rate

Change in assumptions 2018: The annual rate of investment return was reduced from 6.875% used at funding to 6.75%. The impact of this change is included in the TPL reconciliation as a change in assumptions.

Other information

Change in assumptions 2016: the amounts reported as changes of assumptions were due to assumptions that were updated based on the experience study covering the period from June 30, 2012 through June 30, 2015.

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

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

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

Last Four Fiscal Years  
(Expressed in Thousands)

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>State Employees</b>				
Proportion of the Collective Net Pension Liability	94.829879 %	94.498857 %	92.825250 %	92.853946 %
Proportionate Share (Amount) of the Collective Net Pension Liability	\$ 1,080,168	\$ 1,269,080	\$ 950,597	\$ 837,743
Covered Payroll	\$ 601,904	\$ 588,415	\$ 520,115	\$ 525,765
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	179.46 %	215.68 %	182.77 %	159.34 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	76.10 %	71.00 %	76.80 %	79.21 %
<b>Maine Community College System</b>				
Proportion of the Collective Net Pension Liability	4.605776 %	4.969634 %	6.640831 %	6.618303 %
Proportionate Share (Amount) of the Collective Net Pension Liability	\$ 52,462	\$ 66,740	\$ 68,007	\$ 59,710
Covered Payroll	\$ 30,867	\$ 32,627	\$ 32,008	\$ 31,679
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	169.96 %	204.55 %	212.47 %	188.48 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	76.10 %	71.00 %	76.80 %	79.21 %
<b>Non-Major and Formerly Reported Component Units</b>				
Proportion of the Collective Net Pension Liability	0.564345 %	0.531509 %	0.533919 %	0.527751 %
Proportionate Share (Amount) of the Collective Net Pension Liability	\$ 6,428	\$ 7,138	\$ 5,468	\$ 4,760
Covered Payroll	\$ 3,700	\$ 3,424	\$ 3,927	\$ 3,776
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	173.73 %	208.47 %	139.24 %	126.06 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	76.10 %	71.00 %	76.80 %	79.21 %
<b>Total SETP - State of Maine Employees</b>				
Proportion of the Collective Net Pension Liability	100.000000 %	100.000000 %	100.000000 %	100.000000 %
Proportionate Share (Amount) of the Collective Net Pension Liability	\$ 1,139,058	\$ 1,342,959	\$ 1,024,072	\$ 902,213
Covered Payroll	\$ 636,471	\$ 624,466	\$ 556,050	\$ 561,220
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	178.96 %	215.06 %	184.17 %	160.76 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	76.10 %	71.00 %	76.80 %	79.21 %

**Notes to Schedule:**

As of June 30, 2018, the SETP includes the State, 1 major component unit, 1 non-major component unit and 1 formerly reported component unit in its definition of state employees. Totals for the non-major and formerly reported component unit have been combined.

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2018 can be found in the June 30, 2016 actuarial valuation report.

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

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

Last Five Fiscal Years  
(Expressed in Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>State Employees</b>					
Actuarially Determined Contribution	\$ 148,115	\$ 141,295	\$ 136,139	\$ 107,807	\$ 117,380
Contributions in Relation to the Actuarially Determined Employer Contribution	<u>(148,115)</u>	<u>(141,295)</u>	<u>(136,139)</u>	<u>(107,807)</u>	<u>(117,380)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 608,615	\$ 601,904	\$ 588,415	\$ 521,846	\$ 525,765
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	24.34 %	23.47 %	23.14 %	20.66 %	22.33 %
<b>Maine Community College System</b>					
Actuarially Determined Contribution	\$ 7,347	\$ 6,863	\$ 7,159	\$ 8,135	\$ 3,133
Contributions in Relation to the Actuarially Determined Employer Contribution	<u>(7,347)</u>	<u>(6,863)</u>	<u>(7,159)</u>	<u>(8,135)</u>	<u>(3,133)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 31,106	\$ 30,867	\$ 32,627	\$ 30,257	\$ 31,679
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	23.62 %	22.23 %	21.94 %	26.89 %	9.89 %
<b>Combined Non-major and Formerly Reported Component Units</b>					
Actuarially Determined Contribution	\$ 1,021	\$ 840	\$ 766	\$ 635	\$ 522
Contributions in Relation to the Actuarially Determined Employer Contribution	<u>(1,021)</u>	<u>(840)</u>	<u>(766)</u>	<u>(635)</u>	<u>(522)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 4,240	\$ 3,700	\$ 3,424	\$ 3,947	\$ 3,776
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	24.08 %	22.70 %	22.37 %	16.09 %	13.82 %
<b>Total SETP - State of Maine Employees</b>					
Actuarially Determined Contribution	\$ 156,483	\$ 148,998	\$ 144,064	\$ 116,577	\$ 121,035
Contributions in Relation to the Actuarially Determined Employer Contribution	<u>(156,483)</u>	<u>(148,998)</u>	<u>(144,064)</u>	<u>(116,577)</u>	<u>(121,035)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 643,961	\$ 636,471	\$ 624,466	\$ 556,050	\$ 561,220
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	24.30 %	23.41 %	23.07 %	20.97 %	21.57 %



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Notes to Schedule:

The SETP includes the State, 1 major component unit, 1 non-major component unit and 1 formerly reported component unit in its definition of state employees. Totals for the non-major and formerly reported component unit have been combined.

Valuation date	June 30, 2015
	June 30, 2018 actuarially determined contribution rates are calculated based on a 2016 actuarial valuation developed as a roll-forward of the 2015 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2016 using assets as of June 30, 2016.
Actuarial cost method	Entry age normal
Asset valuation method	3-Year smoothed market
Amortization method	Level Percentage of payroll, closed 16-year amortization of the UAL prior to 2012 and individual, closed, level percent of payroll, 10-year amortization of UAL arising each year beginning in 2012.
Discount rate	6.75%
Amortization growth rate	2.75%
Price inflation	2.75%
Salary increases	2.75% plus merit component based on employee's years of service.
Retirement age	Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute.
Mortality	104 percent and 120 percent of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females.

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2018 can be found in the June 30, 2014 actuarial valuation report.

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

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**Former actuarial assumption:**

Discount rate

Change in assumptions 2018: The annual rate of investment return was reduced from 6.875% used at funding to 6.75%. The impact of this change is included in the TPL reconciliation as a change in assumptions.

Other information

Change in assumptions 2018: The annual rate of investment return was reduced from 6.875% used at funding to 6.75%. The impact of this change is included in the TPL reconciliation as a change in assumptions.

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

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

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

Last Four Fiscal Years  
(Expressed in Thousands)

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Non-employer Contributing Entity's Proportion of:</b>				
Percentage of the Collective Net Pension Liability	95.016790 %	95.002519 %	95.036038 %	95.069591 %
Amount of the Collective Net Pension Liability	\$ 1,452,536	\$ 1,766,662	\$ 1,350,118	\$ 1,027,065
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	83.30 %	79.00 %	83.60 %	86.46 %

Notes to Schedule:

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

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

Last Five Fiscal Years  
(Expressed in Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Teachers - Non-Employer Contributor</b>					
Actuarially Determined Contribution	\$ 129,422	\$ 116,080	\$ 112,478	\$ 147,048	\$ 146,362
Contributions in Relation to the Actuarially Determined Non-Employer Contribution	<u>(129,422)</u>	<u>(116,080)</u>	<u>(112,478)</u>	<u>(147,048)</u>	<u>(146,362)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Employer Contributors</b>					
Actuarially Determined Contribution	\$ 54,472	\$ 47,659	\$ 45,349	\$ 38,404	\$ 36,931
Contributions in Relation to the Actuarially Determined Employer Contribution	<u>(54,472)</u>	<u>(47,659)</u>	<u>(45,349)</u>	<u>(38,404)</u>	<u>(36,931)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total SETP - Teachers</b>					
Actuarially Determined Contribution	\$ 183,894	\$ 163,739	\$ 157,827	\$ 185,452	\$ 183,293
Contributions in Relation to the Actuarially Determined Employer Contribution	<u>(183,894)</u>	<u>(163,739)</u>	<u>(157,827)</u>	<u>(185,452)</u>	<u>(183,293)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes to Schedule:

Valuation date

June 30, 2015

June 30, 2018 actuarially determined contribution rates are calculated based on a 2016 actuarial valuation developed as a roll-forward of the 2015 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2016 using assets as of June 30, 2016.

Actuarial cost method

Entry age normal

Asset valuation method

3-Year smoothed market

Amortization method

Level Percentage of payroll, closed 16-year amortization of the UAL prior to 2012 and individual, closed. level percent of payroll, 10-year amortization of UAL arising each year beginning in 2012.

Discount rate

6.75%

Amortization growth rate

2.75%

Price inflation

2.75%

Salary increases

2.75% plus merit component based on employee's years of service.

Retirement age

Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute.

Mortality

99 percent of the RP-2014 Total Dataset Healthy Annuitant Mortality Table for males and females.

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A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2018 can be found in the June 30, 2016 actuarial valuation report.

Discount rate	Change in assumptions 2018: The annual rate of investment return was reduced from 6.875% used at funding to 6.75%. The impact of this change is included in the TPL reconciliation as a change in assumptions.
Other information	Change in assumptions 2016: the amounts reported as changes of assumptions were due to assumptions that were updated based on the experience study covering the period from June 30, 2012 through June 30, 2015.

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

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

**STATE OF MAINE**  
**SCHEDULE OF CHANGES IN**  
**THE NET OPEB LIABILITY**  
**HEALTHCARE PLAN - STATE EMPLOYEES**

Last Two Years  
(Expressed in Thousands)

	<b>2018</b>	<b>2017</b>
<b>Total OPEB Liability</b>		
Beginning Total Liability	\$ 1,161,320	\$ 1,143,542
Service Cost	16,917	12,246
Interest	76,921	75,650
Differences Between Expected and Actual Experience	17,725	-
Benefit Payments, Including Refunds of Member Contributions - Explicit	(58,347)	(54,118)
Benefit Payments, Including Refunds of Member Contributions - Implicit	(20,265)	(16,000)
Net Change in Total OPEB Liability	<u>38,192</u>	<u>17,778</u>
Ending Total OPEB Liability	<u>1,199,512</u>	<u>1,161,320</u>
<b>Plan Fiduciary Net Position</b>		
Beginning Plan Fiduciary Net Position	233,596	203,088
Employer Contributions - Explicit	60,347	58,118
Employer Contributions - Implicit	20,265	16,000
Net Investment Income	21,270	26,513
Benefit Payments, Including Refunds of Member Contributions	(78,612)	(70,118)
Administrative Expense	(6)	(5)
Net Change in Plan Fiduciary Net Position	<u>23,264</u>	<u>30,508</u>
Ending Plan Fiduciary Net Position	<u>256,860</u>	<u>233,596</u>
Ending Net OPEB Liability	<u>\$ 942,652</u>	<u>\$ 927,724</u>
Plan Fiduciary Net Position as Percentage of the Total OPEB Liability	21.4 %	20.1 %
Covered Payroll	\$ 612,195	\$ 574,663
Net OPEB Liability as a Percentage of Covered Payroll	154.0 %	161.4 %

Per GASB Statement No. 75, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

**STATE OF MAINE**  
**SCHEDULE OF CHANGES IN**  
**THE NET OPEB LIABILITY**  
**GROUP LIFE INSURANCE PLAN - STATE EMPLOYEES AND TEACHERS**

Last Two Years  
(Expressed in Thousands)

	<b>2018</b>	<b>2017</b>
<b>Total OPEB Liability</b>		
Beginning Total Liability	\$ 183,723	\$ 175,647
Service Cost	2,122	2,065
Interest	12,531	12,015
Differences Between Expected and Actual Experience	1,957	-
Changes of Assumptions Discount Rate	3,200	-
Benefit Payments, Including Refunds of Member Contributions - Explicit	(7,270)	(6,004)
Net Change in Total OPEB Liability	<u>12,540</u>	<u>8,076</u>
Ending Total OPEB Liability	<u>196,263</u>	<u>183,723</u>
<b>Plan Fiduciary Net Position</b>		
Beginning Plan Fiduciary Net Position	86,883	77,416
Employer and Non-Employer Contributions	7,639	6,921
Net Investment Income	7,805	9,886
Benefit Payments, Including Refunds of Member Contributions	(7,270)	(6,004)
Administrative Expense	(770)	(1,336)
Net Change in Plan Fiduciary Net Position	<u>7,404</u>	<u>9,467</u>
Ending Plan Fiduciary Net Position	<u>94,287</u>	<u>86,883</u>
Ending Net OPEB Liability	<u>\$ 101,976</u>	<u>\$ 96,840</u>
Plan Fiduciary Net Position as Percentage of the Total OPEB Liability	48.0 %	47.3 %
Covered Payroll	\$ 1,343,669	\$ 1,277,009
Change - Increase (Decrease)	7.6 %	7.6 %

Per GASB Statement No. 75, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

**STATE OF MAINE  
SCHEDULE OF CHANGES IN  
TOTAL OPEB LIABILITY  
HEALTHCARE PLAN - TEACHERS**

Last Two Years  
(Expressed in Thousands)

	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>		
Beginning Total Liability	\$ 1,323,731	\$ -
Service Cost	42,214	-
Interest	38,521	-
Contribution - Non-Employer Contributing Entity	(28,848)	-
Changes of Assumptions Discount Rate	(170,420)	-
Differences Between Expected and Actual Investment Earnings	43,128	-
Net Change in Total OPEB Liability	<u>(75,405)</u>	<u>-</u>
Ending Total OPEB Liability	<u>\$ 1,248,326</u>	<u>\$ 1,323,731</u>
Covered Payroll	\$ 1,149,126	\$ 1,125,444
Total OPEB Liability as Percentage of Covered Payroll	108.6 %	117.6 %
State's Proportionate Share of June 30, 2016 and June 30, 2017 Collective Total OPEB	83 %	83 %

This plan is funded on a pay-as-you go basis. The State's proportionate share for fiscal years June 30, 2016 and June 30, 2017 was estimated assuming the same share of implicit subsidy for each school district's OPEB Plan.

Per GASB Statement No. 75, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.



**STATE OF MAINE**  
**SCHEDULE OF CHANGES IN**  
**TOTAL OPEB LIABILITY**  
**HEALTHCARE PLAN - FIRST RESPONDERS**

Last Two Years  
(Expressed in Thousands)

	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>		
Beginning Total Liability	\$ 26,052	\$ -
Service Cost	1,836	-
Interest	786	-
Contribution - Employee	(618)	-
Contribution - Non-Employer Contributing Entity	(78)	-
Administrative Expenses	99	-
Differences Between Expected and Actual Experience	(2,909)	-
Changes of Assumptions Discount Rate	(1,325)	-
Changes of Assumptions - Others	(4,863)	-
Net Change in Total OPEB Liability	<u>(7,072)</u>	<u>-</u>
Ending Total OPEB Liability	<u>\$ 18,980</u>	<u>\$ 26,052</u>

**State's Proportion of the Total OPEB Liability**

Covered Payroll	\$ 62,551	\$ 55,651
Total OPEB Liability as Percentage of Covered Payroll	30.3 %	46.8 %
State's Proportionate Share of June 30, 2016 and June 30, 2017 Collective Total OPEB	23 %	23 %

This plan is funded on a pay-as-you go basis. The State's proportionate share for fiscal years June 30, 2016 and June 30, 2017 was estimated assuming the same share of implicit subsidy for each municipality's OPEB Plan.

Per GASB Statement No. 75, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

**STATE OF MAINE**  
**SCHEDULE OF STATE CONTRIBUTIONS**  
**STATE TRUST FUND OPEB PLANS**

Last Two Fiscal Years  
(Expressed in Thousands)

	<u>2018</u>	<u>2017</u>
<b>State Employee Healthcare</b>		
Actuarially Determined Contribution	\$ 71,179	\$ 69,000
Contributions in Relation to the Actuarially Determined Employer Contribution	<u>80,612</u>	<u>74,000</u>
Contribution Deficiency (Excess)	<u>\$ (9,433)</u>	<u>\$ (5,000)</u>
Covered Payroll	\$ 612,195	\$ 582,934
Contributions as a Percentage of Covered Payroll	13.17 %	12.69 %
<b>State Employee and Teacher Group Life Insurance Benefit Plan</b>		
Actuarially Determined Contribution	\$ 8,806	\$ 8,240
Contributions in Relation to the Actuarially Determined Employer Contribution	<u>7,638</u>	<u>6,921</u>
Contribution Deficiency (Excess)	<u>\$ 1,168</u>	<u>\$ 1,319</u>
Covered Payroll	\$ 1,343,669	\$ 1,277,009
Contributions as a Percentage of Covered Payroll	0.57 %	0.54 %

Notes to Schedule:

Pay-as-you-go plans do not require an actuarially determined contribution.

**State Health Insurance** The valuation date is June 30, 2017 rolled back to June 30, 2016. Costs are developed using the entry age normal cost method based on a level percentage of payroll. The participation rate for future retirees is 95 percent of active participants currently enrolled. Actuarial assumptions used in the June 30, 2017 and June 30, 2016 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2017 and June 30, 2016 include: a 6.75 percent investment rate of return, a 2.75 percent inflation rate; and, annual salary increases, including inflation of 2.75 percent plus merit component based on employee's years of service. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis. The unfunded liability will be fully recognized by June 30, 2037. Assumption changes, plan changes and experience gains are amortized over a 20 year fixed period. Experience losses are amortized over a 10 year fixed period. The initial medical trend rate had been 6.80 percent at June 30, 2016 and 6.60 percent at June 30, 2017. The ultimate medical trend rate for both years is 4.29 percent reached at 2075. The State actively manages premium increases within the statutory cap, so healthcare cost increases are limited to no more than inflation plus 3 percent in any year. For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table was used. For State employees rates are based on 104 percent and 120 percent for males and females, respectively. Changes in assumptions for 2018 included increasing the initial medical trend rate from 5.75 to 6.40 percent and decreasing the ultimate medical trend rate from 4.75 percent to 4.29 percent. The year the ultimate trend rate is reached changed from 2020 in 2017 to 2075 in 2018.

**Group Life Insurance** The valuation date is June 30, 2016 projected to June 30, 2017. Costs are developed using the individual entry age normal cost method based on a level percentage of payroll. The participation rate for future retirees is 100 percent of those currently enrolled. Actuarial assumptions used in the June 30, 2017 and June 30, 2016 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2017 and June 30, 2016 include: a 6.875 percent investment rate of return, a 2.75 percent inflation rate; and, annual salary increases, including inflation of 2.75 percent plus merit component based on employee's years of service. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis. As of June 30, 2017, there were 20 years remaining in the amortization schedule for state employees and teachers. For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table was used. For State employees rates are based on 104 percent and 120 percent for males and females, respectively. Teachers rates are based on 99 percent for both genders. One assumption changed in 2018. The discount rate assumption was lowered from 6.875 percent to 6.750 percent.

Per GASB Statement No. 74, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

**STATE OF MAINE**  
**SCHEDULE OF INVESTMENT RETURNS**  
**STATE FUNDED HEALTHCARE AND GROUP LIFE INSURANCE OPEB PLANS**

Last Two Fiscal Years

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	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	9.00 %	12.88 %

Notes to Schedule:

Per GASB Statement No. 74, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

**STATE OF MAINE**  
**INFORMATION ABOUT INFRASTRUCTURE ASSETS REPORTING USING THE MODIFIED APPROACH**

As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to those assets, unless the improvements expand the capacity or efficiency of an asset. Assets accounted for under the modified approach include 8,812 highway miles or 17,897 lane miles of roads and 2,970 bridges having a total deck area of 12.2 million square feet that the State is responsible to maintain.

