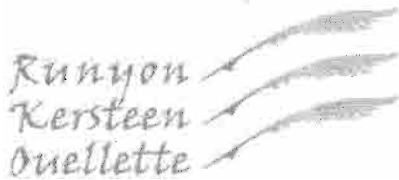


MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND

Financial Statements

December 31, 2002 and 2001



Certified Public Accountants and Business Consultants

Independent Auditor's Report

Board of Directors
Maine Municipal Association
Unemployment Compensation Group Fund

We have audited the accompanying balance sheets of Maine Municipal Association Unemployment Compensation Group Fund as of December 31, 2002 and 2001, and the related statements of revenue and expenses and cash flows for the years then ended. These financial statements are the responsibility of the Fund'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 Maine Municipal Association Unemployment Compensation Group Fund at December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Runyon Kersteen Ouellette

March 7, 2003
Augusta, Maine

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Financial Statements
December 31, 2002 and 2001

MMA_00018018

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**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Balance Sheets
December 31, 2002 and 2001**

	2002	2001
ASSETS		
Cash and cash equivalents	\$ 1,335,511	871,476
Investments:		
Corporate bonds	-	457,384
Certificates of deposit	949,000	1,000,000
U.S. government and agency securities	251,102	256,429
Total investments	1,200,102	1,713,813
Accounts receivable	1,605	1,160
Accrued interest receivable	6,602	16,752
Prepaid expenses	9,364	9,833
Total assets	\$ 2,553,184	2,613,034
LIABILITIES AND MEMBER ACCOUNT BALANCE		
Accounts payable:	36,410	29,232
Deferred contributions	-	544
Member account balance	2,516,774	2,583,258
Total liabilities and member balance	\$ 2,553,184	2,613,034

See accompanying notes to financial statements.

MAINE MUNICIPAL ASSOCIATION
 UNEMPLOYMENT COMPENSATION GROUP FUND
 Statements of Revenue and Expenses
 Years ended December 31, 2002 and 2001

	2002	2001
Revenue:		
Service fees earned	\$ 169,986	147,648
Expenses:		
Administrative fees	169,986	147,648
Excess of revenue over expenses	\$ -	-

See accompanying notes to financial statements.

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Statements of Cash Flows
Years ended December 31, 2002 and 2001

	2002	2001
Cash flows from operating activities:		
Excess of revenue over expenses	\$ -	-
Adjustments to reconcile excess of revenue over expenses to net cash provided by by operating activities:		
Changes in assets and liabilities:		
Accounts receivable	(445)	(76)
Accrued interest receivable	10,150	(6,242)
Prepaid expenses	469	(653)
Accounts payable	7,178	9,022
Net accretion/amortization	12,711	10,603
Deferred contributions	(544)	544
Net cash provided by operating activities	29,519	13,198
Cash flows from investing activities:		
Purchases of investments	(949,000)	(1,723,101)
Maturities of investments	1,450,000	1,350,000
Net cash provided by (used in) investing activities	501,000	(373,101)
Cash flows from financing activities:		
Net receipts from members	(66,484)	12,464
Net cash provided by (used in) financing activities	(66,484)	12,464
Net increase (decrease) in cash and cash equivalents	464,035	(347,439)
Cash and cash equivalents at beginning of year	871,476	1,218,915
Cash and cash equivalents at end of year	\$ 1,335,511	871,476

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Notes to Financial Statements**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND FUND DESCRIPTION

The Maine Municipal Association Unemployment Compensation Group Fund was established to provide an alternative to individual direct reimbursement for unemployment compensation claims for participating members of the Maine Municipal Association, a voluntary organization of cities, towns and plantations. The Association administers the self-insured Fund. Under this program, the Association collects contributions from members (which are determined based upon actuarial estimates), invests the funds collected and pays claims resulting from the program, as well as an administrative fee. Each member has an individual account and is solely responsible for its own claims and expenses. If a member decides to withdraw from the Fund any balance owed to the Fund or due to the member is paid.

These financial statements include only the accounts for the Maine Municipal Association Unemployment Compensation Group Fund and do not include the accounts of other funds administered by the Association.

