New Issue

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

$15,480,000
STATE OF MAINE
GENERAL OBLIGATION BONDS
2018 Series C (Federally Taxable)

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

Bond Ratings	Moody's Investors Service, Inc. See "RATINGS" herein. S&P Global Ratings. See "RATINGS" herein.
Interest Payment Dates	June 1 and December 1, commencing December 1, 2018.
Redemption	The Bonds are not subject to redemption prior to maturity.
Source of Payment	The Bonds will be general obligations of the State of Maine ("the State") and the full faith and credit of the State are pledged to the punctual payment of principal of and interest on the Bonds, with the State Treasurer being obligated under the Maine Constitution to set aside available General Fund revenues to the extent needed to make said payments if legislative appropriations are insufficient, as more fully described herein. See "DESCRIPTION OF THE BONDS" herein.
Tax Matters	In the opinion of Locke Lord LLP, Bond Counsel to the State, interest on the Bonds is included in the gross income of the owners of the Bonds for federal income tax purposes. Under existing law, interest on the Bonds is excluded from gross income for State income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.
Purpose	The Bonds are being issued to finance certain capital expenditures of the State. See "DESCRIPTION OF THE BONDS" herein.
Initial Denominations	Multiples of $5,000.
Closing	July 31, 2018.
Global Book-Entry System	The Bonds, when issued, will be registered in the name of Cede & Co., as the nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository") of the Bonds. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased.
Bond Counsel	Locke Lord LLP. See "TAX MATTERS" herein.
Municipal Advisor	Hilltop Securities Inc., See "FINANCIAL ADVISOR" herein.
Issuer Contact	Terry Hayes, Treasurer of State. See "MISCELLANEOUS" herein.

Citigroup

Official Statement dated July 25, 2018

MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS

$15,480,000
State of Maine
General Obligation Bonds
2018 Series C (Federally Taxable)

Maturity (June 1)	Principal Amount	Interest Rate	Yield	CUSIP† No.
2019	$11,130,000	3.125%	2.550%	56052AA97
2020	4,350,000	3.125	2.690	56052AB21

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

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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$15,480,000
STATE OF MAINE
GENERAL OBLIGATION BONDS
2018 Series C (Federally Taxable)

INTRODUCTION

This Official Statement, including the cover page hereof and the Appendices hereto, sets forth certain information in connection with the issuance by the State of Maine (the "State" or "Maine") of its $15,480,000 General Obligation Bonds, 2018 Series C (Federally Taxable) (the "Bonds"). The Bonds are authorized by, and are being issued pursuant to, Article IX, Section 14, of the Constitution of the State and certain laws of the State which were ratified by voters of the State voting in elections thereon. See Appendix D hereto. The Bonds will be general obligations of the State.

In June, 2018, the State accepted bids for the sale of its General Obligation Bonds, 2018 Series A (Federally Taxable) and 2018 Series B (the "Series A/B Bonds"). However, the Series A/B Bonds were never delivered as originally planned as the Governor determined he did not want the Series A/B Bonds delivered at that time. The Bonds offered by this Official Statement will finance a portion of the capital expenditures that had been originally expected to be funded with the proceeds of the Series A/B Bonds. The State is also separately offering at this time its $95,775,000 General Obligation Bonds, 2018 Series D, to fund other capital expenditures originally expected to be funded with the proceeds of the Series A/B Bonds.

DESCRIPTION OF THE BONDS

The Bonds will bear interest from the date of their delivery payable semiannually on June 1 and December 1 of each year, commencing December 1, 2018, until payment of the principal of the Bonds. Interest on the Bonds will be paid on the interest payment dates, and principal of the Bonds will be paid at maturity, to The Depository Trust Company, New York, New York ("DTC") or its nominee as registered owner of the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, disbursement of such payments to DTC is the responsibility of the State, disbursement of such payments to the Direct Participants (as defined under the heading "The Depository Trust Company" below) is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (as defined under the heading "The Depository Trust Company" below) is the responsibility of the Direct Participants or Indirect Participants (as defined under the heading "The Depository Trust Company" below) as more fully described herein. See "The Depository Trust Company" below. The Bonds will bear interest at the rates and will mature on the dates and in the amounts set forth on the inside cover page hereof. Interest on the Bonds will be computed on the basis of a 30-day month and a 360-day year.

The Bonds are not subject to redemption prior to maturity.

The Bonds are general obligations of the State and the full faith and credit of the State are pledged to the punctual payment of principal of and interest on the Bonds. Article V, Part Third, Section 5 of the Constitution of the State provides that **if sufficient funds are not appropriated to pay the principal of and interest on all bonded debt (including the Bonds), when due, then the Treasurer of State is obligated to set apart from the first General Fund revenues received an amount sufficient to make payment of principal of and interest on the Bonds as such principal and interest become due.**

The Bonds are being issued to finance certain capital expenditures of the State. See Appendix D hereto.

INFORMATION CONCERNING THE STATE

Certain information regarding the State is included in Appendix A hereto. The State's audited financial statements for the fiscal year ended June 30, 2017 and certain other selected financial information pertaining to the State are included in Appendix B hereto. Certain information with respect to revenues of the State is included in Appendix C hereto. Certain information regarding authorized and outstanding debt of the State is included in Appendix D hereto. Certain information derived from actuarial valuation reports for the retirement programs administered by the Maine Public Employee Retirement System is included in Appendix E hereto. Selected economic information pertaining to the State is included in Appendix F hereto.

LITIGATION

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

TAX MATTERS

In the opinion of Locke Lord LLP, Bond Counsel to the State, based upon an analysis of existing law, interest on the Bonds is includable in gross income for federal income tax purposes under the Code. Bond Counsel expresses no opinion regarding any other federal tax law consequences related to the ownership or disposition of, or accrual or receipt of interest on, the Bonds.

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

The following discussion summarizes certain U.S. federal income tax considerations relating to the acquisition, ownership, and disposition of the Bonds and it may not contain all of information that may be important to a particular investor. It is based on provisions of the Code, Treasury Regulations promulgated thereunder, and administrative and judicial interpretations thereof, all in effect or proposed on the date hereof and all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the Internal Revenue Service ("IRS") with respect to any of the U.S. federal income tax consequences discussed below. Accordingly, no assurance can be given that the IRS will agree with the views expressed in this summary, or that a court will not sustain any challenge by the IRS in the event of litigation.

The following relates only to Bonds that are acquired in the initial offering for an amount of cash equal to the initial offering price (i.e., the price at which a substantial amount of such Bonds is first sold to the public) and that are held as "capital assets" within the meaning of Section 1221 of the Code (i.e., generally, property held for investment).

This discussion does not address all U.S. federal income tax consequences applicable to any given investor, nor does it address the U.S. federal income tax considerations applicable to investors who may be subject to special tax treatment (regardless of whether or not such persons constitute U.S. Holders (defined below)), such as banks and other financial institutions, retirement plans, employee stock ownership plans, certain U.S. expatriates, banks, real estate investment trusts, regulated investment companies, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships or other pass-through entities for U.S. federal income tax purposes (or investors in such entities), S corporations, estates and trusts, investors who hold their Bonds as part of a hedge, straddle, or an integrated or conversion transaction, investors whose "functional currency" is not the U.S. dollar, or persons subject to the alternative minimum tax. In addition, this discussion does not include any description of the tax laws of any state, local, or non-U.S. jurisdiction that may be applicable to a particular investor and does not consider any aspects of U.S. federal tax law other than income taxation.

As used herein, "U.S. Holder" means a beneficial owner of a Bond that is, for U.S. federal income tax purposes: (i) an individual citizen or resident, as defined in Section 7701(b) of the Code, of the United States, (ii) a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any State thereof (including the District of Columbia), (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust if (A) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust or (B) the trust validly elected to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a beneficial owner of a Bond (other than a partnership) who is not a U.S. Holder.

The U.S. federal income tax treatment of an entity classified as a partnership for U.S. federal income tax purposes that holds the Bonds generally will depend on such partner's particular circumstances and on the activities of the partnership. Partners in such partnerships should consult their own tax advisors regarding the consequences of acquiring, owning and disposing of the Bonds (including their status as U.S. Holders or Non-U.S. Holders).

U.S. Holders

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

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

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

Market Discount. A holder who acquires a Bond in a secondary market transaction may be subject to U.S. federal income tax rules providing that accrued market discount will be subject to taxation as ordinary income on the sale or other disposition of a "market discount bond." Dispositions subject to this rule include a redemption or retirement of a Bond. The market discount rules may also limit a holder's deduction for interest expense for debt that is incurred or continued to purchase or carry a Bond. A market discount bond is defined generally as a debt obligation purchased subsequent to issuance, at a price that is less than the principal amount of the obligation, subject to a de minimis rule. The Code allows a taxpayer to compute the accrual of market discount by using a ratable accrual method or a constant interest rate method. Also, a taxpayer may elect to include the accrued discount in gross income each year while holding the bond, as an alternative to including the total accrued discount in gross income at the time of a disposition, in which case the tax basis of the bond will be increased by the amount of discount included in gross income and the interest expense deduction limitation described above will not apply.

Disposition of the Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the State), reissuance or other disposition of a Bond will be a taxable event for U.S. federal income tax purposes. In such event, a U.S. Holder generally will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Bond which will be taxed in the manner described above under "Interest") and (ii) the U.S. Holder's adjusted tax basis in the Bond at the time of disposition. A U.S. Holder's adjusted basis in a Bond will generally equal the purchase price paid by the U.S. Holder for the Bond, increased by the amount of any original issue discount previously included in income by such U.S. Holder with respect to such Bond and decreased by any payments previously made on such Bond, other than payments of qualified stated interest, or decreased by any amortized premium. Any such gain or loss generally will be capital gain or loss and will be long term capital gain or loss if such Bond is held by the U.S. Holder for more than one year. Long-term capital gain of non-corporate U.S. Holders is generally subject to tax at preferential rates. The deductibility of capital losses is subject to limitations.

A material modification of the terms of any Bond may result in a deemed reissuance thereof, in which event a beneficial owner of the modified Bonds generally will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the beneficial owner's adjusted tax basis in the Bond.

Net Investment Income Tax. Section 1411 of the Code generally imposes a 3.8% Medicare contribution tax on the net investment income of certain individuals, trusts, and estates to the extent their income exceeds certain threshold amounts. For these purposes, "net investment income" may include, among other things, interest and gains from the sale or other disposition of the Bonds. Prospective investors are advised to consult their tax advisors regarding the possible implications of this additional tax on their investment in the Bonds.

Information Reporting and Backup Withholding. In general, a U.S. Holder will be subject to backup withholding with respect to interest on the Bonds, and the proceeds of a sale or other disposition of the Bonds (including a redemption or retirement), at the applicable tax rate of 28%, unless such holder (a) is an entity that is exempt from backup withholding (including corporations) and, when required, demonstrates this fact, or (b) provides the payor with its taxpayer identification number ("TIN"), certifies that the TIN provided to the payor is correct and that the holder has not been notified by the IRS that such holder is subject to backup withholding due to underreporting of interest or dividends, and otherwise complies with applicable requirements of the backup withholding rules. In addition, such payments to U.S. Holders that are not exempt entities will generally be subject to information reporting requirements. A U.S. Holder who does not provide the payor with its correct TIN may be subject to penalties imposed by the IRS. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against such holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that certain required information is timely furnished to the IRS.

Non-U.S. Holders

The following discussion applies only to Non-U.S. Holders. This discussion does not address all aspects of U.S. federal income taxation that may be relevant to Non-U.S. Holders in light of their particular circumstances. For example, special rules may apply to a Non-U.S. Holder that is a "controlled foreign corporation" or a "passive foreign investment company," and, accordingly, Non-U.S. Holders should consult their own tax advisors to determine the effect of U.S. federal, state, local and non U.S. tax laws, as well as tax treaties, with regard to an investment in the Bonds.

Interest. Subject to the discussions below under the headings "FATCA Withholding" and "Information Reporting and Backup Withholding," a Non-U.S. Holder will not be subject to U.S. federal income or withholding taxes in respect of interest paid or accrued on a Bond (including original interest discount income) if the interest qualifies for the "portfolio interest exemption." This generally will be the case if each of the following applicable requirements are satisfied:

- the interest is not effectively connected with a U.S. trade or business;

- the Non-U.S. Holder is not, and is not treated as, a bank receiving interest on an extension of credit pursuant to a loan agreement entered into in the ordinary course of its trade or business, as described in Section 881(c)(3)(A) of the Code;

- certain certification requirements are met. Under current law, the certification requirement will be satisfied in any of the following circumstances:

- If a Non-U.S. Holder provides to the payor a statement on an applicable IRS Form W-8 (or suitable successor form), together with all appropriate attachments, signed under penalties of perjury, identifying the Non-U.S. Holder by name and address and stating, among other things, that the Non-U.S. Holder is not a United States person.

- If a Bond is held through a securities clearing organization, bank, or another financial institution that holds customers' securities in the ordinary course of its trade or business, (i) the Non-U.S. Holder provides such a form to such organization or institution, and (ii) such organization or institution, under penalty of perjury, certifies to the payor that it has received such statement from the beneficial owner or another intermediary and furnishes the payor with a copy thereof.

- If a financial institution or other intermediary that holds the Bond on behalf of the Non-U.S. Holder has entered into a withholding agreement with the IRS and submits an IRS Form W-8IMY (or suitable successor form) and certain other required documentation to the payor.

If the requirements of the portfolio interest exemption described above are not satisfied, a 30% withholding tax will apply to the gross amount of interest on the Bonds that is paid to a Non-U.S. Holder, unless either: (a) an applicable income tax treaty reduces or eliminates such tax, and the Non-U.S. Holder claims the benefit of that treaty by providing a properly completed and duly executed IRS Form W-8BEN or Form W-8BEN-E, as applicable (or suitable successor or substitute form) establishing qualification for benefits under the treaty, or (b) the interest is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States and the Non-U.S. Holder provides an appropriate statement to that effect on a properly completed and duly executed IRS Form W-8ECI (or suitable successor form).

If a Non-U.S. Holder is engaged in a trade or business in the United States and its investment in a Bond is effectively connected with the conduct of that trade or business, the Non-U.S. Holder generally will be required to pay U.S. federal income tax on that interest on a net income basis in the same manner as a U.S. Holder and the 30% withholding tax described above will not apply provided the duly executed IRS Form W-8ECI is provided to the Issuing and Paying Agent. If a Non-U.S. Holder is eligible for the benefits of an income tax treaty between the U.S. and its country of residence, and the Non-U.S. Holder claims the benefit of the treaty by properly submitting an IRS Form W-8BEN or Form W-8BEN-E, as applicable, any interest income that is effectively connected with a U.S. trade or business will be subject to U.S. federal income tax in the manner specified by the treaty and generally will only be subject to such tax if such income is attributable to a permanent establishment (or a fixed base in the case of an individual) maintained by the Non-U.S. Holder in the United States. In addition, a Non-U.S. Holder that is treated as a foreign corporation for U.S. federal income tax purposes may be subject to a branch profits tax equal to 30% (or such lower rate provided by an applicable income tax treaty) of its earnings and profits for the taxable year, subject to adjustments, that are effectively connected with its conduct of a trade or business in the United States.

Disposition of the Bonds. Subject to the discussions below under the headings "FATCA Withholding" and "Information Reporting and Backup Withholding," any gain realized by a Non-

U.S. Holder upon the sale, exchange, redemption, retirement, reissuance or other disposition of a Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States (and, in the case of certain income tax treaties, is attributable to a permanent establishment or "fixed base" within the United States); or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement, reissuance or other disposition and certain other conditions are met. If the first exception applies, the Non-U.S. Holder will generally be subject to U.S. federal income tax on the net gain derived from the sale, exchange, redemption, retirement at maturity, or other taxable disposition of the Bonds in the same manner as a U.S. Holder unless an applicable income tax treaty provides otherwise. If the second exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax at a rate of 30% (except as otherwise provided by an applicable income tax treaty) on the amount by which its U.S.-source capital gains exceed its U.S.-source capital losses. In addition, corporate Non-U.S. Holders may be subject to a 30% (or lower applicable treaty rate) branch profits tax on any such effectively connected earnings and profits attributable to such gain.

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

FATCA Withholding. The Foreign Account Tax Compliance Act ("FATCA") together with administrative guidance and certain intergovernmental agreements entered into thereunder generally imposes a 30% U.S. withholding tax on certain U.S. source payments, including interest, and, after December 31, 2018, on gross proceeds from a disposition of property of a type which can produce U.S. source interest ("withholdable payments"), paid to (i) a "foreign financial institution" (as specifically defined in the Code) which does not provide sufficient documentation, typically on IRS Form W-8BEN-E, evidencing either (x) an exemption from FATCA, or (y) its compliance (or deemed compliance) with FATCA (which may alternatively be in the form of compliance with an intergovernmental agreement with the United States) in a manner which avoids withholding, or (ii) or to a "non-financial foreign entity" (as specifically defined in the Code)" which does not provide sufficient documentation, typically on IRS Form W-8BEN-E, evidencing either (x) an exemption from FATCA, or (y) adequate information regarding certain substantial United States beneficial owners of such entity (if any). The 30% withholding tax under FATCA applies regardless of whether the foreign financial institution or non-financial foreign entity receives payments as a beneficial owner or intermediary and whether the applicable payment otherwise is exempt from U.S. withholding (e.g., as "portfolio interest" or as capital gain upon the sale, exchange, redemption or other disposition of a Bond). Interest paid with respect to the Bonds and, after December 31, 2018, gross proceeds from the sale or disposition of the Bonds, may be subject to the 30% withholding tax if the holder fails to comply with FATCA. Non-U.S. holders are urged to consult their own tax advisors with respect to these information reporting rules and due diligence requirements and the potential application of FATCA to them.

Information Reporting and Backup Withholding. In general, the amount of any interest paid on the Bonds in each calendar year, and the amount of U.S. federal income tax withheld, if any, with respect to these payments will be reported to the IRS and each Non-U.S. Holder. Copies of the information returns reporting such interest payments and any withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder resides under an applicable income tax treaty or other information exchange agreement.

Non-U.S. Holder who have provided certification as to their non-U.S. status or who have otherwise established an exemption will generally not be subject to backup withholding tax on payments of interest if the payor does not have actual knowledge or reason to know that such certification is unreliable or that the conditions of the exemption are in fact not satisfied.

Payments of the proceeds from the disposition of a Bond (including a redemption or retirement) to or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, information reporting, but generally not backup withholding, may apply to those payments if the broker is one of the following: (a) a United States person, (b) a "controlled foreign corporation" for U.S. federal income tax purposes, (c) a foreign person, 50% or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment was effectively connected with a U.S. trade or business, or (d) a foreign partnership with specified connections to the United States, unless the Non-U.S. Holder certifies as to its non-U.S. status or otherwise establishes an exemption.

Payment of the proceeds from a disposition of a Bond (including a redemption or retirement) to or through the United States office of a broker will be subject to information reporting and backup withholding unless the Non-U.S. Holder certifies as to its non-U.S. status or otherwise establishes an exemption from information reporting and backup withholding.

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

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

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

Absence of Litigation

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

Treasurer's Certificate

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

Legal Opinion

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

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

Secondary Market Disclosure

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

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

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

However, that filing did not specifically associate such official statement with CUSIP numbers to which the State's continuing disclosure undertakings apply. On July 14, 2014, a corrective filing was posted on EMMA with respect to the FY2013 Annual Financial Information.

The Maine Municipal Bond Bank (the "Bank") has issued its Grant Anticipation Bonds (Maine Department of Transportation (MaineDOT)) (the "GARVEE Bonds") and its Transportation Infrastructure Revenue Bonds (the "Transcap Bonds") on behalf of MaineDOT, and, in connection with such bonds, entered into substantially similar continuing disclosure agreements with the trustee for such bonds and the State, acting by and through the Treasurer of State and the Commissioner of MaineDOT.

Audited financial statements of the State required to be filed by June 30 of each fiscal year for each fiscal year ended the prior June 30, were filed with EMMA in a timely manner; however, certain filings did not specifically associate such filings with the Bank's Transcap Bonds CUSIP numbers to which continuing disclosure undertakings apply. On August 16, 2013, the State made a corrective filing with respect to those financial statements for the years ended June 30, 2009 through 2012. In addition, the financial information and operating data of the State for the fiscal year ended June 30, 2016 was filed on July 14, 2017.

In addition, the State has determined that certain annual financial information and operating data required to be filed with respect to the GARVEE bonds for fiscal year 2013 was not filed and other annual financial information and operating data for the GARVEE bonds for fiscal year 2015 was timely filed for one series of GARVEE bonds, but did not incorporate the CUSIP numbers for an earlier series of GARVEE bonds. Late filings (no more than two weeks) of annual financial information and operating data for the Transcap bonds and GARVEE bonds were made for fiscal years 2013 and 2014, respectively.

THE DEPOSITORY TRUST COMPANY

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued in the aggregate principal amount of each maturity thereof and will be deposited with DTC.

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

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

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

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

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

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

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

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

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

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

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

RATINGS

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

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

UNDERWRITING

The Bonds are being purchased by Citigroup Global Markets Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of $15,538,808.73, which purchase price reflects an Underwriter's discount, from the public offering price of the Bonds, in the amount of $26,774.67. The purchase contract relating to the Bonds provides that the Underwriter will purchase all of the Bonds, if any Bonds are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase contract, subject to the approval of certain legal matters by Preti, Flaherty, Beliveau & Pachios, LLP, counsel for the Underwriter. The initial public offering prices of the Bonds stated on page ii hereof may be changed, from time to time, by the Underwriter. The State has been advised by the Underwriter that (i) they presently intend to make a market in the Bonds, (ii) they are not, however, obligated to do so, (iii) any market making may be discontinued at any time, and (iv) there can be no assurance that an active public market for the Bonds will develop. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into unit investment trusts, certain of which may be sponsored or managed by one or more of the Underwriters) and others at a price lower than the public offering price of the Bonds stated on the inside cover page hereof.

Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

MUNICIPAL ADVISOR

Hilltop Securities Inc., Lincoln, Rhode Island, is acting as Municipal Advisor (the "Municipal Advisor") to the State in connection with the issuance of the Bonds. The Municipal Advisor has not independently verified any of the information contained in this Official Statement and makes no guarantee as to its completeness or accuracy. In addition, the Municipal Advisor has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies or rating agencies. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds, and receipt by the State of payment therefor. The State may engage the Municipal Advisor to perform other services, including without limitation, providing certain investment services with regard to the investment of Bond proceeds. The participation of Hilltop Securities Inc. should not be seen as a recommendation to buy or sell the Bonds and investors should seek the advice of their accountants, lawyers and registered representatives for advice as appropriate.

MISCELLANEOUS

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

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

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

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

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

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, SEC rule 15c2-12.

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

STATE OF MAINE

By: /s/ Teresea Hayes
Treasurer of State

Dated: July 25, 2018

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STATE OF MAINE INFORMATION STATEMENT

APPENDIX A

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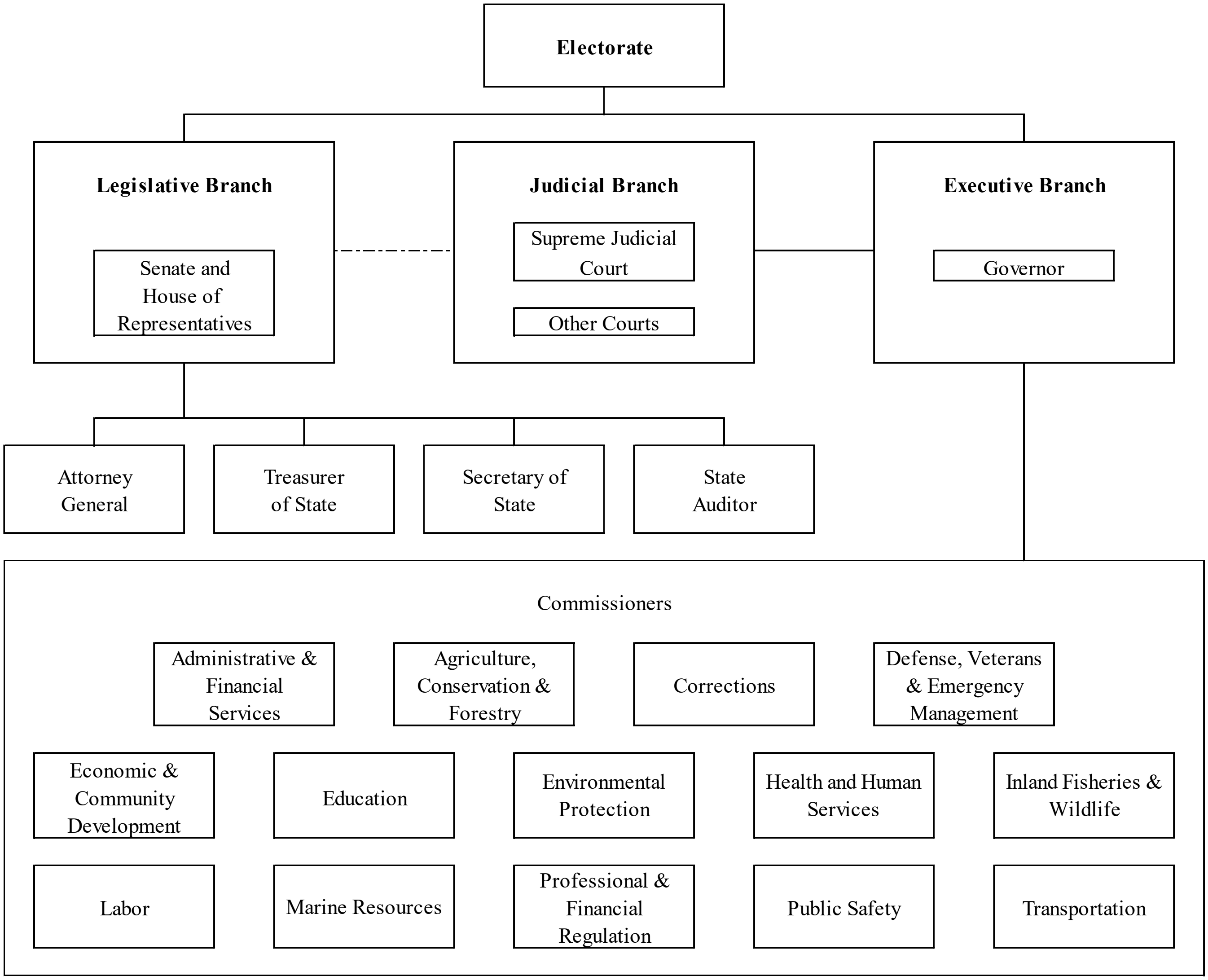
GOVERNMENTAL ORGANIZATION

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



Executive Branch

The Offices of Governor, Secretary of State, Treasurer of State and Attorney General are created by the Constitution of the State. The Governor is elected quadrennially at a general election and is limited to two consecutive four-year terms of office. The second term of the present Governor began in January 2015. The Secretary of State, Treasurer of State and Attorney General are each elected biennially by a joint ballot of the state Senators and Representatives in convention. A person may not serve more than four consecutive terms as either Secretary of State, Treasurer of State or Attorney General.

Governor. The executive power of the State, including the power to recommend measures to the Legislature, and the power to appoint, with the advice and consent of the Senate, certain officers of State government, is vested in the Governor. The Governor is responsible for the enforcement of the laws of the State.

Governor's Cabinet. The Governor's cabinet, which assists the Governor in administration and policymaking, includes the commissioners who head the 14 executive departments and who serve at the pleasure of the Governor.

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

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

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

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

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

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

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

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

Office of the State Auditor

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

The Legislature

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

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

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

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

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

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

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

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

The Judiciary

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

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

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

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

Independent Authorities and Agencies

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

County and Municipal Government

The State is divided into 16 county governments responsible for various functions, including the operation of county jails and registries of probate and deeds. Each county government assesses the costs of its operations upon the cities, towns and Unorganized Territories located within the county.

The State is further divided into 22 cities, 433 towns, 34 plantations, and 4 Indian nations or territories, which exercise the functions of municipal government, including the provision of elementary and secondary education. There are also a number of unorganized townships and coastal and inland islands and three Indian Reservations. Cities are governed by several variations of the mayor and council form of government. In most towns, executive power has been placed in a board of three, five, or seven selectmen, elected to terms of from one to three years and legislative power has been retained by the voters themselves, who assemble in periodic open town meetings. There are various regional districts for school, water supply, solid waste, wastewater disposal and other purposes.

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

FISCAL MANAGEMENT

Department of Administrative and Financial Services

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

Constitutional Debt Limit

Article IX, Section 14, of the Constitution of the State provides that the Legislature shall not at any time create any debt or debts, liability or liabilities, on behalf of the State, which shall singly, or in the aggregate, with previous debts and liabilities incurred, exceed $2,000,000, (i) except to suppress insurrection, to repel invasion, or for purposes of war; (ii) except for temporary loans to be paid out of money raised by taxation during the fiscal year in which they are made; and (iii) excepting also that whenever two-thirds of both the Senate and the House of Representatives shall deem it necessary, by proper enactment ratified by a majority of the electors voting thereon at a general or special election, the Legislature may authorize the issuance of bonds on behalf of the State at such times and in such amounts and for such purposes as may be approved by such action. Exhibit D, "Selected Information Regarding Authorized and Outstanding Debt of the State - Authorized Expenditures," herein sets forth information regarding bonds currently authorized pursuant to certain enactments which have been ratified by a majority of the voters at various elections. Temporary loans to be paid out of moneys raised by taxation during any fiscal year shall not exceed in the aggregate during the fiscal year in question an amount greater than ten percent of all the moneys appropriated, authorized and allocated by the Legislature from undedicated revenues to the General Fund and dedicated revenues to the Highway Fund for that fiscal year, exclusive of proceeds or expenditures from the sale of bonds, or greater than one percent of the total valuation of the State, whichever is the lesser.

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

Overview of the Budget Process

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

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

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

Pursuant to Public Laws of Maine 2005, chapter 2 ("2005 Chapter 2"), the total General Fund appropriation for each of the two fiscal years in the biennial budget may not exceed the General Fund appropriation limit established by law, except as otherwise provided by law. See "Fiscal Management – General Fund Appropriation Limit." 2005 Chapter 2 became effective for fiscal biennia of the State beginning July 1, 2005, was amended pursuant to Public Laws of Maine 2005, chapters, 621, 636, 683 and Public Laws of Maine 2015, chapter 267 ("2015 Chapter 267") and is further subject to modification or repeal at any time by the Legislature.

On or before September 1 of even-numbered years, all departments and other agencies of the State government and corporations and associations receiving or desiring to receive State funds must prepare and submit to the State Budget Officer estimates of their expenditure and appropriation requirements for each fiscal year of the ensuing two-year fiscal period contrasted with the corresponding figures of the last completed fiscal year and the estimated figures for the fiscal year in progress. The growth in the State's General Fund appropriations pursuant to 2005 Chapter 2, as amended by Public Laws of Maine 2005, chapters 621, 636, 638 and 2015 Chapter 267, is limited by law to the average personal income growth for the prior ten calendar years, ending with the most recent calendar year for which data is available, in this state as estimated by the Department of Commerce, Bureau of Economic Analysis. State general purpose aid for kindergarten to grade 12 education ("GPA") is excluded from the General Fund appropriation limit until such time as the State's share of education funding reaches 55% of total state and local education funding. See "Fiscal Management – General Fund Appropriation Limit" and "State Budgets" below.

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

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

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

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

Revenue Forecasting

Statutory Responsibilities. The Consensus Economic Forecasting Commission (the "Commission" or "CEFC") is responsible for providing the Governor, the Legislature and the Revenue Forecasting Committee ("RFC") with analyses, findings and recommendations representing State economic assumptions relevant to revenue forecasting. The CEFC consists of five members appointed as follows: two members are appointed by the Governor; one member recommended for appointment to the Governor by the Speaker of the House; one member recommended for appointment to the Governor by the President of the Senate; and one member appointed by the other members of the Commission. Each CEFC member must have professional credentials and demonstrated expertise in economic forecasting. A member may not be a Legislator or an employee of the Executive, Legislative or Judicial branches. The CEFC meets at least three times a year.

The CEFC develops macroeconomic secular trend forecasts for the current fiscal biennium and the next 2 fiscal biennia. No later than November 1 of each even-numbered year, the CEFC submits to the Governor, the RFC and certain members of the Legislature analyses, findings and recommendations for economic assumptions related to revenue forecasting for the current biennium and the next two fiscal biennia. No later than April 1 and November 1 of each odd-numbered year and no later than February 1of each even-numbered year, the CEFC submits to the Governor, the RFC and certain members of the Legislature the Commission's findings and recommendations for adjustments to the economic assumptions provided on November 1 of each even-numbered year.

A Revenue Forecasting Committee ("RFC") is responsible for providing the Governor, the Legislature and the State Budget Officer with analyses, findings and recommendations relating to the projection of revenues for the General Fund and the Highway Fund based on economic assumptions recommended by the Consensus Economic Forecasting Commission (the "Commission" or "CEFC"). The RFC includes the State Budget Officer, the Associate Commissioner for Tax Policy, the State Economist, an economist on the faculty of the University Maine System selected by the chancellor, the Director of the Office of Fiscal and Program Review of the Legislature and another member of the Legislature's nonpartisan staff familiar with revenue estimating issues appointed by the Legislative Council. The RFC meets at least three times a year.

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

The Governor's biennial budget included a proposal that was subsequently enacted in Public Laws of Maine 2017, chapter 284 ("2017 Chapter 284") requiring the CEFC to provide the State Economist, the State Budget Officer and the Associate Commissioner for Tax Policy with at least two alternative economic recession scenarios of varying levels of severity. The alternative scenarios are required to be included in the CEFC's report due February 1st of each even-numbered year, and also must include assumptions for calendar years that encompass the current and next two biennia. By October 1st of each even-numbered year the CEFC and RFC will jointly issue a report to the Governor, the Legislative Council and the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs that utilizes the alternative economic scenarios recommended by the CEFC. The report will include analyses and findings that detail the stress impact such economic recession scenarios would have on the current General Fund revenue projections of sales and income tax revenues. In addition, the report must include an analysis of the sufficiency of the current level of the Budget Stabilization Fund and an estimate of the reserves in the Budget Stabilization Fund necessary to offset the declines in revenue as a result of potential economic recession scenarios.

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

The State Budget Officer uses the revenue projections of the RFC in setting revenue estimates for inclusion in the State budget and in preparing General Fund and Highway Fund revenue and expenditure forecasts for the budget.

Fiscal Year 2018 and 2019 Reports. The Maine CEFC convened on January 26, 2018, to review and revise its November 2017 forecast. In connection with this review, the CEFC noted the following:

Both the national and state economies appear to have had a good year in 2017. There are limited new data points available since the CEFC last met in October 2017, but additional data on the performance of the economy last year indicates that GDP and personal income both grew. Maine's real GDP grew 0.5% in the second quarter of 2017. Personal income in Maine grew 2.0% from the first three quarters of 2016 to the first three quarters of 2017, while wage and salary income, which is the largest component of total personal income, grew 1.8% over the same period.

Labor market conditions in Maine are very tight. December's 3.0% unemployment rate estimate was historically low, at or below 4.0% for the 27th consecutive month, the second longest such stretch on record. All six measures of labor underutilization for Maine reached series lows in 2017.

Total wages paid (not inflation adjusted) were up 3.8% in the first three quarters of 2017 compared to the same period a year earlier. If the fourth quarter rise is similar to previous years, the total may reach $26.7 billion for the year. Adjusted for inflation, the average wage per job continues to rise at the fastest rate in nearly two decades.

The minimum wage increased to $10 per hour on January 1. The number of workers earning less than $10 per hour has declined sharply since 2013. In 2016 there were an average of 59,000 workers who earned less than $10 per hour in their primary job. Data for 2017 is not yet available. The Center for Workforce Research and Information in the Maine Department of Labor estimates there were 52,000 workers who earned less than $10 per hour who received an increase in their hourly rate of pay at the beginning of the year.

The natural change in the population (births minus deaths) remains negative, a trend that is expected to continue for some time. There will be record numbers of retirements over the next 15 years – the point at which more people will retire rather than enter the workforce is getting closer. More positively, net-migration to the State has been on the upswing, likely driven by higher wages and stepped-up efforts by companies and business associations to recruit working-age people to the State.

The Center for Workforce Research is currently developing a 10 year workforce forecast for the period from 2016 to 2026. The job growth outlook depends on changes in the rate of labor force participation and in net-migration among those age cohorts that are most attached to the labor market. The the Center for Workforce Research expects rising labor force participation in nearly all age groups, but declining total participation rates as a rising share of the population reaches retirement. There are a number of plausible scenarios on participation and migration. In the ones that seem most plausible, employment rises modestly over the next few years, followed by a period of little change.

The Commission made modest changes to the existing forecast for employment and more substantial revisions to the forecast for personal income, while leaving forecasts for inflation and corporate profits largely untouched. Many of the revisions to personal income components were based on anticipated results from the federal Tax Cuts and Jobs Act enacted in December 2017 ("TCJA"). While there has been more positive data on in-migration recently, the Commission remains focused on the demographic situation in Maine and the resulting impacts on workforce availability.

The forecast for wage and salary employment growth was left unchanged for 2017, 2020, and 2021 and revised upward for 2018 and 2019 based on data showing stronger than expected recent in-migration and employment growth. The new forecast reaches 627,100 in 2019 and remains at that level for 2020-2023. CPI was revised slightly downward for 2017, from 2.4 percent to 2.1 percent, with the release of actual 2017 data from the U.S. Bureau of Labor Statistics, while the remaining years through 2021 were left unchanged and both 2022 and 2023 were forecast at 2.2 percent. Total personal income was revised upward by 0.4 percentage points in 2017 based on information from Maine Revenue Services and Maine Department of Labor regarding wage growth through the year. The forecasts for 2018, 2019, and 2020 were revised upward by 1.3, 0.8, and 0.1 percentage points, respectively, largely due to influences of the federal Tax Cuts and Jobs Act, enacted in December, 2017. 2021 was revised downward by 0.1 percentage point. Both 2022 and 2023 were forecast at 3.1 percent. Wage and salary income growth for 2017 was revised upward by 1.0 percentage points due to preliminary data from Maine Revenue Services and Maine Department of Labor. The forecasts for 2018 and 2019 were revised upward by 1.4 and 0.2 percentage points, respectively, due to the reasons outlined above. The forecast for 2020 was left unchanged and the forecast for 2021 was revised downward by 0.2 percentage points. Both 2022 and 2023 were forecast at 3.0 percent.

The economic variables in the CEFC forecast play an important role in the revenue forecast. The Maine Revenue Services Office of Tax Policy's (OTP) tax models use the CEFC economic variables to help project revenue from the State's major taxes. Data related to non-tax revenue lines were provided by a number of different state agencies and reviewed by staff in the Office of Fiscal and Program Review and the Bureau of the Budget to come up with consensus recommendations. The RFC reviewed OTP's and other staff recommendations at its meeting on February 27, 2018 and agreed to those recommendations.

General Fund revenue estimates were revised upward by $38.9 million for fiscal year 2018 and by $89.6 million for fiscal year 2019 (upward by $128.5 million for the 2018-2019 biennium). The revised forecast increases the overall rate of growth for General Fund revenue for fiscal year 2018 from 0.3% to 1.5% and for fiscal year 2019 from 3.8% to 5.2%. The estimates for the 2020-2021 biennium were revised upward by $149.7 million. It is important to note fiscal year 2020 reflects a smaller overall growth rate of 0.2%, largely as a result of Municipal Revenue Sharing returning to the 5% level under current law from the 2% level in place for fiscal year 2016 through fiscal year 2019. The growth rate for fiscal year 2021 is projected to be 3.3%.

The sales and use tax line was $4.8 million over budget through the first six months of fiscal year 2018. Applying the relevant economic variables from the new CEFC forecast resulted in the sales and use tax model forecasting additional revenue for the fiscal year 2018 through fiscal year 2021 budget period. The net impact of these adjustments results in an increase in sales and use tax revenue of $4.5 million in fiscal year 2018, $13 million in fiscal year 2019, $17 million in fiscal year 2020, and $13.5 million in fiscal year 2021. The forecast of sales and use tax continues to assume that automobile unit sales will be flat to slightly declining over the forecast period, but the average price of new auto sales will increase by approximately 3 percent a year. The new sales tax forecast assumes moderate growth of 4 percent a year between fiscal year 2019 and fiscal year 2021.

The RFC has increased its forecast of individual income tax receipts by $31.3 million in fiscal year 2018, by $77.2 million in fiscal year 2019, and by $121.5 million in the 2020-2021 biennium. The bulk of the forecast changes is the result of the more optimistic economic forecast from the CEFC. Approximately $50 million of the annual increase in fiscal years 2019-21 is because of the significant increase in projected wage and salary growth in calendar years 2018 and 2019. Fiscal year 2019 also includes one-time revenue from additional capital gains and dividend income associated with the repatriation of earnings incentivized by the federal tax reform act.

The individual income tax forecast continues to be complicated by the enactment and subsequent repeal of the 3 percent surtax, and the enactment of the TCJA in December, 2017. The surtax was in place for over 6 months of tax year 2017. It's still unclear how much in additional withholding and estimated payments associated with the surtax was collected during the period it was in effect. When the committee met in November the hope was the final estimated payment for 2017 would provide information that could help inform the committee on the surtax's impact on fiscal year 2017 and fiscal year 2018 receipts. With passage of the TCJA, taxpayers had a strong incentive to accelerate tax year 2017 state tax payments into December to avoid the state and local tax deduction limitation that became effective on January 1, 2018. Maine, like most income tax states, saw a dramatic increase in estimated payments during the last week of December and the first week of January; 102 percent increase over the same period a year ago. The OTP estimates that between $18 million and $32 million of revenue was likely shifted from April to the December/January time period. Accounting for this taxpayer behavior explains why the individual income tax surplus of $58 million through January is expected to narrow to $31.3 million at fiscal year's end.

General Fund Appropriation Limit

Pursuant to 2005 Chapter 2 as amended by Public Laws of Maine 2005, chapters 621, 636, 683 and 2015 Chapter 267, the rate of growth of General Fund appropriations in a fiscal year is limited to the average personal income growth (the "Growth Limit Factor").

"Average personal income growth" means the average for the prior ten calendar years, ending with the most recent calendar year for which data is available, of the percent change in personal income in the State as estimated by the United States Department of Commerce Bureau of Economic Analysis.

As of December 1 of each even-numbered year, a General Fund appropriation limit is established for the ensuing two fiscal years. For the first fiscal year, the General Fund appropriation limit is equal to the “biennial base year appropriation” multiplied by one plus the Growth Limit Factor. For the second fiscal year, the General Fund appropriation limit is the General Fund appropriation limit of the first year multiplied by one plus the Growth Limit Factor. As amended in 2015 Chapter 267, “biennial base year appropriation” means the General Fund appropriation enacted for fiscal year 2016-17 as of December 1, 2016 and for subsequent fiscal years, the amount of the General Fund appropriation limit for the current year as of December 1 of even-numbered years.

The General Fund appropriation limit applies to all General Fund appropriations, except certain education costs described in the following paragraph. The General Fund appropriation limit was approximately $3.5 billion for fiscal year 2012, $3.5 billion for fiscal year 2013, $3.6 billion for fiscal year 2014, $3.6 billion for fiscal year 2015. The General Fund appropriation limit is $3.6 billion for fiscal year 2016, $3.7 billion for fiscal year 2017 (the newly set biennial base year appropriations, 2016 and 2017 fiscal years updated to reflect final enacted 2016-2017 appropriations), $3.8 billion for fiscal year 2018 and $4 billion for fiscal year 2019. The Growth Limit Factor for the 2012-2013 biennium was 2.05%. The Growth Limit Factor for the 2014-2015 biennium was 1.37%. The Growth Limit Factor for the 2016-2017 biennium was 1.08%. The Growth Limit Factor for the 2018-2019 biennium is 2.84%.

2005 Chapter 2 provides that the additional cost for certain essential educational programs and services (“Essential Programs and Services”) for kindergarten to grade 12 education (“K-12 Education”) over the fiscal year 2004-05 appropriation for general purpose aid for local schools is excluded from the General Fund appropriation limit until the State share of that cost reaches 55% of the total State and local cost (the “EPS Costs”). Current law provides that the State will pay 55% of the total State and local cost of K-12 Education for fiscal year 2020 and that the General Fund appropriation limit will include the State share of the cost of K-12 Education beginning with fiscal year 2020. See “Certain Expenditures and Obligations - Education Funding” herein.

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

“Baseline General Fund revenue” and other available budgeted General Fund resources that exceed the General Fund appropriation limit plus the EPS Costs must be transferred to the Maine Budget Stabilization Fund (the “Stabilization Fund”). If the Stabilization Fund is at its limit of 18% of General Fund revenue of the immediately preceding fiscal year, then amounts that would otherwise have been transferred to the Stabilization Fund must be transferred to the Tax Relief Fund for Maine residents. “Baseline General Fund revenue” means the recommended General Fund revenue forecast reported by the Revenue Forecasting Committee in its December 1 report in even-numbered years, increased by the estimated amount of net General Fund revenue decrease, if any, for all enacted changes reducing the state and local tax burden included in that forecast.

The fiscal year 2013 year-end balance in the Budget Stabilization Fund was $59.7 million. The increase in the Budget Stabilization Fund, as compared to the prior year balance, is primarily related to the transfers of $13 million from unappropriated surplus as authorized in 2011 Chapter 657, and of $42.1 million representing a one-time transfer of 80% of the year-end available reserves, net of the transfer to the unappropriated surplus of the General Fund of $40 million, as authorized in 2013 Chapter 1. Public

Laws of Maine 2013, chapter 451 authorized the transfer of $21 million from the Budget Stabilization Fund to the unappropriated surplus of the General Fund no later than June 30, 2015. Public Laws of Maine 2013, chapter 487 repealed this transfer, leaving the balance in the Budget Stabilization Fund as of June 30, 2013 at $59.7 million.

Public Laws of Maine, chapter 595 ("2013 Chapter 595") further changed the priority of distribution for fiscal year 2014 only, after the transfers to the State Contingent account, Loan Insurance Reserve and Reserve for Retirement Costs, adding a one-time fixed transfer up to $20 million for the Reserve for Future Funding Needs. The Reserve for Future Funding Needs included a provision to transfer up to $1.3 million, directed to the Department of Health and Human Services Developmental Services Waiver program, by financial order, in fiscal year 2015 pursuant to 2013 Chapter 595, part X, sections 3 and 4. The remaining authorized one-time transfer of the unappropriated General Fund surplus of $18.7 million was available and placed in an undesignated status in the Reserve for Future Funding Needs. The remainder of the year-end balance was distributed as follows: Budget Stabilization Fund, 48%, a transfer of $8.5 million, Reserve for General Fund Operating Capital, 13%, a transfer of $2.3 million, Retiree Health Internal Service Fund, 9.0%, a transfer of $1.6 million, Capital Construction and Improvements Reserve Fund, 10%, a transfer of $1.8 million and the Tax Relief Fund for Maine Residents, 20%, a transfer of $3.5 million. The fiscal year 2014 year-end balance in the Budget Stabilization Fund was $68.2 million. The increase in the Budget Stabilization Fund, as compared to the prior year balance, is primarily related to the transfer of 48% of the year-end reserves as authorized in 2013 Chapter 1.

2015 Chapter 267 further changed the priority order of distribution beginning fiscal year ending June 30, 2015. In addition to fixed transfers to the State Contingent account, Loan Insurance Reserve, and Reserve for Retirement Costs (provided for this reserve account specifically in fiscal years 2012, 2013 and 2014), the Reserve for General Fund Operating Capital of $2.5 million and Retiree Health Insurance Internal Service Fund of $2.0 million that would have previously received a percentage transfer of the remaining year-end General Fund unappropriated surplus, were added to the fixed transfers. The Capital Construction and Improvements Reserve Fund transfer, previously included as a percentage transfer of remaining year-end surplus after fixed dollar transfers at 10%, was recommended by the Governor and enacted by the Legislature in 2015 Chapter 267 as a direct ongoing General Fund appropriation for capital construction of $3 million in each fiscal year. The remaining year-end surplus was distributed as follows: Budget Stabilization fund, 80%, and the Tax Relief Fund for Maine Residents, 20%. Public Laws of Maine, 2015, chapter 16 ("2015 Chapter 16") directed a transfer from the Reserve for Future Funding Needs of $4.3 million back to the General Fund unappropriated surplus to fund the fiscal year 2015 appropriations in that bill. The fiscal year 2015 year-end balance in the Budget Stabilization Fund was $111.1 million, $14.3 million of this total, the remaining balance from the Reserve for Future Funding Needs, transferred to the Budget Stabilization Fund as directed in 2013 Chapter 595. The fiscal 2015 year-end cumulative balance in the General Fund Reserve for Operating Capital is $7.4 million and the Tax Relief Fund for Maine Residents, $9.5 million. Finally, Maine Revenue Services has estimated that in order to provide the initial minimum reduction of 0.2 percentage points, the balance in the Tax Relief Fund for Maine Residents would need to be approximately $48.6 million and that aggregate unappropriated General Fund surpluses of over $200 million would be needed to generate such a balance in the fund.

The priority order of the distribution of the available reserves fiscal year ending June 30, 2016 was most recently impacted by a one-time change in 2015 Chapters 483 and 513. The remaining year-end General Fund unappropriated surplus was adjusted to add an additional one-time fixed transfer of $13.4 million for the establishment of a process to procure biomass resources after the transfer for the Loan Insurance Reserve, $1 million, Reserve for General Fund Operating Capitol, $2.5 million and Retiree Health Insurance Internal Service Fund, $4 million set forth in 2015 Chapter 267. The fiscal year-end cumulative balance in the Budget Stabilization Fund as of June 30, 2016 was $112.4 million. The fiscal 2016 year-end cumulative balance in the General Fund reserve for Operating Capital was $9.9 million and the Tax Relief Fund for Maine Residents just under $200 thousand, the balances in this fund utilized in part for the resources to fund the state's fiscal year 2016 tax conformity.

During fiscal year 2017, two additional one-time transfers were made to the Maine Budget Stabilization fund: 2015 Chapter 481 provided for a $10 million transfer from the funds received pursuant to the court order in *State of Maine v. McGraw-Hill Companies, Inc. and Standard & Poor's Financial Services, LLC*, and 2017 Chapter 2, transferred $35 million from the unappropriated surplus of the General Fund. Finally, at the close of fiscal year 2017, after the priority transfers for the replenishment of the State Contingent Account at the maximum of $350,000, the transfer for the Loan Insurance Reserve, $1 million, Reserve for General Fund Operating Capitol, $2.5 million and Retiree Health Insurance Internal Service Fund, $4 million, $36.8 million and $9.2 million was transferred to the Maine Budget Stabilization Fund and the Tax Relief Fund for Maine Residents respectively. The cumulative balance in the Maine Budget Stabilization Fund on June 30, 2017 was $196.2 million.

At the close of fiscal year 2018, there are no expected changes to the priority distribution of available reserves.

The distribution of available reserves at the end of fiscal year 2018, is as follows: priority transfers for the replenishment of the State Contingent Account at the maximum of $350,000, transfer to the Loan Insurance Reserve, $1 million, transfer to the reserve for General Fund Operating Capital, $2,500,000, the transfer to the Retiree Health Insurance Internal Service Fund, $2,000,000, with the remaining available reserves distributed, 80% to the Stabilization Fund and 20% to the Tax Relief Fund for Maine Residents. Finally, in PL 2017, c. 284, Part CCCCCCC-2 a transfer is required in fiscal year 2018 to the General Fund unappropriated surplus for $2,000,000 from the Budget Stabilization Fund. The cumulative balance of the Budget Stabilization Fund on June 30, 2018 after the priority transfers and the transfer in PL 2017, c.284, Part CCCCCCC-2, is expected to be more than the cumulative balance at June 30, 2017, $196.2 million.

Citizen Initiative Petitions

On November 4, 2014 An Act To Strengthen the Maine Clean Election Act, Improve Disclosure and Make Other Changes to the Campaign Finance Laws, was approved by voters of the State at the November 2015 statewide election. This bill provides optional supplemental funding from the Maine Clean Election Fund ("MCEF") within the Commission on Governmental Ethics and Election Practices for certain legislative and gubernatorial candidates upon collection of additional qualifying contributions. It also increases initial distribution amounts for most qualifying candidates and increases by $1 million, from $2 million to $3 million, the annual transfer from the General Fund to the MCEF. Other revenue to the Commission would also increase by additional qualifying contributions as well.