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

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

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

**HIGHWAYS**

**Measurement Scale for Highways**

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

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

**STATE OF MAINE**  
**INFORMATION ABOUT INFRASTRUCTURE ASSETS REPORTING USING THE MODIFIED APPROACH**

**BRIDGES**

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

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

**Assessed Conditions**

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

<b>Adequacy Rating</b>	<b>Total</b>
Excellent	80 - 100
Good	70 - 80
Fair	60 - 70
Poor	0 - 60

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

<b>Fiscal Year</b>	<b>Highways</b>	<b>Bridges</b>
2018	71.8	74.0
2017	72.3	74.0
2016	75.3	76.0

**STATE OF MAINE**  
**INFORMATION ABOUT INFRASTRUCTURE ASSETS REPORTING USING THE MODIFIED APPROACH**

**Comparison of Estimated-to-Actual Preservation Costs**

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

	<b>Actual Preservation Costs</b> (Expressed in millions)				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014 (1)</b>
Highways	\$ 124.8	\$ 123.3	\$ 110.7	\$ 110.2	\$ 163.0
Bridges	16.4	18.8	4.9	5.5	71.0
Total	<u>\$ 141.2</u>	<u>\$ 142.1</u>	<u>\$ 115.6</u>	<u>\$ 115.7</u>	<u>\$ 234.0</u>

	<b>Estimated Preservation Costs</b> (Expressed in millions)				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Highways	\$ 133.0	\$ 142.2	\$ 113.4	\$ 71.9	\$ 24.7
Bridges	21.0	23.7	8.8	3.9	3.1
Total	<u>\$ 154.0</u>	<u>\$ 165.9</u>	<u>\$ 122.2</u>	<u>\$ 75.8</u>	<u>\$ 27.8</u>

Note 1: As restated.

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

**Transportation Bonds**

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 478, PL 2015, \$50 million in General Fund bonds were spent during FY2018. Of the amount authorized by Chapter 299, PL 2017, \$10 million in General Fund bonds were spent during FY2018.

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

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**STATE OF MAINE**  
**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**  
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# NON-MAJOR GOVERNMENTAL FUNDS

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Special Revenue Funds - include operating fund activities financed by specific revenue sources that are legally restricted for specified purposes.

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.

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

June 30, 2018  
(Expressed in Thousands)

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total Other Governmental Funds</u>
<b>Assets</b>				
Equity in Treasurer's Cash Pool	\$ 92	\$ -	\$ -	\$ 92
Investments	84,435	-	30,466	114,901
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	-	36,784	-	36,784
Total Assets	<u>\$ 84,527</u>	<u>\$ 36,784</u>	<u>\$ 30,466</u>	<u>\$ 151,777</u>
<b>Liabilities and Funds Balances</b>				
Accounts Payable	\$ -	\$ 787	\$ -	\$ 787
Due to Other Funds	-	54,518	-	54,518
Due to Component Units	-	489	-	489
Unearned Revenue	-	3	-	3
Other Accrued Liabilities	2	-	-	2
Total Liabilities	2	55,797	-	55,799
<b>Fund Balances</b>				
Non-Spendable Legal or Contractual	-	-	30,466	30,466
Restricted	84,525	33,285	-	117,810
Unassigned	-	(52,298)	-	(52,298)
Total Fund Balances	<u>84,525</u>	<u>(19,013)</u>	<u>30,466</u>	<u>95,978</u>
Total Liabilities and Fund Balances	<u>\$ 84,527</u>	<u>\$ 36,784</u>	<u>\$ 30,466</u>	<u>\$ 151,777</u>

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

Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total Other Governmental Funds</u>
<b>Revenues</b>				
Investment Income	\$ 7,625	\$ -	\$ 3,401	\$ 11,026
Total Revenues	<u>7,625</u>	<u>-</u>	<u>3,401</u>	<u>11,026</u>
Governmental Support & Operations	242	-	-	242
Economic Development & Workforce Training	-	25,001	-	25,001
Education	-	3,644	-	3,644
Natural Resources Development & Protection	-	1,735	-	1,735
Justice & Protection	-	2,160	-	2,160
Transportation Safety & Development	-	2,564	-	2,564
Debt Service:				
Capital Outlay	-	68,468	-	68,468
Total Expenditures	242	103,572	-	103,814
Revenue over (under) Expenditures	<u>7,383</u>	<u>(103,572)</u>	<u>3,401</u>	<u>(92,788)</u>
<b>Other Financing Sources (Uses)</b>				
Transfer from Other Funds	1,407	-	-	1,407
Transfer to Other Funds	<u>(3,523)</u>	<u>-</u>	<u>(700)</u>	<u>(4,223)</u>
Net Other Financing Sources (Uses)	(2,116)	-	(700)	(2,816)
Net Change in Fund Balances	<u>5,267</u>	<u>(103,572)</u>	<u>2,701</u>	<u>(95,604)</u>
Fund Balance at Beginning of Year	<u>79,258</u>	<u>84,559</u>	<u>27,765</u>	<u>191,582</u>
Fund Balances, End of Year	<u>\$ 84,525</u>	<u>\$ (19,013)</u>	<u>\$ 30,466</u>	<u>\$ 95,978</u>



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# OTHER GOVERNMENTAL FUNDS

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## SPECIAL REVENUE FUNDS

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

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

## PERMANENT FUNDS

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

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

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

June 30, 2018  
(Expressed in Thousands)

	<u>Baxter Park</u>	<u>Revenue on Permanent Funds</u>	<u>Total Special Revenue Funds</u>
<b>Assets</b>			
Equity in Treasurer's Cash Pool	\$ -	\$ 92	\$ 92
Investments	84,422	13	84,435
Total Assets	<u>\$ 84,422</u>	<u>\$ 105</u>	<u>\$ 84,527</u>
<b>Liabilities and Fund Balances</b>			
Total Liabilities	-	-	-
Fund Balances:			
Restricted	84,422	103	84,525
Total Fund Balances	<u>84,422</u>	<u>103</u>	<u>84,525</u>
Total Liabilities and Fund Balances	<u>\$ 84,422</u>	<u>\$ 103</u>	<u>\$ 84,525</u>

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

Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)

	<u>Baxter Park</u>	<u>Revenue on Permanent Funds</u>	<u>Total Special Revenue Funds</u>
<b>Revenues</b>			
Investment Income	\$ 7,265	\$ 360	\$ 7,625
Total Revenues	<u>7,265</u>	<u>360</u>	<u>7,625</u>
<b>Expenditures</b>			
Current:			
General Government	-	242	242
Debt Service:			
Total Expenditures	<u>-</u>	<u>242</u>	<u>242</u>
Revenue over (under) Expenditures	<u>7,265</u>	<u>118</u>	<u>7,383</u>
<b>Other Financing Sources (Uses)</b>			
Transfer from Other Funds	-	1,407	1,407
Transfer to Other Funds	<u>(2,010)</u>	<u>(1,513)</u>	<u>(3,523)</u>
Net Other Financing Sources (Uses)	<u>(2,010)</u>	<u>(106)</u>	<u>(2,116)</u>
Net Change in Fund Balances	<u>5,255</u>	<u>12</u>	<u>5,267</u>
Fund Balances at Beginning of Year	<u>79,167</u>	<u>91</u>	<u>79,258</u>
Fund Balances at End of Year	<u>\$ 84,422</u>	<u>\$ 103</u>	<u>\$ 84,525</u>

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

June 30, 2018  
(Expressed in Thousands)

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	<u>Baxter Trust</u>	<u>Other Trust</u>	<u>Total Permanent Funds</u>
<b>Assets</b>			
Investments	\$ 8,325	\$ 22,141	\$ 30,466
Total Assets	<u>\$ 8,325</u>	<u>\$ 22,141</u>	<u>\$ 30,466</u>
<b>Fund Balances</b>			
Non-Spendable Legal or Contractual	<u>\$ 8,325</u>	<u>\$ 22,141</u>	<u>\$ 30,466</u>



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

Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)

	<u>Baxter Trust</u>	<u>Other Trust</u>	<u>Total Permanent Funds</u>
<b>Revenues</b>			
Investment Income (Loss)	\$ 612	\$ 2,789	\$ 3,401
Total Revenues	<u>612</u>	<u>2,789</u>	<u>3,401</u>
<b>Expenditures</b>			
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenue over (under) Expenditures	<u>612</u>	<u>2,789</u>	<u>3,401</u>
<b>Transfer to Other Funds</b>			
Net Other Financing Sources (Uses)	<u>-</u>	<u>(700)</u>	<u>(700)</u>
Revenues and Other Sources over (under) Expenditures and Other Uses	<u>612</u>	<u>2,089</u>	<u>2,701</u>
Fund Balances at Beginning of Year	<u>7,713</u>	<u>20,052</u>	<u>27,765</u>
Fund Balances at End of Year	<u>\$ 8,325</u>	<u>\$ 22,141</u>	<u>\$ 30,466</u>



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# BUDGETARY COMPARISON SCHEDULES

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**STATE OF MAINE**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND EXPENDITURES BY AGENCY**

Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Department of Administrative and Financial Services</b>			
Administrative Services	\$ 15,716	\$ 13,878	\$ 1,838
Financial Services	160,540	146,905	13,635
Human Resources	2,553	2,484	69
Financial and Personnel Services	163	163	-
Liquor and Lottery	1,569	1,229	340
Purchasing	922	850	72
Bureau of Information Services	6,768	6,768	-
State Employee Health Commission	28	25	3
	<u>188,259</u>	<u>172,302</u>	<u>15,957</u>
<b>Department of Agriculture, Conservation and Forestry</b>	<u>33,756</u>	<u>31,977</u>	<u>1,779</u>
<b>Attorney General</b>	<u>20,964</u>	<u>20,215</u>	<u>749</u>
<b>Department of Audit</b>	<u>1,654</u>	<u>1,362</u>	<u>292</u>
<b>Department of Corrections</b>			
Corrections	71,152	63,661	7,491
Maine State Prison	37,196	36,362	834
Maine Correctional Center	27,986	27,643	343
Downeast Correctional Facility	5,216	3,297	1,919
Charleston Correctional Facility	16,857	16,746	111
Long Creek Youth Development Center	16,906	15,934	972
County Jail Operations	15,322	15,322	-
	<u>190,635</u>	<u>178,965</u>	<u>11,670</u>
<b>Department of Economic and Community Development</b>	<u>16,166</u>	<u>12,002</u>	<u>4,164</u>
<b>Department of Environmental Protection</b>	<u>7,864</u>	<u>7,730</u>	<u>134</u>
<b>Department of Human Services</b>			
Human Services	<u>1,248,252</u>	<u>1,132,117</u>	<u>116,135</u>
<b>Department of Labor</b>			
Labor	11,103	10,568	535
Labor Relations Board	431	412	19
	<u>11,534</u>	<u>10,980</u>	<u>554</u>
<b>Defense, Veterans and Emergency Management</b>	<u>8,781</u>	<u>7,865</u>	<u>916</u>
<b>Department of Education</b>			
Education	1,245,215	1,219,576	25,639
Education - Unorganized Territory	12,473	11,783	690
	<u>1,257,688</u>	<u>1,231,359</u>	<u>26,329</u>
<b>General Government</b>			
Office of the Governor	4,423	4,196	227
Ombudsman Program	130	81	49
	<u>4,553</u>	<u>4,277</u>	<u>276</u>
<b>Department of Inland Fisheries and Wildlife</b>	<u>33,106</u>	<u>29,435</u>	<u>3,671</u>
<b>Judicial Department</b>	<u>76,062</u>	<u>74,525</u>	<u>1,537</u>

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Legislative Department</b>			
Legislative	27,195	25,286	1,909
Law and Legislative Reference Library	1,552	1,516	36
Statehouse Preservation and Maintenance	800	389	411
Program Evaluation and Government Accountability	1,292	1,159	133
	<u>30,839</u>	<u>28,350</u>	<u>2,489</u>
<b>Department of Marine Resources</b>	<u>10,478</u>	<u>10,120</u>	<u>358</u>
<b>Department of Public Safety</b>	<u>50,275</u>	<u>48,282</u>	<u>1,993</u>
<b>Secretary of State</b>			
Secretary of State	4,606	4,348	258
Archives Services	2,391	1,569	822
	<u>6,997</u>	<u>5,917</u>	<u>1,080</u>
<b>Treasurer of State</b>	<u>92,460</u>	<u>85,851</u>	<u>6,609</u>
<b>Other Agencies</b>			
Maine Maritime Academy	9,557	9,557	-
University of Maine	210,382	210,382	-
Board of Education	163	157	6
Maine Fire Protection Service Commission	2	2	-
Com. On Governmental Ethics and Election Practices	147	142	5
Finance Authority of Maine	16,192	16,192	-
Saco River Corridor Commission	47	47	-
Human Rights Commission	799	799	-
Maine Indian Tribal State Council	112	112	-
Board of Property Tax Review	87	43	44
Museum	1,691	1,653	38
Maine Municipal Bond Bank	69	69	-
Maine State Cultural Affairs Council	46	30	16
Maine Historic Preservation Commission	333	332	1
Library	3,475	3,437	38
Maine State Retirement System	240	240	-
Arts and Humanities Administration	923	842	81
Dirigo Health	1,270	986	284
Commission on Indigent Legal Services	21,930	20,671	1,259
Maine Humanities Council	53	53	-
Centers for Innovation	118	118	-
NE International Water Pollution Control Commission	28	28	-
Downeast Institute Appl Marine	13	13	-
St. Croix International Waterway	25	25	-
Disability Rights Center	126	126	-
Maine Historical Society	45	45	-
Maine Hospice Counsel	64	64	-
Maine Development Foundation	58	58	-
Maine Public Broadcasting Corporation	1,500	1,500	-
Maine State Housing Authority	3,050	2,550	500
Maine Potato Board	161	161	-
Pine Tree Legal	500	500	-
Maine Community College System	65,252	65,252	-
	<u>338,458</u>	<u>336,186</u>	<u>2,272</u>
<b>Grand Total</b>	<u>\$ 3,628,781</u>	<u>\$ 3,429,817</u>	<u>\$ 198,964</u>



**BUDGETARY COMPARISON SCHEDULE  
HIGHWAY FUND EXPENDITURES BY AGENCY**

Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Actual Budget</u>
<b>Department of Administrative and Financial Services</b>			
Administrative Services	\$ 1,810	\$ 1,694	\$ 116
Financial Services	732	672	60
	<u>2,542</u>	<u>2,366</u>	<u>176</u>
<b>Department of Environmental Protection</b>	<u>33</u>	<u>33</u>	<u>-</u>
<b>Legislative Department</b>			
Legislative	<u>13</u>	<u>-</u>	<u>13</u>
<b>Department of Transportation</b>			
Transportation	304,776	277,074	27,702
Rail/Van Pool	604	604	-
	<u>305,380</u>	<u>277,678</u>	<u>27,702</u>
<b>Department of Public Safety</b>	<u>31,006</u>	<u>29,540</u>	<u>1,466</u>
<b>Secretary of State</b>			
Motor Vehicles	<u>39,037</u>	<u>35,920</u>	<u>3,117</u>
<b>Grand Total</b>	<u>\$ 378,011</u>	<u>\$ 345,537</u>	<u>\$ 32,474</u>

**STATE OF MAINE**  
**BUDGETARY COMPARISON SCHEDULE**  
**FEDERAL FUND EXPENDITURES BY AGENCY**

Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Department of Administrative and Financial Services</b>			
Bureau of Information Services	\$ 1,900	\$ 1,279	\$ 621
Financial Services	5	-	5
Financial and Personnel Services	798	466	332
State Employee Health Commission	8	-	8
	<u>2,711</u>	<u>1,745</u>	<u>966</u>
<b>Department of Agriculture, Conservation and Forestry</b>	<u>13,522</u>	<u>9,408</u>	<u>4,114</u>
<b>Attorney General</b>	<u>2,697</u>	<u>1,861</u>	<u>836</u>
<b>Department of Corrections</b>			
Corrections	2,881	891	1,990
Maine State Prison	1	-	1
Maine Correctional Center	106	19	87
Downeast Correctional Facility	1	-	1
Charleston Correctional Facility	194	-	194
Long Creek Youth Development Center	464	289	175
	<u>3,647</u>	<u>1,199</u>	<u>2,448</u>
<b>Department of Economic and Community Development</b>	<u>28,835</u>	<u>9,286</u>	<u>19,549</u>
<b>Department of Environmental Protection</b>	<u>14,092</u>	<u>10,072</u>	<u>4,020</u>
<b>Department of Human Services</b>			
Human Services	<u>2,279,111</u>	<u>2,151,629</u>	<u>127,482</u>
<b>Department of Labor</b>	<u>80,009</u>	<u>60,049</u>	<u>19,960</u>
<b>Department of Transportation</b>			
Transportation	244,666	223,748	20,918
Air Transportation	1,886	233	1,653
Ferry Service/Ports and Marine	1,650	-	1,650
Rail/Van Pool	17,100	9,201	7,899
	<u>265,302</u>	<u>233,182</u>	<u>32,120</u>
<b>Defense, Veterans and Emergency Management</b>	<u>123,577</u>	<u>36,510</u>	<u>87,067</u>
<b>Department of Education</b>			
Education	309,465	220,479	88,986
Education - Unorganized Territory	359	338	21
	<u>309,824</u>	<u>220,817</u>	<u>89,007</u>
<b>General Government</b>			
Office of the Governor	2,212	533	1,679
Ombudsman Program	64	40	24
	<u>2,276</u>	<u>573</u>	<u>1,703</u>
<b>Department of Inland Fisheries and Wildlife</b>	<u>18,974</u>	<u>14,508</u>	<u>4,466</u>
<b>Judicial Department</b>	<u>1,554</u>	<u>1,163</u>	<u>391</u>
<b>Department of Marine Resources</b>	<u>4,480</u>	<u>4,084</u>	<u>396</u>



	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Department of Professional and Financial Regulation</b>			
Professional and Financial Regulation	53	15	38
Board of Nursing	10	-	10
<b>Department of Public Safety</b>	15,079	8,590	6,489
<b>Public Utilities Commission</b>	60	40	20
<b>Secretary of State</b>			
Secretary of State	10	2	8
Motor Vehicles	485	-	485
Archives Services	28	23	5
	523	25	498
<b>Treasurer of State</b>	296	214	82
<b>Other Agencies</b>			
Human Rights Commission	539	409	130
Museum	131	42	89
Maine Historic Preservation Commission	1,280	981	299
Library	1,635	1,478	157
Arts and Humanities Administration	1,146	745	401
	4,731	3,655	1,076
<b>Grand Total</b>	<u>\$ 3,171,363</u>	<u>\$ 2,768,625</u>	<u>\$ 402,738</u>

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

Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Department of Administrative and Financial Services</b>			
Administrative Services	\$ 2,445	\$ 1,080	\$ 1,365
Bureau of Information Services	1,199	358	841
Financial Services	35,402	27,631	7,771
Human Resources	5	-	5
Financial and Personnel Services	30	11	19
Liquor and Lottery	19	1	18
State Employee Health Commission	75	-	75
Purchasing	4	-	4
	<u>39,179</u>	<u>29,081</u>	<u>10,098</u>
<b>Department of Agriculture, Conservation and Forestry</b>	<u>72,109</u>	<u>52,510</u>	<u>19,599</u>
<b>Attorney General</b>	<u>17,121</u>	<u>14,580</u>	<u>2,541</u>
<b>Department of Audit</b>	<u>2,433</u>	<u>2,093</u>	<u>340</u>
<b>Department of Corrections</b>			
Corrections	1,610	381	1,229
Maine State Prison	115	89	26
Maine Correctional Center	328	127	201
Downeast Correctional Facility	32	3	29
Charleston Correctional Facility	132	41	91
Long Creek Youth Development Center	38	-	38
County Jail Operations	566	343	223
	<u>2,821</u>	<u>984</u>	<u>1,837</u>
<b>Department of Economic and Community Development</b>	<u>18,694</u>	<u>15,422</u>	<u>3,272</u>
<b>Department of Environmental Protection</b>			
Department of Environmental Protection	<u>51,850</u>	<u>34,193</u>	<u>17,657</u>
<b>Department of Human Services</b>			
Human Services	<u>686,026</u>	<u>488,500</u>	<u>197,526</u>
<b>Department of Labor</b>			
Labor	19,718	6,242	13,476
Labor Relations Board	140	82	58
	<u>19,858</u>	<u>6,324</u>	<u>13,534</u>
<b>Department of Transportation</b>			
Transportation	121,310	94,398	26,912
Air Transportation	2,329	755	1,574
Ferry Service/Ports & Maine	860	224	636
Rail/Van Pool	4,106	2,003	2,103
	<u>128,605</u>	<u>97,380</u>	<u>31,225</u>
<b>Defense, Veterans and Emergency Management</b>	<u>3,132</u>	<u>1,421</u>	<u>1,711</u>
<b>Department of Education</b>			
Education	43,647	29,398	14,249
Education - Unorganized Territory	8	-	8
	<u>43,655</u>	<u>29,398</u>	<u>14,257</u>
<b>General Government</b>			
Office of the Governor	603	63	540
Public Advocate	2,269	1,952	317
	<u>2,872</u>	<u>2,015</u>	<u>857</u>
<b>Department of Inland Fisheries and Wildlife</b>	<u>12,205</u>	<u>6,035</u>	<u>6,170</u>
<b>Judicial Department</b>	<u>9,135</u>	<u>6,548</u>	<u>2,587</u>
<b>Legislative Department</b>			
Legislative	<u>46</u>	<u>37</u>	<u>9</u>

