

MAINE MUNICIPAL EMPLOYEES
HEALTH TRUST

Financial Statements

Years ended December 31, 2002 and 2001

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Certified Public Accountants and Business Consultants

Independent Auditor's Report

To the Board of Trustees
Maine Municipal Employees Health Trust

We have audited the accompanying statements of net assets available for benefits and benefit obligations of the Maine Municipal Employees Health Trust as of December 31, 2002 and 2001 and the related statements of changes in net assets available for benefits and benefit obligations for the years then ended. These basic financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial status of the Trust at December 31, 2002 and 2001, and the changes in its financial status for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information in Schedules 1 and 2, and Schedule H, Line 4i and Line 4j are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information contained in Schedule H, however, is required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental information is the responsibility of the Trust's management. The supplemental information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Runyon Kersteen Ouellette".

May 7, 2003
South Portland, Maine

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Statements of Net Assets Available for
Benefits and Benefit Obligations
December 31, 2002 and 2001

	2002	2001
Benefit obligations:		
Claims incurred but not reported	\$ (8,773,022)	(7,363,892)
Total benefit obligations	(8,773,022)	(7,363,892)
Net assets:		
Investments at fair value:		
Corporate bonds	1,523,158	1,533,519
Certificates of deposit	1,898,000	5,500,000
U.S. Government and agency securities	14,454,143	5,112,602
Total investments at fair value	17,875,301	12,146,121
Cash and cash equivalents	9,705,475	4,805,592
Accounts receivable	691,498	245,343
Accrued interest receivable	184,297	107,693
Reinsurance recoverable	387,930	586,578
Other receivables	75,000	100,000
Prepaid expenses	60,048	81,657
Total assets	28,979,549	18,072,984
Accounts payable	(1,271,718)	(66,261)
Other payables	(50,544)	(77,021)
Advance premiums received	(1,750,558)	(1,502,204)
Claims and administrative service reserve	(548,185)	(475,399)
Total liabilities	(3,621,005)	(2,120,885)
Net assets available for benefits	25,358,544	15,952,099
Excess of net assets available for benefits over benefit obligations	\$ 16,585,522	8,588,207

See accompanying notes to financial statements.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Statements of Changes in Net Assets Available
for Benefits and Benefit Obligations
For the years ended December 31, 2002 and 2001

	2002	2001
Net increase in benefit obligations:		
Increase during the year attributable to:		
Change in claims incurred but not reported	\$ 1,409,130	1,126,008
Increase in net assets available for benefits:		
Additions:		
Contributions:		
Health	69,161,363	60,882,119
Income protection plan	2,538,253	2,366,764
Dental	1,493,268	1,325,408
Total contributions	73,192,884	64,574,291
Investment income:		
Interest income	687,004	759,949
Net appreciation in fair value of investments	223,407	44,562
Total investment income	910,411	804,511
Total additions	74,103,295	65,378,802
Deductions:		
Claims expense:		
Health	53,512,290	50,268,212
Income protection plan	2,327,142	1,938,002
Dental	1,162,451	1,094,910
Total claims expense	57,001,883	53,301,124
Less recoveries:		
Subrogation	143,103	177,023
Reinsurance	1,097,607	1,451,236
Total recoveries	1,240,710	1,628,259
Net claims expense	55,761,173	51,672,865

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Statements of Changes in Net Assets Available
for Benefits and Benefit Obligations, Continued

	2002	2001
Insurance claims service expense:		
Reinsurance:		
Specific	\$ 1,052,718	1,050,328
Aggregate	95,000	95,000
Premiums remitted - life	723,825	702,546
Network access fees	1,100,338	850,940
Utilization review and case management	1,993,331	394,792
Health promotion	149,060	149,111
Claims service:		
Income protection plan	102,080	93,591
Health - indemnity	425,004	375,833
Health - point of service	767,542	752,488
Dental	99,124	92,360
Life	13,689	8,947
Other	75,201	55,486
Claim service reserve adjustments	34,421	24,305
Total insurance claims service expense	6,631,333	4,645,727
Administrative expenses:		
Management fees	1,910,807	1,915,080
Professional services:		
Legal	88,321	62,109
Actuarial	73,006	74,429
Consultants	47,740	58,125
Trustee expenses:		
Insurance	31,609	30,246
Meetings	21,506	16,889
Administrative expense reserve adjustments	38,365	17,931
Other expenses	92,990	106,186
Total administrative expenses	2,304,344	2,280,995
Total deductions	64,696,850	58,599,587
Increase in net assets available for benefits	9,406,445	6,779,215
Net increase in net assets available for benefits over benefit obligations	7,997,315	5,653,207
Excess of net assets available for benefits over benefit obligations:		
Beginning of year	8,588,207	2,935,000
End of year	\$ 16,585,522	8,588,207

See accompanying notes to financial statements.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND TRUST DESCRIPTION

The Trust was established in 1982 as a multiple-employer Voluntary Employees' Beneficiary Association for the purpose of providing hospital, physician, major medical, and short-term disability, dental and life benefits. The Trust began offering these services on January 1, 1983. The Trust contracts with the Maine Municipal Association to serve as plan administrator and pays Maine Municipal Association a management fee.

The Trust was drafted with the intent to comply with the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and has operated in compliance with ERISA since its establishment. This status, however, was challenged by a Federal District Court decision in March of 2000. The Trustees requested an Advisory Opinion from the Department of Labor in June of 2000 to confirm the Trust's ERISA status, but the Department of Labor has not yet responded to the request. The Trust will continue to be operated in accordance with ERISA until its status is resolved.

The Trust has also entered into a Consent Agreement with the State of Maine Bureau of Insurance agreeing to comply with the applicable provisions of Maine law relating to Multiple-Employer Welfare Arrangements (MEWA) as of January 1, 2003.

The Trust self-insures for the health, dental, and short-term disability benefits it provides, up to retention limits specified in reinsurance contracts. Contribution levels are determined by an actuary annually for the Trust and are paid in accordance with the contractual agreement entered into by each participating employer. Contributions to the Trust are made by participating employers and their employees. The life, supplemental life, and dependent life programs are fully insured.

An employer must be a member of the Maine Municipal Association to participate in the Trust programs and its employees must meet certain eligibility guidelines described in the Trust agreement. During 2002 and 2001, there were 431 and 409 members, respectively, in the health plan, 204 and 183 members, respectively, in the dental plan and 290 and 281 members, respectively, in the short-term disability plan. In connection with the MEWA filing described above, employers which do not agree to the new MEWA participation requirements on or before December 31, 2003 must be removed from the Trust as of that date. As of February 27, 2003 90% of current participating employers had signed the new documentation, and it is anticipated that substantially all of the remaining employers will sign the new documentation before the deadline.

Tax Exempt Status - The Trust is exempt from income taxes under Section 501(c)(9) of the Internal Revenue Code as stated in a determination letter from the Internal Revenue Service dated August 20, 1982. Since that date, the plan has been amended. However, the plan administrator and the plan's tax counsel believe that the plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the plan's financial statements.

Basis of Accounting - The Trust follows the accrual basis of accounting, and certain pronouncements applicable to employee benefit plans.

Cash and Cash Equivalents - The Trust considers all highly liquid deposits with an initial maturity of three months or less to be cash and cash equivalents.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND TRUST DESCRIPTION, CONTINUED

Investments - The Trust has a number of financial instruments, including U.S. government and agency securities and corporate bonds, none of which are held for trading purposes. The Trust estimates that the fair value of all financial instruments at December 31, 2002 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by quoted market prices.

Accounts Receivable - Accounts receivable have been adjusted for all known uncollectible accounts. No allowance for bad debts was considered necessary at December 31, 2002 and 2001.

Deferred Revenue - Deferred revenue represents contributions which have been received by the Trust related to the next year.

Claims Incurred But Not Reported - Reserves for health, dental and short-term disability claims incurred but not reported are estimated by an independent actuary based upon historical claims experience. Management believes that the reserves are adequate, but the ultimate net cost of settling these liabilities may vary from the estimated amount. Accordingly, this estimate is reviewed annually. Any adjustments resulting from the settlement of losses will be reflected in the statement of revenues and expenses at the time the adjustments are determined.

Claims and Administrative Service Reserves - This reserve amount is for the cost to process and administer the claims incurred but not reported and is estimated by an independent actuary based upon historical expense experience. Management believes that the reserves are adequate, but the ultimate net cost of settling this liability may vary from the estimated amount. Accordingly, this estimate is reviewed annually.

Reinsurance - The Trust uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Trust as a direct insurer of the risks reinsured. The Trust does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. Premiums ceded to reinsurers during 2002 and 2001 were \$1,052,718 and \$1,050,328, respectively.

Management Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates utilized in the preparation of the financial statements relate to claims incurred but not reported and claims and administrative service reserves.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements, Continued

DEPOSITS AND INVESTMENTS

Deposits - Cash and cash equivalents are composed of cash management and money market accounts and consist of the following as of December 31:

	<u>2002</u>	<u>2001</u>
CMA – deposit	\$ 98,017	769,598
CMA – sweep	5,135,653	560,477
Money market accounts	4,471,805	3,475,517
Totals	\$ 9,705,475	4,805,592

Cash and cash equivalents for the Health Trust reside in a single financial institution, in cash management and money market accounts. The cash management-deposit account amounts that exceed the \$100,000 FDIC insured limit are considered uninsured and uncollateralized. The CMA-sweep account is held in a money market mutual fund which invests exclusively in securities issued or guaranteed by the U.S. Government or certain of its agencies and instrumentalities. The money market accounts are mutual funds that are invested primarily in short-term, high-quality debt instruments.

At December 31, 2002 and 2001, the Health Trust had bank balances totaling \$5,751,737 and \$1,853,405, respectively. The financial statement balance reflects a reduction for outstanding checks at that date.

Investments – Investments are categorized into three categories of credit risk as follows:

1. Insured or registered, or securities held by the Trust or its agent in the Trust's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Trust's name.
3. Uninsured and unregistered, with securities held by the counterparty or its trust department or agent but not in the Trust's name.

At December 31, 2002 and 2001, investment balances were as follows:

	<u>Category</u>	<u>2002</u>	<u>2001</u>
Certificates of deposit	*	\$ 1,898,000	5,500,000
Corporate debt securities	1	1,523,158	1,533,519
U.S. Government securities	1	14,454,143	5,112,602
Totals		\$ 17,875,301	12,146,121

The securities mature in various amounts during 2002 and 2003.

*Of the certificate of deposit bank balance, \$798,000 was covered by federal depository insurance; the remainder is uninsured and uncollateralized.

NET APPRECIATION IN FAIR VALUE

Net appreciation in fair value during the years ended December 31, 2002 and 2001 by type of investment is as follows. Such amounts are included in investment income on the statement of changes in net assets available for benefits.

	<u>2002</u>	<u>2001</u>
Corporate Bonds	\$ (6,575)	14,621
U.S. Government Securities	229,982	29,941
Totals	\$ 223,407	44,562

CLAIMS RESERVES

The Trust is self-insured for hospital, physician, major medical, and dental and short-term disability benefits. Liabilities for claims incurred but not reported at December 31 have been estimated by the Trust's independent actuary, using standard actuarial assumptions based upon actual experience and are as follows:

	<u>2002</u>	<u>2001</u>
Health	\$ 8,622,403	7,223,747
Income Protection Plan	104,312	87,362
Dental	46,307	52,783
	\$ 8,773,022	7,363,892

The Trust has obtained reinsurance for claims in excess for the following:

	<u>2002</u>	<u>2001</u>
Specific	\$ 150,000	150,000
Aggregate	73,548,216	63,358,459

A.M. BEST RATINGS

Reinsurance was provided by the Hartford Life Insurance Company which has an A.M. Best rating of A+ (superior), XV.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements, Continued

UNPAID CLAIMS LIABILITIES

The schedule below presents the changes in claims liabilities for the years ended December 31:

	<u>2002</u>	<u>2001</u>
Unpaid claims and claims service reserved at beginning of year	\$ 7,839,291	6,671,047
Incurred claims and claims service reserve expense:		
Provision for incurred events of the current year	59,072,882	55,941,264
Decreases in provision for insured events of prior fiscal year	(734,053)	(1,471,897)
Total incurred claims and claims service reserve expenses	58,338,829	54,469,367
Payments:		
Claims attributable to insured events of the current year	49,797,043	48,207,301
Claims attributable to insured events of the prior fiscal years	7,059,870	5,093,822
Total payments	56,856,913	53,301,123
Total unpaid claims and claims service reserved at end of year	\$ 9,321,207	7,839,291

PARTICIPANT CONTRIBUTIONS

Participating employers and their employees contribute to the Trust. Employee contributions were as follows during the years ended December 31:

	<u>2002</u>	<u>2001</u>
Health	\$ 6,981,796	6,790,848
Income Protection Plan	1,870,018	1,683,740
Dental	646,597	567,747

RELATED PARTY TRANSACTIONS

To participate in the Trust, an employer must be a member of the Maine Municipal Association and its employees must meet certain eligibility guidelines described in the Trust agreement. The Trust also contracts with the Maine Municipal Association to serve as plan administrator and pays Maine Municipal Association a management fee for the services it provides. As of December 31, 2002 and 2001, total management fees paid by the Trust to Maine Municipal Association amounted to \$1,910,807 and 1,915,080, respectively.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Schedule of Changes in Net Assets Available for
Benefits by Program
For the year ended December 31, 2002
(With comparative totals for the year ended December 31, 2001)

	Income protection plan	Health
Additions to plan assets:		
Premiums	\$ 2,538,253	69,161,363
Transfer premiums to life	-	(737,514)
Interest income	56,686	835,347
Total additions	2,594,939	69,259,196
Deductions from plan assets:		
Claims paid	2,327,142	53,367,321
Claims:		
Incurred but not reported adjustment	16,950	1,543,625
Less:		
Subrogation recovery	-	(143,103)
Reinsurance recovery	-	(1,097,607)
Total claims expense	2,344,092	53,670,236
Reinsurance:		
Specific	43,088	988,108
Aggregate	3,888	89,169
Premiums remitted - life	-	-
Network access fees	-	1,100,338
Utilization and case management reviews	-	1,993,331
Health promotion	-	149,060
Claims service fee	104,688	1,263,604
Claims service fee reserve adjustment	326	34,593
Total claims related expenses	2,496,082	59,288,439
Administrative expenses:		
Management fee	66,265	1,805,558
Professional services	7,250	197,551
Trustee expenses	1,842	50,190
Administrative expenses reserve adjustment	464	38,259
Other expenses	3,225	87,868
Total deductions	2,575,128	61,467,865
Net increase in net assets available for benefits over benefit obligations	19,811	7,791,331
Excess of net assets available for benefits over benefit obligations:		
Beginning of year		
End of year	\$	

Schedule 1

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
 Schedule of Changes in Net Assets Available
 for Benefits by Program, Continued

	Dental	Life	Totals	
			2002	2001
\$	1,493,268	-	73,192,884	64,574,291
	-	737,514	-	-
	18,378	-	910,411	804,511
	1,511,646	737,514	74,103,295	65,378,802
	1,162,451	-	56,856,914	53,301,124
	(6,476)	-	1,554,099	1,126,008
	-	-	(143,103)	(177,023)
	-	-	(1,097,607)	(1,451,236)
	1,155,975		57,170,303	52,798,873
	21,523	-	1,052,718	1,050,328
	1,942	-	95,000	95,000
	-	723,825	723,825	702,546
	-	-	1,100,338	850,940
	-	-	1,993,331	394,792
	-	-	149,060	149,111
	100,658	13,689	1,482,639	1,378,705
	(498)		34,421	24,305
	1,279,600	737,514	63,801,635	57,444,600
	38,984	-	1,910,807	1,915,080
	4,265	-	209,066	194,663
	1,084	-	53,116	47,135
	(358)	-	38,365	17,931
	1,898	-	92,991	106,186
	1,325,473	737,514	66,105,980	59,725,595
	186,173	-	7,997,315	5,653,207
			8,588,207	2,935,000
\$			16,585,522	8,588,207

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Schedule of Claims Development
For the years ended December 31, 2002, 2001 and 2000

The analysis provides a summary of the income and expenses recorded by the Trust, along with comparative data on paid claims and incurred claims from each of the last three years. Reestimated incurred claims and expense are indicated for two years only, as the claims are substantially complete by the end of the year subsequent to the policy year.

Policy year ended	2002	2001	2000
Net earned contributions and other revenues:			
Earned	\$ 75,382,472	67,007,061	53,999,144
Ceded	(1,147,718)	(1,145,328)	(998,764)
Net earned	74,234,754	65,861,733	53,000,380
Unallocated expenses	7,826,425	6,081,395	5,449,298
Paid claims as of:			
End of policy year	49,797,043	47,951,781	43,405,365
One year later		54,238,465	49,047,247
Two years later		-	49,086,086
Reestimated incurred claims and expenses as of:			
End of policy year	58,527,386	54,899,848	49,533,467
One year later		54,281,144	49,146,258
Two years later		-	49,086,086
Decrease in estimated incurred claims from end of policy year	\$ -	(618,704)	(447,381)

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Schedule to Form 5500
Schedule H, Line 4i - Schedule of Assets Held for Investment Purposes
Year ended December 31, 2002

(a)	(b) Issuer	Description	(c) Maturity date	Interest rate	Maturity value	(d) Cost	(e) Current value
	KEY BANK	Money Market Fund		1.142%	\$ 5,233,670	5,233,670	5,233,670
	KEY TRUST	Money Market Fund		1.204%	4,471,805	4,471,805	4,471,805
	INDYMAC BANK	Certificate of Deposit	05/07/03	2.650%	500,000	500,000	500,000
	STEARNS BANK	Certificate of Deposit	10/29/03	2.300%	500,000	500,000	500,000
	CENTENNIAL BANK	Certificate of Deposit	12/13/03	2.330%	250,000	250,000	250,000
	SECURITY BANK	Certificate of Deposit	12/19/03	2.242%	250,000	250,000	250,000
	SECURITY BANK	Certificate of Deposit	05/21/04	2.254%	99,000	99,000	99,000
	MERCANTILE BANK	Certificate of Deposit	10/29/04	2.800%	100,000	100,000	100,000
	WAUWATOSA BANK	Certificate of Deposit	10/29/04	2.650%	100,000	100,000	100,000
	COMMUNITY BANK	Certificate of Deposit	10/30/04	3.000%	99,000	99,000	99,000
	FORD MOTOR CORP	Corporate Bonds	01/14/03	6.000%	500,000	509,425	500,494
	ALLSTATE CORP	Corporate Bonds	06/15/03	6.750%	1,000,000	1,039,800	1,022,664
	FHLB	U. S. Gov't Sec.	02/14/03	5.000%	1,000,000	1,013,930	1,004,408
	FNMA	U. S. Gov't Sec.	05/15/03	4.625%	1,000,000	1,023,440	1,012,364
	FNMA	U. S. Gov't Sec.	05/15/03	4.625%	500,000	512,615	506,182
	FHLB	U. S. Gov't Sec.	07/07/03	4.500%	1,000,000	1,028,190	1,016,520
	FHLB	U. S. Gov't Sec.	08/15/03	6.875%	1,000,000	1,052,330	1,034,521
	FHLB	U. S. Gov't Sec.	09/15/03	5.125%	1,000,000	1,028,000	1,026,892
	FNMA	U. S. Gov't Sec.	11/14/03	4.750%	1,000,000	1,021,110	1,029,551
	FNMA	U. S. Gov't Sec.	09/15/03	3.500%	1,000,000	1,024,143	1,031,329
	FHLB	U. S. Gov't Sec.	12/15/04	3.875%	1,000,000	1,013,080	1,040,887
	FNMA	U. S. Gov't Sec.	01/14/05	3.390%	500,000	508,915	522,839
	FHLB	U. S. Gov't Sec.	02/15/05	4.375%	1,000,000	1,009,600	1,052,100
	FNMA	U. S. Gov't Sec.	03/15/05	3.875%	1,000,000	1,004,770	1,043,788
	FHLB	U. S. Gov't Sec.	04/15/05	4.625%	1,000,000	1,050,800	1,060,287
	FHLB	U. S. Gov't Sec.	05/13/05	4.125%	1,000,000	1,005,640	1,049,361
	FHLB	U. S. Gov't Sec.	08/15/05	2.390%	1,000,000	1,015,330	1,023,114
					\$ 27,103,475	27,464,593	27,580,776

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST

Schedule to Form 5500

Schedule H, Line 4i - Schedule of Assets (Acquired and Disposed of Within Year)

Year ended December 31, 2002

(a) Issuer	Description	(c) Cost of Acquisitions	(d) Proceeds of Dispositions
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None

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
 Schedule H, Line 4j - Schedule of Reportable Transactions
 Year ended December 31, 2002

(a) Identity of Party Involved	(b) Description of assets (include interest and and maturity in case of a loan)	(c) Purchase price	(d) Selling price	(e) Lease rental	(f) Expense incurred with transaction	(g) Cost of asset	(h) Current value of asset on transaction date	(i) Net gain or (loss)
FHLB	Government Security	1,013,930				1,013,930		
FNMA	Government Security	1,023,440				1,023,440		
FHLB	Government Security	1,028,190				1,028,190		
AllState Corp.	Corporate Bond	1,039,800				1,039,800		
FHLB	Government Security	1,052,330				1,052,330		
FHLB	Government Security	1,028,000				1,028,000		
FNMA	Government Security	1,021,110				1,021,110		
FNMA	Government Security	1,024,143				1,024,143		
FHLB	Government Security	1,013,080				1,013,080		
FHLB	Government Security	1,009,600				1,009,600		
FNMA	Government Security	1,004,770				1,004,770		
FHLB	Government Security	1,050,800				1,050,800		
FHLB	Government Security	1,005,640				1,005,640		
FHLB	Government Security	1,015,330				1,015,330		
		14,330,163	-	-	-	14,330,163		

MAINE MUNICIPAL EMPLOYEES
HEALTH TRUST

Financial Statements

Years ended December 31, 2003 and 2002

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Independent Auditor's Report

To the Board of Trustees
Maine Municipal Employees Health Trust:

We have audited the accompanying statements of net assets of the Maine Municipal Employees Health Trust as of December 31, 2003 and 2002 and the related statements of revenues, expenses, and changes in net assets for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust at December 31, 2003 and 2002, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

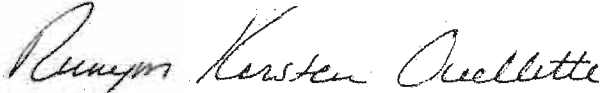
The Trust adopted the provisions of Governmental Accounting Standards Board Statements No. 34, 36, 37, and 38 as well as GASB Interpretation 6 as of and for the year ended December 31, 2003. This resulted in changes in the Trust's format and content of the financial statements.

The Management Discussion and Analysis, as listed in the table of contents, is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information in Schedules 1 and 2, and Schedules H, Line 4i and Line 4j is presented for the purpose of additional analysis and is not a required part of the financial statements. The information contained in Schedule H is required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of

Board of Trustees
Maine Municipal Employees Health Trust

1974. This supplemental information is the responsibility of the Trust's management. The supplemental information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



March 8, 2004
South Portland, Maine

This section of the Maine Municipal Employees Health Trust (The Trust) annual financial report sets forth a narrative overview of its financial activities for the year ended December 31, 2003. Please read it in conjunction with The Trust's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- The Trust's Net Assets at December 31, 2003 were \$24,692,170, an increase of 48.9% over the prior year.
- Cash and Investments totaled \$36,095,167, an increase of 30.9%.
- Operating revenues in 2003 totaled \$78,883,119 (6.5% increase)
- Operating expenses in 2003 totaled \$70,776,471 (7.1% increase)
- The Incurred But Not Reported (IBNR) reserve totaled \$7,976,419, a decrease of 8.1%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Trust's fiscal year is January 1 through December 31.

The annual financial report consists of four parts:

- Management Discussion & Analysis
- Required Financial Statements
- Notes to the Statements
- Supplemental Exhibits.

