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State of Maine Unorganized Territory Education and Services Fund, Annual Financial Report For the Year Ended June 30, 2009

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**STATE OF MAINE UNORGANIZED TERRITORY
EDUCATION AND SERVICES FUND**

Annual Financial Report

For the Year Ended June 30, 2009

STATE OF MAINE UNORGANIZED TERRITORY
EDUCATION AND SERVICES FUND
Annual Financial Report
For the Year Ended June 30, 2009

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Independent Auditor's Report

State Auditor
State of Maine Department of Audit
Unorganized Territory Education and Services Fund:

We have audited the accompanying financial statements of the general and fiduciary funds of the State of Maine Unorganized Territory Education and Services Fund (UT), a fund of the State of Maine, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the State of Maine Unorganized Territory Education and Services Fund's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in the notes to financial statements, the financial statements present only the accounts of the State of Maine Unorganized Territory Education and Services Fund, a fund of the State of Maine, and do not purport to, and do not present fairly, the financial position of the State of Maine, and the changes in financial position in conformity with accounting principles generally accepted in the United States of America. The State of Maine Unorganized Territory Education and Services Fund is a fund of the State of Maine. These fund financial statements do not include the entity-wide Statement of Net Assets, Statement of Activities, or Management Discussion and Analysis as required by accounting principles generally accepted in the United States of America. Certain disclosures relevant to both the State of Maine and the State of Maine Unorganized Territory Education and Services Fund are omitted herein and have been disclosed in the State's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the general and fiduciary funds of the State of Maine Unorganized Territory Education and Services Fund as of June 30, 2009, and the respective changes in financial position and the budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

State Auditor
State of Maine Department of Audit
Unorganized Territory Education and Services Fund

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2010 on our consideration of the State of Maine Unorganized Territory Education and Services Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Maine Unorganized Territory Education and Services Fund's fund financial statements. The additional information included in Exhibits A-1 through A-2 is presented for purposes of additional analysis and is not a required part of the fund financial statements. Such information has been subjected to the auditing procedures applied in the audit of the fund financial statements and, in our opinion, is fairly presented in all material respects in relation to the fund financial statements taken as a whole.



February 24, 2010
South Portland, Maine

STATE OF MAINE UNORGANIZED TERRITORY EDUCATION AND SERVICES FUND

Balance Sheet

Governmental Funds - General Fund

June 30, 2009

	General Fund
ASSETS	
Receivables:	
Taxes receivable - current year	\$ 642,687
Taxes receivable - prior years	91,469
Tax liens - prior years	15,749
Due from State of Maine Treasury	2,352,839
Total assets	\$ 3,102,744
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	1,459,762
Accrued wages	98,209
Taxes paid in advance/overpaid taxes	30,212
Deferred tax revenue	618,000
Total liabilities	2,206,183
Fund balance:	
Reserved:	
Encumbrances	560,180
Unreserved:	
Designated - Administrator	47,406
Undesignated	288,975
Total fund balance	896,561
Total liabilities and fund balance	\$ 3,102,744

See accompanying notes to financial statements.

STATE OF MAINE UNORGANIZED TERRITORY EDUCATION AND SERVICES FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds - General Fund
For the year ended June 30, 2009

	General Fund
Revenues:	
Taxes	\$ 20,810,771
Intergovernmental	561,803
Charges for services	224,089
Other	301,599
Total revenues	21,898,262
Expenditures:	
Current:	
Education	11,913,369
County reimbursements for services	5,655,611
Departmental	1,437,887
County tax	5,066,824
Total expenditures	24,073,691
 Net change in fund balance	 (2,175,429)
 Fund balance, beginning of year	 3,071,990
 Fund balance, end of year	 \$ 896,561

See accompanying notes to financial statements.