In October of 2014, An Act to Establish Ranked-choice Voting was approved for circulation by the Secretary of State. The Secretary of State later determined that valid signatures were filed and the initiative was transmitted to the Legislature. As the initiative was not enacted by the Legislature, this initiative appeared on the November 2016 ballot. The initiative was approved by voters, but in response to a request by the Maine Senate for an Advisory Opinion pursuant Me. Const. art. VI, § 3, the Maine Supreme Judicial Court advised that the Ranked-Choice Voting Act conflicts with the Maine Constitution. In 2017, Public Laws of Maine 2017, chapter 316 ("2017 Chapter 316") was enacted and repeals ranked-choice voting after December 1, 2021. In addition, unless the State Constitution is amended to authorize the Legislature to determine the method by which the Governor and members of the Legislature are elected, through a separate measure, the laws governing ranked-choice voting are repealed. The Secretary of State is required to conduct an evaluation of the implementation of ranked-choice voting no later than January 2, 2019. No appropriations have been provided to date for the implementation of ranked-choice voting. The estimated fiscal impact noted for the initiated bill indicated a potential cost of approximately

$1.5 million in the 2018-2019 biennium. On March 5, 2018 the Secretary of State completed its review of the people's veto petition to veto parts of 2017 Chapter 316 and determined it contained sufficient valid signatures to appear on a special referendum ballot on June 12, 2018. On April 4, 2018 the Maine Superior Court ordered Maine's Secretary of State to prepare to use ranked-choice voting for gubernatorial, congressional and legislative primaries on June 12, 2018. On April 17, 2018, in response to the challenge by the Maine Senate, the Maine Superior Court ruled that ranked-choice voting should stand for the upcoming June primary. Subsequently, the Maine Republican Party filed a case in United States District Court challenging the Ranked-Choice Voting Act and requesting that the Republican Party be permitted to hold its primary election under the plurality voting rules. On May 29, 2018 the United States District Court denied the request and the Republican primaries were conducted using Ranked-Choice voting. The repeal appeared on the June 2018 ballot and was approved by voters.

In June of 2015 "An Act to Raise the Minimum Wage" was approved by the Secretary of State for circulation. This initiative would raise the minimum hourly wage of $7.50 to $9.00 in 2017, and in $1.00 increments up to $12.00 in 2020; and to raise it for service workers who receive tips from the current rate of $3.75 to $5.00 in 2017, in $1.00 increments up to $12.00 in 2024. In January of 2016 this initiative was submitted to the Secretary of State who determined that valid signatures had been filed. The initiative was transmitted to the Legislature. As the initiative was not enacted by the Legislature, this initiative appeared on the November 2016 ballot and was passed by the voters. Finally, in 2017, a related measure, Public Laws of Maine, chapter 272, An Act to Restore the Tip Credit to Maine's Minimum Wage Law was enacted.

In October 2015, three additional citizen initiatives that were approved by the Secretary of State for circulation, an Act to Establish the Fund to Advance Public Kindergarten to Grade 12 Education, an Act to Require Background Checks for Gun Sales, and an Act to Tax and Regulate Marijuana were placed on the November 2016 ballot.

An Act to Establish the Fund to Advance Public Kindergarten to Grade 12 Education would impose a 3% additional tax, referred to as a surcharge, on Maine taxable income in excess of $200 thousand for tax years beginning on or after January 1, 2017. Beginning January 1, 2018, 1/12th of each year's estimated collections from the 3% surcharge would be transferred monthly to the Fund to Advance Public Kindergarten to Grade 12 Education. Money in the fund would be used to supplement but not supplant General Fund appropriations by the General Purpose Aid to Local schools program. It is estimated that amounts generated by the surcharge would be approximately $157 million annually, increasing by an additional $12 million or more each subsequent year. This initiative was submitted to the Secretary of State who determined that valid signatures had been filed. The initiative was transmitted to the Legislature. As the initiative was not enacted by the Legislature, this initiative appeared on the November 2016 ballot and was passed by voters. The initiated bill was subsequently repealed in its entirety in 2017 Chapter 284, Part D.

An Act to Require Background Checks for Guns Sales was rejected by voters in November 2016.

The petition for the citizen initiative entitled An Act to Tax and Regulate Marijuana was combined with the citizen initiative entitled An Act to Legalize Marijuana and was approved by the Secretary of State. An Act to Legalize Marijuana proposes to legalize recreational marijuana and includes the assessment of a sales tax of 10%. Assuming a January 1, 2017 effective date, State General Fund gross revenues were estimated to increase by approximately $4 million in fiscal year 2017 from the sales tax. An Act to Tax and Regulate Marijuana regulates and taxes the cultivation and distribution of marijuana and marijuana products for persons 21 years of age or older. It places a sales tax of 10% on marijuana and marijuana products in addition to the ordinary sales tax. The tax generated by the bill is estimated to increase gross revenues to the General Fund by $9 million annually. This initiative anticipates losses of fine revenues and increases in revenues for license fees if approved by voters. Additional costs for personnel and other costs related to the new tax and program, in addition to revenues being dedicated for certain purposes, are also expected. The Secretary of State initially determined that petitioners had not submitted enough valid signatures. The petitioners appealed the Secretary of State's decision to Superior Court and the judge ruled in favor of the petitioners. This revised initiative appeared on the November 2016 ballot and was approved by voters.

Additional legislation enacted in 2017, 2017 Chapter 1, delayed the effective date of certain portions of this law until February 1, 2018. As of April 11, 2018, the Joint Select Committee on Marijuana Legalization Implementation reported ought to pass as amended on LD 1719, An Act to Implement a Regulatory Structure for Adult Use Marijuana. That bill was passed to be engrossed as amended by the House and Senate. On May 2, 2018, Public Laws of Maine 2017, chapter 409 ("2017 Chapter 409") became law over the Governor's objection.

On November 4, 2016 two new citizen-initiated bills were introduced in the 128th First Legislature session. LD 719, An Act To Allow Slot Machines or a Casino in York County, died between the houses as of July 20, 2017. This initiative appeared on the November 2017 ballot and was not approved by voters. LD 1039, An Act To Enhance Access to Affordable Health Care, died between the houses as of April 27, 2017. This bill included a fiscal note projecting additional annual General Fund appropriations if fully implemented of $54,495,000. This initiative appeared on the November 2017 ballot and was approved by voters. Medicaid expansion has not been implemented as it remains unfunded. See CERTAIN EXPENDITURES AND OBLIGATIONS - Health and Human Services Funding.

On March 5, 2018 the citizen initiative petition entitled, "An Act to Establish Universal Home Care for Seniors and Persons with Disabilities" was certified by the Secretary of State and submitted to the Legislature for consideration. The initiated bill as stated in the summary portion of LD 1864, "establishes the Universal Home Care Program to provide in-home and community support services for all people with disabilities living in Maine who require assistance with an activity of daily living and people 65 years of age or older who are living in Maine and who require assistance with an activity of daily living, without regard to income, to be funded by a new tax of 3.8% on income and wages that exceed the maximum wages subject to social security employment taxes." This initiative was transmitted to the Legislature. As the initiative was not enacted by the Legislature, this initiative will appear on the November 2018 ballot. Finally, the Legislative Fiscal Office has prepared a formal draft fiscal estimate to accompany the referendum. The bill prohibits the Universal Home Care Trust Fund Board from offering services in excess of available funds. The new tax is expected to generate $310 million annually.

On June 22, 2018, PL 2017, Chapter 418, An Act to Increase Transparency in the Direct Initiative Process became law and prohibits a notary public to administer an oath to a circulator of a petition for a direct initiative or people's veto referendum if the notary public also provides services that are not notarial acts to initiate or promote a direct initiative or people's veto referendum. Finally, the law includes requirements for reporting contributions aggregating in excess of $100,000 for the purpose of initiating or influencing a people's veto referendum or direct initiative. For more information on citizens initiatives approved by voters see CERTAIN EXPENDITURES AND OBLIGATIONS - General Fund Expenditures below.

The Accounting System

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

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

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

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

The **Highway Fund** is used to account for revenues derived from registration of motor vehicles, operators' licenses, gasoline tax and other dedicated revenues, except for Federal matching funds and bond proceeds used for capital projects. The Legislature allocates this Fund for the operation of various Department of Transportation programs, including construction and maintenance of highways and bridges, for a portion of the State Police administration and for other State programs.

The **Other Special Revenue Funds** are used to account for various special purpose funds which have been established on a self-supporting basis. Revenues are generated by taxes, licenses, fees and Federal matching funds and grants.

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

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

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

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

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

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

Accounting Reports and Practices

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

The State Controller's annual financial report for the fiscal year ended June 30, 2017 is set forth in two separate publications. The first publication consists of the Basic Financial Statements of the State of Maine for the year ended June 30, 2017 which are set forth in Section I of Appendix B. Certain information which is included in the second publication and certain information which has been derived from provisions of the State Controller's annual financial reports for certain prior fiscal years comparable to the second publication is included in Section II of Appendix B. The information set forth in Section II of Appendix B is based on budgetary and legal requirements.

The Basic Financial Statements of the State of Maine for the year ended June 30, 2017 which are set forth in Section I of Appendix B have been prepared by the State Controller and have been audited by the Office of the State Auditor in accordance with auditing standards generally accepted in the United States of America. The Office of the State Auditor has issued an unqualified opinion on the Basic Financial Statements.

Because of the variety of activities and programs run by the State, the State Controller has established several specialized accounting conventions, which are consistently applied within the fund accounting system. For more information on the basis of accounting used by the State, see Appendix B, Section I, "Notes to the Financial Statements, June 30, 2017."

Annual financial reports prepared by the State Controller for the fiscal year ending June 30, 2017 and for prior fiscal years are available upon request directed to Matthew Colpitts, Deputy State Treasurer, 39 State House Station, Augusta, Maine 04333, telephone: 207-624-7468; facsimile: 207-287-2367. The CAFR for the fiscal year ended June 30, 2017 and for prior fiscal years are also available at http://www.maine.gov/osc/finanrept/cafr.shtml.

Audit Reports

The State Auditor is required by law to audit the Basic Financial Statements included within the Comprehensive Annual Financial Report prepared by the State Controller for each fiscal year. The State Auditor's Independent Audit Opinion dated December 15, 2017 with respect to the fiscal year ending June 30, 2017 is set forth in Appendix B hereto. Single audit reports prepared by the Office of the State Auditor for the fiscal year ending June 30, 2017 and for certain prior fiscal years are available upon request directed to the Deputy State Treasurer. See "Miscellaneous" herein.

All information in this Official Statement for any period ending after June 30, 2017 is unaudited and therefore is subject to change.

STATE BUDGETS

Laws authorizing General Fund and Highway Fund expenditures for fiscal years 2014 through 2017 have been enacted and provide for such expenditures in the amounts set forth in the table below. Amounts listed for fiscal years 2018 and 2019 include laws enacted through the Second Special Session[1] of the 128th Maine Legislature.

Fiscal Year Ending June 30	General Fund Expenditures Authorized	Highway Fund Expenditures Authorized
2014	$3,199,811,630	$311,621,111
2015	3,216,129,636	321,687,608
2016	3,331,298,722	323,554,282
2017	3,403,471,296	331,044,352
2018	3,514,673,944	337,446,481
2019	3,679,845,619	327,869,910

For information regarding fiscal years 2014 through 2019 expenditures authorized, see "CERTAIN EXPENDITURES AND OBLIGATIONS – General Fund Expenditures" below.

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

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

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

On January 11, 2013, the Governor released the final recommended supplemental budget for the fiscal year 2012-2013 biennium, which formally recognized reductions initially implemented by the Governor's temporary curtailment of allotments, for the revenue shortfall in the December forecast, and funded a projected Medicaid shortfall. 2013 Chapter 1 was enacted into law on March 6, 2013. This

[1] The Second Special Session of the 128th Maine Legislature last met on July 9, 2018 and is expected to meet again on call of legislative leadership. Accordingly, the State is unable to predict whether additional laws affecting General Fund and Highway Fund expenditures will be enacted.

supplemental budget for fiscal year 2013 provided $2 million to address unmet needs in the consent decree for Bates vs. DHHS, $3.6 million for foster care/adoption assistance and $85.1 million for the State's Medicaid program. These appropriations were offset with savings initiatives originally included in the temporary curtailment, revenue enhancements, transfers from other funds, as well as targeted reductions in the Medicaid program. The Department of Health and Human Services was directed to reduce rates by 5% for services provided by licensed clinical professional counselors and licensed marriage and family therapists, limit hospital and therapeutic leave days from nursing facilities, and implement targeted care management for the top 20% of high-cost members in the Medicaid program. On June 14, 2013, the Governor signed an additional supplemental budget bill, 2013 Chapter 248, providing $35 million more in appropriation to the MaineCare program for fiscal year 2013.

Also on January 11, 2013, the Governor released the fiscal year 2014-2015 biennial budget recommendation. In part, to address the projected shortfall for current services in fiscal years 2014 and 2015, the Governor's recommended budget, Legislative Document ("LD") 1509, continues to delay the attainment of 55% for the total state and local cost of K-12 Education until the 2016-2017 biennium. In addition, the Governor's budget recommendation shifts the responsibility for funding the normal cost of teacher retirement from being 100% borne by the State to a state and local funding responsibility. This proposal would reduce funding to the Teacher Retirement program by $28.9 million in fiscal year 2014 and by $29.9 million in fiscal year 2015 and includes appropriations in the equivalent of 50% of the cost of normal teacher retirement, $14.4 million and $14.96 million in fiscal year 2014 and 2015, respectively, to the General Purpose Aid for Local Schools program distributed to schools through the school funding formula. The Governor's budget recommended increasing net appropriations to MaineCare in the amount of $169.2 million over the 2014-2015 biennium. The budget also suspended revenue sharing transfers temporarily of 5% of the Sales, Income, Corporate and Service Provider taxes to municipalities in the amount of $281.5 million over the 2014-2015 biennium. The recommended budget continued the freeze on employee merit increases and longevity pay, as well as the proposed level funding of employee and retiree health insurance for both 2014 and 2015. Finally, tax provisions included restructuring the Maine Residents Property Tax Program, sunset of the BETR program, coupled with movement of equipment in the BETR program to the BETE program, temporary suspension and change in the inflation adjustment pertaining to the income tax and the repeal of the sales tax exemption for publications issued at average intervals.

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

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

The final version of LD 1509 was passed by the Legislature and vetoed by the Governor. The Legislature overrode the Governor's veto and Public Laws of Maine 2013, chapter 368 ("2013 Chapter 368") was enacted on June 26, 2013. The law included several of the Governor's proposals including the transition of 100% of the responsibility for the normal cost of Teacher Retirement to local schools. One-half of the normal cost is appropriated in the 2014-2015 biennium into the General Purpose Aid for Local Schools program. The Governor's proposal capped the State's cost of health insurance premiums for active employees for the 2014-2015 biennium at fiscal year 2011 levels resulting in savings to the General Fund of $3.8 million in fiscal year 2014 and $8.0 million in fiscal year 2015. In the final version of the bill, the Legislature authorized a 1.5% increase in spending for the State's health insurance program; however, because the bill was enacted after the deadline for the State's Health Plan design in April, 2013, the increased amount was not spent in fiscal year 2014. In addition, the approved budget froze merit increases for State employees in 2015 and froze longevity payments for the biennium resulting in savings of $4.6 million over the biennium. Finally, the approved budget adjusts funding for the State Police program share of funding between the General Fund and Highway Fund from 51% General Fund and 49% Highway Fund to 65% General Fund and 35% Highway Fund at a total cost to the General Fund of $6.5 million in fiscal year 2014 and $6.7 million in fiscal year 2015. The state police program funding share calculation remained unchanged in the funding calculation for the TransCap Trust Fund.

The enacted 2014-2015 biennial budget restored a portion of the revenue sharing by approving the Governor's proposal for a statewide study to reduce the cost of government through analysis of the structures and functions designed to save a total of $33.75 million in both structural and operational savings over the biennium, establishing a task force to review tax expenditures saving $40 million. In addition, the enacted budget included an increase in the Sales tax, from 5% to 5.5% and Meals and Lodging tax from 7% to 8%, with a sunset provision of June 30, 2015. The deferral of a portion of the June 2013 subsidy payment for General Purpose Aid to Local Schools in the amount of $18.5 million enacted in 2013 Chapter 1 was included and additional funding for the MaineCare program for fiscal years 2013 through 2015 was included. A new proposal for the elimination of benefits under the Maine Residents Property Tax program that resulted in an estimated savings of $50.7 million over the biennium and the establishment of the Property Tax Fairness Program at a General Fund cost of $65.5 million was accepted. The percentage level of retirement for the Business Equipment Tax Reimbursement (BETR) and Business Equipment Tax Exemption (BETE) programs were reduced from 90% to 80% for the biennium, for a total savings of $11.7 million. A task force was included in the enacted version of the bill to continue the work on merging the two programs, originating from the Governor's proposal that included a merger of the two programs. Finally, the major tax initiatives included the suspension of the inflation adjustment for tax years beginning in 2014 through 2015, and amendment of the inflation adjustment calculation for tax years beginning after 2015 to be based on the Chained Consumer Price Index (C-CPI) instead of the Consumer Price Index (CPI), resulting in savings to the General Fund of $8.7 million over the biennium.

On January 15, 2014, the Governor presented a request to the Appropriations and Financial Affairs Committee for net additional General Fund needs of $119.5 million for the 2014-2015 biennium. The request comprised of six departments and agencies offset by the increase in General Fund revenues in the December 1, 2013 Revenue Forecasting Committee update of $20.6 million and a revenue decrease from the reinstatement of the sales tax exemption for free newspapers of $3.1 million over the biennium. The Department of Health and Human services, MaineCare program comprised the majority of the request in the amount of $108 million. The remaining Health and Human Services requests of $14.7 million, primarily address the action plan to ensure staff and patient safety and comply with federal certification requirements at Riverview Psychiatric Center. Subsequently, on January 24, 2014, the Department of Health and Human Services presented an update of its forecast for MaineCare which resulted in a reduction in the net request over the biennium of $30 million. The final requested additional supplemental General Fund need over the 2014-2015 biennium by the Governor totaled to $89.5 million. On February

12, 2014 Health and Human Services further reduced the request for Riverview Psychiatric Center of $8.6M based on the Department's position of Riverview's status as an Institute for Mental Disease, in which the hospital decertification by the Center for Medicare and Medicaid (CMS) does not affect the continuance to draw disproportionate share funding. If the Center for Medicare and Medicaid Services ultimately disagrees with this opinion, the potential future findings may include an estimated $8.6 million for the period of January 1, 2014-June 30, 2014 and $6.35 million already drawn for the period of September 2, 2013 through December 30, 2013.

On April 3, 2014, Public Laws of Maine 2013, chapter 503 ("2013 Chapter 502") became law and primarily provided funding for the fiscal year 2014 portion of the Governor's request. The MaineCare shortfall was funded at less than the Governor's final request, at a net increase of $31M, due to the actual trending of current MaineCare cycle payments. Both savings initiatives and one-time resources were included to fill the gap, including elimination of the Income Tax Super Credit for substantially increased research and development for tax years beginning on or after January 1, 2014. Transfers to fund balance included $10.1 million from the forecasted December 1st increase in casino revenues targeted to Education over the biennium, $6.2 million in transfers resulting from the dissolution of the Dirigo Health Fund and other balances in the Fund for a Healthy Maine, $5.1 million, and lapsing personal services balances in the Education Unorganized Territory account of $1.8 million. On May 1, 2014 the Legislature voted to override the Governor's veto of LD 1858 (2013 Chapter 595), funding primarily the remaining fiscal year 2015 portion of the Governor's request and enacting the remaining structures and operations savings initiatives (Part F of 2013 Chapter 368). Both savings initiatives and one-time transfers to fund balance were included to offset a reduced request primarily for MaineCare in fiscal year 2015. Timing of MaineCare payments from the current approximate timing of 7 to 12 days was extended permanently to one weekly payment cycle before required federal deadlines to yield one-time booked savings in the MaineCare program of $20 million. This language also provides the Department discretion in the application to those providers considered to have the financial ability to withstand the change in payments.

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

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

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

On January 9, 2015, the Governor's 2016-2017 Biennial Budget (LD 1019) recommendation was released. The Governor's proposal included significant changes to Maine's tax policies intended to bring relief to Maine families by transitioning from a tax code dependent on earnings to a more modern tax code dependent on consumption. The proposed changes included reductions to Maine's income tax rates, modernization of the sales tax base and increase in the general sales tax rate, the elimination of the estate tax, increases to the amount of pension income exempt from income tax and an exemption for military pension income. The Governor's recommendation also included increased funding for key priorities in the Department of Health and Human Services. The budget proposal provided $52 million in funding over the biennium to assist thousands of people waiting for services through MaineCare waivers. The Governor recommended an increase of $22 million over the biennium to support Nursing Facilities based on the 2013 Chapter 594, An Act to Implement the Recommendations of the Commission to Study Long-term Care Facilities. Recognizing the importance of primary care and preventative services, the budget included requests to continue funding so the State can continue to pay the enhanced rates for Health Homes and primary care physicians that were expired or set to expire through the federal Patient Protection and Affordable Care Act ("Affordable Care Act"). Thirty-eight positions and over $3 million in General Fund resources are included each year for the Riverview Psychiatric Center, in order to assist the hospital in meeting the requirement for re-certification by the federal Centers for Medicare and Medicaid Services. Approximately $50 million of the savings made available for funding the Department of Health and Human Services key priorities were based on a plan to transition the funding structure of the General Assistance program in order to gain better control of the expenditures and changing eligibility criteria to the federal minimums in the Medicare Savings Program. The proposal also continued to delay the attainment of 55% State funding of education until the fiscal year 2018-2019 biennium and satisfied the remaining structural gap projected in December of 2014.

Throughout January of 2015, additional Governor's Bills were released to address a variety of 2015 Department funding requests. The Governor's proposals included $20 million for the Department of Health and Human Services to replace the reduction included in 2013 Chapter 595 which was booked in anticipation of savings associated with extending the timing of MaineCare payments from the current 7 to 12 days. The final version of the savings provision as enacted in 2013 Chapter 595 included language requiring the Department to mitigate the effects of this timing change at the request of providers. Based on provider feedback, the Department could not implement this policy and therefore requested additional appropriations. An additional funding request for unmet needs in the Augusta Mental Health Institute ("AMHI") Consent Decree to assist in meeting the requirements set forth in the settlement agreement was also put forward. As the State continues to work towards federal recertification of the Riverview Psychiatric Center, the Governor recommended 29 new positions and an additional $1.1 million to support the hospital, as recommended by an independent review. The Governor included funding requests for the Judicial Branch to accommodate increases in the cost of guardian ad litem services, psychological exam costs and increased facility costs at both the Bangor courthouse and the new Judicial Center. During review of the Governor's Bills, the Legislature combined most of the requests into one bill, LD 236. The amended version of LD 236 funded continued efforts toward recertification of Riverview Psychiatric Hospital, with 27 new permanent positions and an additional $1.1 million in funding, and provided funding of $20 million for Health and Human Services to offset one-time savings that could not be achieved in changes to cash management, extending the timing of payments. Funding was also included to the Department of Health and Human Services of $1.5 million to replace expiring federal funds to support enhanced levels of reimbursement for physicians and $4.0 million to repay the federal government for a portion of an audit finding. In addition, $1.7 million in funding for the Maine Commission on Indigent Legal Services and $2.5 million for the State Board of Corrections was provided to address anticipated shortfalls in these programs in fiscal year 2015. This LD was passed by the Legislature on March 31, 2015 and became law without the Governor's signature, as 2015 Chapter 16. Requests related to the Department of Education and the cultural agencies remained separate and became law, signed by the Governor, as 2015 Chapter 7. Finally, the State also conformed state tax laws to changes in federal tax law resulting in an estimated cost to the General Fund of $16 million in fiscal year 2015 (LD 138, Public Laws of Maine 2015, chapter 1). Resources to fund fiscal year 2015 initiatives in the bills discussed in this section comprised of a $45 million increase in fiscal year 2015 current law General Fund revenues per the December 1, 2014 Revenue Forecasting Committee report, approximately $2.2 million from a balance of prior year funds in the Fund for a Healthy Maine, $4.3 million in funding from the Reserve for Future Funding Needs enacted in PL 2013, chapter 595, part X for the 2014-2015 biennium and $3.3 million in one-time transfers from other funds to the General Fund.

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

On May 7, 2015, the Governor presented a change package to LD 1019 primarily consisting of revisions resulting from the May 1 Revenue Forecasting Committee's report and updated initiatives associated with the Governor's original 2016-2017 Biennial Budget recommendation. The Department of Health and Human Services no longer required additional funding over baseline funding for the State's MaineCare program's projected increase in health costs and an additional fiscal year 2016 cycle payment, based on the most recent MaineCare forecasts for the 2016-2017 biennium. The removal of the $14 million request for MaineCare over the biennium funded new initiatives including $7 million for two 7-bed secure residential facilities to house forensic patients that do not require a hospital level of care, building upon the Governor's recommendation to continue to move forward towards the recertification of Riverview Psychiatric Hospital. In addition, a one-time four percent rate increase, approximately $4 million over the biennium, is proposed to be applied to the assisted living reimbursement rate at Private Non-Medical Institutions beginning July 1, 2015 and a one-time eighteen month pilot project, just over $500 thousand for the biennium, for individuals with opioid or alcohol dependency who were recently incarcerated or have been referred by the Department of Corrections or the Drug Court were also included. Other new initiatives such as the transfer of the Department of Health and Human Services drinking water, subsurface waste and radiation control activities to the Department of Environmental Protection, wage parity in the Department of Corrections, between state correctional and county jail employees who perform similar direct supervision, language to limit the salaries of positions which are currently funded by one hundred percent federal funds in the Department of Defense to the thresholds allowed by the federal authority and the separation of the land and water quality program in the Department of Environmental Protection to establish separate programs for both land and water in the Department. Finally, the Governor's change package included funding and/or language for several bills proposed in the 127th Legislature, LD 13, An Act To Provide an Exemption from Sales Tax and Service Provider Tax to Nonprofit Collaboratives of Libraries, LD 48, An Act To Reduce Registration Fees and Excise Taxes for For-hire Vehicles with Adaptive Equipment Enabling Access by Persons with Disabilities and LD 1343, An Act To Increase Access to Postsecondary Education for Maine National Guard Members.

From February 2015 and well into March 2015, the Appropriations and Financial Affairs Committee conducted public hearings on the Governor's tax recommendations. The joint standing policy committees of the Legislature developed their own prioritized report-backs of the two year budget proposal, which were presented to the Appropriations and Financial Affairs Committee throughout the month of April. On June 30, 2015, the 127th Legislature enacted the 2015 Chapter 267, overriding the Governor's veto. 2015 Chapter 267 included a compromise version of the tax reform package presented by the Governor in January, 2015. The compromise version includes a reduction to the State's top marginal individual income tax rate from the current law 7.95% to 7.15% effective January 1, 2016. The Governor's budget proposal would have phased down the top marginal tax rate to 5.75% by tax year 2019. The individual income tax cuts are offset through the adoption of the current sales and use tax rate of 5.5%, previously scheduled to revert back to 5% on July 1, 2015, expansion of the sales tax base to include taxes on certain foods and drinks at 5.5% (effective January 1, 2016), continuation of the current meals and lodging tax rate of 8%, a subsequent increase in the lodging tax rate to 9% effective January 1, 2016, and an increase in the service provider tax rate from the current 5% to 6% on January 1, 2016, including an expansion of the service provider tax on cable and radio services. In addition, the compromise version included an adjustment to the transfer of certain major General Fund revenue line for the State-municipal revenue sharing program, currently set at 5% to 2% for fiscal years 2016-2019 only. Finally, 2015 Chapter 267 includes increases to the exemption and State reimbursement in the Homestead property tax program.

On December 1, 2015, the Revenue Forecasting Committee issued a regularly scheduled update to the forecast. The December report reflected an adjustment downward of General Fund revenues of $2.2 million in fiscal year 2016, upward in the amount of $4.9 million in fiscal year 2017. The December report also projected upward revenue revisions of $24.5 million in fiscal year 2018 and $35.5 million in fiscal year 2019.

On March 1, 2016, the Revenue Forecasting Committee issued a regularly scheduled update to the forecast. The March report reflected an adjustment downward of General Fund revenues of $67.3 million in fiscal year 2016, upward in the amount of $5.4 million in fiscal year 2017. The March report also projected revenues upward in the amount of $1.7 million in fiscal year 2018 and $2.7 million in fiscal year 2019.

Beginning in early January of 2016, Public Laws of Maine, chapter 378 was signed by the Governor that included a comprehensive approach to Maine's drug abuse challenge that embraces initiatives for law enforcement, prevention, treatment and recovery. 2015 Chapter 378 provides $.7 million in fiscal year 2016 and ongoing funding of $3 million in fiscal year 2017. The appropriations are funded in the 2016-2017 biennium through one-time transfers back to the General Fund from the Gambling Control Board and Medical Use of Marijuana Other Special Revenue Funds. Later in the 127th 2nd Regular Session, Public Laws of Maine, chapters 485 ("2015 Chapter 485") and 488 ("2015 Chapter 488"), were signed by the Governor and provided the State additional tools to utilize in approaching Maine's drug abuse challenges. 2015 Chapter 485, increases the penalties for the illegal importation of scheduled drugs by one scheduled crime and creates a new crime of aggravated illegal importation. 2015 Chapter 488 establishes limits on the prescription of opioids, requiring those licensed and whose capability of prescribing is electronic to implement this law by July 1, 2017.

In mid January 2016, the Governor submitted an emergency bill to conform state tax laws to changes in federal tax laws, for tax years beginning on or after January 1, 2015 and for any prior tax years as specifically provided by the United States Internal Revenue Code of 1986, as amended. The bill repealed, for taxable years beginning on or after January 1, 2016, the addition modification that decouples Maine's individual income tax law from the federal deduction for qualified tuition and related expenses and also decoupled the Maine individual and corporate income taxes from the federal bonus depreciation deductions for tax years beginning on or after January 1, 2015. In addition, the Governor's proposal provided for the Maine Capital Investment Credit for tax years beginning on or after January 1, 2015 with respect to depreciable property placed in service in Maine. This bill was voted out of the Committee and several amendments were subsequently attached. At the same time, the Governor, Legislative Leaders and the Appropriations Committee, agreed to a compromise that included additional funding for education as well as tax conformity, resulting in Public Laws of Maine 388 ("2015 Chapter 388") and 389 ("2015 Chapter 389"). 2015 Chapter 388 provided for the conformity as proposed by the Governor to certain federal tax laws for tax year 2015 and beyond. 2015 Chapter 389 provided supplemental funding for the Department of Education, General Purpose Aid to Local Schools program, an additional $15 million in fiscal year 2017 and sets the State's contribution towards the total cost of education. See "CERTAIN EXPENDITURES AND OBLIGATIONS – Education Funding" below.

Public Laws of Maine, chapters 468 and 472, authorizes new issuance of additional securities from the Maine Government Facilities Authority for the Judicial Branch and the Department of Corrections. For the Judicial Branch, additional securities issuance up to $95.6 million were authorized for the costs associated with court facilities in Oxford, Waldo and York County. The Department of Corrections was authorized to issue up to $149.7 million for capital repairs and improvements to the Maine Correctional

Center in South Windham and a facility owned by the Department in Washington County. Public Laws of Maine, chapters 478 ("2015 Chapter 478") and 479 ("2015 Chapter 479"), authorize General Obligation bond issuances contingent on the approval by voters. 2015 Chapter 478, authorizes a general obligation bond of $100 million to be presented to voters in November 2016, $80 million for Highways and Bridges, $20 million to ports, harbor, aviation, freight and rail. 2015 Chapter 479, authorizes a general obligation bond of $50 million to be presented to voters in June 2017, $45 million to the Maine Technology Institute targeted to Maine's seven technology sectors (biotechnology, composites and advanced materials, environmental, forest products and agriculture, information technology, marine technology and aquaculture and precision manufacturing), $5 million to the Small Enterprise Growth Fund for lending or investing in small business. These general obligation bonds were subsequently approved by voters.

In April of 2016, 2015 Public Laws of Maine, chapter 465, An Act to Improve the Delivery of Services and Benefits to Maine's Veterans and Provide Tuition Assistance to Members of the National Guard was signed by the Governor. This bill included the work of the Commission to Strengthen and Align Services Provided to Maine's Veterans in Resolve 2015, chapter 48. This bill directs the Department of Defense, Veterans and Emergency Management to serve as the primary source of information for veterans in the State and establishes a Maine National Guard Post Secondary Fund to provide tuition benefits to eligible Maine National Guard Members. The bill is funded through a one-time deappropriation of $2.5 million from the delay in issuance of a $21 million revenue bond for the University of Maine and a one-time transfer of $.6 million from the Gambling Control Board, Other Special Revenue funds. 2015 Public Laws of Maine, chapter 481 ("2015 Chapter 481"), transfers funding awarded as a result of the State of Maine v. McGraw-Hill Companies, Inc. and Standard & Poor's Financial Services, LLC, of just over $21 million to provide $10 million in additional funding to the Maine Budget Stabilization Fund and the remaining funds for the 2016-2017 biennial cost of a sales tax exemption on fuel used in agriculture, wood harvesting and fishing, cost of living increase for Private Non-medical Homes in the Department of Health and Human Services, additional funds for a substance abuse pilot program in the Department of Public Safety and additional funds for education in the Jobs for Maine's Graduate program and scholarships through the Maine State Grant Program in the Finance Authority of Maine. Finally, 2015 Public Laws of Maine 483 ("2015 Chapter 483"), provided one-time funding for the procurement of biomass resources through a transfer of $13.4 million contingent on available funds at the close of fiscal year 2016. 2015 Chapter 483 authorizes one or more 2-year contracts for up to 80 megawatts of biomass resources.

Prior to the December 2016 revenue projection, the Bureau of the Budget updated its four year revenue and expenditure forecast in September 2016 through the fiscal year ending June 30, 2019. As required by State law, the four year revenue and expenditure forecast assumes the continuation of current laws and includes reasonable and predictable estimates of growth in revenues and expenditures based on national and local trends and program operations. At the time of the forecast the structural gap was projected to be $165.3 million for the 2016-2017 biennium.

The gap assumes increases in General Purpose Aid for Local Schools (GPA) of $260 million in the 2016-2017 biennium to achieve the commitment made in 2005 Chapter 2, as amended by 2007 Chapters 240 and 539, for a 55% state share of education costs. The structural gap assumes the current law reduction of 5% to 2% for state-municipal revenue sharing to continue through fiscal year 2019.

On December 1, 2016, the Revenue Forecasting Committee issued a regularly scheduled update to the forecast. The December report reflected an adjustment upward of General Fund revenues of $34.2 million in fiscal year 2017, and adjustments downward of $1.5 million in fiscal year 2018 and $30.1 million in 2019. The December report also projected General Fund revenues of $3.6 billion in fiscal year 2020 and $3.7 billion in fiscal year 2021.

On January 6, 2017, the Governor released the final supplemental budget for the 2016-2017 biennium and the final budget recommendation for the term of Governor Paul R. LePage for the upcoming 2018-2019 biennium. The recommended appropriations for the 2018-2019 biennium were 1.63% or $109,457,559 in excess of the total appropriations for the 2016-2017 biennium.

The Governor's final supplemental proposal included $35 million to the Budget Stabilization Fund, $4.8 million for the rebuild of the state's fish hatcheries in Casco and Grand Lake Stream, and just over $7 million to the University of Maine to support a continued six year freeze on in-state tuition for the 2017 fiscal year and funding for the early college program. In addition to the Governor's proposals submitted in the supplemental budget, the Appropriations and Financial Affairs Committee and the Governor supported another $5 million for additional funding targeted towards the development of Opioid Health Homes. The supplemental budget was voted unanimously by the Appropriations Committee to move forward for passage and enacted on March 15, 2017.

The biennial budget proposal continues the work in the current biennium and includes proposals to augment several citizens initiatives that were passed in November of 2016, specifically, the establishment of the fund to advance public education, legalization of recreational marijuana, and an act to raise the minimum wage. Major tax initiatives include the phase-in of a 5.75 percent flat tax and elimination of the transfer of funding to the Fund to Advance Public education from the recent passage of a citizen's initiative from the assessment of a surcharge on household income over $200,000, elimination of the estate tax, expansion of the pension exemption, expansion of the sales tax base and expansion and simplification of the child care credit, a net $313 million reduction in General Fund revenue. In addition to the modification of tax laws in relation to the State's funding, the administration has proposed a separate comprehensive property tax package to allow municipalities to collect additional tax revenues through provisions to provide more equitable and predictable treatment of land owned by land trust organizations and expansion of the authorization for municipalities to assess service charges against certain exempt property with a value of $10 million or more. Offsets included nearly $70 million in proposed net savings to the MaineCare program, with major initiatives including the elimination of separate facility based fees for hospital based physicians of $11.4 million, the reduction in the reimbursement of Critical Access hospitals to 101 percent of $4.5 million, the rebasing of the Hospital Tax year from 2012 to 2014 of $15.1 million and the elimination of the eligibility of able-bodied parents with earnings in excess of 40 percent of the Federal Poverty Limit, generating savings of $33 million. Finally, the Governor's proposal includes initiatives investing in the State's infrastructure, both in the Department of Transportation and for state owned facilities. The comprehensive proposal includes a funding shift away from the Highway Fund for the State Police of nearly $20 million per fiscal year in part to provide that funding.

On May 1, 2017, the Revenue Forecasting Committee issued a regularly scheduled update to the forecast. The May report reflected an adjustment downward of General Fund undedicated revenues of $16.8 million for total projected undedicated revenues in fiscal year 2017 of $3.413 billion, and adjustments upward of $5.7 million in fiscal year 2018 and $6.0 million in 2019 for total General Fund projected undedicated revenues of $3.550 billion and $3.605 billion in fiscal year 2018 and fiscal year 2019, respectively. The May report also projected General Fund undedicated revenues of $3.623 billion in fiscal year 2020 and $3.741 billion in fiscal year 2021.

On May 25, 2017, the Governor submitted revisions ("the Change Package") to the 2018-2019 biennial budget recommendation to the Committee on Appropriations and Financial Affairs. The proposal included an update to clarify provisions in the tax language originally submitted in the Governor's biennial budget recommendation, but did not make any substantive changes to the original tax proposals. In the Department of Corrections, the Governor proposed statutory language directing the Commissioner of the Department to submit a recommendation for funding plans to restructure the funding and operation of county jails, correctional facilities, and prisoner population and capacity by February 15, 2018. In addition, the proposal limits funding for County Jail Operations through the month of February of fiscal year 2018 and limits funding for Downeast Correctional Facilities through the month of March of fiscal year 2018 until the final restructuring plans are enacted in the Second Session of the 128th Legislature. The Governor's Change Package withdrew the biennial budget recommendation to establish a new Office of the Public Defender, instead directing the Commissioner of the Department of Administrative and Financial Services and the Director of the Office of Policy and Management to compose a group to study Indigent Legal Services. This proposal limits funding of the current Indigent Legal Services Agency through the month of January 2018 until final plans are enacted in the Second Session of the 128th Legislature.

In early June, the Committee on Appropriations and Financial Affairs concluded major portions of their work on the State's 2018-2019 biennial budget voting out four reports, a majority and two minority reports, with one member voting "Ought not to Pass". These alternative proposals were scheduled for consideration by the full Legislature in the final weeks of the 128th First Regular Session, with the Statutory Adjournment date on June 21, 2017. The proposals drew from the Governor's recommendations, with the majority budget going forward with the implementation of the establishment of the fund to advance public education supported by the 3 percent income tax surcharge on taxable income in excess of $200,000 approved by voters in November of 2016. The two minority proposals eliminated, for tax years beginning in 2017 or after, the 3% income tax surcharge imposed on taxable income in excess of $200,000, funding provided in support of the Fund to Advance Public Kindergarten to Grade 12 Education, which was also eliminated. In addition, during the 128th First Regular Session, other spending bills have been set aside and placed on the Special Appropriations Table to be enacted in conjunction with the final budget bill. These spending bills include LD 243, which was subsequently enacted, 2017 Chapter 278, An Act To Amend the Marijuana Legalization Act to Provide Licensing, Rulemaking and Regulatory and Enforcement Authority within the Department of Administrative and Financial Services; Assign Rulemaking, Regulatory and Enforcement Authority Related to Agricultural Purposes to the Department of Agriculture, Conservation and Forestry; and Allocate Funds for Implementation, transferring a total of $1.6 million from the General Fund in fiscal year 2017 only, $1.4 million to the Department of Administrative and Financial Services to the Retail Marijuana Regulatory Coordination Fund and $200,000 to the Joint Select Committee on Marijuana Legalization Implementation.

Public Laws of Maine 2017, chapter 284 ("2017 Chapter 284") was passed and signed into law by the Governor on July 4, 2017, four days into the start of the new 2018 State fiscal year, with total General Fund appropriations of $7,103,305,775 for the 2018-2019 biennium, an increase of $368,535,757 or 5.5%, as compared to the prior biennium. 2017 Chapter 284 included compromise tax policy changes of the repeal of the income tax surcharge of 3% imposed on that portion of Maine taxable income in excess of $200,000 and the repeal of the Fund to Advance Public Kindergarten to Grade Twelve Education that was passed by referendum in November of 2016. In addition, the percentage increase of state reimbursement to municipalities for property taxes lost as a result of the Maine Resident Homestead Property tax exemption, from 50% to 62.5%, was delayed one year from its previously scheduled increase for property tax years beginning April 1, 2017 to become effective for property tax years beginning April 1, 2018. The budget includes the administration's proposal that updates the process of forecasting the State's revenues by placing into statute the requirement that at least two additional economic forecasts that assume potential economic recession scenarios for the current fiscal biennium and the next two biennia be issued to the State Budget Officer, the State Economist and the Associate Commissioner for Tax Policy by the Consensus Economic Forecasting Commission. Additional joint reporting is also required from the Consensus Economic Forecasting Commission and the Revenue Forecasting Committee detailing the impact on General Fund revenue projections of sales and income taxes and an estimate of reserves needed to offset revenue declines reported in the required alternative scenarios.

Current and new debt service funding is provided to support authorized general obligation bonds, a new investment in technology of up to $21 million, construction of new court houses, a new prison facility in Windham and infrastructure funding support, both in the current biennium and the upcoming biennium for the University of Maine. Personnel costs such as retirement contributions for both the State employee and teacher retirement and retiree health programs were fully funded, additionally supporting a third reduction in the discount rate assumption for the State's pension liability from 7.125% to 6.875% since fiscal year 2011. Collective bargaining for the Judicial Branch was funded in the new budget and the Executive Branch collective bargaining was funded in a separate bill. Other major initiatives were also funded, including redirecting existing license fees previously credited to the General Fund to the Department of Marine Resources for the purpose of fisheries research, approximately $678,000 per year, and a new on-going transfer of revenue from the General Fund to the Department of Agriculture, Conservation and Forestry in the amount of $500,000 per year for Agriculture Promotion. In the Department of Corrections, baseline appropriations of $5.4 million for Downeast Correctional Facility were eliminated in fiscal year 2019 as a result of the proposed closing as of June 30, 2018. The Governor's proposed statutory language directing the Commissioner of the Department to submit a recommendation for funding plans to restructure the funding and operation of county jails, correctional facilities, and prisoner population and capacity by February 15, 2018 was accepted as an unallocated provision in Part SSSSS. Compromise proposals for the County Jails and Indigent Legal Services programs were adopted in recognition of the need to address the growth in annual additional requests for funding, including study and reporting provisions and additional funding to address any remaining fiscal year 2017 obligations. Fiscal year 2019 appropriations for both the County Jail and the Indigent Legal Services programs were set aside in an Other Special Revenue account reserve in fiscal year 2019 to enable the costs and structures to be examined in the Second Session of the 128th Legislature. Finally, for the County Jail program, an increase in the rate of assessment to municipalities from the Counties was adopted, from a current law base assessment plus 3% to a new base assessment, provisions of which were adjusted in Public Laws of Maine 2017, Chapter 281 plus 4%, the percentage as amended in 2017 Chapter 284 from year-to-year.

Additional resources for the 2018-2019 biennium over and above ongoing revenues projected at $7,060,004,883 for the biennium, included the utilization of one-time balances of approximately $40 million that were transferred to the General Fund and one-time authorization to carry certain balances to delay providing additional appropriations until the 2020-2021 biennium. These one-time resources consist of settlement funds in the Department of the Attorney General and a number of program fund balances with the largest in the Department of Professional and Financial Regulation of $16.2 million in fiscal year 2018.

On October 23, 2017, at the Governor's request, the Legislature convened the 128th First Special Session to amend Public Laws of Maine, chapter 215, An Act Recognizing Local Control Regarding Food Systems to ensure compliance with federal and state food safety laws, rules and regulations and to appropriate funding for the Maine Office of Geographic Information Systems. Public Laws of Maine, chapter 315, An Act to Provide Funding for Geographic Information System Services, provided $1.35 million from the General Fund for state agencies utilizing Geographic Information System services provided by the Office of Information Technology in the Department of Administrative and Financial Services. In addition, LD 1650, An Act to Amend the Marijuana Legalization Act was also considered, at a net cost to the General Fund of $14.5 million in the 2018-2019 biennium, the cost, primarily due to projected revenue losses for a later implementation date in the current biennium, as compared to the current law revenue projections and implementation date. The bill was vetoed by the Governor and subsequently on November 6, 2017, the Governor's veto was sustained by the House. A new bill has been introduced in the 128th Second Regular Session, LD 1719, An Act to Implement a Regulatory Structure for Adult Use Marijuana to continue forward with the legislation and address some of the concerns in the veto of LD 1650 in the 2018-2019 biennium. An additional bill, LD 1775, An Act to Further Delay the Implementation of Certain Provisions of the Marijuana Legalization Act will delay the current law implementation from February 1, 2018 to May 1, 2018 which would provide time for the Legislature to continue working on LD 1719. Finally, on November 6th, Public Laws of Maine, chapter 313, An Act to Encourage Regional Planning and Reorganization, shifts the responsibility for the administration of the Fund for the Efficient Delivery of Local and Regional Services from the Department of Administrative and Financial Services to the Department of Economic and Community Development and adds capital planning grants, in addition to planning and cooperative service type grants. A net one-time appropriation of $2 million for the Fund was provided in 2017, Chapter 284 in the Department of Economic and Community Development in fiscal year 2018.

2017 Chapter 409, LD 1719, An Act to Implement a Regulatory Structure for Adult Use Marijuana, enacted on May 2, 2018 repeals 7 MRSA, Chapter 417 and designates the Department of Administrative and Financial Services (DAFS) as the sole regulatory agency in the implementation, administration and enforcement of the Marijuana Legalization Act. The role of the Department of Agriculture, Conservation and Forestry (ACF) is limited to consulting activities related to adoption of certain rules. The bill establishes excise taxes on marijuana flower and mature marijuana plants, $335 per pound, marijuana trim, $94 per pound, immature marijuana plants and seedlings, $1.50 per immature plant or seedling and marijuana seeds at $0.30 per marijuana seed. The revenue from these excise taxes is directed to the General Fund, except that 12% of this revenue will be credited to the Adult Use Marijuana Public Health and Safety Fund (PHSF) within DAFS to be used for public health and safety awareness and education programs and for enhanced law enforcement training. The bill also requires that 12% of the existing sales tax on marijuana and marijuana products also go to the PHSF. The net impact on General Fund revenue is expected to be an increase of $1,441,584 in fiscal year 2019, and rising to more than $5,000,000 in subsequent years. The PHSF will receive $358,416 in fiscal year 2019, rising to more than $1,800,000 in subsequent years. The bill creates manufacturing, retail store, testing and tiered cultivation licenses and sets the fee structure that DAFS may charge for each license. License fees are estimated to generate Other Special Revenue Funds revenue of $855,460 in fiscal year 2019 and more than $1,200,000 in subsequent years. The bill creates the Adult Use Marijuana Regulatory Coordination Fund and transfers the balance of the Retail Marijuana Regulatory Coordination Fund, currently $1,224,246, into it. The bill includes General Fund appropriations to DAFS of $3,173,339 in fiscal year 2019. Of this amount, $2,028,806 is for 32 ongoing permanent positions, $550,000 is a one-time appropriation to design and/or acquire tracking system and licensing system software and $594,533 is for Maine Revenue Services within DAFS for 2 Tax Examiner positions, related programming and All Other costs to process and audit income tax filings. Two additional Senior Revenue Agent positions will be required beginning in fiscal year 2020. Other Special Revenue Funds allocations to DAFS include $358,416 in fiscal year 2019 for the PHSF, $828,017 including 3 positions for the Adult Use Marijuana Regulatory Coordination Fund and $1,085,931 for the Medical Use of Marijuana Fund that includes 6.25 positions transferred from the Department of Health and Human Services (DHHS). The bill includes a General Fund appropriation of $43,701 and a Highway Fund allocation of $23,962 in fiscal year 2019 to the Department of Public Safety for one Identification Specialist II position and related costs to process criminal history background checks for marijuana establishment operators. Finally, ongoing General Fund deappropriations of $75,000 in fiscal year 2019 to the Maine Commission on Indigent Legal Services to reflect fewer cases of assigned counsel related to marijuana offenses. For additional information relating to the impact on the Department of Health and Human Services, see "CERTAIN EXPENDITURES AND OBLIGATIONS - Health and Human Services Funding" below.

On December 1, 2017, the Revenue Forecasting Committee issued a regularly scheduled update to the forecast. The December report reflected an adjustment upward of General Fund revenues for the 2018-2019 biennium of a total of $6.3 million, composed of an upward adjustment of $17.9 million in fiscal year 2018, and an adjustment downward of $11.7 million in fiscal year 2019. The December report also reflected an adjustment upward of General Fund revenues for the 2020-2021 biennium of $.5 million, composed of an adjustment downward of $6.3 million in fiscal year 2020 and an adjustment upward of $6.7 million in fiscal year 2021.

On March 1, 2018, the Revenue Forecasting Committee issued a regularly scheduled update to the forecast. The March report reflected an adjustment upward of General Fund revenues of $38.9 million in fiscal year 2018, and $89.6 million in fiscal year 2019. The March report also projected revenues upward in the amount of $79.2 million in fiscal year 2020 and $70.5 million in fiscal year 2021. See "Fiscal Management – Revenue Forecasting" above for an explanation of the revenue adjustments. Finally, see "Revenues of the State" for additional information below.

Finally, in March of 2018, LD 1655, An Act to Update References to the United States Internal Revenue Code of 1986 Contained in the Maine Revised Statutes, was introduced in the 128th Second Regular session. This bill primarily provides conformity with the TCJA and other changes passed by the federal government through March 23, 2018. This bill also includes other changes to individual and corporate tax laws. The most recent amendment to the bill would result in an estimated loss of General Fund revenue of $22 million in fiscal year 2019 and $46 million in the 2020-2021 biennium. This bill is carried over to any special session of the 128th Legislature pursuant to Joint Order SP 748 and remains pending before the Legislature.

CERTAIN EXPENDITURES AND OBLIGATIONS

General Fund Expenditures

The following table sets forth, by certain major categories, General Fund expenditures set forth in 2013 Chapter 368, the budget for fiscal years 2014 and 2015, as amended by 2013 Chapter 487, 2013 Chapter 502, 2013 Chapter 595, 2015 Chapters 7 and 16 and miscellaneous laws.

	2014	**2015**
Governmental Support and Operations	$240,632,732	$241,752,641
Economic Development & Workforce Training	31,261,438	32,643,008
Education	1,430,575,788	1,422,067,932
Arts, Heritage & Cultural Enrichment	7,450,637	7,350,161
Natural Resources Development & Protection	67,823,951	69,963,005
Health & Human Services	1,123,503,952	1,129,996,638
Justice & Protection	297,423,132	312,356,251
Business Licensing & Regulation	1,140,000	
Total	$3,199,811,630	$3,216,129,636

The following table sets forth, by certain major categories, General Fund expenditures set forth in 2015 Chapter 267, the budget for fiscal years 2016 and 2017 and miscellaneous laws through the 1st Regular Session of the 128th Legislature.

	2016	2017
Governmental Support and Operations	$255,750,510	$289,694,906
Economic Development & Workforce Training	42,417,329	44,632,867
Education	1,440,492,012	1,464,921,755
Arts, Heritage & Cultural Enrichment	8,315,529	7,957,592
Natural Resources Development & Protection	75,855,077	79,790,887
Health & Human Services	1,172,637,382	1,174,807,945
Justice & Protection	335,830,883	341,665,344
Total	$3,331,298,772	$3,403,471,296

The following table sets forth, by certain major categories, General Fund expenditures set forth in 2017 Chapter 284, the budget for fiscal years 2018 and 2019 and miscellaneous laws through the Second Special Session[2] of the 128th Maine Legislature.