Tax Exempt Status - The Fund was established and is administered by the Maine Municipal Association, a tax exempt instrumentality of the municipalities, and therefore is exempt from income taxes.

Basis of Accounting - The Fund maintains its books of account and prepares its financial statements on the accrual basis.

The Fund follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* as amended by GASB Statement No. 30, *Risk Financing Omnibus*. Under GASB Statement No. 10 the activity of the Fund is limited to that involved in the fund's role as claims servicer and consists only of claims servicing revenue and administrative costs. Amounts collected from Fund participants to pay claims and investment earnings are reported as increases in member account balances, while costs of claims and other costs are presented as reductions in such balances.

Cash and Cash Equivalents - The Fund considers all highly liquid deposits and debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments - U.S. Government and Agency securities and corporate bonds are carried at fair value and are included in a pooled Maine Municipal Association investment account. None of the Fund's financial instruments are held for trading purposes. The Fund estimates that the fair value of all financial instruments at December 31, 2002 and 2001 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. Investment income allocated to member accounts is based upon earnings of specific investments held in the pooled investment account. Realized and unrealized gains or losses on investments are included in the member account balance liability.

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

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

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Notes to Financial Statements, Continued**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND FUND DESCRIPTION, CONTINUED

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.

DEPOSITS AND INVESTMENTS

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

	<u>2002</u>	<u>2001</u>
CMA - deposit	\$ -	74
CMA - sweep	514,517	280,847
Money market accounts	820,994	590,555
Totals	\$ 1,335,511	871,476

Cash and cash equivalents for all of the Maine Municipal entities are pooled together, at 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 and money market accounts are held in a money market mutual funds which invests exclusively in securities issued or guaranteed by the U.S. Government or certain of its agencies and instrumentalities.

The MMA-Unemployment Compensation Group Fund portion at December 31, 2002 and 2001 had bank balances totaling \$514,517 and \$280,922, respectively. The financial statement balance for each entity reflects a reduction for outstanding checks at that date.

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

1. Insured or registered, or securities held by the Pool or its agent in the Fund's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Fund's name.
3. Uninsured and unregistered, with securities held by the counterparty or its trust department or agent by not in the Fund'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	*	\$ 949,000	1,000,000
Corporate bonds	1	-	457,384
U.S. government securities and Agency Securities	1	251,102	256,429
Totals		\$ 1,200,102	1,713,813

MAINE MUNICIPAL ASSOCIATION
 UNEMPLOYMENT COMPENSATION GROUP FUND
 Notes to Financial Statements, Continued

MMA_00018024

DEPOSITS AND INVESTMENTS CONTINUED

The securities mature in various amounts during 2002 and 2003.

* Of the certificate of deposit bank balance, \$499,000 was covered by federal depository insurance; the remainder is uninsured and uncollateralized.

NET APPRECIATION (DEPRECIATION) IN FAIR VALUE OF INVESTMENTS

Net appreciation or (depreciation) in fair value of investments during the years ended December 31, 2002 and 2001 by type is as follows. Such amounts are included in investment income on the Member Account Balance footnote.

	<u>2002</u>	<u>2001</u>
Corporate bonds	\$ (2,210)	2,256
U.S. government securities	695	(1,656)
<u>Totals</u>	<u>\$ (1,515)</u>	<u>600</u>

MEMBER ACCOUNT BALANCES

	<u>2002</u>	<u>2001</u>
Member account balances, January 1	\$ 2,583,258	2,570,794
Additions:		
Contributions	941,262	920,229
Investment income	61,452	112,084
Late fee assessments	-	100
<u>Total additions</u>	<u>1,002,714</u>	<u>1,032,413</u>
Deductions:		
Claims paid	289,660	234,249
Administrative fees	169,986	147,648
Dividends	609,552	638,052
<u>Total deductions</u>	<u>1,069,198</u>	<u>1,019,949</u>
<u>Net increase in member account balances</u>	<u>(66,484)</u>	<u>12,464</u>
<u>Member account balances, December 31</u>	<u>\$ 2,516,774</u>	<u>2,583,258</u>

In 1994, the Board established a policy of distributing dividends to members whose account balance exceeds an actuarially calculated threshold. The total dividends approved during 2002 and 2001 were \$525,256 and \$609,552, respectively. The 2001 dividends approved were paid in 2002. The 2002 dividends approved will either be credited against 2002 contributions or included in distributions if members decide to withdraw from the fund. The dividends are included in the member account balance liability.