STATE OF MAINE UNORGANIZED TERRITORY EDUCATION AND SERVICES FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the year ended June 30, 2009

	Budget		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 20,580,101	20,598,444	20,810,771	212,327
Intergovernmental	590,000	590,000	561,803	(28,197)
Charges for services	250,000	250,000	224,089	(25,911)
Other	155,000	155,000	301,599	146,599
Total revenues	21,575,101	21,593,444	21,898,262	304,818
Expenditures:				
Current:				
Education	11,852,210	11,914,296	11,913,369	927
County reimbursements for services	5,655,611	5,655,611	5,655,611	-
Departmental	1,637,435	1,624,735	1,437,887	186,848
Unclassified	5,429,845	5,429,845	5,066,824	363,021
Total expenditures	24,575,101	24,624,487	24,073,691	550,796
Excess (deficiency) of revenues over (under) expenditures	(3,000,000)	(3,031,043)	(2,175,429)	855,614
Other financing sources (uses):				
Deappropriation and prior year encumbrances	-	31,043	-	(31,043)
Budgeted use of surplus	3,000,000	3,000,000	-	(3,000,000)
Total other financing sources (uses)	3,000,000	3,031,043	-	(3,031,043)
Net change in fund balance	-	-	(2,175,429)	(2,175,429)
Fund balance, beginning of year			3,071,990	
Fund balance, end of year	\$		896,561	

See accompanying notes to financial statements.

STATE OF MAINE UNORGANIZED TERRITORY
 EDUCATION AND SERVICES FUND
 Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2009

	Agency Fund - Excise Taxes
ASSETS	
Due from State of Maine Treasury	\$ 262,561
Total assets	262,561
LIABILITIES	
Due to Counties - excise taxes	262,561
Total liabilities	\$ 262,561

See accompanying notes to financial statements.

**STATE OF MAINE UNORGANIZED TERRITORY
EDUCATION AND SERVICES FUND
Notes to Financial Statements**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the State of Maine Unorganized Territory Education and Services Fund conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant of such policies:

Reporting Entity

These financial statements include only the financial position and changes in financial position of the State of Maine Unorganized Territory Education and Services Fund (UT). This fund is a fund of the State of Maine and has been included in the State of Maine's government-wide financial statements. The UT does not have separate legal standing or corporate powers that would distinguish it as being separate from the State of Maine. The activity of the UT is accounted for as part of a special revenue fund within the State of Maine's accounting system. This activity has been extracted from these accounting records, appropriately adjusted, and reported independently in these financial statements.

The State of Maine Unorganized Territory Education and Services Fund, as described above, accounts for the expenditure of funds to support certain services to the unorganized territory, namely education, general assistance, forest fire control, and land use regulation. The UT also expends funds in the form of payments to the various counties in the State which contain unorganized territories, for both county taxes and for reimbursement of services rendered by the individual counties to the unorganized territory within that county's boundaries.

Revenue is raised to support these costs on an annual basis in the form of property taxes assessed by the State of Maine on individual property owners within the unorganized territory.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain compensated absences and claims and judgments, are recorded only when the payment is due.

Revenues susceptible to accrual are property taxes. Other receipts and taxes become measurable and available when cash is received by the UT and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The UT reports the following major governmental fund:

The General Fund is the UT's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**STATE OF MAINE UNORGANIZED TERRITORY
EDUCATION AND SERVICES FUND
Notes to Financial Statements, Continued**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Additionally, the UT reports the following fund type:

An agency fund is a fiduciary fund type. This fund accounts for all excise taxes that the UT collects on behalf of counties in Maine.

Assets, Liabilities and Equity

Due to/from the State of Maine – Transactions between the UT and the State of Maine are representative of cash positions at the end of the fiscal year and are referred to as due from State of Maine Treasury.

Capital Assets – Capital assets are defined by the UT as assets with an initial, individual cost of \$3,000 or more and an estimated useful life in excess of two years. All land, regardless of value, is capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the primary government are depreciated using the straight-line method over the assets estimated useful lives ranging from two to sixty years.

Capital assets, which include land, buildings, equipment and infrastructure (roads, bridges, ramps, etc.) are held at either the State or County level in trust for the Unorganized Territory as a whole. Capital assets that are at the County level are reported at the individual County levels. Capital assets at the State level are reported in the State of Maine's government-wide financial statements. The Unorganized Territory Education and Services Fund does report all items previously mentioned except for infrastructure.

Vacation Leave – Under terms of personnel policies, vacation time is granted in varying amounts according to length of service and is accrued ratably over the year. Regular part-time employees receive vacation time on a pro-rated basis. Accumulated vacation time has been recorded in the State of Maine's government-wide financial statements. No expenditure is reported in the fund statements for this time unless it is actually due and payable.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative plans for future use of financial resources.