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Department of Marine Resources</b>	12,010	7,889	4,121
<b>Department of Professional and Financial Regulation</b>			
Professional and Financial Regulation	30,044	23,014	7,030
Board of Dental Examiners	616	518	98
Board of Nursing	1,164	976	188
Board of Optometry	83	71	12
Board of Osteopathic Examination and Registration	261	233	28
Board of Professional Engineers	304	278	26
Board of Registration in Medicine	1,666	1,470	196
	<u>34,138</u>	<u>26,560</u>	<u>7,578</u>
<b>Department of Public Safety</b>	<u>26,627</u>	<u>22,323</u>	<u>4,304</u>
<b>Public Utilities Commission</b>	<u>31,112</u>	<u>25,944</u>	<u>5,168</u>
<b>Secretary of State</b>			
Secretary of State	439	368	71
Motor Vehicles	1,391	1,152	239
Archives Services	109	49	60
	<u>1,939</u>	<u>1,569</u>	<u>370</u>
<b>Treasurer of State</b>	<u>70,425</u>	<u>69,338</u>	<u>1,087</u>
<b>Other Agencies</b>			
Maine Maritime	144	139	5
University of Maine	4,151	3,579	572
Worker's Compensation Board	12,128	11,351	777
Maine Health Data Organization	2,234	1,335	899
Maine Charter School	558	334	224
Baxter State Park Authority	4,457	4,338	119
Com. On Governmental Ethics and Election Practices	5,594	5,436	158
Finance Authority of Maine	6,085	4,212	1,873
Saco River Corridor Commission	63	63	-
Human Rights Commission	41	33	8
Board of Property Tax Review	3	-	3
Museum	454	206	248
Maine Municipal Bond Bank	42,665	41,003	1,662
Maine State Cultural Affairs Council	66	-	66
Maine Historic Preservation Commission	644	294	350
Library	837	444	393
Lobster Promotion Council	2,686	1,935	751
Arts and Humanities Administration	104	30	74
Maine Efficiency Trust	2,517	2,310	207
Commission on Indigent Legal Services	787	751	36
Telecommunication Relay Services Council	150	-	150
Maine Children's Trust Incorporated	48	2	46
Maine State Housing Authority	17,961	17,961	-
Harness Racing Promotion Board	189	42	147
Maine Potato Board	1,586	705	881
Maine Community College System	3,565	3,379	186
Wild Blueberry Commission of Maine	1,875	1,139	736
	<u>111,592</u>	<u>101,021</u>	<u>10,571</u>
<b>Grand Total</b>	<u>\$ 1,397,584</u>	<u>\$ 1,041,165</u>	<u>\$ 356,419</u>



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# NON-MAJOR ENTERPRISE FUNDS

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

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

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

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

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

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

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

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

June 30, 2018  
(Expressed in Thousands)

	<u>Lottery</u>	<u>Alcoholic Beverages</u>	<u>Maine Military Authority</u>	<u>Ferry Service</u>
<b>Assets</b>				
Current assets:				
Equity in Treasurer's Cash Pool	\$ -	\$ 8,205	\$ -	\$ 960
Cash & Short-Term Investments	750	-	-	3
Inventories	-	-	1,430	179
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	28,461	5,716	1,645	98
Due from Other Funds	2,334	-	-	3
Other Assets	308	-	814	-
Total Current assets	<u>31,853</u>	<u>13,921</u>	<u>3,889</u>	<u>1,243</u>
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	-	1,817	-	212
Capital Assets - Net of Depreciation	-	-	3,121	30,223
Total Noncurrent Assets	<u>-</u>	<u>1,817</u>	<u>3,121</u>	<u>30,435</u>
Total Assets	<u>31,853</u>	<u>15,738</u>	<u>7,010</u>	<u>31,678</u>
<b>Deferred Outflows of Resources</b>	<u>\$ 440</u>	<u>\$ 43</u>	<u>\$ 1,834</u>	<u>\$ 1,681</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	\$ 1,804	\$ 9,311	\$ 579	\$ 284
Accrued Payroll	66	11	153	373
Due to Other Funds	3,162	3,452	7,294	110
Current Portion of Long-Term Obligations:				
Compensated Absences	16	1	6	56
Unearned Revenue	138	-	122	-
Net Other Post-Employment Benefit Liability	101	8	505	377
Other Accrued Liabilities	21,839	1	-	-
Total Current Liabilities	<u>27,126</u>	<u>12,784</u>	<u>8,659</u>	<u>1,200</u>
Long-Term Liabilities:				
Compensated Absences	104	8	39	370
Net Pension Liability	1,667	156	7,812	6,067
Net Other Post-Employment Benefit Liability	1,577	80	9,730	5,679
Total Long-Term Liabilities:	<u>3,348</u>	<u>244</u>	<u>17,581</u>	<u>12,116</u>
Total Liabilities	<u>30,474</u>	<u>13,028</u>	<u>26,240</u>	<u>13,316</u>
<b>Deferred Inflows of Resources</b>	<u>\$ 38</u>	<u>\$ 3</u>	<u>\$ 182</u>	<u>\$ 138</u>
<b>Net Position</b>				
Net Investment in Capital Assets	-	-	3,121	30,223
Unrestricted	1,781	2,750	(20,699)	(10,318)
Total Net Position	<u>\$ 1,781</u>	<u>\$ 2,750</u>	<u>\$ (17,578)</u>	<u>\$ 19,905</u>

<u>Prison Industries</u>	<u>Dirigo Health</u>	<u>Consolidated Emergency Communications</u>	<u>Total Other Enterprise Funds</u>
\$ 467	\$ 52	\$ 950	\$ 10,634
1	-	-	754
2,863	-	-	4,472
15	-	60	35,995
1	-	-	2,338
-	-	-	1,122
<u>3,347</u>	<u>52</u>	<u>1,010</u>	<u>55,315</u>
104	12	210	2,355
177	-	-	33,521
281	12	210	35,876
<u>3,628</u>	<u>64</u>	<u>1,220</u>	<u>91,191</u>
<u>\$ 80</u>	<u>\$ -</u>	<u>\$ 1,501</u>	<u>\$ 5,579</u>
\$ 30	\$ -	\$ 218	\$ 12,226
9	-	211	823
5	2	65	14,090
1	-	24	104
-	-	-	260
14	-	348	1,353
-	-	-	21,840
<u>59</u>	<u>2</u>	<u>866</u>	<u>50,696</u>
9	-	172	702
338	-	5,484	21,524
192	-	5,334	22,592
<u>539</u>	<u>-</u>	<u>10,990</u>	<u>44,818</u>
<u>598</u>	<u>2</u>	<u>11,856</u>	<u>95,514</u>
<u>\$ 6</u>	<u>\$ -</u>	<u>\$ 126</u>	<u>\$ 493</u>
177	-	-	33,521
2,927	62	(9,261)	(32,758)
<u>\$ 3,104</u>	<u>\$ 62</u>	<u>\$ (9,261)</u>	<u>\$ 763</u>

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

Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)

	<u>Lottery</u>	<u>Alcoholic Beverages</u>	<u>Maine Military Authority</u>	<u>Ferry Service</u>
<b>Operating Revenues</b>				
Charges for Services	\$ 293,715	\$ 189,263	\$ 11,278	\$ 5,035
Miscellaneous Revenues	-	-	7	-
Total Operating Revenues	<u>293,715</u>	<u>189,263</u>	<u>11,285</u>	<u>5,035</u>
<b>Operating Expenses</b>				
General Operations	230,678	137,426	10,425	11,096
Depreciation	-	-	470	2,413
Total Operating Expenses	<u>230,678</u>	<u>137,426</u>	<u>10,895</u>	<u>13,509</u>
Operating Income (Loss)	<u>63,037</u>	<u>51,837</u>	<u>390</u>	<u>(8,474)</u>
<b>Nonoperating Revenues (Expenses)</b>				
Other Nonoperating Revenues (Expenses) - net	44	-	(57)	21
Total Nonoperating Revenues (Expenses)	<u>44</u>	<u>-</u>	<u>(57)</u>	<u>21</u>
Income (Loss) Before Capital Contributions, Transfers and Special Items	<u>63,081</u>	<u>51,837</u>	<u>333</u>	<u>(8,453)</u>
<b>Capital Contributions, Transfers and Special Items</b>				
Capital Contributions from (to) Other Funds	-	-	-	971
Transfer from Other Funds	-	-	-	5,336
Transfer to Other Funds	(63,030)	(51,675)	-	-
Total Capital Contributions, Transfers In (Out) and Special Items	<u>(63,030)</u>	<u>(51,675)</u>	<u>-</u>	<u>6,307</u>
Change in Net Position	<u>51</u>	<u>162</u>	<u>333</u>	<u>(2,146)</u>
Net Position - Beginning of Year (As Restated)	<u>1,730</u>	<u>2,588</u>	<u>(17,911)</u>	<u>22,051</u>
Net Position - End of Year	<u>\$ 1,781</u>	<u>\$ 2,750</u>	<u>\$ (17,578)</u>	<u>\$ 19,905</u>



<u>Prison Industries</u>	<u>Dirigo Health</u>	<u>Consolidated Emergency Communications</u>	<u>Total Other Enterprise Funds</u>
\$ 2,038	\$ 2	\$ 6,278	\$ 507,609
-	-	-	7
<u>2,038</u>	<u>2</u>	<u>6,278</u>	<u>507,616</u>
1,576	-	6,952	398,153
17	-	-	2,900
<u>1,593</u>	<u>-</u>	<u>6,952</u>	<u>401,053</u>
<u>445</u>	<u>2</u>	<u>(674)</u>	<u>106,563</u>
7	-	-	15
<u>7</u>	<u>-</u>	<u>-</u>	<u>15</u>
452	2	(674)	106,578
50	-	-	1,021
-	-	-	5,336
<u>-</u>	<u>-</u>	<u>-</u>	<u>(114,705)</u>
50	-	-	(108,348)
<u>502</u>	<u>2</u>	<u>(674)</u>	<u>(1,770)</u>
<u>2,602</u>	<u>60</u>	<u>(8,587)</u>	<u>2,533</u>
<u>\$ 3,104</u>	<u>\$ 62</u>	<u>\$ (9,261)</u>	<u>\$ 763</u>

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

Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)

	<u>Lottery</u>	<u>Alcoholic Beverages</u>	<u>Maine Military Authority</u>	<u>Ferry Service</u>
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 292,869	\$ 188,952	\$ 11,074	\$ 5,018
Cash Received from Interfund Services	-	3,451	164	16
Payments to Prize Winners	(193,698)	-	-	-
Payments to Suppliers	(30,339)	(136,184)	(7,617)	(3,818)
Payments to Employees	(1,593)	(240)	(4,659)	(6,359)
Payments for Interfund Goods and Services	(4,253)	(76)	(1,330)	(827)
Net Cash Provided (Used) by Operating Activities	<u>62,986</u>	<u>55,903</u>	<u>(2,368)</u>	<u>(5,970)</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers from Other Funds	-	-	-	5,336
Transfers to Other Funds	(63,030)	(51,675)	-	-
Negative Cash Balance Implicitly Financed	-	-	2,425	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(63,030)</u>	<u>(51,675)</u>	<u>2,425</u>	<u>5,336</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Proceeds from Sale of Capital Assets	-	-	-	1
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
<b>Cash Flows from Investing Activities</b>				
Investment Income	44	-	(57)	21
Net Cash Provided (Used) by Investing Activities	<u>44</u>	<u>-</u>	<u>(57)</u>	<u>21</u>
Net Increase (Decrease) in Cash/Cash Equivalents	-	4,228	-	(612)
Cash/Cash Equivalents - Beginning of Period	750	5,794	-	1,787
Cash/Cash Equivalents - End of Period	<u>\$ 750</u>	<u>\$ 10,022</u>	<u>\$ -</u>	<u>\$ 1,175</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating Income (Loss)	\$ 63,037	\$ 51,837	\$ 390	\$ (8,474)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	-	-	470	2,413
Decrease (Increase) in Assets & Liabilities				
Accounts Receivable	(766)	(311)	(17)	(2)
Interfund Balances	(3,522)	3,451	(439)	1
Inventories	-	-	661	(4)
Other Assets	(80)	-	(30)	-
Deferred Outflows	255	16	1,620	839
Increase (Decrease) in Liabilities				
Accounts Payable	719	877	(9)	135
Accrued Payroll Expense	7	2	(22)	9
Compensated Absences	3	2	9	41
Deferred Inflows	21	2	79	77
Net Pension Liability	(359)	25	(4,046)	(1,005)
Other Accruals	3,670	1	(1,040)	-
Net OPEB Liability	1	1	6	-
Total Adjustments	(51)	4,066	(2,758)	2,504
Net Cash Provided (Used) by Operating Activities:	<u>\$ 62,986</u>	<u>\$ 55,903</u>	<u>\$ (2,368)</u>	<u>\$ (5,970)</u>
<b>Non Cash Investing, Capital and Financing Activities</b>				
Contributed Capital Assets	-	-	-	971

<b>Prison Industries</b>	<b>Dirigo Health</b>	<b>Consolidated Emergency Communications</b>	<b>Total Other Enterprise Funds</b>
\$ 1,532	\$ 17	\$ 1,108	\$ 500,570
571	-	5,112	9,314
-	-	-	(193,698)
(967)	-	(852)	(179,777)
(259)	-	(5,544)	(18,654)
(798)	-	(543)	(7,827)
<u>79</u>	<u>17</u>	<u>(719)</u>	<u>109,928</u>
-	-	-	5,336
-	-	-	(114,705)
-	-	-	2,425
-	-	-	(106,944)
<u>1</u>	<u>-</u>	<u>-</u>	<u>2</u>
<u>1</u>	<u>-</u>	<u>-</u>	<u>2</u>
<u>7</u>	<u>-</u>	<u>-</u>	<u>15</u>
<u>7</u>	<u>-</u>	<u>-</u>	<u>15</u>
87	17	(719)	3,001
485	47	1,879	10,742
<u>\$ 572</u>	<u>\$ 64</u>	<u>\$ 1,160</u>	<u>\$ 13,743</u>
<u>\$ 445</u>	<u>\$ 2</u>	<u>\$ (674)</u>	<u>\$ 106,563</u>
17	-	-	2,900
57	15	(59)	(1,083)
3	-	5	(501)
(435)	-	-	222
-	-	-	(110)
50	-	785	3,565
(29)	-	216	1,909
(9)	-	(8)	(21)
(4)	-	-	51
3	-	69	251
(18)	-	(1,057)	(6,460)
(1)	-	-	2,630
-	-	4	12
(366)	15	(45)	3,365
<u>\$ 79</u>	<u>\$ 17</u>	<u>\$ (719)</u>	<u>\$ 109,928</u>
50	-	-	1,021



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# INTERNAL SERVICE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

June 30, 2018  
(Expressed in Thousands)

	<b>Motor Transport Services</b>	<b>Postal, Printing &amp; Supply</b>	<b>Information Services</b>	<b>Risk Management</b>
<b>Assets</b>				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ 5,015	\$ -	\$ 6,960	\$ 20,294
Cash & Short-Term Investments	-	1	-	-
Cash with Fiscal Agent	87	-	-	-
Restricted Assets:				
Restricted Deposits & Investments	-	-	-	-
Inventories	3,107	256	2	-
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	8	88	319	30
Due from Other Funds	100	1,620	7,672	257
Other Assets	-	44	5,245	1,064
Total Current Assets	<u>8,317</u>	<u>2,009</u>	<u>20,198</u>	<u>21,645</u>
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	1,111	-	1,541	4,494
Capital Assets - Net of Depreciation	50,858	384	9,570	-
Total Noncurrent Assets	<u>51,969</u>	<u>384</u>	<u>11,111</u>	<u>4,494</u>
Total Assets	<u>60,286</u>	<u>2,393</u>	<u>31,309</u>	<u>26,139</u>
<b>Deferred Outflows of Resources</b>	<u>\$ 2,626</u>	<u>\$ 541</u>	<u>\$ 11,577</u>	<u>\$ 127</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	\$ 592	\$ 74	\$ 2,220	\$ -
Accrued Payroll	564	83	1,639	15
Due to Other Funds	210	4,547	1,471	250
Due to Component Units	-	-	-	-
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	8	105	-	-
Obligations under Capital Leases	-	-	-	-
Claims Payable	-	-	-	-
Compensated Absences	50	14	282	3
Unearned Revenue	-	-	-	220
Net Other Post-Employment Benefit Liability	613	126	2,752	27
Other Accrued Liabilities	-	713	-	-
Accrued Interest Payable	-	-	-	-
Total Current Liabilities	<u>2,037</u>	<u>5,662</u>	<u>8,364</u>	<u>515</u>
Long-Term Liabilities:				
Working Capital Advances Payable	-	111	-	-
Unearned Revenue	-	-	-	-
Certificates of Participation & Other Financing Arrangements	-	79	-	-
Obligations under Capital Leases	-	-	-	-
Claims Payable	-	-	-	8,026
Compensated Absences	330	90	1,862	28
Net Other Post-Employment Benefit Liability	9,616	1,956	41,973	405
Net Pension Liability	9,659	2,015	44,016	470
Total Long-Term Liabilities	<u>19,605</u>	<u>4,251</u>	<u>87,851</u>	<u>8,929</u>
Total Liabilities	<u>21,642</u>	<u>9,913</u>	<u>96,215</u>	<u>9,444</u>
<b>Deferred Inflows of Resources</b>	<u>\$ 222</u>	<u>\$ 47</u>	<u>\$ 1,007</u>	<u>\$ 10</u>
<b>Net Position</b>				
Net Investment in Capital Assets	50,937	200	9,570	-
Restricted for:				
Other Purposes	-	-	-	-
Unrestricted	<u>(9,889)</u>	<u>(7,226)</u>	<u>(63,906)</u>	<u>16,812</u>
Total Net Position	<u>\$ 41,048</u>	<u>\$ (7,026)</u>	<u>\$ (54,336)</u>	<u>\$ 16,812</u>

(Continued)