	2018	2019
Governmental Support and Operations	$299,946,180	$332,075,603
Economic Development & Workforce Training	46,456,072	43,591,773
Education	1,540,899,346	1,638,294,066
Arts, Heritage & Cultural Enrichment	8,033,733	8,218,656
Natural Resources Development & Protection	77,826,452	80,761,979
Health & Human Services	1,181,235,088	1,229,311,089
Justice & Protection	360,277,073	347,592,453
Total	$3,514,673,944	$3,679,845,619

Total General Fund spending for fiscal years 2018 and 2019 is 3.45% and 8.12%, respectively, over fiscal year 2017. Total General Fund spending over the 2018 - 2019 biennium is approximately $7.2 billion. Of the $7.2 billion, 44.19% is attributable to education, 33.51% to health and human services, and 22.31% to other purposes of State government. For additional information regarding General Fund actual and recommended expenditures during fiscal years 2014 through 2019, and for information regarding Highway Fund actual and recommended expenditures during fiscal years 2014 through 2019, see Exhibits B and C hereto. See also "Certain Public Instrumentalities" herein.

Education Funding

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

[2] The Second Special Session of the 128th Maine Legislature last met on July 9, 2018 and is expected to meet again on call of legislative leadership. Accordingly, the State is unable to predict whether additional laws affecting General Fund and Highway Fund expenditures will be enacted.

Public Laws of Maine 2007, Chapter 539 which took effect on March 31, 2008 ("2007 Chapter 539") provided that, as a target, (a) the State would provide 53.51% and 54.01%, respectively, of the statewide adjusted total cost of the components of Essential Programs and Services, and (b) the State would provide 100% of a school administrative unit's special education costs calculated pursuant to applicable State law for fiscal years 2008 and 2009. The budget for fiscal years 2008 and 2009, as amended by 2007 Chapter 539, included approximately $1,966,000,000 to fund the State's share of K-12 Education costs attributable to the Initiated School Finance Act. 2007 Chapter 539 also amended applicable law to provide that the State's payment of 55% of the total State and local cost of K-12 Education would be delayed until fiscal year 2010, and that inclusion of the State share of the cost of K-12 Education in the General Fund appropriation limit would be delayed until fiscal year 2011.

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

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

In LD 1019, as recommended by the Governor, the State's contribution for fiscal year 2016 would have been $1,111,985,349, which equates to a State contribution towards the total cost of education including teacher retirement, retired teacher's health insurance and retired teacher's life insurance of 49.10% in fiscal year 2016. This proposal also included one-time transfers of $5,000,000 in both fiscal year 2016 and fiscal year 2017 from the General Fund to support the consolidation of school administrative units. As enacted 2015, Chapter 267 sets the State's contribution to the costs of K-12 education for fiscal year 2016 in the amount of $1,131,485,349, the total cost including teacher retirement, retired teacher's health insurance and retired teacher's life insurance at a percentage share of 50.08%. The one-time transfer proposed by the Governor in both fiscal years 2016 and 2017 of $5,000,000 each to support consolidation of school administrative units was reduced to a one-time transfer of $750,000 in each fiscal year, of which due to the significantly reduced funding as enacted was subsequently proposed by the Governor as a resource in support of tax conformity, 2015 Chapter 388.

Public Laws of Maine 2015, chapter 389 ("2015 Chapter 389") established the State's cost of K-12 Education fiscal year 2017 contribution at $1,157,947,004. The State's contribution towards the total cost of education including teacher retirement, retired teacher's health insurance and retired teacher's life insurance is 50.79% in fiscal year 2017. 2015 Chapter 389 directed the Commissioner of Education to submit by January 10, 2017 and January 10, 2018 to the Governor and the joint standing committee of the Legislature having jurisdiction over education matters, a report of the commission that includes findings and recommendations for action to reform public education funding and improve student performance in Maine. 2015 Chapter 389 continues to delay to fiscal year 2018 when the State must begin increasing the state share percentage of the funding for the cost of essential programs and services by at least one percentage point per year over the percentage of the previous year until the state share percentage of the total cost of funding public education from kindergarten to grade 12 reaches 55% as enacted in 2015 Chapter 267. 2015 Chapter 389, beginning in fiscal year 2016-17, adds charter schools to the list of essential programs and services components to be reviewed. Public Laws of Maine, chapter 463, authorizes a regional school unit to include an article in the warrant for its annual budget meeting providing that, in the event that the regional school unit receives more state education subsidy than the amount included in its budget, the regional school unit board is authorized to increase expenditures for school purposes in cost center categories approved by the regional school unit board, without a special budget meeting and budget validation referendum. The law also allows a regional school unit to include such articles for the purposes of increasing the allocation of finances in a reserve fund and decreasing the local cost share expectation for local property taxpayers for funding public education. Finally, the Department of Education provided additional one-time funding for municipalities due to a sudden and severe loss in the municipal valuation.

On January 6, 2017, upon the release of the Governor's proposed fiscal year 2017 supplemental and final biennial budgets for fiscal years 2018 and 2019, the Department of Education self-funded requests that were required to be submitted through the Legislature in the Governor's fiscal year 2017 supplemental proposal. The State's recommended contribution for fiscal year 2018 was $1,166,242,285, which would repeal the existing state funding formula to redirect State support to direct instruction, accountability, and teachers, through a statewide teacher contract. The State's contribution towards the total cost of education including teacher retirement, retired teacher's health insurance and retired teacher's life insurance is expected to be 50.87% in fiscal year 2018. This proposal also includes one-time transfers of $5,000,000 in both fiscal year 2018 and fiscal year 2019 from the General Fund to support voluntary regionalization efforts of school administrative units.

Throughout the first session of the 128th Maine Legislature in 2017, the Governor both submitted and supported proposals to further reshape Maine's public education system to reflect the needs of Maine's student population. LD 1330, An Act To Authorize a General Fund Bond Issue To Facilitate Innovative Approaches to Regional School Facilities and To Establish the Maine Innovative Regional School Facilities Finance Program was a Governor's bill that would authorize a $20 million general obligation bond for the development of multidistrict, consolidated and integrated prekindergarten through 16 school facilities and establish the Maine Innovative Regional School Facilities Finance Program to make loans to school administrative units for small-scale construction projects to existing buildings in order to improve the regional delivery of educational services. LD 1330 was carried over by the Appropriations Committee to the 128th Second Regular Session in 2018. LD 1576, An Act to Enable Earlier Introduction of Career and Technical Education in Maine Schools, that amends the career and technical education laws to enable career and technical education programs to serve students in grades 6 to 8 was also submitted as part of the Governor's Change Package recommendation to the 2018-2019 biennial budget. LD 864, An Act to Provide for a Statewide Teachers Contract for School Teachers had been reported out of the Legislature's Education and Cultural Affairs Committee as a divided report. The Governor supported the minority report that proposed to authorize the State to bargain for a contract for standard salary and benefits for public education employees in participating districts. The language of the minority report was also submitted as part of the Governor's 2018 Change Package recommendation to the 2018-2019 biennial budget. The statutory language as proposed would have been repealed ninety days after the beginning to the 129th Maine Legislature in late 2018, and a proposal from the Commissioner of the Department of Education would be submitted in its place to incorporate this function into the school funding formula, effective in the fiscal 2020 school year. Several other education related policy proposals were put forward in the Governor's 2018 Change Package, such as the phase out of the public charter school cap, transfer of $0.5 million in fiscal year 2019 from the General Purpose Aid to Local Schools program to the Child Development Services program funding special education, serving children with autism and the creation of a special education hardship fund. Finally, LD 601, An Act to Return the Normal Cost of Teacher Retirement to the State, which proposes to return the responsibility for fully funding the normal cost component of teachers' retirement back to the State, died between the Houses of the Legislature in the 128th 1st Regular Session. The net General Fund cost of this proposal was $22.2 million in fiscal year 2018 and $22.3 million in fiscal year 2019.

As a result of the additional proposals in the May 2017 Governor's Change Package to the 2018-2019 biennial budget, the State's contribution for fiscal year 2018 was expected to be $1,183,218,441. The State's contribution towards the total cost of education including teacher retirement, retired teacher's health insurance, retired teacher's life insurance, and the newly proposed additions in the Governor's Change Package to the state's contribution percentage, for eligible institutions' share of the postsecondary enrollment program, state contributions for the Department of Education, state contributions for the fund for the efficient delivery of educational services, and less any adjustment to the total allocation for student counts was expected to be 51.23% in fiscal year 2018. 2017 Chapter 284 established the State's cost of K-12 Education fiscal year 2018 contribution at $1,212,439,272, an increase of $52,992,268 or 4.5%, as compared to the fiscal year 2017 contribution. The State's contribution towards the total cost of education including the unfunded actuarial liability component of teacher retirement, retired teachers' health insurance and retired teachers' life insurance is 52.02% in fiscal year 2018. 2017 Chapter 284 meets the requirement initially established by 2013 Chapter 368 that the State must begin increasing the state share percentage of the funding for the cost of essential programs and services by at least one percentage point per year over the percentage of the previous year until the state share percentage of the total cost of funding public education kindergarten to grade 12 reaches 55%. An additional one-time transfer of $5 million in each year from the General Fund to the Fund for Efficient Delivery of Educational Services continues to support the goals towards local and regional initiatives to improve educational opportunity and student achievement. Finally, the 2018-2019 biennial budget requires the Commissioner of Education to review models for state support for direct instruction and equitable teacher compensation, review other components of the school funding formula and review system administration allocations, reporting findings and recommendations to the Legislature's Joint Standing Committee on Education and Cultural Affairs beginning in January of 2019.

The State's cost of K-12 Education fiscal year 2019 contribution is appropriated at $1,296,846,278 in 2017 Chapter 284, an increase of $84,465,354 or 7.0%, as compared to the fiscal year 2018 contribution. The State's contribution towards the total cost of education including the unfunded actuarial liability component of teacher retirement, retired teachers' health insurance and retired teachers' life insurance is 53.02% in fiscal year 2019. LD 1869, An Act To Establish the Total Cost of Education and the State and Local Contributions to Education for Fiscal Year 2019 and To Provide That Employees of School Management and Leadership Centers Are Eligible To Participate in the Maine Public Employees Retirement System sets forth the details of the total cost of funding public education from kindergarten to grade 12 for fiscal year 2019, as required by MRSA 20-A, section 15689-E. This bill also provides that employees of school management and leadership centers established under MRSA 20-A, chapter 123 are eligible to participate in the Maine Public Employees Retirement System. This bill is carried over to any special session of the 128th Legislature pursuant to Joint Order SP 748. Until detailed appropriations were enacted in fiscal year 2019, the Department of Education was basing school subsidies on estimates issued earlier in the fiscal year. A number of enacted changes in 2017 Chapter 284 have resulted in a notable increase in funding to education and resulted in targeting more funds towards classroom expenditures. The repeal of the Operating Transition percentage in MRSA 20-A, section 15671 increased the transition percentage from 97 percent to 100 percent providing over $42 million in increased funding for education. In addition, modification of the provisions funding for special education have added over $30 million. An additional $10 million has been directed to new and expanding preschool programs. Finally, the change in the Student to Teacher ratio for new early childhood programs from 17:1 to 15:1 requires a funding increase of over $8 million. On July 8th, 2018, LD 1869 was passed into law without the Governor's signature (Public Law Chapter 446) as an emergency law which established the state and local contributions for education for fiscal year 2019. The fiscal impact of the bill was provided through General Fund appropriations and other special revenue fund allocations enacted in the original 2018-2019 biennial budget, 2017 Chapter 284. The bill did not provide employees of school management and leadership centers eligibility to participate in the Maine Public Retirement System. Another measure, PL 2017, Chapter 460, provides one-time funding for a budgetary shortfall of $3.7 million in fiscal year 2019 for Child Development Services. A task force is also created to study the short-term and long-term costs and benefits of the Department of Education's proposed plan to restructure the Child Development Services system, with a report due in December of 2018.

Health and Human Services Funding

After education, proposed spending for health and human services and programs comprise the second most significant area of expenditure, at approximately $2.34 billion or 33.16% of General Fund appropriations for the 2018-2019 biennium. Furthermore, General Fund expenditures for the State's Medicaid program, MaineCare, are the largest, comprising $1.58 billion or 67.31%, of all health and human services spending. The State continues to make significant efforts to hold down the rate of increase in the growth of MaineCare expenditures. While remaining committed to provide access to care for the State's most vulnerable residents, the State is employing even more aggressive care management techniques, continues to standardize provider reimbursement rates and has developed more capacity in the area of third party recovery.

Prior to fiscal year 2014, the State had accrued a liability to hospitals for Medicaid services provided by such hospitals with the use of a Prospective Interim Payment methodology. In the 2012-2013 budget, Maine transitioned from the Prospective Interim Payment system to methodologies based on Diagnosed Related Groupings and Ambulatory Payment Classifications, which pays Maine's noncritical access hospitals on a real-time basis, based on claims. As of June 30, 2012, the aggregate liability totaled approximately $484.4 million, of which $186.3 million was the State share, with the balance expected to be paid on or after October 1, 2013 by the federal government as its federal match. On June 14, 2013, the Governor signed into law Public Laws of Maine 2013, chapter 269, An Act to Strengthen Maine's Hospitals and to Provide for a New Spirits Contract. This law authorized the Maine Municipal Bond Bank to issue up to $187.0 million of revenue bonds, the proceeds of which were used, together with federal moneys, to satisfy this obligation to the hospitals. The bonds are payable from moneys to be received in connection with an agreement for certain wholesale liquor activities. Payments to settle the debts owed to hospitals were made in September 2013. Other than settlement obligations that may arise during the normal course of operations during any one fiscal year, there are no further long-term obligations outstanding.

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

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

Public Laws of Maine 2015, chapter 16 ("2015 Chapter 16") contained adjustments to the fiscal year 2015 budget. This included funding to address both the physical environment at Riverview Psychiatric Center and personnel needs by establishing 29 new positions. The Department requested this funding to assist in regaining certification from the Centers for Medicare and Medicaid Services. This bill also contained funding to replace expiring federal funds that support enhanced payments for primary care physicians, as implemented by the Affordable Care Act. Public Law 2013, Chapter 595 modified the timing of MaineCare payments to providers resulting in a reduction in General Fund appropriation of $20 million. As set forth in the language enacting the reduction in Chapter 595, the department reported to the Appropriations Committee in September of 2014 the potential negative impact on certain provider groups. As a result, Chapter 16 restored the $20 million and did not require the modification of the timing of MaineCare payments. Additionally, $4 million was provided to repay the federal government for a portion of an audit finding included in the federal Department of Health and Human Services, Office of Inspector General report.

The Governor's 2016-2017 biennial budget recommendation, LD 1019, outlined the key priorities of the Department for that biennium. The Department requested funding to eliminate waitlists for home and community based services and for nursing home facilities. The Department also requested funding for Health Homes for individuals with Stage A and Stage B conditions as well as reimbursement for primary care physicians due to a loss in federal funding under the Affordable Care Act. Additionally, the Department requested funding for core services under the Consent Decree including funding the Bridging Rental Assistance Program (BRAP) specifically for Consent Decree clients. The Governor's recommendation included offsets that proposed to align the current Federal Poverty Level standard to the federal minimum standard in the Medicare Savings Program for projected savings of $20 million in each fiscal year and standardize rates between hospital and non-hospital compensated physicians of $5 million in each fiscal year. The recommendation also included rate adjustments for medication management, to provide consistency with other sections of policy and outpatient services, a total savings of $7 million in each fiscal year. Finally, the Governor's recommendation included initiatives to reform payments to municipalities for the General Assistance program, of $5 million in each fiscal year and the elimination of 100 vacant positions in the Department of Health and Human Services, of $2 million in General Fund savings in each fiscal year.

2015 Chapter 267 includes compromise funding of key priorities of the Department of Health and Human Services. The enacted bill continues to provide an additional $2.9 million per fiscal year for the ongoing reimbursement of primary care physicians replacing expiring federal funds under the Affordable Care Act. Ongoing funding is provided to reduce waitlists for home and community based services for members with intellectual disabilities or autistic disorder, adults with brain injuries and other related conditions. Additional funds are included for cost of living adjustments for nursing homes, $8 million per fiscal year and private non-medical facilities, $3.2 million in each fiscal year as well. The Governor's recommendations were accepted to offset a reduction in disproportionate share payments based on the amount of available funding utilizing the historic levels of uncompensated care and the hospital specific limit of $1.9 million per fiscal year and to provide General Fund support for Riverview Psychiatric Hospital's recertification efforts for forensic consumers who the courts determine to be not criminally responsible, who may no longer meet the clinical level of care for residential treatment, but are in the care and custody of the Commissioner of Health and Human Services, of $1.4 million per fiscal year. Additional funding for the Riverview also includes funds for additional staffing, as passed in 2015 Chapter 16 and other planned costs as set forth in both a formal external assessment of hospital operations and preliminary long range planning documents from the Department. Funding totaling $7 million per fiscal year for core services under the Consent Decree for the Bridging Rental Assistance Program (BRAP) specifically for Consent Decree clients is also provided in the bill as requested by the Governor. Finally, funding for key provisions of welfare reform legislation that proposed additional assistance intended to reward work by families receiving public assistance and promote financial literacy and healthy savings habits of those families is also included. Material offsets include savings to the Department's baseline budget from the projected increase in both the regular (current rate of 61.88% to new rate of 62.67%) and federal CHIP enhanced (current rate of 73.32% to new rate of 96.87%) FMAP for Federal Fiscal Year 2016, continuation of a Department-wide General Fund savings requirement, elimination of positions, and savings from changes in reimbursement of nonemergency use of emergency services to an office rate.

Public Laws of Maine 2015, chapter 484 ("2015 Chapter 484"), An Act to Improve the Integrity of Maine's Welfare Programs, prevents recipients from Temporary Assistance for Needy Families from expending funds on such items as tobacco, gambling, liquor, lotteries, bail and others. As put forward the Department convened a working group to discuss technology requirements that includes retailers in the State. Public Laws of Maine 2015, chapter 505 ("2015 Chapter 505") increases wages $2 and $4 per hour to selected positions based on recruitment and retention challenges at the State's psychiatric hospitals.

On January 6, 2017, upon the release of the Governor's proposed supplemental and final biennial budget, the Department of Health and Human Services did not have any requests for funding in the Governor's supplemental proposal for fiscal year 2017. One-time funding for the establishment of Opioid Health Homes was included resulting from a collaborative effort between the Governor and the Legislature. In the Governor's recommended 2018-2019 biennial budget, the Department of Health and Human Services was able to support more than $30 million in new funding requirements driven by federal mandates, including increased Medicare Part B and Part D costs as well as an increased Medicaid rate for Federally Qualified Health Centers (FQHC). Additionally, through a variety of strategic and operational initiatives, the Department continues to employ, the Department is forecasting the ability to continue to offset increasing costs in areas such as long term care and pharmacy costs in the upcoming 2018-19 biennium. The Department continues to focus on Maine's neediest and most vulnerable, putting forward spending priorities to eliminate the wait list for Section 29 (MaineCare Benefits Manual, support services for adults with intellectual disabilities or pervasive developmental disorders) of $12.2 million. Ongoing welfare reform efforts include a reduction in the time limits for the state's Temporary Assistance for Needy Families (TANF) program from 60 months to 36 months, the alignment of services for legal noncitizens to the federal standards, the elimination of the General Assistance program producing savings of $12.1 million and the removal of Good Cause Exemptions, with the provision remaining for Domestic Violence, initiatives directed towards the overarching goal of promoting independence and self-sufficiency to help put Mainers back to work.

The May 2017 Governor's Change Package to the 2018-2019 biennial budget recommended an adjustment to continue the State's contract for the Tobacco Help Line and associated pharmacy contract benefit at a cost of $2.26 million per year in the Fund for a Healthy Maine. Additionally, the Governor's Change Package included updates of estimates of savings for State-funded Cash Benefits, State-funded

Temporary Assistance for Needy Families Benefit and State-funded Supplemental Nutrition Assistance Program benefits to non-citizens who do not meet federal eligibility requirements, to a total savings of \$2.26 million in fiscal year 2018 and \$2.96 million in fiscal year 2019. Finally, the Governor's Change Package withdrew the original recommendation to repeal the Maine Rx Plus Program, which lowers the price of prescription drugs for Maine citizens with incomes up to 350% of the Federal Poverty Level.

During the 128th First Regular Session in 2017 other spending bills had been set aside and placed on the Special Appropriations Table, including several requesting General Fund appropriations for the Department of Health and Human Services. The bills sought funding for various services, including dental services for adults with intellectual disabilities or autistic disorder, opiate addiction treatment access, recalculation of rates for services for persons with disabilities, increases for certain chiropractic reimbursement rates and brain injury services under MaineCare, and funding for the waiting list for home and community based benefits for members with intellectual disabilities or autistic disorder. In addition, the Department prepared for a full survey of the Riverview Psychiatric Hospital during calendar year 2017, to regain compliance with Medicare Conditions of Participation that expired beginning September 2, 2013. As of May of 2017, the Department released a qualification for the construction of a Secure Forensic Rehabilitation Facility and a request for proposal for services within the facility to be located in Bangor, Maine. By letter dated June 7, 2017, the Department was notified of disallowance related to Riverview Psychiatric Hospital from the Associate Regional Administrator of the Division of Medicaid and Children's Health Operations, Boston Regional Office, for the amounts in federal financial participation (FFP) for Medicaid services and for disproportionate share hospital (DSH) payments claimed for the quarters ending December 31, 2013 through March 31, 2017, a total of \$68,570 and \$51,008,060, respectively, that would need to be repaid to the federal government, if this disallowance stands. State officials are reviewing options for reconsideration or an appeal of this decision. The Governor has alerted the Appropriations and Financial Affairs Committee of the Legislature of the receipt of the notice of disallowance. This matter did not affect fiscal 2017 financial results and various options are available to address any final determination of liability. The State cannot now predict the outcome of this matter. 2017 Chapter 284 sets aside a reserve of \$65 million in the Maine Budget Stabilization Fund to support the Department as it moves through the appeals process with the Centers for Medicare and Medicaid Services for the initial disallowance of approximately \$51 million in federal funds that has been drawn since the determination that the Riverview Psychiatric Center was not compliant with the Medicare Conditions of Participation, which began in December of 2013. The reserve also provides funding to support drawdown of current disproportionate share federal funds, of an estimated \$3.5 million per quarter until Riverview Psychiatric Center becomes certified. The Department has recently been notified by the Centers for Medicare and Medicaid Services that it is no longer able to draw disproportionate share federal funds for the facility. As of June 30, 2018, the total amount of federal funds at issue was \$68.6 million, with each future quarter adding approximately \$3.5 million.

2017 Chapter 284 also included additional one-time appropriations of \$14.2 million in fiscal year 2018 to address wage costs increasing reimbursement rates for certain services for home-based and community-based care for individuals with intellectual disabilities or autism spectrum disorder. The Legislature adopted the Governor's proposals with respect to rebasing the hospital tax year from 2012 to 2014 and additional funding of \$2.5 million in each year for supplemental hospital pool payments. Finally, a compromise welfare reform package was agreed upon that will adopt into the law the requirements for the Department of Health and Human Services to place photographs on electronic benefit cards, restrict the number of replacement cards issued, provide for verification of the integrity of reported information by applicants for public assistance, provide restrictions for those convicted of certain crimes that are not in compliance with the terms of sentencing or parole and restrict those that receive \$5,000 of lottery winnings in one calendar month from receiving certain benefits until financial eligibility is re-established. The welfare reforms also allow the consideration of the job outlook for individuals pursuing any degree or certification under the Temporary Assistance for Needy Family program (TANF). The changes remove from the "good cause" provisions from participation in the Additional Support for People in Retraining and Employment program, lack of transportation, if the individual has regular access through the Department. New reporting requirements to the Legislature are established as well for the Department of Health and Human Services on welfare fraud, provider contracts, grant funding, out of state travel costs, spending in the MaineCare, TANF, statewide food supplement and municipal general assistance programs. Finally, beginning in fiscal year 2018, the Department of Health and Human Services is directed to provide increased benefits to provide heating assistance in the amount of $3 million annually, a 20% increase in the monthly TANF maximum benefit, based on payments made on January 1, 2017 and establish a new program, Working Cars for Working Families, directing the Department to allocate $6 million per year through fiscal year 2022 for the program from TANF block grant funds.

In November of 2017, Maine voters approved LD 1039, An Act To Enhance Access to Affordable Health Care, expanding Maine's Medicaid program, MaineCare, to provide healthcare coverage for qualified adults under age 65 with incomes at or below 138 percent of the Federal Poverty Level. The new law requires the Department of Health and Human Services to submit a state plan amendment within 90 days of the effective date of the measure and implement the expansion within 180 days of the effective date of the measure. The new law did not formally include any additional appropriations or allocations to support the implementation. The fiscal note that accompanied the bill estimated net annual appropriations required of $54.5 million after a projected $27 million in estimated General Fund savings in other State programs. The Joint Standing Committee on Appropriations and Financial Affairs met in early December 2017 for a briefing by the Legislature's Fiscal Office staff on the projected fiscal impact of the implementation of the new law. In May of 2018, LD 837, An Act to Provide Supplemental Appropriations and Allocations for the Operations of State Government established 103 positions in the office for family independence in the Department of Health and Human Services to handle increased workload due to the expansion of eligibility for MaineCare. Additionally, the bill included one-time funding for technology updates and testing for the department's Maine Integrated Health Management Solution website. As this bill was not finally enacted, this bill may be carried over to any special session of the 128th Legislature in 2018 pursuant to Joint Order SP 748. At the end of April 2018, Maine Equal Justice Partners, Consumers for Affordable Health Care and a number of individuals filed a petition in Maine Superior Court seeking to compel the Department of Health and Human Services to submit the required state plan amendment and commence rule-making to ensure individuals are enrolled for services available under the approved Law. On June 4, 2018 the Maine Superior Court issued an order directing the Commissioner of the Maine Department of Health and Human Services to submit a state plan amendment to the United States Department of Health and Human Services, Centers for Medicare and Medicaid Services by June 11, 2018. The State appealed the decision to the Law Court and requested a stay of the order. On June 11, the Law Court remanded the matter to the Superior Court to determine the immediate enforceability of the court's order pending appeal or for any stay or injunction pending appeal. The Superior Court affirmed its earlier decision and the State again asked the Law Court to issue a stay. A stay was issued on June 2, 2018. The Law Court heard arguments on July 18, 2018 but no decision has yet been rendered.

On June 20, 2018, LD 837 as amended, was passed to be engrossed and sent to the Governor. The amended version also included the establishment of a MaineCare Expansion Fund for the 2018-2019 biennium only to be used to fund expansion in addition to the other Department funds available. A transfer from the General Fund unappropriated surplus of $31,159,210 was directed to be made within ten days of the effective date of the Act to the MaineCare Expansion fund. The funds were to be used exclusively for the expansion of Medicaid as enacted by the Initiated Bill 2017, Chapter 1, "An Act To Enhance Access to Affordable Health Care." Any money remaining in the MaineCare Expansion Fund would lapse to the General Fund unappropriated surplus on June 30, 2019. In addition, the bill provided for a second transfer of funding to the MaineCare program from the Fund for a Healthy Maine by the Governor, upon the request of the Commissioner of Health and Human Services in consultation with the State Budget Officer. On July 2, 2018 the Governor vetoed the bill and the veto was sustained by the Legislature. The expected effective date for Medicaid expansion was July 2, 2018, but it has not been implemented and is the subject of litigation as explained above. The Department has updated its cost estimate and is now projecting a cost of $82.3 million in the 2018-2019 biennium and $180.1 million in the 2020-2021 biennium.

2017 Chapter 409, LD 1719, An Act to Implement a Regulatory Structure for Adult Use Marijuana, transitions the administration and enforcement of the Maine Medical Use of Marijuana Act from the Department of Health and Human Services (DHHS) to the Department of Administrative and Financial Services (DAFS). The bill includes net deallocations to DHHS of $1,056,295 beginning in fiscal 2019 for the transfer from the Medical Use of Marijuana Fund within the Department of Health and Human Services to the Medical Use of Marijuana Fund within the Department of Administrative and Financial Services. $140,751 is appropriated to the Maternal and Child Health Block Grant Match program in DHHS to restore 1.2 Public Service Coordinator II positions and $29,636 is allocated to the Maine Center for Disease Control and Prevention to restore 0.5 Office Assistant II positions that are moving with the Medical Use of Marijuana Fund as it moves to DAFS.

On July 9, 2018, Public Law 2017 Chapter 459 ("2017 Chapter 459") extended rate increases provided in 2017 Chapter 284, Part MMMMMMM to MaineCare member adults with intellectual disabilities or autism to fiscal year 2019 and ongoing, providing General Fund appropriations beginning in fiscal year 2019 of $22.8 million, for certain services for home-based and community-based care, including shared living and family-centered support. The law also directs the Department of Health and Human Services to conduct a substantive rate review of these rates as they apply to adults with intellectual disabilities or autism, including public comment every two years. In addition, 2017 Chapter 459 provides General Fund appropriations of $3.7 million beginning in fiscal year 2019 increasing reimbursement rates provided under consumer directed services, home and community based services for the elderly and adults with disabilities, private duty nursing and in-home and community based services for the elderly and other adults. Public Law 2017 Chapter 460 includes General Fund appropriations of $5.2 million beginning in fiscal year 2019 to add up to 50 additional members each month beginning in October 2018 up to a total of 300 members for the waiting lists related to MaineCare member adults with intellectual disabilities or autistic disorder. This law also provides General Fund appropriations of $11.1 million for rate increases in nursing and other related residential facilities. The law creates a commission to study long-term care workforce issues with a report due in November of 2018 including findings and recommendations for training, recruitment and retention of direct care workers. In addition, this law provides General Fund appropriations of $2.8 million for the establishment and increase of existing reimbursement rates for children's habilitative services, $6.1 million to ensure a net increase in funding of 2 percent over rates in 2009 specifically related to wages and benefits for employee of those providers such as targeted case services, allowances for community support services, developmental and behavorial clinic services and other related services. This also funds a 15 percent rate increase for, among other matters , evidence-based treatment through a hub-and-spoke model for opioid use disorder of $6.7 million, with a report due on February 1, 2019 on the progress and implementation, and a one-time 20% increase in outpatient psychosocial treatments for children that includes a directive to conduct a rate study and report to the Legislature by January 2019.

Debts of the State

As of June 30, 2018, there were (unaudited) outstanding general obligation bonds of the State in the principal amount of $376,115,000, including $353,795,000 to be paid from the General Fund and $22,320,000 to be paid from the Highway Fund. As of June 30, 2018, the State has no outstanding bond anticipation notes. Debt service requirements to maturity for the outstanding general obligation bonds are set forth in Appendix D herein.

As of June 30, 2018, there are no outstanding tax anticipation notes of the State. As of June 30, 2018, the State had $54,500,000 in interfund borrowing from the State investment pool. The State plans to continue using internal cash borrowing to fund capital projects in subsequent fiscal years. There was no external borrowing in fiscal year 2018. The amount budgeted to be borrowed externally in fiscal year 2019 is not currently expected to exceed $150,000,000. If external borrowing is required, a combination of bond anticipation notes and a proposed line of credit could be used. The timing and amount of any such borrowings will depend upon the actual cash flow needs of the State.

As of June 30, 2018, there is indebtedness authorized by the voters of the State for certain purposes, but unissued as either bonds or notes, in the aggregate principal amount of $190,208,697. As of June 30, 2018, the aggregate principal amount of bonds of the State authorized by the Constitution and implementing legislation for certain purposes, but unissued, is $101,000,000. See "Fiscal Management – Constitutional Debt Limit" and "Certain Public Instrumentalities – Finance Authority of Maine" and "– Maine State Housing Authority" herein.

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

Lease Financing Agreements

From time to time, the State enters into lease agreements for the purpose of acquiring or financing capital equipment and buildings. A lease agreement is secured solely by the equipment or building which is the subject of such agreement and is not a pledge of the full faith and credit of the State. Lease payment obligations are subject to appropriation by the Legislature. In certain instances, the State has issued certificates of participation in the lease payments to be made pursuant to certain lease agreements. As of June 30, 2018, the unaudited aggregate principal amount of such lease obligations outstanding was $72,345,726. For additional information regarding such lease agreements, see Appendix D hereto. For information regarding rental payments to be made by the State, subject to appropriation, to the Maine Governmental Facilities Authority, see "CERTAIN PUBLIC INSTRUMENTALITIES - Maine Governmental Facilities Authority."

Defined Benefit Retirement Programs

Overview. The Maine Public Employees Retirement System ("MainePERS" or "System") administers three defined benefit pension plans (often referred to as "Programs") on behalf of the State with approximately the following membership as of June 30, 2017: the State Employee and Teacher Retirement Program, with 39,836 active, 38,463 inactive non-vested, 8,010 terminated vested and 34,870 retired members and surviving beneficiaries; the Judicial Retirement Program, with 63 active, 1 inactive non-vested, 2 terminated vested and 75 retired members and surviving beneficiaries; and the Legislative Retirement Program, with 185 active, 110 inactive non-vested, 120 terminated vested and 185 retired members and surviving beneficiaries (collectively "State Plans"). In addition, MainePERS administers the Participating Local District Consolidated Plan on behalf of 300 participating state and local public entities ("PLDs"). The System also administers a group life insurance plan which provides or makes available life insurance benefits for active and retired System members and employees of certain PLDs. As of June 30, 2017, the System's group life insurance plan, for actuarial purposes, was comprised of approximately 31,224 active members and 18,212 retirees, which includes 5,416 PLD active members and 2,671 PLD retirees and surviving beneficiaries. A full actuarial valuation of the group life insurance program is done on a biennial basis, the most recent as of June 30, 2016. Therefore, the June 30, 2016 participation counts were carried forward into the June 30, 2017 valuation that was completed for disclosure purposes. The next full valuation will be completed as of June 30, 2018. The State has no retirement or group life insurance obligations to the PLDs or to their covered employees. The trust fund balances associated with each plan administered by MainePERS are segregated. The funds are commingled only for investment purposes. The administrative operating expenses of the System are charged against each trust fund balance as directed by statute and in accordance with generally accepted accounting standards. The budgeted administrative operating expenses of the System for fiscal year 2019 are $14,702,588, as compared to $13,905,820 for fiscal year 2018.

The System's retirement programs provide defined retirement benefits based on members' three-year average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten-year requirement was reduced by legislative action to five years for state employees and teachers; separate legislation enacted the same reduced requirement for judges, legislators, and employees of PLDs). Vesting also occurs upon the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for "regular service retirement plan" State employees and teachers, judges and legislative members is age 60, 62 or 65[3]. The normal retirement age is determined based upon the amount of service to which a member is credited as of a specific date. For "regular service retirement plan" PLD members, normal retirement age is 60 or 65, depending upon when plan membership commenced. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by statute for State employees and teacher members and by contract with other participating employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts has been set by the System's Board of Trustees at the 10-year US Treasury Bond yield at the end of the prior calendar year, currently 2.40%. Employer contributions for terminated members are not refunded and remain assets of the applicable plan.

Other Available Information

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

- Comprehensive Annual Financial Report of the System for the fiscal year ended June 30, 2017 available at http://www.mainepers.org/PDFs/CAFRS/CAFR17.pdf.
- Actuarial Valuation Report for each of the retirement programs administered by the System as of June 30, 2017 available at http://www.mainepers.org/bonds.htm.
- Final Report of the State Employee and Teacher Retirement Program experience study, dated June 30, 2015 available at http://www.mainepers.org/PDFs/Bonds/MainePERS%20Experience%20Study%20Report%202015%20FINAL.pdf.
- "New Pension Plan Design and Implementation Plan" dated March 2012 prepared by the New Pension Plan Working Group available at http://www.mainepers.org/Pensions/NPP_Report_3-5-2012.pdf.

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

- New Pension Plan proposed legislation and plan document submitted to the Joint Standing Committee on Appropriations and Financial Affairs on January 15, 2013 available at http://www.mainepers.org/Pensions/NPPI%20Package%2001172013.pdf.
- New State/Teacher Retirement Plan Report to the Legislature, "New State/Teacher Plan 2 Proposed Legislation and Implementation Plan" submitted to the Joint Standing Committee on Appropriations and Financial Affairs on May 6, 2013 available at http://www.mainepers.org/Pensions/NPP%20Report%20Final%2005072013.pdf.
- New State/Teacher Retirement Plan Report to the Legislature, "State/Teacher Plan Review" submitted to the Joint Standing Committee on Appropriations and Financial Affairs on April 9, 2018 available at http://www.mainepers.org/bonds.htm.

For additional information about the System contained in this Information Statement, see also Note 9 and Required Supplementary Information in the State's financial statements on pages B-60 – B-65 and B-101 – B-103 herein and "Appendix E – Maine Public Employees Retirement System Actuarial Balance Sheet, June 30, 2017".

Funding Policy and Status

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

Normal Costs - the present value of future pension benefits earned by employees in the current year. Normal costs are based on each year's projected annual collective employee earnings. Based on the rate-setting process as described below in the **Unfunded Actuarial Accrued Liability (UAAL)** section of this document, the State's share of normal cost for the 2018-2019 biennium was projected to be $62,219,068. The State's share of the normal cost for the 2020-2021 biennium is projected to be $65,657,512. Most State employees and teachers are required by statute to contribute 7.65% of their earnings. As previously noted, some State employees may pay a higher rate as a result of participation in a so-called "special plan", which typically permit a member to retire younger or with fewer years of service. Other State employees may pay a lesser rate as a result of a collective bargaining agreement or other arrangement with the State.

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

State Employee and Teacher Retirement Program annual and/or biennial costs are defined as those normal and UAAL costs required by State law and the Maine Constitution to fund the plan. The State's employer normal cost contributions, along with current member contributions, support benefits currently being earned by active members. The State's unfunded actuarial accrued liability (UAAL) contribution is a payment on the amortized debt that represents the liability for benefits in excess of the amount supported by assets of the System. The Maine Constitution requires that the June 30, 1996 UAAL be fully funded in not more than 31 years from July 1, 1997. In addition, the Maine Constitution requires that unfunded liabilities resulting from experience losses must be retired over an established maximum number of years. The original period of not to exceed 10 years was changed to not to exceed 20 years by a Constitutional Amendment passed in November 2017.

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

The State appropriates funding for pension costs associated with the State Plans, covering all State employees and teachers, legislators and judges. Retirement, disability and death benefits provided by the System are funded by employee contributions as set by statute and by employer contributions determined on an actuarial basis. An actuarial valuation is prepared annually and the valuation completed in the even year for each of the state's three defined benefit plans is used to determine the State's employer contribution requirements for the ensuing biennium. For example, the valuation as of June 30, 2016 was used to set contributions for the 2018-2019 biennium, and a roll forward projection of the valuation as of June 30, 2018 was used to establish the contributions to be made in the 2020-2021 biennium.

For State employees and teachers, the State's actuarially determined contribution (the "ADC"), previously referred to as the annual required contribution (the "ARC"), is comprised of the normal cost contribution plus the payment required to amortize the State Employee and Teacher Retirement Program's UAAL. As of June 30, 2017, the actuarial value of assets of the State Employee and Teacher Retirement Program (which does not include members of the judicial and legislative programs) was $10,904,082,221 and the actuarial accrued liability was $13,484,886,512 resulting in a UAAL of $2,580,804,291 and a funded ratio of 80.9%. The State is obligated under an amendment to the Maine Constitution adopted in 1995 to amortize the UAAL of the State Employee and Teacher Retirement Program as of June 30, 1996 by no later than the end of fiscal year 2028. As of June 30, 2017, 11 years remained in the current, constitutionally mandated amortization period for the unfunded liability of the State Employee and Teacher Retirement Program. The Maine Constitution also prohibits the creation of new unfunded liabilities other than those arising from experience losses. Any such liabilities are required to be amortized within 20 years. The constitutional requirement does not apply to the Legislative Retirement Program or the Judicial Retirement Program. MainePERS monitors all relevant proposed bills to ensure continued compliance with the constitutional requirement.

The judicial retirement plan had an actuarial surplus of $1,776,086 at June 30, 2017. The legislative retirement plan had an actuarial surplus of $3,744,699 at June 30, 2017.

The ADC determined for the 2018-2019 biennial budget was based upon an estimate of the assets and liabilities as of June 30, 2016. The estimated assets included the June 30, 2016 assets (at market value), except that the private market values were based on the March 31, 2016 value, with a projection of total cash flows for the year. The liabilities included the June 30, 2015 liabilities, rolled forward based on projected actuarial assumptions for fiscal year 2016. This process allows the System to provide employer contribution rates to the State as early as possible in the biennial budget process. This same methodology was used to determine the ADC for the 2020-2021 biennial budget, with a minor modification to include an estimate of private market values at June 30, 2018. The amount paid by the State in fiscal years 2017 and 2018 was $273,600,000 and $298,115,000 (estimated), respectively. The amounts projected to be paid by the State, using the rate-setting process as described above, in fiscal years 2019, 2020 and 2021 are $306,392,000; $332,651,000; and $341,797,000, respectively.

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

Valuation Date 6/30/YY	Actuarially Determined Contribution	Actual Contribution	Percent Contributed
2017	$273,630,000	$273,630,000	100.0%
2016	257,620,000	257,620,000	100.0
2015	264,812,000	264,812,000	100.0
2014	264,275,000	264,275,000	100.0
2013	264,381,000	264,381,000	100.0
2012	252,830,000	252,830,000	100.0
2011	328,075,000	333,944,000	101.8
2010	317,992,000	329,207,000	103.5
2009	320,112,000	320,112,000	100.0
2008	305,361,000	305,361,000	100.0
2007	303,076,000	303,075,774	100.0
2006	286,439,000	303,438,610	106.0
2005	261,698,000	274,697,901	105.0
2004	251,483,000	273,482,848	108.8
2003	252,709,000	263,209,148	104.2
2002	242,486,000	242,486,089	100.0

As of June 30, 2017, the State reported a net pension liability ("NPL") of $2,950,284,000 for the State Employee and Teacher Plan and Judicial Plan. The State reported a net pension asset ("NPA") of $3,127,000 for the Legislative Plan. The NPL or NPA is calculated as the difference between the total pension liability ("TPL") and the market value of assets held by the Plan. The NPL was calculated using a discount rate of 6.875%%. If the discount rate used was one percentage point lower or one percentage higher, the collective net pension liability of the State plans, measured as of June 30, 2016 for fiscal year 2017, would have been $4.67 billion or $1.67 billion, respectively. GASB Statement No. 68 replaced Statement No. 27 and now requires the NPL to be reported rather than the Net Pension Obligation ("NPO") required by Statement No. 27. The NPO was the cumulative difference between the annual pension cost and the employer's contributions to the plan, adjusted for interest and the effect of the actuarial amortization of past under- or over-contributions.

The following table sets forth a projection of the contributions expected to be made by the State to pay both the normal cost and to amortize the UAAL of the State Employee and Teacher Retirement Program for the period from fiscal year 2018 through fiscal year 2028. The dollar amounts (expressed as millions) are shown both as future year dollars and current year dollars (discounted at a 2.75% rate). The amounts shown in the table below include the results of the most recently completed actuarial valuation, which was as of June 30, 2016. The table will be updated upon completion of the June 30, 2018 actuarial valuation, and at that time will reflect the required contributions established for the 2020-2021 biennium.

Projected Contributions

Fiscal Year	Normal Cost future dollars*	Normal Cost current dollars*	UAL Cost future dollars*	UAL Cost current dollars*	Total Cost future dollars*	Total Cost current dollars*
2018	$78	$76	$272	$265	$350	$341
2019	79	75	280	265	359	340
2020	81	75	329	303	410	378
2021	83	74	338	303	421	377
2022	85	74	391	342	476	416
2023	87	74	392	333	479	407
2024	89	73	426	352	514	425
2025	91	73	486	391	577	464
2026	93	73	515	404	608	477
2027	95	72	469	358	564	430
2028	97	72	451	334	548	406

*All costs in millions.

The amounts in the preceding table are based on projections derived from the 2016 actuarial assumptions and other information then known to the State and the System. The actual amounts required to be contributed by the State in the future will likely differ from these amounts and, depending upon actual circumstances, such differences may be substantial. The actual contributions to be made by the State for any future fiscal year, including the amount required to amortize the then UAAL, will be based upon actual investment results and other factors as they occur in the future and the applicable actuarial valuation used to certify the contribution rates for such year and will reflect all actuarial assumptions and circumstances then in effect. The State cannot predict with certainty what the actual dollar amount of required contributions to the System will be for fiscal years beyond fiscal year 2021.

Pursuant to 2013 Chapter 368, beginning in fiscal year 2013-14, the employer normal cost for teacher members must be paid by local school administrative units. Those costs were previously paid by the State. The amount paid by the local school administrative units was $46,722,000 in fiscal year 2017. Based on the 2016 projections used to establish pension costs for fiscal years 2018 and 2019, the employer normal cost was projected to be $48,234,100 in fiscal year 2018 and $49,561,600 in fiscal year 2019. The amount of employer normal cost paid will be based on actual payroll. The State continues to pay the employer unfunded liability costs for teacher members.

Actuarial Assumption Changes. State law provides that at least once in each six-year period, the System's actuary is to make an investigation into account program demographics and changes in program demographics, employment patterns and projections, relevant economic measures and expectations and other factors that the Board or actuary considers significant. The actuary must also make recommendations for certain modifications of the actuarial assumptions, as needed. The System conducted an experience study in 2016, which has resulted in the adoption of different assumptions, as described below. The final report of the most recent experience study, is available at http://www.mainepers.org/bonds.htm.

In June 2018, the MainePERS Board of Trustees approved a reduction in the discount rate assumption from 6.875% to 6.75%. The impact of the reduction in the discount rate was estimated to increase the UAAL by approximately $193 million.

The impact of the Constitutional Amendment passed in November 2017 to change the period over which experience losses are amortized from 10 to 20 years was a decrease in the required contributions for the 2020-2021 biennium of approximately $29.1 million. The impact of the reduction in the discount rate was an increase in the required contributions for the 2020-2021 biennium of approximately $40.6 million. The net impact of these changes was an increase in the required contributions for the 2020-2021 biennium of approximately $11.5 million.

Actuarial Valuation. By State law, the System's assets and liabilities are calculated annually by the System's actuaries. Each even year's valuation serves as the basis for the State's ADC in the biennium that begins two years from the date of the valuation. This report is delivered to the State in late October and contains an actuarial valuation of the plans administered by the System as of the end of the most recent fiscal year and sets out the ADC for the upcoming biennium. The report also includes, for each plan, a description of the actuarial assumptions and methods used, a brief summary of the principal plan provisions and a summary of member data. The actuarial reports for the fiscal year ended June 30, 2017 (the most recently completed actuarial reports) are incorporated by reference herein and are available at http://www.mainepers.org/bonds.htm ("2017 Valuations").

The actuarial valuation calculates the actuarial accrued liability for each of the defined benefit plans, which represents the present value of benefits the System will pay to its retired members and active members upon retirement, based on certain demographic and economic assumptions. Some examples of these assumptions include an expected rate of return on assets, age of retirement of active members, future salary increases for current employees and assumed mortality rates for retirees and beneficiaries. If the actual experience of a plan differs from these assumptions, the UAAL of the plan may increase or decrease to the extent of any such variance. This could have a resulting impact on the ADC, which may increase or decrease the amount of the State's contribution to the plans.

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

With respect to the expected rate of return of assets, the actual rate of return on investments depends on the performance of its investment portfolio. The value of the securities and other investments in the investment portfolio changes from one fiscal year to the next, which, in turn, causes increases or decreases in the funded ratio of each plan and in the UAAL. For fiscal year 2017, the assumed rate of return was 6.875%. For fiscal year 2017, the actuarial rate of return of the assets was 6.82% as compared to a market rate of return of 12.5%. Information about the System's Investment Program is available at www. mainepers.org/Investments/Investments.htm.

The 2017 Valuation includes an analysis of the impact of both higher and lower actual rates of return, as compared to the current assumed rate of return of 6.875%. If the Programs were to earn 7.875% annual returns, the State's contribution rate would decline from the projected rate in the 2017 Valuation of 20.03% and the unfunded actuarial liability would be paid in full by 2026 rather than 2028. If, however, the Programs were to earn 5.875% annual returns, the contribution rate would rise to about 26% of payroll in order to meet the Constitutional requirement. The UAL (in $ thousands) for the State Employee and Teacher Pension Plan (SETP) at the current discount rate of 6.875% is $3,109,620. If the rate were 1% higher, the UAL (in $ thousands) would be $1,768,101. If the rate were 1% lower, the UAL (in $ thousands) would be $4,714,339.

Again, as noted above, the actual future circumstances will likely vary from those assumed in the 2017 Valuation and thereby result in potentially significantly different required contribution amounts.

The following table sets out the actual rate of investment return as compared to the actuarial assumed rate of return (taking into account the three-year smoothing method described below) for the calendar years 2017 through 1991, inclusive. The estimated return for calendar year 2018 through June is 2.48%.

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Calendar Year	Actual Rate of Investment Return	Actuarial Assumed Rate of Return*
2017	15.80%	6.875%
2016	7.50	6.875
2015	0.10	7.125
2014	5.40	7.125
2013	14.80	7.25
2012	12.86	7.25
2011	0.22	7.25
2010	12.20	7.75
2009	21.50	7.75
2008	-27.60	7.75
2007	9.10	7.75
2006	11.30	7.75
2005	7.70	8.00
2004	13.10	8.00
2003	25.60	8.00
2002	-10.30	8.00
2001	-5.00	8.00
2000	-3.80	8.00
1999	15.30	8.00
1998	15.30	8.00
1997	18.50	8.00
1996	13.50	8.00
1995	25.70	8.00
1994	-0.10	8.00
1993	13.90	8.00
1992	7.20	8.00
1991	23.90	8.50

*Changes effective July 1 of stated year

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

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

State & Teachers							
Valuation date 6/30/YY	Actuarial Accrued Liability	Actuarial Assets	Unfunded Actuarial Liability	Funded Ratio (AVA)	Market Assets	Funded Ratio (MVA)	Actuarial Assets Over Market
2017	$13,484,886,512	$10,904,082,221	$2,580,804,291	80.90%	$10,893,291,864	80.80%	100.10%
2016	13,069,954,948	10,512,524,178	2,557,430,770	80.40	9,960,335,390	76.20	105.60
2015	12,616,287,054	10,375,552,498	2,240,734,556	82.20	10,242,097,022	81.20	101.30
2014	12,320,158,783	10,017,512,006	2,302,646,777	81.31	10,337,615,927	83.90	96.90
2013	11,830,649,882	9,177,749,627	2,652,900,255	77.58	9,091,347,964	76.85	101.00
2012	11,553,306,281	8,880,730,120	2,672,576,161	76.87	8,453,862,754	73.20	105.10
2011	11,281,665,186	8,736,885,121	2,544,780,065	77.44	8,677,947,874	76.90	100.70
2010	12,617,144,005	8,313,459,810	4,303,684,195	65.90	7,239,332,094	57.40	114.80
2009	12,321,219,332	8,325,951,236	3,995,268,096	67.60	6,620,849,642	53.70	125.80
2008	11,668,032,511	8,631,557,629	3,036,474,882	74.00	8,311,970,624	71.20	103.80
2007	11,157,770,138	8,245,520,019	2,912,250,119	73.90	8,668,381,195	77.70	95.10
2006	10,547,299,194	7,504,219,546	3,043,079,648	71.10	7,503,201,781	71.10	100.00
2005	9,999,250,038	6,964,597,457	3,034,652,581	69.70	6,997,802,832	70.00	99.50
2004	9,442,389,399	6,452,570,244	2,989,819,155	68.30	6,280,951,942	66.50	102.70
2003	9,442,389,399	6,452,570,244	2,989,819,155	68.30	6,280,951,942	66.50	102.70

Judicial							
Valuation date 6/30/YY	Actuarial Accrued Liability	Actuarial Assets	Unfunded Actuarial Liability	Funded Ratio (AVA)	Market Assets	Funded Ratio (MVA)	Actuarial Assets Over Market
2017	$65,000,144	$66,776,230	$-1,176,086	102.70%	$66,710,150	108.70%	100.10%
2016	63,721,271	64,265,782	-544,511	100.90	60,890,109	102.20	105.60
2015	58,911,617	57,074,951	1,836,666	96.90	56,340,825	95.60	101.30
2014	54,560,642	55,419,017	-858,375	101.57	57,189,900	104.80	96.90
2013	52,374,785	51,055,251	1,319,534	97.50	50,574,604	96.60	101.00
2012	46,340,678	49,735,004	-3,394,326	107.32	47,344,407	102.20	105.10
2011	47,868,297	49,324,784	-1,456,487	103.00	48,992,049	102.40	100.70
2010	53,149,699	47,677,635	5,472,064	89.70	41,517,520	78.10	114.80
2009	50,543,320	48,478,344	2,064,976	95.90	38,550,289	76.30	125.80
2008	47,634,452	50,418,942	-2,784,490	105.80	48,552,160	101.90	103.80
2007	46,842,351	48,225,053	-1,382,702	103.00	50,698,214	108.20	95.10
2006	43,102,409	44,350,649	-1,248,240	102.90	44,344,633	102.90	100.00
2005	41,804,673	41,842,216	-37,543	100.10	42,041,709	100.60	99.50
2004	36,388,731	39,210,995	-2,822,264	107.80	38,168,105	104.90	102.70
2003	41,931,130	41,842,216	88,914	99.80	42,041,709	100.30	99.50

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Legislative							
Valuation date 6/30/YY	Actuarial Accrued Liability	Actuarial Assets	Unfunded Actuarial Liability	Funded Ratio (AVA)	Market Assets	Funded Ratio (MVA)	Actuarial Assets Over Market
2017	$8,163,310	$11,908,009	$-3,744,699	145.90%	$11,896,225	145.70%	110.10%
2016	7,679,458	11,405,769	-3,726,311	148.50	10,806,661	140.70	105.60
2015	7,558,293	11,219,880	-3,661,587	148.40	11,075,564	146.50	101.30
2014	7,505,193	10,775,701	-3,270,508	143.31	11,120,032	148.20	96.90
2013	6,872,614	9,771,955	-2,899,341	142.20	9,679,959	140.90	101.00
2012	6,243,939	9,322,419	-3,078,780	149.31	8,874,321	142.10	105.10
2011	5,725,193	9,040,180	-3,314,987	157.90	8,979,197	156.80	100.70
2010	6,073,364	8,634,635	-2,561,271	142.20	7,519,010	123.80	114.80
2009	5,499,809	8,717,885	-3,218,076	158.50	6,932,518	126.10	125.80
2008	5,605,005	9,099,133	-3,494,128	162.30	8,762,234	156.30	103.80
2007	5,095,638	8,721,571	-3,625,933	171.20	9,168,846	179.90	95.10
2006	7,944,468	7,944,468	0	100.00	7,943,390	100.00	100.00
2005	7,406,475	7,406,475	0	100.00	7,441,788	100.50	99.50
2004	6,827,478	6,827,478	0	100.00	6,645,888	97.30	102.70
2003	7,406,475	7,406,475	0	100.00	7,441,788	100.50	99.50

ALL STATE PLANS							
Valuation date 6/30/YY	Actuarial Accrued Liability	Actuarial Assets	Unfunded Actuarial Liability	Funded Ratio (AVA)	Market Assets	Funded Ratio (MVA)	Actuarial Assets Over Market
2017	$13,558,049,966	$10,982,766,460	$2,575,883,506	81.01%	$10,971,898,239	80.93%	100.10%
2016	13,141,445,677	10,588,195,729	2,553,159,948	80.60	10,032,032,160	76.30	105.60
2015	12,682,756,964	10,443,847,329	2,238,909,635	82.35	10,309,513,411	81.30	101.30
2014	12,382,224,618	10,083,706,724	2,298,517,894	81.40	10,405,925,859	84.00	96.90
2013	11,889,897,281	9,238,576,833	2,651,320,448	77.70	9,151,602,527	77.00	101.00
2012	11,605,890,598	8,939,787,543	2,666,103,055	77.00	8,510,081,482	73.30	105.10
2011	11,335,258,676	8,795,250,085	2,540,008,591	77.60	8,735,919,120	77.10	100.70
2010	12,676,367,069	8,369,772,080	4,306,594,989	66.00	7,288,368,624	57.50	114.80
2009	12,377,262,461	8,383,147,465	3,994,114,996	67.70	6,666,332,449	53.90	125.80
2008	11,721,271,967	8,691,075,704	3,030,196,263	74.10	8,369,285,018	71.40	103.80
2007	11,209,708,127	8,302,466,643	2,907,241,484	74.10	8,728,248,255	77.90	95.10
2006	10,598,346,071	7,556,514,663	3,041,831,408	71.30	7,555,489,804	71.30	100.00
2005	10,048,461,186	7,013,846,148	3,034,615,038	69.80	7,047,286,328	70.10	99.50
2004	9,485,605,608	6,498,608,717	2,986,996,891	68.50	6,325,765,935	66.70	102.70
2003	9,491,727,004	6,501,818,935	2,989,908,069	68.50	6,330,435,439	66.70	102.70
2002	8,511,834,626	5,920,475,637	2,591,358,989	69.60	5,129,650,969	60.30	115.40

For further information regarding the actuarial method and significant assumptions used to determine the ADC, see Note 6 to the System's Comprehensive Annual Financial Report for the year ended June 30, 2017, which is available at www.mainepers.org/Publications/Publications.htm, and also "Actuarial Assumption Changes" above.