Use of Estimates – Preparation of the UT's financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

STATE OF MAINE UNORGANIZED TERRITORY
EDUCATION AND SERVICES FUND
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Comparative Data/Reclassifications – Comparative data for the prior year has been presented only for certain funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Each year the Fiscal Administrator of the UT requests budget information from the state agencies and counties who provide services to the taxpayers of the Unorganized Territory. Bi-annually the Joint Standing Committee on Appropriations and Financial Affairs recommends to the Legislature a statewide budget which includes the statewide components of the State of Maine Unorganized Territory. The Fiscal Administrator drafts a legislative document (L.D.) for the purpose of setting and authorizing the collection of taxes in the UT to the Legislature for consideration. This L.D. is known as the "Municipal Cost Component". Once the L.D. is printed and assigned, the Fiscal Administrator prepares and submits an analytical report of the legislation to the members of the Joint Standing Committee on Taxation, each legislator who has Unorganized Territory within their district, and the office of the county commissioners of each county with the Unorganized Territory.

Once the Legislature approves the Municipal Cost Component, the State Tax Assessor levies a tax on all nonexempt real and personal property in the Unorganized Territory. The taxpayer's bill is based on three components -- the cost of state services spread across the unorganized territory, the cost of county provided services specific to each county, and the cost of county taxes specific to each county. The Legislature can also approve de-appropriations to the various departments during the year.

Any unexpended balance may not simply lapse to fund balance at the end of the fiscal year but must be carried forward to the same fund for the next fiscal year and must be available for the purposes authorized. Any unexpended fund balance remaining in the fund at the end of the year, not including amounts set aside in capital reserves, that is in excess of 10% of the amount of expenditures for that year must be used to reduce the amount to be collected in taxes during the year.

Encumbrance accounting is employed in the general fund. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. At June 30, 2009 fund balance reservations for outstanding encumbrances amounted to \$560,180.

**STATE OF MAINE UNORGANIZED TERRITORY
EDUCATION AND SERVICES FUND
Notes to Financial Statements, Continued**

PROPERTY TAX

Property taxes for the current year were committed in July 2008 based on the assessed value of all real and personal property located in each county. Tax bills are mailed annually by August 1, with one installment due on October 1. Interest was charged at 8% on all taxes unpaid after this date. Assessed values are periodically established by the UT's Assessor at 100% of estimated market value. At April 1, 2008, the date on which the current year's assessed value was based, the assessed value represented 100% of estimated market value.

The UT is permitted by the laws of the State of Maine to levy taxes greater than the actual amount required, by rounding up the respective UT county mil rate to the next highest ¼ mil. This additional millage is referred to as overlay, and amounted to \$363,021 for the year ended June 30, 2009. The variance between actual property tax revenues in the governmental funds and budgeted property tax revenues represents supplemental taxes and the change in deferred taxes.

Tax liens are recorded against real property between February 21 and March 15 of the year following the date of assessment if any part of the tax, interest and associated costs assessed remain unpaid. The UT property tax liens foreclose on March 30 of the year following the recording of any such liens if any of the tax, interest and associated costs remained unpaid.

Property taxes levied during the year were recorded as receivables at the time the levy was made. The receivables collected during the year and in the first sixty days following the end of the fiscal year have been recorded as revenues in the governmental funds. The remaining receivables have been recorded as deferred revenues in the general fund.

The following summarizes the 2009 levy:

	<u>Assessed value</u>	<u>Tax rate</u>	<u>Commitment</u>
Aroostook	\$ 490,489,116	6.41	3,144,035
Franklin	184,981,229	8.10	1,498,348
Hancock	150,821,488	4.95	746,566
Kennebec	3,078,220	4.73	14,560
Knox	15,348,897	4.46	68,456
Lincoln	12,147,802	4.63	56,244
Oxford	182,219,306	6.88	1,253,669
Penobscot	225,619,084	8.52	1,922,275
Piscataquis	580,514,541	7.16	4,156,484
Somerset	695,656,878	8.21	5,711,343
Waldo	1,773,520	5.06	8,974
Washington	262,011,612	7.70	2,017,489
			20,598,443
<u>Supplemental taxes assessed</u>			<u>659,831</u>
			21,258,274
Less: Homestead reimbursement			108,232
<u> Collections and abatements</u>			<u>20,507,355</u>
<u>Balance at June 30, 2009</u>			<u>\$ 642,687</u>

**STATE OF MAINE UNORGANIZED TERRITORY
EDUCATION AND SERVICES FUND
Notes to Financial Statements, Continued**

PROPERTY TAX, CONTINUED

Comprised of:	
Personal property taxes	\$ 616,140
Real estate taxes	<u>26,547</u>
Balance	<u>\$ 642,687</u>
Due date	10/1/08
Interest rate on delinquent taxes	8%
Percent of collection	97%

PENSIONS

Plan Description

All employees of the Maine Unorganized Territory Education and Services Fund are members of the Maine Public Employees Retirement System. The System provides pension, death and disability benefits to its members.