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Notes to Financial Statements, Continued

MEMBER ACCOUNT BALANCES CONTINUED

An independent actuary has projected the aggregate liability of the members in connection with future benefits and expenses inherent in wages paid in 2001. Based on this analysis the December 31, 2001 member balances in the aggregate exceeded projected liabilities by \$609,552.

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND

Financial Statements

December 31, 2003 and 2002

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Financial Statements
December 31, 2003 and 2002

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Independent Auditor's Report

Board of Directors
Maine Municipal Association
Unemployment Compensation Group Fund

We have audited the accompanying balance sheets of Maine Municipal Association Unemployment Compensation Group Fund as of December 31, 2003 and 2002, and the related statements of revenue and expenses and cash flows for the years then ended. These financial statements are the responsibility of the Fund'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 Maine Municipal Association Unemployment Compensation Group Fund at December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

March 8, 2004
South Portland, Maine

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Balance Sheets
December 31, 2003 and 2002**

	2003	2002
ASSETS		
Cash and cash equivalents	\$ 1,218,925	1,335,511
Investments:		
Certificates of deposit	1,099,000	949,000
U.S. Government and agency securities	250,691	251,102
Total investments	1,349,691	1,200,102
Accounts receivable	-	1,605
Accrued interest receivable	2,061	6,602
Prepaid expenses	9,026	9,364
Total assets	\$ 2,579,703	2,553,184
LIABILITIES AND MEMBER ACCOUNT BALANCE		
Accounts payable	33,465	36,410
Member account balance	2,546,238	2,516,774
Total liabilities and member account balance	\$ 2,579,703	2,553,184

See accompanying notes to financial statements.

MAINE MUNICIPAL ASSOCIATION
 UNEMPLOYMENT COMPENSATION GROUP FUND
 Statements of Revenue and Expenses
 Years ended December 31, 2003 and 2002

	2003	2002
Revenue:		
Service fees earned	\$ 163,920	169,986
Expenses:		
Administrative fees	163,920	169,986
Excess of revenue over expenses	\$ -	-

See accompanying notes to financial statements.

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Statements of Cash Flows
Years ended December 31, 2003 and 2002

	2003	2002
Cash flows from operating activities:		
Excess of revenue over expenses	\$ -	-
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:		
Changes in assets and liabilities:		
Accounts receivable	1,605	(445)
Accrued interest receivable	4,541	10,150
Prepaid expenses	338	469
Accounts payable	(2,945)	7,178
Net accretion/amortization	1,069	12,711
Deferred contributions	-	(544)
Net cash provided by operating activities	4,608	29,519
Cash flows from investing activities:		
Purchases of investments	(1,599,658)	(949,000)
Maturities of investments	1,449,000	1,450,000
Net cash provided by (used in) investing activities	(150,658)	501,000
Cash flows from financing activities:		
Net receipts from members	29,464	(66,484)
Net cash provided by (used in) financing activities	29,464	(66,484)
Net increase (decrease) in cash and cash equivalents	(116,586)	464,035
Cash and cash equivalents at beginning of year	1,335,511	871,476
Cash and cash equivalents at end of year	\$ 1,218,925	1,335,511

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Notes to Financial Statements**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND FUND DESCRIPTION

The Maine Municipal Association Unemployment Compensation Group Fund was established to provide an alternative to individual direct reimbursement for unemployment compensation claims for participating members of the Maine Municipal Association, a voluntary organization of cities, towns and plantations. The Association administers the self-insured Fund. Under this program, the Association collects contributions from members (which are determined based upon actuarial estimates), invests the funds collected and pays claims resulting from the program, as well as an administrative fee. Each member has an individual account and is solely responsible for its own claims and a pro-rata share of the fund expenses. If a member decides to withdraw from the Fund any balance owed to the Fund or due to the member is paid.