Management Discussion & Analysis provides a narrative overview of the statements and comments on significant developments during the reporting period.

Required Statements include:

- Statements of Net Assets
- Statements of Revenues, Expenses, and Changes in Net Assets
- Statements of Cash Flows

These statements present the Trust's status at December 31, 2003 and financial developments during fiscal year 2003 for all benefit programs combined.

Notes to the Statements provide explanations of the accounting principles followed and of key items in the statements.

Supplemental Exhibits include an analysis of 2003 revenues and expenses by plan and a history of claims development for the past three fund years.

FINANCIAL ANALYSIS

The following table summarizes the Statements of Net Assets:

	12/31/2003	12/31/2002	% Change
Assets:			
Current Assets	\$ 37,548,047	\$ 28,979,549	29.6%
Capital Assets	-	-	0.0%
Total Assets	\$ 37,548,047	\$ 28,979,549	29.6%
Liabilities:			
IBNR Reserve	\$ 7,976,419	\$ 8,773,022	- 9.1%
Other Liabilities	4,879,458	3,621,005	34.8%
Total Liabilities	\$ 12,855,877	\$ 12,394,027	3.7%
Net Assets at Year End	\$ 24,692,170	\$ 16,585,522	48.9%

The IBNR (Incurred But Not Reported) Reserve is maintained to cover the estimated cost of claims for services delivered on or before December 31, 2003 but which had not been paid as of that date. The Reserve is estimated at year-end by an independent actuary.

The following table summarizes the Statements of Revenues, Expenses, and Changes in Net Assets:

Member Contributions	\$ 78,324,459	\$ 73,192,884	7.0%
Investment Income	558,660	910,411	-38.6%
Total Operating Revenues	\$ 78,883,119	\$ 74,103,295	6.5%
Net Claims Expense	\$ 60,774,421	\$ 57,170,303	-6.3%
Claims Related Expense	6,122,891	5,114,272	19.7%
Claims Service Expense	1,583,537	1,517,060	4.4%
Administrative Expense	2,295,622	2,304,345	- 0.4%
Total Operating Expense	70,776,471	66,105,980	7.1%
Net Operating Gain or (Loss)	\$ 8,106,648	\$ 7,997,315	1.4%
Net Assets - Beginning of Year	\$ 16,585,522	\$ 8,588,207	
Net Assets - End of Year	\$ 24,692,170	\$ 16,585,522	

ANALYSIS OF FINANCIAL DEVELOPMENTS IN FISCAL YEAR 2003

The following table presents a budget to actual comparison in summarized form:

	BUDGET	ACTUAL	% Change
Member Contributions	\$ 80,291,802	\$ 78,324,459	- 2.5%
Investment Income	688,198	558,660	-18.8%
Total Operating Revenues	\$ 80,980,000	\$ 78,883,119	- 2.6%
Net Claims Expense	\$ 69,762,200	\$ 60,774,421	-12.9%
Claims Related Expense	6,085,461	6,122,891	0.6%
Claims Service Expense	1,579,078	1,583,537	0.3%
Administrative Expense	2,515,261	2,295,622	- 8.7%
Total Operating Expense	\$ 79,942,000	\$ 70,776,471	-11.5%
Net Operating Gain or (Loss)	\$ 1,038,000	\$ 8,106,648	681.0%

Member Contributions were under budget due primarily to a shifting of participants from the Indemnity to the lower cost Point of Service Plans. This shifting also contributed to Net Claims Expense coming in under budget.

CAPITAL ASSETS AND LONG TERM DEBT

At December 31, 2003 The Trust had no capital assets or long-term debt.

CONDITIONS WHICH MAY IMPACT ON THE TRUST'S FINANCIAL CONDITION IN THE FUTURE

Management is aware of no conditions, decisions or contingencies which are expected to significantly impact on The Trust's financial position in the future.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST

Statements of Net Assets
December 31, 2003 and 2002

	2003	2002
Assets:		
Cash and cash equivalents	\$ 12,788,856	9,705,475
Investments at fair value:		
Certificates of deposit	2,898,000	1,898,000
Corporate bonds	-	1,523,158
U.S. Government and agency securities	20,408,311	14,454,143
Total investments at fair value	23,306,311	17,875,301
Accounts receivable	419,138	691,498
Accrued interest receivable	153,255	184,297
Reinsurance recoverable	802,048	387,930
Other receivables	50,000	75,000
Prepaid expenses	28,439	60,048
Total assets	37,548,047	28,979,549
Liabilities:		
Accounts payable	(2,396,114)	(1,271,718)
Other payables	(40,463)	(50,544)
Advance premiums received	(1,961,696)	(1,750,558)
Claims incurred but not reported	(7,976,419)	(8,773,022)
Claims and administrative service reserve	(481,185)	(548,185)
Total liabilities	(12,855,877)	(12,394,027)
Net assets	\$ 24,692,170	16,585,522

See accompanying notes to financial statements.

Exhibit B

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Statements of Revenues, Expenses, and Changes in Net Assets
For the years ended December 31, 2003 and 2002

	2003	2002
Operating revenue:		
Contributions:		
Health	\$ 74,029,884	69,161,363
Income protection plan	2,715,632	2,538,253
Dental	1,578,943	1,493,268
Total contributions	78,324,459	73,192,884
Investment income:		
Interest income	661,318	687,004
Net appreciation in fair value of investments	(102,658)	223,407
Total investment income	558,660	910,411
Total operating revenue	78,883,119	74,103,295
Operating expense:		
Claims expense:		
Health	60,579,956	53,512,290
Income protection plan	2,351,053	2,327,142
Dental	1,287,877	1,162,451
Total claims expense	64,218,886	57,001,883
Increase (decrease) in claims incurred but not reported	(796,603)	1,409,130
Less recoveries:		
Subrogation	163,207	143,103
Reinsurance	2,484,655	1,097,607
Total recoveries	2,647,862	1,240,710
Net claims expense	60,774,421	57,170,303

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Statements of Revenues, Expenses, and Changes in Net Assets

	2003	2002
Claims related expense:		
Reinsurance:		
Specific	\$ 2,035,046	1,052,718
Aggregate	125,000	95,000
Premiums remitted - life	777,588	723,825
Network access fees	902,728	1,100,338
Utilization review and case management	2,103,888	1,993,331
Health promotion	178,641	149,060
Total claims related expense	6,122,891	5,114,272
Claims service expense:		
Income protection plan	192,539	102,080
Health - indemnity	419,525	425,004
Health - point of service	809,157	767,542
Dental	101,828	99,124
Life	17,534	13,689
Other	50,809	75,201
Claim service reserve adjustments	(7,855)	34,421
Total claims service expense	1,583,537	1,517,061
Administrative expense:		
Management fees	1,956,719	1,910,807
Professional services:		
Legal	71,984	88,321
Actuarial	78,770	73,006
Consultants	57,538	47,740
Trustee expenses:		
Insurance	31,609	31,609
Meetings	26,658	21,506
Administrative expense reserve adjustments	(59,146)	38,365
Other expenses	131,490	92,990
Total administrative expense	2,295,622	2,304,344
Total operating expense	70,776,471	66,105,980
Change in net assets	8,106,648	7,997,315
Net assets, beginning of year	16,585,522	8,588,207
Net assets, end of year	\$ 24,692,170	16,585,522

See accompanying notes to financial statements.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
 Statements of Cash Flows
 For the years ended December 31, 2003 and 2002

	2003	2002
Cash flows from operating activities:		
Receipts from contributions	\$ 78,832,957	73,020,083
Receipts from recoveries	2,233,744	1,439,358
Receipts from investment income	692,360	610,400
Payments for claims	(64,218,886)	(57,001,883)
Payments for claims related expenses	(6,122,891)	(5,114,272)
Payments for insurance claims service expense	(526,141)	(238,818)
Payments for administrative expenses	(2,274,094)	(2,309,212)
Net cash provided by operating activities	8,617,049	10,405,656
Cash flows from investing activities:		
(Purchase) sale of investments	(5,533,668)	(5,505,773)
Net cash used in investing activities	(5,533,668)	(5,505,773)
Increase in cash	3,083,381	4,899,883
Cash, beginning of year	9,705,475	4,805,592
Cash, end of year	\$ 12,788,856	9,705,475
Reconciliation of gain from operations to net cash provided by operating activities:		
Gain from operations	\$ 8,106,648	7,997,315
Adjustments to reconcile gain from operations to net cash provided by operating activities:		
Net appreciation in fair value of investments	102,658	(223,407)
Increase (decrease) in benefit obligations:		
Claims incurred but not reported	(796,603)	1,409,130
(Increase) decrease in assets:		
Accounts receivable	272,360	(446,155)
Accrued interest receivable	31,042	(76,604)
Reinsurance recoverable	(414,118)	198,648
Other receivables	25,000	25,000
Prepaid expenses	31,609	21,609
Increase (decrease) in liabilities:		
Accounts payable	1,124,396	1,205,457
Other payables	(10,081)	(26,477)
Advanced premiums received	211,138	248,354
Claims and administrative service reserve	(67,000)	72,786
Net cash provided by operating activities	\$ 8,617,049	10,405,656

See accompanying notes to financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND TRUST DESCRIPTION

The Trust was established in 1982 as a multiple-employer Voluntary Employees' Beneficiary Association for the purpose of providing hospital, physician, major medical, short-term disability, dental and life benefits. The Trust began offering these services on January 1, 1983. The Trust contracts with the Maine Municipal Association to serve as plan administrator and pays Maine Municipal Association a management fee.

The Trust was drafted with the intent to comply with the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and has operated in compliance with ERISA since its establishment. This status, however, was challenged by a Federal District Court decision in March of 2000. The Trustees requested an Advisory Opinion from the Department of Labor in June of 2000 to confirm the Trust's ERISA status, but the Department of Labor has not yet responded to the request. The Trust will continue to be operated in accordance with ERISA until its status is resolved.

The Trust has also entered into a Consent Agreement with the State of Maine Bureau of Insurance agreeing to comply with the applicable provisions of Maine law relating to Multiple Employer Welfare Arrangements (MEWA) as of January 1, 2003.

The Trust self-insures for the health, dental, and short-term disability benefits it provides, up to retention limits specified in reinsurance contracts. Contribution levels are determined by an actuary annually for the Trust and are paid in accordance with the contractual agreement entered into by each participating employer. Contributions to the Trust are made by participating employers and their employees. The life, supplemental life, and dependent life programs are fully insured.

An employer must be a member of the Maine Municipal Association to participate in the Trust programs and its employees must meet certain eligibility guidelines described in the Trust agreement. During 2003 and 2002, there were 433 and 431 members, respectively, in the health plan; 217 and 204 members, respectively, in the dental plan; and 300 and 290 members, respectively, in the short-term disability plan.

Tax Exempt Status - The Trust is exempt from income taxes under Section 501(c)(9) of the Internal Revenue Code as stated in a determination letter from the Internal Revenue Service dated August 20, 1982. Since that date, the plan has been amended. However, the plan administrator and the plan's tax counsel believe that the plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the plan's financial statements.

Basis of Accounting - The Trust follows the accrual basis of accounting, and certain pronouncements applicable to employee benefit plans.

Cash and Cash Equivalents - The Trust considers all highly liquid deposits with an initial maturity of three months or less to be cash and cash equivalents.

Investments - The Trust has a number of financial instruments, including U.S. government and agency securities and corporate bonds, none of which are held for trading purposes. The Trust estimates that the fair value of all financial instruments at December 31, 2003 and 2002 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of net assets. The estimated fair value amounts have been determined by quoted market prices.

Accounts Receivable - Accounts receivable have been adjusted for all known uncollectible accounts. No allowance for bad debts was considered necessary at December 31, 2003 and 2002.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND TRUST DESCRIPTION, CONTINUED

Advance Premiums Received - This represents deferred revenue from contributions and premiums which has been received by the Trust but which relates to the next year.

Claims Incurred But Not Reported - Reserves for health, dental and short-term disability claims incurred but not reported are estimated by an independent actuary based upon historical claims experience. Management believes that the reserves are adequate, but the ultimate net cost of settling these liabilities may vary from the estimated amount. Accordingly, this estimate is reviewed annually. Any adjustments resulting from the settlement of losses will be reflected in the statement of revenues and expenses at the time the adjustments are determined.

Claims and Administrative Service Reserves - This reserve amount is for the cost to process and administer the claims incurred but not reported and is estimated by an independent actuary based upon historical expense experience. Management believes that the reserves are adequate, but the ultimate net cost of settling this liability may vary from the estimated amount. Accordingly, this estimate is reviewed annually.

Reinsurance - The Trust uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Trust as a direct insurer of the risks reinsured. The Trust does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. Premiums ceded to reinsurers during 2003 and 2002 were \$2,160,046 and \$1,147,718, respectively.

Management Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates utilized in the preparation of the financial statements relate to claims incurred but not reported and claims and administrative service reserves.

DEPOSITS AND INVESTMENTS

Deposits - Cash and cash equivalents are composed of cash management accounts (CMA) and money market instruments and consist of the following at December 31:

	<u>2003</u>	<u>2002</u>
CMA – deposit account	\$ 402,531	98,017
CMA – mutual fund investment sweep	8,825,050	5,135,653
Money market mutual fund	3,561,275	4,471,805
Totals	\$ 12,788,856	9,705,475

Cash and cash equivalents for the Trust are held at a single financial institution. The CMA-deposit account amounts in excess of the \$100,000 FDIC insured limit are considered uninsured and uncollateralized. Amounts in the CMA-mutual fund investment sweep and the money market mutual fund are indirectly invested in US government obligations.

DEPOSITS AND INVESTMENTS, CONTINUED

Investments - Investments are categorized into three categories of credit risk as follows:

1. Insured or registered, or securities held by the Trust or held in custodian's name for the benefit of the Trust.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Trust's name.
3. Uninsured and unregistered, with securities held by the counterparty or its trust department or agent but not in the Trust's name.

At December 31, 2003 and 2002, investment balances were as follows:

	<u>Category</u>	<u>2003</u>	<u>2002</u>
Certificates of deposit	*	\$ 2,898,000	1,898,000
Corporate debt securities	I	-	1,523,158
U.S. Government securities	I	20,408,311	14,454,143
Totals		\$ 23,306,311	17,875,301

The securities mature in various amounts during 2002 and 2006.

* Of the certificate of deposit bank balances on December 31, 2003 and 2002, \$998,000 and \$798,000, respectively, were covered by federal depository insurance; the remainder is uninsured and uncollateralized.

NET APPRECIATION IN FAIR VALUE

Net appreciation in fair value during the years ended December 31, 2003 and 2002 by type of investment was as follows. Such amounts are included in investment income in the statements of changes in net assets.

	<u>2003</u>	<u>2002</u>
Corporate Bonds	\$ (8,047)	(6,575)
U.S. Government Securities	(94,612)	229,982
Totals	\$ (102,658)	223,407

CLAIMS RESERVES

The Trust is self-insured for hospital, physician, major medical, and dental and short-term disability benefits. Liabilities for claims incurred but not reported at December 31 have been estimated by the Trust's independent actuary, using standard actuarial assumptions based upon actual experience and are as follows:

	<u>2003</u>	<u>2002</u>
Health	\$ 7,373,929	8,622,403
Income Protection Plan	544,620	104,312
Dental	57,870	46,307
	<u>\$ 7,976,419</u>	<u>8,773,022</u>

The Trust has obtained reinsurance for claims in excess for the following:

	<u>2003</u>	<u>2002</u>
Specific	\$ 150,000	150,000
Aggregate	79,505,824	73,548,216

A.M. BEST RATINGS

Reinsurance was provided by the Hartford Life Insurance Company which has an A.M. Best rating of A+ (superior), XV.

UNPAID CLAIMS LIABILITIES

The schedule below presents the changes in claims liabilities for the years ended December 31:

	<u>2003</u>	<u>2002</u>
Unpaid claims and claims service reserved at beginning of year	\$ 9,321,207	7,839,291
Incurred claims and claims service reserve expense:		
Provision for incurred events of the current year	64,077,783	59,072,882
Decreases in provision for insured events of prior fiscal year	(722,502)	(734,053)
Total incurred claims and claims service reserve expenses	63,355,281	54,469,367
Payments:		
Claims attributable to insured events of the current year	55,625,454	49,797,043
Claims attributable to insured events of the prior fiscal years	8,593,432	7,059,870
Total payments	64,218,886	56,856,913
Total unpaid claims and claims service reserved at end of year	<u>\$ 8,457,604</u>	<u>9,321,207</u>

PARTICIPANT CONTRIBUTIONS

Participating employers and their employees contribute to the Trust. Employee contributions were as follows during the years ended December 31:

	<u>2003</u>	<u>2002</u>
Health	\$ 8,097,081	6,981,796
Income Protection Plan	1,989,135	1,870,018
Dental	749,993	646,597

RELATED PARTY TRANSACTIONS

To participate in the Trust, an employer must be a member of the Maine Municipal Association and its employees must meet certain eligibility guidelines described in the Trust agreement. The Trust also contracts with the Maine Municipal Association to serve as plan administrator and pays Maine Municipal Association a management fee for the services it provides. As of December 31, 2003 and 2002, total management fees paid by the Trust to the Maine Municipal Association amounted to \$1,956,719 and \$1,910,807, respectively.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Statements of Revenues, Expenses and Changes in Net Assets
For the year ended December 31, 2003
(With comparative totals for the year ended December 31, 2002)

	Income protection plan	Health
Operating revenue:		
Contributions	\$ 2,715,632	74,029,884
Transfer premiums to life	-	(795,122)
Interest income, net	28,857	519,397
Total additions	2,744,489	73,754,159
Operating expense:		
Claims paid	2,351,053	60,579,956
Claims:		
Changes in incurred but not reported	440,308	(1,248,474)
Less recoveries:		
Subrogation recovery	-	(163,207)
Reinsurance recovery	-	(2,484,655)
Net claims expense	2,791,361	56,683,620
Reinsurance:		
Specific	74,503	1,919,731
Aggregate	4,576	117,917
Premiums remitted - life	-	-
Network access fees	-	902,728
Utilization and case management reviews	-	2,103,888
Health promotion	-	178,641
Claims service fee	194,301	1,276,705
Claims service fee reserve adjustment	40,292	(48,761)
Total claims related and service expense	313,672	6,450,849
Administrative expenses:		
Management fee	67,843	1,849,431
Professional services	7,222	196,871
Trustee expenses	2,020	55,072
Administrative expenses reserve adjustment	14,859	(74,238)
Other expenses	4,559	124,280
Total administrative expense	96,503	2,151,416
Total operating expense	3,201,536	65,285,885
Gain or (Loss) from operations	(457,047)	8,468,274
Net assets		
Beginning of year		
End of year	\$	

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
 Statements of Revenues, Expenses
 and Changes in Net Assets, Continued

	Dental	Life	Totals	
			2003	2002
\$	1,578,943	-	78,324,459	73,192,884
	-	795,122	-	-
	10,406	-	558,660	910,411
	1,589,349	795,122	78,883,119	74,103,295
	1,287,877	-	64,218,886	57,001,883
	11,563	-	(796,603)	1,409,130
	-	-	(163,207)	(143,103)
	-	-	(2,484,655)	(1,097,607)
	1,299,440	-	60,774,421	57,170,303
	40,812	-	2,035,046	1,052,718
	2,507	-	125,000	95,000
	-	777,588	777,588	723,825
	-	-	902,728	1,100,338
	-	-	2,103,888	1,993,331
	-	-	178,641	149,060
	102,852	17,534	1,591,392	1,482,640
	614	-	(7,855)	34,421
	146,785	795,122	7,706,428	6,631,333
	39,445	-	1,956,719	1,910,807
	4,199	-	208,292	209,067
	1,175	-	58,267	53,115
	233	-	(59,146)	38,365
	2,651	-	131,490	92,990
	47,703	-	2,295,622	2,304,344
	1,493,928	795,122	70,776,471	66,105,980
	95,421	-	8,106,648	7,997,315
			16,585,522	8,588,207
\$			24,692,170	16,585,522

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Schedule of Claims Development
For the years ended December 31, 2003, 2002 and 2001

The analysis provides a summary of the income and expenses recorded by the Trust, along with comparative data on paid claims and incurred claims from each of the last three years. Reestimated incurred claims and expense are indicated for two years only, as the claims are substantially complete by the end of the year subsequent to the policy year.