Recent and Proposed Legislative Changes. The Legislature has in the past adopted laws that have had the effect of both increasing and decreasing future retirement benefits payable under one or more of the State Plans. Any increases in retirement benefits have the effect of increasing the actuarial accrued liability of the plan, which also has the effect of increasing the ADC with respect to the State Plans. Any decreases in benefits have the effect of limiting the future growth of the actuarial accrued liability of the plan, which also has the effect of limiting the growth of the ADC for the State for the plan in future years. Pursuant to other provisions of 2011 Chapter 380, several changes were made to the State Plans. The changes include: changes to the retiree cost-of-living provisions, including a three-year freeze on cost-of-living adjustments, a reduction in the cost-of-living cap from 4% to 3%, and the establishment of a

$20,000 limit on the amount of benefit subject to the cost-of-living adjustment; an increase in the normal retirement age from age 62 to age 65 for non-vested members of the regular plan component of the State Employee and Teacher Retirement Program (the non-special plan tiers); and a change that ties eligibility for subsidized health insurance coverage (health insurance benefits are funded directly by the State) to normal retirement age.

The Legislature passed Constitutional Resolution Chapter 1 (L.D. 723), which proposed to amend the State Constitution to change the period over which experience losses are amortized from 10 years to 20 years. MainePERS submitted this proposal as a means to reduce the volatility of annual contributions required from the State that results from market performance. Extending the amortization period would result in lower annual contributions when experience losses occur. The total cost of recovering the losses would increase as payment would be made over a longer period of time. This Constitutional Amendment was approved at the November 2017 statewide election.

The Legislature also enacted Resolve, Chapter 14 (L.D. 917), to convene a working group to evaluate and design retirement plan options for state employees and teachers. The Resolve required the working group to report its recommendations to the Legislature no later than January 1, 2018. A request was submitted to the Legislature for an extension of this deadline, in order for the working group to complete its work. The report was submitted on April 9, 2018 and a copy can be found at http://www.mainepers.org/bonds.htm. The Legislature enacted Resolve, Chapter 57 (L.D. 1907), which permits the working group to continue its work and to submit a final report of its recommendations no later than December 1, 2019.

Group Life Insurance Program. MainePERS also administers a group life insurance program which is available to eligible participants. As of June 30, 2017, the program had a total OPEB liability of $93.2 million. The actuarially determined contribution for fiscal year 2017 was $8.2 million and the annual contribution paid was $6.9 million, representing 84% of the actuarially determined contribution. As the result of a group life insurance premium study in 2012, the actuary recommended an increase in premiums to be more consistent with actual and projected program costs. The Board of Trustees adopted increased rates, which were implemented beginning in fiscal year 2014. Differences between the actuarially determined contribution and the actual premium may also be the result of the differences between projected and actual coverage amounts for the year. An updated group life insurance premium study was completed in 2016 and recommended changes to premium levels commenced with the 2018-2019 biennial budget.

Litigation. The System is involved in a small number of administrative appeals brought by members whose requests have been denied by the System. Most often, those cases are appeals from adverse decisions in connection with applications for disability retirement benefits. Less often, there are administrative appeals involving or relating to group life insurance matters or retirement eligibility matters. In each case, the relief requested by appellants is to have the System’s determination in their case reversed and the sought-after benefit granted. The System is not currently involved in any other litigation.

Post-Employment Health Care Benefits

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

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

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

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

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

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Contribution requirements are set forth in State law. The annual other post-employment benefit ("OPEB") cost (expense) for each plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The State's annual OPEB cost for fiscal year 2017 and the related information for each plan are as follows:

	(Expressed in Thousands)		
	State Employees	**Teachers**	**First Responders**
Annual required contribution	$ 69,000	$ 49,000	$ 2,166
Interest on net OPEB obligation	11,000	9,000	307
Adjustment to annual required contribution	(20,000)	(18,000)	(569)
Annual OPEB cost	60,000	40,000	1,904
Contributions made	74,000	29,000	828
Increase (decrease) in net healthcare obligation	(14,000)	11,000	1,076
Net healthcare obligation beginning of year	160,000	224,000	7,674
Net healthcare obligation end of year	$ 146,000	$ 235,000	$ 8,750

As of June 30, 2017, there were 10,160 retired eligible State employees, 10,386 retired teachers, and 98 retired first responders. In fiscal year 2017, the State made contributions for other post-employment healthcare benefits of $74 million for retired employees, $29 million for retired teachers and $828 thousand for first responders. The actuarial determined budgeted amounts for fiscal years 2018 and 2019 are $68 million and $71 million, for the state employee plan and $40 million and $45 million, respectively, for the teacher plan.

The funded status of the plans as of June 30, 2017 was as follows:

(Expressed in Millions)

Plan	**Actuarial Valuation Date**	**(a) Actuarial Value of Assets**	**(b) Actuarial Accrued Liability**	**(b-a) Unfunded AAL (UAAL)**	**(a/b) Funded Ratio**	**(c) Annual Covered Payroll**	**(b-a)/c) UAAL (as a percentage of covered payroll)**
	June 30, 2016	201	1,157	956	17.37%	575	166.26%
State Employees	June 30, 2015	184	1,215	1,031	15.14%	561	183.78%
	June 30, 2014	167	1,224	1,057	13.64%	543	194.66%
Teachers	June 30, 2016	-	739	739	0.00%	1,125	65.69%
	June 30, 2015	-	739	739	0.00%	1,142	64.71%
	June 30, 2014	-	684	684	0.00%	1,106	61.84%
First	June 30, 2016	-	24	24	0.00%	56	42.86%
Responders	June 30, 2015	-	22	22	0.00%	54	40.74%
	June 30, 2014	-	24	24	0.00%	55	43.64%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedules of funding progress presented as required supplementary information in the State's audited financial statements (see Appendix B herein) present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The value of the assets of the Retiree Health Insurance Post-Employment Benefits (RHIPEB) Investment Trust as June 30, 2017 was $229,618,134. The balance as of April 30, 2018 was $251,675,085.

Employee Relations

As of July 2018, the State had approximately 11,231 Executive Branch employees.

The State Employees Labor Relations Act allows State employees in the Executive Branch to engage in collective bargaining. There are seven bargaining units within the Executive Branch. The Maine Employees Association (MSEA-SEIU) is the bargaining agent for four bargaining units which include approximately 8,979 employees. The American Federation of State, County, and Municipal Employees (AFSCME) represent the employees in State institutions; the Maine State Law Enforcement Association (MSLEA) represents those in law enforcement activities excluding State Police; and the Maine State Troopers Association (MSTA) represents the State Police. The Commissioner of Administrative and Financial Services, acting through the Office of Employee Relations within the Bureau of Human Resources, is the Governor's designee for collective bargaining and is responsible for the negotiations and all other employee relations functions. At the end of June 2017, MSTA ratified a two year agreement that includes a 1% general salary increase in September of 2017 and a 1% general salary increase in September 2018. In July of 2017, MSLEA ratified a two year agreement that includes a 1% general salary increase on September 1, 2017 and July 1, 2018. In addition, this agreement includes the adjustment of steps on January 2018, September 2018 and January 2019 for those MSLEA members who did not receive salary adjustments in 2017 Resolve, chapter 80. In August of 2017, MSEA and AFSCME ratified two year agreements that included a 3% general salary increase on January 1, 2018 and January 1, 2019. Finally, the economic items consistent with the terms of the agreements with the four bargaining units are authorized in Public Laws of Maine 2017, chapter 293 ("2017 Chapter 293") and funded through a transfer of balances from salaries of personal services lapse at the end of each fiscal year of the 2018-2019 biennium to the General Fund salary plan program. The Governor is also authorized to grant Executive Branch employees who are excluded from bargaining, similar and equitable treatment consistent with the terms of the agreements. In addition, 2017 Chapter 293 requires the remaining bargaining units to ratify their respective agreements prior to September 1, 2017. Finally, the Governor has granted both confidential and employees whose salary are subject to the Governor's adjustment or approval 3% general salary increases in October of 2017 and July of 2018.

Collective bargaining has also been extended to employees of the Judicial Department, the University of Maine System, the Maine Community College System, Maine Maritime Academy, and to employees of counties, municipalities and special districts including public school teachers. The Judicial Department has reached an agreement that includes a 1% cost of living adjustment for the law enforcement bargaining unit and a 2% cost of living adjustment for the administrative services, supervisory services, and the professional services bargaining units in September of 2017. In addition, in April of 2019, a cost of living adjustment of 1% is included for the law enforcement, administrative services, supervisory services, and the professional services bargaining units. Employees in all four Judicial Branch bargaining units will also receive grade changes over the biennium consistent with a salary study that has been conducted and accepted as part of the collective bargaining agreement. These economic items are authorized in 2017 Chapter 284, part TTTTTT and funded through a transfer of balances from salaries of personal services lapse at the end of each fiscal year of the 2018-2019 biennium to the General Fund salary plan program. Judicial Branch employees who are excluded from collective bargaining are also granted similar and equitable treatment consistent with the terms of the agreements.

Interfund Transactions

Due to Other Funds are amounts owed by one State fund to another for goods sold or services rendered. Due from Other Funds are amounts to be received from one State fund by another for goods sold or services rendered. The following is a summary of amounts due from other funds and due to other funds as of June 30, 2017:

Interfund Receivables
June 30, 2017
(Expressed in Thousands)

	Due to Other Funds				
Due from Other Funds	**General**	**Highway**	**Federal**	**Other Special Revenue**	**Other Governmental**
General	$ -	$ -	$ 1,136	$ 14,111	$ -
Highway	5	12	3,317	1	-
Federal	122	1	228	2,346	-
Other Special Revenue	7,205	166	437	412	9
Other Governmental	-	-	-	-	-
Employment Security	-	-	11	-	-
Non-Major Enterprise	1,340	8	-	-	-
Internal Service	9,111	3,877	2,585	3,777	-
Fiduciary	35,663	-	-	-	-
Total	$ 53,446	$ 4,064	$ 7,714	$ 20,647	$ 9

Funds	**Employment Security**	**Major Enterprise**	**Internal Service**	**Fiduciary**	**Total**
General	$ -	$ 8,961	$ 5,038	$ 4,499	$ 33,745
Highway	-	-	2	-	3,337
Federal	-	-	-	-	2,697
Other Special Revenue	-	1,822	113	-	10,164
Other Governmental	-	-	-	-	-
Employment Security	-	-	-	-	11
Non-Major Enterprise	-	-	-	-	1,348
Internal Service	-	393	1,720	19	21,482
Fiduciary	-	-	-	-	35,663
Total	$ -	$ 11,176	$ 6,873	$ 4,518	$ 108,447

Advances to or from other funds are for long-term loans made by one fund to another. Advances from the General Fund are for inventory of the Postal, Printing and Supply Fund. The following is a summary of interfund advances as of June 30, 2017:

Schedule of Advances to or from Other Funds
June 30, 2017

(Dollars in Thousands)

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

REVENUES OF THE STATE

General

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

The following tables for fiscal years 2019-2021 reflect applicable baseline forecasts, each as updated with laws enacted through the Second Special Session[4] of the 128th Maine Legislature and as updated by the March 2018 Revenue Forecasting Committee meeting. See "State Budgets" above.

CATEGORY	Fiscal year 2018 baseline budget December 2014 RFC	Fiscal year 2018 budget through the 128th 1st Special Session	Fiscal year 2018 as Revised by the March 2018 RFC
Sales and Use Tax	$1,236,821,231	$1,400,148,328	$1,409,548,328
Service Provider Tax	53,382,769	59,424,469	62,224,469
Individual Income Tax	1,655,777,000	1,508,004,704	1,554,804,704
Corporate Income Tax	211,645,002	165,724,242	171,924,242
Cigarette and Tobacco Tax	130,732,000	136,682,000	129,032,000
Insurance Companies Tax	82,765,000	73,765,000	74,150,000
Estate Tax	34,220,671	12,416,710	12,416,710
Fines, Forfeits and Penalties	22,965,512	19,297,146	18,354,011
Income from Investments	597,719	2,993,949	5,428,946
Transfer from Lottery Commission	57,123,279	54,900,000	59,000,000
Transfer for Tax Relief Programs	(71,768,101)	(64,768,101)	(63,768,101)
Transfer to Municipal Revenue Sharing	(161,236,834)	(67,953,355)	(69,244,574)
Transfers to Education Fund	N/A	(0)	(0)
Other Taxes and Fees	127,626,244	134,349,913	139,808,638
Other Revenues	28,575,291	13,824,664	1,941,056
Total Undedicated Revenues	**$3,409,226,783**	**$3,448,809,669**	**$3,505,620,429**

[4] The Second Special Session of the 128th Maine Legislature last met on July 9, 2018 and is expected to meet again on call of legislative leadership. Accordingly, the State is unable to predict whether additional laws affecting General Fund and Highway Fund expenditures will be enacted.

CATEGORY	Fiscal year 2019 baseline budget December 2014 RFC	Fiscal year 2019 budget as Revised by the March 2018 RFC	Fiscal year 2019 through the 128th 2nd Special Session
Sales and Use Tax	$1,294,195,576	$1,466,032,563	$1,467,441,307
Service Provider Tax	54,450,424	62,475,124	62,454,124
Individual Income Tax	1,701,311,000	1,633,055,151	1,662,972,151
Corporate Income Tax	230,826,711	183,559,196	183,349,196
Cigarette and Tobacco Tax	129,400,000	134,099,350	134,099,350
Insurance Companies Tax	82,765,000	73,150,000	74,150,000
Estate Tax	37,094,841	12,640,409	12,416,710
Fines, Forfeits and Penalties	22,966,512	18,205,011	18,205,011
Income from Investments	597,719	5,831,119	5,831,119
Transfer from Lottery Commission	57,123,279	57,000,000	57,000,000
Transfer for Tax Relief Programs	(75,888,623)	(66,388,623)	(66,388,623)
Transfer to Municipal Revenue Sharing	(167,417,561)	(71,201,499)	(71,255,503)
Transfers to Education Fund	N/A	(0)	(0)
Other Taxes and Fees	128,473,167	139,992,142	139,776,209
Other Revenues	28,103,853	9,716,061	9,760,303
Total Undedicated Revenues	**$3,524,001,898**	**$3,689,166,004**	**$3,690,035,353**

CATEGORY	Fiscal year 2020 baseline budget December 2016 RFC	Fiscal year 2020 as Revised by the March 2018 RFC	Fiscal year 2020 through the 128th 2nd Special Session
Sales and Use Tax	$1,475,000,000	$1,524,583,690	$1,535,634,830
Service Provider Tax	60,000,000	62,800,000	62,777,200
Individual Income Tax	1,686,800,000	1,713,342,500	1,713,175,500
Corporate Income Tax	178,750,000	191,350,000	191,180,000
Cigarette and Tobacco Tax	131,800,000	131,503,450	131,503,450
Insurance Companies Tax	74,700,000	74,950,000	74,950,000
Estate Tax	12,850,000	12,850,000	12,850,000
Fines, Forfeits and Penalties	22,242,017	18,204,011	18,204,011
Income from Investments	2,421,028	6,593,792	6,593,792
Transfer from Lottery Commission	54,900,000	57,000,000	57,000,000
Transfer for Tax Relief Programs	(69,500,000)	(69,500,000)	(69,500,000)
Transfer to Municipal Revenue Sharing	(165,459,224)	(169,802,009)	(170,033,973)
Transfers to Education Fund	N/A	(0)	(0)
Other Taxes and Fees	130,034,000	133,159,651	132,938,586
Other Revenues	18,059,135	8,282,410	8,289,806
Total Undedicated Revenues	**$3,612,596,956**	**$3,695,317,495**	**$3,705,563,202**

CATEGORY	Fiscal year 2021 baseline budget December 2016 RFC	Fiscal year 2021 as Revised by the March 2018 RFC	Fiscal year 2021 through the 128th 2nd Special Session
Sales and Use Tax	$1,529,000,000	$1,585,173,290	$1,596,036,598
Service Provider Tax	60,350,000	63,150,000	63,124,900
Individual Income Tax	1,764,300,000	1,781,047,250	1,780,736,250
Corporate Income Tax	186,600,000	200,300,000	197,325,000
Cigarette and Tobacco Tax	129,500,000	129,014,375	129,014,375
Insurance Companies Tax	80,200,000	80,450,000	80,450,000
Estate Tax	13,300,000	13,300,000	13,300,000
Fines, Forfeits and Penalties	22,243,017	18,205,011	18,205,011
Income from Investments	2,421,028	7,128,423	7,128,423
Transfer from Lottery Commission	54,900,000	57,000,000	57,000,000
Transfer for Tax Relief Programs	(73,000,000)	(73,000,000)	(73,000,000)
Transfer to Municipal Revenue Sharing	(180,431,859)	(184,908,987)	(184,982,126)
Transfers to Education Fund	N/A	(0)	(0)
Other Taxes and Fees	130,124,253	133,093,649	132,872,584
Other Revenues	17,302,215	7,539,403	7,464,041
Total Undedicated Revenues	**$3,736,808,654**	**$3,817,492,414**	**$3,824,675,056**

Certain State Taxes

Individual Income Tax. The State assesses individual income taxes at progressive rates from 5.8% to 7.15% (for tax years beginning on or after January 1, 2016), based on classifications or brackets of taxable income, depending upon filing status and after specified deductions and exemptions. Taxable income of resident individuals is derived from federal adjusted gross income. The dollar amounts of the tax rate tables are indexed for inflation. A resident individual is allowed $4,150 (same as federal) for each exemption to which the individual is entitled for the tax year for federal income tax purposes. For resident taxpayers not itemizing deductions, the standard deduction is $11,800 in tax year 2018 (indexed for inflation) for single filers, $23,600 for joint filers and $17,700 for head of household filers. Nonresident Maine taxpayers are taxed in a similar fashion, but they are allowed a credit for their non-Maine sourced income.

Sales and Use Taxes. A sales tax is imposed on the value of all tangible personal property and taxable services sold at retail in the State. The rate of tax is 8% on the value of liquor sold in licensed establishments, 9% on the value of rental of living quarters in any hotel, rooming house, tourist or trailer camp, 10% on the value of rental for a period of less than one year of an automobile, 8% on the value of prepared food, and 5.5% on the value of all other tangible personal property and taxable services. The 9% rate on rental of living quarters was increased from 8% effective January 1, 2016. A use tax is imposed at the rates provided for sales taxes, on the storage, use or other consumption in the State of tangible personal property or a service, the sale of which would be subject to sales tax.

No sales or use tax is imposed on sales, storage or use of certain tangible personal property. Some of the major exemptions are grocery staples (which do not include liquor, and prepared food); prescription medicines; certain products used in agricultural and aqua cultural production; certain motor fuels; coal, oil, wood and all other fuels, except electricity, when bought for cooking and heating in residential units; the first 750 kilowatt hours of residential electricity per month; fuel oil or coal, the by-products from the burning of which become an ingredient or component part of tangible personal property for later sale;

packaging materials; certain periodicals; sales to incorporated hospitals, licensed and incorporated non-profit nursing homes, licensed and incorporated non-profit boarding care facilities, medical research facilities, schools, regularly organized churches and similar institutions; water pollution and air pollution control facilities certified by the State Commissioner of Environmental Protection; and ninety-five percent (95%) of the sale price of all fuel and electricity purchased for use at a manufacturing facility.

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

Certain Motor Fuel Taxes. An excise tax is imposed at the rate of $0.300 per gallon on internal combustion engine fuel (gasoline) sold or used within the State. An excise tax is imposed on all suppliers of special fuel sold and on all users of special fuel used in the State at the rate of $0.312 per gallon of distillate. Low-energy fuel such as liquefied natural gas, propane, methane and butane is taxed at a rate based on the energy content of each fuel as compared to gasoline. Special fuels include all combustible gases and liquids used in an internal combustion engine, except fuel subject to the gasoline tax. Indexing of motor fuel excise tax rates was repealed effective July 1, 2013.

Estate Tax. 2015 Chapter 267 reformed the estate tax with respect to decedents dying after December 31, 2015. The exclusion amount increases from $2,000,000 to $5,450,000 (the federal exemption amount which is indexed for inflation). A progressive rate structure applies: 8% on estate value of more than $5,450,000 but less than or equal to $8,450,000; 10% on estate value of more than $8,450,000 but less than or equal to $11,450,000; 12% on estate value of more than $11,450,000.

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

Tobacco Master Settlement Agreement

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

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

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

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

Since 2000, annual payments received by the State pursuant to the Settlement Agreement have ranged from approximately $45,000,000 to approximately $67,000,000. The State received $67,835,530.24 in fiscal year 2018 pursuant to the Settlement Agreement.

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

Maine prevailed in the arbitration proceeding that determined it had diligently enforced its qualifying statute as the issue related to Maine's 2003 payment and is and will continue to arbitrate for payments received in subsequent years.

State Investment Pool

As described above under the heading "Governmental Organization – Executive Branch – Treasurer of State," when there is money in the State Treasury that is not needed to meet current obligations, the Treasurer of State may, with the concurrence of the State Controller or the Commissioner of Administrative and Financial Services and with the consent of the Governor, invest those amounts in certain instruments authorized by State law. The Treasurer of State maintains the records of the investments of the State through the State investment pool. The average daily balance of the State investment pool was $1,043,805,411 in fiscal year 2017. The balance of the State investment pool as of April 30, 2018 was approximately $1,287,000,000.

Collateralized bank accounts, repurchase agreements and certificates of deposit collateralized by U.S. Treasuries and Agencies and direct holdings in U.S. Treasuries make up the cash pool portfolio. On April 30, 2018, the weighted average final maturity of the pool was 186 days.

CERTAIN PUBLIC INSTRUMENTALITIES

Maine Governmental Facilities Authority

The Maine Governmental Facilities Authority ("MGFA") is authorized to assist in financing the acquisition, construction, improvement, reconstruction or equipping of, or construction of an addition or additions to, structures designed for use as court facilities or state offices and the acquisition, construction, improvement, reconstruction or repair of equipment or other personal property, all of which are rented to agencies of the State. MGFA was created in 1987 and was known as the Maine Court Facilities Authority until 1997 when its name was changed and its purposes were broadened. No securities may be issued without the prior approval of the Legislature. Neither the full faith and credit nor the taxing power of the State or of any political subdivision of the State is pledged to the payment of the principal of, redemption premium, if any, or interest on MGFA's bonds. MGFA has no taxing power. As of June 30, 2018, the unaudited aggregate principal amount of MGFA's bonds outstanding was $205,735,000. The State has agreed, subject to appropriation, to make rental payments to be applied to payment of MGFA's bonds. Debt service on MGFA's bonds for the State fiscal year ending June 30, 2019 is $30,225,735.

Finance Authority of Maine

The Finance Authority of Maine ("FAME") was created in 1983 to undertake various economic development finance programs and to assume the responsibilities of several smaller state authorities. FAME is currently authorized to insure repayment of commercial loans and to require the State to fund its insurance obligations, from proceeds of bonds of the State or from other sources, provided that insurance obligations and bonds of the State issued to fund insurance obligations shall not exceed in the aggregate at any one time outstanding the principal amount of $90,000,000 plus an additional $4,000,000 with respect to loans for eligible veterans. As of June 30, 2018, unaudited amounts outstanding pursuant to these authorizations were $83,070,000 and $240,000 respectively. See "Fiscal Management - Constitutional Debt Limit" herein. Since the creation of FAME in 1983, the Treasurer of State has not been asked to issue bonds of the State to pay off defaulted loans insured by FAME pursuant to these authorizations.

In 1990, FAME was authorized to provide certain student financial assistance services, including continuation of a student loan insurance program meeting certain federal requirements in order to secure loans to students attending institutions of higher education under the Federal Family Education Loan Program ("FFELP"). Pursuant to this authorization, FAME has entered into agreements with the United States Secretary of Education relating to federal programs of low-interest insured loans to students in institutions of higher education. The Constitution allows the Legislature to authorize the issuance of bonds in the amount of up to $4,000,000 to secure funds for loans to Maine students attending institutions of higher education. As of June 30, 2018, the unaudited student loan insurance obligations of FAME under the FFELP program were $329,854,000. See "Fiscal Management - Constitutional Debt Limit" herein. Since 1977, the Treasurer of State has not been asked to issue bonds of the State to pay off defaulted loans insured pursuant to the bond issuance authorization set forth in the Constitution.

FAME may also issue bonds and other obligations which shall not be a debt or liability of any municipality, the State or any political subdivision thereof. The statutes governing FAME include Capital Reserve Provisions. As of June 30, 2018, the unaudited aggregate principal amount outstanding of FAME's obligations undertaken pursuant to its Capital Reserve Provisions was $9,035,000 for waste motor oil disposal site remediation projects, $2,500,000 for major business expansion projects, and $32,000,000 for other commercial projects.

The Maine Educational Loan Authority ("MELA") was established in 1988 to carry out programs making financial and other assistance available to students and their parents to finance costs of attendance at institutions of higher education. In October 2015, FAME merged with the MELA. FAME assumed all obligations and assets of MELA. Educational loans are made with the proceeds of tax exempt bonds. Bonds issued under this program do not constitute or create any debt or debts, liability or liabilities, on behalf of the State or of any political subdivision of the State, or a loan of the credit of the State or a pledge of the faith and credit of the State or of any political subdivision. As of June 30, 2018, the unaudited aggregate principal amount of MELA's bonds outstanding, which were issued pursuant to its Capital Reserve Provisions, was $93,280,000.

The State has not been asked to restore either FAME's or MELA's Capital Reserve since the inception of their Capital Reserve Provisions. See "Governmental Organization - Independent Authorities and Agencies" herein.

Maine State Housing Authority

The Maine State Housing Authority ("MSHA") was created in 1969 to undertake various programs related to housing. The bonds and other obligations of MSHA shall not be a debt of any municipality, the State or any political subdivision thereof and neither the State nor any municipality nor any political subdivision thereof shall be liable thereon. As of June 30, 2018, MSHA had an unaudited amount of $1,361,320,000 of housing bonds outstanding which require a capital reserve. The statutes governing MSHA include Capital Reserve Provisions. The State has not been asked to restore MSHA's Capital Reserves since the inception of its Capital Reserve Provisions. See "Governmental Organization - Independent Authorities and Agencies" herein. MSHA also had an unaudited amount of $29,215,000 of Maine Energy, Housing and Economic Recovery Bonds for a grand total of $1,390,535,000 outstanding.

MSHA is also authorized to insure repayment of mortgage loans on Indian housing and to require the State to fund these insurance obligations, from proceeds of bonds of the State or from other sources, provided that insurance obligations shall not exceed in the aggregate at any one time outstanding the principal amount of $1,000,000. As of June 30, 2018, MSHA's unaudited Indian housing mortgage insurance obligations were approximately $83,500. See "Fiscal Management – Constitutional Debt Limit" herein.

Maine Municipal Bond Bank

The Maine Municipal Bond Bank ("MMBB") was created in 1972 to lend money to counties, cities, towns, school administrative districts, community school districts, and quasi-municipal corporations to finance certain capital expenditures (the "Original Program"). Bonds and notes issued by the MMBB shall not be in any way a debt or liability of the State and shall not create any debt or debts, liability or liabilities, on behalf of the State or be or constitute a pledge of the full faith and credit of the State. As of June 30, 2018, the unaudited aggregate principal amount of the MMBB's bonds outstanding was $1,483,121,380 of which (a) $10,770,000 is attributable to loans to certain municipalities to assist in financing certain wastewater and drinking water treatment facilities pursuant to a revolving loan fund program, (b) $116,890,000 is attributable to certain grant anticipation bonds payable solely from annual federal highway grants to the State, (c) $147,015,000 is attributable to certain transportation revenue bonds payable solely from certain State revenues, (d) $32,846,380 is for Qualified School Construction Bonds (e) $140,225,000 is attributable to certain liquor revenue bonds payable solely from certain State revenues and (f) substantially all of the balance is attributable to the Original Program. The statutes governing the MMBB include Capital Reserve Provisions. The State has not been asked to restore the MMBB's Capital Reserves since the inception of its Capital Reserve Provisions. See "Governmental Organization – Independent Authorities and Agencies" herein.

Maine Health and Higher Educational Facilities Authority

The Maine Health and Higher Educational Facilities Authority ("MHHEFA") was created in 1971 to provide the means to expand, enlarge and establish health care, hospital, nursing home and other related facilities and to assist institutions of higher education in the State to provide facilities and structures. Bonds and notes issued by MHHEFA do not constitute or create any debt or debts, liability or liabilities, on behalf of the State or any political subdivision thereof other than MHHEFA or a loan of credit of the State or a pledge of the faith and credit of the State or of any political subdivision other than MHHEFA. As of June 30, 2018, the unaudited aggregate principal amount of MHHEFA's bonds outstanding secured by the Capital Reserve was $565,375,000. The statutes governing MHHEFA include a Capital Reserve Provision. The State has not been asked to restore MHHEFA's Capital Reserve since the inception of its Capital Reserve Provision. See "Governmental Organization - Independent Authorities and Agencies" herein.

Loring Development Authority

Loring Development Authority ("LDA") was established in 1993 to acquire and manage the former Loring Air Force Base in northern Maine. LDA may issue bonds that pledge the full faith and credit of the State, provided that such bonds are authorized by the Legislature and ratified by the electors in accordance with the Constitution of Maine, Article IX, Section 14. Otherwise, bonds of LDA are payable solely from the income, proceeds, revenues and funds of LDA ("Revenue Bonds") and do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The statutes governing LDA include a Capital Reserve Provision. See "Governmental Organization - Independent Authorities and Agencies" herein. As of June 30, 2018, the unaudited aggregate principal amount of outstanding LDA Revenue Bonds was $545,820.80; these bonds are not a debt of the State and the State is not liable for debt service owed on these bonds.

University of Maine System

The University of Maine System (the "University System") includes the University of Maine, established in 1865, and all other public institutions of higher education in Maine, except the Maine Maritime Academy and the seven colleges of the Maine Community College System. Money borrowed by the University System and evidences of indebtedness issued by the University System do not constitute any debt or liability of the State or of any municipality or political subdivision of the State, but shall be payable solely from the revenues of the University System or any project for which they are issued. As of June 30, 2018, the unaudited aggregate principal amount of the University System's bonds outstanding was $145,150,000.

Maine Turnpike Authority

The Maine Turnpike Authority ("MTA") was created in 1941 and has constructed and operates and maintains a turnpike approximately 109 miles long between Kittery and Augusta. Bonds issued by MTA shall not be deemed to be a debt of the State, but such bonds shall be payable exclusively from tolls. The bonds shall not directly or indirectly or contingently obligate the State to levy or pledge any form of taxation whatever therefor or to make any appropriation for the payment thereof. As of June 30, 2018 the unaudited aggregate principal amount of MTA's bonds outstanding was $515,625,000.

Maine Public Utility Financing Bank

The Maine Public Utility Financing Bank ("MPUFB") was created in 1981 to lend money to public utilities in the State. Bonds and notes issued by MPUFB do not constitute a debt or liability of the State or of any municipality therein or any political subdivision thereof, or a pledge of the faith and credit of the State or of any such municipality or political subdivision. As of June 30, 2018, there were no outstanding bonds of MPUFB.

Maine Port Authority

The Maine Port Authority ("MPA") was established in 1945 and is authorized to acquire, construct and operate any kind of port terminal facility within the State and to acquire and construct any railroad facility within the State. Bonds of MPA do not constitute a debt of the State, or of any agency or political subdivision thereof, but are payable solely from the revenues of MPA, and neither the faith nor credit nor taxing power of the State, or any political subdivision thereof, is pledged to the payment of MPA's bonds. As of June 30, 2018, there were no outstanding bonds of MPA.

LITIGATION

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

Diligent Enforcement. Pursuant to the 1998 Tobacco Settlement Agreement, 46 states and territories settled their claims against major tobacco companies in return for annual payments of funds in perpetuity. The Agreement required the states to "diligently enforce" certain tobacco laws against tobacco companies that did not enter into the Agreement. If the states or some of the states did not "diligently enforce" those laws, the settling tobacco companies could seek to decrease the amounts they paid through binding arbitration. The settling companies filed such an arbitration for the year 2003, but the case was resolved in favor of Maine. Subsequently, the tobacco companies and the states commenced an arbitration for the year 2004. In March 2018, Maine and eight other states finalized a settlement with the tobacco companies resolving all disputes over diligent enforcement for the years 2004 through 2017. As a result of this settlement, Maine, over the next twelve months, will receive from the tobacco companies an additional $35 million or more over and above the current annual payments.

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 MCC 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.

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.

Billings v. Maine Department of Public Safety. This notice of claim alleges a fatal motorcycle accident was caused by an attempt to stop decedent for a traffic violation. 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 and Michael Tausek. This cases arises out of the death of Maine State Prison inmate Michael Boland. Another inmate is being prosecuted in connection with this incident. The defendants, respectively the warden and deputy warden 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 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.

Bowden, David v. District Attorney; and Quin, Meghan v. District Attorney. This notice of claim alleges damages due to Meghan Quinn's physical and emotional injuries resulting from travel in a prisoner transport van. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Carey, Seth v. Honorable Maria Woodman et al. This lawsuit alleges claims against two District Court Judges, Bar Counsel, Assistant Bar Counsel and two Clerks of Court. The claim relates to an attorney disciplinary matter before the Board of Overseers of the Bar. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Conlogue v. Hamilton et al. In this lawsuit the Plaintiff Estate asserts that four police officers violated the Fourth Amendment when one used deadly force against an emotionally disturbed individual who pointed a loaded firearm in the direction of police officers on the scene. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Coombs, Jim v. Maine Seed Potato Board/Department of Agriculture, Forestry and Conservation. This notice of claim alleges contract, warranty and tort theories against the Maine Seed Potato Board on the basis that potato seeds produced by the Maine Seed Potato Board were diseased with Dickeya disease. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Debois Livestock v. Department of Agriculture, Conservation & Forestry; Rick Debois v. Department of Agriculture, Conservation & Forestry; Marcel Dubois v. Department of Agriculture, Conservation & Forestry; Randy Dubois v Department of Agriculture, Conservation and Forestry; Sol Fedder v. Department of Agriculture, Conservation and Forestry. These notices of claim all relate to alleged efforts to prosecute the claimants in Superior Court and to coerce the claimants into abandoning defenses. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Dobson v. State of Maine, Department of Health and Human Services. This Notice of Claim involves the death on December 26, 2014 of the plaintiff's twin son that was placed in foster care. The plaintiff alleges that a foster parent fell asleep after consuming alcohol and prescription medication resulting in the suffocation of the child who was on the foster parent's chest. For himself, plaintiff seeks damages in the amount of $2 million.

Plaintiff has filed a second notice of claim on behalf the estate of his son for wrongful death and on behalf of his twin daughter who was placed in foster care in the same home. The plaintiff alleges that the Department was negligent in placing his daughter with the foster parents. Plaintiff claims damages of $1 million for the wrongful death of his son and $1 million for his daughter. 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.

Eves v. LePage. The former Speaker of the Maine House has filed a lawsuit in federal court alleging First Amendment retaliation based upon the claim that Governor LePage threatened to withhold funds from a private school unless the school terminated its employment agreement with the Speaker and alleging intentional interference with employment agreement. The U.S. District Court granted the Governor's motion to dismiss and Eves appealed to the First Circuit Court of Appeals, which affirmed the decision of the District Court. Eves then filed a motion for rehearing. The First Circuit recently vacated its prior decision and granted the motion for rehearing. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Fagre v. Maine State Police. This Notice of Claim alleges constitutional violations and tort claims with regard to a police-involved shooting in which the claimant was killed. The probability that this matter will result in future losses to the State in excess of $1 million is undetermined at this time.

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

Fitch, Janice v. Maine Maritime Academy. This notice of claim relate to alleged injury caused by slippery floor in the galley of a ship on or about July 16, 2016. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Foster v. Department of Corrections. Claimant has filed a notice of claim alleging that he complained of bloody stool and unexplained weight loss in April 2017 but that Defendant and Correct Care Solutions, the provider of medical services for Defendant, delayed in ordering a colonoscopy until May 2018, which indicated he had cancer that had metastasized. Claimant is seeking $12,000,000 in damages. The probability that this case will result in future losses to the State in excess of $1,000,000 is undetermined at this time.

Matthew Keene v. Maine Dept. of Corrections et al. In this lawsuit, 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.

Kinney v. Maine Department of Corrections. This notice of claim alleges excessive physical force used at a county jail. The Commissioner of the Department of Corrections is named in the claimant's notice to preserve evidence. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Hunt, Kaitlyn v. Maine Department of Health and Human Services. This notice of claim relates to the alleged injuries caused by a caseworker who caused the claimant to place one child in the care of the father and the other in care of the grandmother in Arizona. 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.

Jackson v. Maine Marine Patrol. This Notice of Claim alleges excessive use of force by a Marine Patrol Officer. The claimant received several gunshot wounds, one of which resulted in amputation of the left arm above the elbow. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Jordan o/b/a Estate of Kevein Tozier v. Department of Public Safety. A Notice of Claim has been filed alleging the wrongful death of Kevin Tozier, who was murdered 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.

King v. Department of Corrections. This Notice of Claim alleges inadequate medical care at Maine Correctional Center. The probability that this matter will result in future losses to the State in excess of $1 million is undetermined at this time.

Kittredge v. Department of Corrections. A Notice of Claim in which claimant, while an inmate at the Downeast Correctional Facility, sustained injuries when he was assaulted by a corrections officer. Claimant alleges defendant was negligent in the hiring and supervision of corrections officer involved in the assault and in the subsequent treatment of his injuries. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Lafford v. Department of Health and Human Services. This Notice of Claim alleges injuries that occurred while a passenger in a transport van operated by Logisticare, an agent of DHHS. The probability that this matter will result in future losses to the State in excess of $1 million is undetermined at this time.

Iris LaVerdiere v. Michael Baucom, et al. In this lawsuit, Plaintiff claims that she was sexually abused by a corrections officer while incarcerated at the Women's Center at the Maine Correctional Center. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Marks v. Gallant et al. This Notice of Claim alleges that various entities conspired with the Sheriff of Oxford County resulting in his wrongful conviction. He also alleges that he was harassed and tortured by the Sheriff. The probability that this matter will result in future losses to the State in excess of $1 million is undetermined at this time.

McGraw, Amanda & Michael Pease. A Notice of Claim alleges that documents provided to the Department of Health and Human Services containing personal financial information and which were to be returned to claimant were mailed to the wrong address. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Musson v. Maine Deparment of Public Safety. Claimant has filed a Notice of Claim alleging that the Maine State Police was negligent in aiding and abetting the destruction and taking of his property (boat, dock and connections to his pier). He alleges that he was deprived of use of his shore property and access to his property on an island. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Parker v. Maine Department of Corrections. Claimant has filed a notice of claim alleging inappropriate sexual contact by a corrections officer while Claimant was an inmate. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Bridget Parker v. Department of Corrections. Claimant has filed a notice of claim alleging that a certain individuals unlawfully accessed her protected medical records that caused harm in the amount of $400,000 in compensatory damages and $1.0 million in punitive damages for violations of HIPPA and negligent infliction of emotional distress. The probability that this case will result in future losses to the State in excess of $1,000,000 is undetermined at this time.

Peaslee v. Department of Health and Human Services. The mother of a child that was removed from her home has filed a Notice of Claim alleging that the child was placed in an inappropriate setting, resulting in the child being subjected to physical and emotional abuse. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Estate of Jeffrey Phillips v. Department of Corrections. In this case, the Estate of Jeffrey Phillips is seeking damages alleging wrongful death and inadequate medical treatment. Jeffrey Phillips was an inmate at the Maine State Prison. 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 $51,076,630 in federal financial participation payments for Medicaid services and for disproportionate share hospital payments claimed for the quarterly periods ending December 31, 2013 through March 31, 2017 related to the Riverview Psychiatric Center. Riverview filed a request for reconsideration, which was denied. Riverview has appealed the denial of the request for reconsideration. The probability that this matter will result in future losses to the State in excess of $1 million is undetermined at this time. See "CERTAIN EXPENDITURES AND OBLIGATIONS - Health and Human Services Funding" above for additional information regarding this matter.

Rockett, Brian and Wass, Eric v. Maine Department of Health and Human Services. This notice of claim alleges that Maine's Prescription Monitoring program disproportionately burdens disabled persons. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Simpson, Michelle v. Department of Health and Human Services. A Notice of Claim has been filed alleging negligence on the part of the Department when an infant in the care of the Department died while in a bathtub. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Slagger v. Maine Department of Public Safety. Claimant, a disabled veteran, has filed a notice of claim alleging that he was assaulted by a law enforcement officer after being stopped in his vehicle, handcuffed and taken to a hospital from which he was shortly thereafter released. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Smith v. Maine Department of Marine Resources. A Notice of Claim has been filed alleging excessive use of force by a Marine Patrol Officer. The claimant was shot when the Officer responded to a dispatch call relating to a home invasion. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

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STATE OF MAINE

APPENDIX B

Selected Financial Information
Pertaining to the State of Maine
for Fiscal Years 2013 through 2017

INDEX TO FINANCIAL INFORMATION

Section I - General Purpose Financial Statements of the State of Maine for the Year Ended June 30, 2017 — **Page**

INDEX TO FINANCIAL INFORMATION

Section II - Certain Information from the State Controller's Budgetary and Legal Requirements Reports for Fiscal Years 2013 through 2017 (Unaudited) **Page**

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

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 Michael D. Thibodeau
President of the Senate

Honorable Sara Gideon
Speaker of the House of Representatives

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Maine, as of and for the year ended June 30, 2017, 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, ConnectME Authority, Efficiency Maine Trust, Finance Authority of Maine, Loring Development Authority, Maine Community College System, Maine Educational Center for the Deaf and Hard of Hearing, Maine Governmental Facilities Authority, Maine Health and Higher Educational Facilities Authority, Maine Maritime Academy, Maine Municipal Bond Bank, Maine Port Authority, Maine Public Employees Retirement System, Maine State Housing Authority, Maine Technology Institute, Maine Turnpike Authority, Midcoast Regional Redevelopment Authority, Northern New England Passenger Rail Authority, Small Enterprise Growth Fund, and the University of Maine System. The 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 97 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. The financial statements of the Maine Technology Institute and the Small Enterprise Growth Fund were not audited in accordance with *Government Auditing Standards.*

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maine, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 to 15, and Budgetary Comparison Information, State Retirement Plans, Other Post-employment Benefit Plans, and Information about Infrastructure Assets Reported Using the Modified Approach on pages 114 to 139, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Maine's financial statements. The introductory section, combining and individual non-major fund 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 140 to 197 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 to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Maine's internal control over financial reporting and compliance.

Pola A. Buckley

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

December 15, 2017


DIRIGO
MAINE

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, 2017. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:

- The State's net position increased by 7.0 percent from the previous fiscal year. Net position of Governmental Activities increased by $106.6 million, while net position of Business-Type Activities increased by $38.0 million. The State's assets and deferred outflows exceeded its liabilities and deferred inflows by $2.2 billion at the close of fiscal year 2017. Of this amount $1.9 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 $3.1 billion, an increase of $131.3 million (4.5 percent) from the previous year.

Fund level:

- At the end of the fiscal year, the State's governmental funds reported combined ending fund balances of $966.0 million, an increase of $146.5 million from the previous year. The General Fund's total fund balance was a $173.4 million, an increase of $128.1 million from the previous year. The Highway Fund total fund balance was $23.2 million, a decrease of $26.8 million from the prior year.
- The proprietary funds reported net position at year-end of $676.5 million, an increase of $60.4 million from the previous year. The increase is primarily the result of an increase in the Employment Securities Fund of $30.8 million, an increase in the Maine Military Authority fund of $8.2 million and an increase in two Internal Service Funds; Retiree Health Insurance of $31.7 million and Employee Health Insurance of $11.7 million. See Note 3, Accounting Changes and Restatements for further discussion.

Long-term Debt:

- The State's liability for general obligation bonds increased by $31.7 million during the fiscal year, which represents the difference between new issuances and payments of outstanding debt. During the year, the State issued $114.7 million in bonds and made principal payments of $83.0 million.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Statements

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

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

Both government-wide statements report three activities:

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

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

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

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

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

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

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

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

- Governmental fund long-term liabilities, such as certificates of participation, net pension liabilities, compensated absences, bonds and notes payable, and others appear as liabilities only in the government-wide statements.

- Capital outlay spending results in capital assets on the government-wide statements, but is recorded as expenditures on the governmental fund statements.

- Proceeds from bonds, notes and other long-term financing arrangements result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.

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

Fund Financial Statements

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

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

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

The State's net position increased by 7.0 percent to $2.2 billion at June 30, 2017, as detailed in Tables A-1 and A-2. The increase is primarily due to an increase in net revenue for governmental and business-type activities.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	**2016***	**2017**	**2016**	**2017**	**2016**
Current and other noncurrent assets	$ 2,353,471	$ 2,130,240	$ 474,048	$ 439,516	$ 2,827,519	$ 2,569,756
Total capital assets net of accum depr	4,179,693	4,129,530	35,402	38,658	4,215,095	4,168,188
Total Assets	6,533,164	6,259,770	509,450	478,174	7,042,614	6,737,944
Deferred Outflows of Resources	854,560	312,593	7,792	3,184	862,352	315,777
Current liabilities	1,101,835	1,061,722	33,995	36,899	1,135,830	1,098,621
Non-current liabilities	4,458,768	3,714,327	31,817	29,744	4,490,585	3,744,071
Total Liabilities	5,560,603	4,776,049	65,812	66,643	5,626,415	4,842,692
Deferred Inflows of Resources	58,542	134,369	242	1,534	58,784	135,903
Net Position (Deficit):						
Net Investment in Capital Assets	3,501,237	3,435,465	35,402	38,658	3,536,639	3,474,123
Restricted	152,365	132,972	429,124	398,342	581,489	531,314
Unrestricted (deficit)	(1,885,023)	(1,906,492)	(13,338)	(23,819)	(1,898,361)	(1,930,311)
Total Net Position	$ 1,768,579	$ 1,661,945	$ 451,188	$ 413,181	$ 2,219,767	$ 2,075,126

* As Restated

The State's fiscal year 2017 revenues totaled $8.2 billion. (See Table A-2) Taxes and operating grants and contributions accounted for most of the State's revenue by contributing 47.9 percent and 36.1 percent, respectively, of every dollar raised. The remainder came from charges for services and other miscellaneous sources.

The total cost of all programs and services totaled $8.1 billion for the year 2017. (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 4.4 percent of total costs. Total net position increased by $144.6 million, primarily due to an increase in tax revenue and charges for services.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	**2016***	**2017**	**2016**	**2017**	**2016**
Revenues:						
Program Revenues:						
Charges for Services	$ 583,870	$ 572,734	$ 588,619	$ 601,718	$ 1,172,489	$ 1,174,452
Operating grants and contributions	2,966,809	2,875,849	8,714	7,948	2,975,523	2,883,797
General Revenues:						
Taxes	3,944,991	3,766,871	-	-	3,944,991	3,766,871
Other	143,785	145,366	-	-	143,785	145,366
Total Revenues	7,639,455	7,360,820	597,333	609,666	8,236,788	7,970,486
Expenses:						
Governmental Activities:						
Governmental Support	354,421	456,635	-	-	354,421	456,635
Education	1,804,804	1,614,477	-	-	1,804,804	1,614,477
Health & Human Services	3,774,348	3,587,573	-	-	3,774,348	3,587,573
Justice & Protection	493,427	412,088	-	-	493,427	412,088
Transportation Safety	664,921	590,437	-	-	664,921	590,437
Other	495,753	438,833	-	-	495,753	438,833
Interest Expense	38,992	44,822	-	-	38,992	44,822
Business-type Activities:						
Employment Security	-	-	96,075	110,912	96,075	110,912
Lottery	-	-	214,670	217,556	214,670	217,556
Alcoholic Beverages	-	-	131,192	120,373	131,192	120,373
Military Equipment Maintenance	-	-	3,858	11,610	3,858	11,610
Other	-	-	20,581	19,972	20,581	19,972
Total Expenses	7,626,666	7,144,865	466,376	480,423	8,093,042	7,625,288
Excess (Deficiency) before Special Items and Transfers	12,789	215,955	130,957	129,243	143,746	345,198
Special Items	-	-	895	11,335	895	11,335
Transfers	93,845	100,879	(93,845)	(100,879)	-	-
Increase (Decrease) in Net Position	106,634	316,834	38,007	39,699	144,641	356,533
Net Position, beginning of year (As Restated)	1,661,945	1,345,111	413,181	373,482	2,075,126	1,718,593
Ending Net Position	$ 1,768,579	$ 1,661,945	$ 451,188	$ 413,181	$ 2,219,767	$ 2,075,126

* As Restated

Governmental Activities

Revenues for the State's Governmental Activities totaled $7.6 billion while total expenses equaled $7.6 billion. The increase in net position for Governmental Activities was $106.6 million in 2017, much of which was the result of current year transfers from the State's Business-Type Activities of $93.8 million. The State's Business-Type Activities transfers of $93.8 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 12.