<u>Workers' Compensation</u>	<u>Central Fleet Management</u>	<u>Leased Space</u>	<u>Revenue Services</u>	<u>Retiree Health Insurance</u>	<u>Employee Health Insurance</u>	<u>Statewide Radio &amp; Network Systems</u>
\$ 20,985	\$ -	\$ -	\$ 246	\$ 119,268	\$ 47,698	\$ 397
-	1	-	-	-	-	-
-	2,450	-	-	-	-	-
-	-	-	-	-	-	-
-	13	-	-	-	-	-
-	53	157	-	2,472	8,592	-
874	1,700	350	-	3,303	10,417	-
-	-	-	-	-	-	-
<u>21,859</u>	<u>4,217</u>	<u>507</u>	<u>246</u>	<u>125,043</u>	<u>66,707</u>	<u>397</u>
4,647	-	-	55	26,412	10,563	88
-	20,584	49,789	-	-	-	37,963
<u>4,647</u>	<u>20,584</u>	<u>49,789</u>	<u>55</u>	<u>26,412</u>	<u>10,563</u>	<u>38,051</u>
<u>26,506</u>	<u>24,801</u>	<u>50,296</u>	<u>301</u>	<u>151,455</u>	<u>77,270</u>	<u>38,448</u>
\$ 421	\$ 275	\$ 79	\$ -	\$ -	\$ 283	\$ -
\$ 800	\$ 329	\$ 56	\$ -	\$ 9,911	\$ 2,873	\$ -
56	39	11	-	-	40	-
54	1,010	13	10	3,097	116	-
-	-	-	-	2,297	-	-
-	4,729	-	-	-	-	4,236
-	-	5,566	-	-	-	-
7,769	-	-	-	3,213	9,641	-
4	9	4	-	-	5	-
-	-	-	-	-	-	-
82	65	18	-	-	59	-
-	-	-	-	-	-	-
-	60	-	-	-	-	-
<u>8,765</u>	<u>6,241</u>	<u>5,668</u>	<u>10</u>	<u>18,518</u>	<u>12,734</u>	<u>4,236</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	6,943	-	-	-	-	3,648
-	-	49,363	-	-	-	-
38,380	-	-	-	-	-	-
30	63	24	-	-	33	-
1,194	994	279	-	-	895	-
1,581	1,064	320	-	-	1,150	-
<u>41,185</u>	<u>9,064</u>	<u>49,986</u>	<u>-</u>	<u>-</u>	<u>2,078</u>	<u>3,648</u>
<u>49,950</u>	<u>15,305</u>	<u>55,654</u>	<u>10</u>	<u>18,518</u>	<u>14,812</u>	<u>7,884</u>
\$ 33	\$ 24	\$ 7	\$ -	\$ -	\$ 24	\$ -
-	11,362	(5,140)	-	-	-	30,079
-	-	-	-	-	-	485
<u>(23,056)</u>	<u>(1,615)</u>	<u>(146)</u>	<u>291</u>	<u>132,937</u>	<u>62,717</u>	<u>-</u>
<u>\$ (23,056)</u>	<u>\$ 9,747</u>	<u>\$ (5,286)</u>	<u>\$ 291</u>	<u>\$ 132,937</u>	<u>\$ 62,717</u>	<u>\$ 30,564</u>

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

June 30, 2018  
(Expressed in Thousands)

	<b>Financial &amp; Personnel Services</b>	<b>Transportation Facilities</b>	<b>Governmental Facilities Authority</b>	<b>Industrial Drive Facility</b>	<b>Total Internal Service Funds</b>
<b>Assets</b>					
Current Assets:					
Equity in Treasurer's Cash Pool	\$ 1,784	\$ 1,549	\$ -	\$ 105	\$ 224,301
Cash & Short-Term Investments	-	-	-	-	2
Cash with Fiscal Agent	-	-	-	-	2,537
Restricted Assets:					
Restricted Deposits & Investments	-	-	4,297	-	4,297
Inventories	-	-	-	-	3,378
Receivables, Net of Allowance for Uncollectibles:					
Other Receivable	-	-	-	-	11,719
Due from Other Funds	175	-	-	-	26,468
Other Assets	-	-	-	-	6,353
Total Current Assets	<u>1,959</u>	<u>1,549</u>	<u>4,297</u>	<u>105</u>	<u>279,055</u>
Noncurrent Assets:					
Equity in Treasurer's Cash Pool	395	343	-	-	49,649
Capital Assets - Net of Depreciation	4	37,748	-	12,554	219,454
Total Noncurrent Assets	<u>399</u>	<u>38,091</u>	<u>-</u>	<u>12,554</u>	<u>269,103</u>
Total Assets	<u>2,358</u>	<u>39,640</u>	<u>4,297</u>	<u>12,659</u>	<u>548,158</u>
<b>Deferred Outflows of Resources</b>	<u>\$ 5,698</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,627</u>
<b>Liabilities</b>					
Current Liabilities:					
Accounts Payable	\$ 34	\$ 187	\$ 10	\$ 21	\$ 17,107
Accrued Payroll	789	-	-	-	3,236
Due to Other Funds	253	25	-	4	11,060
Due to Component Units	-	-	-	-	2,297
Current Portion of Long-Term Obligations:					
Certificates of Participation and Other Financing Arrangements	-	-	-	-	9,078
Obligations under Capital Leases	-	-	-	-	5,566
Claims Payable	-	-	-	-	20,623
Compensated Absences	137	-	-	-	508
Unearned Revenue	-	-	145	-	365
Net Other Post-Employment Benefit Liability	1,181	-	-	-	4,923
Other Accrued Liabilities	-	-	-	-	713
Accrued Interest Payable	-	-	-	-	60
Total Current Liabilities	<u>2,394</u>	<u>212</u>	<u>155</u>	<u>25</u>	<u>75,536</u>
Long-Term Liabilities:					
Working Capital Advances Payable	-	-	-	-	111
Unearned Revenue	-	-	114	-	114
Certificates of Participation & Other Financing Arrangements	-	-	-	-	10,670
Obligations under Capital Leases	-	-	-	-	49,363
Claims Payable	-	-	-	-	46,406
Compensated Absences	908	-	-	-	3,368
Net Other Post-Employment Benefit Liability	18,109	-	-	-	75,421
Net Pension Liability	21,075	-	-	-	81,350
Total Long-Term Liabilities	<u>40,092</u>	<u>-</u>	<u>114</u>	<u>-</u>	<u>266,803</u>
Total Liabilities	<u>42,486</u>	<u>212</u>	<u>269</u>	<u>25</u>	<u>342,339</u>
<b>Deferred Inflows of Resources</b>	<u>\$ 458</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,832</u>
<b>Net Position</b>					
Net Investment in Capital Assets	4	37,748	-	12,554	147,314
Restricted for:					
Other Purposes	-	-	13	-	498
Unrestricted	<u>(34,892)</u>	<u>1,680</u>	<u>4,015</u>	<u>80</u>	<u>77,802</u>
Total Net Position	<u>\$ (34,888)</u>	<u>\$ 39,428</u>	<u>\$ 4,028</u>	<u>\$ 12,634</u>	<u>\$ 225,614</u>





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

Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)

	<b>Motor Transport Services</b>	<b>Postal, Printing &amp; Supply</b>	<b>Information Services</b>	<b>Risk Management</b>
<b>Operating Revenues</b>				
Charges for Services	\$ 35,007	\$ 29,719	\$ 97,906	\$ 5,872
Miscellaneous Revenues	-	7	10	50
Total Operating Revenues	<u>35,007</u>	<u>29,726</u>	<u>97,916</u>	<u>5,922</u>
<b>Operating Expenses</b>				
General Operations	27,113	29,600	93,813	3,637
Depreciation	8,362	11	2,051	-
Claims/Fees Expense	-	-	-	1,625
Other Operating Expenses	-	-	-	-
Total Operating Expenses	<u>35,475</u>	<u>29,611</u>	<u>95,864</u>	<u>5,262</u>
Operating Income (Loss)	<u>(468)</u>	<u>115</u>	<u>2,052</u>	<u>660</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment Revenue (Expenses) - net	66	(66)	23	337
Interest Expense	-	-	-	-
Other Nonoperating Revenue (Expenses) - net	5,373	-	-	-
Total Nonoperating Revenues (Expenses) - net	<u>5,439</u>	<u>(66)</u>	<u>23</u>	<u>337</u>
Income (Loss) Before Capital Contributions, Transfers and Special Items	<u>4,971</u>	<u>49</u>	<u>2,075</u>	<u>997</u>
<b>Capital Contributions, Transfers and Special Items</b>				
Capital Contributions from (to) Other Funds	-	-	-	-
Transfer to Other Funds	-	-	-	-
Transfer from Other Funds	-	-	-	-
Total Capital Contributions, Transfers In (Out) and Special Items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>4,971</u>	<u>49</u>	<u>2,075</u>	<u>997</u>
Net Position - Beginning of Year (As Restated)	<u>36,077</u>	<u>(7,075)</u>	<u>(56,411)</u>	<u>15,815</u>
Net Position - End of Year	<u>\$ 41,048</u>	<u>\$ (7,026)</u>	<u>\$ (54,336)</u>	<u>\$ 16,812</u>

(Continued)

<b>Workers' Compensation</b>	<b>Central Fleet Management</b>	<b>Leased Space</b>	<b>Revenue Services</b>	<b>Retiree Health Insurance</b>	<b>Employee Health Insurance</b>	<b>Statewide Radio &amp; Network Systems</b>
\$ 15,711	\$ 11,975	\$ 24,720	\$ 255	\$ 52,502	\$ 153,902	\$ -
625	2	1	-	4	3	-
16,336	11,977	24,721	255	52,506	153,905	-
4,687	7,670	9,660	-	42,778	132,132	197
-	3,418	4,063	-	-	-	5,180
5,743	-	-	-	-	-	-
-	-	-	-	-	-	-
10,430	11,088	13,723	-	42,778	132,132	5,377
5,906	889	10,998	255	9,728	21,773	(5,377)
310	(7)	14	2	1,590	609	-
-	(169)	(12,308)	-	-	-	-
-	(78)	-	-	-	-	-
310	(254)	(12,294)	2	1,590	609	-
6,216	635	(1,296)	257	11,318	22,382	(5,377)
-	-	-	-	-	-	-
-	-	-	-	-	(809)	-
-	-	-	-	2,000	-	4,177
-	-	-	-	2,000	(809)	4,177
6,216	635	(1,296)	257	13,318	21,573	(1,200)
(29,272)	9,112	(3,990)	34	119,619	41,144	31,764
\$ (23,056)	\$ 9,747	\$ (5,286)	\$ 291	\$ 132,937	\$ 62,717	\$ 30,564

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

Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)

	<b>Financial &amp; Personnel Services</b>	<b>Transportation Facilities</b>	<b>Governmental Facilities Authority</b>	<b>Industrial Drive Facility</b>	<b>Total Internal Service Funds</b>
<b>Operating Revenues</b>					
Charges for Services	\$ 22,242	\$ 1,078	\$ 1,315	\$ 523	\$ 452,727
Miscellaneous Revenues	2	-	-	-	704
Total Operating Revenues	<u>22,244</u>	<u>1,078</u>	<u>1,315</u>	<u>523</u>	<u>453,431</u>
<b>Operating Expenses</b>					
General Operations	21,133	138	265	470	373,293
Depreciation	2	531	-	343	23,961
Claims/Fees Expense	-	-	-	-	7,368
Other Operating Expenses	-	-	689	-	689
Total Operating Expenses	<u>21,135</u>	<u>669</u>	<u>954</u>	<u>813</u>	<u>405,311</u>
Operating Income (Loss)	<u>1,109</u>	<u>409</u>	<u>361</u>	<u>(290)</u>	<u>48,120</u>
<b>Nonoperating Revenues (Expenses)</b>					
Investment Revenue (Expenses) - net	-	21	32	1	2,932
Interest Expense	-	-	-	-	(12,477)
Other Nonoperating Revenue (Expenses) - net	-	1,718	-	-	7,013
Total Nonoperating Revenues (Expenses) - net	<u>-</u>	<u>1,739</u>	<u>32</u>	<u>1</u>	<u>(2,532)</u>
Income (Loss) Before Capital Contributions, Transfers and Special Items	<u>1,109</u>	<u>2,148</u>	<u>393</u>	<u>(289)</u>	<u>45,588</u>
<b>Capital Contributions, Transfers and Special Items</b>					
Capital Contributions from (to) Other Funds	-	13,487	-	-	13,487
Transfer to Other Funds	-	(102)	-	-	(911)
Transfer from Other Funds	-	-	-	102	6,279
Total Capital Contributions, Transfers In (Out) and Special Items	<u>-</u>	<u>13,385</u>	<u>-</u>	<u>102</u>	<u>18,855</u>
Change in Net Position	<u>1,109</u>	<u>15,533</u>	<u>393</u>	<u>(187)</u>	<u>64,443</u>
Net Position - Beginning of Year (As Restated)	<u>(35,997)</u>	<u>23,895</u>	<u>3,635</u>	<u>12,821</u>	<u>161,171</u>
Net Position - End of Year	<u>\$ (34,888)</u>	<u>\$ 39,428</u>	<u>\$ 4,028</u>	<u>\$ 12,634</u>	<u>\$ 225,614</u>



**STATE OF MAINE**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**

June 30, 2018  
(Expressed in Thousands)

	<b>Motor Transport Services</b>	<b>Postal, Printing &amp; Supply</b>	<b>Information Services</b>	<b>Risk Management</b>
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 1,270	\$ 3,126	\$ 1,891	\$ 605
Cash Received from Interfund Services	34,642	26,627	94,495	5,120
Payments to Suppliers	(3,914)	(19,967)	(33,181)	(2,344)
Payments to Employees	(9,787)	(1,994)	(39,537)	(424)
Payments for Interfund Goods and Services	(13,711)	(7,649)	(20,572)	(2,545)
Net Cash Provided (Used) by Operating Activities	<u>8,500</u>	<u>143</u>	<u>3,096</u>	<u>412</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments for Acquisition of Capital Assets	(8,890)	-	(1,209)	-
Proceeds from Financing Arrangements	-	-	-	-
Principal and Interest Paid on Financing Arrangements	-	(77)	-	-
Proceeds from Sale of Capital Assets	5,373	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(3,517)</u>	<u>(77)</u>	<u>(1,209)</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>				
Investment Revenue	66	(66)	23	337
Net Cash Provided (Used) by Investing Activities	<u>66</u>	<u>(66)</u>	<u>23</u>	<u>337</u>
Net Increase (Decrease) in Cash/Cash Equivalents	5,049	-	1,910	749
Cash/Cash Equivalents - Beginning of Period	1,164	1	6,591	24,039
Cash/Cash Equivalents - End of Period	<u>\$ 6,213</u>	<u>\$ 1</u>	<u>\$ 8,501</u>	<u>\$ 24,788</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating Income (Loss)	\$ (468)	\$ 115	\$ 2,052	\$ 660
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	8,362	11	2,051	-
Decrease (Increase) in Assets				
Accounts Receivable	1	(42)	4	(10)
Interfund Balances	137	(418)	(1,439)	130
Inventories	791	89	-	-
Other Assets	-	(44)	405	(151)
Deferred Outflows	1,431	294	6,761	68
Increase (Decrease) in Liabilities				
Accounts Payable	234	27	780	-
Accrued Payroll Expense	7	17	69	(2)
Due to Other Governments	-	-	-	-
Compensated Absences	(4)	19	6	-
Deferred Inflows	120	26	556	5
Net Pension Liability	(2,118)	(419)	(8,175)	(97)
Other Accruals	-	467	-	(192)
Net OPEB Liability	7	1	26	1
Total Adjustments	8,968	28	1,044	(248)
Net Cash Provided (Used) by Operating Activities:	<u>\$ 8,500</u>	<u>\$ 143</u>	<u>\$ 3,096</u>	<u>\$ 412</u>
<b>Non Cash Investing, Capital and Financing Activities</b>				
Property Leased, Accrued or Acquired	-	-	-	-
Contributed Capital Assets	-	-	-	-

(Continued)

<u>Workers' Compensation</u>	<u>Central Fleet Management</u>	<u>Leased Space</u>	<u>Revenue Services</u>	<u>Retiree Health Insurance</u>	<u>Employee Health Insurance</u>	<u>Statewide Radio &amp; Network Systems</u>
\$ 546	\$ 198	\$ 3	\$ -	\$ 8,425	\$ 21,972	\$ -
16,794	11,631	24,357	255	49,844	146,764	-
(10,777)	(3,094)	(9,256)	-	(36,355)	(132,633)	(197)
(1,529)	(950)	(247)	-	-	(891)	-
(1,203)	(2,572)	(135)	-	(3,988)	(806)	-
<u>3,831</u>	<u>5,213</u>	<u>14,722</u>	<u>255</u>	<u>17,926</u>	<u>34,406</u>	<u>(197)</u>
-	-	-	-	2,000	-	4,177
-	-	-	-	-	(809)	-
-	-	-	-	2,000	(809)	4,177
-	(4,765)	-	-	-	-	-
-	5,500	-	-	-	-	-
-	(6,039)	(14,745)	-	-	-	(4,176)
-	-	-	-	-	-	183
-	(5,304)	(14,745)	-	-	-	(3,993)
<u>310</u>	<u>(7)</u>	<u>14</u>	<u>2</u>	<u>1,590</u>	<u>609</u>	<u>-</u>
<u>310</u>	<u>(7)</u>	<u>14</u>	<u>2</u>	<u>1,590</u>	<u>609</u>	<u>-</u>
4,141	(98)	(9)	257	21,516	34,206	(13)
21,491	2,549	9	44	124,164	24,055	498
-	-	-	-	-	-	-
<u>\$ 25,632</u>	<u>\$ 2,451</u>	<u>\$ -</u>	<u>\$ 301</u>	<u>\$ 145,680</u>	<u>\$ 58,261</u>	<u>\$ 485</u>
<u>\$ 5,906</u>	<u>\$ 889</u>	<u>\$ 10,998</u>	<u>\$ 255</u>	<u>\$ 9,728</u>	<u>\$ 21,773</u>	<u>\$ (5,377)</u>
-	3,418	4,063	-	-	-	5,180
-	(22)	(156)	-	(375)	(817)	-
492	549	(198)	-	2,981	(2,972)	-
-	30	-	-	-	-	-
513	-	-	-	6,254	18,711	-
203	166	53	-	-	181	-
250	324	18	-	7,539	2,853	-
(23)	-	5	-	-	4	-
-	-	-	-	(6,495)	-	-
(15)	11	-	-	-	5	-
17	13	4	-	-	12	-
(242)	(177)	(65)	-	-	(230)	-
(3,270)	12	-	-	(1,706)	(5,114)	-
-	-	-	-	-	-	-
(2,075)	4,324	3,724	-	8,198	12,633	5,180
<u>\$ 3,831</u>	<u>\$ 5,213</u>	<u>\$ 14,722</u>	<u>\$ 255</u>	<u>\$ 17,926</u>	<u>\$ 34,406</u>	<u>\$ (197)</u>
-	-	1,756	-	-	-	-
-	-	-	-	-	-	-

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

June 30, 2018  
(Expressed in Thousands)

	Industrial Drive Facility	Financial & Personnel Services	Transportation Facilities	Governmental Facilities Authority	Total
<b>Cash Flows from Operating Activities</b>					
Receipts from Customers and Users	\$ 6	\$ 169	\$ 27	\$ 1,315	\$ 39,553
Cash Received from Interfund Services	517	21,991	2,215	-	435,252
Payments to Suppliers	(332)	(448)	(1,136)	(1,100)	(254,734)
Payments to Employees	-	(20,241)	-	-	(75,600)
Payments for Interfund Goods and Services	(126)	(1,204)	(7)	-	(54,518)
Net Cash Provided (Used) by Operating Activities	<u>65</u>	<u>267</u>	<u>1,099</u>	<u>215</u>	<u>89,953</u>
<b>Cash Flows from Noncapital Financing Activities</b>					
Transfers from Other Funds	102	-	-	-	6,279
Transfers to Other Funds	-	-	(102)	-	(911)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>102</u>	<u>-</u>	<u>(102)</u>	<u>-</u>	<u>5,368</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Payments for Acquisition of Capital Assets	(125)	-	(1,300)	-	(16,289)
Proceeds from Financing Arrangements	-	-	-	-	5,500
Principal and Interest Paid on Financing Arrangements	-	-	-	-	(25,037)
Proceeds from Sale of Capital Assets	-	-	1,718	-	7,274
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(125)</u>	<u>-</u>	<u>418</u>	<u>-</u>	<u>(28,552)</u>
<b>Cash Flows from Investing Activities</b>					
Investment Revenue	1	-	21	32	2,932
Net Cash Provided (Used) by Investing Activities	<u>1</u>	<u>-</u>	<u>21</u>	<u>32</u>	<u>2,932</u>
Net Increase (Decrease) in Cash/Cash Equivalents	43	267	1,436	247	69,701
Cash/Cash Equivalents - Beginning of Period	62	1,912	456	4,050	211,085
Cash/Cash Equivalents - End of Period	<u>\$ 105</u>	<u>\$ 2,179</u>	<u>\$ 1,892</u>	<u>\$ 4,297</u>	<u>\$ 280,786</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>					
Operating Income (Loss)	\$ (290)	\$ 1,109	\$ 409	\$ 361	\$ 48,120
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Depreciation Expense	343	2	531	-	23,961
Decrease (Increase) in Assets					
Accounts Receivable	-	-	-	-	(1,417)
Interfund Balances	4	(82)	17	-	(799)
Inventories	-	-	-	-	910
Other Assets	-	1	-	-	25,689
Deferred Outflows	-	2,983	-	-	12,140
Increase (Decrease) in Liabilities					
Accounts Payable	8	1	142	(1)	12,175
Accrued Payroll Expense	-	37	-	-	114
Due to Other Governments	-	-	-	-	(6,495)
Compensated Absences	-	163	-	-	185
Deferred Inflows	-	240	-	-	993
Net Pension Liability	-	(4,195)	-	-	(15,718)
Other Accruals	-	-	-	(145)	(9,948)
Net OPEB Liability	-	8	-	-	43
Total Adjustments	355	(842)	690	(146)	41,833
Net Cash Provided (Used) by Operating Activities:	<u>\$ 65</u>	<u>\$ 267</u>	<u>\$ 1,099</u>	<u>\$ 215</u>	<u>\$ 89,953</u>
<b>Non Cash Investing, Capital and Financing Activities</b>					
Property Leased, Accrued or Acquired	-	-	-	-	1,756
Contributed Capital Assets	-	-	13,487	-	13,487



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# FIDUCIARY FUNDS

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## **Pension (and Other Employee Benefits) Trusts**

This fund accounts for all of the trust activity occurring in the employees defined benefit pension plan, healthcare and group life insurance other postemployment benefit trusts and defined contribution plans.