Policy year ended	2003	2002	2001
Net earned contributions and other revenues:			
Earned	\$ 81,584,908	75,382,472	67,007,061
Ceded	(2,160,046)	(1,147,718)	(1,145,328)
Net earned	79,424,862	74,234,754	65,861,733
Unallocated expenses	7,895,931	7,826,425	6,081,395
Paid claims as of:			
End of policy year	55,625,454	49,797,043	47,951,781
One year later		57,188,686	54,238,465
Two years later			54,192,439
Reestimated incurred claims and expenses as of:			
End of policy year	63,596,877	58,527,386	54,899,848
One year later		57,193,682	54,281,144
Two years later			54,192,439
Decrease in estimated incurred claims from end of policy year	\$ -	(1,333,704)	(88,705)

Schedule H, Line 4i - Schedule of Assets Held for Investment Purposes
Year ended December 31, 2003

(a)	(b) Issuer	Description	(c)		Maturity value	(d) Cost	(e) Current value
			Maturity date	Interest rate			
	KEY BANK	Money Market Fund		0.780%	\$ 9,217,581	9,227,581	9,227,581
	KEY TRUST	Money Market Fund		0.741%	3,561,275	3,561,275	3,561,275
	WACHOVIA BANK	Checking Account		0.000%	10,000	10,000	10,000
	TREASURY BANK	Certificate of Deposit	3/14/2004	2.060%	500,000	500,000	500,000
	FIRST BK OF BEV HILLS	Certificate of Deposit	4/15/2004	1.500%	500,000	500,000	500,000
	INDYMAC BANK	Certificate of Deposit	5/6/2004	1.980%	500,000	500,000	500,000
	SECURITY BANK	Certificate of Deposit	5/21/2004	2.254%	99,000	99,000	99,000
	PULLMAN BK & TRUST	Certificate of Deposit	5/21/2004	1.800%	500,000	500,000	500,000
	MERCANTILE BANK	Certificate of Deposit	10/29/2004	2.800%	100,000	100,000	100,000
	WAUWATOSA BANK	Certificate of Deposit	10/29/2004	2.650%	100,000	100,000	100,000
	COMMUNITY BANK	Certificate of Deposit	10/30/2004	3.000%	99,000	99,000	99,000
	CENTENNIAL BANK	Certificate of Deposit	12/13/2004	2.080%	250,000	250,000	250,000
	SECURITY BANK	Certificate of Deposit	12/19/2004	2.101%	250,000	250,000	250,000
	FNMA	U. S. Gov't Sec.	9/15/2004	3.500%	1,000,000	1,024,143	1,015,610
	FHLB	U. S. Gov't Sec.	12/15/2004	3.875%	1,000,000	1,013,080	1,023,560
	FHLB	U. S. Gov't Sec.	1/14/2005	4.125%	500,000	508,915	514,016
	FHLB	U. S. Gov't Sec.	2/15/2005	4.375%	1,000,000	1,009,600	1,032,769
	FNMA	U. S. Gov't Sec.	3/15/2005	3.875%	1,000,000	1,004,770	1,029,244
	FHLB	U. S. Gov't Sec.	4/15/2005	4.625%	1,000,000	1,050,800	1,038,947
	FHLB	U. S. Gov't Sec.	4/15/2005	1.870%	1,000,000	995,070	1,000,907
	FHLB	U. S. Gov't Sec.	5/13/2005	4.125%	1,000,000	1,005,640	1,034,014
	FHLB	U. S. Gov't Sec.	8/15/2005	3.000%	1,000,000	1,015,330	1,019,170
	FNMA	U. S. Gov't Sec.	10/15/2005	2.875%	1,000,000	1,018,020	1,017,328
	FHLB	U. S. Gov't Sec.	11/15/2005	2.500%	1,000,000	1,015,850	1,009,616
	FHLB	U. S. Gov't Sec.	11/15/2005	2.125%	500,000	501,315	501,382
	FHLB	U. S. Gov't Sec.	12/15/2005	2.500%	1,000,000	1,011,652	1,009,468
	FFCB	U. S. Gov't Sec.	12/15/2005	2.625%	1,000,000	1,025,420	1,011,850
	FHLB	U. S. Gov't Sec.	3/15/2006	2.500%	1,000,000	1,003,770	1,006,123
	FHLB	U. S. Gov't Sec.	5/15/2006	2.250%	1,000,000	993,220	999,233
	FHLB	U. S. Gov't Sec.	8/15/2006	3.500%	1,000,000	1,018,590	1,025,905
	FHLB	U. S. Gov't Sec.	8/15/2006	2.375%	1,000,000	998,200	997,542
	FHLB	U. S. Gov't Sec.	9/15/2006	2.875%	1,000,000	1,014,540	1,009,670
	FHLB	U. S. Gov't Sec.	10/15/2006	4.375%	1,000,000	1,045,860	1,049,525
	FHLB	U. S. Gov't Sec.	11/15/2006	4.875%	1,000,000	1,066,020	1,062,432
					\$ 35,686,856	36,036,661	36,105,167

Schedule to Form 5500

Schedule H, Line 4i - Schedule of Assets (Acquired and Disposed of Within Year)

Year ended December 31, 2003

(a) Issuer	Description	(c) Cost of Acquisitions	(d) Proceeds of Dispositions
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None

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
 Schedule H, Line 4j - Schedule of Reportable Transactions
 Year ended December 31, 2003

(a) Identity of Party Involved	(b) Description of assets (include interest and maturity in case of a loan)	(c) Purchase price	(d) Selling price	(e) Lease rental	(f) Expense incurred with transaction	(g) Cost asset	(h) Current value of asset on transaction date	(i) Net gain or (loss)
FNMA	Government Security	1,018,020				1,018,020		
FHLB	Government Security	1,015,850				1,015,850		
FHLB	Government Security	1,011,652				1,011,652		
PFCB	Government Security	1,025,420				1,025,420		
FHLB	Government Security	1,003,770				1,003,770		
FHLB	Government Security	1,018,590				1,018,590		
FHLB	Government Security	1,014,540				1,014,540		
FHLB	Government Security	1,045,860				1,045,860		
FHLB	Government Security	1,066,020				1,066,020		
		9,219,722	-	-	-	9,219,722	-	-

MAINE MUNICIPAL EMPLOYEES
HEALTH TRUST

Financial Statements

Years ended December 31, 2004 and 2003

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Independent Auditor's Report

To the Board of Trustees
Maine Municipal Employees Health Trust:

We have audited the accompanying statements of benefit obligations and net assets available for benefits of the Maine Municipal Employees Health Trust as of December 31, 2004 and 2003 and the related statements of changes in benefit obligations and net assets available for benefits for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Trust at December 31, 2004 and 2003, and the changes in its financial status for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information in Schedules I and 2, and Schedule H, Line 4i and Line 4j, are presented for the purpose of additional analysis and is not a required part of the financial statements. The information contained in Schedule H, however, is required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under Employee Retirement Income Security Act of 1974. This supplemental information is the responsibility of the Trust's management. The supplemental information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Runyon Kersteen Ouellette

June 9, 2005
South Portland, Maine

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Statements of Benefit Obligations and
Net Assets Available for Benefits
December 31, 2004 and 2003

	2004	2003
Benefit obligations		
Claims incurred but not reported	(7,672,090)	(7,976,419)
Total benefit obligations	(7,672,090)	(7,976,419)
Net Assets		
Assets:		
Investments at fair value:		
Certificates of deposit	\$ 2,599,000	2,898,000
U.S. Government and agency securities	28,712,080	20,408,311
Total investments at fair value	31,311,080	23,306,311
Receivables:		
Accounts receivable	310,598	419,138
Accrued interest receivable	218,074	153,255
Reinsurance recoverable	1,030,626	802,048
Other receivables	25,000	50,000
Total receivables	1,584,298	1,424,441
Prepaid expenses	73,581	28,439
Cash and cash equivalents	10,782,111	12,788,856
Total assets	43,751,070	37,548,047
Liabilities:		
Accounts payable	(1,137,095)	(2,396,114)
Other payables	(40,098)	(40,463)
Advance premiums received	(1,406,792)	(1,961,696)
Claims and administrative service reserve	(481,055)	(481,185)
Total liabilities	(3,065,040)	(4,879,458)
Net assets available for benefits	40,686,030	32,668,589
Excess of net assets available for benefits over benefit obligations	\$ 33,013,940	24,692,170

See accompanying notes to financial statements.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Statements of Changes in Benefit Obligations and
Net Assets Available for Benefits
Years ended December 31, 2004 and 2003

	2004	2003
Net increase in benefit obligations:		
Decrease during the year attributable to change in claims incurred but not reported	(304,329)	(796,603)
Increase in net assets available for benefits:		
Additions:		
Contributions:		
Health	\$ 78,411,990	74,029,884
Income protection plan	2,926,788	2,715,632
Dental	1,639,204	1,578,943
Long term disability	19,634	-
Total contributions	82,997,616	78,324,459
Investment income:		
Interest income	869,147	661,318
Net depreciation in fair value of investments	(357,027)	(102,658)
Total investment income	512,120	558,660
Total additions	83,509,736	78,883,119
Deductions:		
Claims paid:		
Health	63,779,181	60,579,956
Income protection plan	2,488,203	2,351,053
Dental	1,426,756	1,287,877
Total claims paid	67,694,140	64,218,886
Less recoveries:		
Subrogation	109,316	163,207
Reinsurance	2,894,948	2,484,655
Total recoveries	3,004,264	2,647,862
Net claims expense	64,689,876	61,571,024

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Statements of Changes in Benefit Obligations and
Net Assets Available for Benefits, Continued

	2004	2003
Claims related expense:		
Reinsurance:		
Specific	\$ 2,303,965	2,035,046
Aggregate	125,000	125,000
Premiums remitted - life	750,676	777,588
Premiums remitted - LTD	19,306	-
Network access fees	1,042,174	902,728
Utilization review and case management	2,292,182	2,103,888
Health promotion	178,642	178,641
Total claims related expense	6,711,945	6,122,891
Claims service expense:		
Income protection plan	214,959	192,539
Health - indemnity	405,161	419,525
Health - point of service	818,500	809,157
Dental	107,722	101,828
Life	19,280	17,534
Other	52,231	50,809
Claim service reserve adjustments	11,237	(7,855)
Total claims service expense	1,629,090	1,583,537
Administrative expense:		
Management fees	2,076,204	1,956,719
Professional services:		
Legal	47,618	71,984
Actuarial	112,256	78,770
Consultants	36,963	57,538
Trustee expenses:		
Insurance	33,497	31,609
Meetings	31,882	26,658
Administrative expense reserve adjustments	(11,297)	(59,146)
Other expenses	134,261	131,490
Total administrative expense	2,461,384	2,295,622
Total deductions	75,492,295	71,573,074
Increase in net assets available for benefits	8,017,441	7,310,045
Increase in excess of net assets available for benefits over benefit obligations	8,321,770	8,106,648
Excess of net assets available for benefits over benefit obligations:		
Beginning of year	24,692,170	16,585,522
End of year	\$ 33,013,940	24,692,170

See accompanying notes to financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND TRUST DESCRIPTION

The Trust was established in 1982 as a multiple-employer Voluntary Employees' Beneficiary Association for the purpose of providing hospital, physician, major medical, short-term disability, long-term disability, dental and life benefits. The Trust began offering services on January 1, 1983. The Trust contracts with the Maine Municipal Association to serve as plan administrator and pays Maine Municipal Association a management fee.

The Trust was drafted with the intent to comply with the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and has operated in compliance with ERISA since its establishment. This status, however, was challenged by a Federal District Court decision in March of 2000. The Trustees requested an Advisory Opinion from the Department of Labor in June of 2000 to confirm the Trust's ERISA status, but the Department of Labor has not yet responded to the request. The Trust will continue to be operated in accordance with ERISA until its status is resolved.

The Trust has also entered into a Consent Agreement with the State of Maine Bureau of Insurance agreeing to comply with the applicable provisions of Maine law relating to Multiple Employer Welfare Arrangements (MEWA) as of January 1, 2004.

The Trust self-insures for the health, dental, and short-term disability benefits it provides, up to retention limits specified in reinsurance contracts. Contribution levels are determined by an actuary annually for the Trust and are paid in accordance with the contractual agreement entered into by each participating employer. Contributions to the Trust are made by participating employers and their employees. The, life, supplemental life, dependent life and long-term disability programs are fully insured.

An employer group must be a member of the Maine Municipal Association to participate in the Trust programs and its employees must meet certain eligibility guidelines described in the Trust agreement. During 2004 and 2003, there were 424 and 433 employer groups, respectively, in the health plan; 218 and 217 employer groups, respectively, in the dental plan; 308 and 300 employer groups, respectively, in the short-term disability plan and 12 in the long-term disability program, new in 2004.

Tax Exempt Status - The Trust is exempt from income taxes under Section 501(c)(9) of the Internal Revenue Code as stated in a determination letter from the Internal Revenue Service dated August 20, 1982. Since that date, the plan has been amended. However, the plan administrator and the plan's tax counsel believe that the plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the plan's financial statements.

Basis of Accounting - The Trust follows the accrual basis of accounting, and certain pronouncements applicable to employee benefit plans.

Cash and Cash Equivalents - The Trust considers all highly liquid deposits with an initial maturity of three months or less to be cash and cash equivalents.

Investments - The Trust has a number of financial instruments, including U.S. government and agency securities and corporate bonds, none of which are held for trading purposes. The Trust estimates that the fair value of all financial instruments at December 31, 2004 and 2003 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of net assets. The estimated fair value amounts have been determined by quoted market prices.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND TRUST DESCRIPTION, CONTINUED

Accounts Receivable - Accounts receivable have been adjusted for all known uncollectible accounts. No allowance for bad debts was considered necessary at December 31, 2004 and 2003.

Advance Premiums Received - This represents deferred revenue from contributions and premiums which has been received by the Trust but which relates to the next year.

Claims Incurred But Not Reported - Reserves for health, dental and short-term disability claims incurred but not reported are estimated by an independent actuary based upon historical claims experience. Management believes that the reserves are adequate, but the ultimate net cost of settling these liabilities may vary from the estimated amount. Accordingly, this estimate is reviewed annually. Any adjustments resulting from the settlement of losses will be reflected in the statements of revenues, expenses, and changes in net assets at the time the adjustments are determined.

Claims and Administrative Service Reserves - These reserves are for the cost to process and administer claims incurred but not reported and are estimated by an independent actuary based upon historical expense experience. Management believes that the reserves are adequate, but the ultimate net cost of settling this liability may vary from the estimated amount. Accordingly, this estimate is reviewed annually.

Reinsurance - The Trust uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Trust as a direct insurer of the risks reinsured. The Trust does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. Premiums ceded to reinsurers during 2004 and 2003 were \$2,428,965 and \$2,160,046, respectively.

Management Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates utilized in the preparation of the financial statements relate to claims incurred but not reported and claims and administrative service reserves.

DEPOSITS AND INVESTMENTS

Deposits - Cash and cash equivalents are composed of cash management accounts (CMA) and money market instruments and consist of the following at December 31:

	<u>2004</u>	<u>2003</u>
CMA - deposit account	\$ -	402,531
CMA - mutual fund investment sweep	6,904,499	8,825,050
Money market mutual fund	3,877,612	3,561,275
Totals	\$ 10,782,111	12,788,856

Cash and cash equivalents for the Health Trust are held at a single financial institution. The CMA - deposit account amounts in excess of the \$100,000 FDIC insured limit are considered uninsured and uncollateralized. Amounts in the CMA - mutual fund investment sweep and the money market mutual fund are indirectly invested in U.S. government obligations.

DEPOSITS AND INVESTMENTS, CONTINUED

Investments - Investments are categorized into three categories of credit risk as follows:

1. Insured or registered, or securities held by the Trust or held in a custodian's name for the benefit of the Trust.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Trust's name.
3. Uninsured and unregistered, with securities held by the counterparty or its trust department or agent but not in the Trust's name.

At December 31, 2004 and 2003, investment balances were as follows:

	Category	2004	2003
Certificates of deposit	*	\$ 2,599,000	2,898,000
U.S. Government securities	1	28,712,080	20,408,311
Totals		\$ 31,311,080	23,306,311

The securities mature in various amounts during 2005 and 2007.

* Of the certificate of deposit bank balances on December 31, 2004 and 2003, \$699,000 and \$998,000, respectively, were covered by federal depository insurance; the remainder is uninsured and uncollateralized.

NET DEPRECIATION IN FAIR VALUE

Net depreciation in fair value during the years ended December 31, 2004 and 2003 by type of investment was as follows. Such amounts are included in investment income in the statements of net assets.

	2004	2003
Corporate Bonds	\$ -	(8,046)
U.S. Government Securities	(357,027)	(94,612)
Totals	\$ (357,027)	(102,658)

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements, Continued

MMA_00017700

CLAIMS RESERVES

The Trust is self-insured for hospital, physician, major medical, and dental and short-term disability benefits. Liabilities for claims incurred but not reported at December 31 have been estimated by the Trust's independent actuary, using standard actuarial assumptions based upon actual experience and are as follows:

	<u>2004</u>	<u>2003</u>
Health	\$ 6,768,945	7,373,929
Income protection plan	838,323	544,620
Dental	64,822	57,870
	<u>\$ 7,672,090</u>	<u>7,976,419</u>

The Trust has obtained reinsurance for claims in excess for the following:

	<u>2004</u>	<u>2003</u>
Specific	\$ 150,000	150,000
Aggregate (\$3,000,000 layer)	87,528,394	73,548,216

A.M. BEST RATINGS

Reinsurance was provided by the Hartford Life Insurance Company which has an A.M. Best rating of A+ (superior), VIII.

UNPAID CLAIMS LIABILITIES

The schedule below presents the changes in claims liabilities for the years ended December 31:

	<u>2004</u>	<u>2003</u>
Unpaid claims and claims service reserved at beginning of year	\$ 8,457,604	9,321,209
Incurred claims and claims service reserve expense:		
Provision for incurred events of the current year	68,464,098	64,077,783
Decreases in provision for insured events of prior fiscal year	(1,074,416)	(722,502)
Total incurred claims and claims service reserve expenses	67,389,682	63,355,281
Payments:		
Claims attributable to insured events of the current year	60,339,171	55,625,455
Claims attributable to insured events of the prior fiscal years	7,354,969	8,593,431
Total payments	67,694,140	64,218,886
Total unpaid claims and claims service reserved at end of year	\$ 8,153,145	8,457,604

PARTICIPANT CONTRIBUTIONS

Participating employers and their employees contribute to the Trust. Employee contributions were as follows during the years ended December 31:

	<u>2004</u>	<u>2003</u>
Health	\$ 8,853,000	8,097,081
Income protection plan	2,229,008	1,989,135
Dental	756,083	749,993
Life	279,834	269,373
Long-term disability	6,625	n/a

RELATED PARTY TRANSACTIONS

To participate in the Trust, an employer must be a member of the Maine Municipal Association and its employees must meet certain eligibility guidelines described in the Trust agreement. The Trust also contracts with the Maine Municipal Association to serve as plan administrator and pays Maine Municipal Association a management fee for the services it provides. As of December 31, 2004 and 2003, total management fees paid by the Trust to Maine Municipal Association amounted to \$2,076,204 and \$1,956,719, respectively.

ERISA STATUS

As previously mentioned, on March 15, 2000, a Federal District Court decision was rendered in the District of Maine in the case of Hall v. Maine Municipal Employees Health Trust, case number 99-CV-208-B, in which the judge concluded that the Trust is a governmental plan, exempt from ERISA, despite the fact that a significant number of employers (3.7% of the total employers in the Trust) and employees (7.6% of the total employees in the Trust) were non-governmental. In July of 2000, the Trustees requested a formal advisory opinion from the Department of Labor (DOL) that the Trust is an ERISA plan. As of the date of this report, an advisory opinion has yet to be received.

In 2003 the Trust was treated as a governmental plan and its financial statements were converted to be in accordance with Governmental Accounting Standards Board Statements No. 34, 36, 37, and 38. As part of the December 31, 2004 annual audit, the Trustees learned through various telephone discussions with a DOL agent, that the DOL is not bound by Federal District Court decisions (such as the Hall decision) and that there are substantial penalties for plans (such as the Trust) in assuming governmental plan status and failing to file a 5500 report with a qualified audit. As a result, the Trustees of the Trust have decided to no longer treat the Trust as a governmental plan, to convert the Trust's financial statements back to the original ERISA format, and to continue filing the IRS/DOL Annual Report Form 5500, with a qualifying ERISA audit, to avoid the potential penalties that could be applied by the DOL.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Schedule of Changes in Net Assets Available
for Benefits by Program
Year ended December 31, 2004
(with comparative totals for the year ended December 31, 2003)

	Income protection plan	Health
Additions to plan assets:		
Contributions	\$ 2,926,788	78,411,990
Transfer premiums to life	-	(769,956)
Interest income, net	25,975	476,660
Total additions	2,952,763	78,118,694
Deductions:		
Claims paid	2,488,203	63,779,181
Claims:		
Changes in incurred but not reported	293,703	(604,984)
Less recoveries:		
Subrogation recovery	-	(109,316)
Reinsurance recovery	-	(2,894,948)
Net claims expense	2,781,906	60,169,933
Reinsurance:		
Specific	84,686	2,170,720
Aggregate	4,595	117,771
Premiums remitted - life and LTD	-	-
Network access fees	-	1,042,174
Utilization and case management reviews	-	2,292,182
Health promotion	-	178,642
Claims service fee	216,879	1,272,872
Claims service fee reserve adjustment	23,169	(12,432)
Total claims related and service expense	329,329	7,061,929
Administrative expenses:		
Management fee	73,213	1,961,497
Professional services	6,941	185,961
Trustee expenses	2,306	61,767
Administrative expenses reserve adjustment	(521)	(10,797)
Other expenses	4,737	126,839
Total administrative expense	86,676	2,325,267
Total deductions	3,197,911	69,557,129
Increase in excess of net assets available for benefits over benefit obligations	(245,148)	8,561,565
Excess of net assets available for benefits over benefit obligations		
Beginning of year	-	-
End of year	\$ -	-

Schedule 1

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Schedule of Changes in Net Assets Available
for Benefits by Program, Continued

	Dental	LTD	Life	Totals	
				2004	2003
\$	1,639,204	19,634	-	82,997,616	78,324,459
	-	-	769,956	-	-
	9,485	-	-	512,120	558,660
	1,648,689	19,634	769,956	83,509,736	78,883,119
	1,426,756	-	-	67,694,140	64,218,886
	6,952	-	-	(304,329)	(796,603)
	-	-	-	(109,316)	(163,207)
	-	-	-	(2,894,948)	(2,484,655)
	1,433,708	-	-	64,385,547	60,774,421
	48,559	-	-	2,303,965	2,035,046
	2,634	-	-	125,000	125,000
	-	19,306	750,676	769,982	777,588
	-	-	-	1,042,174	902,728
	-	-	-	2,292,182	2,103,888
	-	-	-	178,642	178,641
	108,822	-	19,280	1,617,853	1,591,392
	500	-	-	11,237	(7,855)
	160,515	19,306	769,956	8,341,035	7,706,428
	41,004	490	-	2,076,204	1,956,719
	3,888	47	-	196,837	208,292
	1,291	15	-	65,379	58,267
	21	-	-	(11,297)	(59,146)
	2,653	32	-	134,261	131,490
	48,857	584	-	2,461,384	2,295,622
	1,643,080	19,890	769,956	75,187,966	70,776,471
	5,609	(256)	-	8,321,770	8,106,648
	-	-	-	24,692,170	16,585,522
\$	-	-	-	33,013,940	24,692,170

See independent auditor's report

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Schedule of Claims Development
Years ended December 31, 2004, 2003 and 2002

The analysis provides a summary of the income and expenses recorded by the Trust, along with comparative data on paid claims and incurred claims from each of the last three years. Reestimated incurred claims and expense are indicated for two years only, as the claims are substantially complete by the end of the year subsequent to the policy year.

Policy year ended	2004	2003	2002
Net earned contributions and other revenues:			
Earned	\$ 86,561,480	81,584,908	75,382,472
Ceded	(2,428,965)	(2,160,046)	(1,147,718)
Net earned	84,132,515	79,424,862	74,234,754
Unallocated expenses	8,420,934	7,895,931	7,826,425
Paid claims as of:			
End of policy year	60,339,171	55,625,454	49,797,043
One year later	-	62,433,247	57,188,686
Two years later	-	-	57,248,629
Reestimated incurred claims and expenses as of:			
End of policy year	67,984,650	63,596,877	58,527,386
One year later	-	62,459,858	57,193,682
Two years later	-	-	57,248,629
Decrease in estimated incurred claims from end of policy year	\$ -	(1,137,019)	54,947

See independent auditor's report

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
 Schedule to Form 5500
 Schedule H, Line 4i - Schedule of Assets Held for Investment Purposes
 Year ended December 31, 2004

(a)	(b) Issuer	Description	(c)		Maturity value	(d) Cost	(e) Current value
			Maturity date	Interest rate			
	TREASURY BANK	Certificate of Deposit	3/14/2005	2.190%	500,000	500,000	500,000
	FIRST BK OF BEV HILLS	Certificate of Deposit	4/15/2005	1.950%	500,000	500,000	500,000
	BANGOR SAVINGS BANK	Certificate of Deposit	6/11/2009	2.000%	500,000	500,000	500,000
	INDYMAC BANK	Certificate of Deposit	7/26/2005	2.650%	500,000	500,000	500,000
	COMMUNITY BANK	Certificate of Deposit	11/1/2005	2.900%	99,000	99,000	99,000
	CENTENNIAL BANK	Certificate of Deposit	12/13/2005	3.050%	250,000	250,000	250,000
	SECURITY BANK	Certificate of Deposit	12/19/2005	3.100%	250,000	250,000	250,000
	FHLB	U. S. Gov't Sec.	1/14/2005	4.125%	500,000	508,915	500,278
	FHLB	U. S. Gov't Sec.	2/15/2005	4.375%	1,000,000	1,009,600	1,002,346
	FNMA	U. S. Gov't Sec.	3/15/2005	3.875%	1,000,000	1,004,770	1,002,892
	FHLB	U. S. Gov't Sec.	4/15/2005	4.625%	1,000,000	1,050,800	1,006,022
	FHLB	U. S. Gov't Sec.	4/15/2005	1.625%	1,000,000	995,070	997,626
	FHLB	U. S. Gov't Sec.	5/13/2005	4.125%	1,000,000	1,005,640	1,005,656
	FHLB	U. S. Gov't Sec.	8/15/2005	3.000%	1,000,000	1,015,330	1,001,626
	FNMA	U. S. Gov't Sec.	10/15/2005	2.875%	1,000,000	1,018,020	1,000,317
	FHLB	U. S. Gov't Sec.	11/15/2005	2.500%	1,000,000	1,015,850	996,414
	FHLB	U. S. Gov't Sec.	11/15/2005	2.125%	500,000	501,315	496,615
	FHLB	U. S. Gov't Sec.	12/15/2005	2.500%	1,000,000	1,011,652	995,992
	FPCB	U. S. Gov't Sec.	12/15/2005	2.625%	1,000,000	1,025,420	997,154
	FHLB	U. S. Gov't Sec.	2/15/2006	2.375%	1,000,000	1,014,700	992,268
	FHLB	U. S. Gov't Sec.	2/24/2006	2.100%	750,000	750,000	741,314
	FHLB	U. S. Gov't Sec.	3/15/2006	2.500%	1,000,000	1,003,770	992,925
	FNMA	U. S. Gov't Sec.	4/15/2006	2.125%	1,000,000	1,004,010	987,765
	FHLB	U. S. Gov't Sec.	5/15/2006	2.250%	1,000,000	993,220	988,125
	FNMA	U. S. Gov't Sec.	6/15/2006	2.500%	1,000,000	988,470	990,575
	FNMA	U. S. Gov't Sec.	7/15/2006	3.125%	1,000,000	1,008,000	999,276
	FHLB	U. S. Gov't Sec.	8/15/2006	3.500%	1,000,000	1,018,590	1,005,144
	FHLB	U. S. Gov't Sec.	8/15/2006	2.375%	1,000,000	998,200	987,190
	FNMA	U. S. Gov't Sec.	8/24/2006	2.550%	1,000,000	1,000,000	988,293
	FHLB	U. S. Gov't Sec.	9/15/2006	2.875%	1,000,000	1,014,540	994,420
	FNMA	U. S. Gov't Sec.	10/15/2006	4.375%	1,000,000	1,045,860	1,019,415
	FHLB	U. S. Gov't Sec.	11/15/2006	4.875%	1,000,000	1,066,020	1,028,738
	FNMA	U. S. Gov't Sec.	2/15/2007	2.375%	1,000,000	990,920	980,354
	FHLB	U. S. Gov't Sec.	5/15/2007	4.875%	1,000,000	1,039,300	1,034,077
	FHLB	U. S. Gov't Sec.	9/14/2007	3.375%	1,000,000	1,002,200	997,557
	FNMA	U. S. Gov't Sec.	11/15/2007	3.250%	1,000,000	994,500	993,228
	FNMA	U. S. Gov't Sec.	12/15/2007	3.125%	1,000,000	1,002,250	988,478
					\$ 31,349,000	31,695,932	31,311,080

See independent auditor's report

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST

Schedule to Form 5500

Schedule H, Line 4i - Schedule of Assets (Acquired and Disposed of Within Year)

Year ended December 31, 2004

(a) Issuer	Description	(c) Cost of Acquisitions	(d) Proceeds of Dispositions
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None

See independent auditor's report

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
 Schedule II, Line 4j - Schedule of Reportable Transactions
 Year ended December 31, 2004

(a) Identity of Party Involved	(b) Description of assets (include interest and and maturity in case of a loan)	(c) Purchase price	(d) Selling price	(e) Lease rental	(f) Expense incurred with transaction	(g) Cost asset.	(h) Current value of asset on transaction date	(i) Net gain or (loss)
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None

See independent auditor's report

**MAINE MUNICIPAL EMPLOYEES
HEALTH TRUST**

Financial Statements

Years ended December 31, 2005 and 2004

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Financial Statements
December 31, 2005 and 2004

MMA_00017709

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Independent Auditor's Report

To the Board of Trustees
Maine Municipal Employees Health Trust:

We have audited the accompanying statements of benefit obligations and net assets available for benefits of the Maine Municipal Employees Health Trust as of December 31, 2005 and 2004 and the related statements of changes in benefit obligations and net assets available for benefits for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Trust at December 31, 2005 and 2004, and the changes in its financial status for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedule of assets (held at end of year), schedule of assets (acquired and disposed of within year), and schedule of reportable transactions, each for the year ended December 31, 2005, are presented for the purpose of additional analysis and are not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Trust's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Runyon Kersteen Ouellette".