These financial statements include only the accounts for the Maine Municipal Association Unemployment Compensation Group Fund and do not include the accounts of other funds administered by the Association.

Tax Exempt Status - The Fund was established and is administered by the Maine Municipal Association, a tax exempt instrumentality of the municipalities, and therefore is exempt from income taxes.

Basis of Accounting - The Fund maintains its books of account and prepares its financial statements on the accrual basis.

The Fund follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* as amended by GASB Statement No. 30, *Risk Financing Omnibus*. Under GASB Statement No. 10 the activity of the Fund is limited to that involved in the Fund's role as claims servicer and consists only of claims servicing revenue and administrative costs. Amounts collected from Fund participants to pay claims and investment earnings are reported as increases in member account balances, while costs of claims and other costs are presented as reductions in such balances.

Cash and Cash Equivalents - The Fund considers all highly liquid deposits and debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments - U.S. Government and Agency securities and corporate bonds are carried at fair value and are included in a pooled Maine Municipal Association investment account. None of the Fund's financial instruments are held for trading purposes. The Fund estimates that the fair value of all financial instruments at December 31, 2003 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheets. The estimated fair value amounts have been determined by quoted market prices. Investment income allocated to member accounts is based upon earnings of specific investments held in the pooled investment account. Realized and unrealized gains or losses on investments are included in the member account balance liability.

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

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

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND FUND DESCRIPTION, CONTINUED

Statements of Cash Flows - For purposes of the statements of cash flows, the Fund considers all highly liquid deposits and debt instruments purchased with a maturity of three months or less to be cash equivalents.

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.

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 - mutual fund investment sweep	\$ 510,715	514,517
Money market mutual fund	708,209	820,994
Totals	\$ 1,218,925	1,335,511

Cash and cash equivalents for the Maine Municipal Association are held at a single financial institution. The CMA - deposit and CMA - mutual fund investment sweep are pooled accounts containing assets of the General Fund, Special Funds, Workers' Compensation Fund, Unemployment Compensation Fund, Public Officials Liability Fund, and Property & Casualty Pool. The money market mutual fund is also a pooled account but does not include the Workers' Compensation Fund.

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.

MAINE MUNICIPAL ASSOCIATION
 UNEMPLOYMENT COMPENSATION GROUP FUND
 Notes to Financial Statements, Continued

MMA_00018034

DEPOSITS AND INVESTMENTS, CONTINUED

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

1. Insured or registered, or securities held by the Fund or held in a custodian's name to benefit the Fund.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Fund's name.
3. Uninsured and unregistered, with securities held by the counterparty or its trust department or agent but not in the Fund'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	*	\$ 1,099,000	949,000
U.S. Government securities and agency securities	1	250,691	251,102
Totals		\$ 1,349,691	1,200,102

The securities mature in various amounts during 2003 and 2004.

* Of the certificate of deposit bank balance for 2003 and 2002, \$499,000 and \$499,000 respectively, was covered by federal depository insurance; the remainder is uninsured and uncollateralized.

NET APPRECIATION (DEPRECIATION) IN FAIR VALUE

Net appreciation or (depreciation) 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 member account balances footnote.

	<u>2003</u>	<u>2002</u>
Corporate bonds	\$ -	(2,210)
U.S. Government securities	(326)	695
Totals	\$ (326)	(1,515)

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Notes to Financial Statements, Continued

MEMBER ACCOUNT BALANCES

	<u>2003</u>	<u>2002</u>
Member account balances, January 1	\$ 2,516,774	2,583,258
Additions:		
Contributions	997,874	941,262
Investment income	34,823	61,452
Total additions	1,032,697	1,002,714
Deductions:		
Claims paid	314,057	289,660
Administrative fees	163,920	169,986
Dividends	525,256	609,552
Total deductions	1,003,233	1,069,198
Net increase (decrease) in member account balances	29,464	(66,484)
Member account balances, December 31	\$ 2,546,238	2,516,774

In 1994, the Board established a policy of distributing dividends to members whose account balance exceeds an actuarially calculated threshold. The total dividends approved during 2003 and 2002 were \$494,668 and \$525,256, respectively. The 2002 dividends approved were paid in 2003. The 2003 dividends approved will either be credited against 2003 contributions or included in distributions if members decide to withdraw from the fund. The dividends are included in the member account balance liability.