## **Private Purpose Trust Funds**

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

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

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

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

Maine Universal Service Fund – This fund provides universal land-line service to the poor and to otherwise underserved rural areas.

Maine Education Access Fund – This fund provides schools and qualified libraries with resources to provide computer-based and network services.

## **Agency Funds**

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

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

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

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

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

June 30, 2018  
(Expressed in Thousands)

	<u>State/Teacher Defined Benefit Pension Plan</u>	<u>Judicial Defined Benefit Pension Plan</u>	<u>Legislative Defined Benefit Pension Plan</u>	<u>PLD Consolidated Pension Plan</u>	<u>PLD Agent Pension Plan</u>
<b>Assets</b>					
Cash & Short-Term Investments	\$ 27,547	\$ 298	\$ 46	\$ 3,272	\$ 109
Receivables, Net of Allowance for Uncollectibles:					
Interest and Dividends	1,935	12	2	468	6
Due from Brokers for Securities Sold	2,023	12	2	490	7
Due from Primary Government	20,498	-	-	8,359	50
Investments at Fair Value:					
Equity Securities	1,801,221	11,030	1,976	436,080	5,737
Common/Collective Trusts	9,795,950	59,986	10,749	2,371,622	31,201
Securities Lending Collateral	166,091	1,017	182	40,211	529
Capital Assets - Net of Depreciation	4,785	29	5	1,158	15
Total Assets	<u>11,820,050</u>	<u>72,384</u>	<u>12,962</u>	<u>2,861,660</u>	<u>37,654</u>
<b>Liabilities</b>					
Accounts Payable	5,441	33	6	1,317	17
Obligations Under Securities Lending	166,091	1,017	182	40,211	529
Other Accrued Liabilities	16,325	100	18	3,953	52
Total Liabilities	<u>187,857</u>	<u>1,150</u>	<u>206</u>	<u>45,481</u>	<u>598</u>
<b>Net Position</b>					
Restricted for Pension and Other Post-Employment Benefits	<u>11,632,193</u>	<u>71,234</u>	<u>12,756</u>	<u>2,816,179</u>	<u>37,056</u>
Total Net Position	<u>\$ 11,632,193</u>	<u>\$ 71,234</u>	<u>\$ 12,756</u>	<u>\$ 2,816,179</u>	<u>\$ 37,056</u>

<u>Healthcare OPEB</u>	<u>MainePERS OPEB Trust</u>	<u>Group Life Insurance OPEB</u>	<u>Group Life Insurance Retired SETP</u>	<u>Group Life Insurance Retired PLD</u>	<u>Defined Contribution Plans</u>	<u>Total Pension (and Other Employee Benefit) Trusts</u>
\$ -	\$ -	\$ 339	\$ 676	\$ 125	\$ 5	\$ 32,417
-	-	-	-	-	-	2,423
-	-	-	-	-	-	2,534
2,000	-	395	-	14	1	31,317
-	-	-	-	-	-	2,256,044
254,885	13,624	9,708	94,808	15,909	37,963	12,696,405
-	-	-	-	-	-	208,030
-	-	-	-	-	-	5,992
<u>256,885</u>	<u>13,624</u>	<u>10,442</u>	<u>95,484</u>	<u>16,048</u>	<u>37,969</u>	<u>15,235,162</u>
-	-	-	4	1	-	6,819
-	-	-	-	-	-	208,030
25	835	787	1,193	225	8	23,521
<u>25</u>	<u>835</u>	<u>787</u>	<u>1,197</u>	<u>226</u>	<u>8</u>	<u>238,370</u>
<u>256,860</u>	<u>12,789</u>	<u>9,655</u>	<u>94,287</u>	<u>15,822</u>	<u>37,961</u>	<u>14,996,792</u>
<u>\$ 256,860</u>	<u>\$ 12,789</u>	<u>\$ 9,655</u>	<u>\$ 94,287</u>	<u>\$ 15,822</u>	<u>\$ 37,961</u>	<u>\$ 14,996,792</u>

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

Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)

	<b>State/Teacher Defined Benefit Pension Plan</b>	<b>Judicial Defined Benefit Pension Plan</b>	<b>Legislative Defined Benefit Pension Plan</b>	<b>PLD Consolidated Pension Plan</b>	<b>PLD Agent Pension Plan</b>
Additions:					
Contributions:					
Members	\$ 140,845	\$ 604	\$ 154	\$ 48,050	\$ 69
State & Local Agencies	211,251	1,179	-	56,093	595
Other Contributing Entity	129,421	-	-	-	-
Investment Income (Loss):					
Net Increase (Decrease) in the Fair Value of					
Investments	1,098,030	6,731	1,198	264,487	3,545
Interest & Dividends	59,663	366	65	14,444	190
Securities Lending Income	745	5	1	180	2
Less Investment Expense:					
Investment Activity Expense	80,941	496	88	19,492	261
Securities Lending Expense	(331)	(2)	-	(80)	1
Net Investment Income (Loss)	<u>1,077,828</u>	<u>6,608</u>	<u>1,176</u>	<u>259,699</u>	<u>3,475</u>
Total Additions	<u>1,559,345</u>	<u>8,391</u>	<u>1,330</u>	<u>363,842</u>	<u>4,139</u>
Deductions:					
Benefits Paid to Participants or Beneficiaries	792,397	3,805	427	147,516	2,788
Refunds & Withdrawals	17,984	-	32	4,959	-
Administrative Expenses	10,076	62	11	2,412	33
Claims Processing Expense	-	-	-	-	-
Total Deductions	<u>820,457</u>	<u>3,867</u>	<u>470</u>	<u>154,887</u>	<u>2,821</u>
Net Increase (Decrease)	<u>738,888</u>	<u>4,524</u>	<u>860</u>	<u>208,955</u>	<u>1,318</u>
Net Position:					
Restricted for Pension and Other Post-Employment					
Benefits:					
Beginning of Year	<u>10,893,305</u>	<u>66,710</u>	<u>11,896</u>	<u>2,607,224</u>	<u>35,738</u>
End of Year	<u>\$ 11,632,193</u>	<u>\$ 71,234</u>	<u>\$ 12,756</u>	<u>\$ 2,816,179</u>	<u>\$ 37,056</u>

<u>Healthcare OPEB</u>	<u>MainePERS OPEB Trust</u>	<u>Group Life Insurance OPEB</u>	<u>Group Life Insurance Retired SETP</u>	<u>Group Life Insurance Retired PLD</u>	<u>Defined Contribution Plans</u>	<u>Total Pension (and Other Employee Benefit) Trusts</u>
\$ -	\$ -	\$ 3,866	\$ -	\$ -	\$ 3,256	\$ 196,844
81,975	6	1,042	4,179	1,070	588	357,978
-	-	-	3,460	-	-	132,881
21,343	1,089	760	7,861	1,343	2,849	1,409,236
-	-	1	6	1	-	74,736
-	-	-	-	-	-	933
72	9	6	62	11	47	101,485
-	-	-	-	-	-	(412)
<u>21,271</u>	<u>1,080</u>	<u>755</u>	<u>7,805</u>	<u>1,333</u>	<u>2,802</u>	<u>1,383,832</u>
<u>103,246</u>	<u>1,086</u>	<u>5,663</u>	<u>15,444</u>	<u>2,403</u>	<u>6,646</u>	<u>2,071,535</u>
79,975	260	4,163	6,580	1,410	-	1,039,321
-	-	-	-	-	2,388	25,363
6	-	74	770	134	387	13,965
-	-	67	690	120	109	986
<u>79,981</u>	<u>260</u>	<u>4,304</u>	<u>8,040</u>	<u>1,664</u>	<u>2,884</u>	<u>1,079,635</u>
<u>23,265</u>	<u>826</u>	<u>1,359</u>	<u>7,404</u>	<u>739</u>	<u>3,762</u>	<u>991,900</u>
<u>233,595</u>	<u>11,963</u>	<u>8,296</u>	<u>86,883</u>	<u>15,083</u>	<u>34,199</u>	<u>14,004,892</u>
<u>\$ 256,860</u>	<u>\$ 12,789</u>	<u>\$ 9,655</u>	<u>\$ 94,287</u>	<u>\$ 15,822</u>	<u>\$ 37,961</u>	<u>\$ 14,996,792</u>

**STATE OF MAINE**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**PRIVATE PURPOSE TRUSTS**

June 30, 2018  
(Expressed in Thousands)

	<u>Abandoned Property</u>	<u>Revenue on Private Purpose Trusts</u>	<u>Land Reserve</u>	<u>Permanent School</u>
<b>Assets</b>				
Equity in Treasurer's Cash Pool	\$ 500	\$ 40	\$ -	\$ -
Cash & Short-Term Investments	-	-	-	-
Investments at Fair Value:				
Investments - Other	-	6	16,140	4,174
Other Receivable	-	-	-	-
Due from Other Funds	37,329	-	-	-
Other Assets	4,010	-	-	-
Total Assets	<u>41,839</u>	<u>46</u>	<u>16,140</u>	<u>4,174</u>
<b>Liabilities</b>				
Accounts Payable	23	-	-	-
Due to Other Funds	2	-	-	-
Total Liabilities	<u>25</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Position Restricted</b>				
Held in Trust for Individuals, Organizations and Other Governments	<u>41,814</u>	<u>46</u>	<u>16,140</u>	<u>4,174</u>
Total Net Position	<u>\$ 41,814</u>	<u>\$ 46</u>	<u>\$ 16,140</u>	<u>\$ 4,174</u>

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<b>Maine Universal Service Trust</b>	<b>Maine Telecommunications Education Access Trust</b>	<b>Total Private Purpose Trusts</b>
\$ -	\$ -	\$ 540
2,211	316	2,527
-	-	20,320
335	480	815
-	-	37,329
-	-	4,010
<u>2,546</u>	<u>796</u>	<u>65,541</u>
194	498	715
-	-	2
<u>194</u>	<u>498</u>	<u>717</u>
2,352	298	64,824
<u>\$ 2,352</u>	<u>\$ 298</u>	<u>\$ 64,824</u>

**STATE OF MAINE**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**PRIVATE PURPOSE TRUSTS**

Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)

	<u>Abandoned Property</u>	<u>Revenue on Private Purpose Trusts</u>	<u>Land Reserve</u>	<u>Permanent School</u>
<b>Additions:</b>				
Investment Income (Loss):				
Net Increase (Decrease) in the Fair Value of Investments	\$ -	\$ -	\$ 1,186	\$ 307
Interest & Dividends	74	155	-	-
Net Investment Income (Loss)	74	155	1,186	307
Miscellaneous Revenues	7,061	-	-	-
Transfer from Other Funds	-	603	-	-
Total Additions	<u>7,135</u>	<u>758</u>	<u>1,186</u>	<u>307</u>
<b>Deductions:</b>				
Benefits Paid to Participants or Beneficiaries	-	104	-	-
Administrative Expenses	282	-	-	-
Transfer to Other Funds	4,899	648	-	-
Total Deductions	<u>5,181</u>	<u>752</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease)	1,954	6	1,186	307
Net Position Restricted:				
Held in Trust for Individuals, Organizations and Other Governments:				
Beginning of Year	39,860	40	14,954	3,867
End of Year	<u>\$ 41,814</u>	<u>\$ 46</u>	<u>\$ 16,140</u>	<u>\$ 4,174</u>



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<u>Maine Universal Service Trust</u>	<u>Maine Telecommunications Education Access Trust</u>	<u>Total Private Purpose Trusts</u>
\$ -	\$ -	\$ 1,493
8	1	238
8	1	1,731
8,895	3,138	19,094
-	-	603
<u>8,903</u>	<u>3,139</u>	<u>21,428</u>
8,124	2,842	11,070
35	34	351
-	-	5,547
<u>8,159</u>	<u>2,876</u>	<u>16,968</u>
744	263	4,460
1,608	35	60,364
<u>\$ 2,352</u>	<u>\$ 298</u>	<u>\$ 64,824</u>



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

June 30, 2018  
(Expressed in Thousands)

	<u>Payroll Withholding</u>	<u>Private Trusts</u>	<u>Other Agency</u>	<u>Treasurer's Agency</u>	<u>Total Agency Funds</u>
<b>Assets</b>					
Equity in Treasurer's Cash Pool	\$ -	\$ 10,939	\$ 5,931	\$ -	\$ 16,870
Cash & Short-Term Investments	-	27	-	-	27
Restricted Deposits & Investments	-	-	11	-	11
Investments Held on Behalf of Others	-	59,889	-	-	59,889
Other Assets	4,544	104	-	-	4,648
Total Assets	<u>\$ 4,544</u>	<u>\$ 70,959</u>	<u>\$ 5,942</u>	<u>\$ -</u>	<u>\$ 81,445</u>
<b>Liabilities</b>					
Accounts Payable	\$ 1	\$ 3	\$ 1	\$ -	\$ 5
Agency Liabilities	-	68,206	5,928	-	74,134
Due to Other Funds	4,489	-	13	-	4,502
Other Accrued Liabilities	54	2,750	-	-	2,804
Total Liabilities	<u>\$ 4,544</u>	<u>\$ 70,959</u>	<u>\$ 5,942</u>	<u>\$ -</u>	<u>\$ 81,445</u>

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

Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)

	<b>Balance, Beginning of Year</b>			<b>Balance, End of Year</b>
	<b>July 1, 2017</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2018</b>
<b>Payroll Withholding</b>				
Assets				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ -	\$ 307,493	\$ 307,493	\$ -
Other Assets	4,553	-	9	4,544
Total Assets	<u>\$ 4,553</u>	<u>\$ 307,493</u>	<u>\$ 307,502</u>	<u>\$ 4,544</u>
Liabilities				
Accounts Payable & Other Accrued Liabilities	\$ 54	\$ 824,996	\$ 824,995	\$ 55
Due to Other Funds	4,499	9,594	9,604	4,489
Total Liabilities	<u>\$ 4,553</u>	<u>\$ 834,590</u>	<u>\$ 834,599</u>	<u>\$ 4,544</u>
<b>Private Trusts</b>				
Assets				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ 21,667	\$ 24,656	\$ 35,357	\$ 10,966
Investments Held on Behalf of Others	59,520	24,884	24,515	59,889
Other Assets	113	17,195	17,204	104
Total Assets	<u>\$ 81,300</u>	<u>\$ 66,735</u>	<u>\$ 77,076</u>	<u>\$ 70,959</u>
Liabilities				
Accounts Payable & Other Accrued Liabilities	\$ 2,276	\$ 27,880	\$ 27,403	\$ 2,753
Agency Liabilities	79,024	14,178	24,996	68,206
Total Liabilities	<u>\$ 81,300</u>	<u>\$ 42,058</u>	<u>\$ 52,399</u>	<u>\$ 70,959</u>
<b>Other Agency</b>				
Assets				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ 7,604	\$ 35,835	\$ 37,497	\$ 5,942
Total Assets	<u>\$ 7,604</u>	<u>\$ 35,835</u>	<u>\$ 37,497</u>	<u>\$ 5,942</u>
Liabilities				
Accounts Payable & Other Accrued Liabilities	\$ 1	\$ 5,168	\$ 5,168	\$ 1
Agency Liabilities	7,586	4,599	6,257	5,928
Due to Other Funds	17	11	15	13
Total Liabilities	<u>\$ 7,604</u>	<u>\$ 9,778</u>	<u>\$ 11,440</u>	<u>\$ 5,942</u>
<b>Treasurer's Agency</b>				
Assets				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ -	\$ 382,054	\$ 382,054	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 382,054</u>	<u>\$ 382,054</u>	<u>\$ -</u>
Liabilities				
Agency Liabilities	-	429,174	429,174	-
Total Liabilities	<u>\$ -</u>	<u>\$ 429,174</u>	<u>\$ 429,174</u>	<u>\$ -</u>

	<b>Balance, Beginning of Year</b>			<b>Balance, End of Year</b>
	<b>July 1, 2017</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2018</b>
<b>Total All Agency Funds</b>				
Assets				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ 29,271	\$ 750,038	\$ 762,401	\$ 16,908
Investments Held on Behalf of Others	59,520	24,884	24,515	59,889
Other Assets	4,666	17,195	17,213	4,648
Total Assets	<u>\$ 93,457</u>	<u>\$ 792,117</u>	<u>\$ 804,129</u>	<u>\$ 81,445</u>
Liabilities				
Accounts Payable & Other Accrued Liabilities	\$ 2,331	\$ 858,044	\$ 857,566	\$ 2,809
Agency Liabilities	86,610	447,951	460,427	74,134
Due to Other Funds	4,516	9,605	9,619	4,502
Total Liabilities	<u>\$ 93,457</u>	<u>\$ 1,315,600</u>	<u>\$ 1,327,612</u>	<u>\$ 81,445</u>



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# NON-MAJOR COMPONENT UNIT FINANCIAL STATEMENTS

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

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

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

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

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

See Note 3 for a change in reporting entity.