The users of the State's programs financed $583.9 million of the cost. The federal and State governments subsidized certain programs with grants and contributions of $3.0 billion. $4.1 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 2017

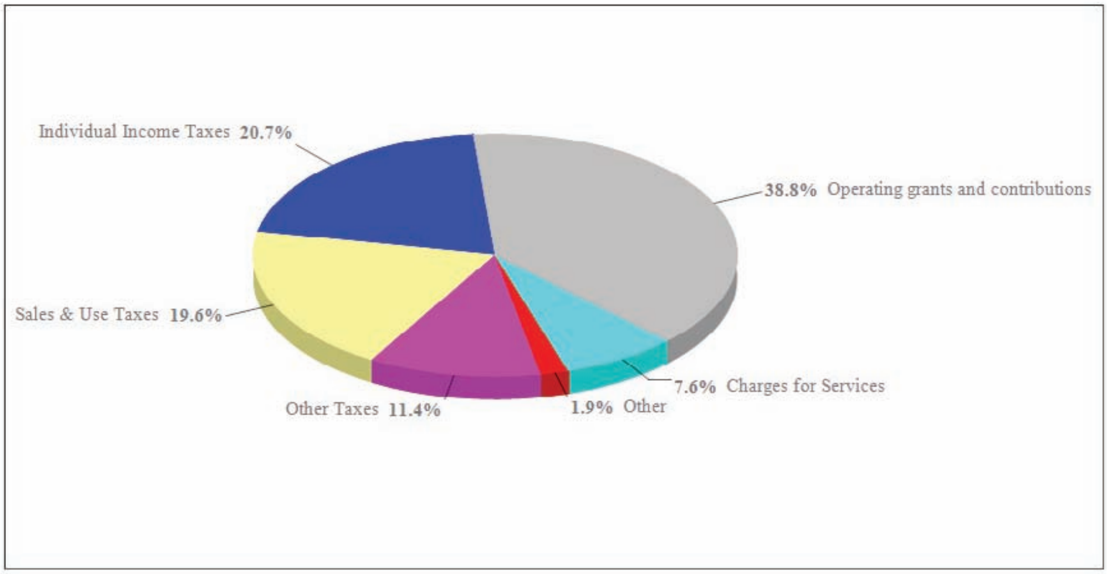
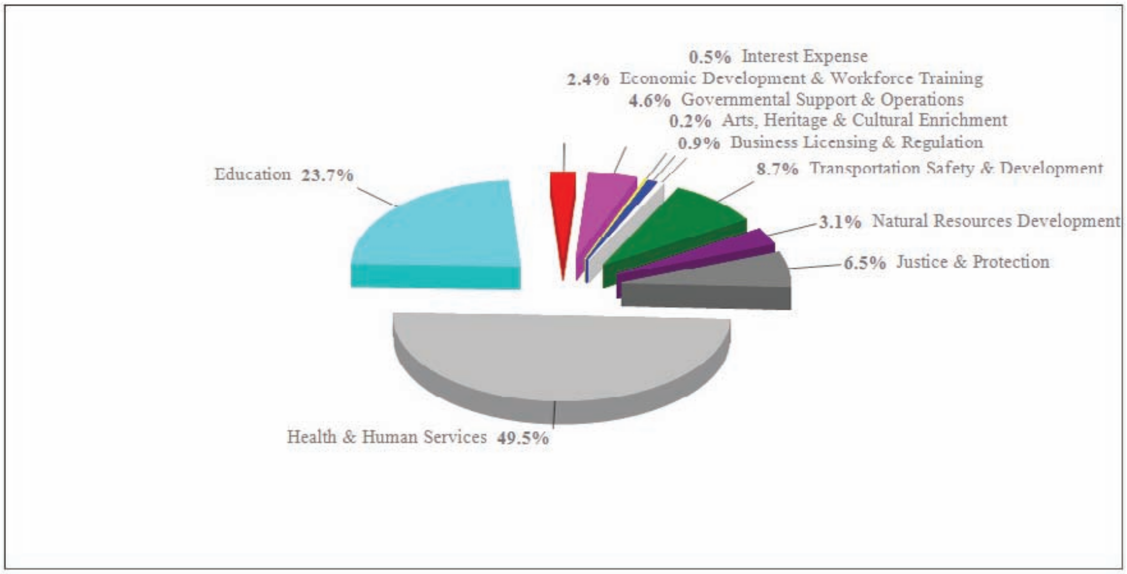


TABLE A-3: TOTAL EXPENSES FOR GOVERNMENTAL ACTIVITIES FOR FISCAL YEAR 2017



Business-Type Activities

Revenues for the State's Business-Type Activities totaled $597.3 million while expenses totaled $466.4 million. The increase in net position for Business-Type Activities was $38.0 million in 2017, due primarily to an increase in Alcoholic Beverages revenue of $10.4 and a decrease in expense for Employment Security and Military Equipment Maintenance of $14.8 million and $7.8 million, respectively.

Table A-5 presents the cost of State Business-Type Activities: Employment Security, Alcoholic Beverages, Lottery, Military Equipment Maintenance, Dirigo Health and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the State's taxpayers by each of these functions.

TABLE A-5: NET COST OF BUSINESS-TYPE ACTIVITIES
(Expressed in Thousands)

	Total Cost		Net (Cost) Revenue	
	2017	**2016**	**2017**	**2016**
Employment Security	$ 96,075	$ 110,912	$ 30,846	$ 34,627
Alcoholic Beverages	131,192	120,373	45,992	46,379
Lottery	214,670	217,556	60,232	60,898
Military Equipment Maintenance	3,858	11,610	1,230	(5,471)
Dirigo Health	68	12	23	479
Other	20,513	19,960	(7,366)	(7,669)
Total	$ 466,376	$ 480,423	$ 130,957	$ 129,243

The cost of all Business-Type Activities this year was $466.4 million. The users of the State's programs financed most of the cost. The State's net revenue from Business-Type Activities was $131.0 million, with Alcoholic Beverages and Lottery making up $46.0 and $60.2 million of the total, respectively. The $93.8 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)

	2017	**2016**	**Change**
General	$ 173,424	$ 45,334	$ 128,090
Highway	23,155	49,972	(26,817)
Federal	23,721	37,137	(13,416)
Other Special Revenue	554,133	507,648	46,485
Other Governmental Funds	191,582	179,425	12,157
Total	$ 966,015	$ 819,516	$ 146,499

As of the end of the fiscal year, the State’s governmental funds reported combined ending fund balances of $966.0 million, an increase of $146.5 million in comparison with the prior year. Of this total, $31.4 million (3.3 percent) is classified as non-spendable, either due to its form or legal constraints, and $654.6 million (67.8 percent) is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. Unspent bond proceeds, revenue restricted for transportation, natural resources or other programs are included in restricted fund balance. At the end of fiscal year 2017, the unassigned fund balance of the General Fund was $59.1 million, an increase of $94.2 million.

General Fund revenues and other sources surpassed General Fund expenditures and other uses resulting in an increase in the fund balance by $128.1 million. Revenues and other sources of the General Fund increased by approximately $161.5 million (4.5

percent) which is mainly attributed to an increase in tax revenue of $105.8 million, charges for service revenue of $6.2 million and other financing sources of $47.6 million. General Fund expenditures and other financing uses increased by $152.5 million (4.4 percent). This is due, primarily, to an increase in expense for education of $80.9 million, governmental support & operations of $30.0 million, health & human services of $18.7 million and justice & protection of $15.5 million.

The fund balance of the Highway Fund decreased $26.8 million from fiscal year 2016, due mainly to the increase in the Highway Fund's expenditures of $31.0 million. The decrease is due primarily to an increase in expense in transportation safety & development of $22.2 million, justice & protection of $3.1 million and debt service of $5.1 million.

Budgetary Highlights

For the 2017 fiscal year, the final legally adopted budgeted expenditures for the General Fund amounted to $3.51 billion, an increase of about $91 million from the original legally adopted budget of approximately $3.42 billion. Actual expenditures on a budgetary basis amounted to approximately $154.6 million less than those authorized in the final budget. After deducting the encumbered obligations and other commitments that will come due in fiscal year 2017, including the budgeted starting balance for Fiscal Year 2017, there were funds remaining of $53.9 million to distribute in fiscal year 2018. Actual revenues exceeded final budget forecasts by $120.4 million. At year end, the State transferred $36.8 million to the Budget Stabilization Fund. Interest earnings along with legislatively and statutorily approved transfers increased the balance in the Fund to $196.3 million as of June 30, 2017. This item is further explained in Note 2 of Notes to the Financial Statements.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2017, the State had roughly $4.2 billion in a broad range of capital assets, including land, infrastructure, improvements, buildings, equipment, vehicles and intangibles. During fiscal year 2017, the State acquired or constructed more than $130.1 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	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Land	$ 628,824	$ 611,830	$ 2,389	$ 2,387	$ 631,213	$ 614,217
Buildings	781,762	772,193	4,655	4,655	786,417	776,848
Equipment	298,115	293,396	32,658	32,571	330,773	325,967
Improvements other than buildings	109,165	96,251	42,757	42,757	151,922	139,008
Software	75,973	73,059	-	-	75,973	73,059
Infrastructure	2,869,006	2,824,703	-	-	2,869,006	2,824,703
Construction in Progress	46,996	38,188	-	391	46,996	38,579
Total Capital Assets	4,809,841	4,709,620	82,459	82,761	4,892,300	4,792,381
Accumulated Depreciation	630,148	580,090	47,057	44,103	677,205	624,193
Capital Assets, net	$ 4,179,693	$ 4,129,530	$ 35,402	$ 38,658	$ 4,215,095	$ 4,168,188

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 8,807 highway miles or 17,900 lane miles within the State. Bridges have a deck area of 12.2 million square feet among 2,972 total bridges. The State has established a policy to maintain its highways at an average condition assessment of 60. At June 30, 2017, the actual average condition was 72.3. 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, 2017. Preservation costs for fiscal year 2017 totaled $142.1 million compared to estimated preservation costs of $165.9 million.

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 305, PL 2015, $48 million in General fund bonds were spent during fiscal year 2017. Of the amount authorized by Chapter 478, PL 2015, $30 million in General fund bonds were spent during fiscal year 2017.

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 $1.8 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	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
General Obligation						
Bonds	$ 460,240	$ 442,610	$ -	$ -	$ 460,240	$ 442,610
Unmatured Premiums	35,892	21,834	-	-	35,892	21,834
Other Long-Term Obligations	1,255,448	1,254,558	3,924	4,994	1,259,372	1,259,552
Total	$ 1,751,580	$ 1,719,002	$ 3,924	$ 4,994	$ 1,755,504	$ 1,723,996

During the year, the State reduced outstanding long-term obligations by $83.0 million for outstanding general obligation bonds and $447.1 million for other long-term debt. Also during fiscal year 2017, the State incurred $561.6 million of additional long-term obligations.

Credit Ratings

The State's credit was rated during fiscal year 2017 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

There are some indications that rates of growth in Maine's economy in 2017 have been somewhat lower than in 2016. However, gasoline and heating oil prices remain low, personal income continues to rise, and mortgage delinquencies and foreclosures continue to decline. The U.S. economy also continued to grow since the Consensus Economic Forecasting Commission (CEFC) last met in March 2017.

Maine's real GDP was unchanged from the fourth quarter of 2016 to the first quarter of 2017. Personal income in Maine grew 2.5 percent from the first half of 2016 to the first half of 2017, while wage and salary income, which is the largest component of total personal income, grew 2.7 percent over the same period. The debt-to-income level for Maine businesses and households continued to rise to new levels in the second quarter of 2017. The Consumer Price Index was up 2.2 percent in September 2017 from a year ago, boosted by recent increases in energy prices.

Nationwide, consumer sentiment has remained relatively stable in recent months. The September 2017 level was up 4.3 percent from a year ago and up 1.8 percent from August 2017. Small business optimism has also been fairly stable in recent months, but was down 2.2 percent from the previous month in September 2017.

The price of crude oil has continued increasing recently with prices in the third quarter of 2017 up 10.0 percent from the third quarter of 2016. As a result of the increases in crude oil prices, heating oil prices and gasoline prices have been higher as well, although gasoline prices have retreated from the post-Hurricane Harvey spike. Heating oil is around $2.28 per gallon while gasoline is currently averaging $2.69 per gallon.

New and used auto registrations increased in fiscal year 2017, with new titles increasing 48.8 percent and used titles increasing 23.6 percent. However, a large decrease in trailer titles (both new and used) resulted in a 1.5 percent year-over-year decrease overall.

Existing single-family home sales in Maine were up 6.4 percent in August 2017 compared to the same month last year and housing permits for the September 2016 – August 2017 year were 9.1 percent higher than the previous 12-month period. The median home price in the Portland-South Portland Metropolitan Statistical Area (which encompasses all of York, Cumberland, and Sagadahoc counties) increased 8.9 percent year-over-year in the second quarter of 2017. Mortgage delinquency rates in Maine have been declining but remain higher than the national rate. The foreclosure rate in Maine was 0.25 percent in the second quarter of 2017, falling below the national rate for the first time since 2014.

The Commission believes that Maine's economy continues to see slow growth with considerable challenges posed by the state's aging population and lack of population growth. These beliefs were again reinforced in comments provided by representatives from a variety of business sectors in the Commission's data gathering session that preceded the forecast deliberations.

The forecast for wage and salary employment growth was revised upward for 2017 and 2018 based on initial data showing that the first three quarters of 2017 have had stronger than anticipated growth. The new forecast reaches 623,300 in 2018 and remains at that level for 2019-2021. CPI was revised slightly downward for 2017, from 2.7 percent to 2.4 percent, due to lower than expected growth in oil prices, while the remaining years were left unchanged. Total personal income was revised down by 0.2 percentage points in 2017 following the release of revised data from the U.S. Bureau of Economic Analysis resulting in a downward revision of 0.7 percentage points in 2016. The forecast for 2018 was revised downward by 0.5 percentage points while 2020 was revised upward by 0.2 percentage points. 2019 and 2021 were left unchanged. Wage and salary income growth for 2016 was also revised downward by the U.S. Bureau of Economic Analysis. The Commission revised 2017 growth downward by 0.2 percentage points and 2018 by 0.8 percentage points. The forecasts for the remaining years were left unchanged.

General Fund revenue estimates were revised upward by $17.9 million for fiscal year 2018 but downward by $11.7 million for fiscal year 2019 (upward by $6.2 million for the 2018-2019 biennium). The revised forecast increases the overall rate of growth for General Fund revenue for fiscal year 2018 from -0.2 percent to 0.3 percent but reduces the rate of growth for fiscal year 2019 from 4.7 percent to 3.8 percent. The estimates for the 2020-2021 biennium were revised upward by a net amount of $0.5 million. It is important to note that fiscal year 2020 reflects a smaller overall growth rate of 0.5%, largely as a result of Municipal Revenue Sharing returning to the 5 percent level under current law from the 2 percent level in place for fiscal year 2016 through fiscal year 2019. The growth rate for fiscal year 2021 is projected to be 3.6 percent.

At June 30, 2017, the State of Maine reported an ending fund balance of $173.4 million in the General Fund on a GAAP basis, an increase of more than $128 million since the end of fiscal year 2016. The “Unassigned” component of fund balance was $59.1 million. This is the first time that the General Fund 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 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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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, 2017
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	$ 630,367	$ 6,715	$ 637,082	$ 23,188
Cash and Cash Equivalents	3,627	1,864	5,491	117,235
Cash with Fiscal Agent	88,821	-	88,821	-
Investments	106,945	-	106,945	713,422
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	58,944	-	58,944	-
Restricted Deposits and Investments	4,050	406,028	410,078	361,752
Inventories	7,566	4,694	12,260	2,014
Receivables, Net of Allowances for Uncollectibles:				
Taxes Receivable	408,616	-	408,616	-
Loans & Notes Receivable	5,564	-	5,564	106,634
Other Receivables	259,453	60,162	319,615	74,839
Internal Balances	9,698	(9,698)	-	-
Due from Other Governments	280,657	-	280,657	157,573
Due from Primary Government	-	-	-	11,983
Loans Receivable from Primary Government	-	-	-	50,449
Due from Component Units	52,701	-	52,701	-
Other Current Assets	32,774	1,012	33,786	25,888
Total Current Assets	1,949,783	470,777	2,420,560	1,644,977
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	307,116	3,271	310,387	11,299
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	28,718	-	28,718	-
Restricted Deposits and Investments	-	-	-	371,361
Pension Assets	3,127	-	3,127	-
Investments	-	-	-	527,336
Receivables, Net of Current Portion:				
Taxes Receivable	59,773	-	59,773	-
Loans & Notes Receivable	-	-	-	1,866,595
Other Receivables	994	-	994	4,915
Due from Other Governments	3,894	-	3,894	1,327,689
Loans Receivable from Primary Government	-	-	-	378,264
Due from Primary Government	-	-	-	2,308
Post-Employment Benefit Assets	66	-	66	13,403
Other Noncurrent Assets	-	-	-	17,059
Capital Assets:				
Land, Infrastructure, & Other Non-Depreciable Assets	3,544,826	2,389	3,547,215	665,375
Buildings, Equipment & Other Depreciable Assets	634,867	33,013	667,880	1,071,786
Total Noncurrent Assets	4,583,381	38,673	4,622,054	6,257,390
Total Assets	6,533,164	509,450	7,042,614	7,902,367
Deferred Outflows of Resources	$ 854,560	$ 7,792	$ 862,352	$ 120,465

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

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Liabilities				
Current Liabilities:				
Accounts Payable	$ 501,427	$ 12,925	$ 514,352	$ 68,759
Accrued Payroll	49,554	844	50,398	4,635
Tax Refunds Payable	204,932	-	204,932	-
Due to Component Units	29,974	-	29,974	-
Due to Primary Government	-	-	-	52,701
Current Portion of Long-Term Obligations:				
Compensated Absences	6,387	91	6,478	3,197
Due to Other Governments	72,546	-	72,546	1,045
Amounts Held under State & Federal Loan Programs	-	-	-	31,824
Claims Payable	27,697	-	27,697	-
Bonds & Notes Payable	88,386	-	88,386	247,808
Revenue Bonds Payable	21,250	-	21,250	34,281
Obligations under Capital Leases	5,582	-	5,582	658
Certificates of Participation & Other Financing Arrangements	29,033	-	29,033	-
Loans Payable to Component Unit	50,449	-	50,449	-
Accrued Interest Payable	5,264	-	5,264	31,393
Unearned Revenue	1,289	1,284	2,573	62,804
Other Current Liabilities	8,065	18,851	26,916	66,088
Total Current Liabilities	1,101,835	33,995	1,135,830	605,193
Long-Term Liabilities:				
Compensated Absences	41,162	664	41,826	-
Due to Component Units	2,308	-	2,308	-
Due to Other Governments	-	-	-	4,676
Amounts Held under State & Federal Loan Program	-	-	-	44,101
Claims Payable	49,592	-	49,592	-
Bonds & Notes Payable	407,746	-	407,746	3,390,948
Revenue Bonds Payable	150,620	-	150,620	623,414
Obligations under Capital Leases	28,694	-	28,694	2,946
Certificates of Participation & Other Financing Arrangements	45,504	-	45,504	-
Loans Payable to Component Unit	378,264	-	378,264	-
Unearned Revenue	11,364	-	11,364	-
Net Pension Liability	2,922,300	27,984	2,950,284	88,493
Other Post-Employment Benefit Obligation	387,636	3,169	390,805	3,028
Pollution Remediation & Landfill Obligations	33,578	-	33,578	-
Other Noncurrent Liabilities	-	-	-	160,713
Total Long-Term Liabilities	4,458,768	31,817	4,490,585	4,318,319
Total Liabilities	5,560,603	65,812	5,626,415	4,923,512
Deferred Inflows of Resources	58,542	242	58,784	39,088
Net Position				
Net Investment in Capital Assets	3,501,237	35,402	3,536,639	1,190,972
Restricted:				
Business Licensing & Regulation	42,215	-	42,215	-
Governmental Support & Operations	3,127	-	3,127	-
Employment Security	-	429,124	429,124	-
Other Purposes	-	-	-	1,223,952
Funds Held for Permanent Investments:				
Expendable	79,258	-	79,258	-
Nonexpendable	27,765	-	27,765	251,952
Unrestricted	(1,885,023)	(13,338)	(1,898,361)	393,356
Total Net Position	$ 1,768,579	$ 451,188	$ 2,219,767	$ 3,060,232

STATE OF MAINE
STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Governmental Support & Operations	$ 354,421	$ 90,906	$ 2,996	$ -
Arts, Heritage & Cultural Enrichment	12,813	845	3,280	-
Business Licensing & Regulation	66,006	73,430	35	-
Economic Development & Workforce Training	180,006	8,658	82,408	-
Education	1,804,804	37,278	221,485	-
Health & Human Services	3,774,348	14,687	2,342,369	-
Justice & Protection	493,427	86,744	53,175	-
Natural Resources Development & Protection	236,928	93,304	45,334	-
Transportation Safety & Development	664,921	178,018	215,727	-
Interest Expense	38,992	-	-	-
Total Governmental Activities	7,626,666	583,870	2,966,809	-
Business-Type Activities:				
Employment Security	96,075	118,207	8,714	-
Alcoholic Beverages	131,192	177,184	-	-
Lottery	214,670	274,902	-	-
Ferry Services	12,271	4,599	-	-
Military Equipment Maintenance	3,858	5,088	-	-
Dirigo Health	68	91	-	-
Other	8,242	8,548	-	-
Total Business-Type Activities	466,376	588,619	8,714	-
Total Primary Government	8,093,042	1,172,489	2,975,523	-
Component Units:				
Finance Authority of Maine	51,123	26,314	26,816	-
Maine Community College System	136,755	19,202	59,186	5,296
Maine Health & Higher Education Facilities Authority	31,833	29,422	590	-
Maine Municipal Bond Bank	65,384	54,700	(1,041)	22,484
Maine State Housing Authority	218,950	68,061	154,860	-
Maine Turnpike Authority	93,031	133,822	-	-
University of Maine System	699,155	302,959	193,764	3,276
All Other Non-Major Component Units	207,844	45,542	118,936	25,858
Total Component Units	$ 1,504,075	$ 680,022	$ 553,111	$ 56,914

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
	$ (260,519)	$ -	$ (260,519)	$ -
	(8,688)	-	(8,688)	-
	7,459	-	7,459	-
	(88,940)	-	(88,940)	-
	(1,546,041)	-	(1,546,041)	-
	(1,417,292)	-	(1,417,292)	-
	(353,508)	-	(353,508)	-
	(98,290)	-	(98,290)	-
	(271,176)	-	(271,176)	-
	(38,992)	-	(38,992)	-
	(4,075,987)	-	(4,075,987)	-
	-	30,846	30,846	-
	-	45,992	45,992	-
	-	60,232	60,232	-
	-	(7,672)	(7,672)	-
	-	1,230	1,230	-
	-	23	23	-
	-	306	306	-
	-	130,957	130,957	-
	(4,075,987)	130,957	(3,945,030)	-
	-	-	-	2,007
	-	-	-	(53,071)
	-	-	-	(1,821)
	-	-	-	10,759
	-	-	-	3,971
	-	-	-	40,791
	-	-	-	(199,156)
	-	-	-	(17,508)
	$ -	$ -	$ -	$ (214,028)
General Revenues:				
Taxes:				
Corporate Taxes	184,599	-	184,599	-
Individual Income Taxes	1,579,511	-	1,579,511	-
Fuel Taxes	253,176	-	253,176	-
Property Taxes	62,979	-	62,979	-
Sales & Use Taxes	1,493,728	-	1,493,728	-
Other Taxes	370,998	-	370,998	-
Unrestricted Investment Earnings	22,003	-	22,003	25,890
Non-Program Specific Grants, Contributions & Appropriations	-	-	-	314,354
Miscellaneous Income	69,515	-	69,515	11,353
Gain (Loss) on Sale of Assets	-	-	-	(6,224)
Tobacco Settlement	52,267	-	52,267	-
Special Items	-	895	895	-
Transfers - Internal Activities	93,845	(93,845)	-	-
Total General Revenues and Transfers	4,182,621	(92,950)	4,089,671	345,373
Change in Net Position	106,634	38,007	144,641	131,345
Net Position - Beginning (as restated)	1,661,945	413,181	2,075,126	2,928,887
Net Position - Ending	$ 1,768,579	$ 451,188	$ 2,219,767	$ 3,060,232


DIRIGO
MAINE

GOVERNMENTAL FUND FINANCIAL STATEMENTS

MAJOR FUNDS

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

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

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

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

NON-MAJOR FUNDS

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

STATE OF MAINE
BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2017
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Treasurer's Cash Pool	$ 268,571	$ 38,991	$ 8,074	$ 417,385	$ 78	$ 733,099
Cash & Short-Term Investments	106	117	-	3,402	-	3,625
Cash with Fiscal Agent	2,743	492	-	82,937	-	86,172
Investments	-	-	-	-	106,945	106,945
Restricted Assets:						
Restricted Equity in Treasurer's Cash Pool	-	-	-	-	87,662	87,662
Inventories	2,818	1	459	-	-	3,278
Receivables, Net of Allowance for Uncollectibles:						
Taxes Receivable	431,754	23,557	-	13,078	-	468,389
Loans Receivable	1	-	-	5,563	-	5,564
Other Receivable	97,624	2,654	73,852	70,503	-	244,633
Due from Other Funds	33,745	3,337	2,697	10,164	-	49,943
Due from Other Governments	-	-	280,069	-	-	280,069
Due from Component Units	37	-	-	52,664	-	52,701
Other Assets	549	15	160	8	-	732
Working Capital Advances Receivable	111	-	-	-	-	111
Total Assets	$ 838,059	$ 69,164	$ 365,311	$ 655,704	$ 194,685	$ 2,122,923
Liabilities						
Accounts Payable	$ 152,088	$ 27,305	$ 250,849	$ 29,942	$ 648	$ 460,832
Accrued Payroll	23,024	9,193	4,638	9,577	-	46,432
Tax Refunds Payable	204,932	-	-	-	-	204,932
Due to Other Governments	-	-	72,517	-	-	72,517
Due to Other Funds	53,446	4,064	7,714	20,647	9	85,880
Due to Component Units	15,796	-	3,380	1,871	2,443	23,490
Unearned Revenue	-	4,696	459	6,876	3	12,034
Other Accrued Liabilities	3,857	-	2,004	3,959	-	9,820
Total Liabilities	453,143	45,258	341,561	72,872	3,103	915,937
Deferred Inflows of Resources	211,492	751	29	28,699	-	240,971
Fund Balances						
Nonspendable:						
Permanent Fund Principal	-	-	-	-	27,765	27,765
Inventories & Prepaid Items	3,059	-	622	-	-	3,681
Restricted	14,133	23,155	23,099	430,393	163,817	654,597
Committed	10,064	-	-	76,629	-	86,693
Assigned	87,085	-	-	47,111	-	134,196
Unassigned	59,083	-	-	-	-	59,083
Total Fund Balances	173,424	23,155	23,721	554,133	191,582	966,015
Total Liabilities, Deferred Inflows and Fund Balances	$ 838,059	$ 69,164	$ 365,311	$ 655,704	$ 194,685	$ 2,122,923

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, 2017
(Expressed in Thousands)

Total fund balances for governmental funds		$ 966,015
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.	4,400,218	
Accumulated Depreciation	409,217	
		3,991,001
Pension Assets		3,127
Pension Related Deferred Outflows		820,894
Other post-employment benefit assets are not financial resources.		66
Refunded Bond Deferred Outflows		4,435
Pollution Remediation Receivable		1,141
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	(668,002)	
Interest Payable Related to Long-term Financing	(3,188)	
Certificates of Participation and Other Financing Arrangements	(50,166)	
Capital Leases	(2,118)	
Loans Payable to Component Unit	(428,713)	
Compensated Absences	(43,858)	
Pension Liability	(2,825,232)	
Pension Related Deferred Inflows	(57,703)	
Other Post-employment Benefit Obligation	(376,108)	
Pollution Remediation and Landfill Obligations	(33,578)	
		(4,488,666)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		240,971
Other Revenue		4,306
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.		225,289
Net position of governmental activities		$ 1,768,579

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, 2017
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$ 3,411,497	$ 228,591	$ -	$ 296,579	$ -	$ 3,936,667
Assessments	106,085	96,646	-	161,400	-	364,131
Federal Grants & Reimbursements	1,771	-	2,955,754	9,154	-	2,966,679
Charges for Services	45,229	4,253	376	161,434	-	211,292
Investment Income	5,424	348	11	1,148	13,425	20,356
Miscellaneous Revenues	12,547	599	2,238	109,019	150	124,553
Total Revenues	3,582,553	330,437	2,958,379	738,734	13,575	7,623,678
Expenditures						
Current:						
Governmental Support & Operations	260,661	2,232	3,435	114,970	239	381,537
Economic Development & Workforce Training	42,379	-	80,436	45,029	9,825	177,669
Education	1,503,763	-	221,446	54,164	6,555	1,785,928
Health & Human Services	1,126,330	-	2,352,132	301,488	-	3,779,950
Business Licensing & Regulation	-	-	61	62,648	-	62,709
Natural Resources Development & Protection	75,445	37	45,448	104,898	1,534	227,362
Justice & Protection	336,267	28,983	56,886	48,892	1,341	472,369
Arts, Heritage & Cultural Enrichment	7,852	-	3,250	882	64	12,048
Transportation Safety & Development	-	305,410	189,583	119,810	1,035	615,838
Debt service:						
Principal Payments	78,940	21,015	11,465	32,620	-	144,040
Interest Expense	22,547	2,329	4,964	14,072	-	43,912
Capital Outlay	-	-	-	-	93,341	93,341
Total Expenditures	3,454,184	360,006	2,969,106	899,473	113,934	7,796,703
Revenue over (under) Expenditures	128,369	(29,569)	(10,727)	(160,739)	(100,359)	(173,025)
Other Financing Sources (Uses)						
Transfer from Other Funds	117,307	12,899	10,785	182,901	1,407	325,299
Transfer to Other Funds	(148,822)	(10,882)	(13,474)	(60,583)	(3,566)	(237,327)
COP's & Other	31,236	735	-	16,924	-	48,895
Loan Proceeds from Component Units	-	-	-	50,002	-	50,002
Bonds Issued	-	-	-	17,980	98,060	116,040
Refunding Bonds Issued	-	-	-	24,950	-	24,950
Premiums on Bond Issuance	-	-	-	3,875	16,615	20,490
Payments to Refunded Bond Escrow Agent	-	-	-	(28,825)	-	(28,825)
Net Other Finance Sources (Uses)	(279)	2,752	(2,689)	207,224	112,516	319,524
Net Change in Fund Balances	128,090	(26,817)	(13,416)	46,485	12,157	146,499
Fund Balances at Beginning of Year	45,334	49,972	37,137	507,648	179,425	819,516
Fund Balances at End of Year	$ 173,424	$ 23,155	$ 23,721	$ 554,133	$ 191,582	$ 966,015

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, 2017
(Expressed in Thousands)

Net change in fund balances - total governmental funds		$ 146,499
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	103,700	
Depreciation Expense	(38,838)	
		64,862
Pension Assets		(390)
Pension Related Deferred Outflows		522,187
Refunded Bond Deferred Outflows		2,912
Post-employment Asset Funding, Net		(265)
Pollution Remediation Receivable		(486)
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	(140,990)	
Premium on Bonds Issued	(20,490)	
Proceeds from Other Financing Arrangements	(48,769)	
Loan Proceeds from Component Unit	(50,002)	
Payment to Refund Bond Escrow Agent	26,820	
Repayment of Bond Principal	99,955	
Repayment of Other Financing Debt	37,604	
Repayment of Pledged Revenue Principal	46,488	
Repayment of Capitalized Lease Principal	529	
Accrued Interest	932	
Amortization of Bond Premiums	2,557	
		(45,366)
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	(2,910)	
Pension Liability	(686,866)	
Pension Related Deferred Inflows	72,173	
Other Post-employment Benefit Obligation	(1,155)	
Pollution Remediation and Landfill Obligations	4,030	
		(614,728)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		9,006
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.		22,403
Changes in net position of governmental activities		$ 106,634

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


DIRIGO
MAINE

PROPRIETARY FUND FINANCIAL STATEMENTS

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, 2017
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities
	Major	Non-Major		
	Employment Security	Other Enterprise	Total	Internal Service Funds
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	$ -	$ 6,715	$ 6,715	$ 137,451
Cash & Short-Term Investments	1,108	756	1,864	2
Cash with Fiscal Agent	-	-	-	2,649
Restricted Assets:				
Restricted Deposits & Investments	406,028	-	406,028	4,050
Inventories	-	4,694	4,694	4,288
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	25,250	34,912	60,162	10,302
Due from Other Funds	11	1,348	1,359	21,482
Other Assets	-	1,012	1,012	32,042
Total Current Assets	432,397	49,437	481,834	212,266
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	-	3,271	3,271	66,933
Capital Assets - Net of Depreciation	-	35,402	35,402	188,692
Total Noncurrent Assets	-	38,673	38,673	255,625
Total Assets	432,397	88,110	520,507	467,891
Deferred Outflows of Resources	$ -	$ 7,792	$ 7,792	$ 29,231
Liabilities				
Current Liabilities:				
Accounts Payable	$ 2,608	$ 10,317	$ 12,925	$ 4,932
Accrued Payroll	-	844	844	3,122
Due to Other Funds	-	11,176	11,176	6,873
Due to Component Units	-	-	-	8,792
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	-	-	-	9,440
Obligations under Capital Leases	-	-	-	5,053
Claims Payable	-	-	-	27,697
Compensated Absences	-	91	91	443
Unearned Revenue	-	1,284	1,284	398
Accrued Interest Payable	-	-	-	75
Other Accrued Liabilities	$ 665	$ 18,186	$ 18,851	$ 246
Total Current Liabilities	3,273	41,898	45,171	67,071
Long-Term Liabilities:				
Working Capital Advances Payable	-	-	-	111
Unearned Revenue	-	-	-	221
Certificates of Participation & Other Financing Arrangements	-	-	-	14,931
Obligations under Capital Leases	-	-	-	27,105
Claims Payable	-	-	-	49,592
Compensated Absences	-	664	664	3,248
Net Pension Liability	-	27,984	27,984	97,068
Other Post-Employment Benefit Obligation	-	3,169	3,169	11,528
Total Long-Term Liabilities	-	31,817	31,817	203,804
Total Liabilities	3,273	73,715	76,988	270,875
Deferred Inflows of Resources	$ -	$ 242	$ 242	$ 839
Net Position				
Net Investment in Capital Assets:	-	35,402	35,402	134,812
Restricted for:				
Unemployment Compensation	429,124	-	429,124	-
Other Purposes	-	-	-	505
Unrestricted	-	(13,457)	(13,457)	90,091
Total Net Position	$ 429,124	$ 21,945	451,069	$ 225,408
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			119	
			$ 451,188	

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, 2017
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities
	Major	Non-Major		Internal
	Employment Security	Other Enterprise	Total	Service Funds
Operating Revenues				
Charges for Services	$ -	$ 470,745	$ 470,745	$ 436,443
Assessments	118,148	-	118,148	-
Miscellaneous Revenues	59	5	64	120
Total Operating Revenues	118,207	470,750	588,957	436,563
Operating Expenses				
General Operations	-	367,779	367,779	363,944
Depreciation	-	2,979	2,979	27,399
Claims/Fees Expense	96,075	-	96,075	13,654
Other Operating Expenses	-	-	-	549
Total Operating Expenses	96,075	370,758	466,833	405,546
Operating Income (Loss)	22,132	99,992	122,124	31,017
Nonoperating Revenues (Expenses)				
Investment Revenue (Expenses) - net	8,714	-	8,714	1,648
Interest Expense	-	-	-	(10,329)
Other Nonoperating Revenue (Expenses) - net	-	(338)	(338)	(10,078)
Total Nonoperating Revenues (Expenses)	8,714	(338)	8,376	(18,759)
Income (Loss) Before Capital Contributions, Transfers and Special Items	30,846	99,654	130,500	12,258
Capital Contributions, Transfers and Special Items				
Capital Contributions from (to) Other Funds	-	2	2	302
Transfer from Other Funds	17	12,185	12,202	10,400
Transfer to Other Funds	(81)	(105,968)	(106,049)	(100)
Special Items	-	895	895	-
Total Capital Contributions, Transfers and Special Items	(64)	(92,886)	(92,950)	10,602
Change in Net Position	30,782	6,768	37,550	22,860
Net Position - Beginning of Year (As Restated)	398,342	15,177	413,519	202,548
Net Position - End of Year	$ 429,124	$ 21,945		$ 225,408
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			457	
Changes in Business-Type Net Assets			$ 38,007	

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

STATE OF MAINE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

June 30, 2017
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Major Employment Security	Non-Major Other Enterprise	Totals	Internal Service Funds
Cash Flows from Operating Activities				
Receipts from Customers and Users	122,731	457,885	580,616	69,457
Other Operating Cash Receipts (Payments)				
Cash Received from Interfund Services	312	11,121	11,433	359,175
Payments of Benefits	(96,075)	-	(96,075)	-
Payments to Prize Winners	-	(178,402)	(178,402)	-
Payments to Suppliers	(373)	(173,241)	(173,614)	(260,781)
Payments to Employees	-	(18,565)	(18,565)	(76,227)
Payments for Interfund Goods and Services	-	(8,765)	(8,765)	(49,186)
Net Cash Provided (Used) by Operating Activities	26,595	90,033	116,628	42,438
Cash Flows from Noncapital Financing Activities				
Transfers from Other Funds	17	12,185	12,202	10,400
Transfers to Other Funds	(81)	(105,968)	(106,049)	(100)
Net Cash Provided (Used) by Noncapital Financing Activities	(64)	(93,783)	(93,847)	10,300
Cash Flows from Capital and Related Financing Activities				
Payments for Acquisition of Capital Assets	-	(112)	(112)	(22,758)
Proceeds from Financing Arrangements	-	-	-	5,500
Principal and Interest Paid on Financing Arrangements	-	-	-	(23,896)
Proceeds from Sale of Capital Assets	-	-	-	282
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(112)	(112)	(40,872)
Cash Flows from Investing Activities				
Interest Revenue	8,714	53	8,767	1,648
Net Cash Provided (Used) by Investing Activities	8,714	53	8,767	1,648
Net Increase (Decrease) in Cash/Cash Equivalents	35,245	(3,809)	31,436	13,514
Cash/Cash Equivalents - Beginning of Year	371,891	14,551	386,442	197,571
Cash/Cash Equivalents - End of Year	407,136	10,742	417,878	211,085
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	22,132	99,992	122,124	31,017
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	-	2,979	2,979	27,399
Decrease (Increase) in Assets				
Accounts Receivable	4,524	(6,118)	(1,594)	(8,575)
Interfund Balances	312	(851)	(539)	3,872
Due from Component Units	-	-	-	5
Inventories	-	(312)	(312)	425
Other Assets	-	(194)	(194)	(3,921)
Deferred Outflows	-	(4,608)	(4,608)	(16,871)
Increase (Decrease) in Liabilities				
Accounts Payable	(343)	(1,442)	(1,785)	(8,257)
Accrued Payroll Expense	-	22	22	339
Due to Other Governments	-	-	-	260
Compensated Absences	-	(335)	(335)	(93)
Deferred Inflows	-	(1,292)	(1,292)	(3,651)
Net Pension Liability	-	3,910	3,910	24,049
Other Accruals	(30)	(1,718)	(1,748)	(3,560)
Total Adjustments	4,463	(9,959)	(5,496)	11,421
Net Cash Provided (Used) by Operating Activities	26,595	90,033	116,628	42,438
Non Cash Investing, Capital and Financing Activities				
Property Leased, Accrued or Acquired	-	-	-	2,278
Contributed Capital Assets	-	2	2	302
Special Item	-	895	895	-

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

FIDUCIARY FUND
FINANCIAL STATEMENTS

Pension (and Other Employee Benefit) Trusts – accounts for funds held by the Maine Public Employees Retirement System (the System), a component unit included with Fiduciary Funds per GASB Statement No. 34. The System provides pension, death, and disability benefits to its members, including State employees, some public school employees, and employees of more than 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, 2017
(Expressed in Thousands)

	Pension (and Other Employee Benefits)	Private Purpose Trusts	Agency Funds
Assets			
Equity in Treasurer's Cash Pool	$ -	$ 534	$ 29,233
Cash & Short-Term Investments	25,065	1,911	27
Receivables, Net of Allowance for Uncollectibles:			
State and Local Agency Contributions	18,026	-	-
Interest and Dividends	2,790	-	-
Due from Brokers for Securities Sold	351	-	-
Other Receivable	30,363	645	-
Investments at Fair Value:			
Equity Securities	2,803,727	-	-
Common/Collective Trusts	11,147,056	-	-
Investments - Other	-	18,827	-
Restricted Deposits & Investments	-	-	11
Securities Lending Collateral	19,544	-	-
Due from Other Funds	-	35,663	-
Investments Held on Behalf of Others	-	-	59,520
Capital Assets - Net of Depreciation	7,474	-	-
Other Assets	-	3,722	4,666
Total Assets	14,054,396	61,302	93,457
Liabilities			
Accounts Payable	$ 7,660	$ 936	$ 2
Due to Other Funds	-	2	4,516
Agency Liabilities	-	-	86,610
Obligations Under Securities Lending	19,544	-	-
Other Accrued Liabilities	22,300	-	2,329
Total Liabilities	49,504	938	93,457
Net Position			
Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes	14,004,892	60,364	-
Total Net Position	$ 14,004,892	$ 60,364	$ -

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, 2017
(Expressed in Thousands)

	Pension (and Other Employee Benefits)	Private Purpose Trusts
Additions:		
Contributions:		
Members	$ 194,091	$ -
State & Local Agencies	343,633	-
Other Contributing Entity	119,686	-
Investment Income (Loss):		
Net Increase (Decrease) in the Fair Value of Investments	1,631,015	1,972
Interest & Dividends	74,938	184
Securities Lending Income	567	-
Less Investment Expense:		
Investment Activity Expense	93,794	-
Securities Lending Expense	(547)	-
Net Investment Income (Loss)	1,613,273	2,156
Miscellaneous Revenues	-	20,062
Transfer from Other Funds	-	603
Total Additions	2,270,683	22,821
Deductions:		
Benefits Paid to Participants or Beneficiaries	990,630	15,090
Refunds & Withdrawals	26,098	-
Administrative Expenses	12,428	203
Claims Processing Expense	1,061	-
Transfer to Other Funds	-	5,028
Total Deductions	1,030,217	20,321
Net Increase (Decrease)	1,240,466	2,500
Net Position:		
Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:		
Beginning of Year (as restated)	12,764,426	57,864
End of Year	$ 14,004,892	$ 60,364

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


DIRIGO
MAINE

COMPONENT UNIT FINANCIAL STATEMENTS

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

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

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

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

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

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

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

STATE OF MAINE
STATEMENT OF NET POSITION
COMPONENT UNITS

June 30, 2017
(Expressed in Thousands)

	Finance Authority of Maine	Maine Community College System	Maine Health & Higher Educational Facilities Authority	Maine Municipal Bond Bank
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	$ 11,177	$ 1,325	$ 3,464	$ -
Cash & Short-Term Investments	6,720	17,661	1,594	202
Investments	65,443	53,099	15,249	23,981
Restricted Assets:				
Restricted Deposits & Investments	-	-	24,205	262,483
Inventories	-	15	-	-
Receivables, Net of Allowance for Uncollectibles:				
Loans Receivable	39,449	-	33,377	-
Other Receivable	2,410	9,251	349	631
Due from Other Governments	277	-	-	139,193
Due from Primary Government	-	699	-	-
Loans Receivable from Primary Government	-	-	-	50,449
Other Assets	1,052	2,112	735	13,427
Total Current Assets	126,528	84,162	78,973	490,366
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	5,446	646	1,687	-
Restricted Assets:				
Restricted Assets	24,176	1,091	77,639	174,380
Investments	-	14,528	25,361	-
Receivables, Net of Current Portion:				
Loans & Notes Receivable	65,330	-	548,028	-
Other Receivables	-	-	-	-
Due from Other Governments	-	-	-	1,326,117
Due from Primary Government	-	-	-	-
Loans Receivable from Primary Government	-	-	-	378,264
Post-Employment Benefit Asset	-	13,403	-	-
Capital Assets - Net of Depreciation	1,405	184,133	-	410
Other Non-Current Assets	-	-	-	-
Total Noncurrent Assets	96,357	213,801	652,715	1,879,171
Total Assets	222,885	297,963	731,688	2,369,537
Deferred Outflows of Resources	$ 765	$ 25,067	$ -	$ 35,445
Liabilities				
Current Liabilities:				
Accounts Payable	$ 4,548	$ 3,521	$ 132	$ 487
Accrued Payroll	-	-	-	-
Compensated Absences	-	2,420	-	-
Due to Other Governments	-	-	11	371
Due to Primary Government	-	-	-	51,458
Amounts Held Under State & Federal Loan Programs	-	-	-	31,824
Bonds & Notes Payable	10,541	828	34,220	154,969
Obligations under Capital Leases	-	13	-	-
Accrued Interest Payable	482	-	13,341	12,906
Unearned Revenue	1,383	2,370	2,883	3,982
Other Accrued Liabilities	22,506	6,778	-	-
Total Current Liabilities	39,460	15,930	50,587	255,997
Long-Term Liabilities				
Due to Other Governments	2,110	-	-	856
Amounts Held Under State & Federal Loan Programs	44,101	-	-	-
Bonds & Notes Payable	91,486	20,201	623,310	1,439,767
Obligations under Capital Leases	-	14	-	-
Net Pension Liability	-	66,740	-	1,585
Other Post-Employment Benefit Obligation	-	-	-	-
Other Noncurrent Liabilities	-	-	-	-
Total Long-Term Liabilities	137,697	86,955	623,310	1,442,208
Total Liabilities	177,157	102,885	673,897	1,698,205
Deferred Inflows of Resources	-	19,007	-	252
Net Position				
Net Investment in Capital Assets	1,405	164,168	-	410
Restricted	18,133	42,301	-	633,831
Unrestricted	26,955	(5,331)	57,791	72,284
Total Net Position	$ 46,493	$ 201,138	$ 57,791	$ 706,525

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

Maine State Housing Authority	Maine Turnpike Authority	University of Maine System	Non-Major Component Units	Total
$ -	$ -	$ 3,505	$ 3,717	$ 23,188
993	6,830	3,909	79,326	117,235
305,623	-	241,037	8,990	713,422
-	72,346	-	2,718	361,752
-	1,290	-	709	2,014
32,086	-	63	1,659	106,634
12,476	5,374	39,798	4,550	74,839
3,780	-	9,560	4,763	157,573
1,787	-	3,241	6,256	11,983
-	-	-	-	50,449
-	1,841	5,391	1,330	25,888
356,745	87,681	306,504	114,018	1,644,977
-	-	1,708	1,812	11,299
-	50,237	20,997	22,841	371,361
91,454	13,059	363,420	19,514	527,336
1,191,264	-	41,515	20,458	1,866,595
-	187	4,149	579	4,915
1,572	-	-	-	1,327,689
-	-	2,062	246	2,308
-	-	-	-	378,264
-	-	-	-	13,403
652	604,788	700,574	245,199	1,737,161
2,244	5,045	8,954	816	17,059
1,287,186	673,316	1,143,379	311,465	6,257,390
1,643,931	760,997	1,449,883	425,483	7,902,367
$ 18,665	$ 23,760	$ 8,830	$ 7,933	$ 120,465
$ 13,026	$ 11,948	$ 16,990	$ 18,107	$ 68,759
-	3,045	-	1,590	4,635
-	-	-	777	3,197
303	-	-	360	1,045
-	-	-	1,243	52,701
-	-	-	-	31,824
45,150	19,830	14,406	2,145	282,089
-	-	624	21	658
4,664	-	-	-	31,393
3,571	9,871	10,861	27,883	62,804
-	9,168	26,848	788	66,088
66,714	53,862	69,729	52,914	605,193
-	-	-	1,710	4,676
-	-	-	-	44,101
1,264,823	400,978	157,957	15,840	4,014,362
-	-	2,914	18	2,946
4,899	-	-	15,269	88,493
-	-	-	3,028	3,028
10,344	42,228	107,911	230	160,713
1,280,066	443,206	268,782	36,095	4,318,319
1,346,780	497,068	338,511	89,009	4,923,512
5,014	4,773	5,757	4,285	39,088
652	251,533	544,175	228,629	1,190,972
277,513	33,470	389,259	81,397	1,475,904
32,637	(2,087)	181,011	30,096	393,356
$ 310,802	$ 282,916	$ 1,114,445	$ 340,122	$ 3,060,232

STATE OF MAINE
STATEMENT OF ACTIVITIES
COMPONENT UNITS

Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	Finance Authority Of Maine	Maine Community College System	Maine Health & Higher Educational Facilities Authority	Maine Municipal Bond Bank
Expenses	$ 51,123	$ 136,755	$ 31,833	$ 65,384
Program Revenues				
Charges for Services	26,314	19,202	29,422	54,700
Program Investment Income	106	1,111	590	(1,778)
Operating Grants & Contributions	26,710	58,075	-	737
Capital Grants & Contributions	-	5,296	-	22,484
Net Revenue (Expense)	2,007	(53,071)	(1,821)	10,759
General Revenues				
Unrestricted Investment Earnings	192	4,654	98	118
Non-program Specific Grants, Contributions & Appropriations	-	62,571	-	-
Miscellaneous Revenues	-	1,363	127	1,850
Gain (Loss) on Assets Held for Sale	-	-	-	-
Total General Revenues	192	68,588	225	1,968
Change in Net Position	2,199	15,517	(1,596)	12,727
Net Position, Beginning of Year (as restated)	44,294	185,621	59,387	693,798
Net Position, End of Year	$ 46,493	$ 201,138	$ 57,791	$ 706,525

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

Maine State Housing Authority	Maine Turnpike Authority	University Of Maine System	Non-Major Component Units	Total
$ 218,950	$ 93,031	$ 699,155	$ 207,844	$ 1,504,075
68,061	133,822	302,959	45,542	680,022
1,922	-	24,951	3,303	30,205
152,938	-	168,813	115,633	522,906
-	-	3,276	25,858	56,914
3,971	40,791	(199,156)	(17,508)	(214,028)
51	694	15,345	4,738	25,890
-	-	228,859	22,924	314,354
-	6,053	-	1,960	11,353
-	(1,060)	1	(5,165)	(6,224)
51	5,687	244,205	24,457	345,373
4,022	46,478	45,049	6,949	131,345
306,780	236,438	1,069,396	333,173	2,928,887
$ 310,802	$ 282,916	$ 1,114,445	$ 340,122	$ 3,060,232


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MAINE

NOTES TO THE FINANCIAL STATEMENTS

STATE OF MAINE
NOTES TO THE FINANCIAL STATEMENTS
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Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. REPORTING ENTITY

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

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

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

Blended Component Units

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

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

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

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

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

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

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

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

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

Maine Health & Higher Educational Facilities Authority (MHHEFA) – MHHEFA assists Maine health care institutions and institutions of higher education in undertaking projects involving the acquisition, construction, improvement, reconstruction and equipping of their facilities and the refinancing of existing indebtedness. The Authority, pursuant to the Student Loan Corporations Act of 1983, may also finance student loan programs of institutions of higher education. MHHEFA'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 Ed. Facilities Authority PO Box 2268 Augusta, ME 04338	Maine Public Employees Retirement System PO Box 349 Augusta, ME 04332-0349	Maine Turnpike Authority 2360 Congress Street Portland, ME 04102
Maine Community College System 323 State Street Augusta, ME 04330	Maine Municipal Bond Bank PO Box 2268 Augusta, ME 04338	Maine State Housing Authority 89 State House Station 353 Water Street Augusta, ME 04330	University of Maine System 16 Central Street Bangor, ME 04401

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

Restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Constraints placed on restricted components of net position are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports $581.5 million of restricted net position, of which $471.3 million is restricted by enabling legislation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The State reports the following major enterprise fund:

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

Additionally, the State reports the following fund types:

Governmental Fund Types:

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

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

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

Proprietary Fund Types:

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

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

Fiduciary Fund Types:

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

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

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

D. Fiscal Year-Ends

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

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Equity in Treasurer's Cash Pool

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

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

Cash and Cash Equivalents

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

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

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

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

Investments Held on Behalf of Others
These assets include amounts held by the State in a fiduciary capacity, acting as either a trustee or an agent for individuals, organizations or other funds. Generally, these investments are reported at fair value or at amortized cost which approximates fair value. The State also holds $98.4 million of Workers' Compensation, $57.1 million of Bureau of Insurance, and $34.2 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, 2017 is $198.3 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, 2017 but paid after the fiscal year end are also reported in the funds. Approximately 50% 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.