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

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

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

The System's retirement programs provide retirement benefits based on members' average final compensation and creditable service. Vesting occurs upon the earning of five years of service credit or the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age is 60 or 62, determined by whether the member had at least 10 years of creditable service on June 30, 1993 (effective October 1, 1999, the prior ten-year requirement was reduced to five years by legislative action). The monthly benefit is reduced by a statutorily prescribed factor for each year of age that a member is below his/her 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.

STATE OF MAINE UNORGANIZED TERRITORY
EDUCATION AND SERVICES FUND
Notes to Financial Statements, Continued

PENSIONS, CONTINUED

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

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

Funding Policy

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.

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 and teacher plan over a closed period that cannot be longer than 31 years from July 1, 1997 but may be, and at certain times has been, shorter than that period.

The State of Maine is required to remit 20% of its General Fund unappropriated surplus at the end of its fiscal year to the System, in order to reduce any unfunded pension liability for state employees and teachers.

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

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

<u>State:</u>	
Employees	7.65-8.65%
Employer	15.01-47.07%
<u>Teachers:</u>	
Employees	7.65%
Employer	17.23%

Annual Pension Cost and Net Pension Obligation - The UT's employer's annual pension cost and net pension obligation to the System for the current year is not calculated separately but is calculated as part of the State of Maine's overall plan and information on the pension cost and obligation can be found in the State of Maine Single Audit report.

**STATE OF MAINE UNORGANIZED TERRITORY
EDUCATION AND SERVICES FUND
Notes to Financial Statements, Continued**

CAPITAL ASSETS

The following is a summary of changes in capital assets during the fiscal year:

	Balance June 30, <u>2008</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2009</u>
Capital assets, not being depreciated:				
Land	\$ 26,125	-	-	26,125
Capital assets, being depreciated:				
Building and building improvements	5,016,771	-	-	5,016,771
Vehicles and equipment	1,217,656	-	97,978	1,119,678
Total capital assets being depreciated	6,234,427	-	97,978	6,136,449
Accumulated depreciation:				
Building and building improvements	2,496,931	75,486	-	2,572,417
Vehicles and equipment	907,698	120,160	97,978	929,880
Total accumulated depreciation	3,404,629	195,646	97,978	3,502,297
Total capital assets, net of depreciation	\$ 2,855,923	(195,646)	-	2,660,277

LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The UT is aware of the existence of several landfills which have all been closed as of June 30, 2009. The liability for postclosure monitoring costs falls on the individual County's Unorganized Territory funds. The State of Maine Unorganized Territory Education and Services Fund would be affected by virtue of an increase in the municipal cost component needs in a year in which postclosure costs were incurred. The amount and timing of these potential postclosure costs are unknown.

COUNTY TAX

The following summarizes the amounts of county taxes paid to each of the counties for the year ended June 30, 2009:

Aroostook	\$ 567,317
Franklin	203,918
Hancock	67,939
Kennebec	3,027
Knox	14,753
Lincoln	13,756
Oxford	159,368
Penobscot	286,295
Piscataquis	964,774
Somerset	2,403,361
Waldo	2,763
Washington	379,553
Total	\$ 5,066,824

STATE OF MAINE UNORGANIZED TERRITORY
EDUCATION AND SERVICES FUND
Notes to Financial Statements, Continued