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

June 30, 2018  
(Expressed in Thousands)

	Child Development Services	Efficiency Maine Trust	Maine Maritime Academy	Midcoast Regional Redevelopment Authority	Northern New England Passenger Rail Authority	Total Non-Major Component Units
<b>Assets</b>						
Current Assets:						
Equity in Treasurer's Cash Pool	\$ -	\$ -	\$ 2	\$ -	\$ -	\$ 2
Cash & Short-Term Investments	772	-	11,249	3,553	2,506	18,080
Investments	-	-	12,107	-	-	12,107
Restricted Assets:						
Restricted Deposits & Investments	-	38,862	-	-	-	38,862
Inventories	-	-	845	-	-	845
Receivables, Net of Allowance for Uncollectibles:						
Loans Receivable	-	-	495	506	-	1,001
Other Receivable	-	1,563	612	1,079	38	3,292
Due from Other Governments	-	-	-	1,116	5,182	6,298
Due from Primary Government	240	-	-	380	90	710
Other Assets	153	159	133	24	963	1,432
<b>Total Current Assets:</b>	<b>1,165</b>	<b>40,584</b>	<b>25,443</b>	<b>6,658</b>	<b>8,779</b>	<b>82,629</b>
Noncurrent Assets:						
Restricted Assets	-	-	24,925	-	1,217	26,142
Investments	-	-	13,005	-	-	13,005
Receivables, Net of Current Portion:						
Loans & Notes Receivable	-	14,693	2,764	-	-	17,457
Other Receivables	-	-	543	-	-	543
Due from Primary Government	-	-	-	-	297	297
Capital Assets - Net of Depreciation	1,048	21	25,877	123,887	15,197	166,030
Other Non-Current Assets	-	-	1,310	94	-	1,404
<b>Total Noncurrent Assets:</b>	<b>1,048</b>	<b>14,714</b>	<b>68,424</b>	<b>123,981</b>	<b>16,711</b>	<b>224,878</b>
<b>Total Assets</b>	<b>2,213</b>	<b>55,298</b>	<b>93,867</b>	<b>130,639</b>	<b>25,490</b>	<b>307,507</b>
<b>Deferred Outflows of Resources</b>	<b>-</b>	<b>-</b>	<b>3,501</b>	<b>-</b>	<b>356</b>	<b>3,857</b>
<b>Liabilities</b>						
Current Liabilities:						
Accounts Payable	3,231	2,348	3,712	1,574	5,085	15,950
Accrued Payroll	1,167	-	-	-	-	1,167
Compensated Absences	533	-	-	59	44	636
Due to Other Governments	-	-	-	285	87	372
Due to Primary Government	-	-	-	1,078	-	1,078
Bonds & Notes Payable	-	-	62	2,263	-	2,325
Obligations under Capital Leases	10	-	-	-	-	10
Unearned Revenue	-	4,751	521	33	-	5,305
Other Accrued Liabilities	-	123	361	445	-	929
<b>Total Current Liabilities:</b>	<b>4,941</b>	<b>7,222</b>	<b>4,656</b>	<b>5,737</b>	<b>5,216</b>	<b>27,772</b>
Long-Term Liabilities:						
Due to Other Governments	-	-	1,340	-	-	1,340
Bonds & Notes Payable	-	-	85	12,002	-	12,087
Net Pension Liability	-	-	6,151	-	813	6,964
Total Other Post-Employment Benefit Liability	-	-	-	-	441	441
<b>Total Long-Term Liabilities:</b>	<b>-</b>	<b>-</b>	<b>7,576</b>	<b>12,002</b>	<b>1,254</b>	<b>20,832</b>
<b>Total Liabilities</b>	<b>4,941</b>	<b>7,222</b>	<b>12,232</b>	<b>17,739</b>	<b>6,470</b>	<b>48,604</b>
<b>Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>2,834</b>	<b>-</b>	<b>232</b>	<b>3,066</b>
<b>Net Position</b>						
Net Investment in Capital Assets	1,038	21	25,735	109,621	15,132	151,547
Restricted	-	48,056	40,123	-	1,334	89,513
Unrestricted	(3,766)	(1)	16,444	3,279	2,678	18,634
<b>Total Net Position</b>	<b>\$ (2,728)</b>	<b>\$ 48,076</b>	<b>\$ 82,302</b>	<b>\$ 112,900</b>	<b>\$ 19,144</b>	<b>\$ 259,694</b>



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

Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)

	Child Development Services	Efficiency Maine Trust	Maine Maritime Academy	Midcoast Regional Redevelopment Authority	Northern New England Passenger Rail Authority	Total Non-Major Component Units
<b>General Operations</b>	\$ 37,911	\$ 49,291	\$ 40,993	\$ 11,791	\$ 28,486	\$ 168,472
<b>Program Revenues</b>						
Charges for Services	1,184	-	25,348	5,378	11,624	43,534
Program Investment Income	9	-	-	-	-	9
Operating Grants & Contributions	36,945	49,850	2,543	100	10,641	100,079
Capital Grants & Contributions	-	-	578	5,640	6,321	12,539
Net Revenue (Expense)	<u>227</u>	<u>559</u>	<u>(12,524)</u>	<u>(673)</u>	<u>100</u>	<u>(12,311)</u>
<b>General Revenues</b>						
Unrestricted Investment Earnings	-	-	3,061	-	17	3,078
Non-program Specific Grants, Contributions & Appropriations	-	-	18,272	175	-	18,447
Miscellaneous Revenues	-	-	1,392	228	341	1,961
Gain (Loss) on Assets Held for Sale	-	-	-	547	-	547
Special Items	-	-	-	(5,782)	-	(5,782)
Total General Revenues	<u>-</u>	<u>-</u>	<u>22,725</u>	<u>(4,832)</u>	<u>358</u>	<u>18,251</u>
Change in Net Position	<u>227</u>	<u>559</u>	<u>10,201</u>	<u>(5,505)</u>	<u>458</u>	<u>5,940</u>
Net Position - Beginning of Year (As Restated)	<u>(2,955)</u>	<u>47,517</u>	<u>72,101</u>	<u>118,405</u>	<u>18,686</u>	<u>253,754</u>
Net Position - End of Year	<u><u>\$ (2,728)</u></u>	<u><u>\$ 48,076</u></u>	<u><u>\$ 82,302</u></u>	<u><u>\$ 112,900</u></u>	<u><u>\$ 19,144</u></u>	<u><u>\$ 259,694</u></u>



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# STATISTICAL SECTION

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**STATE OF MAINE**  
**STATISTICAL SECTION NARRATIVE AND**  
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This part of the State of Maine's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the State's overall financial health.

**Financial Trends**

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**STATE OF MAINE**  
**NET POSITION BY ACTIVITIES**

Last Ten Fiscal Years  
(Expressed in Thousands)

	<u>2018</u>	<u>2017*</u>	<u>2016</u>	<u>2015</u>
<b>Primary Government</b>				
<b>Governmental Activities</b>				
Net Investment in Capital Assets	\$ 3,580,547	\$ 3,501,237	\$ 3,435,465	\$ 3,362,340
Restricted	134,705	125,429	132,972	215,520
Unrestricted	<u>(3,491,939)</u>	<u>(3,748,147)</u>	<u>(1,906,492)</u>	<u>(2,232,749)</u>
Total Governmental Activities Net Position	<u>\$ 223,313</u>	<u>\$ (121,481)</u>	<u>\$ 1,661,945</u>	<u>\$ 1,345,111</u>
<b>Business-Type Activities</b>				
Net Investment in Capital Assets	\$ 33,521	\$ 35,402	\$ 38,658	\$ 42,658
Restricted	471,256	429,124	398,342	366,766
Unrestricted	<u>(32,080)</u>	<u>(32,750)</u>	<u>(23,819)</u>	<u>(35,942)</u>
Total Business-Type Activities Net Position	<u>\$ 472,697</u>	<u>\$ 431,776</u>	<u>\$ 413,181</u>	<u>\$ 373,482</u>
<b>Total Primary Government</b>				
Net Investment in Capital Assets	\$ 3,614,068	\$ 3,536,639	\$ 3,474,123	\$ 3,404,998
Restricted	605,961	554,553	531,314	582,286
Unrestricted	<u>(3,524,019)</u>	<u>(3,780,897)</u>	<u>(1,930,311)</u>	<u>(2,268,691)</u>
Total Primary Government Activities Net Position	<u>\$ 696,010</u>	<u>\$ 310,295</u>	<u>\$ 2,075,126</u>	<u>\$ 1,718,593</u>

\* As restated.

The methodology of calculating infrastructure capital assets changed in 2014.

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

**SCHEDULE 1**

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 3,326,722	\$ 3,262,047	\$ 4,408,377	\$ 4,165,760	\$ 3,945,510	\$ 3,767,895
168,085	403,837	398,122	376,044	383,576	162,240
<u>(2,616,106)</u>	<u>(464,311)</u>	<u>(514,820)</u>	<u>(324,465)</u>	<u>(346,646)</u>	<u>(150,054)</u>
<u>\$ 878,701</u>	<u>\$ 3,201,573</u>	<u>\$ 4,291,679</u>	<u>\$ 4,217,339</u>	<u>\$ 3,982,440</u>	<u>\$ 3,780,081</u>
\$ 44,462	\$ 55,340	\$ 152,763	\$ 146,357	\$ 97,635	\$ 96,667
331,799	321,112	295,632	300,287	320,648	383,970
<u>(25,148)</u>	<u>2,860</u>	<u>675</u>	<u>(6,623)</u>	<u>(35,010)</u>	<u>(67,030)</u>
<u>\$ 351,113</u>	<u>\$ 379,312</u>	<u>\$ 449,070</u>	<u>\$ 440,021</u>	<u>\$ 383,273</u>	<u>\$ 413,607</u>
\$ 3,371,184	\$ 3,317,387	\$ 4,561,140	\$ 4,312,117	\$ 4,043,145	\$ 3,864,562
499,884	724,949	693,754	676,331	704,224	546,210
<u>(2,641,254)</u>	<u>(461,451)</u>	<u>(514,145)</u>	<u>(331,088)</u>	<u>(381,656)</u>	<u>(217,084)</u>
<u>\$ 1,229,814</u>	<u>\$ 3,580,885</u>	<u>\$ 4,740,749</u>	<u>\$ 4,657,360</u>	<u>\$ 4,365,713</u>	<u>\$ 4,193,688</u>

**STATE OF MAINE**  
**CHANGES IN NET POSITION BY ACTIVITIES**

Last Ten Fiscal Years  
(Expressed in Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Expenses</b>				
Governmental Activities				
Governmental Support & Operations	\$ 432,870	\$ 354,421	\$ 477,351	\$ 357,029
Arts, Heritage & Cultural Enrichment	11,821	12,813	10,815	11,457
Business Licensing & Regulation	67,030	66,006	51,207	67,348
Economic Development & Workforce Training	185,166	180,006	169,201	169,192
Education	1,774,309	1,804,804	1,614,477	1,543,947
Health & Human Services	3,804,516	3,774,348	3,587,573	3,595,418
Justice & Protection	433,728	493,427	412,088	412,718
Natural Resources Development & Protection	218,375	236,928	207,610	205,334
Transportation, Safety & Development	627,901	664,921	590,437	553,321
Interest Expense	51,788	38,992	44,822	50,639
Total Governmental Activities	<u>7,607,504</u>	<u>7,626,666</u>	<u>7,165,581</u>	<u>6,966,403</u>
Business-Type Activities				
Employment Security	83,159	96,075	110,912	129,697
Alcoholic Beverages	137,426	131,192	120,373	111,265
Lottery	230,678	214,670	217,556	200,457
Transportation	-	-	-	-
Ferry Services	12,950	12,271	12,782	12,338
Military Equipment Maintenance	10,895	3,858	11,610	9,342
Consolidated Emergency Communications	6,952	6,489	5,530	5,818
Other	1,593	1,821	1,660	3,015
Total Business-Type Activities	<u>483,653</u>	<u>466,376</u>	<u>480,423</u>	<u>471,932</u>
Total Primary Government Expenses	<u>\$ 8,091,157</u>	<u>\$ 8,093,042</u>	<u>\$ 7,646,004</u>	<u>\$ 7,438,335</u>
<b>Program Revenues</b>				
Governmental Activities				
Charges for Services				
Governmental Support & Operations	\$ 93,862	\$ 90,906	\$ 91,136	\$ 99,959
Arts, Heritage & Cultural Enrichment	876	845	890	955
Business Licensing & Regulation	81,866	73,430	74,634	69,790
Economic Development & Workforce Training	6,286	8,658	10,934	7,863
Education	36,221	37,278	38,691	37,016
Health & Human Services	13,673	14,687	17,553	15,988
Justice & Protection	86,995	86,744	87,183	80,028
Natural Resources Development & Protection	99,351	93,304	92,054	95,922
Transportation, Safety & Development	145,090	178,018	159,659	131,936
Operating Grants and Contributions	3,002,173	2,966,809	2,875,849	2,817,929
Total Governmental Activities Program Revenues	<u>3,566,393</u>	<u>3,550,679</u>	<u>3,448,583</u>	<u>3,357,386</u>
Business-Type Activities				
Employment Security	116,053	118,207	137,593	157,623
Alcoholic Beverages	189,263	177,184	166,752	157,369
Lottery	293,759	274,902	278,454	254,883
Transportation	-	-	-	-
Ferry Services	5,056	4,599	4,138	4,831
Military Equipment Maintenance	11,228	5,088	6,139	5,315
Consolidated Emergency Communications	6,278	6,406	5,857	5,405
Other	2,047	2,233	2,785	2,119
Operating Grants and Contributions	9,510	8,714	7,948	7,383
Total Business-Type Activities Program Revenues	<u>\$ 633,194</u>	<u>\$ 597,333</u>	<u>\$ 609,666</u>	<u>\$ 594,928</u>
<b>Net (expense)/revenue</b>				
Governmental Activities	(4,041,111)	(4,075,987)	(3,716,998)	(3,609,017)
Business-Type Activities	149,541	130,957	129,243	122,996
Total Primary Government Net (Expense)/Revenue	<u>\$ (3,891,570)</u>	<u>\$ (3,945,030)</u>	<u>\$ (3,587,755)</u>	<u>\$ (3,486,021)</u>



**SCHEDULE 2**

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 377,269	\$ 428,001	\$ 456,622	\$ 448,917	\$ 445,972	\$ 451,246
11,401	10,538	11,507	11,807	11,761	13,430
73,016	63,406	68,697	69,288	74,243	66,155
175,338	240,485	302,614	374,473	400,166	229,838
1,676,908	1,581,556	1,610,095	1,706,305	1,752,041	1,689,036
3,669,552	3,657,573	3,750,402	3,522,341	3,511,572	3,428,680
410,641	401,656	401,740	415,450	412,263	419,027
208,970	201,979	208,463	204,379	196,780	224,609
524,024	384,852	376,689	371,374	327,536	334,236
47,271	46,541	45,551	43,202	48,594	40,148
<u>7,174,390</u>	<u>7,016,587</u>	<u>7,232,380</u>	<u>7,167,536</u>	<u>7,180,928</u>	<u>6,896,405</u>
159,058	169,334	187,703	203,693	235,301	225,181
19	-	-	-	1	-
180,087	176,094	176,837	167,956	166,721	163,030
-	-	9,310	11,082	8,173	8,473
11,849	12,030	11,458	12,711	10,817	10,210
11,466	36,971	35,058	44,765	45,004	71,380
5,810	5,414	5,841	5,775	6,450	5,392
28,593	57,998	58,523	49,802	54,251	62,346
<u>396,882</u>	<u>457,841</u>	<u>484,730</u>	<u>495,784</u>	<u>526,718</u>	<u>546,012</u>
<u>\$ 7,571,272</u>	<u>\$ 7,474,428</u>	<u>\$ 7,717,110</u>	<u>\$ 7,663,320</u>	<u>\$ 7,707,646</u>	<u>\$ 7,442,417</u>
\$ 96,712	\$ 89,374	\$ 80,534	\$ 105,851	\$ 106,164	\$ 82,738
1,315	869	1,006	749	1,075	1,172
74,799	69,196	75,633	57,772	71,592	56,042
7,410	7,910	7,175	5,972	6,846	4,531
37,467	26,098	6,897	4,470	7,487	2,053
11,953	18,801	20,018	18,252	11,844	12,573
82,347	83,173	86,583	83,093	88,166	90,497
88,035	93,531	93,991	102,084	95,318	91,562
128,635	119,087	116,995	110,401	103,759	111,429
2,831,956	3,047,714	3,160,241	3,355,823	3,525,858	3,081,827
<u>3,360,629</u>	<u>3,555,753</u>	<u>3,649,073</u>	<u>3,844,467</u>	<u>4,018,109</u>	<u>3,534,424</u>
163,352	188,833	176,645	173,416	127,438	97,362
12,539	12,533	12,532	12,533	12,528	12,530
232,420	229,565	231,015	218,081	219,966	213,073
-	-	4,692	4,182	1,929	3,961
4,912	4,584	4,695	4,649	4,951	4,347
10,102	35,814	35,104	42,473	49,487	75,784
5,773	5,787	4,566	7,305	6,088	5,159
28,049	66,810	71,675	72,710	66,647	70,695
7,036	7,032	7,823	11,253	44,629	20,170
<u>\$ 464,183</u>	<u>\$ 550,958</u>	<u>\$ 548,747</u>	<u>\$ 546,602</u>	<u>\$ 533,663</u>	<u>\$ 503,081</u>
(3,813,761)	(3,460,834)	(3,583,307)	(3,323,069)	(3,162,819)	(3,361,981)
67,301	93,117	64,017	50,818	6,945	(42,931)
<u>\$ (3,746,460)</u>	<u>\$ (3,367,717)</u>	<u>\$ (3,519,290)</u>	<u>\$ (3,272,251)</u>	<u>\$ (3,155,874)</u>	<u>\$ (3,404,912)</u>

**STATE OF MAINE**  
**CHANGES IN NET POSITION BY ACTIVITIES**

Last Ten Fiscal Years  
(Expressed in Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental Activities				
Taxes				
Corporate <sup>1</sup>	\$ 187,519	\$ 184,599	\$ 108,395	\$ 196,586
Individual Income	1,628,709	1,579,511	1,534,620	1,553,043
Fuel	249,927	253,176	245,299	247,900
Property	66,226	62,979	58,450	54,276
Sales & Use	1,573,544	1,493,728	1,437,916	1,351,498
Other <sup>1</sup>	377,966	370,998	382,191	390,185
Unrestricted Investment Earnings	26,621	22,003	7,335	7,826
Miscellaneous Income	99,208	69,515	85,948	96,578
Loss on Assets Held for Sale	-	-	-	-
Tobacco Settlement	67,565	52,267	52,083	48,059
Special Items	-	-	-	28,849
Transfers - Internal Activities	108,620	93,845	100,879	100,627
<b>Total Governmental Activities</b>	<u>4,385,905</u>	<u>4,182,621</u>	<u>4,013,116</u>	<u>4,075,427</u>
Business-Type Activities				
Miscellaneous Income	-	-	-	-
Special Items	-	895	11,335	-
Transfers - Internal Activities	(108,620)	(93,845)	(100,879)	(100,627)
<b>Total Business-Type Activities</b>	<u>(108,620)</u>	<u>(92,950)</u>	<u>(89,544)</u>	<u>(100,627)</u>
<b>Total Primary Government</b>	<u>4,277,285</u>	<u>4,089,671</u>	<u>3,923,572</u>	<u>3,974,800</u>
<b>Change in Net Position</b>				
Governmental Activities	344,794	106,634	296,118	466,410
Business-Type Activities	40,921	38,007	39,699	22,369
<b>Total Primary Government</b>	<u>\$ 385,715</u>	<u>\$ 144,641</u>	<u>\$ 335,817</u>	<u>\$ 488,779</u>