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 $59.1 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 2017. The State Controller transferred $35.0 million from the General Fund unappropriated surplus in accordance with Public Law 2017, Chapter 2, Part D, Section D-1. Per Public Law 2015, Chapter 481, Part A, $10.0 million was transferred to the Budget Stabilization Fund.

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 2017 actual General Fund revenue, the statutory cap at the close of fiscal year 2017 and during fiscal year 2017 was $621.9 million. At the close of fiscal year 2017, the balance of the Maine Budget Stabilization Fund was $196.3 million. No reductions to the Maine Budget Stabilization Fund balance are required when it exceeds the balance of the statutory cap as a result of a decline of General Fund revenue.

Budget Stabilization Fund Activity
(Expressed in Thousands)

Balance, beginning of year	$	112,352
Increase in fund balance		83,938
Balance, end of year	$	196,290

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, 2017, the Legislature increased appropriations to the General Fund by $35.5 million.

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

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, 2017 are detailed on the following pages.

Governmental Fund Balances
(Expressed in Thousands)

	NSIF	Restricted	Committed	Assigned
General Fund:				
Education	$ -	$ -	$ -	$ 20,779
Governmental Support & Operations	-	1,829	-	48,354
Treasury	-	-	-	7,055
Health & Human Services	-	-	-	6,825
Office of Child & Family Services	-	-	10,064	-
Public Safety	-	914	-	-
Inland Fisheries & Wildlife	-	11,390	-	-
Agriculture & Conservation	-	-	-	2,851
All Other	3,059	-	-	1,221
Total	$ 3,059	$ 14,133	$ 10,064	$ 87,085
Highway Fund:				
Transportation, Highway & Bridge Construction	$ -	$ 23,155	$ -	$ -
Total	$ -	$ 23,155	$ -	$ -
Federal Fund:				
Health & Human Services	$ -	$ 2,379	$ -	$ -
HHS Centers for Disease Control	-	1,928	-	-
HHS Office for Family Independence	-	8,549	-	-
HHS Substance Abuse & Mental Health	-	1,740	-	-
HHS Office of Child & Family Services	-	2,865	-	-
HHS Office of Aging & Disability Services	-	1,028	-	-
Justice & Protection	-	1,296	-	-
Transportation - Highway & Bridge Construction	-	3,314	-	-
All Other	622	-	-	-
Total	$ 622	$ 23,099	$ -	$ -
Other Special Revenue Fund:				
Professional & Financial Regulation	$ -	$ 64,714	$ -	$ -
Education	-	2,220	2,458	1,434
Economic & Community Development	-	6,398	6,401	-
Governmental Support & Operations	-	41,898	17,961	4,128
Public Utilities Commission	-	11,636	-	12,438
Workers Compensation Board	-	17,467	-	-
Liquor Bond	-	7,356	-	-
Fund for Healthy Maine	-	-	17,896	-
HHS Licensing & Regulatory Services	-	4,160	-	-
Office of the Commissioner	-	-	-	1,629
Substance Abuse & Mental Health	-	-	9,880	-
Centers for Disease Control & Prevention	-	1,548	6,761	-
MaineCare	-	24,742	2,726	-
Defense, Veterans & Emergency Management	-	1,576	-	3,105
Justice & Protection	-	21,475	71	5,742
Public Safety	-	13,251	1,474	-
Agriculture & Conservation	-	8,651	1,983	10,689
Environmental Protection	-	22,826	1,864	-
Inland Fisheries & Wildlife	-	11,689	-	-
Marine Resources	-	4,600	-	2,696
Highway & Bridge Capital	-	54,382	-	-
Motor Vehicles	-	6,548	-	-
Multimodal Transportation	-	981	7,153	-
Bonds for Highway & Bridge Construction	-	101,564	-	-
All Other	-	709	-	5,253
Total	$ -	$ 430,391	$ 76,628	$ 47,114

Governmental Fund Balances
(Expressed in Thousands)

	NSIF	Restricted	Committed	Assigned
Other Governmental Funds:	NSIF	Restricted	Permanent	
Capital Projects - Agriculture & Conservation	$ -	$ 8,002	$ -	$ -
Capital Projects - Higher Education	-	1,302	-	-
Capital Projects - Highway & Bridge Construction	-	39,162	-	-
Capital Projects - Justice & Protection	-	7,533	-	-
Capital Projects - Multimodal Transportation	-	24,004	-	-
Capital Projects - Environmental Protection	-	4,379	-	-
Capital Projects - Other	-	177	-	-
Permanent Funds - Baxter Park	-	-	7,713	-
Permanent Funds - All Others	-	-	20,052	-
Special Revenue Funds - Baxter Park	-	79,167	-	-
Special Revenue Funds - All Other	-	91	-	-
Total	$ -	$ 163,817	$ 27,765	$ -

NOTE 3 - ACCOUNTING CHANGES AND RESTATEMENTS

Accounting Changes

There was no impact on the State's financial statements as a result of implementing the following GASB Statements:

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement also clarifies the application of certain provisions of Statements 67 and 68 with regard to the following issues: (1) information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported; (2) accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions; and (3) timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria.

GASB Statement No. 77, *Tax Abatement Disclosures*. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand: (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations; and, (2) the impact those abatements have on a government's financial position and economic condition.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The Statement addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that: (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers; and, (3) has no predominant state or local governmental employer.

GASB Statement No. 80, *Blending Requirements for Certain Component Units*. The requirements of this Statement enhance the comparability of financial statements among governments. Greater comparability improves the decision usefulness of information reported in financial statements and enhances its value for assessing government accountability.

GASB Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73*. Specifically, this Statement addresses issues regarding: (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and, (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. GASB Statement 82 reinstated the pre- GASB 67 & 68 definition of "covered-employee payroll." Covered-employee payroll is defined as the payroll on which contributions to a pension plan are based. Prior year covered payroll amounts do not need to be restated since the amounts reported reflect GASB's current definition.

Restatements - Primary Government
The beginning net position for Retiree Health and Employee Health Insurance Internal Service Funds in the Statement of Net Position were increased by $5.2 million and $15.5 million, respectively. This increase of $20.7 million also impacted Governmental Activities in the Statement of Net Position to correct an overstatement of expenditures. The State of Maine had not booked a prepaid, in prior years, to fund health insurance run-out claims at the end of the insurance contract with Aetna.

Restatements - Private Purpose Trusts
The State of Maine increased its private purpose trust fund beginning net position by $3.4 million to recognize two additional trust funds. The two funds are the Maine Universal Service Trust and the Maine Telecommunications Education Access Trust.

Restatements - Component Units
Three non-major discretely presented component units restated their beginning net position. Maine Maritime Academy decreased its beginning net position $1.0 million for overstating pledges receivable. Northern New England Passenger Rail Authority decreased its net position by $0.7 million to adjust for revenue recognition of matching funds. Midcoast Regional Redevelopment Authority increased its net position by $0.4 million as a result of correcting their capital asset balances.

NOTE 4 - DEFICIT FUND BALANCES/NET POSITION

Five internal service funds showed deficits for the fiscal year ended June 30, 2017. The Workers' Compensation Fund reported a deficit of $28.3 million, which reflects accruals for actuarially determined claims payable. The Leased Space Fund had a deficit of $3.8 million because rates charged were insufficient to cover expenses incurred. The Postal, Printing & Supply fund reported a deficit of $5.4 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 $20.6 million and $20.7 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.

Two enterprise funds showed deficits for the fiscal year ended June 30, 2017. Maine Military Authority and Consolidated Emergency Communication Fund reported deficits of $9.4 million and $4.0 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.

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

The Primary Government's Deposits and Investments, excluding component units that are fiduciary in nature, at June 30, 2017 are as follows:

Primary Government Deposits and Investments
(Expressed in Thousands)

	Governmental	Business-Type Activities	Private Purpose Trusts	Agency Funds	Total
Equity in Treasurer's Cash Pool	$ 937,483	$ 9,986	$ 534	$ 29,233	$ 977,236
Cash and Cash Equivalents	3,627	1,864	1,911	27	7,429
Cash with Fiscal Agent	88,821	-	-	-	88,821
Investments	106,945	-	18,827	-	125,772
Restricted Equity in Treasurer's Cash Pool	87,662	-	-	-	87,662
Restricted Deposits and Investments	4,050	406,028	-	11	410,089
Investments Held on Behalf of Others	-	-	-	59,520	59,520
Total Primary Government	$ 1,228,588	$ 417,878	$ 21,272	$ 88,791	$ 1,756,529

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, 2017:

Maturities in Years
(Expressed in Thousands)

	Less than 1	1-5	6-10	11-20	More than 20	No Maturity	Fair Value
Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds							
US Instrumentalities	$ 65,674	$ 203,928	$ -	$ -	$ -	$ -	$ 269,602
US Treasury Notes	23,222	88,100	-	-	-	-	111,322
Corporate Notes and Bonds	-	27,720	-	-	-	-	27,720
Commercial Paper	181,426	-	-	-	-	-	181,426
Certificates of Deposit	39,967	32,345	-	-	-	-	72,312
Cash and Cash Equivalents	907	-	-	-	-	381,383	382,290
Unemployment Fund	-	-	-	-	-	406,028	406,028
Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds							
US Instrumentalities	1,855	5,807	184	22	972	-	8,840
US Treasury Notes	1,766	10,556	2,579	2,836	148	714	18,599
Corporate Notes and Bonds	25	3,007	184	8,270	451	42,822	54,759
Other Fixed Income Securities	-	-	30,594	-	-	31,860	62,454
Commercial Paper	5,217	-	-	-	-	-	5,217
Certificates of Deposit	9,567	943	-	-	-	4,070	14,580
Money Market	1,841	-	-	-	-	1,141	2,982
Cash and Cash Equivalents	1,974	-	-	-	-	24,827	26,801
Equities	-	-	-	-	-	15,888	15,888
Other	-	-	-	-	-	6,888	6,888
	$ 333,441	$ 372,406	$ 33,541	$ 11,128	$ 1,571	$ 915,621	$ 1,667,708
Other Assets							
Cash with Fiscal Agent							88,821
Total Primary Government							$ 1,756,529

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, 2017 are presented below:

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

	A1	A	AA	AAA	BB	BBB	Not Rated	Total
Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds								
US Instrumentalities	$ 46,064	$ -	$ 220,393	$ -	$ -	$ -	$ 3,145	$ 269,602
US Treasury Notes	-	-	111,322	-	-	-	-	111,322
Corporate Notes and Bonds	-	-	-	18,458	-	-	9,262	27,720
Commercial Paper	181,426	-	-	-	-	-	-	181,426
Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds								
US Instrumentalities	1,325	-	6,338	-	-	-	1,177	8,840
US Treasury Notes	-	-	3,971	-	-	-	14,628	18,599
Corporate Notes and Bonds	-	727	346	566	-	1,119	52,001	54,759
Commercial Paper	5,217	-	-	-	-	-	-	5,217
Money Market	-	-	-	-	-	-	2,982	2,982
Other Fixed Income Securities	-	-	-	-	-	-	6,889	6,889
Total Primary Government	$ 234,032	$ 727	$ 342,370	$ 19,024	$ -	$ 1,119	$ 90,084	$ 687,356

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, 2017, 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 $78.2 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, 2017 was $79.1 million and was comprised of the following (expressed in thousands):

U.S. Instrumentalities	$ 1,178
U.S. Treasury Notes	899
Corporate Notes and Bonds	2,338
Other Fixed Income Securities	12,626
Equities	58,459
Cash and Equivalents	727
Other	2,870
Total	$ 79,097

The State and certain vendors contract with a fiscal intermediary, Clareon, for electronic disbursements from the State to its vendors. During fiscal year 2017 these disbursements, on average, exceeded $172 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 markers;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

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

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

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

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

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

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

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

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

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

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

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

The following table set forth by level, within the fair value hierarchy, the State of Maine's assets carried at fair value on a recurring basis as of June 30, 2017:

Fair Value Measurement
(Expressed in Thousands)

	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Commercial Paper	$ 189,529	$ -	$ 189,529	$ -
Corporate Bonds and Notes	2,339	-	2,303	36
U.S. Instrumentalities	275,302	47,393	227,909	-
U.S. Treasury Notes	115,422	115,422	-	-
Other Fixed Income Securities	43,093	43,093	-	-
Equities	73,202	73,202	-	-
Other	2,669	-	-	2,669
Total	$ 701,556	$ 279,110	$ 419,741	$ 2,705

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. 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, 2017 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, 2017 was $67.2 million and $65.7 million, respectively.

The system did not have any derivative investments as of June 30, 2017 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, 2017 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 5 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 $34.5 million of the component units' participation to "Equity in Treasurer's Cash Pool" on the State's financial statements. In addition to the amounts reported, the State Treasurer's Cash Pool includes $5.9 million, consisting of Finance Authority of Maine component unit fiduciary funds that, because of GASB Statement No. 34 reporting criteria, are not shown in the accompanying financial statements as invested in the Treasurer's Cash Pool.

NOTE 6 - RECEIVABLES

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

Primary Government - Receivables
(Expressed in Thousands)

	Taxes	Accounts	Loans	Allowance for Uncollectibles	Net Receivables
Governmental Funds:					
General	$ 544,928	$ 146,635	$ 1	$ (162,185)	$ 529,379
Highway	23,601	2,671	-	(61)	26,211
Federal	-	103,796	-	(29,944)	73,852
Other Special Revenue	13,358	88,005	5,614	(17,833)	89,144
Total Governmental Funds	581,887	341,107	5,615	(210,023)	718,586
Allowance for Uncollectibles	(113,498)	(96,474)	(51)		
Net Receivables	$ 468,389	$ 244,633	$ 5,564		$ 718,586
Proprietary Funds:					
Employment Security	$ -	$ 49,205	$ -	$ (23,955)	$ 25,250
Nonmajor Enterprise	-	35,042	-	(130)	34,912
Internal Service	-	10,302	-	-	10,302
Total Proprietary Funds	-	94,549	-	(24,085)	70,464
Allowance for Uncollectibles	-	(24,085)	-		
Net Receivables	$ -	$ 70,464	$ -		$ 70,464

Component Units - Receivables
(Expressed in Thousands)

	Accounts	Loans	Allowance for Uncollectibles	Net Receivables
Finance Authority of Maine	2,410	110,516	(5,737)	107,189
Maine Community College System	10,396	-	(1,145)	9,251
Maine Health and Educational Facilities Authority	449	581,405	(100)	581,754
Maine Municipal Bond Bank	631	-	-	631
Maine State Housing Authority	12,476	1,232,447	(9,097)	1,235,826
Maine Turnpike Authority	5,561	-	-	5,561
University of Maine System	50,795	43,196	(8,466)	85,525

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, 2017 were:

Interfund Receivables
(Expressed in Thousands)

Due from Other Funds	Due to Other Funds: General	Highway	Federal	Other Special Revenue	Other Governmental
General	$ -	$ -	$ 1,136	$ 14,111	$ -
Highway	5	12	3,317	1	-
Federal	122	1	228	2,346	-
Other Special Revenue	7,205	166	437	412	9
Other Governmental	-	-	-	-	-
Employment Security	-	-	11	-	-
Non-Major Enterprise	1,340	8	-	-	-
Internal Service	9,111	3,877	2,585	3,777	-
Fiduciary	35,663	-	-	-	-
Total	$ 53,446	$ 4,064	$ 7,714	$ 20,647	$ 9

Due from Other Funds	Due to Other Funds: Employment Security	Non-Major Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
General	$ -	$ 8,961	$ 5,038	$ 4,499	$ 33,745
Highway	-	-	2	-	3,337
Federal	-	-	-	-	2,697
Other Special Revenue	-	1,822	113	-	10,164
Other Governmental	-	-	-	-	-
Employment Security	-	-	-	-	11
Non-Major Enterprise	-	-	-	-	1,348
Internal Service	-	393	1,720	19	21,482
Fiduciary	-	-	-	-	35,663
Total	$ -	$ 11,176	$ 6,873	$ 4,518	$ 108,447

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 2017, the State of Maine, in accordance with the legislatively authorized budget, recorded the following non-routine, nonrecurring transfers.

The Other Special Revenue Fund transferred $14.9 million to the unappropriated surplus of the General Fund and $10.0 million to the Budget Stabilization Fund. The General Fund transferred $7.0 million to the Maine Military Reserve Fund, $2.5 to the Other Special Revenue, Maine National Guard Postsecondary Fund and $1.4 million to the Other Special Revenue, Retail Marijuana Regulatory Coordination Fund.

Interfund transfers for the year ended June 30, 2017 consisted of the following:

Interfund Transfers
(Expressed in Thousands)

	Transferred From				
Transferred To	**General**	**Highway**	**Federal**	**Other Special Revenue**	**Other Governmental**
General	$ -	$ -	$ 6,008	$ 38,799	$ -
Highway	1,599	-	7,303	3,997	-
Federal	2,734	-	-	7,970	-
Other Special Revenue	127,089	5,697	146	9,817	1,556
Other Governmental Funds	-	-	-	-	1,407
Employment Security	-	-	17	-	-
Non-Major Enterprise	7,000	5,185	-	-	-
Internal Service	10,400	-	-	-	-
Fiduciary	-	-	-	-	603
Total	$ 148,822	$ 10,882	$ 13,474	$ 60,583	$ 3,566

	Transferred From				
Transferred To	**Employment Security**	**Non-Major Enterprise Funds**	**Internal Service Funds**	**Fiduciary Funds**	**Total**
General	$ -	$ 68,037	$ 100	$ 4,363	$ 117,307
Highway	-	-	-	-	12,899
Federal	81	-	-	-	10,785
Other Special Revenue	-	37,931	-	665	182,901
Other Governmental Funds	-	-	-	-	1,407
Employment Security	-	-	-	-	17
Non-Major Enterprise	-	-	-	-	12,185
Internal Service	-	-	-	-	10,400
Fiduciary	-	-	-	-	603
Total	$ 81	$ 105,968	$ 100	$ 5,028	$ 348,504

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, 2017:

Primary Government - Capital Assets
(Expressed in Thousands)

	Beginning Balance	Increases and Other Additions	Decreases and Deletions	Ending Balance
Governmental Activities:				
Capital assets not being depreciated				
Land	$ 611,830	$ 17,308	$ 314	$ 628,824
Construction in progress	38,188	26,411	17,603	46,996
Infrastructure	2,824,703	44,303	-	2,869,006
Total capital assets not being depreciated	3,474,721	88,022	17,917	3,544,826
Capital assets being depreciated				
Buildings	772,193	10,961	1,392	781,762
Equipment	293,396	32,795	28,076	298,115
Improvements other than buildings	96,251	12,925	11	109,165
Software	73,059	2,914	-	75,973
Total capital assets being depreciated	1,234,899	59,595	29,479	1,265,015
Less accumulated depreciation for				
Buildings	310,654	22,319	1,424	331,549
Equipment	181,227	31,070	14,754	197,543
Improvements other than buildings	50,160	4,815	-	54,975
Software	38,049	8,032	-	46,081
Total accumulated depreciation	580,090	66,236	16,178	630,148
Total capital assets being depreciated, net	654,809	(6,641)	13,301	634,867
Governmental Activities Capital Assets, net	$ 4,129,530	$ 81,381	$ 31,218	$ 4,179,693

	Beginning Balance	Net Additions	Net Deletions	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated				
Land	$ 2,387	$ 2	$ -	$ 2,389
Construction in progress	391	-	391	-
Total capital assets not being depreciated	2,778	2	391	2,389
Capital assets being depreciated				
Buildings	4,655	-	-	4,655
Equipment	32,571	124	37	32,658
Improvements other than buildings	42,757	-	-	42,757
Total capital assets being depreciated	79,983	124	37	80,070
Less accumulated depreciation for				
Buildings	2,635	137	-	2,772
Equipment	13,040	1,338	26	14,352
Improvements other than buildings	28,428	1,505	-	29,933
Total accumulated depreciation	44,103	2,980	26	47,057
Total capital assets being depreciated, net	35,880	(2,856)	11	33,013
Business-Type Capital Assets, net	$ 38,658	$ (2,854)	$ 402	$ 35,402

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

Governmental Activities - Depreciation Expense
(Expressed in Thousands)

	Amount
Governmental Activities:	
Arts, Heritage and Cultural Enrichment	$ 56
Business Licensing and Regulation	450
Economic Development and Workforce Training	1,331
Education	160
Governmental Support and Operations	19,441
Health and Human Services	9,356
Justice and Protection	14,974
Natural Resources Development and Protection	7,803
Transportation Safety and Development	12,666
Total Depreciation Expense - Governmental Activities	$ 66,237

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

The System administers three defined contribution plans for employees of PLD's that elect to participate. At June 30, 2017, there were 76 employers participating in these plans. The 1,052 participants individually direct the $34.2 million covered by the plans.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for the plan. The June 30, 2017 report may be obtained from the Maine Public Employees Retirement System, PO Box 349, Augusta, ME 04332-0349 or on-line at www.mainepers.org.

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit retirement plans and additions to or deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by the System. The measurement period used is June 30, 2016. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

EMPLOYER ALLOCATIONS FOR COST-SHARING DEFINED BENEFIT RETIREMENT PROGRAMS

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

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

MEMBERSHIP

State employees and teachers are covered under the Maine Public Employees Retirement System's State Employee and Teacher Retirement Program (SETP). State employees and public school teachers are required by law to become members of SETP when hired. Membership is optional for elected, appointed officials and substitute teachers. SETP also covers eligible employees of three discretely presented State component units: Maine Community College System, Maine Educational Center for the Deaf and Hard of Hearing, and the Northern New England Passenger Rail Authority. At June 30, 2017 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, 2016:

Employees of single employer covered by benefit terms

	Judicial	**Legislative**
Inactive employees or beneficiaries currently receiving benefits	74	174
Terminated participants:		
Vested	2	121
Inactive employees due refunds	1	107
Active employees	62	177
Total participants	139	579

STATE EMPLOYEES AND TEACHERS PENSION PLAN BENEFITS

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

PARTICIPATING LOCAL DISTRICTS PLAN BENEFITS

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

CONTRIBUTION INFORMATION

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

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

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

On occasion, the State may agree to pay employee pension contributions as a part of the compensation and benefits that are negotiated with employees. The employer-paid contributions are treated as part of their pension compensation. In accordance with statute, the actuary treats these payments as employer contributions and accumulates them in the Retirement Allowance Fund. Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to terminated members' accounts is set by the System's Board of Trustees and is currently 2.45 percent.

CONTRIBUTION RATES - DEFINED BENEFIT PENSION PLANS

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

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

Contribution rates[1] in effect for the fiscal years ended June 30, 2017 and June 30, 2016 are as follows:

	June 30, 2017	Measurement Date June 30, 2016
SETP - State Employees		
Employees [2]	7.65% - 8.65%	7.65% - 8.65%
Employer [1]	21.99% - 42.18%	21.64% - 41.59%
SETP - Teachers		
Employees [2]	7.65%	7.65%
Employer [1]	3.66%	3.36%
Non-employer entity [1]	10.02%	10.02%
Judicial Plan		
Employees [2]	7.65%	7.65%
Employer [1]	14.98%	14.99%
Legislative Plan		
Employees [2]	7.65%	7.65%
Employer [1]	0.00%	0.00%
Consolidated Participating Local Entities		
Employees [2]	4.00% - 9.00%	4.00% - 9.00%
Employer [1]	4.60% - 14.20%	4.40% - 14.00%

[1] Employer and non-employer contribution rates include normal cost and the UAAL required payment, expressed as a percentage of payroll.
[2] Employer and employee contribution rates vary depending on specific terms of plan benefits for certain classes of employees.

For the year ended June 30, 2017, 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	$	136,139
3 Discrete Non-major Component Units		7,925
Subtotal State & Component Unit Members		144,064
Teacher Members (Non-employer contribution)	$	112,155

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, 2016, 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		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2016	$ 58,912	$ 56,341	$ 2,571	$ 7,558	$ 11,075	$ (3,517)
Changes for the Year:						
Service Cost	1,397	-	1,397	412	-	412
Interest	4,155	-	4,155	549	-	549
Changes in Benefit Terms	2,017	-	2,017	-	-	-
Differences Between Expected and Actual Experience	(1,746)	-	(1,746)	(246)	-	(246)
Changes in Assumptions	2,490	-	2,490	(147)	-	(147)
Benefit Payments, Including Refunds	(3,502)	(3,502)	-	(446)	(446)	-
Employer Contributions	-	1,078	(1,078)	-	-	-
Member Contributions	-	550	(550)	-	138	(138)
Transfers	-	6,343	(6,343)	-	-	-
Net Investment Income	-	130	(130)	-	48	(48)
Administrative Expense	-	(48)	48	-	(8)	8
Net Changes	4,811	4,551	260	122	(268)	390
Balances at June 30, 2017	$ 63,723	$ 60,892	$ 2,831	$ 7,680	$ 10,807	$ (3,127)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability			95.6 %			140.7 %
Covered Employee Payroll			$ 7,188			$ 2,590
Net Pension Liability as a Percentage of Covered Employee Payroll			39.4 %			(120.7)%

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, 2016, 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, 2017 and June 30, 2016 is as follows:

(Expressed in Thousands)

Pension Plan	Proportionate Share June 30, 2016	Proportionate Share June 30, 2017	Net Pension Asset June 30, 2017	Net Pension Liability June 30, 2017
SETP - State Employees 1	92.825250 %	94.498857 %	$ -	$ 1,269,080
SETP - Teachers 2	95.036038 %	95.002519 %	-	1,678,373
Total Primary Government			$ -	$ 2,947,453
SETP - 3 Non-major Discrete Component Units [1]	7.174750 %	5.501143 %	$ -	$ 73,879

1 Percentage of State Employees in the SETP

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

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

Proportion	June 30, 2016	June 30, 2017	Change Increase (Decrease)
Governmental Funds	89.70 %	90.15 %	0.45 %
Internal Service Funds	7.68 %	7.65 %	(0.03)%
Enterprise Funds	2.62 %	2.20 %	(0.42)%

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)

	SETP State of Maine	Combined Totals for 3 Non-major Discrete Component Units	Total State of Maine Employees SETP	SETP Teachers
Total Pension Liability				
Service Cost	$ 71,829	$ 4,181	$ 76,010	$ 127,288
Interest	291,291	16,957	308,248	574,538
Differences Between Expected and Actual Experience	28,593	1,664	30,257	51,251
Change in Assumptions	93,078	5,418	98,496	(68,059)
Benefit Payments, Including Refunds of Member Contributions	(267,402)	(15,567)	(282,969)	(461,390)
Change in Proportionate Share	53,985	(53,985)	-	-
Net Change in Total Pension Liability	271,374	(41,332)	230,042	223,628
Beginning Total Pension Liability	4,111,097	296,453	4,407,550	8,208,737
Ending Total Pension Liability	4,382,471	255,121	4,637,592	8,432,365
Plan Fiduciary Net Position				
Employer Contributions	145,246	8,455	153,701	45,350
Non-employer Contributions	-	-	-	112,478
Member Contributions	33,856	1,971	35,827	89,698
Transfers	(5,974)	(348)	(6,322)	(26)
Net Investment Income	13,017	758	13,775	26,767
Benefit Payments, Including Refunds of Member Contributions	(267,402)	(15,567)	(282,969)	(461,390)
Change in Proportionate Share	37,208	(37,208)	-	-
Administrative Expense	(2,700)	(157)	(2,857)	(5,792)
Net Change in Plan Fiduciary Net Position	(46,749)	(42,096)	(88,845)	(192,915)
Beginning Plan Fiduciary Net Position (restated)	3,160,140	223,338	3,383,478	6,858,619
Ending Plan Fiduciary Net Position	3,113,391	181,242	3,294,633	6,665,704
Ending Net Pension Liability	$ 1,269,080	$ 73,879	$ 1,342,959	$ 1,766,661
Proportion				
June 30, 2017	94.498857 %	5.501143 %	100 %	95.002519 %
June 30, 2016	92.825250 %	7.174750 %	100 %	95.036038 %
Change - Increase (Decrease)	1.673607 %	(1.673607)%	0 %	(0.033519)%

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

All Plans

Valuation dates	June 30, 2016 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.
Actuarial cost method	Entry age normal
Asset valuation method	3-Year smoothed market
Cost-of-Living	2.20% 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.
Investment rate of return used for contributions in 2014	7.125%
Investment rate of return	6.875%
Inflation rate	2.75%
Salary increases	2.75% plus merit component based on employee's years of service
Mortality	For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used.
Most recent review of plan experience:	2015

Plan specific	**SETP**	**Judicial**	**Legislative**
Amortization method	Level Percent of payroll, closed 18-year amortization of the 2014 UAL.	Level percent of payroll, open 10-year amortization of 2014 UAL.	Level percent of payroll, open 10-year amortization of the 2014 UAL.
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.	100% retirement assumed to occur at age 60 for members with at least 10 years of creditable service on July 1, 1993. For members with less than 5 years of creditable service on July 1, 2001, 50% are assumed to retire each year after reaching age 65.	100% retirement assumed to occur at 60 for members with at least 10 years of creditable service on July 1, 1993. For members with less than 5 years of creditable service on July 1, 2001, 50% are assumed to retire each year after reaching age 65.
Changes since last valuation - All Plans			
Former investment rate of return	7.125%		
Former salary increases	3.5% plus merit component		
Former cost-of-living increases	2.55%		
Former mortality table	Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA. For teachers, the same table uses a 2-year set back.		

ANNUAL PENSION COST AND NET PENSION LIABILITY

For the year ended June 30, 2017, the State recognized pension expense of $351,687 which includes $165,253 of teacher pensions recorded in grant expense. At June 30, 2017, the State reported $857,917 of deferred outflows of resources and $58,784 of deferred inflows of resources related to its pension plans. Deferred outflows of resources of $257,382 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, 2018. 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		Combined Totals for 3 Non-Major Discrete Component Units		Total State of Maine Employees SETP		SETP Teachers		Legislative		Judicial	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience demographic and economic	$ 19,062	$ 1,222	$ 1,109	$ 629	$ 20,171	$ 1,851	$ 32,459	$ 3,170	$ -	$ 123	$ -	$ 873
Changes of assumptions	62,052	-	3,612	-	65,664	-	-	43,105	-	73	1,245	-
Net difference between projected and actual earnings on pension plan investments	153,725	-	8,949	-	162,674	-	316,337	-	537	-	2,788	-
Changes in proportion and differences between State contributions and proportionate share of contributions	12,233	9,744	113	12,179	12,346	21,923	97	474	-	-	-	-
State and component unit contributions subsequent to the measurement date	140,153	-	7,734	-	147,887	-	116,080	-	6	-	1,143	-
Total	$ 387,225	$ 10,966	$ 21,517	$ 12,808	$ 408,742	$ 23,774	$ 464,973	$ 46,749	$ 543	$ 196	$ 5,176	$ 873
For the Year Ended												
2018	55,156		(3,167)		51,989		32,431		(126)		735	
2019	65,964		(2,551)		63,413		35,669		71		363	
2020	74,239		4,321		78,560		150,948		256		1,326	
2021	40,747		2,372		43,119		83,096		140		736	
2022	-		-		-		-		-		-	

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equities	20 %	5.7 %
Non-U.S. Equities	20 %	5.5 %
Private Equity	10 %	7.6 %
Real Assets:		
Real Estate	10 %	5.2 %
Infrastructure	10 %	5.3 %
Hard Assets	5 %	5.0 %
Fixed Income	25 %	2.9 %

The discount rate used to measure the collective total pension liability was 6.875 percent for the 2016 and 2015 actuarial valuations for the State Employee and Teacher Plan. The PLD Plan used 6.875 percent for the 2016 and 2015 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)

Defined Benefit Plans Administered Through MPERS	1% Decrease (5.875%)	Current Discount Rate (6.875%)	1% Increase (7.875%)
State Employee and Teacher Pension Plan:			
State & Component Unit Members			
State Employees	$ 1,781,742	$ 1,269,081	$ 838,002
Maine Community College System	93,701	66,740	44,070
Maine Educational Center for the Deaf and Hard of Hearing	8,724	6,214	4,103
Northern New England Passenger Rail Authority	1,298	924	610
Subtotal State & Component Unit Members	1,885,465	1,342,959	886,785
Teacher Members	2,828,874	1,766,661	881,316
Total State Employee and Teacher Pension Plan	$ 4,714,339	$ 3,109,620	$ 1,768,101
Judicial Pension Plan	8,732	2,831	(2,286)
Legislative Pension Plan	(2,360)	(3,127)	(3,775)

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 2016, this was two years for the Legislative Plan, two years for the Judicial Plan, three years for the State Employee and Teacher Plan and four years for the PLD Consolidated Plan.

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

Changes in Assumptions Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the June 30, 2016 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 BENEFITS

POST-RETIREMENT HEALTHCARE PLANS

The State sponsors and contributes to three defined benefit healthcare plans: a sole employer plan for its employees, and multiple-employer cost sharing plans for Teachers and, separately, county and municipal law enforcement officers and firefighters (First Responders). Each plan provides medical benefits to eligible retired employees and beneficiaries. Statute prescribes what portion of health insurance costs are funded by the State. The State also sponsors and administers a fourth agent multiple-employer plan, Ancillary Group Plan, which covers 2 non-major discretely presented component units. Under the Ancillary Group Plan, employers fund their own benefits.

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

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

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

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

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

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

PLAN MEMBERSHIP

Membership in the four healthcare plans is as follows:

	State Employees	Teachers	First Responders	Ancillary Groups
Actives	12,299	27,039	913	77
Retirees	10,160	10,386	98	42
Total	22,459	37,425	1,011	119
Number of employers	1	229	58	2
Contributing entities	1	1	1	2

STATE EMPLOYEES PLAN FUNDING POLICY

The Trustees of the State Retiree 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 FUNDING

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

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

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

ANCILLARY GROUP PLAN

The following plan, sponsored and administered by the State, is financially independent and is not included in the State Retiree Health Internal Service Fund. This agent multiple-employer postemployment benefit plan covers 42 retirees of two non-major component units: Maine Educational Center for the Deaf and Hard of Hearing and the Northern New England Passenger Rail Authority. All active employees participate in the State Employee Group Health Insurance Plan. All eligible retired employees who elect coverage are included in this plan. The State Employee Health Commission establishes premiums annually.

ANNUAL OPEB COST

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

(Expressed in Thousands)

	State Employees	Teachers	First Responders
Annual required contribution	$ 69,000	$ 49,000	$ 2,166
Interest on net OPEB obligation	11,000	9,000	307
Adjustment to annual required contribution	(20,000)	(18,000)	(569)
Annual OPEB cost	60,000	40,000	1,904
Contributions made	74,000	29,000	828
Increase (decrease) in net healthcare obligation	(14,000)	11,000	1,076
Net healthcare obligation beginning of year	160,000	224,000	7,674
Net healthcare obligation end of year	$ 146,000	$ 235,000	$ 8,750

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

Analysis of Funding Progress
(Expressed in Thousands)

Plan	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
State Employees	6/30/2017	60,000	123.33 %	146,000
	6/30/2016	79,000	84.81 %	160,000
	6/30/2015	75,000	89.33 %	148,000
Teachers	6/30/2017	40,000	72.50 %	235,000
	6/30/2016	40,000	67.50 %	224,000
	6/30/2015	38,000	68.42 %	211,000
First Responders	6/30/2017	1,904	43.49 %	8,750
	6/30/2016	1,655	40.42 %	7,674
	6/30/2015	1,782	42.42 %	6,688

FUNDED STATUS AND FUNDING PROGRESS

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

(Expressed in Millions)

Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL (as a percentage of covered payroll) ((b-a)/c)
State Employees	June 30, 2016	201	1,157	956	17.37 %	575	166.26 %
	June 30, 2015	184	1,215	1,031	15.14 %	561	183.78 %
	June 30, 2014	167	1,224	1,057	13.64 %	543	194.66 %
Teachers	June 30, 2016	-	739	739	0.00 %	1,125	65.69 %
	June 30, 2015	-	739	739	0.00 %	1,142	64.71 %
	June 30, 2014	-	684	684	0.00 %	1,106	61.84 %
First Responders	June 30, 2016	-	24	24	0.00 %	56	42.86 %
	June 30, 2015	-	22	22	0.00 %	54	40.74 %
	June 30, 2014	-	24	24	0.00 %	55	43.64 %

*June 30, 2015 SETP AAL and UAAL are restated.

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

ACTUARIAL METHODS AND ASSUMPTIONS

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

	State Employees	Teachers	First Responders
Valuation date	June 30, 2017	June 30, 2017	June 30, 2016
Date the valuation was issued	October 2017	October 2017	October 2017
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level percent closed	Level percent closed	Level percent closed
Remaining amortization period - UAAL	20	20	21
Plan changes	30-year fixed	30-year fixed	rolling 15-year period
Actuarial (gains) / losses	10-year fixed	15-year fixed	rolling 15-year period
Asset valuation method	investment gains and losses spread over a 5 - year period no less than 80% nor more than 120% of market value	n/a	n/a
Actuarial assumptions:			
Investment rate of return	4.00% 7.25% ultimate	4.00% 7.25% ultimate	4.00%
Projected salary increases	3.25%	3.25%	3.5% - 9.5%
Inflation rate	3.00%	3.00%	3.00%
Healthcare inflation rate	initial - actual premiums ultimate 5.00% [1]	initial - actual premiums ultimate 5.00% [1]	7.5% at 2016 for Portland; ultimate CPI plus 3% 7.5% for non-Portland; ultimate 5.00% at 2026
Most recent review of plan experience	2016	2016	
Mortality Table	RP-2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used.	RP-2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used.	RP2000 Tables projected forward to 2015 using Scale AA

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

CONTRIBUTIONS AND RESERVES

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

INVESTMENTS

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

POST RETIREMENT GROUP LIFE INSURANCE BENEFIT PLAN

The Maine Public Employees Retirement System (the System) is a component unit of the State of Maine. For financial reporting purposes, the System administers 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 System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for the plan. The June 30, 2017 report may be obtained from the Maine Public Employees Retirement System, PO Box 349, Augusta, ME 04332-0349.

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

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

Group life insurance plan membership counts are based on the June 30, 2016 actuarial valuation and roll forward procedures to June 30, 2017 utilize the same information. Counts are as follows:

	FY 2017
Retired State Employees	8,538
Retired Teachers	7,003
	15,541
Number of employers	225
Contributing entities	1

In order to qualify for retiree group life insurance benefits, a member must be employed the day prior to retirement.

BASIS OF ACCOUNTING

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

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

Beginning with the financial statements for the year ended June 30, 2017, the System began reporting each of the plans separately and in separate columns in its basic financial statements.

INVESTMENTS

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

FUNDING POLICY

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

ANNUAL OPEB COST

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

(Expressed in Thousands)

	State Employees	Teachers
Annual required contribution	$ 5,035	$ 3,205
Interest on net OPEB obligation	(23)	-
Adjustment to annual required contribution	24	-
Annual OPEB cost	5,036	3,205
Contributions made	3,650	3,271
Increase (decrease) in net healthcare obligation	1,386	(66)
Net (asset) obligation beginning of year	(331)	-
Net (asset) obligation end of year	$ 1,055	$ (66)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for each plan is as follows:

Analysis of Funding Progress
(Expressed in Thousands)

Plan	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB (Asset)
State Employees	6/30/2017	5,036	72.48 %	1,055
	6/30/2016	4,995	93.49 %	(331)
	6/30/2015	4,931	86.73 %	(656)
Teachers	6/30/2017	3,205	102.06 %	(66)
	6/30/2016	3,160	100.00 %	-
	6/30/2015	3,660	100.00 %	-

FUNDED STATUS AND FUNDING PROGRESS
The funded status of the plans as of June 30, 2017 was as follows:

(Expressed in Thousands)

Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL (as a percentage of covered payroll) ((b-a)/c)
State Employees	June 30, 2017	32,500	93,300	60,800	34.83 %	578,274	10.51 %
	June 30, 2016*	32,300	89,900	57,600	35.93 %	578,279	9.96 %
	June 30, 2015	32,300	89,500	57,200	36.09 %	556,900	10.27 %
Teachers	June 30, 2017	54,400	90,500	36,100	60.11 %	698,735	5.17 %
	June 30, 2016	49,800	85,700	35,900	58.11 %	698,700	5.14 %
	June 30, 2015	48,000	79,000	31,000	60.76 %	666,200	4.65 %

* Restated

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

ACTUARIAL METHODS AND ASSUMPTIONS

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

Significant methods and assumptions were as follows:

Valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percent open
Asset valuation method	market
Actuarial assumptions:	
Investment rate of return	6.875%
Projected salary increases - State employees	2.75% - 8.75%
Projected salary increases - Teachers	2.75% - 14.5%
Inflation rate	2.75%
Cost of living increases in life benefits	N/A
Participation percent for future retirees	100.00%
Form of benefit payment	lump sum

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 for June 30, 2017 not already contained in this note disclosure follows. Components of the Net OPEB liabilities for the plans at June 30, 2017 were:

(Expressed in Millions)

	State Employee Healthcare Plan	State and Teachers Group Life Insurance Benefit Plan
Total OPEB liability	$ 1,161	$ 184
Plan fiduciary net position	233	87
State of Maine's net OPEB liability	$ 928	$ 97
Plan fiduciary net position as a percentage of the total OPEB liability	20.07 %	47.28 %

Significant actuarial assumptions for the June 30, 2017 State Employee Healthcare OPEB Plan included using a 6.93 percent discount rate for 2017/2018, and a 7.25 percent rate thereafter. The expected long-term rate of return is 7.25 percent since the trust is projected to have sufficient assets to pay all benefits under the State's current contribution policy. The individual entry age normal method is used to determine liabilities. General inflation of 3.00 percent was used along with an aggregate payroll increase of 3.25 percent. Merit payroll increases, mortality, termination, disability and retirement assumptions relied on the System's June 30, 2012 through June 30, 2015's experience study. The mortality improvement scale MP-2015 was modified to converge to an ultimate rate of 0.85 percent for ages 20 to 85 grading down to 0.00 percent for ages 111 to 120 with convergence to the ultimate rate in 2020.

The actuarial assumptions used in the June 30, 2017 State Employee and Teacher Group Life Insurance Benefit Plan valuation were based on results of an actuarial experience study for the period of June 30, 2012 to June 30, 2015. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period of July 1, 2005 to June 30, 2010. The individual entry age normal method is used to determine liabilities. Asset amounts used are taken as reported to the actuaries by the System without audit or change. 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. The investment rate of return, inflation rate and annual salary increases, including inflation were 6.875 percent, 2.75 percent and 2.75 percent to 8.75 percent for State employees and 2.75 percent to 14.50 percent for Teachers, respectively. For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. 100 percent of those currently enrolled were expected to participate and take a lump sum form of benefit. Conversion charges apply to the cost of the active group life insurance, not retiree group life insurance.

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.

	Target Allocation	Long-Term Expected Real Rate of Return
Asset Class for State Employee and Teacher Group Life Insurance Benefit Plan		
Public Equity	70 %	6.00 %
Real Estate	5 %	5.20 %
Traditional Credit	16 %	3.00 %
U.S. Government Securities	9 %	2.30 %
Asset Class for State Employee Healthcare Plan		
U.S. Equity	45 %	4.82 %
International Equity	25 %	4.82 %
Real Estate	5 %	3.04 %
Fixed Income	25 %	1.47 %

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 12.88 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 pension 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 State Employee Healthcare OPEB Plan is 6.75 percent. The rate used for the State and Teacher Group Life Insurance Benefit Plan plan is 6.875 percent.

(Expressed in Millions)

	1% Decrease	Current Discount Rate	1% Increase
State Employee Healthcare Plan	$ 1,073	$ 928	$ 807
State Employee and Teacher Group Life Insurance Benefit Plan	$ 123	$ 97	$ 75

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 percent decreasing to 5 percent.

(Expressed in Millions)

	1% Decrease	Current Discount Rate	1% Increase
State Employee Healthcare Plan	$ 801	$ 928	$ 1,080

NOTE 11 - LONG-TERM OBLIGATIONS

PRIMARY GOVERNMENT

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

GENERAL 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 2017 were:

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

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
General Obligation Debt:					
General Fund	$ 380,990	$ 98,060	$ 59,415	$ 419,635	$ 65,840
Special Revenue Fund	61,620	-	21,015	40,605	18,285
Unamortized Premiums:					
General Fund	21,834	16,615	2,557	35,892	4,261
Total	$ 464,444	$ 114,675	$ 82,987	$ 496,132	$ 88,386

Debt service requirements (principal and interest) for all outstanding general obligation bonds of the primary government, from June 30, 2017 until maturity, are summarized in the following table:

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

Fiscal Year	Principal	Interest	Total
2018	$ 84,125	$ 19,825	$ 103,950
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
2023-2027	141,455	15,984	157,439
Total	$ 460,240	$ 87,535	$ 547,775
Unamortized Premiums	35,892		
Total Principal	$ 496,132		

General fund, special revenue and other general obligation bonds issued and outstanding at June 30, 2017 are as follows:

Primary Government - General Obligation Bonds Outstanding

(Expressed in Thousands)

	Amounts Issued	Outstanding June 30, 2017	Fiscal Year Maturities First Year	Fiscal Year Maturities Last Year	Interest Rates
General Fund:					
Series 2007	$ 33,975	$ -	2008	2017	4.00% - 5.50%
Series 2008	46,525	4,650	2009	2018	3.00% - 5.13%
Series 2009	96,035	17,430	2011	2019	2.50% - 5.00%
Series 2010	31,755	290	2011	2020	1.41% - 4.00%
Series 2011	86,010	26,500	2012	2021	1.625% - 5.00%
Series 2012	49,265	23,675	2013	2022	1.00% - 5.00%
Series 2014	112,945	79,060	2015	2024	0.20% - 5.00%
Series 2015	102,555	82,040	2016	2025	0.85% - 5.00%
Series 2016	97,705	87,930	2017	2026	1.00% - 5.00%
Series 2017	98,060	98,060	2018	2027	2.00% - 5.00%
		419,635			
Plus Unamortized Bond Premium		35,892			
Total General Fund		$ 455,527			
Special Revenue Fund:					
Series 2007	27,000	-	2008	2017	4.00% - 5.50%
Series 2008	57,550	5,755	2009	2018	3.00% - 5.13%
Series 2009	37,310	9,230	2011	2019	2.50% - 5.00%
Series 2010	25,080	16,780	2011	2020	1.41% - 4.00%
Series 2011	22,125	8,840	2012	2021	1.625% - 5.00%
Total Special Revenue		$ 40,605			

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, 2017, general obligation bonds authorized and unissued totaled $85.2 million.

REVENUE BONDS OF THE MAINE GOVERNMENTAL FACILITIES AUTHORITY

The State included $171.9 million in other financing arrangements to reflect revenue bonds issued by the Maine Governmental Facilities Authority (MGFA), a blended component unit. Payment of the bonds is subject to, and dependent upon, biennial appropriations being made by the State Legislature. Debt issued by MGFA is not debt of the State or any political subdivision within the State. The State is not obligated for such debt, nor is the full faith and credit of the State pledged for such debt. MGFA may not issue securities in excess of $616.1 million outstanding, at any one time, except for the issuance of certain revenue refunding securities.

During the fiscal year ended June 30, 2017, MGFA issued $25.0 million in 2016A bonds with an average coupon rate of 4.39 percent to in-substance defease a total of $26.8 million of 2007A, 2008A and 2009A series bonds. The net proceeds of approximately $28.8 million, after payment of underwriting fees and other issuance costs, were used to purchase U.S. Governmental securities which provided for all debt service payments on defeased bonds through their respective call dates, from fiscal year 2018 through fiscal year 2020. Although the in-substance defeasance resulted in the recognition of a deferred accounting loss of approximately $3.9 million in the year ended June 30, 2017, the State in effect reduced aggregate debt service approximately $30.0 million over the next thirteen years and obtained an economic gain (difference between the present value of the old and new debt service payments) of approximately $2.7 million.

Also during the fiscal year ended June 30, 2017, MGFA issued $18.0 million in 2016B bonds with interest rates between 3.00 percent and 5.00 percent.

At June 30, 2017, there was $26.8 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 2017. Short-term obligations are used to meet temporary operating cash flow needs. At June 30, 2017 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, 2017, are summarized as follows:

Primary Government - Changes in Other Long-Term Obligations

(Expressed in Thousands)

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
General Activities:					
MGFA Revenue Bonds	$ 172,373	$ 46,805	$ 47,308	$ 171,870	$ 21,250
COP's and Other Financing	69,565	54,269	49,297	74,537	29,033
Compensated Absences	44,732	8,822	6,005	47,549	6,387
Claims Payable	79,419	181,602	183,732	77,289	27,697
Capital Leases	36,679	2,441	4,844	34,276	5,582
Loans Payable to Component Unit	425,199	50,002	46,488	428,713	50,449
Other Post-Employment Benefit Obligation	387,770	102,658	102,792	387,636	-
Pollution Remediation and Landfill	38,821	44	5,287	33,578	-
Total Government Activities	$ 1,254,558	$ 446,643	$ 445,753	$ 1,255,448	$ 140,398
Business-Type Activities:					
Compensated Absences	$ 1,090	$ -	$ 335	$ 755	$ 91
Other Post-Employment Benefit Obligation	3,904	301	1,036	3,169	-
Total Business-Type Activities	$ 4,994	$ 301	$ 1,371	$ 3,924	$ 91

Debt service requirements (principal and interest) for COP's and other financing arrangements of the primary government, from June 30, 2017 until maturity, are summarized as follows:

Future Debt Service on MGFA Revenue Bonds, COPS and Other Financing Arrangements

(Expressed in Thousands)

	Governmental Funds			Internal Service Funds		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2018	$ 19,593	$ 120	$ 19,713	$ 30,689	$ 8,002	$ 38,691
2019	15,557	68	15,625	28,783	6,781	35,564
2020	13,484	36	13,520	24,111	5,165	29,276
2021	1,533	14	1,547	15,349	4,178	19,527
2022	-	-	-	11,546	3,711	15,257
2023 - 2027	-	-	-	49,454	12,313	61,767
2028 - 2032	-	-	-	28,273	4,410	32,683
2033 - 2035	-	-	-	8,035	522	8,557
Total	$ 50,167	$ 238	$ 50,405	$ 196,240	$ 45,082	$ 241,322

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 2017 were:

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

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Loans Payable to Components Unit:					
Federal Funds	$ 103,053	$ 50,002	$ 12,870	$ 140,185	$ 15,926
Special Revenue Fund	322,146	-	33,618	288,528	34,523
Total	$ 425,199	$ 50,002	$ 46,488	$ 428,713	$ 50,449

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, 2017 are as follows:

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

	Amounts Issued	Outstanding June 30, 2017	Fiscal Year Maturities First Year	Fiscal Year Maturities Last Year	Interest Rates
Federal Funds:					
Series 2008	$ 50,000	$ 19,130	2009	2020	3.25% - 4.00%
Series 2010A	25,915	4,315	2011	2017	2.00% - 5.00%
Series 2010B	24,085	24,085	2018	2022	4.52% - 5.32%
Series 2014A	44,810	39,565	2015	2026	2.00% - 5.00%
Series 2016A	44,105	44,105	2017	2028	2.63% - 5.00%
Total Federal Funds		$ 131,200			
Special Revenue Fund:					
Series 2008	$ 50,000	$ 7,010	2009	2023	3.00% - 5.50%
Series 2009A	105,000	43,190	2010	2023	2.50% - 5.00%
Series 2009B	30,000	5,070	2010	2024	2.00% - 5.00%
Series 2011A	55,000	50,010	2012	2026	2.00% - 5.00%
Series 2013	201,000	160,920	2015	2024	1.07% - 4.35%
Series 2015A	54,680	54,680	2019	2024	4.00% - 5.00%
Total Special Revenue Funds		$ 320,880			

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 2017 were $218 million. Current year payments to MMBB for GARVEE bonds were $15.9 million (7.3 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 $39.7 million in fiscal year 2017.

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 for revenue sources used as pledged revenue were $39.9 million in fiscal year 2017.

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, 2017 capital assets include capitalized buildings of $78.9 million in Governmental Activities, net of related accumulated depreciation of $48.1 million.

OBLIGATIONS UNDER OPERATING LEASES

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

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

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

Fiscal Year	Capital Leases	Operating Leases
2018	$ 5,582	$ 2,171
2019	4,687	2,040
2020	4,188	1,858
2021	3,585	1,651
2022	2,676	1,282
2023-2027	9,101	3,086
2028-2032	4,641	717
2033-2037	1,852	541
2038-2042	1,636	617
2043-2047	884	706
2048-2052	-	511
2053-2057	-	231
Total Minimum Payments	38,832	$ 15,411
Less: Amount Representing Interest	4,556	
Present Value of Future Minimum Payments	$ 34,276	

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, 2017 but paid after the fiscal year end is also reported in the funds.