OTHER EMPLOYEE BENEFITS

A. Post-retirement Health Care Benefits

The employees of the State of Maine Unorganized Territory Education and Services Fund are covered under the State of Maine's employer benefits program. In addition to providing pension benefits, the State of Maine funds health care benefits for most retirees. Specifically excluded are members of the Maine Municipal Association, Maine Teachers Association and employees of counties and municipalities and their instrumentalities. The State pays 100% of post retirement health insurance premiums for state employee retirees who were first employed on or before July 1, 1991. A pro rata portion, ranging from 0% for retirees with less than 5 years participation to 100% for retirees with 10 or more years of participation, is paid for eligible individuals first employed after July 1, 1991. Coverage depends upon terms and conditions contained in collective bargaining agreements with the State Health Commission. Retirees who are not eligible for Medicare retain coverage in the same group health plan as active employees. Retirees must pay for Medicare part B coverage to be eligible to participate in the State-funded Companion Plan. Coverage for retirees ineligible for Medicare includes basic hospitalization; supplemental major medical and prescription drugs; and costs for treatment of mental health, alcoholism and substance abuse.

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

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

STATE EMPLOYEES PLAN

Title 5 MRSA §286-B authorizes an Irrevocable Trust Fund for Other Post-employment Benefits to meet the State's unfunded liability obligations for retiree health benefits for eligible participants who are the beneficiaries of the irrevocable trust fund. Annually, beginning with the fiscal year starting July 1, 2009, the Legislature shall appropriate funds to meet the State's obligations under any group health plan, policy or contract purchased by the State Employee Health Commission. Unfunded liabilities may not be created except those resulting from experience losses. Unfunded liability resulting from experience losses must be retired over a period not to exceed 10 years. The unfunded liability for retiree health benefits for eligible participants must be retired over 30 years or less from July 1, 2009.

TEACHERS PLAN

A special funding situation exists for the Teachers plan. The State is statutorily responsible for contributions to the Teachers Plan that covers the retirees of other governmental entities. The State is also the sole contributing entity for Teachers, 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.

Full disclosure of the annual OPEB cost and the funding process has been reported in the State of Maine's Single Audit Report.

**STATE OF MAINE UNORGANIZED TERRITORY
EDUCATION AND SERVICES FUND
Notes to Financial Statements, Continued**

OTHER EMPLOYEE BENEFITS, CONTINUED

B. Post-retirement Life Insurance Benefits

In addition to providing pension and health care benefits and in accordance with statutory authority, the State of Maine, through the Maine Public Employees Retirement System, provides Basic group life insurance benefits, during retirement, to retirees who participated in the group life insurance plan prior to retirement for a minimum of 10 years. The 10 year participation requirement does not apply to recipients of disability retirement benefits.

The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of Basic group life insurance benefit is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount or \$2,500.

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

Premium rates are those determined by the System's Board of Trustees to be actuarially sufficient to pay anticipated claims and cover administrative costs.

For State employee, legislative and judicial classes, the premiums for retiree life insurance coverage are factored into the premiums paid for Basic coverage while participants are active members. The State remits premiums at a single rate that supports basic coverage for active and retired State employees. This rate is \$.56 per month for every \$1,000 of coverage. Premiums for retiree life insurance coverage for retired teachers are paid by the State based on a rate of \$.33 per \$1,000 of coverage per month during the post-employment retired period.

Full disclosure of the annual OPEB cost and the funding process has been reported in the State of Maine's Single Audit Report.

SELF-INSURANCE

Risk Management

The State maintains several types of self-insurance plans. These include property, vehicle, boat and aircraft, tort, civil rights, employee bonds, police professionals, and a variety of other insurance products. The UT participates in these plans. Full disclosure regarding claims, excess insurance and claims and judgment liabilities can be found in the State of Maine's Single Audit Report.

STATE OF MAINE UNORGANIZED TERRITORY EDUCATION AND SERVICES FUND

General Fund

Comparative Balance Sheets

June 30, 2009 and 2008

	2009	2008
ASSETS		
Taxes receivable - current year	\$ 642,687	337,195
Taxes receivable - prior years	91,469	76,491
Tax liens - prior years	15,749	18,499
Due from State of Maine Treasury	2,352,839	4,238,832
Total assets	\$ 3,102,744	4,671,017
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	1,459,762	1,060,480
Accrued wages	98,209	101,270
Taxes paid in advance/overpaid taxes	30,212	38,221
Deferred tax revenue	618,000	381,000
Due to education	-	11,903
Due to general assistance	-	6,153
Total liabilities	2,206,183	1,599,027
Fund balance:		
Reserved:		
Encumbrances	560,180	122,854
Unreserved:		
Designated - Administrator	47,406	36,564
Undesignated	288,975	2,912,572
Total fund balance	896,561	3,071,990
Total liabilities and fund balance	\$ 3,102,744	4,671,017