March 14, 2006
South Portland, Maine

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
 Statements of Benefit Obligations and
 Net Assets Available for Benefits
 December 31, 2005 and 2004

	2005	2004
Benefit obligations:		
Claims incurred but not reported	\$ (5,961,786)	(7,672,090)
Total benefit obligations	(5,961,786)	(7,672,090)
Net assets:		
Assets:		
Investments at fair value:		
Certificates of deposit	2,797,000	2,599,000
U.S. Government and agency securities	30,918,779	28,712,080
Total investments at fair value	33,715,779	31,311,080
Receivables:		
Accounts receivable	282,490	310,598
Accrued interest receivable	307,828	218,074
Reinsurance recoverable	1,994,233	1,030,626
Other receivables	-	25,000
Total receivables	2,584,551	1,584,298
Prepaid expenses	19,729	73,581
Cash and cash equivalents	12,435,694	10,782,111
Total assets	48,755,753	43,751,070
Liabilities:		
Accounts payable	(1,391,294)	(1,137,095)
Other payables	-	(40,098)
Advance premiums received	(2,213,879)	(1,406,792)
Claims and administrative service reserve	(374,504)	(481,055)
Total liabilities	(3,979,677)	(3,065,040)
Net assets available for benefits	44,776,076	40,686,030
Excess of net assets available for benefits over benefit obligations	\$ 38,814,290	33,013,940

See accompanying notes to financial statements.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Statements of Changes in Benefit Obligations and
Net Assets Available for Benefits
Years ended December 31, 2005 and 2004

	2005	2004
Net increase in benefit obligations:		
Increase (decrease) during the year attributable to change in claims incurred but not reported	\$ (1,710,304)	(304,329)
Increase in net assets available for benefits:		
Additions:		
Contributions:		
Health	77,797,591	78,411,990
Income protection plan	3,075,512	2,926,788
Dental	1,704,182	1,639,204
Long term disability	29,790	19,634
Total contributions	82,607,075	82,997,616
Investment income:		
Interest income	1,277,270	869,147
Net depreciation in fair value of investments	(174,343)	(357,027)
Total investment income	1,102,927	512,120
Total additions	83,710,002	83,509,736
Deductions:		
Claims paid:		
Health	67,119,727	63,779,181
Income protection plan	2,802,427	2,488,203
Dental	1,448,275	1,426,756
Total claims paid	71,370,429	67,694,140
Less recoveries:		
Subrogation	317,825	109,316
Reinsurance	1,959,300	2,894,948
Total recoveries	2,277,125	3,004,264
Net claims expense	69,093,304	64,689,876

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Statements of Changes in Benefit Obligations and
Net Assets Available for Benefits, Continued

	2005	2004
Claims related expense:		
Reinsurance:		
Specific	\$ 2,688,394	2,303,965
Aggregate	125,000	125,000
Premiums remitted - life	394,457	750,676
Premiums remitted - LTD	28,497	19,306
Network access fees	687,688	1,042,174
Utilization review and case management	2,284,143	2,292,182
Health promotion	188,158	178,642
Total claims related expense	6,396,337	6,711,945
Claims service expense:		
Income protection plan	256,529	214,959
Health - indemnity	401,541	405,161
Health - point of service	873,348	818,500
Dental	111,061	107,722
Life	20,550	19,280
Other	48,896	52,231
Claim service reserve adjustments	(40,987)	11,237
Total claims service expense	1,670,938	1,629,090
Administrative expense:		
Management fees	2,119,841	2,076,204
Professional services:		
Legal	46,915	47,618
Actuarial	77,310	112,256
Consultants	77,184	36,963
Trustee expenses:		
Insurance	35,174	33,497
Meetings	26,119	31,882
Administrative expense reserve adjustments	(65,564)	(11,297)
Other expenses	142,398	134,261
Total administrative expense	2,459,377	2,461,384
Total deductions	79,619,956	75,492,295
Increase in net assets available for benefits	4,090,046	8,017,441
Increase in excess of net assets available for benefits over benefit obligations	5,800,350	8,321,770
Excess of net assets available for benefits over benefit obligations:		
Beginning of year	33,013,940	24,692,170
End of year	\$ 38,814,290	33,013,940

See accompanying notes to financial statements.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND TRUST DESCRIPTION

The Trust was established in 1982 as a multiple-employer Voluntary Employees' Beneficiary Association for the purpose of providing hospital, physician, major medical, short-term disability, long-term disability, dental and life benefits. The Trust began offering services on January 1, 1983. The Trust contracts with the Maine Municipal Association to serve as plan administrator and pays Maine Municipal Association a management fee.

The Trust was drafted with the intent to comply with the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and has operated in compliance with ERISA since its establishment. This status, however, was challenged by a Federal District Court decision in March of 2000. The Trustees requested an Advisory Opinion from the Department of Labor in June of 2000 to confirm the Trust's ERISA status, but the Department of Labor has not yet responded to the request. The Trust will continue to be operated in accordance with ERISA until its status is resolved.

The Trust has also entered into a Consent Agreement with the State of Maine Bureau of Insurance agreeing to comply with the applicable provisions of Maine law relating to Multiple Employer Welfare Arrangements (MEWA) as of January 1, 2004.

The Trust self-insures for the health, dental, and short-term disability benefits it provides, up to retention limits specified in reinsurance contracts. Contribution levels are determined by an actuary annually for the Trust and are paid in accordance with the contractual agreement entered into by each participating employer. Contributions to the Trust are made by participating employers and their employees. The, life, supplemental life, dependent life and long-term disability programs are fully insured. The Trust is currently working with an actuary to develop an estimate for any obligations that might arise from postemployment benefits.

An employer group must be a member (either municipal or associate member) of the Maine Municipal Association to participate in the Trust programs and its employees must meet certain eligibility guidelines described in the Trust agreement. During 2005 and 2004, there were 425 and 424 employer groups, respectively, in the health plan; 219 and 218 employer groups, respectively, in the dental plan; 314 and 308 employer groups, respectively, in the short-term disability plan and 13 and 12 employer groups, respectively, in the long-term disability program.

Tax Exempt Status - The Trust is exempt from income taxes under Section 501(c)(9) of the Internal Revenue Code as stated in a determination letter from the Internal Revenue Service dated August 20, 1982. Since that date, the plan has been amended. However, the plan administrator and the plan's tax counsel believe that the plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the Trust's financial statements.

Basis of Accounting - The Trust follows the accrual basis of accounting, and certain pronouncements applicable to employee benefit plans.

Cash and Cash Equivalents - The Trust considers all highly liquid deposits with an initial maturity of three months or less to be cash and cash equivalents.

Investments - The Trust invests in a number of financial instruments, including certificates of deposit, U.S. government and agency securities and corporate bonds, none of which are held for trading purposes. The Trust estimates that the fair value of all financial instruments at December 31, 2005 and 2004 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of net assets. The estimated fair value amounts have been determined by quoted market prices.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND TRUST DESCRIPTION, CONTINUED

Accounts Receivable - Accounts receivable have been adjusted for all known uncollectible accounts. No allowance for bad debts was considered necessary at December 31, 2005 and 2004.

Advance Premiums Received - This represents deferred revenue from contributions and premiums which has been received by the Trust but which relates to the next year.

Claims Incurred But Not Reported - Reserves for health, dental and short-term disability claims incurred but not reported are estimated by an independent actuary based upon historical claims experience. Management believes that the reserves are adequate, but the ultimate net cost of settling these liabilities may vary from the estimated amount. Accordingly, this estimate is reviewed annually. Any adjustments resulting from the settlement of losses will be reflected in the statements of revenues, expenses, and changes in net assets at the time the adjustments are determined.

Claims and Administrative Service Reserves - These reserves are for the cost to process and administer claims incurred but not reported and are estimated by an independent actuary based upon historical expense experience. Management believes that the reserves are adequate, but the ultimate net cost of settling this liability may vary from the estimated amount. Accordingly, this estimate is reviewed annually.

Reinsurance - The Trust uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Trust as a direct insurer of the risks reinsured. The Trust does not report reinsured losses as liabilities unless it is probable that those losses will not be covered by reinsurers. Premiums ceded to reinsurers during 2005 and 2004 were \$2,813,394 and \$2,428,965, respectively.

Management Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The significant estimates utilized in the preparation of the financial statements relate to claims incurred but not reported and claims and administrative service reserves.

DEPOSITS AND INVESTMENTS

Deposits - Cash and cash equivalents are composed of cash management accounts (CMA) and money market instruments and consist of the following at December 31:

	<u>2005</u>	<u>2004</u>
CMA – deposit account	\$ 703,056	-
CMA – mutual fund investment sweep	9,565,270	6,904,499
Money market mutual fund	167,368	-
Money market account	2,000,000	3,877,612
Totals	\$ 12,435,694	10,782,111

The December 31, 2005 CMA-deposit account balance of \$703,056 consists of checks deposited which are not yet available for transfer.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements, Continued

DEPOSITS AND INVESTMENTS, CONTINUED

Funds in the CMA-deposit account are insured by FDIC up to \$100,000. Any balance in this account in excess of the \$100,000 FDIC insured limit is considered uninsured and uncollateralized and subject to custodial credit risk. The CMA-mutual fund investment sweep and the money market mutual fund are mutual funds outside the bank, invested in short term government securities. These funds are uninsured and uncollateralized, and subject to custodial credit risk. The money market account is held in a separate financial institution. This account is insured by FDIC up to \$100,000 and is secured by a bond issued by an insurance company.

At December 31, 2005 and 2004, investment balances were as follows:

	<u>2005</u>	<u>2004</u>
Certificates of deposit*	\$ 2,797,000	2,599,000
U.S. Government securities	30,918,779	28,712,080
Totals	\$ 33,715,779	31,311,080

The securities mature in various amounts during 2006 and 2009.

* Of the certificate of deposit bank balances on December 31, 2005 and 2004, \$897,000 and \$699,000, respectively, were covered by federal depository insurance; the remainder is uninsured and uncollateralized.

NET DEPRECIATION IN FAIR VALUE

Net depreciation in fair value during the years ended December 31, 2005 and 2004 by type of investment was as follows. Such amounts are included in investment income in the statements of changes in benefit obligations and net assets available for benefits.

	<u>2005</u>	<u>2004</u>
U.S. Government Securities	\$ (174,343)	(357,027)
Totals	\$ (174,343)	(357,027)

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements, Continued

MMA_00017717

CLAIMS RESERVES

The Trust is self-insured for hospital, physician, major medical, and dental and short-term disability benefits. Liabilities for claims incurred but not reported at December 31 have been estimated by the Trust's independent actuary, using standard actuarial assumptions based upon actual experience and are as follows:

	<u>2005</u>	<u>2004</u>
Health	\$ 5,168,536	6,768,945
Income protection plan	733,318	838,323
Dental	59,932	64,822
	\$ 5,961,786	7,672,090

The Trust has obtained reinsurance for claims in excess for the following:

	<u>2005</u>	<u>2004</u>
Specific (\$5 million lifetime limit per claimant)	\$ 150,000	150,000
Aggregate (\$3,000,000 layer)	92,865,882	87,528,394

A.M. BEST RATINGS

Reinsurance was provided by the Hartford Life Insurance Company which has an A.M. Best rating of A+ (superior), VIII.

UNPAID CLAIMS LIABILITIES

The schedule below presents the changes in claims liabilities for the years ended December 31:

	<u>2005</u>	<u>2004</u>
Unpaid claims and claims service reserved at beginning of year	\$ 8,153,145	8,457,604
Incurred claims and claims service reserve expense:		
Provision for incurred events of the current year	69,353,319	68,464,098
Increases (decreases) in provision for insured events of prior fiscal years	200,255	(1,074,416)
Total incurred claims and claims service reserve expenses	69,553,574	67,389,682
Payments:		
Claims attributable to insured events of the current year	63,064,138	60,339,171
Claims attributable to insured events of the prior fiscal years	8,306,291	7,354,970
Total payments	71,370,429	67,694,141
Total unpaid claims and claims service reserved at end of year	\$ 6,336,290	8,153,145

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements, Continued

PARTICIPANT CONTRIBUTIONS

Participating employers and their employees contribute to the Trust. Employee contributions were as follows during the years ended December 31:

	<u>2005</u>	<u>2004</u>
Health	\$ 9,553,049	8,853,000
Income protection plan	2,287,470	2,229,008
Dental	817,006	756,083
Long-term disability	9,917	6,625

RELATED PARTY TRANSACTIONS

To participate in the Trust, an employer must be a member (either municipal or associate member) of the Maine Municipal Association and its employees must meet certain eligibility guidelines described in the Trust agreement. The Trust also contracts with the Maine Municipal Association to serve as plan administrator and pays Maine Municipal Association a management fee for the services it provides. As of December 31, 2005 and 2004, total management fees paid by the Trust to Maine Municipal Association amounted to \$2,119,841 and \$2,076,204, respectively.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Schedule to Form 5500
Schedule H, Line 4i - Schedule of Assets (Held at End of Year)
Year ended December 31, 2005

(a) Issuer	(b) Description	(c) Maturity date	Interest rate	Maturity value	(d) Cost	(e) Current value
CORUSBANK	Certificate of Deposit	04/11/06	4.600%	\$ 500,000	500,000	500,000
FINANCIAL FSB	Certificate of Deposit	10/30/06	4.600%	500,000	500,000	500,000
CENTENNIAL BANK	Certificate of Deposit	12/14/06	4.650%	250,000	250,000	250,000
CENTENNIAL BANK	Certificate of Deposit	12/15/06	4.650%	250,000	250,000	250,000
INDYMAC BANK	Certificate of Deposit	12/15/06	4.700%	500,000	500,000	500,000
SECURITY BANK	Certificate of Deposit	12/16/06	4.670%	99,000	99,000	99,000
SECURITY BANK	Certificate of Deposit	12/16/06	4.670%	99,000	99,000	99,000
COMMUNITY BANK	Certificate of Deposit	11/01/07	4.450%	99,000	99,000	99,000
BANGOR SAVINGS BANK	Certificate of Deposit	06/11/09	2.000%	500,000	500,000	500,000
FHLB	U.S. Gov't Sec.	02/15/06	2.375%	1,000,000	1,014,700	997,709
FHLB	U.S. Gov't Sec.	02/24/06	2.100%	750,000	750,000	747,433
FHLB	U.S. Gov't Sec.	03/15/06	2.500%	1,000,000	1,003,770	996,255
FNMA	U.S. Gov't Sec.	04/15/06	2.125%	1,000,000	1,004,010	993,549
FHLB	U.S. Gov't Sec.	05/15/06	2.250%	1,000,000	993,220	991,945
FNMA	U.S. Gov't Sec.	06/15/06	2.500%	1,000,000	988,470	991,066
FNMA	U.S. Gov't Sec.	07/15/06	3.125%	1,000,000	1,008,000	992,674
FHLB	U.S. Gov't Sec.	08/15/06	3.500%	1,000,000	1,018,590	993,602
FHLB	U.S. Gov't Sec.	08/15/06	2.375%	1,000,000	998,200	986,848
FNMA	U.S. Gov't Sec.	08/24/06	2.550%	1,000,000	1,000,000	987,412
FHLB	U.S. Gov't Sec.	09/15/06	2.875%	1,000,000	1,014,540	988,346
FHLB	U.S. Gov't Sec.	10/15/06	4.375%	1,000,000	1,045,860	998,075
FHLB	U.S. Gov't Sec.	11/15/06	4.875%	1,000,000	1,066,020	1,002,088
FNMA	U.S. Gov't Sec.	02/15/07	2.375%	1,000,000	990,920	974,370
FNMA	U.S. Gov't Sec.	03/15/07	3.625%	1,000,000	996,500	987,358
FNMA	U.S. Gov't Sec.	04/15/07	5.250%	500,000	507,050	503,308
FHLB	U.S. Gov't Sec.	05/15/07	4.875%	1,000,000	1,039,300	1,002,017
FHLB	U.S. Gov't Sec.	06/20/07	3.625%	500,000	500,237	492,359
FNMA	U.S. Gov't Sec.	07/15/07	4.250%	500,000	501,005	496,726
FHLB	U.S. Gov't Sec.	09/14/07	3.375%	1,000,000	1,002,200	978,315
FNMA	U.S. Gov't Sec.	09/15/07	4.250%	1,000,000	1,001,690	992,886
FNMA	U.S. Gov't Sec.	11/15/07	3.250%	1,000,000	994,500	974,396
FNMA	U.S. Gov't Sec.	12/15/07	3.250%	1,000,000	1,002,250	970,661
FHLB	U.S. Gov't Sec.	01/15/08	3.980%	1,000,000	990,512	979,245
FHLB	U.S. Gov't Sec.	02/15/08	1.875%	500,000	500,000	490,936
FHLB	U.S. Gov't Sec.	03/14/08	2.750%	500,000	485,750	479,885
FHLB	U.S. Gov't Sec.	04/18/08	4.125%	1,000,000	1,007,540	987,446
FNMA	U.S. Gov't Sec.	07/15/08	3.875%	1,000,000	992,390	969,443
US Treas	U.S. Gov't Sec.	08/15/08	4.125%	1,000,000	992,188	987,969
FNMA	U.S. Gov't Sec.	10/15/08	4.500%	1,000,000	1,000,000	995,355
FHLB	U.S. Gov't Sec.	11/21/08	4.625%	1,000,000	1,000,960	998,554
FNMA	U.S. Gov't Sec.	01/15/09	5.250%	1,000,000	1,019,520	1,015,153
US Treas	U.S. Gov't Sec.	06/15/09	4.000%	1,000,000	991,250	994,375
FFCB	U.S. Gov't Sec.	07/15/08	3.375%	1,000,000	985,500	981,025
				\$ 34,047,000	34,203,642	33,715,779

See independent auditor's report

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST

Schedule to Form 5500

Schedule H, Line 4i - Schedule of Assets (Acquired and Disposed of Within Year)

Year ended December 31, 2005

(a) Issuer	(b) Description	(c) Cost of Acquisitions	(d) Proceeds of Dispositions
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None

See independent auditor's report

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
 Schedule H, Line 4j - Schedule of Reportable Transactions
 Year ended December 31, 2005

(a) Identity of Party Involved	(b) Description of assets (include interest and maturity in case of a loan)	(c) Purchase price	(d) Selling price	(e) Lease rental	(f) Expense incurred with transaction	(g) Cost asset	(h) Current value of asset on transaction date	(i) Net gain or (loss)
None								

See independent auditor's report

MAINE MUNICIPAL EMPLOYEES
HEALTH TRUST

Financial Statements

For the year ended December 31, 2006

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Financial Statements
For the year ended December 31, 2006

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Certified Public Accountants and Business Consultants

Independent Auditor's Report

To the Board of Trustees
Maine Municipal Employees Health Trust:

We have audited the accompanying statements of net assets available for benefits of the Maine Municipal Employees Health Trust as of December 31, 2006 and 2005 and the related statement of changes in net assets available for benefits for the year ended December 31, 2006. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion 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. 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 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 opinion.

As discussed in the footnotes, for the year ended December 31, 2006, the Trust has disclosed the actuarially determined postretirement benefit obligation initially estimated as of December 31, 2006.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedule of assets (held at end of year), schedule of assets (acquired and disposed of within year), and schedule of reportable transactions, each for the year ended December 31, 2006, are presented for the purpose of additional analysis and are not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Trust's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Trust as of December 31, 2006 and 2005, and the changes in its financial status for the year ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America.

Runyon Kersteen Ouellette

May 15, 2007
South Portland, Maine

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Statements of Net Assets Available for Benefits
December 31, 2006 and 2005

	2006	2005
Assets:		
Investments at fair value:		
Certificates of deposit	\$ 6,599,000	2,797,000
U.S. Government and agency securities	32,031,718	30,918,779
Total investments at fair value	38,630,718	33,715,779
Receivables:		
Accounts receivable	311,185	282,490
Accrued interest receivable	364,956	307,828
Reinsurance recoverable	1,360,639	1,994,233
Total receivables	2,036,780	2,584,551
Prepaid expenses	19,914	19,729
Cash and cash equivalents	12,566,342	12,435,694
Total assets	53,253,754	48,755,753
Liabilities:		
Accounts payable	(1,723,326)	(1,391,294)
Advance premiums received	(1,655,044)	(2,213,879)
Claims and administrative service reserve	(465,031)	(374,504)
Total liabilities	(3,843,401)	(3,979,677)
Net assets available for benefits, prior to IBNR (*)	\$ 49,410,353	44,776,076

See accompanying notes to financial statements.