COMPONENT UNITS

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

Component Unit Bonds Outstanding
(Expressed in Thousands)

Component Unit	Interest Rates	Amount	Maturity Dates
Finance Authority of Maine	3.000% - 5.875%	101,516	2017 - 2039
Maine Community College System	2.500% - 5.000%	21,029	2017 - 2035
Maine Health and Higher Educational Facilities Authority	2.000% - 5.750%	657,530	2017 - 2041
Maine Municipal Bond Bank	0.500% - 6.120%	1,594,736	2017 - 2046
Maine State Housing Authority	0.730% - 5.150%	1,309,973	2017 - 2046
Maine Turnpike Authority	2.000% - 6.000%	420,808	2017 - 2042
University of Maine System	2.000% - 5.000%	172,363	2017 - 2037

On May 17, 2017, the University of Maine System issued $30.3 million in series 2017A Revenue Bonds to currently refund $13.2 million of 2007 Series A Revenue Bonds and to provide $18.2 million for new projects. The System completed the refunding to reduce its total debt service payments over the following twenty years by $1.5 million and to obtain an economic gain of $1.4 million. The principal amount of debt refunded through in-substance defeasance was $13.2 million. No amount was still outstanding at June 30, 2017. Refunding bond proceeds of $13.4 million were placed in an escrow account to pay the interest due on the refunded bonds and to retire the bonds on their respective call dates which was June 16, 2017.

On June 27, 2017, Maine Health and Higher Educational Facilities Authority (MHHEFA) issued $39 million in series 2017A reserve resolution bonds with an average interest rate of 4.5 percent, all of which was used to defease $47.5 million of outstanding reserve fund maturities within the 2001A, 2005B and 2007A bond series. The net proceeds of approximately $48.6 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, 2017 there were approximately $145.6 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.

At June 30, 2017 the remaining balances of the General Tax-Exempt Fund Group in-substance defeased bonds total approximately $196.7 million. At June 30, 2017, the remaining balances of the Transportation Infrastructure Fund Group in-substance defeased bonds total approximately $56.8 million.

At June 30, 2017, Maine Community College System (MCCS) had $18.6 million principal outstanding related to debt refunded through in-substance defeasance.

For the period ended December 31, 2016, the Maine State Housing Authority redeemed prior to maturity $200.6 million of its Mortgage Purchase Fund Group bonds from surplus revenues and the proceeds of refunding bonds. Mortgage Purchase Fund losses of $0.3 million were attributed to recognition of the bond discount and debt issuance expenses associated with the redeemed bonds.

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

Component Units Principal Maturities
(Expressed in Thousands)

Fiscal Year Ending	FAME	MMBB	MCCS	MSHA	MTA	UMS	MHHEFA
2018	$ 10,460	$ 118,729	$ 827	$ 45,150	$ 19,830	$ 11,807	$ 34,220
2019	5,885	144,255	870	49,200	20,640	10,955	37,800
2020	6,025	137,240	833	36,475	14,945	11,750	38,545
2021	3,115	137,530	880	34,430	16,015	10,699	38,185
2022	3,425	129,305	923	54,320	17,350	11,169	39,090
2023 - 2027	21,095	528,085	5,217	248,585	101,900	49,803	173,125
2028 - 2032	36,270	210,172	6,109	286,956	111,355	39,430	160,205
2033 - 2037	9,975	68,645	2,949	292,670	52,695	13,355	99,745
2038 - 2042	5,750	18,190	-	188,449	26,440	-	36,615
2043 - 2047	-	4,230	-	65,765	4,285	-	-
Net Unamortized Premium (or Deferred Amount)	(484)	98,355	2,421	7,973	35,353	13,395	-
Total Principal Payments	$ 101,516	$ 1,594,736	$ 21,029	$ 1,309,973	$ 420,808	$ 172,363	$ 657,530

NOTE 12 - SELF - INSURANCE

A. Risk Management

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

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

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

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

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

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

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

All risk-financing liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims liabilities represent the estimated cost of claims as of March 31, 2017. 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, 2017 and 2016 the present value of claims payable for the State's self-insurance plan was estimated at $8.2 million and $8.0 million, respectively. The actuary calculated this based on the State's rate on investments.

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

	2017	2016
Liability at Beginning of Year	$ 8,016	$ 4,228
Current Year Claims and Changes in Estimates	2,903	8,829
Claims/Fees Expense	2,723	5,041
Liability at End of Year	$ 8,196	$ 8,016

As of June 30, 2017, fund assets of $25.3 million exceeded fund liabilities of $9.2 million by $16.1 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 $791 thousand for the fiscal year ended June 30, 2017.

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, 2017:

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

	2017	2016
Liability at Beginning of Year	$ 48,193	$ 47,045
Current Year Claims and Changes in Estimates	10,931	9,767
Claims Payments	9,705	8,619
Liability at End of Year	$ 49,419	$ 48,193

Based on the actuarial calculation as of June 30, 2017, the State is liable for unfunded claims, and incurred but not reported claims, of approximately $60.9 million. The discounted amount is $49.4 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 $500 thousand.

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

There are two primary health plans available. A Point-of-Service plan is available to all active employees and retirees not eligible for Medicare. A Medicare Advantage plan is available to Medicare eligible retirees. Total enrollment averaged approximately 36,300 covered individuals. This total includes 28,025 active employees and dependents and 8,275 Medicare retirees and dependents.

Claims expenses are recorded when premiums are paid to the claims servicing contractor. At the end of the period, the total of these premium payments are compared with the actual claims paid and claims expense is adjusted for any overage or shortage with an offsetting receivable or liability recorded. For the period ending June 30, 2017 the State recorded a receivable of $8.6 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 $19.7 million. Changes in the Employee Health Insurance and Retiree Health Insurance claims liability for the fiscal year ending June 30, 2017 follows:

(Expressed in Thousands)

	Employee Health Fund	Retiree Health Fund
Liability at Beginning of Year	$ 17,407	$ 5,803
Claims and Changes in Estimate	141,991	25,777
Claims Payments	144,643	26,661
Liability at End of Year	$ 14,755	$ 4,919

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 $53.1 million were reclassified from the internal service fund to the OPEB Trust Fund, a fiduciary fund. Additionally, $16.0 million of active employee healthcare costs were reclassified from the internal service fund to the OPEB Trust Fund to reflect age-adjusted claims.

NOTE 13 - JOINT VENTURES

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

TRI-STATE LOTTO COMMISSION

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

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

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

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

The Tri-State Lotto Commission financial report for fiscal year 2017, 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	$ 16,078
Noncurrent Assets	26,854
Total Assets	$ 42,932
Current Liabilities	$ 14,624
Long-term Liabilities	21,160
Total Liabilities	$ 35,784
Designated Prize Reserves	4,346
Reserve for Unrealized Gains	2,802
Total Net Position	7,148
Total Liabilities and Net Position	$ 42,932
Total Revenue	$ 57,580
Total Expenses	38,377
Allocation to Member States	19,203
Change in Unrealized Gain on Investments Held for Resale	(1,684)
Change in Net Position	$ (1,684)

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 2017 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	$	398,234
Investments in US Government Securities		65,782
US Government Securities Held for Prize Annuities		69,049
Due from Party Lotteries		22,807
Patent, net of accumulated amortization		4,807
Other Assets		690
Total Assets	$	561,369
Amount Held for Future Prizes	$	480,917
Grand Prize Annuities Payable		69,640
Other Liabilities		5,668
		556,225
Net Position, Unrestricted		5,144
Total Liabilities and Net Position	$	561,369
Total Revenue	$	4,345
Total Expenses		6,143
Excess of Revenues over Expenses		(1,798)
Net Position, beginning		6,942
Net Position, ending	$	5,144

NOTE 14 - RELATED PARTY TRANSACTIONS

PRIMARY GOVERNMENT

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

Catholic Charities of Maine, a non-profit organization, received $11.3 million in pass-through grant awards from various State agencies and $7.3 million in Medicaid claims during fiscal year 2017. An employee of Maine's Department of Environmental Protection serves as an uncompensated member of its Board of Directors.

Tri-County Mental Health Services, a non-profit organization providing out-patient, crisis, housing, and group home services in central Maine, received $14.4 million during fiscal year 2017 from various programs provided by Maine's Department of Health and Human Services. A member of Maine's Senate served as an uncompensated member of its Board of Directors.

Promise Early Education, formerly known as Androscoggin Head Start and Child Care, received $894 thousand from various programs provided by Maine's Department of Health and Human Services. A member of Maine's Senate served 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, $234.1 million; Maine Community College System, $72.4 million; Maine Municipal Bond Bank, $40.0 million; Finance Authority of Maine, $21.0 million; and Maine State Housing Authority, $15.8 million.

FAME administers several revolving loan funds on behalf of the State of Maine. FAME recorded these funds, which total $28.7 million at June 30, 2017, 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 2017, the State expended $3.0 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 $9.3 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 2017, the amount billed totaled $5.8 million.

NOTE 15 - DEFERRED OUTFLOWS AND DEFERRED INFLOWS

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

(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Component Units
Deferred Outflows of Resources:				
Accumulated Decrease in Fair Value of Hedging Derivatives	$ -	$ -	$ -	$ 10,344
Refunding of Debt	4,435	-	4,435	58,195
Pension Related	850,125	7,792	857,917	51,926
Total Deferred Outflows of Resources	$ 854,560	$ 7,792	$ 862,352	$ 120,465
Deferred Inflows of Resources:				
Grant Income	$ -	$ -	$ -	$ 8,223
Loan Origination Fees	-	-	-	572
Pension Related	58,542	242	58,784	30,293
Total Deferred Inflows of Resources	$ 58,542	$ 242	$ 58,784	$ 39,088

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

Governmental Funds
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Deferred Inflows of Resources:						
Tax Revenue or Assessments	$ 211,492	$ 751	$ 29	$ 28,699	$ -	$ 240,971
Total Deferred Inflows of Resources	$ 211,492	$ 751	$ 29	$ 28,699	$ -	$ 240,971

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, 2017, the State provided tax abatements through the following programs:

Program Name	Pine Tree Development Zone Tax Credit	Employment Tax Increment Financing	New Markets Capital Investment Tax Credit
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 2017	$3,510,745	$13,326,078	$14,096,632

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.

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

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 has ruled in favor of the Governor, and the First Circuit 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.

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

Iris LaVerdiere v. Michael Baucom, et al. Plaintiff claims that she was sexually abused by a corrections officer while incarcerated at the Women's Center at the Maine Correctional Center. 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.

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.

*Riverview Psychiatric Cente*r. 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 December 31, 2013 through March 31, 2017 related to the Riverview Psychiatric Center. Riverview has filed a request for reconsideration of this decision and is planning to pursue its rights to appeal if necessary. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

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

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

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

ENCUMBRANCES

Encumbrances are reported in the restricted, committed, and assigned fund balances of the governmental funds. General fund, highway fund, federal fund, other special revenue fund and other governmental funds balances are $47.0 million, $1.3 million, $154.5 million, $25.9 million and $4.8 million, respectively.

FEDERAL GRANTS

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

POLLUTION REMEDIATION

The Department of Environmental Protection (DEP) and Department of Transportation (DOT) have pollution remediation obligations as defined by Governmental Accounting Standards Board (GASB) Statement No. 49. The State's total amount of pollution remediation obligation as of June 30, 2017 is $22.1 million. Superfund sites account for approximately $8.0 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 $530 thousand. Currently the State shares the costs with Environmental Protection Agency (EPA) in a cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in September of 2018, the State will assume 100 percent of the operation and maintenance and long-term monitoring costs.

Eastern Surplus – The State recorded a liability for pollution remediation activities of approximately $1.3 million. Beginning in August of 2012, the State assumed 100 percent of the operation, maintenance and monitoring costs. As of June 30, 2017, the State has received $2.1 million in recoveries from the Department of Defense. The State expects to recover additional costs of $140 thousand.

Callahan Mine – The State recorded a liability for pollution remediation activities of approximately $6.2 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 $797 thousand) related to five uncontrolled hazardous substance sites. The State expects to recover $1 million in costs. The Uncontrolled Hazardous Substance Sites Program was created in response to the threats and potential threats to human health and the environment posed primarily by abandoned hazardous waste sites. The Uncontrolled Hazardous Substance Sites program is the State's equivalent to the Federal Superfund Program.

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

MUNICIPAL SOLID WASTE LANDFILLS

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

The 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 the initial closure 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 $2.6 million in outstanding match obligation for remediation. Additionally, several Municipalities needed to close their failing landfills early, but could not afford to do so without the state match for closure, which had expired. Therefore, the legislature reopened the program to match closure and remediation costs, and enacted a fee on disposal of certain Construction and Demolition Debris (CDD) effective in 2013, to pay for the ongoing program. In fiscal year 2017 the DEP received $1.1 million from the CDD fee. The entirety of this fee was used to reimburse municipalities for eligible expenses.

In addition to the backlog of reimbursements that DEP owes to municipalities, DEP continues to incur match obligations as additional qualifying landfills close and others undertake necessary remediation actions. The Legislature has extended the eligibility date for reimbursement of closure costs from 2015 to 2025, and there is no eligibility end date for reimbursement of remediation costs. At the beginning of fiscal year 2017, DEP's total outstanding reimbursement obligation to municipalities was $6.5 million. At the end of fiscal year 2017 the outstanding match obligation was $6.0 million. 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 $3.0 million. This consists of approximately $1.7 million for State-owned facilities and approximately $1.3 million for the State's share, under a cost sharing arrangement, for municipal facilities.

POLLUTION ABATEMENT PROGRAM

Title 38 MRSA §411, §411-A, and §412 establish within DEP cost-sharing programs for pollution abatement projects. Subject to funding by the Legislature and the approval of the Commissioner, the State may contribute to the planning of municipal pollution abatement facilities; the design, engineering, and construction of private, commercial, and municipal pollution abatement facilities;

and make payments to the Maine Municipal Bond Bank to supply the State's share of the revolving loan fund established by Title 30A MRSA §6006-A. During the 2017 fiscal year, $160 thousand of general obligation bond funds and $2.05 million of Liquor Operation Revenue Funds were expended for pollution abatement projects. As of June 30, 2017, amounts encumbered for pollution abatement projects totaled $33 thousand, and general obligation bonds authorized for these projects, but not yet encumbered, totaled $2.35 million. As of June 30, 2017, 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 48.1 percent of the annual payments. As of June 30, 2017 outstanding commitments by municipalities for school bond issues that are eligible for State subsidy totaled $817.6 million.

At June 30, 2017, the Department of Transportation had contractual commitments of approximately $220.1 million for construction of various highway projects. The State's share of that amount is expected to be approximately $55.5 million. Of these amounts, $9.1 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 2017, Maine received a total of $51.2 million including both the annual payment amount and the strategic contribution amount.

ESCHEAT PROPERTY

The State Abandoned Property Statute requires the deposit of certain defined and unclaimed assets into a state-managed Abandoned Property Fund (Private Purpose Trust Fund). The State Statute provides that whenever the cash balance of the fund exceeds $500 thousand at fiscal year-end, the excess must be remitted to the General Fund where it is reported as operating transfers from other funds. At June 30, 2017, the Fund included $3.7 million of securities not yet liquidated that were not subject to transfer to the General Fund. Net collections from inception (1979) to June 30, 2017 of approximately $231.4 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, 2017, the amount reported in the Fund for claimant liability is $40.9 million. The General Fund shows a $35.7 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, 2017, loans outstanding pursuant to these authorizations are $82.9 million, less than $1 million, and $2.6 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, 2017.

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, 2017, 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, 2017.

MORAL OBLIGATIONS

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

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

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

The following summarizes information regarding outstanding moral obligations:

Moral Obligation Bonds
(Expressed in Thousands)

Issuer	Bonds Outstanding	Required Debt Reserve	Obligation Debt Limit [1]	Legal Citation
Maine Health and Higher Educational Facilities Authority	$ 657,530	$ 65,000	NIL	22 MRSA § 2075
Finance Authority of Maine	43,090	7,052	$ 642,000	10 MRSA §1032, 1053
	-	-	50,000	20-A MRSA §11449
	-	-	50,000	38 MRSA §2221
	102,000	2,581	225,000	20-A MRSA §11424
Loring Development Authority *	-	-	100,000	5 MRSA §13080-N
Maine Municipal Bond Bank	1,172,374	148,273	NIL	30-A MRSA §6006
Maine State Housing Authority	1,266,555	108,796	2,150,000	30-A MRSA §4906
Total	$ 3,241,549	$ 331,702		

* Reported in combining non-major component unit financial statements.
[1] NIL indicates a "no limit" obligation.

COMPONENT UNITS

CONSTRUCTION CONTRACTS

At June 30, 2017, UMS had outstanding commitments on uncompleted construction contracts that totaled $6.8 million.

At June 30, 2017, MCCS had $2.1 million remaining in construction and renovation contracts.

At December 31, 2016, the Maine Turnpike Authority had $16.1 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, 2016 Maine State Housing Authority (MSHA) had outstanding commitments to originate multi-family loans of approximately $20.0 million.

MSHA, under its single-family program, enters into purchase agreements to lenders to purchase mortgage loans. At December 31, 2016, single-family loans being processed by lenders totaled $36.7 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, 2017, FAME had insurance outstanding for commercial loans under the Loan Insurance Program totaling approximately $115.0 million.

At June 30, 2017, FAME was insuring loans with an aggregate outstanding principle balance approximating $3.5 million which were 90 or more days delinquent. The aggregate insured balance of these loans was approximately $2.3 million at June 30, 2017. In addition, FAME has entered into commitments to insure loans at some future date. At June 30, 2017, these commitments under the Loan Insurance Program were approximately $7.4 million.

FEDERAL STUDENT LOAN RESERVE FUND

FAME holds and administers the Federal Student Loan Reserve Fund for the US Department of Education. Total outstanding guarantees issued under the FFELP approximated $385.7 million at June 30, 2017. A portion of the defaults on FFELP loan guarantees are paid by the US Department of Education. At June 30, 2017, the reserve level was approximately $3.0 million.

NOTE 18 - SUBSEQUENT EVENTS

PRIMARY GOVERNMENT

On August 24, 2017, the Maine Governmental Facilities Authority issued $58.5 million of Series 2017A Lease Revenue Bonds to fund various State projects. The bonds bear interest rates from 2.50 percent to 5.00 percent and maturities from 2018 to 2037. The bonds do not constitute a legal debt or obligation of the State.

On November 30, 2017, the State issued $21.0 million of Certificates of Participation (COP's) for the purpose of financing improvements to the State's technology infrastructure and data centers. This COP's carries an interest rate of 1.83 percent, with a maturity date in State fiscal year 2025.

COMPONENT UNITS

Through March 22, 2017, Maine State Housing Authority (MSHA), which has a December 31 fiscal year end, issued at par $30.0 million of bonds in the General Mortgage Purchase Bond Resolution. Through March 29, 2017, MSHA committed to redeem, at par $20.0 million of bonds in the General Mortgage Purchase Bond Resolution on April 24, 2017.

NOTE 19 - SPECIAL ITEMS

Change in Accounting Estimate

In fiscal year 2017, management eliminated the pension and other post retirement benefit cost allocations to the Dirigo Health, Non-Major Enterprise Fund. Payroll costs are no longer recorded in that fund. This resulted in a decreased liability of approximately $895 thousand. Given the material impact on that fund a special item has been recorded to reflect that adjustment.

REQUIRED SUPPLEMENTARY INFORMATION


DIRIGO
MAINE

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

Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	General Fund				Highway Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues								
Taxes	$ 3,220,149	$ 3,284,501	$ 3,329,007	$ 44,506	$ 224,110	$ 224,111	$ 228,295	$ 4,184
Assessments and Other	101,871	98,706	105,704	6,998	90,986	93,136	96,484	3,348
Federal Grants	1,895	1,785	1,771	(14)	-	-	-	-
Service Charges	40,723	42,213	43,630	1,417	6,489	6,485	5,852	(633)
Income from Investments	1,744	3,128	4,726	1,598	468	364	348	(16)
Miscellaneous Revenue	4,923	6,472	72,354	65,882	3,474	3,195	3,691	496
Total Revenues	3,371,305	3,436,805	3,557,192	120,387	325,527	327,291	334,670	7,379
Expenditures								
Governmental Support & Operations	293,179	314,319	289,019	25,300	38,320	38,732	2,283	36,449
Economic Development & Workforce Training	45,502	45,044	42,242	2,802	-	-	-	-
Education	1,455,897	1,493,535	1,472,157	21,378	-	-	-	-
Health and Human Services	1,191,055	1,211,081	1,129,349	81,732	-	-	-	-
Business Licensing & Regulation	-	-	-	-	-	-	-	-
Natural Resources Development & Protection	77,052	82,846	75,152	7,694	39	39	39	-
Justice and Protection	350,796	357,974	342,659	15,315	28,293	28,733	27,885	848
Arts, Heritage & Cultural Enrichment	8,435	8,380	7,977	403	-	-	-	-
Transportation Safety & Development	-	-	-	-	254,027	319,153	313,740	5,413
Total Expenditures	3,421,916	3,513,179	3,358,555	154,624	320,679	386,657	343,947	42,710
Revenues Over (Under) Expenditures	(50,611)	(76,374)	198,637	275,011	4,848	(59,366)	(9,277)	50,089
Other Financing Sources (Uses)								
Operating Transfers Net	(29,773)	(38,698)	(80,123)	(41,425)	-	162	(5,592)	(5,754)
Proceeds from Pledged Future Revenues	-	-	-	-	-	-	-	-
Net Other Financing Sources (Uses)	(29,773)	(38,698)	(80,123)	(41,425)	-	162	(5,592)	(5,754)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ (80,384)	$ (115,072)	$ 118,514	$ 233,586	$ 4,848	$ (59,204)	$ (14,869)	$ 44,335
Fund balances, beginning of year			387,849				72,433	
Fund balances, end of year			$ 506,363				$ 57,564	

Federal Funds				Other Special Revenue Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
$ -	$ -	$ -	$ -	$ 294,296	$ 293,615	$ 296,327	$ 2,712
-	-	-	-	174,625	175,394	161,451	(13,943)
3,009,574	3,217,683	2,667,187	(550,496)	12,931	13,232	9,154	(4,078)
487	487	376	(111)	234,272	199,543	274,305	74,762
-	-	11	11	890	891	829	(62)
-	1,306	6,157	4,851	188,251	242,525	167,260	(75,265)
3,010,061	3,219,476	2,673,731	(545,745)	905,265	925,200	909,326	(15,874)
5,734	7,408	2,820	4,588	140,162	150,941	141,447	9,494
118,646	119,607	80,699	38,908	51,080	60,556	44,781	15,775
301,161	301,494	213,183	88,311	44,838	45,153	36,583	8,570
2,342,009	2,424,181	2,056,201	367,980	492,115	495,178	431,650	63,528
117	117	62	55	81,838	86,242	62,456	23,786
60,293	62,549	40,066	22,483	125,180	149,866	103,125	46,741
128,759	165,668	56,642	109,026	48,191	56,096	45,049	11,047
3,678	3,973	3,146	827	1,934	1,968	877	1,091
195,281	260,211	224,349	35,862	86,856	154,559	121,569	32,990
3,155,678	3,345,208	2,677,168	668,040	1,072,194	1,200,559	987,537	213,022
(145,617)	(125,732)	(3,437)	122,295	(166,929)	(275,359)	(78,211)	197,148
13,169	11,715	(1,922)	(13,637)	92,771	103,329	87,184	(16,145)
-	-	-	-	67,511	85,511	62,550	(22,961)
13,169	11,715	(1,922)	(13,637)	160,282	188,840	149,734	(39,106)
$ (132,448)	$ (114,017)	$ (5,359)	$ 108,658	$ (6,647)	$ (86,519)	$ 71,523	$ 158,042
		16,670				351,354	
		$ 11,311				$ 422,877	

STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILATION

Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	General Fund	Highway Fund	Federal Funds	Special Revenue Fund
Fund Balances - Non-GAAP Budgetary Basis	$ 506,363	$ 57,564	$ 11,311	$ 422,877
Basis Differences				
Revenue Accruals/Adjustments:				
Taxes Receivable	230,038	2,307	-	12,427
Intergovernmental Receivables	-	6	203,809	-
Other Receivables	54,205	2,622	72,546	64,132
Inventories	2,809	-	459	-
Due from Component	37	-	-	54,433
Due from Other Funds	30,952	7,063	2,370	92,038
Other Assets	1,514	15	71	7
Unearned Revenues	-	(4,696)	(459)	-
Deferred Inflows - Taxes and Assessment Revenues	(211,492)	(751)	(29)	(28,699)
Deferred Inflows - Unearned Revenue from Enterprise Fund	-	-	-	-
Total Revenue Accruals/Adjustments	108,063	6,566	278,767	194,338
Expenditure Accruals/Adjustments:				
Accounts Payable	(151,826)	(27,475)	(252,005)	(29,311)
Due to Component Units	-	-	-	(1,769)
Bonds Issued	-	-	-	-
Accrued Liabilities	(23,024)	(9,194)	(6,638)	(9,577)
Taxes Payable	(204,932)	-	-	-
Intergovernmental Payables	(1,643)	-	-	(1,778)
Due to Other Funds	(59,577)	(4,306)	(7,714)	(20,647)
Total Expenditure Accruals/Adjustments	(441,002)	(40,975)	(266,357)	(63,082)
Fund Balances - GAAP Basis	$ 173,424	$ 23,155	$ 23,721	$ 554,133

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, 2017, the legislature increased appropriations to the General Fund by $35.5 million.

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

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

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

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

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

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

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

Generally accepted accounting principles (GAAP) require that the final legal budget be reflected in the "final budget" column. Therefore updated revenue estimates available for appropriations as of June 30, 2017 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

June 30, 2017
(Expressed in Thousands)

	2017	2016	2015
Total Pension Liability			
Service Cost	$ 1,397	$ 1,606	$ 1,518
Interest	4,155	3,863	3,736
Changes in Benefit Terms	2,017	28	17
Differences Between Expected and Actual Experience	(1,746)	2,238	(292)
Changes of Assumptions	2,490	-	426
Benefit Payments, Including Refunds of Member Contributions	(3,502)	(3,384)	(3,219)
Net Change in Total Pension Liability	4,811	4,351	2,186
Beginning Total Pension Liability	58,912	54,561	52,375
Ending Total Pension Liability	63,723	58,912	54,561
Plan Fiduciary Net Position			
Employer Contributions	1,078	979	932
Member Contributions	550	550	528
Net Investment Income	130	1,055	8,416
Transfers	6,343	-	-
Benefit Payments, Including Refunds of Member Contributions	(3,502)	(3,384)	(3,219)
Administrative Expense	(48)	(49)	(42)
Net Change in Plan Fiduciary Net Position	4,551	(849)	6,615
Beginning Plan Fiduciary Net Position	56,341	57,190	50,575
Ending Plan Fiduciary Net Position	60,892	56,341	57,190
Ending Net Pension Liability	$ 2,831	$ 2,571	$ (2,629)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	95.6 %	95.6 %	104.8 %
Covered-employee payroll	$ 7,188	$ 7,186	$ 6,742
Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll	39.4 %	35.8 %	(39.0)%

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

June 30, 2017
(Expressed in Thousands)

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

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

Last Four Fiscal Years
(Expressed in Thousands)

	2017	2016	2015	2014
Judicial Pension Plan				
Actuarially Determined Contribution	$ 1,144	$ 1,078	$ 951	$ 932
Contributions in Relation to the Actuarially Determined Employer Contribution	(1,144)	(1,078)	(951)	(932)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 7,640	$ 7,188	$ 7,186	$ 6,742
Contributions as a percentage of covered-employee payroll	14.97 %	15.00 %	13.23 %	13.82 %
Legislative Pension Plan				
Actuarially Determined Contribution	$ -	$ -	$ -	$ -
Contributions in Relation to the Actuarially Determined Employer Contribution	-	-	-	(4)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ (4)
Covered-employee payroll	$ 2,651	$ 2,590	$ 2,528	$ 2,535
Contributions as a percentage of covered-employee payroll	0.00 %	0.00 %	0.00 %	0.16 %

Notes to Schedule

Key Methods and Assumptions Used to Determine Contribution Rates	
Valuation date	June 30, 2013 June 30, 2017 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.
Actuarial cost method	Entry age normal
Asset valuation method	3-Year smoothed market
Amortization method	Level percent of payroll, open 10-year amortization of 2014 UAL.
Discount rate	7.125%
Amortization growth rate	3.50%
Price inflation	3.50%
Salary increases	3.50%
Retirement age	100% retirement assumed to occur at age 60 for members with at least 10 years of creditable service on July 1, 1993. For members with less than 5 years of creditable service on July 1, 2001, 50% are assumed to retire each year after reaching age 65.
Mortality	Sex distinct RP-2000 Combined Mortality projected to 2015 using scale AA

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2016 can be found in the June 30, 2014 actuarial valuation report.

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

Last Four Fiscal Years
(Expressed in Thousands)

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.

GASB Statement 82 reinstated the pre- GASB 67 & 68 definition of "covered-employee payroll." Covered-employee payroll is defined as the payroll on which contributions to a pension plan are based. Prior year covered payroll amounts do not need to be restated since the amounts reported reflect GASB's current definition.

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 Three Fiscal Years
(Expressed in Thousands)

	2017	2016	2015
State Employees			
Proportion of the Collective Net Pension Liability	94.498857 %	92.825250 %	92.853946 %
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 1,269,080	$ 950,597	$ 837,743
Covered-employee Payroll	$ 588,415	$ 520,115	$ 525,765
Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	215.68 %	182.77 %	159.34 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	71.00 %	76.80 %	79.21 %
Maine Community College System			
Proportion of the Collective Net Pension Liability	4.969634 %	6.640831 %	6.618303 %
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 66,740	$ 68,007	$ 59,710
Covered-employee Payroll	$ 32,627	$ 32,008	$ 31,679
Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	204.55 %	212.47 %	188.48 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	71.00 %	76.80 %	79.21 %
Maine Educational Center for the Deaf and Hard of Hearing			
Proportion of the Collective Net Pension Liability	0.462677 %	0.462378 %	0.455434 %
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 6,214	$ 4,735	$ 4,108
Covered-employee Payroll	$ 2,985	$ 3,492	$ 3,359
Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	208.17 %	135.60 %	122.30 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	71.00 %	76.80 %	79.21 %
Northern New England Passenger Rail Authority			
Proportion of the Collective Net Pension Liability	0.068832 %	0.071541 %	0.072317 %
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 924	$ 733	$ 652
Covered-employee Payroll	$ 439	$ 435	$ 417
Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	210.48 %	168.51 %	156.35 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	71.00 %	76.80 %	79.21 %
Total SETP - State of Maine Employees			
Proportion of the Collective Net Pension Liability	100.000000 %	100.000000 %	100.000000 %
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 1,342,959	$ 1,024,072	$ 902,213
Covered-employee Payroll	$ 624,466	$ 556,050	$ 561,220
Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	215.06 %	184.17 %	160.76 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	71.00 %	76.80 %	79.21 %

Notes to Schedule:

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

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2017 can be found in the June 30, 2014 actuarial valuation report.

GASB Statement 82 reinstated the pre- GASB 67 & 68 definition of "covered-employee payroll." Covered-employee payroll is defined as the payroll on which contributions to a pension plan are based. Prior year amounts do not need to be restated since the amounts reported reflect GASB's current definition. GASB Statement 82 also revised how employer-paid member contributions are reported. Only fiscal year 2014 amounts reported as actuarially determined contributions (ADC) and contributions in relation to the ADC needed restatement.

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 Four Fiscal Years
(Expressed in Thousands)

	2017	2016	2015	2014
State Employees				
Actuarially Determined Contribution	$ 141,295	$ 136,139	$ 107,807	$ 117,380
Contributions in Relation to the Actuarially Determined Employer Contribution	(141,295)	(136,139)	(107,807)	(117,380)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 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-Employee Payroll	23.47 %	23.14 %	20.66 %	22.33 %
Maine Community College System				
Actuarially Determined Contribution	$ 6,863	$ 7,159	$ 8,135	$ 3,133
Contributions in Relation to the Actuarially Determined Employer Contribution	(6,863)	(7,159)	(8,135)	(3,133)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 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-Employee Payroll	22.23 %	21.94 %	26.89 %	9.89 %
Maine Educational Center for the Deaf and Hard of Hearing				
Actuarially Determined Contribution	$ 734	$ 667	$ 554	$ 451
Contributions in Relation to the Actuarially Determined Employer Contribution	(734)	(667)	(554)	(451)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 3,231	$ 2,985	$ 3,517	$ 3,359
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered-Employee Payroll	22.72 %	22.35 %	15.75 %	13.43 %
Northern New England Passenger Rail Authority				
Actuarially Determined Contribution	$ 106	$ 99	$ 81	$ 71
Contributions in Relation to the Actuarially Determined Employer Contribution	(106)	(99)	(81)	(71)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 469	$ 439	$ 430	$ 417
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered-Employee Payroll	22.60 %	22.55 %	18.84 %	17.03 %
Total SETP - State of Maine Employees				
Actuarially Determined Contribution	$ 148,998	$ 144,064	$ 116,577	$ 121,035
Contributions in Relation to the Actuarially Determined Employer Contribution	(148,998)	(144,064)	(116,577)	(121,035)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 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-Employee Payroll	23.41 %	23.07 %	20.97 %	21.57 %

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

June 30, 2017
(Expressed in Thousands)

Notes to Schedule:

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

Valuation date	June 30, 2013 June 30, 2017 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.
Actuarial cost method	Entry age normal
Asset valuation method	3-Year smoothed market
Amortization method	Level Percentage of payroll, closed 18-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	
Amortization growth rate	3.50%
Price inflation	3.50%
Salary increases	3.50% 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	Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA for State Employee Program; the Teacher program used the same table with a 2-year set back.

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2017 can be found in the June 30, 2014 actuarial valuation report.

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.

GASB Statement 82 reinstated the pre- GASB 67 & 68 definition of “covered-employee payroll.” Covered-employee payroll is defined as the payroll on which contributions to a pension plan are based. Prior year amounts do not need to be restated since the amounts reported reflect GASB’s current definition. GASB Statement 82 also revised how employer-paid member contributions are reported. Only fiscal year 2014 amounts reported as actuarially determined contributions (ADC) and contributions in relation to the ADC needed restatement.

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 Three Fiscal Years
(Expressed in Thousands)

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

Notes to Schedule:

GASB Statement 82 reinstated the pre- GASB 67 & 68 definition of "covered-employee payroll." Covered-employee payroll is defined as the payroll on which contributions to a pension plan are based. Prior year amounts do not need to be restated since the amounts reported reflect GASB's current definition.

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 Four Fiscal Years
(Expressed in Thousands)

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

Notes to Schedule:

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

Valuation date	June 30, 2013 June 30, 2017 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.
Actuarial cost method	Entry age normal
Asset valuation method	3-Year smoothed market
Amortization method	Level Percentage of payroll, closed 18-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	7.125%
Amortization growth rate	3.50%
Price inflation	3.50%
Salary increases	3.50% 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	Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA for State Employee Program; the Teacher program used the same table with a 2-year set back.

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

Last Four Fiscal Years
(Expressed in Thousands)

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2017 can be found in the June 30, 2014 actuarial valuation report.

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.

GASB Statement 82 reinstated the pre- GASB 67 & 68 definition of “covered-employee payroll.” Covered-employee payroll is defined as the payroll on which contributions to a pension plan are based. Prior year amounts do not need to be restated since the amounts reported reflect GASB’s current definition. GASB Statement 82 also revised how employer-paid member contributions are reported. Only fiscal year 2014 amounts reported as actuarially determined contributions (ADC) and contributions in relation to the ADC needed restatement.

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
OTHER POST-EMPLOYMENT BENEFIT PLANS
SCHEDULES OF FUNDING PROGRESS

(Expressed in Millions)

Healthcare Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL (as a percentage of covered payroll) ((b-a)/c)
State Employees	June 30, 2016	$ 201	$ 1,157	$ 956	17.37 %	$ 575	166.26 %
	June 30, 2015	184	1,215	1,031	15.14 %	561	183.78 %
	June 30, 2014	167	1,224	1,057	13.64 %	543	194.66 %
Teachers	June 30, 2016	-	739	739	0.00 %	1,125	65.69 %
	June 30, 2015	-	739	739	0.00 %	1,142	64.71 %
	June 30, 2014	-	684	684	0.00 %	1,106	61.84 %
First Responders	June 30, 2016	-	24	24	0.00 %	56	42.86 %
	June 30, 2015	-	22	22	0.00 %	54	40.74 %
	June 30, 2014	-	24	24	0.00 %	55	43.64 %

(Expressed in Thousands)

Group Life Insurance Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL (as a percentage of covered payroll) ((b-a)/c)
State Employees	June 30, 2016	$ 32,500	$ 93,300	$ 60,800	34.83 %	$ 578,274	10.51 %
	June 30, 2015	32,300	89,900	57,600	35.93 %	578,279	9.96 %
	June 30, 2014	32,300	89,500	57,200	36.09 %	556,900	10.27 %
Teachers	June 30, 2016	54,400	90,500	36,100	60.11 %	698,735	5.17 %
	June 30, 2015	49,800	85,700	35,900	58.11 %	698,700	5.14 %
	June 30, 2014	48,000	79,000	31,000	60.76 %	666,200	4.65 %

STATE OF MAINE
OTHER POST-EMPLOYMENT BENEFIT PLANS
SCHEDULES OF EMPLOYER CONTRIBUTIONS

June 30, 2017
(Expressed in Thousands)

	State Employees		Teachers		First Responders	
Fiscal Year Ended June 30,	**Annual Required Contribution**	**Percent Contributed**	**Annual Required Contribution**	**Percent Contributed**	**Annual Required Contribution**	**Percent Contributed**
Healthcare - 2017	$ 69,000	107.25 %	$ 49,000	59.18 %	$ 2,166	38.23 %
Healthcare - 2016	88,000	76.14 %	48,000	56.25 %	1,883	35.53 %
Healthcare - 2015	84,000	79.76 %	46,000	56.52 %	1,976	38.26 %
Healthcare - 2014	99,000	63.87 %	45,000	55.46 %	34	33.52 %
Healthcare - 2013	94,000	72.34 %	44,000	56.82 %	1,689	34.16 %
Group Life - 2017	$ 5,035	72.49 %	$ 3,205	102.06 %	$ -	- %
Group Life - 2016	4,670	93.49 %	3,160	100.00 %	-	- %
Group Life - 2015	4,935	86.67 %	3,660	100.00 %	-	- %
Group Life - 2014	4,768	88.07 %	3,440	100.00 %	-	- %
Group Life - 2013	4,591	101.79 %	3,099	100.00 %	-	- %

STATE OF MAINE
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY STATE EMPLOYEE HEALTHCARE PLAN

June 30, 2017
(Expressed in Thousands)

	2017
Total OPEB Liability	
Service Cost	$ 12,246
Interest	75,650
Benefit Payments, Including Refunds of Member Contributions	(70,118)
Net Change in Total OPEB Liability	17,778
Beginning Total OPEB Liability	1,143,542
Ending Total OPEB Liability	1,161,320
Plan Fiduciary Net Position	
Employer Contributions	74,118
Net Investment Income	26,513
Benefit Payments, Including Refunds of Member Contributions	(70,118)
Administrative Expense	(5)
Net Change in Plan Fiduciary Net Position	30,508
Beginning Plan Fiduciary Net Position	203,088
Ending Plan Fiduciary Net Position	233,596
Ending Net OPEB Liability	$ 927,724
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	20.1 %
Covered-employee payroll	$ 574,663
Net OPEB Liability as a Percentage of Covered-employee Payroll	161.4 %

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 CHANGES IN THE NET OPEB LIABILITY
STATE EMPLOYEE AND TEACHER GROUP LIFE INSURANCE BENEFIT PLAN

June 30, 2017
(Expressed in Thousands)

	2017
Total OPEB Liability	
Service Cost	$ 2,065
Interest	12,015
Benefit Payments, Including Refunds of Member Contributions	(6,004)
Net Change in Total OPEB Liability	8,076
Beginning Total OPEB Liability	175,647
Ending Total OPEB Liability	183,723
Plan Fiduciary Net Position	
Employer Contributions	6,921
Net Investment Income	9,886
Benefit Payments, Including Refunds of Member Contributions	(6,004)
Administrative Expense	(1,336)
Net Change in Plan Fiduciary Net Position	9,467
Beginning Plan Fiduciary Net Position	77,416
Ending Plan Fiduciary Net Position	86,883
Ending Net OPEB Liability	$ 96,840
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.3 %
Covered payroll	$ 1,277,009
Net OPEB Liability as a Percentage of Covered Payroll	7.6 %

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 STATE CONTRIBUTIONS
STATE TRUST FUND OPEB PLANS

June 30, 2017
(Expressed in Thousands)

	2017
State Employee Healthcare	
Actuarially Determined Contribution	$ 69,000
Contributions in Relation to the Actuarially Determined Employer Contribution	74,000
Contribution Deficiency (Excess)	$ (5,000)
Covered-employee payroll	$ 574,663
Contributions as a percentage of covered-employee payroll	12.88 %
State Employee and Teacher Group Life Insurance Benefit Plan	
Actuarially Determined Contribution	$ 8,240
Contributions in Relation to the Actuarially Determined Employer Contribution	6,921
Contribution Deficiency (Excess)	$ 1,319
Covered-employee payroll	$ 1,277,009
Contributions as a percentage of covered-employee payroll	0.54 %

Notes to Schedule:

Significant actuarial assumptions for the June 30, 2017 State Employee Healthcare OPEB Plan included using a 6.93 percent discount rate for 2017/2018, and a 7.25 percent rate thereafter. The expected long-term rate of return is 7.25 percent since the trust is projected to have sufficient assets to pay all benefits under the State's current contribution policy. The individual entry age normal method is used to determine liabilities. General inflation of 3.00 percent was used along with an aggregate payroll increase of 3.25 percent. Merit payroll increases, mortality, termination, disability and retirement assumptions relied on the System's June 30, 2012 through June 30, 2015's experience study. The mortality improvement scale MP-2015 was modified to converge to an ultimate rate of .85 percent for ages 20 to 85 grading down to 0.00 percent for ages 111 to 120 with convergence to the ultimate rate in 2020.

The actuarial assumptions used in the June 30, 2017 State Employee and Teacher Group Life Insurance Benefit Plan valuation were based on results of an actuarial experience study for the period of June 30, 2012 to June 30, 2015. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period of July 1, 2005 to June 30, 2010. The individual entry age normal method is used to determine liabilities. Asset amounts used are taken as reported to the actuaries by the System without audit or change. 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. The investment rate of return, inflation rate and annual salary increases, including inflation were 6.875 percent, 2.75 percent and 2.75 percent to 8.75 percent for State employees and 2.75 percent to 14.50 percent for Teachers, respectively. For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. 100 percent of those currently enrolled were expected to participate and take a lump sum form of benefit. Conversion charges apply to the cost of the active group life insurance, not retiree group life insurance.

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 One Fiscal Year

	2017
Annual money-weighted rate of return, net of investment expense	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.

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 8,807 highway miles or 17,900 lane miles of roads and 2,972 bridges having a total deck area of 12.2 million square feet that the State is responsible to maintain.

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

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

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

HIGHWAYS

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

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

BRIDGES

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

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

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

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

Fiscal Year	Highways	Bridges
2017	$ 72.3	$ 74.0
2016	75.3	76.0
2015	$ 75.5	$ 78.0

Comparison of Estimated-to-Actual Preservation Costs

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

Actual Preservation Costs
(Expressed in millions)

	2017	2016	2015 (1)	2014	2012
Highways	$ 123.3	$ 110.7	$ 110.2	$ 163.0	$ 90.5
Bridges	18.8	4.9	5.5	71.0	14.7
Total	$ 142.1	$ 115.6	$ 115.7	$ 234.0	$ 105.2

Estimated Preservation Costs
(Expressed in millions)

	2017	2016	2015	2014	2012
Highways	$ 142.2	$ 113.4	$ 71.9	$ 24.7	$ 84.1
Bridges	23.7	8.8	3.9	3.1	13.7
Total	$ 165.9	$ 122.2	$ 75.8	$ 27.8	$ 97.8

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 305, PL 2015, $48 million in General Fund bonds were spent during FY2017. Of the amount authorized by Chapter 478, PL 2015, $30 million in General Fund bonds were spent during FY2017.

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

	2013	2014	2015	2016	2017
Revenues					
Taxes					
Sales, Use and Service Provider Tax	$ 1,164,216	$ 1,227,734	$ 1,317,281	$ 1,398,303	$ 1,479,969
Individual Income Tax	1,607,831	1,414,110	1,533,130	1,551,637	1,534,866
Corporate Income Tax	217,338	211,854	206,198	213,606	214,184
Cigarette and Tobacco Tax	137,952	136,160	136,913	141,464	144,243
Inheritance and Estate Tax	79,083	23,962	31,196	27,198	11,718
Gasoline, Use Fuel and Motor Carrier Tax	236,763	239,988	243,001	244,102	251,946
Insurance Tax	103,549	110,909	102,031	106,570	100,366
Public Utilities Tax	40,301	39,888	41,590	28,077	28,787
Other Industry or Occupation Taxes	247,246	256,199	259,048	220,445	260,432
Real Estate Transfer Tax	22,449	24,777	26,678	28,324	32,188
Unorganized Territories Property Tax	26,692	27,031	27,528	27,538	30,219
Other Taxes	13,949	14,015	15,112	15,188	15,398
Total Taxes	3,897,369	3,726,627	3,939,706	4,002,451	4,104,315
From Federal Government	2,616,027	2,763,077	2,492,007	2,580,692	2,667,820
From Cities, Towns and Counties	9,624	31,213	38,289	63,283	79,014
From Private Sources	230,134	235,794	227,512	230,411	233,200
Service Charge for Current Services	129,563	134,208	165,482	144,026	131,613
Fines, Forfeitures & Penalties	37,291	37,284	35,973	34,365	33,783
Vehicle Registration and Drivers Licenses	108,811	102,128	105,317	108,652	109,319
Hunting, Fishing and Related Licenses	18,464	18,380	18,998	19,092	18,885
Transferred from Bureau of Alcoholic Beverages	-	-	-	-	-
Transferred from Lottery Commission	52,909	51,845	54,002	56,973	58,220
Transferred from Other Funds	34,078	37,182	48,922	54,909	49,459
Transferred for Revenue Sharing	(140,241)	(139,369)	(149,550)	(67,356)	(65,229)
Transferred for Tax Relief	(111,674)	(65,358)	(59,499)	(64,475)	(63,688)
Income from Investments	674	961	1,464	2,661	5,479
Other Revenues	412	5,539	14,406	24,257	13,373
	2,986,072	3,212,885	2,993,323	3,187,490	3,271,248
Other Financial Resources					
Proceeds of General Obligation Bonds	-	8	4	5	1
Other	103,447	514,882	312,849	229,082	278,274
Total Revenues and Resources	6,986,888	7,454,402	7,245,882	7,419,028	7,653,839
Expenditures					
Governmental Support & Operations	448,340	431,538	435,511	407,652	435,569
Arts, Heritage & Cultural Enrichment	10,306	11,025	11,790	11,827	12,064
Business Licensing & Regulation	64,295	71,232	69,509	58,640	62,518
Economic Development & Workforce Training	241,055	170,785	172,271	176,843	177,547
Education	1,560,404	1,648,218	1,641,201	1,685,624	1,727,475
Health & Human Services	3,390,838	3,887,234	3,453,500	3,588,016	3,617,200
Justice & Protection	379,876	397,543	421,571	458,600	475,114
Natural Resources Development & Protection	207,717	194,333	202,445	235,369	222,079
Transportation Safety & Development	618,551	597,442	605,239	695,796	751,396
Total Expenditures	6,921,382	7,409,350	7,013,037	7,318,367	7,480,962
Excess Resources Over (Under) Expenditures	65,506	45,052	232,845	100,661	172,877
Fund Equity July 1 of preceding calendar year	473,253	538,760	583,812	816,657	917,318
Fund Equity June 30	$ 538,759	$ 583,812	$ 816,657	$ 917,318	$ 1,090,195

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

	2013	2014	2015	2016	2017
Revenues					
Taxes					
Sales, Use and Service Provider Tax	$ 1,036,888	$ 1,156,332	$ 1,243,586	$ 1,319,062	$ 1,398,156
Individual Income Tax	1,521,863	1,406,118	1,521,778	1,542,688	1,523,853
Corporate Income Tax	208,452	211,854	206,198	213,606	214,184
Cigarette and Tobacco Tax	137,952	136,160	136,913	141,464	144,243
Inheritance and Estate Tax	79,083	23,962	31,196	27,198	11,718
Insurance Tax	79,609	83,204	81,460	81,251	76,554
Public Utilities Tax	10,076	6,843	7,591	6,404	6,248
Other Industry or Occupation Taxes	60,661	50,055	46,408	10,768	50,848
Real Estate Transfer Tax	11,667	10,695	13,837	15,395	17,059
Unorganized Territories Property Tax	13,333	12,448	12,452	12,779	13,579
Other Taxes	5,514	5,186	5,426	5,531	5,234
Total Taxes	3,165,098	3,102,856	3,306,845	3,376,144	3,461,676
From Federal Government	414	416	428	352	236
From Cities, Towns and Counties	248	274	323	311	254
From Private Sources	10,175	11,688	5,551	1,712	1,619
Service Charge for Current Services	28,728	26,629	26,160	26,449	26,606
Fines, Forfeitures & Penalties	23,749	23,474	22,609	20,611	19,589
Vehicle Registration and Drivers Licenses	-	-	-	1	1
Hunting, Fishing and Related Licenses	16,079	15,988	16,491	16,433	16,269
Transferred from Bureau of Alcoholic Beverages	-	-	-	-	-
Transferred from Lottery Commission	52,909	51,845	54,002	56,973	58,220
Transferred from Other Funds	48,635	84,613	105,274	(2,334)	(4,297)
Transferred for Revenue Sharing	(140,241)	(139,369)	(149,550)	(67,356)	(65,229)
Transferred for Tax Relief	(111,674)	(65,358)	(59,533)	(64,744)	(63,962)
Income from Investments	148	301	603	1,484	3,592
Other Revenue	(6,196)	(10,866)	(2,511)	(8,779)	(12,061)
	(77,026)	(366)	19,847	(18,888)	(19,162)
Other Financial Resources					
Proceeds of General Obligation Bonds	-	-	-	-	-
Other	(61,588)	118,168	(68,871)	1,950	34,554
Total Revenues and Resources	3,026,484	3,220,658	3,257,821	3,359,206	3,477,069
Expenditures					
Governmental Support & Operations	266,830	253,172	258,872	258,258	289,019
Arts, Heritage & Cultural Enrichment	6,932	7,405	7,300	7,614	7,977
Business Licensing & Regulation	578	4,200	10	-	-
Economic Development & Workforce Training	31,728	31,656	32,646	39,865	42,242
Education	1,341,083	1,409,592	1,398,321	1,420,893	1,472,157
Health & Human Services	1,079,612	1,103,755	1,115,609	1,154,944	1,129,349
Justice & Protection	264,824	288,890	307,640	330,344	342,659
Natural Resources Development & Protection	63,852	66,450	68,765	74,296	75,152
Transportation Safety & Development	-	-	-	-	-
Total Expenditures	3,055,439	3,165,120	3,189,163	3,286,214	3,358,555
Excess Resources Over (Under) Expenditures	(28,955)	55,538	68,658	72,992	118,514
Fund Equity July 1 of preceding calendar year	219,616	190,661	246,199	314,857	387,849
Fund Equity June 30	$ 190,661	$ 246,199	$ 314,857	$ 387,849	$ 506,363

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

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

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

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

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

	2013	2014	2015	2016	2017
Revenues					
Taxes					
Gasoline, Use Fuel and Motor Carrier Tax	$ 214,800	$ 217,757	220,482	221,441	228,565
Other Industry or Occupation Taxes	935	895	907	1,216	971
Other Taxes	3,394	3,459	3,589	3,679	3,562
Total Taxes	219,129	222,111	224,978	226,337	233,098
From Federal Government	-	-	-	-	-
Service Charges for Current Services	4,455	4,205	4,391	4,463	4,309
Fines, Forfeitures & Penalties	1,030	976	855	791	720
Vehicle Registration and Drivers Licenses	89,550	84,616	87,553	90,510	90,960
Transferred from Other Funds	4,402	4,880	5,380	4,927	4,692
Income from Investments	105	80	159	255	348
Other Revenue	1,509	272	165	(1,328)	177
	101,051	95,029	98,503	99,620	101,207
Other Financial Resources					
Proceeds of General Obligation Bonds	-	-	-	-	-
Other	5,215	18,510	13,581	16,760	(5,227)
Total Revenues and Resources	325,395	335,650	337,062	342,716	329,078
Expenditures					
Governmental Support & Operations (2)	2,614	34,760	35,395	2,205	2,283
Economic Development & Workforce Training	-	-	-	-	-
Justice & Protection	28,584	24,103	24,311	26,410	27,885
Natural Resources Development & Protection	33	33	33	27	39
Transportation Safety & Development (1)(2)	296,491	287,295	262,357	304,840	313,741
Total Expenditures	327,722	346,191	322,096	333,482	343,948
Excess Resources Over (Under) Expenditures	(2,327)	(10,541)	14,966	9,234	(14,870)
Fund Equity July 1 of preceding calendar year	61,101	58,774	48,233	63,199	72,433
Fund Equity June 30	$ 58,774	$ 48,233	$ 63,199	$ 72,433	$ 57,563