An independent actuary has projected the aggregate liability of the members in connection with future benefits and expenses inherent in wages paid in 2002. Based on this analysis, the December 31, 2002 member balances in the aggregate exceeded projected liabilities by \$494,668.

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND**

Financial Statements

December 31, 2004 and 2003

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Financial Statements
December 31, 2004 and 2003

MMA_00018037

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Independent Auditor's Report

Board of Directors
Maine Municipal Association
Unemployment Compensation Group Fund

We have audited the accompanying statements of net assets of Maine Municipal Association Unemployment Compensation Group Fund as of December 31, 2004 and 2003, and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Fund'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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Maine Municipal Association Unemployment Compensation Group Fund at December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Fund 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, 2004. This resulted in changes in the Fund'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.

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

March 15, 2005
South Portland, Maine

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Management Discussion and Analysis
Fiscal Year Ended 2004

This section of the Maine Municipal Association Unemployment Compensation Fund (the Fund) annual financial report sets forth a narrative overview of its financial activities for the year ended December 31, 2004. Please read it in conjunction with the Fund's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

The Maine Municipal Association Unemployment Compensation Fund is comprised of individual accounts for each of its members. Each member is responsible for its own claims and a proportional share of Fund operating costs. Member balances are based on annual recommendations by an independent actuary.

For all fund years combined, developments in calendar year 2004 included:

- Cash and investments at December 31, 2004 totaled \$2,629,981, an increase of 2.4%.
- Net assets totaled \$2,601,625 at December 31, 2004, and increase of 2.2%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Fund's fiscal year is January 1 through December 31. The annual financial report consists of four parts:

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

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

Basic Financial Statements include:

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

These statements present the Fund's status at December 31, 2004 and financial developments during fiscal year 2004.

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

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Management Discussion and Analysis, Continued

FINANCIAL ANALYSIS

The following table summarizes the Statements of Net Assets:

	12/31/04	12/31/03
Assets		
Current Assets	2,636,661	2,579,703
Total Assets	2,636,661	2,579,703
Liabilities		
Accounts Payable	35,036	33,465
Total Liabilities	35,036	33,465
Net Assets	2,601,625	2,546,238

ANALYSIS OF FINANCIAL DEVELOPMENTS IN FISCAL YEAR 2004

The following table compares ultimate results for the 2004 Fund Year as projected at December 31, 2004 with the original budget. The December 31, 2003 figures are provided for comparison.

	2004 BUDGET	12/31/04	12/31/03
REVENUE:			
Contributions	1,010,940	1,010,199	997,874
Investment and Other Revenues	35,000	35,835	34,823
Total Revenues	1,045,940	1,046,034	1,032,697
EXPENSES:			
Claims Paid	837,902	315,706	314,057
Administrative Expenses	172,460	172,460	163,920
Dividends Paid	494,668	494,668	525,256
Accounts Closed	-	7,813	-
Total Expenses	1,505,030	990,647	1,003,233
CHANGE IN NET ASSETS	(459,090)	55,387	29,464
NET ASSETS - BEGINNING	2,456,451	2,546,238	2,516,774
NET ASSETS - ENDING	1,997,361	2,601,625	2,546,238

CAPITAL ASSETS AND LONG TERM-DEBT

At December 31, 2004 the Fund had no capital assets and no long-term debt.

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

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

REQUEST FOR INFORMATION

This financial report is designed to provide our members, customers, investors and creditors with a general overview of the Fund's finances and to show the Fund's accountability for the money it receives. If you have any questions about this report or need additional information, contact Martin Hanish, Chief Financial Officer at (207)-623-8428.

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Statements of Net Assets
December 31, 2004 and 2003

	2004	2003
ASSETS		
Cash and cash equivalents	\$ 1,035,258	1,218,925
Investments:		
Certificates of deposit	1,099,000	1,099,000
U.S. Government and agency securities	495,723	250,691
Total investments	1,594,723	1,349,691
Accrued interest receivable	4,272	2,061
Prepaid expenses	2,408	9,026
Total assets	\$ 2,636,661	2,579,703
LIABILITIES		
Accounts payable	35,036	33,465
Total liabilities	\$ 35,036	33,465
NET ASSETS		
Designated - Member balances	2,601,625	2,546,238
	\$ 2,601,625	2,546,238

See accompanying notes to financial statements.