STATE OF MAINE UNORGANIZED TERRITORY EDUCATION AND SERVICES FUND
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the year ended June 30, 2009
(with comparative actual amounts for the year ended June 30, 2008)

	2009		Variance positive (negative)	2008 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 20,598,444	21,047,771	449,327	19,223,736
Change in deferred property taxes	-	(237,000)	(237,000)	(1,000)
Total taxes	20,598,444	20,810,771	212,327	19,222,736
Intergovernmental:				
On-behalf payments - teachers retirement	200,000	192,473	(7,527)	234,473
Dt Homestead reimbursement	100,000	108,232	8,232	106,651
Dt State Revenue Sharing	290,000	261,098	(28,902)	296,485
Total intergovernmental	590,000	561,803	(28,197)	637,609
Charges for services:				
Educational tuition/transportation	250,000	224,089	(25,911)	203,639
Total charges for services	250,000	224,089	(25,911)	203,639
Other:				
Miscellaneous	55,000	220,989	165,989	244,413
Education--trust	100,000	80,610	(19,390)	101,841
Total other	155,000	301,599	146,599	346,254
Total revenues	21,593,444	21,898,262	304,818	20,410,238
Expenditures:				
Education:				
General operations	7,582,026	8,005,699	(423,673)	7,796,757
Salaries and benefits	2,495,332	2,451,562	43,770	2,392,810
Professional services	919,398	962,176	(42,778)	626,437
Travel expenses	49,509	39,264	10,245	38,571
Vehicle operation	178,126	147,050	31,076	176,873
Utility services	111,837	65,618	46,219	78,176
Rents	2,741	1,812	929	1,288
Repairs	63,333	45,618	17,715	29,396
Insurance	21,689	24,719	(3,030)	24,588
Fuel	116,244	92,148	24,096	117,142
Supplies	88,814	69,714	19,100	30,608
Transportation	49,180	-	49,180	-
Capital improvements - general	135,450	-	135,450	42,231
Other	100,617	7,989	92,628	19,214
Total education	11,914,296	11,913,369	927	11,374,091

STATE OF MAINE UNORGANIZED TERRITORY EDUCATION AND SERVICES FUND
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual, Continued

	2009		Variance positive (negative)	2008 Actual
	Budget	Actual		
Expenditures, continued:				
County reimbursements for services:				
Aroostook	\$ 822,636	822,636	-	799,476
Franklin	653,984	653,984	-	604,808
Hancock	164,925	164,925	-	194,341
Kennebec	881	881	-	306
Oxford	459,128	459,128	-	441,047
Penobscot	857,695	857,695	-	832,068
Piscataquis	1,145,517	1,145,517	-	901,537
Somerset	864,474	864,474	-	840,005
Dt Washington	686,371	686,371	-	711,759
Due to general Total County reimbursements for services	5,655,611	5,655,611	-	5,325,347
Departmental:				
Fiscal Administrator	185,594	177,441	8,153	190,606
Assessments	799,852	795,153	4,699	780,550
Forest fire service	160,000	37,226	122,774	118,275
General assistance	62,000	46,570	15,430	50,644
Passamaquoddy	12,700	9,423	3,277	10,119
Land Use Regulation Commission	404,589	372,074	32,515	381,709
Total departmental	1,624,735	1,437,887	186,848	1,531,903
Unclassified:				
County tax	5,066,824	5,066,824	-	3,758,726
Overlay	363,021	-	363,021	-
Total unclassified	5,429,845	5,066,824	363,021	3,758,726
Total expenditures	24,624,487	24,073,691	550,796	21,990,067
Excess (deficiency) of revenues over (under) expenditures	(3,031,043)	(2,175,429)	855,614	(1,579,829)
Other financing sources (uses):				
Deappropriation and prior year encumbrances	31,043	-	(31,043)	-
Budgeted use of surplus - cost component	3,000,000	-	(3,000,000)	-
Total other financing sources (uses)	3,031,043	-	(3,031,043)	-
Net change in fund balance	-	(2,175,429)	(2,175,429)	(1,579,829)
Fund balance, beginning of year		3,071,990		4,651,819
Fund balance, end of year	\$	896,561		3,071,990