<sup>1</sup> Realignment of corporate and other taxes occurred in 2014

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

**SCHEDULE 2 (CONTINUED)**

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 194,770	\$ 294,333	\$ 334,818	\$ 310,693	\$ 282,998	\$ 266,551
1,399,238	1,508,024	1,459,039	1,455,959	1,297,568	1,374,681
237,439	235,112	245,815	241,710	240,734	223,953
51,684	49,444	45,902	45,882	46,627	39,120
1,257,376	1,140,645	1,113,952	1,097,900	1,066,957	1,090,578
383,026	313,154	273,062	283,715	258,775	250,297
19,950	10,288	2,543	17,051	12,378	6,417
118,043	100,329	76,360	107,017	92,536	91,528
(53)	-	-	-	-	(57)
57,749	50,723	51,188	48,554	51,601	61,388
48,861	92,401	-	(36,931)	(11,728)	-
193,192	54,916	54,968	(13,016)	37,279	43,700
<u>3,961,275</u>	<u>3,849,369</u>	<u>3,657,647</u>	<u>3,558,534</u>	<u>3,375,725</u>	<u>3,448,156</u>
-	-	-	-	-	-
(48,861)	(108,288)	-	(7,086)	-	-
<u>(193,192)</u>	<u>(54,916)</u>	<u>(54,968)</u>	<u>13,016</u>	<u>(37,279)</u>	<u>(43,700)</u>
<u>(242,053)</u>	<u>(163,204)</u>	<u>(54,968)</u>	<u>5,930</u>	<u>(37,279)</u>	<u>(43,700)</u>
<u>3,719,222</u>	<u>3,686,165</u>	<u>3,602,679</u>	<u>3,564,464</u>	<u>3,338,446</u>	<u>3,404,456</u>
147,514	388,535	74,340	235,465	212,906	86,175
<u>(174,752)</u>	<u>(70,087)</u>	<u>9,049</u>	<u>56,748</u>	<u>(30,334)</u>	<u>(86,631)</u>
<u>\$ (27,238)</u>	<u>\$ 318,448</u>	<u>\$ 83,389</u>	<u>\$ 292,213</u>	<u>\$ 182,572</u>	<u>\$ (456)</u>

**STATE OF MAINE**  
**FUND BALANCES, GOVERNMENTAL FUNDS**

Last Ten Fiscal Years  
(Expressed in Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
General Fund				
Nonspendable:				
Permanent Fund Principal	\$ -	\$ -	\$ -	\$ -
Inventories and Prepaid Items	3,172	3,059	2,665	4,154
Restricted	16,449	14,133	12,865	2,425
Committed	23,978	10,064	64,959	-
Assigned	118,986	87,085	-	-
Unassigned	169,674	59,083	(35,155)	(80,378)
Total General Fund	<u>\$ 332,259</u>	<u>\$ 173,424</u>	<u>\$ 45,334</u>	<u>\$ (73,799)</u>
All Other Governmental Funds:				
Nonspendable:				
Permanent Fund Principal	\$ 30,466	\$ 27,765	\$ 24,402	\$ 23,162
Inventories and Prepaid Items	610	622	698	932
Restricted	613,348	640,464	621,981	627,003
Committed	101,969	76,629	65,957	51,951
Assigned	49,985	47,111	61,144	10,737
Unassigned (Deficit)	(52,298)	-	-	-
Total All Other Governmental Funds:	<u>\$ 744,080</u>	<u>\$ 792,591</u>	<u>\$ 774,182</u>	<u>\$ 713,785</u>
Total Governmental Fund Balances	<u>\$ 1,076,339</u>	<u>\$ 966,015</u>	<u>\$ 819,516</u>	<u>\$ 639,986</u>
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Total General Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All Other Governmental Funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, Reported in:				
Special Revenue Funds	-	-	-	-
Total All Other Governmental Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SOURCE: State of Maine Comprehensive Annual Financial Reporting System.

Modified accrual basis of accounting

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

SCHEDULE 3

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,807	3,341	2,965	3,846	-	-
2,064	3,534	2,989	3,344	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(221,307)</u>	<u>(151,250)</u>	<u>(355,889)</u>	<u>(243,559)</u>	<u>-</u>	<u>-</u>
<u>\$ (215,436)</u>	<u>\$ (144,375)</u>	<u>\$ (349,935)</u>	<u>\$ (236,369)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 21,895	\$ 17,794	\$ 16,328	\$ 14,961	\$ -	\$ -
1,340	1,556	1,563	1,578	-	-
548,591	502,108	527,811	493,094	-	-
48,381	-	38,436	38,444	-	-
15,987	-	12,489	17,149	-	-
-	(132,447)	(2,300)	(4,374)	-	-
<u>\$ 636,194</u>	<u>\$ 389,011</u>	<u>\$ 594,327</u>	<u>\$ 560,852</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 420,758</u>	<u>\$ 244,636</u>	<u>\$ 244,392</u>	<u>\$ 324,483</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ 102,770	\$ 116,986
-	-	-	-	(411,018)	(390,379)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (308,248)</u>	<u>\$ (273,393)</u>
\$ -	\$ -	\$ -	\$ -	\$ 547,669	\$ 442,613
-	-	-	-	67,964	32,736
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 615,633</u>	<u>\$ 475,349</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 307,385</u>	<u>\$ 201,956</u>

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

Last Ten Fiscal Years  
(Expressed in Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Revenues:</b>				
Taxes	\$ 4,063,124	\$ 3,936,667	\$ 3,813,782	\$ 3,756,622
Assessments and Other Revenue	379,354	364,131	363,183	353,148
Federal Grants and Reimbursements	3,002,697	2,966,679	2,876,044	2,816,224
Service Charges	173,493	211,292	196,785	173,050
Investment Income (Loss)	23,689	20,356	6,458	7,205
Miscellaneous Revenue	155,845	124,553	133,200	142,375
Total Revenues	<u>7,798,202</u>	<u>7,623,678</u>	<u>7,389,452</u>	<u>7,248,624</u>
<b>Expenditures</b>				
Current:				
Governmental Support & Operations	390,122	381,537	340,047	332,237
Economic Development & Workforce Training	188,026	177,669	175,527	169,949
Education	1,781,977	1,785,928	1,688,041	1,668,409
Health and Human Services	3,857,080	3,779,950	3,647,770	3,638,366
Business Licensing & Regulation	69,462	62,709	56,775	70,277
Natural Resources Development & Protection	231,254	227,362	233,834	209,293
Justice and Protection	477,416	472,369	451,792	444,889
Arts, Heritage & Cultural Enrichment	12,063	12,048	11,747	11,891
Transportation Safety & Development	605,339	615,838	602,723	540,218
Debt Service:				
Principal Payments	152,310	144,040	143,165	144,230
Interest Payments	45,696	43,912	42,165	42,617
Capital Outlays	68,468	93,341	58,185	66,903
Total Expenditures	<u>7,879,213</u>	<u>7,796,703</u>	<u>7,451,771</u>	<u>7,339,279</u>
Revenue Over (Under) Expenditures	<u>(81,011)</u>	<u>(173,025)</u>	<u>(62,319)</u>	<u>(90,655)</u>
<b>Other Financing Sources (Uses)</b>				
Transfer from Other Funds	401,501	325,299	321,363	442,207
Transfer to Other Funds	(292,284)	(237,327)	(225,927)	(340,283)
COPS and Other	23,583	48,895	13,259	11,216
Proceeds from Component Unit Loan Payable	-	50,002	-	50,000
Bonds Issued	58,535	116,040	118,895	105,455
Refunding Bonds Issued	-	24,950	41,115	-
Premium on Bonds Issued	-	20,490	16,663	11,288
Bonds Defeased	-	-	-	-
Payments to Refunded Bond Escrow Agent	-	(28,825)	(43,519)	-
Net Other Financing Sources (Uses)	<u>191,335</u>	<u>319,524</u>	<u>241,849</u>	<u>279,883</u>
<b>Special Items:</b>				
Transfer of STAR Fund	-	-	-	-
Return of Excess Equity from Retiree Health Insurance Fund	-	-	-	-
Other	-	-	-	30,000
Net Special Items	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
Net change in fund balances	<u>\$ 110,324</u>	<u>\$ 146,499</u>	<u>\$ 179,530</u>	<u>\$ 219,228</u>
Debt Service as a Percentage of Non-Capital Expenditures	2.55 %	2.44 %	2.51 %	2.58 %

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

**SCHEDULE 4**

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 3,530,357	\$ 3,558,881	\$ 3,469,925	\$ 3,398,030	\$ 3,215,299	\$ 3,240,269
350,758	351,510	331,862	314,447	334,656	322,239
2,830,083	3,048,069	3,162,059	3,366,618	3,535,224	3,092,757
164,461	141,358	147,379	155,491	159,854	148,904
17,767	9,921	1,299	16,250	11,273	(264)
154,219	130,615	127,327	132,411	144,509	138,740
<u>7,047,645</u>	<u>7,240,354</u>	<u>7,239,851</u>	<u>7,383,247</u>	<u>7,400,815</u>	<u>6,942,645</u>
332,180	402,006	408,730	400,580	410,269	433,723
173,868	241,126	301,827	375,234	401,839	229,090
1,701,248	1,590,595	1,616,987	1,717,991	1,776,207	1,702,917
3,681,004	3,676,832	3,771,099	3,571,466	3,608,645	3,448,401
72,020	62,883	65,876	67,700	73,807	65,235
195,526	208,453	204,353	211,168	224,598	222,947
417,896	392,352	383,123	398,911	415,689	445,389
11,154	10,298	10,981	11,544	11,613	13,208
536,995	584,201	566,540	657,528	568,639	557,684
125,325	143,229	134,886	121,995	120,087	85,759
34,820	38,791	40,133	38,131	39,332	23,271
35,227	7,753	25,729	-	-	-
<u>7,317,263</u>	<u>7,358,519</u>	<u>7,530,264</u>	<u>7,572,248</u>	<u>7,650,725</u>	<u>7,227,624</u>
<u>(269,618)</u>	<u>(118,165)</u>	<u>(290,413)</u>	<u>(189,001)</u>	<u>(249,910)</u>	<u>(284,979)</u>
426,724	472,313	426,135	395,679	352,719	315,508
(379,767)	(399,791)	(365,936)	(332,250)	(309,596)	(254,300)
77,821	6,371	2,625	5,244	40,520	4,474
183,482	-	58,726	51,710	142,857	100,000
123,000	30,290	82,265	108,135	70,110	133,345
-	-	-	-	-	-
14,175	2,210	6,507	-	-	-
(4,500)	-	-	-	-	-
-	-	-	-	-	-
<u>440,935</u>	<u>111,393</u>	<u>210,322</u>	<u>228,518</u>	<u>296,610</u>	<u>299,027</u>
-	7,016	-	-	-	-
-	-	-	(22,520)	63,115	-
59	-	-	-	-	-
59	7,016	-	(22,520)	63,115	-
<u>\$ 171,376</u>	<u>\$ 244</u>	<u>\$ (80,091)</u>	<u>\$ 16,997</u>	<u>\$ 109,815</u>	<u>\$ 14,048</u>
2.21 %	2.56 %	2.40 %	2.19 %	2.17 %	1.56 %

**STATE OF MAINE**  
**CHANGES IN FUND BALANCES**  
**GENERAL FUND**

Last Ten Fiscal Years  
(Expressed in Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Revenues:</b>				
Taxes	\$ 3,529,960	\$ 3,411,497	\$ 3,305,720	\$ 3,237,598
Assessments and Other Revenue	102,271	106,085	105,216	104,795
Federal Grants and Reimbursements	1,638	1,771	1,952	2,064
Service Charges	44,055	45,229	38,984	46,466
Investment Income (Loss)	10,048	5,424	2,439	1,170
Miscellaneous Revenue	1,484	12,547	14,360	11,736
Total Revenues	<u>3,689,456</u>	<u>3,582,553</u>	<u>3,468,671</u>	<u>3,403,829</u>
<b>Expenditures</b>				
Current:				
Governmental Support & Operations	278,502	260,661	230,692	218,279
Economic Development & Workforce Training	41,861	42,379	39,885	31,501
Education	1,518,098	1,503,763	1,422,871	1,401,594
Health and Human Services	1,142,645	1,126,330	1,107,675	1,119,182
Business Licensing & Regulation	73	-	-	-
Natural Resources Development & Protection	79,245	75,445	73,225	68,870
Justice and Protection	338,241	336,267	320,810	302,133
Arts, Heritage & Cultural Enrichment	7,921	7,852	7,623	7,358
Transportation Safety & Development	-	-	-	-
Debt Service:				
Principal Payments	86,075	78,940	80,405	84,875
Interest Payments	26,074	22,547	20,309	19,167
Total Expenditures	<u>3,518,735</u>	<u>3,454,184</u>	<u>3,303,495</u>	<u>3,252,959</u>
Revenue Over (Under) Expenditures	<u>170,721</u>	<u>128,369</u>	<u>165,176</u>	<u>150,870</u>
<b>Other Financing Sources (Uses)</b>				
Transfer from Other Funds	113,151	117,307	91,809	171,771
Transfer to Other Funds	(147,142)	(148,822)	(146,996)	(183,793)
Other	22,105	31,236	9,144	2,789
Total Other Financing Sources (Uses)	<u>(11,886)</u>	<u>(279)</u>	<u>(46,043)</u>	<u>(9,233)</u>
<b>Special Items:</b>				
Return of Excess Equity from Retiree Health Insurance Fund	-	-	-	-
Net Special Items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 158,835</u>	<u>\$ 128,090</u>	<u>\$ 119,133</u>	<u>\$ 141,637</u>
Debt Service as a Percentage of Non-Capital Expenditures	3.28 %	3.03 %	3.13 %	3.29 %

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



**SCHEDULE 5**

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 3,027,088	\$ 3,077,321	\$ 2,990,353	\$ 2,926,972	\$ 2,756,435	\$ 2,808,997
97,622	106,086	103,292	107,878	117,119	120,682
1,988	1,726	3,377	11,832	11,047	14,844
50,580	46,281	49,008	46,206	50,852	44,211
716	356	1,413	(54)	567	8,425
23,706	10,467	17,047	15,805	12,284	9,892
<u>3,201,700</u>	<u>3,242,237</u>	<u>3,164,490</u>	<u>3,108,639</u>	<u>2,948,304</u>	<u>3,007,051</u>
219,125	265,160	255,191	238,729	257,093	273,595
32,635	31,922	33,561	34,504	35,646	35,751
1,404,149	1,332,688	1,335,736	1,389,383	1,419,891	1,451,223
1,159,000	907,141	1,126,805	933,047	758,808	786,512
3,797	992	-	-	22	6
66,684	64,184	65,332	64,972	67,324	67,669
283,477	258,969	253,226	264,792	270,581	270,594
7,459	6,932	7,117	7,081	7,311	8,096
-	-	-	7,000	-	1
85,735	103,840	98,340	89,835	92,035	65,685
18,163	20,657	21,714	21,425	24,103	15,179
<u>3,280,224</u>	<u>2,992,485</u>	<u>3,197,022</u>	<u>3,050,768</u>	<u>2,932,814</u>	<u>2,974,311</u>
<u>(78,524)</u>	<u>249,752</u>	<u>(32,532)</u>	<u>57,871</u>	<u>15,490</u>	<u>32,740</u>
169,095	181,932	134,722	179,795	106,694	87,178
(206,907)	(230,298)	(216,827)	(167,274)	(205,768)	(155,566)
45,275	4,174	1,071	1,487	382	727
<u>7,463</u>	<u>(44,192)</u>	<u>(81,034)</u>	<u>14,008</u>	<u>(98,692)</u>	<u>(67,661)</u>
-	-	-	-	48,347	-
-	-	-	-	-	-
-	-	-	-	48,347	-
<u>\$ (71,061)</u>	<u>\$ 205,560</u>	<u>\$ (113,566)</u>	<u>\$ 71,879</u>	<u>\$ (34,855)</u>	<u>\$ (34,921)</u>
3.23 %	4.54 %	4.07 %	3.99 %	4.39 %	2.97 %

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

Last Ten Calendar Years  
(Expressed in Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Individual Income Tax Liability	\$ 1,459,744	\$ 1,371,026	\$ 1,492,954	\$ 1,393,286
Personal Income	62,059,956	58,655,433	56,893,803	54,860,182
Average Effective Tax Rate	<u>2.4 %</u>	<u>2.3 %</u>	<u>2.6 %</u>	<u>2.5 %</u>
Income Bracket	<u>\$0 - \$21,099</u>	<u>\$0 - \$21,049</u>	<u>\$0 - \$5,199</u>	<u>\$0 - \$5,199</u>
Tax Rate	<u>5.8%</u>	<u>5.8%</u>	<u>0.0%</u>	<u>0.0%</u>
Income Bracket	<u>\$21,100 - \$49,999</u>	<u>\$21,050 - \$37,499</u>	<u>\$5,200 - \$20,899</u>	<u>\$5,200 - \$20,899</u>
Tax Rate	<u>6.75%</u>	<u>6.75%</u>	<u>6.5%</u>	<u>6.5%</u>
Income Bracket				
Tax Rate				
Income Bracket	<u>\$50,000 +</u>	<u>\$37,500 +</u>	<u>\$20,900+</u>	<u>\$20,900+</u>
Tax Rate	<u>7.15%</u>	<u>7.15%</u>	<u>7.95%</u>	<u>7.95%</u>

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

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

SOURCE: Maine Revenue Services.

**SCHEDULE 6**

<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
\$ 1,311,617 52,724,616 2.5 %	\$ 1,433,654 52,877,607 2.7 %	\$ 1,343,096 51,714,022 2.6 %	\$ 1,310,748 49,827,077 2.6 %	\$ 1,231,328 49,130,870 2.5 %	\$ 1,327,007 49,226,384 2.7 %
\$0 - \$5,199 0.0%	\$0 - \$5,099 2.0%	\$0 - \$4,999 2.0%	\$0 - \$4,949 2.0%	\$0 - \$5,049 2.0%	\$0 - \$4,849 2.0%
\$5,200 - \$20,899 6.5%	\$5,100 - \$10,149 4.5%	\$5,000 - \$9,949 4.5%	\$4,950 - \$9,849 4.5%	\$5,050 - \$10,049 4.5%	\$4,850 - \$9,699 4.5%
	\$10,150 - \$20,349 7.0%	\$9,950 - \$19,949 7.0%	\$9,850 - \$19,749 7.0%	\$10,050 - \$20,149 7.0%	\$9,700 - \$19,449 7.0%
\$20,900+ 7.95%	\$20,350+ 8.5%	\$19,950+ 8.5%	\$19,750+ 8.5%	\$20,150+ 8.5%	\$19,450+ 8.5%



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

**SCHEDULE 7**

(Tax Liability Expressed in Millions)

Income Level	<b>2017 Tax Year</b>			
	<b>Number of Filers</b>	<b>Percentage of Total</b>	<b>Tax Liability</b>	<b>Percentage of Total</b>
\$0 and below	22,647	3.2 %	\$ (5.27)	(0.4)%
\$1 - \$10,000	97,655	13.7 %	(13.10)	(0.9)%
\$10,001 - \$20,000	99,395	14.0 %	(12.58)	(0.9)%
\$20,001 - \$30,000	95,834	13.5 %	17.45	1.2 %
\$30,001 - \$50,000	137,891	19.4 %	110.89	7.6 %
\$50,001 - \$75,000	96,336	13.5 %	177.30	12.1 %
\$75,001 - \$100,000	57,441	8.1 %	176.44	12.1 %
\$100,001 - \$200,000	74,219	10.4 %	421.68	28.9 %
\$200,001 and higher	30,024	4.2 %	586.93	40.2 %
Total	<u>711,442</u>	<u>100.0 %</u>	<u>\$ 1,459.74</u>	<u>100.0 %</u>

(Tax Liability Expressed in Millions)

Income Level	<b>2008 Tax Year</b>			
	<b>Number of Filers</b>	<b>Percentage of Total</b>	<b>Tax Liability</b>	<b>Percentage of Total</b>
\$0 and below	10,541	1.6 %	\$ 0.04	- %
\$1 - \$10,000	106,434	16.3 %	0.78	0.1 %
\$10,001 - \$20,000	103,737	15.9 %	12.23	0.9 %
\$20,001 - \$30,000	96,208	14.7 %	44.77	3.4 %
\$30,001 - \$50,000	127,554	19.5 %	152.83	11.5 %
\$50,001 - \$75,000	92,481	14.1 %	222.02	16.7 %
\$75,001 - \$100,000	50,794	7.8 %	201.42	15.2 %
\$100,001 - \$200,000	48,526	7.4 %	322.87	24.3 %
\$200,001 and higher	17,436	2.7 %	370.05	27.9 %
Total	<u>653,711</u>	<u>100.0 %</u>	<u>\$ 1,327.01</u>	<u>100.0 %</u>

SOURCE: Maine Revenue Services.