MAINE MUNICIPAL ASSOCIATION
 UNEMPLOYMENT COMPENSATION GROUP FUND
 Statements of Revenue, Expenses and Changes in Net Assets
 Years ended December 31, 2004 and 2003

	2004	2003
Revenue:		
Contributions	\$ 1,010,199	997,874
Investment income	35,775	34,823
Late fee assessments	60	-
Total revenue	1,046,034	1,032,697
Expenses:		
Claims paid	315,706	314,057
Dividends	494,668	525,256
Administrative fees	172,460	163,920
Accounts closed	7,813	-
Total expenses	990,647	1,003,233
Change in net assets	55,387	29,464
Net assets, beginning of year	2,546,238	2,516,774
Net assets, end of year	\$ 2,601,625	2,546,238

See accompanying notes to financial statements.

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Statements of Cash Flows
For the years ended December 31, 2004 and 2003

	2004	2003
Cash flows from operating activities:		
Receipts from contributions	\$ 1,010,199	999,479
Receipts from investment income	33,564	39,364
Receipts from late fee assessments	60	-
Payments for claims paid	(315,706)	(314,057)
Payments for dividends paid	(494,668)	(525,256)
Payments for accounts closed	(7,813)	-
Payments for other expenses	(164,271)	(166,527)
Net cash provided by operating activities	61,365	33,003
Cash flows from investing activities:		
Net (purchase) sale of investments	(245,032)	(149,589)
Net cash used in investing activities	(245,032)	(149,589)
Net change in cash	(183,667)	(116,586)
Cash, beginning of year	1,218,925	1,335,511
Cash, end of year	\$ 1,035,258	1,218,925
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 55,387	29,464
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in assets:		
Accounts receivable	-	1,605
Accrued interest receivable	(2,211)	4,541
Prepaid expenses	6,618	338
Increase (decrease) in liabilities:		
Accounts payable	1,571	(2,945)
Net cash provided by operating activities	\$ 61,365	33,003

See accompanying notes to financial statements.

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND FUND DESCRIPTION

The Maine Municipal Association Unemployment Compensation Group Fund was established to provide an alternative to individual direct reimbursement for unemployment compensation claims for participating members of the Maine Municipal Association, a voluntary organization of cities, towns and plantations. The Association administers the self-insured Fund. Under this program, the Association collects contributions from members (which are determined based upon actuarial estimates), invests the funds collected and pays claims resulting from the program, as well as an administrative fee. Each member has an individual account and is solely responsible for its own claims and a pro-rata share of the fund expenses. If a member decides to withdraw from the Fund any balance owed to the Fund or due to the member is paid.

These financial statements include only the accounts for the Maine Municipal Association Unemployment Compensation Group Fund and do not include the accounts of other funds administered by the Association.

Tax Exempt Status - The Fund was established and is administered by the Maine Municipal Association, a tax exempt instrumentality of the municipalities, and therefore is exempt from income taxes.

Basis of Accounting - The Fund maintains its books of account and prepares its financial statements on the accrual basis.

The Fund follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* as amended by GASB Statement No. 30, *Risk Financing Omnibus*.

Cash and Cash Equivalents - The Fund considers all highly liquid deposits and debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments - U.S. Government and Agency securities and corporate bonds are carried at fair value and are included in a pooled Maine Municipal Association investment account. None of the Fund's financial instruments are held for trading purposes. The Fund estimates that the fair value of all financial instruments at December 31, 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. Investment income allocated to member accounts is based upon earnings of specific investments held in the pooled investment account. Realized and unrealized gains or losses on investments are included in the member account balance liability.

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

Statement of Cash Flows - For purposes of the statements of cash flows, the Fund considers all highly liquid deposits and debt instruments purchased with a maturity of three months or less to be cash equivalents.