* - see claims incurred but not reported (IBNR) disclosure on page 8

Exhibit B

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Statement of Changes in Net Assets Available for Benefits
Year ended December 31, 2006

Additions to net assets attributed to:	
Contributions:	
Health	\$ 85,334,516
Income protection plan	3,307,276
Dental	1,987,763
Long term disability	26,843
Total contributions	90,656,398
Investment income:	
Interest income	2,138,630
Net appreciation in fair value of investments	149,478
Total investment income	2,288,108
Total additions	92,944,506
Deductions from net assets attributed to:	
Claims paid:	
Health	73,954,408
Income protection plan	3,094,366
Dental	1,701,617
Total claims paid	78,750,391
Less recoveries:	
Subrogation	565,640
Reinsurance	2,391,629
Total recoveries	2,957,269
Net claims expense	75,793,122

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Statement of Changes in Net Assets Available for Benefits, Continued

Claims related expense:	
Dirigo savings offset payments	\$ 1,417,020
Reinsurance:	
Specific	2,823,504
Aggregate	160,000
Premiums remitted - life	407,228
Premiums remitted - LTD	26,674
Network access fees	1,856,651
Utilization review and case management	74,852
Health promotion	158,943
Total claims related expense	6,924,872
Claims service expense:	
Income protection plan	300,519
Health - indemnity	408,247
Health - point of service	1,949,613
Dental	123,015
Life	23,396
Other	71,917
Claim service reserve adjustments	91,006
Total claims service expense	2,967,713
Administrative expense:	
Management fees	2,192,505
Professional services:	
Legal	45,813
Actuarial	51,567
Consultants	129,811
Trustee expenses:	
Insurance	33,953
Meetings	40,253
Administrative expense reserve adjustments	(479)
Other expenses	131,099
Total administrative expense	2,624,522
Total deductions	88,310,229
Net increase during year	4,634,277
Net assets available for benefits, prior to IBNR:	
Net assets, beginning of year	44,776,076
Net assets, end of year	\$ 49,410,353

See accompanying notes to financial statements.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements

DESCRIPTION OF TRUST

The following description of the Maine Municipal Employees Health Trust (the Trust) provides only general information. Participants should refer to the Trust agreement for a complete description of the Trust's provisions.

General - The Trust was established in 1982 as a multiple-employer Voluntary Employees' Beneficiary Association for the purpose of providing hospital, physician, major medical, short-term disability, long-term disability, dental and life benefits. The Trust began offering services on January 1, 1983. The Trust contracts with the Maine Municipal Association to serve as plan administrator and pays Maine Municipal Association a management fee.

The Trust was drafted with the intent to comply with the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and has operated in compliance with ERISA since its establishment. This status, however, was challenged by a Federal District Court decision in March of 2000. The Trustees requested an Advisory Opinion from the Department of Labor in June of 2000 to confirm the Trust's ERISA status, but the Department of Labor has not yet responded to the request. The Trust will continue to be operated in accordance with ERISA until its status is resolved.

The Trust has also entered into a Consent Agreement with the State of Maine Bureau of Insurance agreeing to comply with the applicable provisions of Maine law relating to Multiple Employer Welfare Arrangements (MEWA) as of January 1, 2004.

Benefits - The Trust provides health, dental, short-term disability, life, supplemental life, dependent life and long-term disability benefits to participants in accordance with the contractual agreement entered into by each participating employer. The life, supplemental life, dependent life and long-term disability programs are fully insured. The Trust self-insures for the health, dental, and short-term disability benefits it provides, up to retention limits specified in reinsurance contracts.

Contributions - Contribution levels are determined annually by the Trust's actuary and are paid in accordance with the contractual agreement entered into by each participating employer. Contributions to the Trust are made by participating employers and their employees. The portion of the Trust's estimated cost of providing postretirement benefits expected to be funded by retiree contributions (net retiree cost as a percentage of gross total benefit costs) for fiscal 2007 is 64.3%.

An employer group must be a member (either municipal or associate member) of the Maine Municipal Association to participate in the Trust programs and its employees must meet certain eligibility guidelines described in the Trust agreement. During 2006, there were 424 employer groups in the health plan; 225 employer groups in the dental plan; 318 employer groups in the short-term disability plan and 12 employer groups in the long-term disability program.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tax Exempt Status - The Trust is exempt from income taxes under Section 501(c)(9) of the Internal Revenue Code as stated in a determination letter from the Internal Revenue Service dated August 20, 1982. Since that date, the plan has been amended. However, the plan administrator and the plan's tax counsel believe that the plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the Trust's financial statements.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Accounting - The Trust follows the accrual basis of accounting, and certain pronouncements applicable to employee benefit plans.

Cash and Cash Equivalents - The Trust considers all highly liquid deposits with an initial maturity of three months or less to be cash and cash equivalents.

Investments - The Trust invests in a number of financial instruments, including certificates of deposit and U.S. government and agency securities, none of which are held for trading purposes. The Trust estimates that the fair value of all financial instruments at December 31, 2006 and 2005 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of net assets. The estimated fair value amounts have been determined by quoted market prices.

Accounts Receivable - Accounts receivable have been adjusted for all known uncollectible accounts. No allowance for bad debts was considered necessary at December 31, 2006 and 2005.

Advance Premiums Received - This represents deferred revenue from contributions and premiums which has been received by the Trust but which relates to the next year.

Claims Incurred But Not Reported (IBNR) - Plan obligations at December 31 for health claims incurred by active participants but not reported at that date, for accumulated eligibility of participants, and for future disability payments to members considered permanently disabled at December 31 are estimated by the Trust's actuary in accordance with accepted actuarial principles. Reserves for health, dental and short-term disability claims incurred but not reported are estimated by an independent actuary based upon historical claims experience. Management believes that the reserves are adequate, but the ultimate net cost of settling these liabilities may vary from the estimated amount. Accordingly, this estimate is reviewed annually. Any adjustments resulting from the settlement of losses will be reflected in the statements of revenues, expenses, and changes in net assets at the time the adjustments are determined.

Postretirement Benefits - The amount reported as the postretirement benefit obligation represents the actuarial present value of those estimated future benefits that are attributed by the terms of the Trust to employees' service rendered to the date of the financial statements, reduced by the actuarial present value of contributions expected to be received in the future from current Trust participants. To be eligible for postretirement benefits, the employee must meet the minimum requirement of age 55 with at least 5 years of service at retirement; or be withdrawing from an employer-sponsored retirement account.

Postretirement benefits include future benefits expected to be paid to or for (1) currently retired or terminated employees and their spouses and (2) active employees and spouses after retirement from service with their participating employer. The postretirement benefit obligation represents the amount that is to be funded by contributions from the Trust's participating employers and from existing Plan assets. Prior to an active employee's full eligibility date, the postretirement benefit obligation is the portion of the expected postretirement benefit obligation that is attributed to that employee's service rendered to the valuation date.

The actuarial present value of the expected postretirement benefit obligation is determined by an actuary and is the amount that results from applying actuarial assumptions to historical claims-cost data to estimate future annual incurred claims costs per participant and to adjust such estimates for the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as those for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

For measurement purposes a 9.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2007; the rate was assumed to decrease gradually to 5.0% for 2014 and to remain at that level thereafter. The actuary assumed an average per capita cost for all ages. Effectively this assumes that the average age of pre 65 and post 65 retirees does not vary significantly over time.

The following were other significant assumptions used in the valuation as of December 31, 2006.

Weighted-average discount rate: 6.0%

Average retirement age: varies, based upon the December 2006 plan census as well as actuarial judgment.

Mortality: RP-2000 White & Blue Collar Mortality Tables by male and female projected to 2010.

The foregoing assumptions are based on the presumption that the Trust will continue. Were the Trust to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of the postretirement benefit obligation.

Claims and Administrative Service Reserves - These reserves are for the cost to process and administer claims incurred but not reported and are estimated by an independent actuary based upon historical expense experience. Management believes that the reserves are adequate, but the ultimate net cost of settling this liability may vary from the estimated amount. Accordingly, this estimate is reviewed annually.

Reinsurance - The Trust uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Trust as a direct insurer of the risks reinsured. The Trust does not report reinsured losses as liabilities unless it is probable that those losses will not be covered by reinsurers. Premiums ceded to reinsurers during 2006 were \$2,983,504.

Management Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates utilized in the preparation of the financial statements relate to claims incurred but not reported and claims and administrative service reserves.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements, Continued

DEPOSITS AND INVESTMENTS

Deposits - Cash and cash equivalents are composed of cash management accounts (CMA) and money market instruments and consist of the following at December 31:

	<u>2006</u>	<u>2005</u>
CMA - deposit account	\$ 780,379	703,056
CMA - mutual fund investment sweep	6,799,375	9,565,270
Money market mutual fund	2,986,588	167,368
Money market account	2,000,000	2,000,000
Total	\$ 12,566,342	12,435,694

The CMA - deposit account balances of \$780,379 and \$703,056 for December 31, 2006 and 2005, respectively, consist of checks deposited but not yet available for transfer.

Funds in the CMA - deposit account are insured by FDIC up to \$100,000. Any balance in this account in excess of the \$100,000 FDIC insured limit is considered uninsured and uncollateralized and subject to custodial credit risk. The CMA - mutual fund investment sweep and the money market mutual fund are mutual funds outside the bank, invested in short term government securities. These funds are uninsured and uncollateralized, and subject to custodial credit risk. The money market account is held in a separate financial institution. This account is insured by FDIC up to \$100,000 and is secured by a bond issued by an insurance company.

At December 31, 2006, investment balances were as follows:

	<u>2006</u>	<u>2005</u>
Certificates of deposit*	\$ 6,599,000	2,797,000
U.S. Government securities	32,031,718	30,918,779
Total	\$ 38,630,718	33,715,779

The securities mature in various amounts during 2007 through 2010.

* Of the certificate of deposit bank balances on December 31, 2006 and 2005, \$1,599,000 and \$897,000, respectively, were covered by federal depository insurance; the remainder is uninsured and uncollateralized.

NET APPRECIATION IN FAIR VALUE

Net appreciation in fair value during the year ended December 31, 2006 by type of investment was as follows. Such amounts are included in investment income in the statement of changes in net assets available for benefits.

	<u>2006</u>
U.S. Government Securities	\$ 149,478
Total	\$ 149,478

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements, Continued

BENEFIT OBLIGATIONS

The Trust is self-insured for hospital, physician, major medical, and dental and short-term disability benefits. Liabilities for claims incurred but not reported at December 31 have been estimated by the Trust's independent actuary, using standard actuarial assumptions based upon actual experience. The initial actuarially determined postretirement benefit obligation was performed as of December 31, 2006. Benefit obligations as of December 31, 2006 and changes in benefit obligations are disclosed in the following tables. No change in postretirement benefits has been disclosed as of December 31, 2006 which was the first date that this amount could be reasonably estimated.

Statement of Benefit Obligations

Claims incurred but not reported, amounts currently payable:	
Health	\$ 4,644,141
Income protection plan	732,348
Dental	55,178
<hr/>	
Total claims incurred but not reported	\$ 5,431,667
<hr/>	
Postretirement benefit obligations, net of amounts currently payable:	
Medical:	
Retired participants	47,819,155
Other participants fully eligible for benefits	28,642,487
Participants not yet fully eligible for benefits	32,461,856
Life insurance	2,702,179
<hr/>	
Total postretirement benefit obligations	111,625,677
<hr/>	
Total benefit obligations	\$ 117,057,344

Statement of Changes in Benefit Obligations

Claims incurred but not reported, beginning of year	\$ 5,961,786
Claims reported and approved for payment, including benefits reclassified from benefit obligations	78,220,272
Claims paid	(78,750,391)
<hr/>	
Claims incurred but not reported, end of year	5,431,667
<hr/>	
Postretirement benefit obligations, net of amounts currently payable:	
Balance at end of year	111,625,677
<hr/>	
Total benefit obligations at end of year	\$ 117,057,344

The health care cost-trend rate assumption has a significant effect on the amounts reported. If the assumed rates increased by one percentage point each year, that would increase the obligation as of December 31, 2006 by \$17,860,818 or 16.4%.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements, Continued.

A.M. BEST RATINGS

Reinsurance was provided by the Hartford Life Insurance Company which has an A.M. Best rating of A+ (superior), VIII. The life insurance was provided by Prudential Life Insurance which has an A.M. Best rating of A+ (superior), XV.

UNPAID CLAIMS LIABILITIES

The schedule below presents the changes in claims liabilities for the year ended December 31:

	<u>2006</u>
<u>Unpaid claims and claims service reserved at beginning of year</u>	<u>\$ 6,336,290</u>
Incurred claims and claims service reserve expense:	
Provision for incurred events of the current year	78,574,766
Increases (decreases) in provision for insured events of prior fiscal years	(328,677)
<u>Total incurred claims and claims service reserve expenses</u>	<u>78,246,089</u>
Payments:	
Claims attributable to insured events of the current year	72,832,499
Claims attributable to insured events of the prior fiscal years	5,917,892
<u>Total payments</u>	<u>78,750,391</u>
 Total unpaid claims and claims service reserved at end of year	 <u>\$ 5,831,988</u>

RELATED PARTY TRANSACTIONS

To participate in the Trust, an employer must be a member (either municipal or associate member) of the Maine Municipal Association and its employees must meet certain eligibility guidelines described in the Trust agreement. The Trust also contracts with the Maine Municipal Association to serve as plan administrator and pays Maine Municipal Association a management fee for the services it provides. Total management fees paid by the Trust to Maine Municipal Association during 2006 amounted to \$2,192,505.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
 Schedule to Form 5500
 Schedule H, Line 4i - Schedule of Assets (Held at End of Year)
 Year ended December 31, 2006

(a) Issuer	(b) Description	(c) Maturity date	Interest rate	Maturity value	(d) Cost	(e) Current value
COMMUNITY BANK	Certificate of Deposit	11/01/07	4.450%	\$ 99,000	99,000	99,000
INDYMAC BANK	Certificate of Deposit	12/15/07	4.700%	500,000	500,000	500,000
PARK NATIONAL BANK	Certificate of Deposit	01/05/07	4.940%	500,000	500,000	500,000
SECURITY BANK	Certificate of Deposit	12/19/07	4.750%	250,000	250,000	250,000
FINANCIAL FSB	Certificate of Deposit	02/21/08	5.030%	250,000	250,000	250,000
SEATTLE SAVINGS BANK	Certificate of Deposit	02/22/07	5.040%	500,000	500,000	500,000
SECURITY BANK	Certificate of Deposit	03/08/08	5.100%	500,000	500,000	500,000
BANK OF SALEM	Certificate of Deposit	03/21/08	5.100%	500,000	500,000	500,000
CORUSBANK	Certificate of Deposit	04/11/07	5.130%	500,000	500,000	500,000
BANGOR SAVINGS BANK	Certificate of Deposit	06/12/07	5.250%	500,000	500,000	500,000
FINANCIAL FSB	Certificate of Deposit	10/30/07	5.300%	500,000	500,000	500,000
CENTENNIAL BANK	Certificate of Deposit	12/13/07	5.200%	250,000	250,000	250,000
CENTENNIAL BANK	Certificate of Deposit	12/15/07	5.200%	250,000	250,000	250,000
FIRST REGIONAL BANK	Certificate of Deposit	12/28/07	5.350%	500,000	500,000	500,000
PARK CITIES BANK	Certificate of Deposit	12/28/07	5.350%	500,000	500,000	500,000
IMPERIAL CAPITAL BANK	Certificate of Deposit	12/29/07	5.300%	500,000	500,000	500,000
FHLB	U.S. Gov't Sec.	02/15/07	2.375%	1,000,000	990,920	996,560
FHLB	U.S. Gov't Sec.	03/15/07	3.625%	1,000,000	996,500	996,880
FNMA	U.S. Gov't Sec.	04/15/07	5.250%	500,000	507,050	500,155
FHLB	U.S. Gov't Sec.	05/15/07	4.875%	1,000,000	1,039,300	999,060
FHLB	U.S. Gov't Sec.	06/20/07	3.625%	500,000	500,237	496,405
FNMA	U.S. Gov't Sec.	07/15/07	4.250%	500,000	501,005	497,345
FHLB	U.S. Gov't Sec.	09/14/07	3.375%	1,000,000	1,002,200	987,500
FNMA	U.S. Gov't Sec.	09/15/07	4.250%	1,000,000	1,001,690	993,130
FHLB	U.S. Gov't Sec.	10/19/07	4.125%	1,000,000	994,200	991,250
FNMA	U.S. Gov't Sec.	11/15/07	3.250%	1,000,000	994,500	983,130
FNMA	U.S. Gov't Sec.	12/15/07	3.125%	1,000,000	1,002,250	980,630
FHLB	U.S. Gov't Sec.	01/15/08	3.625%	1,000,000	990,512	984,060
FHLB	U.S. Gov't Sec.	02/15/08	3.875%	500,000	500,000	492,970
FHLB	U.S. Gov't Sec.	03/14/08	2.750%	500,000	485,750	486,095
FHLB	U.S. Gov't Sec.	04/18/08	4.125%	1,000,000	1,007,540	987,190
FHLB	U.S. Gov't Sec.	06/18/08	5.125%	1,000,000	1,000,000	1,000,310
FHLB	U.S. Gov't Sec.	07/15/08	3.375%	1,000,000	985,500	975,000
FNMA	U.S. Gov't Sec.	07/15/08	3.875%	1,000,000	992,390	982,190
US Treas	U.S. Gov't Sec.	08/15/08	4.125%	1,000,000	992,188	989,140
FHLB	U.S. Gov't Sec.	09/12/08	5.000%	1,000,000	1,003,810	998,750
FNMA	U.S. Gov't Sec.	10/15/08	4.500%	1,000,000	1,000,000	990,940
FHLB	U.S. Gov't Sec.	11/21/08	4.625%	1,000,000	1,000,960	992,500
FHLB	U.S. Gov't Sec.	12/12/08	4.750%	750,000	748,025	746,018
FNMA	U.S. Gov't Sec.	01/15/09	5.250%	1,000,000	1,019,520	1,004,380
FHLB	U.S. Gov't Sec.	03/13/09	4.750%	1,000,000	990,380	994,380
FHLB	U.S. Gov't Sec.	04/03/09	5.230%	1,000,000	999,995	995,940
FHLB	U.S. Gov't Sec.	05/04/09	5.250%	1,000,000	1,002,500	1,005,000
US Treas	U.S. Gov't Sec.	06/15/09	4.000%	1,000,000	991,250	982,770
FHLB	U.S. Gov't Sec.	07/17/09	5.375%	500,000	502,380	504,530
FNMA	U.S. Gov't Sec.	08/15/09	5.375%	1,000,000	1,015,718	1,009,690
FHLB	U.S. Gov't Sec.	09/22/09	5.375%	1,000,000	1,000,000	1,009,380
FHLB	U.S. Gov't Sec.	11/20/09	4.850%	1,000,000	1,002,267	995,000
FHLB	U.S. Gov't Sec.	12/07/09	4.700%	1,000,000	994,350	984,060
FHLB	U.S. Gov't Sec.	03/17/10	4.375%	1,000,000	987,210	983,130
FHLB	U.S. Gov't Sec.	06/11/10	5.250%	1,000,000	1,005,636	1,010,000
FHLB	U.S. Gov't Sec.	07/28/10	5.350%	500,000	501,145	506,250
				\$ 38,849,000	38,847,878	38,630,718

See independent auditor's report

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST

Schedule to Form 5500

Schedule H, Line 4i - Schedule of Assets (Acquired and Disposed of Within Year)

Year ended December 31, 2006

(a) Issuer	(b) Description	(c) Cost of Acquisitions	(d) Proceeds of Dispositions
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None

See independent auditor's report

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
 Schedule H, Line 4j - Schedule of Reportable Transactions
 Year ended December 31, 2006

(a) Identity of Party Involved	(b) Description of assets (include interest and maturity in case of a loan)	(c) Purchase price	(d) Selling price	(e) Lease rental	(f) Expense incurred with transaction	(g) Cost asset	(h) Current value of asset on transaction date	(i) Net gain or (loss)
None								

See independent auditor's report

**MAINE MUNICIPAL EMPLOYEES
HEALTH TRUST**

Financial Statements

For the years ended December 31, 2007 and 2006

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Financial Statements
For the years ended December 31, 2007 and 2006

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Certified Public Accountants and Business Consultants

Independent Auditor's Report

To the Board of Trustees

Maine Municipal Employees Health Trust:

We have audited the accompanying statements of net assets available for benefits of the Maine Municipal Employees Health Trust (the Trust) as of December 31, 2007 and 2006 and the related statement of changes in net assets available for benefits for the year ended December 31, 2007. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in the footnotes, for the years ended December 31, 2007 and 2006, the Trust has disclosed the actuarially determined postretirement benefit obligation initially estimated as of December 31, 2006 which has been updated through December 31, 2007.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year), schedule of assets (acquired and disposed of within year), and schedule of reportable transactions, each for the year ended December 31, 2007, are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Trust's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status and the changes in financial status of the Trust as of December 31, 2007 and 2006 in conformity with accounting principles generally accepted in the United States of America.

Runyon Kersteen Ouellette

May 21, 2008
South Portland, Maine

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Statements of Net Assets Available for Benefits
December 31, 2007 and 2006

	2007	2006
Assets:		
Investments at fair value:		
Certificates of deposit	\$ 9,099,000	6,599,000
Corporate bonds	490,040	-
U.S. Government and agency securities	31,344,333	32,031,718
Total investments at fair value	40,933,373	38,630,718
Receivables:		
Accounts receivable	277,288	311,185
Accrued interest receivable	844,690	364,956
Reinsurance recoverable	943,893	1,360,639
Total receivables	2,065,871	2,036,780
Prepaid expenses	213,888	19,914
Cash and cash equivalents	20,346,337	12,566,342
Total assets	63,559,469	53,253,754
Liabilities:		
Accounts payable	(2,124,505)	(1,723,326)
Advance premiums received	(1,391,866)	(1,655,044)
Claims and administrative service reserve	(451,224)	(465,031)
Total liabilities	(3,967,595)	(3,843,401)
Net assets available for benefits, prior to IBNR (*)	\$ 59,591,874	49,410,353

See accompanying notes to financial statements.

* - see claims incurred but not reported (IBNR) disclosure on page 8

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Statement of Changes in Net Assets Available for Benefits
Year ended December 31, 2007

Additions to net assets attributed to:	
Contributions:	
Health	\$ 89,613,356
Income protection plan	3,501,343
Dental	2,111,745
Long term disability	30,447
Total contributions	95,256,891
Investment income:	
Interest income	2,776,539
Net appreciation in fair value of investments	770,456
Total investment income	3,546,995
Total additions	98,803,886
Deductions from net assets attributed to:	
Claims paid:	
Health	76,621,540
Income protection plan	3,069,092
Dental	1,823,165
Total claims paid	81,513,797
Less recoveries:	
Subrogation	348,716
Reinsurance	2,861,447
Total recoveries	3,210,163
Net claims expense	78,303,634

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Statement of Changes in Net Assets Available for Benefits, Continued

Claims related expense:	
Reinsurance:	
Specific	\$ 2,139,385
Aggregate	170,000
Premiums remitted - life	431,137
Premiums remitted - LTD	28,804
Network access fees	1,684,905
Utilization review and case management	84,217
Health promotion	167,739
Total claims related expense	4,706,187
Claims service expense:	
Income protection plan	311,040
Health - indemnity	399,023
Health - point of service	2,019,179
Dental	133,632
Life	24,716
Other	19,570
Claim service reserve adjustments	(10,522)
Total claims service expense	2,896,638
Administrative expense:	
Management fees	2,315,281
Professional services:	
Legal	35,449
Actuarial	69,739
Consultants	109,401
Trustee expenses:	
Insurance	33,322
Meetings	21,979
Administrative expense reserve adjustments	(3,285)
Other expenses	134,020
Total administrative expense	2,715,906
Total deductions	88,622,365
Net increase during year	10,181,521
Net assets available for benefits, prior to IBNR:	
Net assets, beginning of year	49,410,353
Net assets, end of year	\$ 59,591,874

See accompanying notes to financial statements.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements

DESCRIPTION OF TRUST

The following description of the Maine Municipal Employees Health Trust (the Trust) provides only general information. Participants should refer to the Trust agreement for a complete description of the Trust's provisions.