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

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

	2013	2014	2015	2016	2017
Revenues					
Taxes					
Sales, Use and Service Provider Tax	$ 127,328	$ 71,402	$ 73,695	$ 79,241	$ 81,813
Individual Income Tax	85,968	7,992	11,352	8,949	11,013
Corporate Income Tax	8,885	-	-	-	-
Gasoline, Use Fuel and Motor Carrier Tax	21,963	22,231	22,519	22,660	23,381
Insurance Tax	23,939	27,705	20,571	25,319	23,812
Public Utilities Tax	30,225	33,046	33,999	21,674	22,539
Other Industry or Occupation Taxes	185,650	205,249	211,733	208,461	208,614
Real Estate Transfer Tax	10,782	14,081	12,841	12,930	15,128
Unorganized Territories Property Tax	13,359	14,583	15,075	14,759	16,640
Other Taxes	5,042	5,370	6,097	5,978	6,601
Total Taxes	513,141	401,659	407,882	399,970	409,541
From Federal Government	2,615,613	2,762,661	2,491,579	2,580,340	2,667,585
From Cities, Towns and Counties	9,376	30,937	37,967	62,971	78,760
From Private Sources	219,960	224,086	221,951	228,699	231,570
Service Charge for Current Services	96,380	103,374	134,932	113,113	100,698
Fines, Forfeitures & Penalties	12,512	12,834	12,510	12,963	13,474
Vehicle Registration and Drivers Licenses	19,261	17,512	17,764	18,141	18,358
Hunting, Fishing and Related Licenses	2,386	2,392	2,508	2,659	2,617
Transferred from Other Funds	(18,959)	(52,310)	(61,698)	52,586	49,063
Income from Investments	341	333	389	528	840
Other Revenues	5,036	16,137	20,059	34,351	25,391
	2,961,906	3,117,956	2,877,959	3,106,351	3,188,356
Other Financial Resources					
Proceeds of General Obligation Bonds	-	-	-	-	-
Other	159,820	251,084	253,948	99,592	132,972
Total Revenues and Resources	3,634,867	3,770,698	3,539,789	3,605,913	3,730,869
Expenditures					
Governmental Support & Operations	178,877	143,606	141,244	147,175	144,267
Arts, Heritage & Cultural Enrichment	3,275	3,564	4,471	4,213	4,023
Business Licensing & Regulation	63,717	67,032	69,499	58,640	62,518
Economic Development & Workforce Training	208,407	135,487	122,213	126,803	125,480
Education	215,969	231,970	228,828	240,428	249,766
Health & Human Services	2,311,226	2,775,794	2,336,159	2,433,072	2,487,851
Justice & Protection	86,168	84,479	88,864	99,176	101,691
Natural Resources Development & Protection	137,662	120,672	132,433	157,010	143,191
Transportation Safety & Development	317,090	272,190	262,946	330,924	345,918
Total Expenditures	3,522,391	3,834,794	3,386,657	3,597,441	3,664,705
Excess Resources Over (Under) Expenditures	112,476	(64,096)	153,132	8,472	66,164
Fund Equity July 1 of preceding calendar year	158,040	270,516	206,420	359,552	368,024
Fund Equity June 30	$ 270,516	$ 206,420	$ 359,552	$ 368,024	$ 434,188

GOVERNMENTAL FUNDS
COMBINED BALANCE SHEETS

JUNE 30, 2017

(thousands $000's)

	Total (Memorandum) (only)	General Fund	Highway Fund	Other Special Revenues	Capital Projects	Debt Service
ASSETS						
Equity in Treasurer's Cash Pool	$ 825,344	$ 269,175	$ 35,966	$ 428,122	$ 87,662	$ 4,419
Cash - Other	264	106	117	41	-	-
Accounts, Notes and Grants Receivable						
Net of Reserves for Uncollectible Accounts	270,431	233,844	21,282	15,305	-	-
Due from Other Funds	13,238	11,063	33	2,142	-	-
Working Capital Advances to Other Funds	111	111	-	-	-	-
Prepaid Expenses and Other Assets	(865)	(956)	1	90	-	-
TOTAL ASSETS	1,108,523	513,343	57,399	445,700	87,662	4,419
LIABILITIES AND EQUITY						
LIABILITIES:						
Accounts Payable	937	424	(164)	677	-	-
Other Liabilities	17,391	6,556	-	10,835	-	-
TOTAL LIABILITIES	18,328	6,980	(164)	11,512	-	-
EQUITY:						
Reserved for Encumbrances	233,728	47,242	1,311	180,417	4,758	-
Reserved for Authorized Expenditures	324,872	-	-	236,701	88,171	-
Reserved for Utility Loans	-	-	-	-	-	-
Working Capital Advances to Other Funds	-	-	-	-	-	-
Designated for Other Purposes	-	-	-	-	-	-
Budget Stabilization Fund	196,290	196,290	-	-	-	-
Unappropriated Surplus	335,305	262,831	56,252	17,070	(5,267)	4,419
TOTAL EQUITY	1,090,195	506,363	57,563	434,188	87,662	4,419
TOTAL LIABILITIES AND EQUITY	$ 1,108,523	$ 513,343	$ 57,399	$ 445,700	$ 87,662	$ 4,419

GENERAL FUND UNAPPROPRIATED SURPLUS

For the Years Ended June 30

	General Fund Unappropriated Surplus (Million)	General Fund Revenues (Million)	Surplus as Percentage of Revenues
2017	$262.8	$3,477.1	7.56%
2016	70.8	3,359.2	2.11%
2015	31.2	3,257.8	0.96%
2014	12.5	3,220.7	0.39%
2013	7.7	3,026.5	0.25%
2012	54.0	3,120.6	1.73%
2011	19.2	2,919.4	0.66%
2010	(13.0)	2,855.7	-0.46%
2009	12.9	2,819.0	0.46%
2008	26.5	3,109.4	0.85%
2007	17.6	3,022.6	0.58%
2006	14.5	2,931.8	0.50%
2005	33.7	2,790.8	1.21%
2004	14.9	2,683.5	0.55%
2003	28.9	2,394.7	1.21%
2002	0.0	2,331.7	0%
2001	38.8	2,390.6	1.62%
2000	300.9	2,500.9	12.03%
1999	229.2	2,336.1	9.81%
1998	98.3	2,111.9	4.65%
1997	21.1	1,863.1	1.13%
1996	25.8	1,766.4	1.46%
1995	4.4	1,671.7	0.26%
1994	3.8	1,623.8	0.23%

STATE OF MAINE
GENERAL OBLIGATION BONDS

APPENDIX C

Certain Revenues of the State (Unaudited)

Page

STATE OF MAINE
UNDEDICATED REVENUES
GENERAL FUND
FISCAL YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2015

	2014				2015			
	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)
Sales and Use Tax	$ 1,106,158,236	$ 1,107,378,483	$ (1,220,247)	(0.1%)	$ 1,195,031,298	$ 1,193,994,893	$ 1,036,405	0.1%
Service Provider Tax	50,173,388	49,317,427	855,961	1.7%	48,554,451	50,303,776	(1,749,325)	(3.5%)
Individual Income Tax	1,406,117,705	1,380,685,000	25,432,705	1.8%	1,521,778,409	1,500,252,088	21,526,321	1.4%
Corporate Income Tax	182,928,181	169,706,958	13,221,223	7.8%	168,965,820	167,655,640	1,310,180	0.8%
Cigarette and Tobacco Tax	136,159,833	135,900,000	259,833	0.2%	136,913,357	134,890,000	2,023,357	1.5%
Insurance Companies Tax	83,203,879	80,715,000	2,488,879	3.1%	81,459,794	82,250,000	(790,206)	(1.0%)
Inheritance & Estate Tax	23,961,911	27,553,982	(3,592,071)	(13.0%)	31,196,286	35,377,288	(4,181,002)	(11.8%)
Fines, Forfeits and Penalties	23,473,506	23,468,666	4,840	0.0%	22,608,527	22,665,758	(57,231)	(0.3%)
Income from Investments	301,144	132,523	168,621	127.2%	602,838	519,546	83,292	16.0%
Transfer for Tax Relief Programs	(65,357,986)	(62,258,370)	(3,099,616)	5.0%	54,002,444	53,800,000	202,444	0.4%
Transfer to Municipal Revenue Sharing	(66,063,110)	(64,839,710)	(1,223,400)	1.9%	(59,532,694)	(59,183,362)	(349,332)	0.6%
Transfer from Lottery Commission	51,845,477	53,500,000	(1,654,523)	(3.1%)	(63,600,996)	(63,806,311)	205,315	(0.3%)
Other Taxes and Fees	130,140,462	128,659,912	1,480,550	1.2%	139,437,659	134,347,436	5,090,223	3.8%
Other Revenues	50,454,306	44,447,248	6,007,058	13.5%	51,909,354	45,846,694	6,062,660	13.2%
Total Undedicated Revenue	**$3,113,496,932**	**$3,074,367,119**	**$39,129,813**	**1.3%**	**3,329,326,548**	**$3,298,913,446**	**$30,413,102**	**0.9%**

STATE OF MAINE
UNDEDICATED REVENUES
GENERAL FUND
FISCAL YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2017

	2016				2017			
	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)
Sales and Use Tax	$ 1,274,144,956.7	$ 1,260,137,966.0	$ 14,006,991	1.1%	$ 113,443,533	$ 114,215,288	$ (771,755)	(0.7%)
Service Provider Tax	44,916,959	55,073,214	(10,156,255)	(18.4%)	6,545,949	4,879,955	1,665,994	34.1%
Individual Income Tax	1,542,687,615	1,546,329,595	(3,641,980)	(0.2%)	171,834,062	152,785,503	19,048,559	12.5%
Corporate Income Tax	137,492,442	138,354,603	(862,161)	(0.6%)	36,820,794	31,062,145	5,758,649	18.5%
Cigarette and Tobacco Tax	141,464,095	136,641,000	4,823,095	3.5%	17,846,472	11,512,207	6,334,265	55.0%
Insurance Companies Tax	81,250,784	82,700,000	(1,449,216)	(1.8%)	28,092,587	26,417,610	1,674,977	6.3%
Inheritance & Estate Tax	27,198,153	26,598,740	599,413	2.3%	(220,631)	943,061	(1,163,692)	(123.4%)
Fines, Forfeits and Penalties	20,610,571	22,411,725	(1,801,154)	(8.0%)	1,656,651	2,522,132	(865,481)	(34.3%)
Income from Investments	1,483,723	1,076,328	407,395	37.9%	853,339	470,609	382,730	81.3%
Transfer for Tax Relief Programs	56,972,851	54,900,000	2,072,851	3.8%	6,835,082	4,223,069	2,612,013	61.9%
Transfer to Municipal Revenue Sharing	(64,744,050)	(64,771,938)	27,888	(0.0%)	(88,900)	(68,340)	(20,560)	30.1%
Transfer from Lottery Commission	(67,355,586)	(67,259,423)	(96,163)	0.1%	(8,319,031)	(8,276,721)	(42,310)	0.5%
Other Taxes and Fees	143,422,794	140,329,152	3,093,642	2.2%	16,805,927	13,636,956	3,168,971	23.2%
Other Revenues	26,645,824	23,840,435	2,805,389	11.8%	18,839,092	18,727,739	111,353	0.6%
Total Undedicated Revenue	**$ 3,366,191,131**	**$ 3,356,361,397**	**$ 9,829,734**	**0.3%**	**$ 410,944,928**	**$ 373,051,213**	**$ 37,893,715**	**10.2%**

STATE OF MAINE
UNDEDICATED REVENUES
GENERAL FUND
FISCAL YEAR ENDING JUNE 30, 2018

Preliminary and Tentative

	Month				Year to Date				Total Budgeted
	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)	Fiscal Year Ending 6/30/2018
Sales and Use Tax	$ 132,015,055	$ 124,733,027	$ 7,282,028	5.8%	$1,423,551,101	$1,409,548,328	$ 14,002,773	1.0%	$ 1,409,548,328
Service Provider Tax	5,028,595	4,912,153	116,442.00	2.4%	59,601,858	62,224,469	(2,622,611.00)	(4.2%)	62,224,469.00
Individual Income Tax	153,408,188	165,254,704	(11,846,516.00)	(7.2%)	1,595,191,847	1,554,804,704	40,387,143.00	2.6%	1,554,804,704.00
Corporate Income Tax	35,340,256	36,839,242	(1,498,986.00)	(4.1%)	185,737,065	171,924,242	13,812,823.00	8.0%	171,924,242.00
Cigarette and Tobacco Tax	15,349,106	12,539,484	2,809,622.00	22.4%	132,949,700	129,032,000	3,917,700.00	3.0%	129,032,000.00
Insurance Companies Tax	27,143,005	26,998,916	144,089.00	0.5%	73,469,449	74,150,000	(680,551.00)	(0.9%)	74,150,000.00
Inheritance & Estate Tax	308,206	1,030,710	(722,504.00)	(70.1%)	13,801,409	12,416,710	1,384,699.00	11.2%	12,416,710.00
Fines, Forfeits & Penalties	1,585,232	1,448,490	136,742.00	9.4%	18,402,955	18,354,011	48,944.00	0.3%	18,354,011.00
Income from Investments	1,688,904	829,133	859,771.00	103.7%	6,601,717	5,428,946	1,172,771.00	21.6%	5,428,946.00
Transfer from Lottery Commission	4,921,610	4,673,070	248,540.00	5.3%	62,307,123	59,000,000	3,307,123.00	5.6%	59,000,000.00
Transfers for Tax Relief Programs	(57,216)	(264,684)	207,468.00	(78.4%)	(65,413,185)	(63,768,101)	(1,645,084.00)	2.6%	(63,768,101.00)
Transfer to Municipal Revenue Sharing	(8,569,063)	(10,130,311)	1,561,248.00	(15.4%)	(69,338,529)	(69,244,574)	(93,955.00)	0.1%	(69,244,574.00)
Other Taxes and Fees	16,733,897	13,167,063	3,566,834.00	27.1%	145,821,475	139,808,638	6,012,837.00	4.3%	139,808,638.00
Other Revenues	10,108,923	8,623,311	1,485,612.00	17.2%	4,991,864	1,941,056	3,050,808.00	157.2%	1,941,056.00
Total Undedicated Revenue	**$ 395,004,698**	**$ 390,654,308**	**$ 4,350,390**	**1.1%**	**$ 3,587,675,849**	**$ 3,505,620,429**	**$ 82,055,420**	**2.3%**	**$ 3,505,620,429**

NOTE: This report has been prepared from preliminary end figures and is subject to change.

STATE OF MAINE
HIGHWAY FUND
REVENUES
FISCAL YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2015

	2014				2015			
	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)
Fuel Taxes	$217,494,739	$211,814,977	$ 5,679,762	2.7%	$ 220,217,205	$ 217,413,634	$ 2,803,571	1.3%
Motor Vehicle Registration & Fees	84,815,991	84,095,120	720,871	0.9%	87,704,502	84,167,472	3,537,030	4.2%
Inspection Fees	3,109,258	2,982,500	126,758	4.3%	3,294,996	2,982,500	312,496	10.5%
Miscellaneous Taxes and Fees	1,307,949	1,298,729	9,220	0.7%	1,314,515	1,270,229	44,286	3.5%
Fines, Forfeits & Penalties	976,084	1,007,998	(31,914)	(3.2%)	854,813	905,910	(51,097)	(5.6%)
Earnings on Investments	80,299	52,553	27,746	52.8%	159,116	154,546	4,570	3.0%
All Other Revenues	9,292,645	9,015,334	277,311	3.1%	9,949,439	9,726,971	222,468	2.3%
Total	**$ 317,076,965**	**$ 310,267,211**	**$ 6,809,754**	**2.2%**	**$ 323,494,586**	**$ 316,621,262**	**$ 6,873,324**	**2.2%**

Source: Revenue Highway General Accounting

STATE OF MAINE
HIGHWAY FUND
REVENUES
FISCAL YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2017

	2016				2017			
	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)
Fuel Taxes	$ 221,173,367	$ 220,811,525	$ 361,842	0.2%	$ 21,907,330	$ 18,758,917	$ 3,148,413	16.8%
Motor Vehicle Registration & Fees	90,497,732	86,695,042	3,802,690	4.4%	6,492,149	5,613,072	879,077	15.7%
Inspection Fees	3,515,288	2,982,500	532,788	17.9%	337,481	75,209	262,272	348.7%
Miscellaneous Taxes & Fees	1,660,604	1,293,729	366,875	28.4%	145,158	134,263	10,895	8.1%
Fines, Forfeits & Penalties	791,496	739,039	52,457	7.1%	57,925	37,524	20,401	54.4%
Earnings on Investments	255,421	244,945	10,476	4.3%	58,748	18,398	40,350	219.3%
All Other Revenues	9,553,791	9,971,600	(417,809)	(4.2%)	657,172	700,236	(43,064)	(6.1%)
Total	**$ 327,447,700**	**$ 322,738,380**	**$ 4,709,320**	**1.5%**	**$ 29,655,963**	**$ 25,337,619**	**$ 4,318,344**	**17.0%**

Source: Revenue Highway General Accounting

STATE OF MAINE
HIGHWAY FUND
REVENUES
FISCAL YEAR ENDING JUNE 30, 2018

Preliminary and Tentative

	Month				Year to Date				Total Budgeted
	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)	Fiscal Year Ending 6/30/2018
Fuel Taxes	$ 19,984,412	$ 19,077,485	$ 906,927	4.8%	$ 225,996,401	$ 224,172,333	$ 1,824,068	0.8%	$ 224,172,333
Motor Vehicle Registration & Fees	6,336,962	6,283,551	53,411	0.9%	92,774,864	88,451,559	4,323,305	4.9%	88,451,559
Motor Vehicle Inspection Fees	437,653	202,550	235,103	116.1%	3,373,101	3,202,500	170,601	5.3%	3,202,500
Miscellaneous Taxes & Fees	188,719	127,171	61,548	48.4%	1,490,993	1,293,729	197,264	15.2%	1,293,729
Fines, Forfeits & Penalties	51,739	78,359	(26,620)	(34.0%)	724,478	739,039	(14,561)	(2.0%)	739,039
Earnings on Investments	74,616	(53,043)	127,659	240.7%	326,847	218,841	108,006	49.4%	218,841
All Other	757,646	573,890	183,756	32.0%	10,943,111	10,602,160	340,951	3.2%	10,602,160
Total	**$ 27,831,747**	**$ 26,289,963**	**$ 1,541,784**	**5.9%**	**$ 335,629,795**	**$ 328,680,161**	**$ 6,949,634**	**2.1%**	**$ 328,680,161**

NOTE: This report has been prepared from preliminary end figures and is subject to change.

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STATE OF MAINE
GENERAL OBLIGATION BONDS

APPENDIX D

Selected Information Regarding Authorized
And Outstanding Debt of the State

Page

AUTHORIZED EXPENDITURES

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

	Agency	Law	Description	Amount Auth/Uniss
1	DEP	2013 PL Ch 589	Wastewater treatment facilities	$ 2,208,697
2	DEP	2017 PL Ch 299	Competitive grant program to upgrade municipal culverts at stream crossings	5,000,000
3	DHHS	2013 PL Ch 589	Drinking water systems	500,000
4	DOT	2015 PL Ch 478	Highway & Bridge	10,000,000
5	DOT	2015 PL Ch 478	Ports, harbors, marine transport, aviation, freight, and passenger rail, transit, pedestrian and bicycle trails.	5,000,000
6	DOT	2017 PL Ch 299	Highway & Bridge	80,000,000
7	DOT	2017 PL Ch 299	Ports, harbors, marine transport, aviation, freight, and passenger rail, transit, pedestrian and bicycle trails.	20,000,000
8	MTI/DECD	2015 PL Ch 479	Stimulate investment through commercialization and R&D for infrastructure, equipment and technology upgrades	45,000,000
9	FAME	2015 PL Ch 479	Stimulate investment and innovation by lending to or investing in small businesses	5,000,000
10	MSHA	2015 PL Ch 337	Senior housing and weatherization	15,000,000
11	UMS	2013 PL Ch 572	Animal/plant disease & insect control facility at UME Co-op Ext	2,500,000
			TOTAL (As of 06/30/2018)	$ 190,208,697

GENERAL FUND BONDS
DEBT SERVICE REQUIREMENTS TO MATURITY
June 30, 2018
Unaudited

FISCAL YEAR		PRINCIPAL		INTEREST		TOTAL
2019	$	61,215,000.00	$	16,099,573.06	$	77,314,573.06
2020		52,780,000.00		13,685,675.56		66,465,675.56
2021		52,485,000.00		11,579,800.00		64,064,800.00
2022		45,860,000.00		8,955,550.00		54,815,550.00
2023		41,125,000.00		6,662,550.00		47,787,550.00
2024		41,120,000.00		4,606,300.00		45,726,300.00
2025		29,830,000.00		2,755,400.00		32,585,400.00
2026		19,575,000.00		1,469,000.00		21,044,000.00
2027		9,805,000.00		490,250.00		10,295,250.00
	$	**353,795,000.00**	**$**	**66,304,098.62**	**$**	**420,099,098.62**

HIGHWAY FUND BONDS
DEBT SERVICE REQUIREMENTS TO MATURITY
June 30, 2018
Unaudited

FISCAL YEAR		PRINCIPAL		INTEREST		TOTAL
2019	$	12,500,000.00	$	905,540.30	$	13,405,540.30
2020		7,610,000.00		389,668.00		7,999,668.00
2021		2,210,000.00		110,500.00		2,320,500.00
	$	**22,320,000.00**	**$**	**1,405,708.30**	**$**	**23,725,708.30**
GF + HF	**$**	**376,115,000.00**	**$**	**67,709,806.92**	**$**	**443,824,806.92**

INFORMATION REGARDING LEASE FINANCING AGREEMENTS

As of June 30, 2018

Unaudited

Issuance	Agency	Date of Agreement	Original Principal Amount	Principal Amount Outstanding 6/30/2018
CFM 15	Administrative & Financial Services	March, 2015	4,800,000	653,998
CFM 16	Administrative & Financial Services	April, 2016	5,400,000	2,052,380
CFM 17	Administrative & Financial Services	February, 2017	5,500,000	4,156,639
CFM 18	Administrative & Financial Services	February, 2018	5,500,000	4,795,131
DAFS 16	Administrative & Financial Services	May, 2016	7,500,000	4,539,873
Laptop 15-1	Department of Education	February, 2015	146,642	3,120
Laptop 15-2	Department of Education	March, 2015	91,840	1,346
Laptop 15-3	Department of Education	April, 2015	22,850	483
Laptop 16-1	Department of Education	July, 2015	3,608,000	902,000
Laptop 16-2	Department of Education	September. 2015	29,668	7,979
Laptop 16-3	Department of Education	August, 2015	1,691,576	422,894
Laptop 17-1	Department of Education	August, 2017	44,602,533	22,986,756
Laptop 17-2	Department of Education	September, 2017	311,640	158,920
Laptop 17-3	Department of Education	June, 2017	63,549	32,329
OIT 13	Administrative & Financial Services	January, 2013	15,000,000	2,211,923
OIT 14	Administrative & Financial Services	December, 2013	11,500,000	4,214,326
OIT 15	Administrative & Financial Services	April, 2015	2,700,000	1,457,309
OIT 18	Administrative & Financial Services	February, 2018	21,000,000	20,844,050
Postal 16	Administrative & Financial Services	November, 2015	412,705	183,936
PS 16 GF & HF	Public Safety	March, 2016	2,100,000	381,778
PS 17 GF & HF	Public Safety	April, 2017	2,100,000	1,135,785
PS 18 GF & HF	Public Safety	February, 2018	1,700,000	1,202,774
Totals			**$ 135,781,003**	**$ 72,345,726**

Debt Ratios

The following table sets forth the certain ratios relating to the State's general obligation debt as of June 30, 2017.

	Amount of Debt (P&I)	Per Capita [1]	Debt to Estimated Full Valuation [2]	Debt to Personal Income [3]
General Fund	$ 504,072,669	$ 377.33	0.30%	0.84%
Highways & Bridges	43,701,918	32.71	0.03%	0.07%
Total	**$ 547,774,587**	**$ 410.04**	**0.32%**	**0.91%**

(1) Based on population estimate of 1,335,907 for 2017 by the U.S. Department of Commerce, Bureau of the Census.

(2) Based on assessed property valuation at full value by the Maine Revenue Services as of January 2018 of $169,799,900,000.

(3) Based on State of Maine total personal income reported by the U.S. Department of Commerce for 2017 of $60,211,912,000.

Debt Ratio Statistics

June 30, 2017

Debt to Full Value

2015	0.30%
2016	0.32%
2017	0.32%

Debt to Personal Income

2015	0.88%
2016	0.89%
2017	0.91%

Per Capita Debt

2015	$372.10
2016	$392.24
2017	$410.04

DEBT SERVICE PAID OVER THE PAST FISCAL YEARS ENDING JUNE 30

FY	GF Principal	GF Interest	HF Principal	HF Interest	Total Principal	Total Interest
2002	$ 64,225,000	$ 15,444,189	$ 23,300,000	$ 5,299,529	$ 87,525,000	$ 20,743,718
2003	63,880,000	12,941,300	21,215,000	4,003,828	85,095,000	16,945,128
2004	56,240,000	12,567,264	16,015,000	3,022,015	72,255,000	15,589,279
2005	53,440,000	12,525,813	13,280,000	2,477,535	66,720,000	15,003,348
2006	57,915,000	15,253,937	13,950,000	2,007,306	71,865,000	17,261,243
2007	69,280,000	17,364,513	10,415,000	1,387,084	79,695,000	18,751,597
2008	66,230,000	16,057,428	10,750,000	2,050,995	76,980,000	18,108,423
2009	65,685,000	15,179,120	13,505,000	3,848,227	79,190,000	19,027,347
2010	74,905,000	15,451,420	11,820,000	4,803,042	86,725,000	20,254,462
2011	72,905,000	13,609,228	15,100,000	5,312,205	88,005,000	18,921,433
2012	81,055,000	14,015,648	16,385,000	5,698,368	97,440,000	19,714,016
2013	85,595,000	12,924,559	16,735,000	5,151,841	102,330,000	18,076,400
2014	67,445,000	10,159,578	16,035,000	4,544,279	83,480,000	14,703,857
2015	65,670,000	11,674,238	15,275,000	3,914,654	80,945,000	15,588,891
2016	60,595,000	13,970,158	15,300,000	3,265,079	75,895,000	17,235,237
2017	59,415,000	15,620,081	21,015,000	2,600,579	80,430,000	18,220,659

BONDS OUTSTANDING AT JUNE 30 COMPARED TO TOTAL GOVERNMENTAL FUNDS REVENUE

Year Ended	General Fund	Highway Fund	Self-Liquidating	Total	Total Governmental Funds Revenue	Percent of State Revenues
1991	$ 277,710,000	$ 102,870,000	$ 14,840,000	$ 395,420,000	$ 2,533,777,000	15.6%
1992	308,890,000	107,395,000	13,395,000	429,680,000	2,995,325,000	14.3%
1993	405,823,000	136,320,000	2,562,000	544,705,000	3,178,491,000	17.1%
1994	383,618,000	143,355,000	2,312,000	529,285,000	3,311,809,213	16.0%
1995	377,055,000	136,950,000	2,055,000	516,060,000	3,381,332,000	15.3%
1996	369,457,945	144,440,000	1,792,055	515,690,000	3,598,717,000	14.3%
1997	339,620,600	129,060,000	1,529,400	470,210,000	3,756,557,734	12.5%
1998	337,575,000	139,180,000	1,290,000	478,045,000	4,168,141,000	11.5%
1999	334,725,000	133,700,000	1,115,000	469,540,000	4,257,340,458	11.0%
2000	341,205,000	111,230,000	940,000	453,375,000	4,604,954,195	9.8%
2001	297,405,000	108,635,000	765,000	406,805,000	4,608,742,000	8.8%
2002	260,790,000	85,335,000	600,000	346,725,000	4,808,788,859	7.2%
2003	293,990,000	64,120,000	445,000	358,555,000	5,114,542,674	7.0%
2004	355,025,000	61,105,000	290,000	416,420,000	5,902,866,220	7.1%
2005	439,110,000	47,825,000	160,000	487,095,000	6,114,225,943	8.0%
2006	433,585,000	33,875,000	90,000	467,550,000	6,336,819,316	7.4%
2007	398,280,000	50,460,000	20,000	448,760,000	6,230,265,000	7.2%
2008	378,575,000	97,260,000	-	475,835,000	6,406,301,524	7.4%
2009	408,925,000	121,065,000	-	529,990,000	6,827,986,832	7.8%
2010	365,775,000	134,325,000	-	500,100,000	7,083,733,435	7.1%
2011	378,880,000	141,350,000	-	520,230,000	7,190,530,232	7.2%
2012	347,090,000	124,965,000	-	472,055,000	6,947,865,367	6.8%
2013	261,495,000	108,230,000	-	369,725,000	6,959,425,993	5.3%
2014	306,995,000	92,195,000	-	399,190,000	7,315,154,917	5.5%
2015	343,880,000	76,920,000	-	420,800,000	7,103,637,361	5.9%
2016	380,990,000	61,620,000	-	442,610,000	7,287,605,663	6.1%
2017	419,635,000	40,605,000	-	460,240,000	7,497,107,875	6.1%

APPENDIX E

The information contained in this Appendix E is derived from information contained in the actuarial valuation reports for the year ended June 30, 2017 for the State Employee and Teacher Retirement Program, the Legislative Retirement Program, the Judicial Retirement Program, and the Group Life Insurance Program. These actuarial valuation reports are available at www.mainepers.org/bonds.htm.

Maine Public Employees Retirement System
State Employees and Public School Teachers
Actuarial Balance Sheet, June 30, 2017

ASSETS **(Present Value of expected income)**	**State Employees**	**MTRA Teachers**	**All Employees**
(1) Invested Assets			
(a) Members Contribution Fund	$ 807,979,854	$1,551,838,811	$ 2,359,818,665
(b) Retirement Allowance Fund	2,669,302,333	5,483,403,180	8,152,705,513
(c) Total Invested Assets (a + b)*	$3,477,282,187	$7,035,241,991	$10,512,524,178
(2) Future Contributions			
(a) Member Contributions	$ 329,387,480	$ 709,174,797	$ 1,038,562,277
(b) Actuarial Costs	1,321,871,823	1,716,293,533	3,038,165,356
(c) Total Contribution Income (a + b)	$1,651,259,303	$2,425,468,330	$ 4,076,727,633
(3) Present Value of Total Income (1 + 2)	$ 5,128,541,490	$ 9,460,710,321	$14,589,251,811
LIABILITIES **(Present Value of expected benefit payments)**			
(1) Active Employees			
(a) Current Accrued Benefits	$1,197,909,008	$2,368,390,969	$3,566,299,977
(b) Future Benefit Accruals	814,466,779	1,809,363,473	2,623,830,252
(c) Total Active Benefits (a + b)	$2,012,375,787	$4,177,754,442	$6,190,130,229
(2) Inactive Employees			
(a) Total Inactive Benefits	$3,116,165,703	$5,282,955,879	$8,399,121,582
(3) Present Value of Total Benefits (1 + 2)	$5,128,514,490	$9,460,710,321	$14,589,251,811

*Actuarial Value

Maine Public Employees Retirement System

Judicial Plan

Actuarial Balance Sheet, June 30, 2017

Assets
(Present Value of expected income)

(1) Invested Assets

(a) Members Contribution Fund	$ 10,592,002
(b) Retirement Allowance Fund	53,673,780
(c) Total Invested Assets (a+b)*	$64,265,782

(2) Future Contributions

(a) Member Contributions	$ 2,311,065
(b) Actuarial Costs	2,902,395
(c) Total Contribution Income (a+b)	$ 5,213,460

(3) Present Value of Total Income (1+2)	$69,479,242

Liabilities
(Present Value of Expected Benefit Payments)

(1) Active Employees

(a) Current Accrued Benefits	$26,183,959
(b) Future Benefit Accruals	9,876,995
(c) Total Active Benefits (a+b)	$36,060,954

(2) Inactive Employees

(a) Total Inactive Benefits	$33,418,288

(3) Present Value of Total Benefits (1+2)	$69,479,242

*Actuarial Value

Maine Public Employees Retirement System

Legislative Plan

Actuarial Balance Sheet, June 30, 2017

Assets
(Present Value of expected income)

(1) Invested Assets

(a) Members Contribution Fund	$ 2,505,647
(b) Retirement Allowance Fund	8,900,122
(c) Total Invested Assets (a+b)*	$11,405,769

(2) Future Contributions

(a) Member Contributions	$ 649,964
(b) Actuarial Costs	(3,548,772)
(c) Total Contribution Income (a+b)	($2,898,808)

(3) Present Value of Total Income (1+2)	$8,506,961

Liabilities
(Present Value of Expected Benefit Payments)

(1) Active Employees

(a) Current Accrued Benefits	$ 1,734,039
(b) Future Benefit Accruals	977,005
(c) Total Active Benefits (a+b)	$ 2,711,044

(2) Inactive Employees

(a) Total Inactive Benefits	$ 5,795,917

(3) Present Value of Total Benefits (1+2)	$8,506,961

*Actuarial Value

Maine Public Employees Retirement System
State Employees and Public School Teachers
Actuarial Balance Sheet for Group Life Insurance, June 30, 2017

ASSETS **(Present Value of expected income)**	**State Employees**	**MTRA Teachers**	**All Employees**
(1) Invested Assets			
(a) Members Contribution Fund	$ 0	$ 0	$ 0
(b) Retirement Allowance Fund	31,490,551	49,780,350	81,270,901
(c) Total Invested Assets (a + b)*	$ 31,490,551	$ 49,780,350	$ 81,270,901
(2) Future Contributions			
(a) Member Contributions	$ 0	$ 0	$ 0
(b) Actuarial Costs	62,366,558	44,267,943	106,634,501
(c) Total Contribution Income (a + b)	$ 62,366,558	$ 44,267,943	$106,634,501
(3) Present Value of Total Income (1 + 2)	$ 93,857,109	$ 94,048,293	$187,905,402
LIABILITIES **(Present Value of expected benefit payments)**			
(1) Active Employees			
(a) Current Accrued Benefits	$ 18,967,783	$ 20,521,658	$ 39,489,441
(b) Future Benefit Accruals	12,809,490	15,613,987	28,423,477
(c) Total Active Benefits (a + b)	$ 31,777,273	$ 36,135,645	$ 67,912,918
(2) Inactive Employees			
(a) Total Inactive Benefits	$ 62,079,837	$ 57,912,647	$119,992,484
(3) Present Value of Total Benefits (1 + 2)	$ 93,857,110	$ 94,048,292	$187,905,402

*Actuarial Value

Maine Public Employees Retirement System

Judicial Plan

Actuarial Balance Sheet for Group Life Insurance, June 30, 2017

Assets
(Present Value of expected income)

(1) Invested Assets		
(a) Members Contribution Fund	$	0
(b) Retirement Allowance Fund		536,510
(c) Total Invested Assets (a+b)*	$	536,510
(2) Future Contributions		
(a) Member Contributions	$	0
(b) Actuarial Costs		1,102,778
(c) Total Contribution Income (a+b)	$	1,102,778
(3) Present Value of Total Income (1+2)	$	1,639,288

Liabilities
(Present Value of Expected Benefit Payments)

(1) Active Employees		
(a) Current Accrued Benefits	$	645,493
(b) Future Benefit Accruals		166,387
(c) Total Active Benefits (a+b)	$	811,880
(2) Inactive Employees		
(a) Total Inactive Benefits	$	827,408
(3) Present Value of Total Benefits (1+2)	$	1,639,288

*Actuarial Value

Maine Public Employees Retirement System

Legislative Plan

Actuarial Balance Sheet for Group Life Insurance, June 30, 2017

Assets
(Present Value of expected income)

(1) Invested Assets		
(a) Members Contribution Fund	$	0
(b) Retirement Allowance Fund		10,222
(c) Total Invested Assets (a+b)*	$	10,222
(2) Future Contributions		
(a) Member Contributions	$	0
(b) Actuarial Costs		18,479
(c) Total Contribution Income (a+b)	$	18,479
(3) Present Value of Total Income (1+2)	$	28,701

Liabilities
(Present Value of Expected Benefit Payments)

(1) Active Employees		
(a) Current Accrued Benefits	$	0
(b) Future Benefit Accruals		0
(c) Total Active Benefits (a+b)	$	0
(2) Inactive Employees		
(a) Total Inactive Benefits	$	28,701
(3) Present Value of Total Benefits (1+2)	$	28,701

*Actuarial Value

STATE OF MAINE
GENERAL OBLIGATION BONDS

APPENDIX F

Selected Economic Information with Respect to the State

Maine Population

Year	Population	Rank U.S.	Percent Change	Per Square Mile
2001	1,285,692	40	0.84%	41.7
2002	1,295,960	40	0.80%	42.0
2003	1,306,513	40	0.81%	42.3
2004	1,313,688	40	0.55%	42.6
2005	1,318,787	40	0.39%	42.7
2006	1,323,619	40	0.37%	42.9
2007	1,327,040	40	0.26%	43.0
2008	1,330,509	41	0.26%	43.1
2009	1,329,590	41	-0.07%	43.1
2010	1,327,568	41	-0.15%	43.0
2011	1,327,968	41	0.03%	43.0
2012	1,328,101	41	0.01%	43.1
2013	1,327,975	41	-0.01%	43.1
2014	1,328,903	41	0.07%	43.1
2015	1,327,787	42	-0.08%	43.1
2016	1,330,232	42	0.18%	43.1
2017	1,335,907	42	0.43%	43.3

Source: U.S. Census Bureau

Personal Income and Earnings by Industry in Maine, 2013-2017

	2013	2014	2015	2016	2017
Personal Income (thousands of dollars)	$52,724,616	$54,763,126	$56,928,613	$58,655,433	$60,211,912
Earnings by place of work	35,014,891	36,119,993	37,581,116	38,971,048	40,108,416
Farm earnings	188,491	146,285	117,328	122,681	122,523
Nonfarm earnings	34,826,400	35,973,708	37,463,788	38,848,367	39,985,893
Forestry, fishing, and related activities	484,834	549,816	686,084	788,225	817,227
Mining, quarrying, and oil and gas extraction	14,377	15,720	16,579	18,279	17,932
Utilities	221,020	201,841	184,190	196,392	204,760
Construction	2,392,043	2,546,354	2,604,851	2,729,842	2,834,656
Manufacturing	3,448,886	3,486,443	3,597,584	3,633,586	3,688,690
Wholesale trade	1,430,260	1,478,690	1,556,625	1,570,110	1,591,163
Retail trade	2,777,198	2,828,736	2,951,635	3,041,044	3,112,709
Transportation and warehousing	910,245	951,004	984,510	1,021,506	1,065,609
Information	475,130	468,491	484,184	509,532	473,635
Finance and insurance	2,009,058	1,958,718	2,033,932	2,092,643	2,202,756
Real estate and rental and leasing	573,143	501,396	524,490	542,633	560,227
Professional, scientific, and technical services	2,297,053	2,418,302	2,579,088	2,683,240	2,781,331
Management of companies and enterprises	681,610	808,411	834,906	952,768	991,000
Administrative and support and waste management an	1,317,499	1,385,383	1,441,748	1,461,026	1,460,113
Educational services	687,103	721,418	742,673	779,896	802,961
Health care and social assistance	5,761,828	5,840,022	6,086,183	6,288,771	6,538,464
Arts, entertainment, and recreation	358,217	369,918	373,239	411,028	434,000
Accommodation and food services	1,370,775	1,466,094	1,540,766	1,628,021	1,730,135
Other services (except public administration)	1,235,970	1,312,763	1,374,410	1,427,486	1,458,803
Government and government enterprises	6,380,151	6,664,188	6,866,111	7,072,339	7,219,722

Source: U.S. Bureau of Economic Analysis

Per Capita Personal Income
Maine, New England, and U.S.

	Per Capita Income			Maine as a percent of		Annual Percent Increase		
	U.S.	N.E.	Maine	U.S.	N.E.	U.S.	N.E.	Maine
2001	31,540	38,900	28,661	90.9%	73.7%			
2002	31,815	39,000	29,442	92.5%	75.5%	0.9%	0.3%	2.7%
2003	32,692	39,859	30,668	93.8%	76.9%	2.8%	2.2%	4.2%
2004	34,316	41,838	32,072	93.5%	76.7%	5.0%	5.0%	4.6%
2005	35,904	43,644	32,669	91.0%	74.9%	4.6%	4.3%	1.9%
2006	38,144	46,858	34,302	89.9%	73.2%	6.2%	7.4%	5.0%
2007	39,821	49,201	35,558	89.3%	72.3%	4.4%	5.0%	3.7%
2008	41,082	51,278	36,998	90.1%	72.2%	3.2%	4.2%	4.0%
2009	39,376	50,537	36,952	93.8%	73.1%	-4.2%	-1.4%	-0.1%
2010	40,278	52,064	37,533	93.2%	72.1%	2.3%	3.0%	1.6%
2011	42,463	54,052	38,942	91.7%	72.0%	5.4%	3.8%	3.8%
2012	44,283	55,714	39,814	89.9%	71.5%	4.3%	3.1%	2.2%
2013	44,489	55,485	39,703	89.2%	71.6%	0.5%	-0.4%	-0.3%
2014	46,486	57,409	41,209	88.6%	71.8%	4.5%	3.5%	3.8%
2015	48,429	60,023	42,875	88.5%	71.4%	4.2%	4.6%	4.0%
2016	49,204	61,207	44,094	89.6%	72.0%	1.6%	2.0%	2.8%
2017	50,392	62,632	45,072	89.4%	72.0%	2.4%	2.3%	2.2%

Source: U.S. Bureau of Economic Analysis

State Valuation of Taxable Real and Personal Property

January 1992	$ 68,471,100,000
January 1993	67,751,400,000
January 1994	66,565,550,000
January 1995	66,425,500,000
January 1996	67,102,925,900
January 1997	68,286,600,000
January 1998	69,691,900,000
January 1999	71,779,350,000
January 2000	74,260,000,000
January 2001	78,389,400,000
January 2002	84,874,550,000
January 2003	94,034,050,000
January 2004	104,219,950,000
January 2005	118,038,020,000
January 2006	133,628,600,000
January 2007	148,946,200,000
January 2008	162,744,550,000
January 2009	168,006,150,000
January 2010	170,336,350,000
January 2011	166,990,700,000
January 2012	163,424,200,000
January 2013	160,011,900,000
January 2014	158,661,600,000
January 2015	159,770,050,000
January 2016	162,950,100,000
January 2017	165,485,750,000
January 2018	169,799,900,000

Source: State Revenue Services.
The State valuation of taxable property is equal to 100% of value.
The State valuation filed in January of each year is based on the value of property as of April 1, 21 months prior to the filing date.

Selected Labor Market Information for Maine

Annual Avg. Not Seasonally Adjusted

	2012	2013	2014	2015	2016	2017
Nonfarm Wage and Salary Employment	598,100	601,800	605,200	610,700	618,100	622,800
Manufacturing Employment	50,800	50,400	50,300	50,700	50,800	51,100
Nonmanufacturing Employment	547,300	551,400	554,900	560,000	567,300	571,700
Average Weekly Hours of Manufacturing Production	41.3	41.7	41.9	41.9	41.3	41.2
Average Hourly Earnings of Manufacturing Production	$20.50	$20.86	$20.55	$20.89	$21.28	$22.18
Unemployment Rate	7.5%	6.6%	5.6%	4.4%	3.8%	3.3%
Number Unemployed	52,519	46,895	39,232	30,039	26,243	22,958

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

Civilian Labor Force
Employed and Unemployed by Labor Market Area, Not Seasonally Adjusted
May, 2018

Maine Labor Force Estimates for Labor Market Areas

	Civilian Labor Force			Employment			Unemployment			Unemployment Rate		
LABOR MARKET AREA	May-18	Apr-18	May-17	May-18	Apr-18	May-17	May-18	Apr-18	May-17	May-18	Apr-18	May-17
Acton	4,626	4,527	4,539	4,490	4,389	4,406	136	138	133	2.9%	3.0%	2.9%
Augusta	41,021	40,887	40,816	39,936	39,752	39,556	1,085	1,135	1,260	2.6	2.8	3.1
Bangor	70,329	71,113	70,737	68,192	68,948	68,225	2,137	2,165	2,512	3.0	3.0	3.6
Belfast	14,654	14,497	14,496	14,225	14,029	13,987	429	468	509	2.9	3.2	3.5
Boothbay	3,375	3,098	3,290	3,248	2,961	3,166	127	137	124	3.8	4.4	3.8
Bridgton-Paris	14,375	14,300	14,245	13,906	13,796	13,735	469	504	510	3.3	3.5	3.6
Brunswick	35,188	34,846	34,487	34,281	33,972	33,517	907	874	970	2.6	2.5	2.8
Calais	5,202	5,173	5,304	4,937	4,908	4,988	265	265	316	5.1	5.1	6.0
Conway	3,866	3,754	3,814	3,769	3,652	3,691	97	102	123	2.5	2.7	3.2
Dover-Durham	12,161	12,137	11,932	11,867	11,822	11,612	294	315	320	2.4	2.6	2.7
Dover-Foxcroft	9,396	9,297	9,266	9,009	8,926	8,854	387	371	412	4.1	4.0	4.4
Ellsworth	29,517	28,242	29,282	28,558	27,144	28,210	959	1,098	1,072	3.2	3.9	3.7
Farmington	17,429	18,091	17,582	16,694	17,413	16,710	735	678	872	4.2	3.7	5.0
Houlton	7,647	7,556	7,617	7,188	7,163	7,107	459	393	510	6.0	5.2	6.7
Lewiston-Auburn	56,400	56,335	56,053	54,801	54,736	54,268	1,599	1,599	1,785	2.8	2.8	3.2
Lincoln	2,961	2,964	3,011	2,738	2,753	2,778	223	211	233	7.5	7.1	7.7
Machias	8,155	8,110	8,116	7,842	7,745	7,765	313	365	351	3.8	4.5	4.3
Madawaska	2,784	2,766	2,783	2,674	2,657	2,640	110	109	143	4.0	3.9	5.1
Millinocket	3,615	3,570	3,592	3,376	3,339	3,323	239	231	269	6.6	6.5	7.5
Pittsfield	7,031	7,079	7,049	6,739	6,762	6,670	292	317	379	4.2	4.5	5.4
Portland-South Portland	210,364	207,347	207,413	205,238	202,308	201,825	5,126	5,039	5,588	2.4	2.4	2.7
Portsmouth	17,697	17,470	17,310	17,295	17,083	16,889	402	387	421	2.3	2.2	2.4
Presque Isle	22,094	21,985	22,017	20,896	20,903	20,728	1,198	1,082	1,289	5.4	4.9	5.9
Rockland-Camden	21,845	21,320	21,532	21,262	20,664	20,870	583	656	662	2.7	3.1	3.1
Rumford	8,140	8,337	8,296	7,770	7,982	7,833	370	355	463	4.5	4.3	5.6
Sanford	12,101	11,858	11,952	11,737	11,475	11,516	364	383	436	3.0	3.2	3.6
Skowhegan	14,211	13,989	14,242	13,591	13,331	13,454	620	658	788	4.4	4.7	5.5
Waldoboro	9,437	9,119	9,368	9,172	8,843	9,067	265	276	301	2.8	3.0	3.2
Waterville	23,123	23,168	22,823	22,407	22,448	21,996	716	720	827	3.1	3.1	3.6
Wells	9,338	8,894	9,075	9,080	8,637	8,804	258	257	271	2.8	2.9	3.0
MAINE	703,470	697,190	697,339	682,171	675,743	673,332	21,299	21,447	24,007	3.0	3.1	3.4
UNITED STATES (000)	161,765	161,280	159,979	156,009	155,348	153,407	5,756	5,932	6,572	3.6	3.7	4.1

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STATE OF MAINE
GENERAL OBLIGATION BONDS

APPENDIX G

PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL

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Locke Lord LLP

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[Date of Delivery]

The Honorable Teresea Hayes
Treasurer of State
The State of Maine
39 State House Station
Augusta, Maine 04333

$15,480,000
State of Maine
General Obligation Bonds, 2018 Series C
(Federally Taxable)
Dated Date of Delivery

We have acted as bond counsel to the State of Maine (the "State") in connection with the issuance by the State of the above-referenced bonds (the "Bonds"). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the State contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the State and the full faith and credit of the State are pledged for the payment of the principal of and interest on the Bonds.

2. Interest on the Bonds is included in the gross income of the owners of the Bonds for federal income tax purposes. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

3. Interest on the Bonds is excluded from gross income for State of Maine income tax purposes. We express no opinion regarding any other State of Maine tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than the State of Maine.

This opinion is not intended or written by Locke Lord LLP to be used and cannot be used by you for the purpose of avoiding penalties that may be imposed under federal tax law in connection with the Bonds.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

LOCKE LORD LLP

STATE OF MAINE
GENERAL OBLIGATION BONDS

APPENDIX H

Secondary Market Disclosure

Pursuant to the Municipal Securities Disclosure Rule, 17 CFR §240.15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission (the "SEC"), the Underwriters shall not purchase or sell the Bonds unless the Underwriters have reasonably determined that the State, as issuer of the Bonds, has undertaken in a written agreement or contract for the benefit of the holders of the Bonds to provide certain information in the manner and to the locations described below. In order to assist the Underwriters in complying with the Rule, the State has covenanted in the Bonds for the benefit of the Beneficial Owners that:

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

B. If not submitted as part of the annual financial information described in paragraph A above, then when and if available, the State will provide to the MSRB audited financial statements for the State prepared in accordance with generally accepted accounting principles in effect from time to time;

C. The State will provide in a timely manner, not in excess of ten (10) business days after the occurrence of the event, to the MSRB notice of any of the following events with respect to the Bonds:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on the debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on the credit enhancements reflecting financial difficulties;

(v) substitution of the credit or liquidity providers or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to rights of bondholders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the State*;

(xiii) the consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material; and

D. The State will provide, in a timely manner, to the MSRB, notice of any failure of the State to comply with paragraph A or paragraph B above.

The State expects to provide the information described in paragraph A above by providing an official statement or a preliminary official statement for its bonds, notes or other obligations that includes such information for the preceding fiscal year or, if no such official statement is available within one year after the end of such preceding fiscal year, by providing its controller's annual financial report within such one year.

The State may from time to time choose to provide notice of the occurrence of certain other events in addition to those listed above if, in the judgment of the State, such other events are material with respect to the Bonds, but the State does not undertake to provide any such notice of the occurrence of any material event except those events listed above.

The covenants described in this Appendix H (the "Covenants") are for the benefit of the Beneficial Owners and shall be enforceable by any Beneficial Owner. No Beneficial Owner may institute any suit, action or proceeding at law or in equity ("Proceeding") for the enforcement of the Covenants, unless such Beneficial Owner shall have filed with the Treasurer of State and the Attorney General a written request to cure such breach, and the State shall have refused or failed

---

* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the State in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the State, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the State.

to comply within a reasonable time. Any assertion of beneficial ownership must be included in such written request and must be supported by independent evidence or documents. All Proceedings shall be instituted only in a State court located in the City of Augusta, Maine for the equal benefit of all Beneficial Owners of the outstanding Bonds. If a court of competent jurisdiction finds that the State has breached any of the Covenants, then the sole remedy for any such breach shall be an order of specific performance of the Covenants and there shall be no right of acceleration of the Bonds. Moreover, Proceedings filed by Beneficial Owners against the State may be subject to the defense of sovereign immunity which may substantially limit the scope and nature of any legal action against the State or of any order of specific performance that may be granted against the State.

The Covenants may only be amended if:

(i) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the State, or type of business conducted; the Covenants, as amended, would have complied with the Rule as of the date of issuance of the Bonds, after taking into account any amendments or changes in circumstances; and the amendment does not materially impair the interest of Beneficial Owners, as determined by parties unaffiliated with the State; or

(ii) all or any part of the Rule, as interpreted by the staff of the SEC at the date of the adoption of such Rule, ceases to be in effect for any reason, and the State elects that the Covenants shall be deemed amended accordingly.

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STATE OF MAINE • General Obligation Bonds, 2018 Series C (Federally Taxable)

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