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.

MAINE MUNICIPAL ASSOCIATION
 UNEMPLOYMENT COMPENSATION GROUP FUND
 Notes to Financial Statements, Continued

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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 - mutual fund investment sweep	\$ 542,409	510,715
Money market mutual fund	492,849	708,210
Totals	\$ 1,035,258	1,218,925

Cash and cash equivalents for the Maine Municipal Association are held at a single financial institution. The CMA - deposit and CMA - mutual fund investment sweep are pooled accounts containing assets of the General Fund, Special Funds, Workers' Compensation Fund, Unemployment Compensation Fund, Public Officials Liability Fund and Property & Casualty Pool. The money market mutual fund is also a pooled account but does not include the Workers' Compensation Fund.

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.

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

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

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

	<u>Category</u>	<u>2004</u>	<u>2003</u>
Certificates of deposit	*	\$ 1,099,000	1,099,000
U.S. government securities and agency securities	1	495,723	250,691
Totals		\$ 1,594,723	1,349,691

The securities mature in various amounts from 2004 through 2006.

* Of the certificate of deposit bank balances for 2004 and 2003, \$499,000 and \$499,000, respectively, were covered by federal depository insurance; the remainder is uninsured and uncollateralized.

NET APPRECIATION (DEPRECIATION) IN FAIR VALUE

Net appreciation or (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 Member Account Balances note.

	<u>2004</u>	<u>2003</u>
<u>U.S. government securities</u>	<u>\$ 3,070</u>	<u>(326)</u>
<u>Totals</u>	<u>\$ 3,070</u>	<u>(326)</u>

MEMBER DIVIDENDS

The Board has established a policy of distributing dividends to members whose account balance exceeds an actuarially calculated threshold. The total dividends paid during 2004 and 2003 were \$494,668 and \$525,256, respectively. Based on an independent actuarial analysis of the December 31, 2003 member balances, a dividend of \$577,760 is included in the member account balance at December 31, 2004 and will either be credited against 2005 contributions or included in a dividends distribution.

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND**

Financial Statements

Years ended December 31, 2005 and 2004

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Financial Statements
For the years ended December 31, 2005 and 2004

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Certified Public Accountants and Business Consultants

Independent Auditor's Report

Board of Directors
Maine Municipal Association
Unemployment Compensation Group Fund

We have audited the accompanying statements of net assets of Maine Municipal Association Unemployment Compensation Group Fund as of December 31, 2005 and 2004, and the related statements of revenues, expenses and changes in net assets and statements of cash flows for the years then ended. These financial statements are the responsibility of the Fund'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 Maine Municipal Association Unemployment Compensation Group Fund at December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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.

March 14, 2006
South Portland, Maine

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Management Discussion and Analysis
Fiscal Year Ended 2005**

This section of the Maine Municipal Association Unemployment Compensation Fund (the Fund) annual financial report sets forth a narrative overview of its financial activities for the year ended December 31, 2005. Please read it in conjunction with the Fund's financial statements and accompanying notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Fund's fiscal year is January 1 through December 31. The annual financial report consists of three parts:

- Management Discussion and Analysis
- Basic Financial Statements
- Notes to the Statements

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

Basic Financial Statements include:

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

These statements present the Fund's status at December 31, 2005 and financial developments during fiscal year 2005.

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

FINANCIAL HIGHLIGHTS

The Maine Municipal Association Unemployment Compensation Fund is comprised of individual accounts for each of its members. Each member is responsible for its own claims and a proportional share of Fund operating costs. Member balances are based on annual recommendations by an independent actuary.

For all fund years combined, developments in calendar year 2005 included:

- Total assets at December 31, 2005 totaled \$2,681,948, an increase of 1.7%.
- Member balances totaled \$2,649,648 at December 31, 2005, an increase of 1.8%.