General - The Trust was established in 1982 as a multiple-employer Voluntary Employees' Beneficiary Association for the purpose of providing hospital, physician, major medical, short-term disability, long-term disability, dental and life benefits. The Trust began offering services on January 1, 1983. The Trust contracts with the Maine Municipal Association to serve as plan administrator and pays Maine Municipal Association a management fee.

The Trust was drafted with the intent to comply with the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and has operated in compliance with ERISA since its establishment. This status, however, was challenged by a Federal District Court decision in March of 2000. The Trustees requested an Advisory Opinion from the Department of Labor in June of 2000 to confirm the Trust's ERISA status, but the Department of Labor has not yet responded to the request. The Trust will continue to be operated in accordance with ERISA until its status is resolved.

The Trust has also entered into a Consent Agreement with the State of Maine Bureau of Insurance agreeing to comply with the applicable provisions of Maine law relating to Multiple Employer Welfare Arrangements (MEWA) as of January 1, 2004.

Benefits - The Trust provides health, dental, short-term disability, life, supplemental life, dependent life and long-term disability benefits to participants in accordance with the contractual agreement entered into by each participating employer. The life, supplemental life, dependent life and long-term disability programs are fully insured. The Trust self-insures for the health, dental, and short-term disability benefits it provides, up to retention limits specified in reinsurance contracts.

Contributions - Contribution levels are determined annually by the Trust's actuary and are paid in accordance with the contractual agreement entered into by each participating employer. Contributions to the Trust are made by participating employers and their employees. The portion of the Trust's estimated cost of providing postretirement benefits expected to be funded by retiree contributions (net retiree cost as a percentage of gross total benefit costs) for fiscal 2007 and 2006 is 64.2% and 64.3%, respectively.

An employer group must be a member (either municipal or associate member) of the Maine Municipal Association to participate in the Trust programs and its employees must meet certain eligibility guidelines described in the Trust agreement. During 2007, there were 432 employer groups in the health plan; 242 employer groups in the dental plan; 322 employer groups in the short-term disability plan and 13 employer groups in the long-term disability program. During 2006, there were 424 employer groups in the health plan; 225 employer groups in the dental plan; 318 employer groups in the short-term disability plan and 12 employer groups in the long-term disability program.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tax Exempt Status - The Trust is exempt from income taxes under Section 501(c)(9) of the Internal Revenue Code as stated in a determination letter from the Internal Revenue Service dated August 20, 1982. Since that date, the plan has been amended. However, the plan administrator and the plan's tax counsel believe that the plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the Trust's financial statements.

Basis of Accounting - The Trust follows the accrual basis of accounting, and certain pronouncements applicable to employee benefit plans.

Cash and Cash Equivalents - The Trust considers all highly liquid deposits with an initial maturity of three months or less to be cash and cash equivalents.

Investments - The Trust invests in a number of financial instruments, including certificates of deposit and U.S. government and agency securities, none of which are held for trading purposes. The Trust estimates that the fair value of all financial instruments at December 31, 2007 and 2006 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of net assets. The estimated fair value amounts have been determined by quoted market prices.

Accounts Receivable - Accounts receivable have been adjusted for all known uncollectible accounts. No allowance for bad debts was considered necessary at December 31, 2007 and 2006.

Advance Premiums Received - This represents deferred revenue from contributions and premiums which has been received by the Trust but which relates to the next year.

Claims Incurred But Not Reported (IBNR) - Plan obligations at December 31 for health claims incurred by active participants but not reported at that date, for accumulated eligibility of participants, and for future disability payments to members considered permanently disabled at December 31 are estimated by the Trust's actuary in accordance with accepted actuarial principles. Reserves for health, dental and short-term disability claims incurred but not reported are estimated by an independent actuary based upon historical claims experience. Management believes that the reserves are adequate, but the ultimate net cost of settling these liabilities may vary from the estimated amount. Accordingly, this estimate is reviewed annually. Any adjustments resulting from the settlement of losses will be reflected in the statements of changes in net assets available for benefits at the time the adjustments are determined.

Postretirement Benefits - The amount reported as the postretirement benefit obligation represents the actuarial present value of those estimated future benefits that are attributed by the terms of the Trust to employees' service rendered to the date of the financial statements, reduced by the actuarial present value of contributions expected to be received in the future from current Trust participants. To be eligible for postretirement benefits, the employee must meet the minimum requirement of age 55 with at least 5 years of service at retirement; or be withdrawing from an employer-sponsored retirement account.

Postretirement benefits include future benefits expected to be paid to or for (1) currently retired or terminated employees and their spouses and (2) active employees and spouses after retirement from service with their participating employer. The postretirement benefit obligation represents the amount that is to be funded by contributions from the Trust's participating employers and from existing Plan assets. Prior to an active employee's full eligibility date, the postretirement benefit obligation is the portion of the expected postretirement benefit obligation that is attributed to that employee's service rendered to the valuation date.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The actuarial present value of the expected postretirement benefit obligation is determined by an actuary and is the amount that results from applying actuarial assumptions to historical claims-cost data to estimate future annual incurred claims costs per participant and to adjust such estimates for the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as those for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

For measurement purposes a 9.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2007; the rate was assumed to decrease gradually to 5.0% for 2014 and to remain at that level thereafter. The actuary assumed an average per capita cost for all ages. Effectively this assumes that the average age of pre 65 and post 65 retirees does not vary significantly over time.

The following were other significant assumptions used in the valuation as of December 31, 2007 and 2006.

Weighted-average discount rate: 6.6% and 6.0% for 2007 and 2006, respectively.

Average retirement age: varies, based upon the December 2006 plan census as well as actuarial judgment.

Mortality: RP-2000 White & Blue Collar Mortality Tables by male and female projected to 2010.

The foregoing assumptions are based on the presumption that the Trust will continue. Were the Trust to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of the postretirement benefit obligation.

Claims and Administrative Service Reserves - These reserves are for the cost to process and administer claims incurred but not reported and are estimated by an independent actuary based upon historical expense experience. Management believes that the reserves are adequate, but the ultimate net cost of settling this liability may vary from the estimated amount. Accordingly, this estimate is reviewed annually.

Reinsurance - The Trust uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Trust as a direct insurer of the risks reinsured. The Trust does not report reinsured losses as liabilities unless it is probable that those losses will not be covered by reinsurers. Premiums ceded to reinsurers during 2007 and 2006 were \$2,309,385 and \$2,983,504, respectively.

Management Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates utilized in the preparation of the financial statements relate to claims incurred but not reported, claims and administrative service reserves, and the post-retirement benefits liability.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements, Continued

DEPOSITS AND INVESTMENTS

Deposits - Cash and cash equivalents are composed of cash management accounts (CMA) and money market instruments and consist of the following at December 31:

	<u>2007</u>	<u>2006</u>
CMA - deposit account	\$ 1,347	780,379
CMA - mutual fund investment sweep	8,785,974	6,799,375
Money market mutual fund	9,559,016	2,986,588
Money market account	2,000,000	2,000,000
Totals	\$ 20,346,337	12,566,342

The CMA - deposit account balances of \$1,347 and \$780,379 for December 31, 2007 and 2006, respectively, consist of checks deposited but not yet available for transfer.

Funds in the CMA - deposit account are insured by FDIC up to \$100,000. Any balance in this account in excess of the \$100,000 FDIC insured limit is considered uninsured and uncollateralized and subject to custodial credit risk. The CMA - mutual fund investment sweep and the money market mutual fund are mutual funds outside the bank, invested in short term government securities. These funds are uninsured and uncollateralized, and subject to custodial credit risk. The money market account is held in a separate financial institution. This account is insured by FDIC up to \$100,000 and is secured by a bond issued by an insurance company.

At December 31, 2007, investment balances were as follows:

	<u>2007</u>	<u>2006</u>
Certificates of deposit*	\$ 9,099,000	6,599,000
Corporate bonds	490,040	-
U.S. Government securities	31,344,333	32,031,718
Totals	\$ 40,933,373	38,630,718

The 2007 securities mature in various amounts during 2008 through 2009. The 2006 securities mature in various amounts during 2007 through 2009.

* Of the certificate of deposit bank balances on December 31, 2007 and 2006, \$2,199,000 and \$1,599,000, respectively, were covered by federal depository insurance; the remainder is uninsured and uncollateralized.

NET APPRECIATION IN FAIR VALUE

Net appreciation in fair value during the year ended December 31, 2007 and 2006 by type of investment was as follows. Such amounts are included in investment income in the statement of changes in net assets available for benefits.

	<u>2007</u>	<u>2006</u>
Corporate bonds	\$ (9,960)	-
U.S. Government Securities	780,416	149,478
Totals	\$ 770,456	149,478

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements, Continued

BENEFIT OBLIGATIONS

The Trust is self-insured for hospital, physician, major medical, and dental and short-term disability benefits. Liabilities for claims incurred but not reported at December 31 have been estimated by the Trust's independent actuary, using standard actuarial assumptions based upon actual experience. The initial actuarially determined postretirement benefit obligation was performed as of December 31, 2006 and has been updated through December 31, 2007. Benefit obligations as of December 31, 2007 and 2006 and changes in benefit obligations are disclosed in the following tables.

Statement of Benefit Obligations

	<u>2007</u>	<u>2006</u>
Claims incurred but not reported, amounts currently payable:		
Health	\$ 5,284,242	4,664,141
Income protection plan	827,647	732,348
Dental	50,847	55,178
Total claims incurred but not reported	\$ 6,162,736	5,431,667
Postretirement benefit obligations, net of amounts currently payable:		
Medical:		
Retired participants	42,102,511	47,819,155
Other participants fully eligible for benefits	26,115,996	28,642,487
Participants not yet fully eligible for benefits	32,327,161	32,461,856
Life insurance	2,568,697	2,702,179
Total postretirement benefit obligations	103,114,365	111,625,677
Total benefit obligations	\$ 109,277,101	117,057,344

Statement of Changes in Benefit Obligations

Claims incurred but not reported, beginning of year	\$ 5,431,667	5,961,786
Claims reported and approved for payment, including benefits reclassified from benefit obligations	82,244,866	78,220,272
Claims paid	(81,513,797)	(78,750,391)
Claims incurred but not reported, end of year	6,162,736	5,431,667
Postretirement benefit obligations, net of amounts currently payable:		
Balance at end of year	103,114,365	111,625,677
Total benefit obligations at end of year	\$ 109,277,101	117,057,344

The health care cost-trend rate assumption has a significant effect on the amounts reported. If the assumed rates increased by one percentage point each year, that would increase the obligation as of December 31, 2007 by \$16,630,314 or 16.5%; and the obligation as of December 31, 2006 by \$17,860,818 or 16.4%.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements, Continued

A.M. BEST RATINGS

Reinsurance was provided by the Hartford Life Insurance Company which has an A.M. Best rating of A+ (superior), VIII. The life insurance was provided by Prudential Life Insurance which has an A.M. Best rating of A+ (superior), XV.

UNPAID CLAIMS LIABILITIES

The schedule below presents the changes in claims liabilities for the year ended December 31:

	<u>2007</u>	<u>2006</u>
<u>Unpaid claims and claims service reserved at beginning of year</u>	\$ 5,831,988	6,336,290
Incurring claims and claims service reserve expense:		
Provision for incurred events of the current year	83,037,852	78,574,766
<u>Decreases in provision for insured events of prior fiscal years</u>	<u>(742,083)</u>	<u>(328,677)</u>
Total incurred claims and claims service reserve expenses	82,295,769	78,246,089
Payments:		
Claims attributable to insured events of the current year	76,509,960	72,832,499
<u>Claims attributable to insured events of the prior fiscal years</u>	<u>5,003,837</u>	<u>5,917,892</u>
Total payments	81,513,797	78,750,391
Total unpaid claims and claims service reserved		
<u>at end of year</u>	<u>\$ 6,613,960</u>	<u>5,831,988</u>

RELATED PARTY TRANSACTIONS

To participate in the Trust, an employer must be a member (either municipal or associate member) of the Maine Municipal Association and its employees must meet certain eligibility guidelines described in the Trust agreement. The Trust also contracts with the Maine Municipal Association to serve as plan administrator and pays Maine Municipal Association a management fee for the services it provides. Total management fees paid by the Trust to Maine Municipal Association during 2007 and 2006 amounted to \$2,315,281 and \$2,192,505, respectively.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
 Plan Number: 501, EIN: 01-0382676
 Schedule to Form 5500
 Schedule H, Line 4i - Schedule of Assets (Held at End of Year)
 December 31, 2007

(a) lessor or similar party	(b) Identification of issue, borrower, date, rate of interest, collateral, par or maturity values	(c) Description of investment including maturity date, rate of interest, collateral, par or maturity values	(d) Cost	(e) Current value
FINANCIAL FSB	Certificate of Deposit, 2/21/08, 5.03%		\$ 250,000	250,000
SECURITY BANK	Certificate of Deposit, 3/8/08, 5.1%		500,000	500,000
FIRST REGIONAL BANK	Certificate of Deposit, 12/28/07, 5.35%		500,000	500,000
IMPERIAL CAPITAL BANK	Certificate of Deposit, 12/29/07, 5.3%		500,000	500,000
GULF COAST COMMUNITY BANK	Certificate of Deposit, 3/7/08, 5.3%		500,000	500,000
MAINE SAVINGS FEDERAL CU	Certificate of Deposit, 3/23/08, 5.21%		500,000	500,000
CORUSBANK	Certificate of Deposit, 4/11/08, 5.24%		500,000	500,000
ADVANTA BANK CORP	Certificate of Deposit, 5/7/09, 5.25%		250,000	250,000
CROWN BANK	Certificate of Deposit, 5/8/08, 5.3%		500,000	500,000
NORTH HOUSTON BANK	Certificate of Deposit, 5/7/08, 5.25%		500,000	500,000
INDYMAC BANK	Certificate of Deposit, 3/7/08, 5.401%		500,000	500,000
PARK NATIONAL BANK	Certificate of Deposit, 7/7/08, 5.25%		500,000	500,000
UNITED BANK & TRUST	Certificate of Deposit, 8/21/08, 4.86%		500,000	500,000
MERCANTILE TRUST & SAVINGS	Certificate of Deposit, 8/21/08, 5.22%		500,000	500,000
ADVANTA BANK	Certificate of Deposit, 8/21/08, 5.4%		250,000	250,000
SEATTLE SAVINGS BANK	Certificate of Deposit, 2/17/08, 5.35%		500,000	500,000
FINANCIAL FSB	Certificate of Deposit, 10/29/09, 4.656%		500,000	500,000
COMMUNITY BANK	Certificate of Deposit, 10/31/08, 4.85%		99,000	99,000
FIRST FEDERAL BANK	Certificate of Deposit, 12/11/08, 4.7%		250,000	250,000
CENTENNIAL BANK	Certificate of Deposit, 12/13/08, 4.7%		250,000	250,000
CENTENNIAL BANK	Certificate of Deposit, 12/15/08, 4.75%		250,000	250,000
FRONTIER BANK	Certificate of Deposit, 3/21/08, 5.1%		500,000	500,000
SLM CORP	Corporate Bond, 3/15/10, FL RT%		500,000	490,040
FHLB	U.S. Gov't Sec., 1/15/08, 3.625%		990,512	999,690
FHLB	U.S. Gov't Sec., 2/15/08, 3.875%		500,000	499,530
FHLB	U.S. Gov't Sec., 3/14/08, 2.75%		485,750	498,125
FHLB	U.S. Gov't Sec., 4/18/08, 4.125%		1,007,540	998,750
FHLB	U.S. Gov't Sec., 6/18/08, 5.125%		1,000,000	1,002,810
FFCB	U.S. Gov't Sec., 7/15/08, 3.375%		985,500	994,690
FNMA	U.S. Gov't Sec., 7/15/08, 3.875%		992,390	998,750
US Treas	U.S. Gov't Sec., 8/15/08, 4.125%		992,188	1,004,220
FHLB	U.S. Gov't Sec., 9/12/08, 5%		1,002,300	1,050,310
FNMA	U.S. Gov't Sec., 10/15/08, 4.5%		1,000,000	1,003,130
FHLB	U.S. Gov't Sec., 11/21/08, 4.625%		1,000,960	1,004,380
FHLB	U.S. Gov't Sec., 12/12/08, 4.75%		754,025	754,688
FNMA	U.S. Gov't Sec., 1/15/09, 5.25%		1,019,520	1,012,810
FHLB	U.S. Gov't Sec., 2/13/09, 5.75%		1,016,060	1,019,690
FHLB	U.S. Gov't Sec., 3/13/09, 4.75%		990,380	1,010,310
FFCB	U.S. Gov't Sec., 5/4/09, 5.25%		1,002,500	1,019,380
US Treas	U.S. Gov't Sec., 6/15/09, 4%		991,250	1,013,050
FHLB	U.S. Gov't Sec., 7/17/09, 5.375%		502,380	513,125
FNMA	U.S. Gov't Sec., 8/15/09, 5.375%		1,015,718	1,027,500
FFCB	U.S. Gov't Sec., 9/22/09, 5.375%		1,000,000	1,029,380
FFCB	U.S. Gov't Sec., 10/23/09, 5%		500,600	512,345
FFCB	U.S. Gov't Sec., 10/27/09, 4.82%		499,245	510,780
FFCB	U.S. Gov't Sec., 11/20/09, 4.85%		1,002,267	1,022,190
FFCB	U.S. Gov't Sec., 1/11/10, 4.92%		1,506,685	1,539,375
FHLB	U.S. Gov't Sec., 3/17/10, 4.375%		987,210	1,017,190
FHLB	U.S. Gov't Sec., 5/14/10, 4.875%		994,700	1,028,750
FHLB	U.S. Gov't Sec., 6/11/10, 5.25%		1,005,636	1,038,130
FFCB	U.S. Gov't Sec., 7/28/10, 5.35%		501,145	521,095
FFCB	U.S. Gov't Sec., 9/13/10, 5.25%		1,001,560	1,039,380
FHLB	U.S. Gov't Sec., 3/10/11, 5.25%		1,003,810	1,005,000
FHLB	U.S. Gov't Sec., 3/11/11, 4.875%		504,720	518,280
FHLB	U.S. Gov't Sec., 3/11/11, 5%		992,330	1,040,310
FNMA	U.S. Gov't Sec., 4/15/11, 5.125%		996,320	1,045,000
FFCB	U.S. Gov't Sec., 7/18/11, 5.375%		1,013,300	1,052,190

\$ 40,357,501 40,933,373

See independent auditor's report

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST

Plan Number: 501, EIN: 01-0382676

Schedule to Form 5500

Schedule H, Line 4i - Schedule of Assets (Acquired and Disposed of Within Year)

December 31, 2007

(a) Identity of issue, borrower, lessor, or similar party	(b) Description of investment including maturity date, rate of interest, collateral, par or maturity values	(c) Cost of Acquisitions	(d) Proceeds of Dispositions
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None

See independent auditor's report

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Plan Number: 501, EIN: 01-0382676
Schedule to Form 5500
Schedule H, Line 4j - Schedule of Reportable Transactions
December 31, 2007

(a) Identity of Party Involved	(b) Description of assets (include interest and maturity in case of a loan)	(c) Purchase price	(d) Selling price	(e) Lease rental	(f) Expense incurred with transaction	(g) Cost asset	(h) Current value of asset on transaction date	(i) Net gain or (loss)
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None

See independent auditor's report

**MAINE MUNICIPAL EMPLOYEES HEALTH
TRUST**

Financial Statements

For the Years Ended December 31, 2008 and 2007

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Financial Statements
For the Years Ended December 31, 2008 and 2007

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Certified Public Accountants and Business Consultants

Independent Auditor's Report

To the Board of Trustees

Maine Municipal Employees Health Trust:

We have audited the accompanying statements of net assets available for benefits of the Maine Municipal Employees Health Trust (the Trust) as of December 31, 2008 and 2007 and the related statement of changes in net assets available for benefits for the year ended December 31, 2008. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Trust as of December 31, 2008 and 2007, and the changes in its financial status for the year ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year), schedule of assets (acquired and disposed of within year), and schedule of reportable transactions, each for the year ended December 31, 2008, are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Trust's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

May 20, 2009
South Portland, Maine

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements

DESCRIPTION OF TRUST

The following description of the Maine Municipal Employees Health Trust (the Trust) provides only general information. Participants should refer to the Trust agreement for a complete description of the Trust's provisions.

General - The Trust was established in 1982 as a multiple-employer Voluntary Employees' Beneficiary Association for the purpose of providing hospital, physician, major medical, short-term disability, long-term disability, dental and life benefits. The Trust began offering services on January 1, 1983. The Trust contracts with the Maine Municipal Association to serve as plan administrator and pays Maine Municipal Association a management fee.

The Trust was drafted with the intent to comply with the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and has operated in compliance with ERISA since its establishment. This status, however, was challenged by a Federal District Court decision in March of 2000. The Trustees requested an Advisory Opinion from the Department of Labor in June of 2000 to confirm the Trust's ERISA status, but the Department of Labor has not yet responded to the request. The Trust will continue to be operated in accordance with ERISA until its status is resolved.

The Trust has also entered into a Consent Agreement with the State of Maine Bureau of Insurance agreeing to comply with the applicable provisions of Maine law relating to Multiple Employer Welfare Arrangements (MEWA) as of January 1, 2004.

Benefits - The Trust provides health, dental, short-term disability, life, supplemental life, dependent life and long-term disability benefits to participants in accordance with the contractual agreement entered into by each participating employer. The life, supplemental life, dependent life and long-term disability programs are fully insured. The Trust self-insures for the health, dental, and short-term disability benefits it provides, up to retention limits specified in reinsurance contracts.

Contributions - Contribution levels are determined annually by the Trust's actuary and are paid in accordance with the contractual agreement entered into by each participating employer. Contributions to the Trust are made by participating employers and their employees. The portion of the Trust's estimated cost of providing postretirement benefits expected to be funded by retiree contributions (net retiree contributions as a percentage of gross total benefit costs) for fiscal 2008 and 2007 is 68.7% and 67.7%, respectively.

An employer group must be a member (either municipal or associate member) of the Maine Municipal Association to participate in the Trust programs and its employees must meet certain eligibility guidelines described in the Trust agreement. During 2008, there were 446 employer groups in the health plan; 248 employer groups in the dental plan; 300 employer groups in the short-term disability plan and 10 employer groups in the long-term disability program. During 2007, there were 432 employer groups in the health plan; 242 employer groups in the dental plan; 322 employer groups in the short-term disability plan and 13 employer groups in the long-term disability program.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tax Exempt Status - The Trust is exempt from income taxes under Section 501(c)(9) of the Internal Revenue Code as stated in a determination letter from the Internal Revenue Service dated August 20, 1982. Since that date, the Trust has been amended. However, the Trust administrator and the Trust's tax counsel believe that the Trust is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the Trust's financial statements.

Basis of Accounting - The Trust follows the accrual basis of accounting, and certain pronouncements applicable to employee benefit plans.

Cash and Cash Equivalents - The Trust considers all highly liquid deposits with an initial maturity of three months or less to be cash and cash equivalents.

Investments - The Trust invests in a number of financial instruments, including certificates of deposit and U.S. government and agency securities, none of which are held for trading purposes. The Trust estimates that the fair value of all financial instruments at December 31, 2008 and 2007 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of net assets. The estimated fair value amounts have been determined by quoted market prices.

Accounts Receivable - Accounts receivable have been adjusted for all known uncollectible accounts. No allowance for bad debts was considered necessary at December 31, 2008 and 2007.