**STATE OF MAINE**  
**TAXABLE SALES AND SALES TAX RATES**

Last Ten Calendar Years  
(Expressed in Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Business Operating	\$ 2,342,886	\$ 2,278,205	\$ 2,274,758	\$ 2,205,300
Building Supply	2,682,564	2,527,689	2,389,625	2,275,309
Food Store	2,321,863	2,244,009	1,791,703	1,724,835
General Merchandise	3,657,373	3,428,111	3,210,403	3,153,868
Other Retail	2,573,748	2,503,954	2,308,153	2,216,658
Auto/Transportation	4,912,964	4,728,135	4,552,275	4,211,761
Restaurant/Lodging	<u>3,793,014</u>	<u>3,617,473</u>	<u>3,367,607</u>	<u>3,185,843</u>
Total	<u>\$ 22,284,412</u>	<u>\$ 21,327,576</u>	<u>\$ 19,894,524</u>	<u>\$ 18,973,574</u>

Sales and Use Tax Rates:

General Sales & Use	5.5 %	5.5 %	5.5 %	5.0 %
Lodging	9.0 %	9.0 %	8.0 %	7.0 %
Prepared Food	8.0 %	8.0 %	8.0 %	7.0 %
Short-term Auto Rental	10.0 %	10.0 %	10.0 %	10.0 %

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

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

SOURCE: Maine Revenue Services.

**SCHEDULE 8**

<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
\$ 2,144,569	\$ 2,071,027	\$ 2,013,955	\$ 1,918,061	\$ 1,847,283	\$ 2,213,683
2,184,879	2,062,162	2,080,002	1,952,148	1,935,346	2,310,659
1,654,251	1,624,714	1,575,567	1,549,563	1,524,577	1,488,989
3,107,412	3,086,232	3,027,034	3,035,792	2,961,966	3,074,233
2,169,047	2,105,616	2,094,362	2,018,804	1,956,601	1,994,361
3,947,689	3,665,555	3,482,008	3,301,937	3,238,984	3,468,340
3,040,446	2,927,667	2,762,278	2,673,050	2,549,563	2,603,360
<u>\$ 18,248,293</u>	<u>\$ 17,542,973</u>	<u>\$ 17,035,206</u>	<u>\$ 16,449,355</u>	<u>\$ 16,014,320</u>	<u>\$ 17,153,625</u>

5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %
7.0 %	7.0 %	7.0 %	7.0 %	7.0 %	7.0 %
7.0 %	7.0 %	7.0 %	7.0 %	7.0 %	7.0 %
10.0 %	10.0 %	10.0 %	10.0 %	10.0 %	10.0 %





**STATE OF MAINE**  
**CALCULATION OF LEGAL DEBT MARGIN**

**SCHEDULE 9**

For the Ten Years Ended June 30, 2018

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

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

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

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

(Expressed in Thousands)

<u>Fiscal Year</u>	<u>Temporary Loans Outstanding During the Year*</u>	<u>Total Governmental Funds Revenue</u>	<u>% of Total Governmental Funds Revenue</u>	<u>10% of Total Governmental Funds Revenue Limit Amount</u>	<u>Total Valuation</u>	<u>% of Total Valuation</u>	<u>1% of Total Valuation Limit Amount</u>
2018	\$ 54,500	\$ 7,709,591	0.71 %	\$ 770,959	\$ 169,799,900	0.03 %	\$ 1,697,999
2017	\$ 36,600	\$ 7,497,108	0.49 %	\$ 749,711	\$ 165,485,750	0.02 %	\$ 1,654,858
2016	\$ 37,185	\$ 7,287,606	0.51 %	\$ 728,761	\$ 162,950,100	0.02 %	\$ 1,629,501
2015	\$ 38,150	\$ 7,103,637	0.54 %	\$ 710,364	\$ 159,770,050	0.02 %	\$ 1,597,701
2014	\$ 65,000	\$ 7,315,155	0.89 %	\$ 731,516	\$ 158,661,600	0.04 %	\$ 1,586,616
2013	\$ -	\$ 6,959,426	0.00 %	\$ 695,943	\$ 160,011,900	0.00 %	\$ 1,600,119
2012	\$ -	\$ 6,947,865	0.00 %	\$ 694,787	\$ 163,424,200	0.00 %	\$ 1,634,242
2011	\$ 68,455	\$ 7,190,530	0.95 %	\$ 719,053	\$ 166,990,700	0.04 %	\$ 1,669,907
2010	\$ 41,245	\$ 7,083,733	0.58 %	\$ 708,373	\$ 170,336,350	0.02 %	\$ 1,703,364
2009	\$ 112,110	\$ 6,827,987	1.64 %	\$ 682,799	\$ 168,006,150	0.07 %	\$ 1,680,062

**STATE OF MAINE**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Governmental Activities Debt</b>				
General Obligation Bonds	\$ 407,746	\$ 496,132	\$ 464,444	\$ 430,947
MGFA Revenue Bonds	209,155	171,870	172,373	170,870
COPS and Other Financing Arrangements	72,368	74,537	69,565	88,696
Obligations Under Capital Leases	56,518	34,276	36,679	40,533
Loans Payable to Component Unit <sup>1</sup>	<u>378,264</u>	<u>428,713</u>	<u>425,199</u>	<u>477,188</u>
Total Governmental Activities Debt	<u>1,124,051</u>	<u>1,205,528</u>	<u>1,168,260</u>	<u>1,208,234</u>
<b>Total Business-Type Activities Debt</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Primary Government Debt</b>	<u>\$ 1,124,051</u>	<u>\$ 1,205,528</u>	<u>\$ 1,168,260</u>	<u>\$ 1,208,234</u>
<b>Debt Ratios</b>				
Ratio of Total Debt to Personal Income <sup>2</sup> Per Capita <sup>3</sup>	1.8 % \$ 839	2.0 % \$ 904	2.0 % \$ 879	2.2 % \$ 908
<b>Net General Obligation Bonded Debt</b>				
Gross Bonded Debt	\$ 616,901	\$ 668,002	\$ 636,817	\$ 601,817
Less: Debt Service Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Bonded Debt	<u>\$ 616,901</u>	<u>\$ 668,002</u>	<u>\$ 636,817</u>	<u>\$ 601,817</u>
Ratio of Net Bonded Debt to Estimated Property Value <sup>4</sup> Per Capita <sup>3</sup>	0.4 % \$ 461	0.4 % \$ 501	0.4 % \$ 479	0.4 % \$ 452

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

<sup>2</sup> Personal income data can be found in Schedule 12.

<sup>3</sup> Population data can be found on Schedule 12.

<sup>4</sup> Estimated property value can be found on Schedule 9

**SCHEDULE 10**

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 399,190	\$ 369,725	\$ 472,055	\$ 520,230	\$ 500,100	\$ 529,990
187,175	199,910	187,865	172,150	189,080	192,935
106,810	47,938	52,097	71,830	76,291	50,079
35,215	34,741	29,778	33,690	33,329	37,634
472,976	304,045	328,131	290,919	258,394	131,769
<u>1,201,366</u>	<u>956,359</u>	<u>1,069,926</u>	<u>1,088,819</u>	<u>1,057,194</u>	<u>942,407</u>
-	-	-	-	-	-
<u>\$ 1,201,366</u>	<u>\$ 956,359</u>	<u>\$ 1,069,926</u>	<u>\$ 1,088,819</u>	<u>\$ 1,057,194</u>	<u>\$ 942,407</u>
2.2 %	1.8 %	2.0 %	2.1 %	2.1 %	1.9 %
\$ 904	\$ 720	\$ 805	\$ 819	\$ 796	\$ 709
\$ 586,365	\$ 569,635	\$ 659,920	\$ 692,380	\$ 689,180	\$ 722,925
-	-	-	-	-	-
<u>\$ 586,365</u>	<u>\$ 569,635</u>	<u>\$ 659,920</u>	<u>\$ 692,380</u>	<u>\$ 689,180</u>	<u>\$ 722,925</u>
0.4 %	0.4 %	0.4 %	0.4 %	0.4 %	0.4 %
\$ 441	\$ 429	\$ 497	\$ 521	\$ 519	\$ 544

**STATE OF MAINE**  
**PLEGGED FUTURE REVENUE COVERAGE**

Last Ten Fiscal Years  
(Expressed in Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Grant Anticipation Revenue Vehicle (GARVEE) Bonds<sup>1</sup></b>				
Federal Aid Revenues	\$ 201,593	\$ 217,501	\$ 216,915	\$ 195,830
Annual Debt Service	\$ 19,611	\$ 15,942	\$ 20,143	\$ 16,416
Debt Service Coverage	9.73 %	7.33 %	9.29 %	8.38 %

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

**Transportation Infrastructure Revenue (TRANSCAP) Bonds<sup>2</sup>**

Pledged Revenue Stream	\$ 40,843	\$ 40,388	\$ 39,634	\$ 38,866
Annual Debt Service	\$ 20,074	\$ 20,072	\$ 19,789	\$ 20,273
Debt Service Coverage	49.15 %	49.70 %	49.93 %	52.16 %

SOURCE: Department of Transportation.

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

**Liquor Revenue Bonds<sup>3</sup>**

Pledged Revenue Stream	\$ 51,675	\$ 47,307	\$ 44,400	\$ 44,094
Annual Debt Service	\$ 26,790	\$ 26,801	\$ 26,812	\$ 26,823
Debt Service Coverage	51.84 %	56.65 %	60.39 %	60.83 %

<sup>1</sup> Based on Federal Fiscal Year End

<sup>2</sup> Based on State Fiscal Year End

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

**SCHEDULE 11**

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 210,870	\$ 223,076	\$ 206,952	\$ 186,326	\$ 150,868	\$ 147,530
\$ 15,951	\$ 15,921	\$ 15,100	\$ 11,191	\$ 10,650	\$ 6,384
7.56 %	7.14 %	7.30 %	6.01 %	7.06 %	4.33 %
\$ 38,340	\$ 40,154	\$ 38,171	\$ 38,136	\$ 38,124	\$ 5,000
\$ 20,268	\$ 20,268	\$ 17,467	\$ 16,951	\$ 7,567	\$ 658
52.86 %	50.48 %	45.76 %	44.45 %	19.85 %	13.16 %
\$ -					
\$ 5,306					
- %					

**STATE OF MAINE**  
**DEMOGRAPHIC INFORMATION**

Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Maine</b>				
Population (in thousands) <sup>1</sup>	1,341	1,333	1,329	1,331
Total Personal Income (in millions) <sup>1</sup>	63,375	59,396	57,990	54,926
Per Capita Personal Income <sup>2</sup>	47,269	44,558	43,638	41,273
Unemployment Rate <sup>3</sup>	2.9 %	3.5 %	3.7 %	4.7 %
<b>United States</b>				
Population (in thousands) <sup>1</sup>	327,734	325,059	322,704	320,064
Total Personal Income (in millions) <sup>1</sup>	17,189,635	16,353,217	15,725,128	14,991,944
Per Capita Personal Income <sup>2</sup>	52,450	50,308	48,729	46,840
Unemployment Rate <sup>3</sup>	4.0 %	4.4 %	4.9 %	5.3 %

<sup>1</sup> FY18, FY17, FY16 and FY15's source is the preliminary average of the last 4 quarters reported in the Quarterly Personal Income Summary last updated September 2018, September 2017, February 2016 or September 2015, respectively. FY13 - FY10 source is SA1 Personal Income Summary: Personal Income, Population, Per Capita Personal Income use state population estimates released in December, 2013, while 2014 estimates reflect the December 2014 release.

<sup>2</sup> Calculation total personal income/population

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

**SCHEDULE 12**

<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
1,330	1,328	1,329	1,328	1,328	1,330
55,958	54,359	52,958	51,524	49,395	48,939
42,074	40,933	39,848	38,798	37,195	36,796
5.5 %	6.8 %	7.5 %	7.8 %	8.0 %	8.6 %
318,857	316,129	313,875	311,583	309,326	306,772
14,708,582	14,151,427	13,873,161	13,189,935	12,417,659	12,073,738
46,129	44,765	44,200	42,332	40,144	39,357
6.1 %	7.6 %	8.2 %	8.9 %	9.5 %	9.2 %





**STATE OF MAINE**  
**PRINCIPAL EMPLOYERS - TOP 10**  
**NOT SEASONALLY ADJUSTED**

**SCHEDULE 13**

Current Year and Ten Years Ago

Employer	2018					2009				
	Range of Employees		Rank	Percentage of Total Employment		Average Number of Employees	Rank	Percentage of Total Employment		
MaineHealth	15,001	-	15,500	1	2.2	%	-	-	-	%
Maine State Government	13,501	-	14,000	2	2.0	%	15,750	1	2.7	%
Hannaford Brothers Co.	8,001	-	8,500	3	1.2	%	8,250	2	1.4	%
Department of Defense	7,501	-	8,000	4	1.1	%	6,750	4	1.2	%
Wal Mart/Sam's Club	6,501	-	7,000	5	1.0	%	7,250	3	1.2	%
Bath Iron Works Corporation	5,001	-	5,500	6	0.8	%	5,250	6	0.9	%
L L Bean, Inc	4,501	-	5,000	7	0.7	%	4,250	7	0.7	%
Eastern Maine Medical Center	4,001	-	4,500	8	0.6	%	3,750	9	0.6	%
MaineGeneral Medical Center	3,001	-	3,500	9	0.5	%	-	-	-	%
US Post Office	3,001	-	3,500	10	0.5	%	3,750	8	0.6	%
Maine Medical Center	-	-	-	-	-	%	5,750	5	1.0	%
University of Maine at Orono	-	-	-	-	-	%	3,250	10	0.6	%
<b>Total</b>	<b>70,010</b>		<b>75,000</b>		<b>10.6</b>	<b>%</b>	<b>64,000</b>		<b>10.9</b>	<b>%</b>

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

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

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

Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Arts, Heritage & Cultural Enrichment	89.7	91.6	91.6	89.1
Business Licensing & Regulation	395.0	394.5	394.5	389.0
Economic Development & Workforce Training	563.5	585.0	584.0	581.5
Education	196.5	191.3	191.3	193.5
Governmental Support & Operations	2,084.1	2,102.9	2,099.9	2,100.1
Health and Human Services	3,202.9	3,440.9	3,440.9	3,494.2
Justice and Protection	2,998.9	2,999.8	2,999.8	2,962.8
Natural Resources Development & Protection	1,406.7	1,421.8	1,421.3	1,447.8
Transportation Safety & Development	<u>2,046.3</u>	<u>2,047.3</u>	<u>2,047.3</u>	<u>2,046.9</u>
Total Full Time Equivalents	<u><u>12,983.6</u></u>	<u><u>13,275.1</u></u>	<u><u>13,270.6</u></u>	<u><u>13,304.9</u></u>

SOURCE: Maine Bureau of Budget

The information in this schedule is based on budgeted numbers. Actual numbers may differ.

**SCHEDULE 14**

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<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
89.6	89.6	90.3	92.1	94.1	95.9
389.0	395.0	395.6	406.0	413.0	411.5
557.5	558.5	555.0	593.6	594.6	604.6
192.5	190.6	185.6	194.3	195.3	201.6
2,106.1	2,128.4	2,162.4	2,214.3	2,217.8	2,239.5
3,475.4	3,468.4	3,477.4	3,645.1	3,718.1	3,691.6
2,959.3	2,960.3	2,969.8	2,986.6	2,988.6	2,986.1
1,448.8	1,461.0	1,446.4	1,481.8	1,490.9	1,498.4
<u>2,045.8</u>	<u>2,072.4</u>	<u>2,072.4</u>	<u>2,123.2</u>	<u>2,123.2</u>	<u>2,277.5</u>
<u>13,264.0</u>	<u>13,324.2</u>	<u>13,354.9</u>	<u>13,737.0</u>	<u>13,835.6</u>	<u>14,006.7</u>

**STATE OF MAINE**  
**OPERATING INDICATORS AND CAPITAL INFORMATION**

Fiscal Year Ended June 30

Operating Indicators by Function:	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Education</b>				
Students enrolled in the free/reduced lunch program <sup>4</sup>	82,900	85,080	86,746	85,794
<b>Economic Development &amp; Workforce Training</b>				
Unemployed persons	21,407	24,648	26,220	32,809
<b>Governmental Support &amp; Operations</b>				
Return on investments	1.31 %	0.85 %	0.52 %	0.33 %
Lottery tickets sales, in millions	294	266	272	253
<b>Health and Human Services</b>				
Percentage of population enrolled in MaineCare <sup>1</sup>	20 %	20 %	21 %	22 %
Number of TANF cases <sup>2</sup>	4,308	4,630	5,401	5,401
Number of members served by Dirigo Health	-	-	-	-
<b>Justice and Protection</b>				
Average number of adult inmates	2,586	2,310	2,189	2,091
Average number of juvenile inmates	75	88	95	157
Number of guard troops	3,072	3,088	3,145	3,285
Number of cases tried in the court system	198,199	192,527	204,330	216,460
<b>Natural Resources and Development</b>				
Number of park passes purchased <sup>3</sup>	14,853	19,722	16,881	16,734
Number of visitors to State parks	2,698,907	2,876,190	2,626,416	2,539,754
Number of hunting and fishing licenses sold <sup>3</sup>	558,820	564,863	557,123	545,359
<b>Transportation Safety &amp; Development</b>				
Number of construction projects	351	323	197	121

<sup>1</sup> Based on the average enrollees over the fiscal year.

<sup>2</sup> Based on the average number of cases over the fiscal year.

<sup>3</sup> As of December.

<sup>4</sup> As of October of the school year.

**SCHEDULE 15**

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
86,500	85,731	84,717	83,625	82,372	75,358
39,300	48,500	52,900	52,500	54,200	59,100
0.28 % 230	0.29 % 228	0.35 % 228	0.24 % 216	0.59 % 217	1.52 % 211
24 % 7,617 40,565	26 % 9,342 40,388	26 % 13,260 38,070	26 % 14,151 35,105	27 % 13,686 31,323	26 % 12,849 29,936
2,089 144 3,236 229,365	2,016 155 3,169 237,596	2,043 170 3,124 242,710	2,124 186 3,065 260,171	2,167 195 3,070 285,567	2,177 184 3,199 292,295
14,039 2,553,638 529,615	12,498 2,519,849 516,442	12,117 2,648,484 497,712	11,288 2,528,900 503,487	11,443 2,443,640 503,425	10,073 2,243,606 499,821
227	218	194	238	173	124

**STATE OF MAINE**  
**CAPITAL ASSETS BY FUNCTION**

Fiscal Years Ended June 30

Capital Assets by Function:	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Governmental Support & Operations				
Vehicles controlled by Central Fleet Management	2,229	2,208	2,158	2,096
Health and Human Services				
Number of regional offices	16	16	16	16
Justice and Protection				
Number of correctional facilities	5	7	8	8
Number of armories and AFR's	15	14	18	21
Number of State police barracks	8	8	8	8
Number of vehicles in Public Safety	524	614	541	575
Natural Resources and Development				
Total acreage of State parks	85,680	85,680	85,680	85,680
Number of State park buildings	585	585	562	563
Transportation Safety & Development				
Number of DOT vehicles and equipment	1,448	1,233	1,229	1,226
Number of regional DOT active buildings	553	570	555	575

**SCHEDULE 16**

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
2,114	2,116	2,037	1,922	1,977	1,596
16	16	17	18	18	18
8	8	9	9	9	9
21	21	18	16	16	16
8	8	8	8	8	8
487	420	439	504	515	605
98,831	98,832	97,948	97,942	97,387	97,300
569	567	556	553	552	533
1,219	1,188	1,457	1,193	1,308	1,268
568	564	564	577	587	586