Advance Premiums Received - This represents deferred revenue from contributions and premiums which has been received by the Trust but which relates to the next year.

Claims Incurred But Not Reported (IBNR) - Plan obligations at December 31 for health claims incurred by active participants but not reported at that date, for accumulated eligibility of participants, and for future disability payments to members considered permanently disabled at December 31, are estimated by the Trust's actuary in accordance with accepted actuarial principles. Reserves for health, dental and short-term disability claims incurred but not reported are estimated by an independent actuary based upon historical claims experience. Management believes that the reserves are adequate, but the ultimate net cost of settling these liabilities may vary from the estimated amount. Accordingly, this estimate is reviewed annually. Any adjustments resulting from the settlement of losses will be reflected in the statements of changes in net assets available for benefits at the time the adjustments are determined.

Postretirement Benefits - The amount reported as the postretirement benefit obligation represents the actuarial present value of those estimated future benefits that are attributed by the terms of the Trust to employees' service rendered to the date of the financial statements, reduced by the actuarial present value of contributions expected to be received in the future from current retirees and current active participants when they retire. To be eligible for postretirement benefits, the employee must meet the minimum requirement of age 55 with at least 5 years of service at retirement; or be withdrawing from an employer-sponsored retirement account.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Postretirement benefits include future benefits expected to be paid to or for (1) currently retired or terminated employees and their spouses and (2) active employees and spouses after retirement from service with their participating employer. The postretirement benefit obligation represents the amount that is to be funded by contributions from the Trust's participating employers and from existing Plan assets. Prior to an active employee's full eligibility date, the postretirement benefit obligation is the portion of the expected postretirement benefit obligation that is attributed to that employee's service rendered to the valuation date.

The actuarial present value of the expected postretirement benefit obligation is determined by an actuary and is the amount that results from applying actuarial assumptions to historical claims-cost data to estimate future annual incurred claims costs per participant and to adjust such estimates for the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as those for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

For measurement purposes a 9.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2008; the rate was assumed to decrease gradually to 5.0% for 2015 and to remain at that level thereafter. The actuary assumed an average per capita cost for all ages. Effectively this assumes that the average ages of pre 65 and post 65 retirees do not vary significantly over time.

The following were other significant assumptions used in the valuation as of December 31, 2008 and 2007.

Weighted-average discount rate: 6.0% and 6.6% for 2008 and 2007, respectively.

Average retirement age: varies, based upon the December 2006 plan census as well as actuarial judgment.

Mortality: RP-2000 White & Blue Collar Mortality Tables by male and female projected to 2010.

The foregoing assumptions are based on the presumption that the Trust will continue. Were the Trust to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of the postretirement benefit obligation.

Claims and Administrative Service Reserves - These reserves are for the cost to process and administer claims incurred but not reported and are estimated by an independent actuary based upon historical expense experience. Management believes that the reserves are adequate, but the ultimate net cost of settling this liability may vary from the estimated amount. Accordingly, this estimate is reviewed annually.

Reinsurance - The Trust uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Trust as a direct insurer of the risks reinsured. The Trust does not report reinsured losses as liabilities unless it is probable that those losses will not be covered by reinsurers. Premiums ceded to reinsurers during 2008 and 2007 were \$2,394,954 and \$2,309,385, respectively.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Management Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, benefit obligations and changes therein, IBNR, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates utilized in the preparation of the financial statements relate to claims incurred but not reported, claims and administrative service reserves, and the post-retirement benefits liability.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are composed of cash management accounts (CMA) and money market instruments and consist of the following at December 31:

	<u>2008</u>	<u>2007</u>
CMA - deposit account	\$ -	1,347
CMA - mutual fund investment sweep	5,367,181	8,785,974
Money market mutual fund	9,235,425	9,559,016
Money market account	2,000,000	2,000,000
Totals	\$ 16,602,606	20,346,337

The CMA - deposit account balances of \$ - and \$1,347 for December 31, 2008 and 2007, respectively, consist of checks deposited but not yet available for transfer.

Funds in the CMA - deposit account are insured by FDIC up to \$250,000 and \$100,000 at December 31, 2008 and 2007, respectively. Any balance in this account in excess of the FDIC insured limit is considered uninsured and uncollateralized and subject to custodial credit risk. The CMA - mutual fund investment sweep and the money market mutual fund are mutual funds outside the bank, invested in short term government securities. These funds are uninsured and uncollateralized, and subject to custodial credit risk. The money market account is held in a separate financial institution. This account is insured by FDIC up to the respective amounts noted above and is secured by a bond issued by an insurance company.

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

In accordance with Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, the Trust is required to disclose, for its assets and liabilities measured at fair value on a recurring basis, the inputs used to determine those fair value measurements.

Level 1: Level 1 inputs are quoted prices in active markets for identical assets and liabilities that an entity has the ability to access at a measurement date. *Level 2:* Level 2 inputs are inputs other than quoted prices that are observable for the specific asset or liability, either directly or indirectly. *Level 3:* Level 3 inputs are unobservable inputs for the asset or liability in which little or no market activity is available for the asset or liability at the measurement date. All assets of the Trust, measured at fair value, were measured using level 1 inputs.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements, Continued

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

	<u>12/31/08</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Certificates of deposit	\$ 3,799,000	3,799,000	-	-
Corporate bonds	418,780	418,780	-	-
U.S. Government securities	45,048,145	45,048,145	-	-
Totals	\$ 49,265,925	49,265,925	-	-

	<u>12/31/07</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Certificates of deposit	\$ 9,099,000	9,099,000	-	-
Corporate bonds	490,040	490,040	-	-
U.S. Government securities	31,344,333	31,344,333	-	-
Totals	\$ 40,933,373	40,933,373	-	-

INVESTMENTS

At December 31, 2008, investment balances were as follows:

	<u>2008</u>	<u>2007</u>
Certificates of deposit*	\$ 3,799,000	9,099,000
Corporate bonds	418,780	490,040
U.S. Government securities	45,048,145	31,344,333
Totals	\$ 49,265,925	40,933,373

The 2008 securities mature in various amounts during 2009 through 2010. The 2007 securities mature in various amounts during 2008 through 2009.

There were no individual investments with a fair value representing 5% or more of net assets available for benefits as of December 31, 2008 and 2007.

* Of the certificates of deposit bank balances on December 31, 2008 and 2007, \$3,299,000 and \$2,199,000, respectively, were covered by federal depository insurance or collateralized with U.S. Government Securities; the remainder is uninsured and uncollateralized.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements, Continued

NET APPRECIATION IN FAIR VALUE

Net appreciation in fair value during the years ended December 31, 2008 and 2007 by type of investment was as follows. Such amounts are included in investment income in the statement of changes in net assets available for benefits.

	<u>2008</u>	<u>2007</u>
Corporate bonds	\$ (81,220)	(9,960)
U.S. Government Securities	1,119,378	780,416
Totals	\$ 1,038,158	770,456

BENEFIT OBLIGATIONS

The Trust is self-insured for hospital, physician, major medical, and dental and short-term disability benefits. Liabilities for claims incurred but not reported at December 31 have been estimated by the Trust's independent actuary, using standard actuarial assumptions based upon actual experience. The initial actuarially determined postretirement benefit obligation was performed as of December 31, 2006 and has been updated through December 31, 2008. Benefit obligations as of December 31, 2008 and 2007 and changes in benefit obligations are disclosed in the following tables.

Statement of Benefit Obligations

	<u>2008</u>	<u>2007</u>
Claims incurred but not reported, net of amounts currently payable:		
Health	\$ 4,214,633	5,284,242
Income protection plan	737,795	827,647
Dental	57,958	50,847
Total claims incurred but not reported	\$ 5,010,386	6,162,736
Postretirement benefit obligations, net of amounts currently payable:		
Medical:		
Retired participants	41,479,536	42,102,511
Other participants fully eligible for benefits	28,512,417	26,115,996
Participants not yet fully eligible for benefits	44,442,043	32,327,161
Life insurance	2,866,015	2,568,697
Total postretirement benefit obligations	117,300,011	103,114,365
Total benefit obligations	\$ 122,310,379	109,277,101

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements, Continued

BENEFIT OBLIGATIONS, CONTINUED

Statement of Changes in Benefit Obligations

	<u>2008</u>	<u>2007</u>
Claims incurred but not reported, beginning of year	\$ 6,162,736	5,431,667
Claims reported and approved for payment, including benefits reclassified from benefit obligations	87,287,493	82,244,866
<u>Claims paid</u>	<u>(88,439,843)</u>	<u>(81,513,797)</u>
<u>Claims incurred but not reported, end of year</u>	<u>5,010,386</u>	<u>6,162,736</u>
Postretirement benefit obligations, net of amounts currently payable:		
<u>Balance at end of year</u>	<u>117,300,011</u>	<u>103,114,365</u>
<u>Total benefit obligations at end of year</u>	<u>\$ 122,310,379</u>	<u>109,277,101</u>

The health care cost-trend rate assumption has a significant effect on the amounts reported. If the assumed rates increased by one percentage point each year, that would increase the obligation as of December 31, 2008 by \$21,257,911 or 18.6%; and the obligation as of December 31, 2007 by \$16,630,314 or 16.5%

A.M. BEST RATINGS

Reinsurance was provided by the Sun Life Assurance Company which has an A.M. Best rating of A+ (superior), XV. The life insurance was provided by Prudential Life Insurance which has an A.M. Best rating of A+ (superior), XV.

UNPAID CLAIMS LIABILITIES

The schedule below presents the changes in claims liabilities for the year ended December 31:

	<u>2008</u>	<u>2007</u>
<u>Unpaid claims and claims service reserved at beginning of year</u>	<u>\$ 6,613,960</u>	<u>5,831,988</u>
Incurred claims and claims service reserve expense:		
Provision for incurred events of the current year	87,884,870	83,037,852
<u>Decreases in provision for insured events of prior fiscal years</u>	<u>(684,189)</u>	<u>(742,083)</u>
<u>Total incurred claims and claims service reserve expenses</u>	<u>87,200,681</u>	<u>82,295,769</u>
Payments:		
Claims attributable to insured events of the current year	82,459,141	76,509,960
<u>Claims attributable to insured events of the prior fiscal years</u>	<u>5,980,702</u>	<u>5,003,837</u>
<u>Total payments</u>	<u>88,439,843</u>	<u>81,513,797</u>
<u>Total unpaid claims and claims service reserved at end of year</u>	<u>\$ 5,374,798</u>	<u>6,613,960</u>

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements, Continued

TRANSACTIONS WITH PARTIES IN INTEREST

To participate in the Trust, an employer must be a member (either municipal or associate member) of the Maine Municipal Association and its employees must meet certain eligibility guidelines described in the Trust agreement. The Trust also contracts with the Maine Municipal Association to serve as plan administrator and pays Maine Municipal Association a management fee for the services it provides. Total management fees paid by the Trust to Maine Municipal Association during 2008 and 2007 amounted to \$2,400,511 and \$2,315,281, respectively.

TERMINATION OF THE TRUST

Under certain conditions, the Trust may be terminated. Upon termination, the assets then remaining shall be subject to applicable provisions of the Trust then in effect and shall be used until exhausted to pay benefits to employees.

RISKS AND UNCERTAINTIES

The actuarial present value of benefit obligations is reported based on certain assumptions pertaining to interest rates, claims data, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Statements of Net Assets Available for Benefits
December 31, 2008 and 2007

	2008	2007
Assets:		
Investments at fair value:		
Certificates of deposit	\$ 3,799,000	9,099,000
Corporate bonds	418,780	490,040
U.S. Government and agency securities	45,048,145	31,344,333
Total investments at fair value	49,265,925	40,933,373
Receivables:		
Accounts receivable	9,322	277,288
Accrued interest receivable	492,564	844,690
Reinsurance recoverable	791,453	943,893
Total receivables	1,293,339	2,065,871
Prepaid expenses	18,171	213,888
Cash and cash equivalents	16,602,606	20,346,337
Total assets	67,180,041	63,559,469
Liabilities:		
Accounts payable	(3,606,012)	(2,124,505)
Advance premiums received	(2,144,653)	(1,391,866)
Claims and administrative service reserve	(364,414)	(451,224)
Total liabilities	(6,115,079)	(3,967,595)
Net assets available for benefits, prior to IBNR (*)	\$ 61,064,962	59,591,874

See accompanying notes to financial statements.

* - see claims incurred but not reported (IBNR) disclosure on page 9

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Statement of Changes in Net Assets Available for Benefits
Year Ended December 31, 2008

Additions to net assets attributed to:	
Contributions:	
Health	\$ 90,886,927
Income protection plan	3,712,345
Dental	2,282,733
Long term disability	38,173
Total contributions	96,920,178
Investment income:	
Interest income	2,332,507
Net appreciation in fair value of investments	1,038,158
Total investment income	3,370,665
Total additions	100,290,843
Deductions from net assets attributed to:	
Claims paid:	
Health	83,312,947
Income protection plan	3,175,830
Dental	1,951,066
Total claims paid	88,439,843
Less recoveries:	
Subrogation	355,192
Reinsurance	1,278,889
Total recoveries	1,634,081
Net claims expense	86,805,762

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Statement of Changes in Net Assets Available for Benefits, Continued

Claims related expense:	
Reinsurance:	
Specific	\$ 2,394,954
Aggregate	-
Dirigo health - savings offset payment	1,361,428
Premiums remitted - life	444,743
Premiums remitted - LTD	36,760
Network access fees	1,677,115
Utilization review and case management	49,870
Health promotion	171,761
Total claims related expense	6,136,631
Claims service expense:	
Income protection plan	317,873
Health - indemnity	343,170
Health - point of service	2,250,250
Dental	142,785
Life	25,314
Other	15,653
Claim service reserve adjustments	(45,271)
Total claims service expense	3,049,774
Administrative expense:	
Management fees	2,400,511
Professional services:	
Legal	41,519
Actuarial	55,007
Consultants	150,600
Trustee expenses:	
Insurance	31,749
Meetings	28,347
Administrative expense reserve adjustments	(41,539)
Other expenses	159,394
Total administrative expense	2,825,588
Total deductions	98,817,755
Changes in net assets available for benefits, prior to IBNR	1,473,088
Net assets available for benefits, prior to IBNR:	
Net assets, beginning of year	59,591,874
Net assets, end of year	\$ 61,064,962

See accompanying notes to financial statements.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
 Plan Number: 501, EIN: 01-0382676
 Schedule to Form 5500
 Schedule H, Line 4i - Schedule of Assets (Held at End of Year)
 December 31, 2008

(a)	(b) Identification of issue, borrower, lessor or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par or maturity values	(d) Cost	(e) Current value
	ADVANTA BANK	Certificate of Deposit, 5/6/09, 5.25%	\$ 250,000	250,000
	PARK NATIONAL BANK	Certificate of Deposit, 7/7/09, 3.5%	100,000	100,000
	CITIZENS BANK	Certificate of Deposit, 7/16/09, 3%	400,000	400,000
	FIRST TRADE UNION BANK	Certificate of Deposit, 7/28/09, 3.25%	250,000	250,000
	FINANCIAL FSB	Certificate of Deposit, 10/29/09, 4.65%	500,000	500,000
	COMMUNITY BANK	Certificate of Deposit, 11/2/09, 4.2%	99,000	99,000
	CENTENNIAL BANK	Certificate of Deposit, 12/31/09, 2.5%	250,000	250,000
	CITIZENS BANK	Certificate of Deposit, 5/7/10, 2.83%	100,000	100,000
	CITIZENS BANK	Certificate of Deposit, 8/6/10, 3.24%	500,000	500,000
	ADVANTA BANK	Certificate of Deposit, 8/21/10, 4.1%	250,000	250,000
	MERCANTILE TRUST & SB	Certificate of Deposit, 8/21/10, 4.1%	100,000	100,000
	BANGOR SB CDARS	Certificate of Deposit, 6/4/09, 2.85%	1,000,000	1,000,000
	SLMA	Corporate Bond, 3/15/10, 2.91%	500,000	418,780
	FNMA	U.S. Gov't Sec., 1/15/09, 5.25%	1,000,261	1,001,880
	FHB	U.S. Gov't Sec., 1/20/09, 2.29%	1,997,511	2,000,000
	FHLB	U.S. Gov't Sec., 2/13/09, 5.75%	1,001,354	1,006,250
	FNMA	U.S. Gov't Sec., 2/17/09, 2.41%	996,867	1,000,000
	FHLB	U.S. Gov't Sec., 3/13/09, 4.75%	999,347	1,008,750
	FFCB	U.S. Gov't Sec., 5/4/09, 5.25%	1,000,290	1,016,560
	US TREASURY	U.S. Gov't Sec., 6/15/09, 4%	998,850	1,016,950
	FHB	U.S. Gov't Sec., 6/26/09, 2.78%	986,725	998,500
	FHLB	U.S. Gov't Sec., 7/17/09, 5.375%	500,434	513,280
	FNMA	U.S. Gov't Sec., 8/15/09, 0.05375	1,003,405	1,030,000
	FFCB	U.S. Gov't Sec., 9/22/09, 5.375%	1,000,000	1,034,690
	FFCB	U.S. Gov't Sec., 10/23/09, 5%	500,175	517,655
	FFCB	U.S. Gov't Sec., 10/27/09, 4.82%	499,778	517,190
	FFCB	U.S. Gov't Sec., 11/20/09, 4.85%	1,000,671	1,036,560
	FFCB	U.S. Gov't Sec., 1/11/10, 4.92%	1,000,835	1,042,810
	FFCB	U.S. Gov't Sec., 1/11/10, 4.92%	501,918	521,405
	FHLB	U.S. Gov't Sec., 1/15/10, 3.875%	504,780	516,250
	FNMA	U.S. Gov't Sec., 2/15/10, 3.875%	1,006,749	1,033,130
	FHLB	U.S. Gov't Sec., 3/17/10, 4.375%	995,533	1,043,130
	FNMA	U.S. Gov't Sec., 4/9/10, 2.5%	995,972	1,016,880
	FNMA	U.S. Gov't Sec., 4/9/10, 2.5%	989,973	1,016,880
	FHLB	U.S. Gov't Sec., 5/14/10, 4.875%	997,540	1,054,690
	FHLB	U.S. Gov't Sec., 6/11/10, 5.25%	1,002,150	1,062,500
	FHLB	U.S. Gov't Sec., 7/16/10, 3.5%	1,005,980	1,031,560
	FFCB	U.S. Gov't Sec., 7/28/10, 5.35%	500,448	534,220
	FNMA	U.S. Gov't Sec., 8/15/10, 5.35%	1,021,419	1,051,880
	FFCB	U.S. Gov't Sec., 9/13/10, 5.25%	1,000,814	1,068,750
	FHLB	U.S. Gov't Sec., 10/20/10, 3.375%	1,003,428	1,040,000
	FHLB	U.S. Gov't Sec., 12/10/10, 3.875%	1,023,447	1,049,690
	FHLB	U.S. Gov't Sec., 2/18/11, 4.625%	1,043,640	1,070,000
	FHLB	U.S. Gov't Sec., 3/11/11, 5%	995,400	1,074,380
	FHLB	U.S. Gov't Sec., 3/11/11, 4.875%	502,952	538,750
	FNMA	U.S. Gov't Sec., 4/15/11, 5.125%	997,812	1,081,560
	FNMA	U.S. Gov't Sec., 5/19/11, 3.375%	992,440	1,050,940
	FHLB	U.S. Gov't Sec., 5/20/11, 2.625%	490,639	511,405
	FHLB	U.S. Gov't Sec., 6/10/11, 5.25%	1,001,399	1,094,690
	FHLB	U.S. Gov't Sec., 6/24/11, 3.375%	499,511	523,280
	FHLB	U.S. Gov't Sec., 7/11/11, 3.625%	501,970	528,280
	FFCB	U.S. Gov't Sec., 7/18/11, 5.375%	1,008,538	1,096,560
	FHLB	U.S. Gov't Sec., 8/19/11, 5.375%	1,047,694	1,098,750
	FNMA	U.S. Gov't Sec., 10/15/11, 5%	1,036,068	1,092,500
	FHLB	U.S. Gov't Sec., 11/18/11, 4.875%	2,108,903	2,183,760
	FFCB	U.S. Gov't Sec., 11/21/11, 3.2%	1,000,000	1,045,940
	FNMA	U.S. Gov't Sec., 2/16/12, 5%	1,038,805	1,097,190
	FNMA	U.S. Gov't Sec., 5/18/12, 4.875%	1,045,201	1,089,060
	FNMA	U.S. Gov't Sec., 5/18/12, 4.875%	1,022,841	1,089,060

\$ 47,669,467 49,265,925

See independent auditor's report

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST

Plan Number: 501, EIN: 01-0382676

Schedule to Form 5500

Schedule H, Line 4i - Schedule of Assets (Acquired and Disposed of Within Year)

December 31, 2008

(a) Identity of issue, borrower, lessor, or similar party	(b) Description of investment including maturity date, rate of interest, collateral, par or maturity values	(c) Cost of Acquisitions	(d) Proceeds of Dispositions
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None

See independent auditor's report

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
 Plan Number: 501, EIN: 01-0382676
 Schedule to Form 5500
 Schedule H, Line 4j - Schedule of Reportable Transactions
 December 31, 2008

(a) Identity of Party Involved	(b) Description of assets (include interest and and maturity in case of a loan)	(c) Purchase price	(d) Selling price	(e) Lease rental	(f) Expense incurred with transaction	(g) Cost asset	(h) Current value of asset on transaction date	(i) Net gain or (loss)
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None

See independent auditor's report

**MAINE MUNICIPAL EMPLOYEES HEALTH
TRUST**

Financial Statements

For the Years Ended December 31, 2009 and 2008

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Financial Statements
For the Years Ended December 31, 2009 and 2008

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Certified Public Accountants and Business Consultants

Independent Auditor's Report

To the Board of Trustees

Maine Municipal Employees Health Trust:

We have audited the accompanying statements of net assets available for benefits of the Maine Municipal Employees Health Trust (the Trust) as of December 31, 2009 and 2008 and the related statement of changes in net assets available for benefits for the year ended December 31, 2009. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Trust as of December 31, 2009 and 2008, and the changes in its financial status for the year ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year), schedule of assets (acquired and disposed of within year), and schedule of reportable transactions, each for the year ended December 31, 2009, are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Trust's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Runyon Kersteen Ouellette".

June 2, 2010
South Portland, Maine

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Statements of Net Assets Available for Benefits
December 31, 2009 and 2008

	2009	2008
Assets:		
Investments at fair value:		
Certificates of deposit	\$ 7,715,592	3,799,000
Corporate bonds	485,875	418,780
U.S. Government and agency securities	38,739,263	45,048,145
Total investments at fair value	46,940,730	49,265,925
Receivables:		
Accounts receivable	31,983	9,322
Accrued interest receivable	380,002	492,564
Reinsurance recoverable	991,676	791,453
Total receivables	1,403,661	1,293,339
Prepaid expenses	12,642	18,171
Cash and cash equivalents	11,990,981	16,602,606
Total assets	60,348,014	67,180,041
Liabilities:		
Accounts payable	(2,361,345)	(3,606,012)
Advance premiums received	(741,381)	(2,144,653)
Claims and administrative service reserve	(407,868)	(364,414)
Total liabilities	(3,510,594)	(6,115,079)
Net assets available for benefits, prior to IBNR (*)	\$ 56,837,420	61,064,962

See accompanying notes to financial statements.

* - see claims incurred but not reported (IBNR) disclosure on page 9

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Statement of Changes in Net Assets Available for Benefits
Year Ended December 31, 2009

Additions to net assets attributed to:	
Contributions:	
Health	\$ 93,768,392
Income protection plan	3,784,299
Dental	2,350,926
Long term disability	37,189
Total contributions	99,940,806
Investment income:	
Interest income	1,744,124
Net depreciation in fair value of investments	(651,361)
Total investment income	1,092,763
Total additions	101,033,569
Deductions from net assets attributed to:	
Claims paid:	
Health	89,190,821
Income protection plan	3,000,501
Dental	2,074,258
Total claims paid	94,265,580
Less recoveries:	
Subrogation	265,767
Reinsurance	1,403,956
Total recoveries	1,669,723
Net claims expense	92,595,857

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Statement of Changes in Net Assets Available for Benefits, Continued

Claims related expense:	
Reinsurance:	
Specific	\$ 2,809,471
Aggregate	-
Dirigo health - savings offset payment	1,479,005
Premiums remitted - life	403,229
Premiums remitted - ltd	35,916
Network access fees	1,512,995
Utilization review and case management	44,739
Health promotion	209,866
Total claims related expense	6,495,221
Claims service expense:	
Income protection plan	355,739
Health - indemnity	328,784
Health - point of service	2,238,370
Dental	145,061
Life	26,363
Other	17,273
Claim service reserve adjustments	25,571
Total claims service expense	3,137,161
Administrative expense:	
Management fee	2,455,901
Professional services:	
Legal	50,101
Actuarial	214,517
Consultants	52,234
Trustee expenses:	
Insurance	35,871
Meetings	38,951
Administrative expense reserve adjustments	17,885
Other expenses	167,412
Total administrative expense	3,032,872
Total deductions	105,261,111
Changes in net assets available for benefits, prior to IBNR	(4,227,542)
Net assets available for benefits, prior to IBNR:	
Net assets, beginning of year	61,064,962
Net assets, end of year	\$ 56,837,420

See accompanying notes to financial statements.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements

DESCRIPTION OF TRUST

The following description of the Maine Municipal Employees Health Trust (the Trust) provides only general information. Participants should refer to the Trust agreement for a complete description of the Trust's provisions.

General - The Trust was established in 1982 as a multiple-employer Voluntary Employees' Beneficiary Association for the purpose of providing hospital, physician, major medical, short-term disability, long-term disability, dental and life benefits. The Trust began offering services on January 1, 1983. The Trust contracts with the Maine Municipal Association to serve as plan administrator and pays Maine Municipal Association a management fee.

The Trust was drafted with the intent to comply with the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and has operated in compliance with ERISA since its establishment. This status, however, was challenged by a Federal District Court decision in March of 2000. The Trustees requested an Advisory Opinion from the Department of Labor in June of 2000 to confirm the Trust's ERISA status, but the Department of Labor never responded to that request. The Trust will continue to be operated in accordance with ERISA until its status is resolved.

The Trust has also entered into a Consent Agreement with the State of Maine Bureau of Insurance agreeing to comply with the applicable provisions of Maine law relating to Multiple Employer Welfare Arrangements (MEWA) as of January 1, 2004.

Benefits - The Trust provides health, dental, short-term disability, life, supplemental life, dependent life and long-term disability benefits to participants in accordance with the contractual agreement entered into by each participating employer. The life, supplemental life, dependent life and long-term disability programs are fully insured. The Trust self-insures for the health, dental, and short-term disability benefits it provides, up to retention limits specified in reinsurance contracts.

Contributions - Contribution levels are determined annually by the MMEHT Trustees and are paid in accordance with the contractual agreement entered into by each participating employer. Contributions to the Trust are made by participating employers, their employees, and certain former employees. The portion of the Trust's estimated cost of providing postretirement benefits expected to be funded by retiree contributions (net retiree contributions as a percentage of gross total benefit costs) for fiscal 2010 and 2009 is 70.8% and 62.6%, respectively.

An employer group must be a member (either municipal or associate member) of the Maine Municipal Association to participate in the Trust programs and its employees must meet certain eligibility guidelines described in the Trust agreement. During 2009, there were 450 employer groups in the health plan; 265 employer groups in the dental plan; 332 employer groups in the short-term disability plan and 13 employer groups in the long-term disability program. During 2008, there were 446 employer groups in the health plan; 248 employer groups in the dental plan; 300 employer groups in the short-term disability plan and 10 employer groups in the long-term disability program.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tax Exempt Status - The Trust is exempt from income taxes under Section 501(c)(9) of the Internal Revenue Code as stated in a determination letter from the Internal Revenue Service dated August 20, 1982. Since that date, the Trust has been amended. However, the Trust administrator and the Trust's tax counsel believe that the Trust is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the Trust's financial statements.

Basis of Accounting - In accordance with accounting principles generally accepted in the United States of America, the Trust follows the accrual basis of accounting, and certain pronouncements applicable to employee benefit plans.

Cash and Cash Equivalents - The Trust considers all cash on deposit or held in money market funds, with an initial maturity of three months or less, to be cash and cash equivalents.

Investments - The Trust invests in a number of financial instruments, including certificates of deposit and U.S. government and agency securities, none of which are held for trading purposes. The Trust estimates that the fair value of all financial instruments at December 31, 2009 and 2008 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of net assets. The fair value of the investments has been determined by quoted market prices in open markets.

Accounts Receivable - Accounts receivable have been adjusted for all known uncollectible accounts. No allowance for bad debts was considered necessary at December 31, 2009 and 2008 as all balances have been deemed by management to be fully collectible.

Advance Premiums Received - This represents deferred revenue from contributions and premiums which have been received by the Trust but which relate to the next year.

Claims Incurred But Not Reported (IBNR) - Plan obligations at December 31 for health claims incurred by active participants but not reported at that date, for accumulated eligibility of participants, and for future disability payments to members considered permanently disabled at December 31, are estimated by the Trust's actuary in accordance with generally accepted actuarial principles. Reserves for health, dental and short-term disability claims incurred but not reported are estimated by an independent actuary based upon historical claims experience. Management believes that the reserves are adequate, but the ultimate net cost of settling these liabilities may vary from the estimated amount. Accordingly, this estimate is reviewed annually. Any adjustments resulting from the settlement of losses will be reflected in the statements of changes in net assets available for benefits at the time the adjustments are determined.

Postretirement Benefits - The amount reported as the postretirement benefit obligation represents the actuarial present value of those estimated future benefits that are attributed by the terms of the Trust to employees' service rendered to the date of the financial statements, reduced by the actuarial present value of contributions expected to be received in the future from current retirees and current active participants when they retire. To be eligible for postretirement benefits, the employee must meet the minimum requirement of age 55 with at least 5 years of service at retirement; or be withdrawing from an employer-sponsored retirement account.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Postretirement benefits include future benefits expected to be paid to or for (1) currently retired employees and their spouses and (2) active employees and spouses after retirement from service with their participating employer. The postretirement benefit obligation represents the amount that is to be funded by contributions from the Trust's participating employers and from existing Plan assets. Prior to an active employee's full eligibility date, the postretirement benefit obligation is the portion of the expected postretirement benefit obligation that is attributed to that employee's service rendered to the valuation date.

The actuarial present value of the expected postretirement benefit obligation is determined by an actuary and is the amount that results from applying actuarial assumptions to historical claims-cost data to estimate future annual incurred claims costs per participant and to adjust such estimates for the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as those for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

For measurement purposes a 9.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2009; the rate was assumed to decrease gradually to 5.0% for 2015 and to remain at that level thereafter. The actuary assumed an average per capita cost for all ages. Effectively this assumes that the average ages of pre 65 and post 65 retirees do not vary significantly over time.

The following were other significant assumptions used in the valuation as of December 31, 2009 and 2008.

Weighted-average discount rate: 6.0% for both 2009 and 2008.

Average retirement age: varies, based upon the December 2006 plan census as well as actuarial judgment.

Mortality: RP-2000 White & Blue Collar Mortality Tables by male and female projected to 2010.

The foregoing assumptions are based on the presumption that the Trust will continue. Were the Trust to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of the postretirement benefit obligation.

Claims and Administrative Service Reserves - These reserves are for the cost to process and administer claims incurred but not reported and are estimated by an independent actuary based upon historical expense experience. Management believes that the reserves are adequate, but the ultimate net cost of settling this liability may vary from the estimated amount. Accordingly, this estimate is reviewed annually.

Reinsurance - The Trust uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Trust as a direct insurer of the risks reinsured. The Trust does not report reinsured losses as liabilities unless it is probable that those losses will not be covered by reinsurers. Premiums ceded to reinsurers during 2009 and 2008 were \$2,809,471 and \$2,394,954, respectively.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Management Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, benefit obligations and changes therein, IBNR, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates utilized in the preparation of the financial statements relate to claims incurred but not reported, claims and administrative service reserves, and the post-retirement benefits liability.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are composed of cash management accounts (CMA) and money market instruments and consist of the following at December 31:

	<u>2009</u>	<u>2008</u>
CMA - mutual fund investment sweep	\$ 1,998,570	5,367,181
Money market mutual fund	9,742,411	9,235,425
Money market account	250,000	2,000,000
Totals	\$ 11,990,981	16,602,606

A portion of the CMA - mutual fund investment sweep and the money market mutual fund are mutual funds outside the bank, invested in short term government securities. These funds are uninsured and uncollateralized, and subject to credit risk. The money market account is held in a separate financial institution. This account is insured by FDIC up to the respective amounts noted above and any excess is secured by a bond issued by an insurance company.

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

In accordance with the *Fair Value Measurement and Disclosure* topic of the FASB Accounting Standards Codification, the Trust is required to disclose, for its assets and liabilities measured at fair value on a recurring basis, the inputs used to determine those fair value measurements.

Level 1: Level 1 inputs are quoted prices in active markets for identical assets and liabilities that an entity has the ability to access at a measurement date. *Level 2:* Level 2 inputs are inputs other than quoted prices that are observable for the specific asset or liability, either directly or indirectly. *Level 3:* Level 3 inputs are unobservable inputs for the asset or liability in which little or no market activity is available for the asset or liability at the measurement date. All assets of the Trust, measured at fair value, were measured using level 1 inputs, and as noted earlier were valued using quoted market prices in open markets.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements, Continued

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

	Totals <u>12/31/09</u>	Fair value measurements at reporting date using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Certificates of deposit	\$ 7,715,592	7,715,592	-	-
Corporate bonds	485,875	485,875	-	-
U.S. Government securities	38,739,263	38,739,263	-	-
Totals	\$ 46,940,730	46,940,730	-	-

	Totals <u>12/31/08</u>	Fair value measurements at reporting date using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Certificates of deposit	\$ 3,799,000	3,799,000	-	-
Corporate bonds	418,780	418,780	-	-
U.S. Government securities	45,048,145	45,045,145	-	-
Totals	\$ 49,265,925	49,265,925	-	-

INVESTMENTS

Investment balances consisted of the following at December 31:

	<u>2009</u>	<u>2008</u>
Certificates of deposit*	\$ 7,715,592	3,799,000
Corporate bonds	485,875	418,780
U.S. Government securities	38,739,263	45,048,145
Totals	\$ 46,940,730	49,265,925

The 2009 securities mature in various amounts during 2009 through 2014. The 2008 securities mature in various amounts during 2009 through 2012.

For the years ended December 31, 2009 and 2008, there were no individual investments with a fair value representing 5% or more of beginning of year net assets available for benefits.

* Of the certificates of deposit bank balances on December 31, 2009 and 2008, \$6,834,692 and \$3,299,000, respectively, were covered by federal depository insurance or collateralized with U.S. Government securities; the remainder is uninsured and uncollateralized.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements, Continued

NET APPRECIATION (DEPRECIATION) IN FAIR VALUE

Net appreciation (depreciation) in fair value during the years ended December 31, 2009 and 2008 by type of investment was as follows. Such amounts are included in investment income in the statement of changes in net assets available for benefits.

	<u>2009</u>	<u>2008</u>
Corporate bonds	\$ 67,095	(81,220)
U.S. Government securities	(718,456)	1,119,378
Totals	\$ (651,361)	1,038,158

BENEFIT OBLIGATIONS

The Trust is self-insured for hospital, physician, major medical, and dental and short-term disability benefits. Liabilities for claims incurred but not reported at December 31 have been estimated by the Trust's independent actuary, using standard actuarial assumptions based upon actual experience. The actuarially determined postretirement benefit obligation was performed as of December 31, 2009. Benefit obligations as of December 31, 2009 and 2008 and changes in benefit obligations are disclosed in the following tables.

Statement of Benefit Obligations

	<u>2009</u>	<u>2008</u>
Claims incurred but not reported, net of amounts currently payable:		
Health	\$ 4,454,579	4,214,633
Income protection plan	864,339	737,795
Dental	46,786	57,958
Total claims incurred but not reported	\$ 5,365,704	5,010,386
Postretirement benefit obligations, net of amounts currently payable:		
Medical:		
Retired participants	36,701,843	41,479,536
Other participants fully eligible for benefits	37,461,134	28,512,417
Participants not yet fully eligible for benefits	38,013,253	44,442,043
Life insurance	2,422,215	2,866,015
Total postretirement benefit obligations	114,598,445	117,300,011
Total benefit obligations	\$ 119,964,149	122,310,397

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements, Continued

BENEFIT OBLIGATIONS, CONTINUED

Statement of Changes in Benefit Obligations

	<u>2009</u>	<u>2008</u>
Claims incurred but not reported, beginning of year:	\$ 5,010,386	6,162,736
Claims reported and approved for payment, including benefits reclassified from benefit obligations	94,620,898	87,287,493
Claims paid	(94,265,580)	(88,439,843)
Claims incurred but not reported, end of year	5,365,704	5,010,386
 Postretirement benefit obligations, net of amounts currently payable:		
Balance at end of year	114,598,445	117,300,011
Total benefit obligations at end of year	\$ 119,964,149	122,310,397

The health care cost-trend rate assumption has a significant effect on the amounts reported. If the assumed rates increased by one percentage point each year, that would increase the obligation as of December 31, 2009 by \$18,771,099 or 16.7%; and the obligation as of December 31, 2008 by \$21,257,911 or 18.6%.

A.M. BEST RATINGS

Reinsurance was provided by the Sun Life Assurance Company which has an A.M. Best rating of A+ (superior), XV. The life insurance was provided by Prudential Life Insurance which has an A.M. Best rating of A+ (superior), XV.

UNPAID CLAIMS LIABILITIES

The schedule below presents the changes in claims liabilities for the year ended December 31:

	<u>2009</u>	<u>2008</u>
<u>Unpaid claims and claims service reserved at beginning of year</u>	<u>\$ 5,374,798</u>	<u>6,613,960</u>
Incurred claims and claims service reserve expense:		
Provision for incurred events of the current year	94,444,318	87,884,870
Decreases in provision for insured events of prior fiscal years	220,036	(684,189)
Total incurred claims and claims service reserve expenses	94,664,354	87,200,681
 Payments:		
Claims attributable to insured events of the current year	88,858,517	82,459,141
Claims attributable to insured events of the prior fiscal years	5,407,063	5,980,702
Total payments	94,265,580	88,439,843
Total unpaid claims and claims service reserved at end of year	\$ 5,773,572	5,374,798

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Notes to Financial Statements, Continued

TRANSACTIONS WITH PARTIES IN INTEREST

To participate in the Trust, an employer must be a member (either municipal or associate member) of the Maine Municipal Association and its employees must meet certain eligibility guidelines described in the Trust agreement. The Trust also contracts with the Maine Municipal Association to serve as plan administrator and pays Maine Municipal Association a management fee for the services it provides. Total management fees paid by the Trust to Maine Municipal Association during 2009 and 2008 amounted to \$2,455,901 and \$2,400,511, respectively.

TERMINATION OF THE TRUST

Under certain conditions, the Trust may be terminated. Upon termination, the assets then remaining shall be subject to applicable provisions of the Trust then in effect and shall be used until exhausted to pay benefits to employees.

RISKS AND UNCERTAINTIES

The actuarial present value of benefit obligations is reported based on certain assumptions pertaining to interest rates, claims data, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

SUBSEQUENT EVENTS

In accordance with the *Subsequent Events* topic of the FASB Accounting Standards Codification, management has evaluated subsequent events for possible recognition or disclosure through June 2, 2010, which is the date these financial statements were issued.

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
Plan Number: 501, EIN: 01-0382676
Schedule to Form 5500
Schedule H, Line 4l - Schedule of Assets (Held at End of Year)
December 31, 2009

(a)	(b) Identification of issue, borrower, lessor or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par or maturity values	Maturity value	(d) Cost	(e) Current value
	GOLDEN BANK	Certificate of Deposit, 1/2/10, 2.75%	\$ 100,000	\$ 100,000	100,000
	NATIONWIDE BANK	Certificate of Deposit, 1/2/10, 3.55%	100,000	100,000	100,000
	FIRST STATE BANK	Certificate of Deposit, 1/5/10, 2.3%	100,000	100,000	100,000
	CITIZENS BANK	Certificate of Deposit, 5/7/10, 2.83%	100,000	100,000	100,000
	CITIZENS BANK	Certificate of Deposit, 7/12/10, 1.21%	500,000	500,000	500,000
	CITIZENS BANK	Certificate of Deposit, 8/6/10, 3.24%	500,000	500,000	500,000
	ADVANTA BANK	Certificate of Deposit, 8/21/10, 4.1%	250,000	250,000	250,000
	MERCANTILE TRUST & SB	Certificate of Deposit, 8/21/10, 4.1%	100,000	100,000	100,000
	COMMUNIT BANK	Certificate of Deposit, 11/2/10, 0.85%	99,000	99,000	99,000
	CRESTMARK BANK	Certificate of Deposit, 1/2/11, 3%	100,000	100,000	100,000
	CENTENNIAL BANK	Certificate of Deposit, 12/31/11, 2.1%	250,000	250,000	250,000
	FIRST TRADE CDARS	Certificate of Deposit, 4/8/10, 2.9%	1,021,132	1,021,132	1,021,132
	FIRST TRADE CDARS	Certificate of Deposit, 4/28/11, 2.4%	508,056	508,056	508,056
	FIRST TRADE CDARS	Certificate of Deposit, 4/5/12, 3.15%	940,936	940,936	940,936
	FIRST TRADE CDARS	Certificate of Deposit, 4/26/12, 2.65%	508,892	508,892	508,892
	FIRST TRADE CDARS	Certificate of Deposit, 5/10/12, 2.5%	507,909	507,909	507,909
	BANGOR SB CDARS	Certificate of Deposit, 5/31/12, 2.55%	1,014,674	1,014,674	1,014,674
	FIRST TRADE CDARS	Certificate of Deposit, 6/21/12, 2.9%	1,014,992	1,014,992	1,014,992
	SLMA	Corporate Bond, 3/15/10, 0.51%	500,000	500,000	485,875
	FFCD	U.S. Gov't Securities, 1/11/10, 4.92%	1,000,024	1,000,024	1,000,940
	FFCD	U.S. Gov't Securities, 1/11/10, 4.92%	500,056	500,056	500,470
	FHLB	U.S. Gov't Securities, 1/5/10, 3.875%	500,189	500,189	500,625
	FNMA	U.S. Gov't Securities, 2/15/10, 3.875%	1,000,755	1,000,755	1,004,380
	FHLB	U.S. Gov't Securities, 3/17/10, 4.375%	999,230	999,230	1,008,595
	FNMA	U.S. Gov't Securities, 4/9/10, 2.5%	999,141	999,141	1,006,250
	FNMA	U.S. Gov't Securities, 4/9/10, 2.5%	997,861	997,861	1,006,250
	FHLB	U.S. Gov't Securities, 5/14/10, 4.875%	999,339	999,339	1,017,190
	FHLB	U.S. Gov't Securities, 6/11/10, 5.25%	1,000,661	1,000,661	1,022,190
	FHLB	U.S. Gov't Securities, 7/16/10, 3.5%	1,002,096	1,002,096	1,016,880
	FFCB	U.S. Gov't Securities, 7/28/10, 5.35%	500,163	500,163	513,828
	FNMA	U.S. Gov't Securities, 8/15/10, 4.25%	1,008,213	1,008,213	1,024,535
	FFCB	U.S. Gov't Securities, 9/13/10, 5.25%	1,000,335	1,000,335	1,031,405
	FHLB	U.S. Gov't Securities, 10/20/10, 3.375%	1,001,527	1,001,527	1,022,500
	FHLB	U.S. Gov't Securities, 12/10/10, 3.875%	1,011,376	1,011,376	1,030,470
	FHLB	U.S. Gov't Securities, 2/18/11, 4.625%	1,023,192	1,023,192	1,044,375
	FHLB	U.S. Gov't Securities, 3/11/11, 5%	997,499	997,499	1,047,500
	FHLB	U.S. Gov't Securities, 3/11/11, 4.875%	501,605	501,605	524,688
	FNMA	U.S. Gov't Securities, 4/15/11, 5.125%	998,769	998,769	1,056,565
	FNMA	U.S. Gov't Securities, 5/19/11, 3.375%	995,615	995,615	1,035,625
	FHLB	U.S. Gov't Securities, 5/20/11, 2.625%	494,566	494,566	512,188
	FHLB	U.S. Gov't Securities, 6/10/11, 5.25%	1,000,826	1,000,826	1,059,375
	FHLB	U.S. Gov't Securities, 6/24/11, 3.375%	499,708	499,709	516,720
	FHLB	U.S. Gov't Securities, 7/1/11, 3.625%	501,182	501,182	519,688
	FFCB	U.S. Gov't Securities, 7/18/11, 5.375%	1,005,183	1,005,183	1,066,720
	FHLB	U.S. Gov't Securities, 8/19/11, 5.375%	1,029,579	1,029,580	1,067,970
	FNMA	U.S. Gov't Securities, 10/15/11, 5%	1,023,136	1,023,136	1,069,220
	FHLB	U.S. Gov't Securities, 11/18/11, 4.875%	2,071,118	2,071,118	2,137,190
	FFCB	U.S. Gov't Securities, 11/21/11, 3.2%	1,000,000	1,000,000	1,037,030
	FNMA	U.S. Gov't Securities, 12/30/11, 1.35%	500,000	500,000	500,235
	FHLB	U.S. Gov't Securities, 1/23/12, 2.1%	1,000,000	1,000,000	1,016,720
	FNMA	U.S. Gov't Securities, 2/16/12, 5%	1,026,402	1,026,403	1,076,875
	FNMA	U.S. Gov't Securities, 5/18/12, 4.875%	1,031,831	1,031,832	1,079,685
	FNMA	U.S. Gov't Securities, 5/18/12, 4.875%	1,016,085	1,016,085	1,079,685
	FHLB	U.S. Gov't Securities, 8/15/12, 2.4%	1,000,000	1,000,000	1,018,595
	FHLB	U.S. Gov't Securities, 2/26/13, 5.625%	2,000,000	2,000,000	2,018,130
	FHLB	U.S. Gov't Securities, 6/14/13, 3.875%	1,042,773	1,042,773	1,058,440
	FFCB	U.S. Gov't Securities, 11/18/13, 2.55%	1,000,000	1,000,000	994,690
	FHLB	U.S. Gov't Securities, 12/30/13, 2.27%	500,000	500,000	494,062
	FNMA	U.S. Gov't Securities, 9/22/14, 2.875%	1,000,000	1,000,000	1,000,785
			\$ 45,995,630	\$ 45,995,630	46,940,730

See independent auditor's report

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST

Plan Number: 501, EIN: 01-0382676

Schedule to Form 5500

Schedule H, Line 4i - Schedule of Assets (Acquired and Disposed of Within Year)

December 31, 2009

(a) Identity of issue, borrower, lessor, or similar party	(b) Description of investment including maturity date, rate of interest, collateral, par or maturity values	(c) Cost of Acquisitions	(d) Proceeds of Dispositions
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None

See independent auditor's report

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
 Plan Number: 501, EIN: 01-0382676
 Schedule to Form 5500
 Schedule H, Line 4j - Schedule of Reportable Transactions
 December 31, 2009

(a) Identity of Party Involved	(b) Description of assets (include interest and maturity in case of a loan)	(c) Purchase price	(d) Selling price	(e) Lease rental	(f) Expense incurred with transaction	(g) Cost asset	(h) Current value of asset on transaction date	(i) Net gain or (loss)
None								

See independent auditor's report