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Management Discussion and Analysis, Continued

FINANCIAL ANALYSIS

The following table summarizes the Statements of Net Assets:

	<u>12/31/2005</u>	<u>12/31/2004</u>
Assets		
Current Assets	2,681,948	2,636,661
Total Assets	<u>2,681,948</u>	<u>2,636,661</u>
Liabilities		
Accounts Payable	32,300	35,036
Total Liabilities	<u>32,300</u>	<u>35,036</u>
Net Assets		
Member Balances	2,649,648	2,601,625

ANALYSIS OF FINANCIAL DEVELOPMENTS IN FISCAL YEAR 2005

The following table compares ultimate results for the 2005 Fund Year as projected at December 31, 2005 with the original budget. The December 31, 2004 figures are provided for comparison.

	<u>2005 BUDGET</u>	<u>year ended 12/31/05</u>	<u>year ended 12/31/04</u>
ADDITIONS TO MEMBER BALANCES			
Member Contributions	1,026,080	1,026,088	1,010,199
Investment and Other Revenues	30,188	83,169	35,835
Total Revenues	<u>1,056,268</u>	<u>1,109,257</u>	<u>1,046,034</u>
DEDUCTIONS FROM MEMBER BALANCES			
Benefits Paid	314,820	328,813	315,706
Contingency Fund	586,697	-	-
Provision for Benefits	901,517	328,813	315,706
Administrative Expenses	154,751	154,751	172,460
Dividends Paid	577,670	577,670	494,668
Accounts Closed	-	-	7,813
Total Expenses	<u>1,633,938</u>	<u>1,061,234</u>	<u>990,647</u>
NET CHANGE IN MEMBER BALANCES	<u>(577,670)</u>	<u>48,023</u>	<u>55,387</u>
MEMBER BALANCES - BEGINNING		2,601,625	2,546,238
MEMBER BALANCES - ENDING		2,649,648	2,601,625

FUND FINANCIAL POSITION AT DECEMBER 31, 2005

At December 31, 2005, Member balances totaled \$2,649,648.

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Management Discussion and Analysis, Continued

CAPITAL ASSETS AND LONG TERM-DEBT

At December 31, 2005 the Fund had no capital assets and no long-term debt.

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

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

REQUEST FOR INFORMATION

This financial report is designed to provide our members, customers, investors and creditors with a general overview of the Fund's finances and to show the Fund's accountability for the money it receives. If you have any questions about this report or need additional information, contact Martin Hanish, Chief Financial Officer at (207)-623-8428.

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND

Statements of Net Assets
December 31, 2005 and 2004

	2005	2004
ASSETS		
Cash and cash equivalents	\$ 923,767	1,035,258
Investments:		
Certificates of deposit	1,250,000	1,099,000
U.S. Government and agency securities	497,254	495,723
Total investments	1,747,254	1,594,723
Accrued interest receivable	6,451	4,272
Prepaid expenses	4,476	2,408
Total assets	\$ 2,681,948	2,636,661
LIABILITIES		
Accounts payable	32,300	35,036
Total liabilities	\$ 32,300	35,036
NET ASSETS		
Designated - Member balances	2,649,648	2,601,625
	\$ 2,649,648	2,601,625

See accompanying notes to financial statements.

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Statements of Revenues, Expenses and Changes in Net Assets
Years ended December 31, 2005 and 2004

	2005	2004
Revenues:		
Contributions	\$ 1,026,088	1,010,199
Investment income	83,169	35,775
Late fee assessments	-	60
Total revenues	1,109,257	1,046,034
Expenses:		
Claims paid	328,813	315,706
Dividends	577,670	494,668
Administrative fees	154,751	172,460
Accounts closed	-	7,813
Total expenses	1,061,234	990,647
Change in net assets	48,023	55,387
Net assets, beginning of year	2,601,625	2,546,238
Net assets, end of year	\$ 2,649,648	2,601,625

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Statements of Cash Flows
For the years ended December 31, 2005 and 2004**

	2005	2004
Cash flows from operating activities:		
Receipts from contributions	\$ 1,026,088	1,010,199
Receipts from investment income	80,990	33,564
Receipts from late fee assessments	-	60
Payments for claims paid	(328,813)	(315,706)
Payments for dividends paid	(577,670)	(494,668)
Payments for accounts closed	-	(7,813)
Payments for other expenses	(159,555)	(164,271)
Net cash provided by operating activities	41,040	61,365
Cash flows from investing activities:		
Net purchase of investments	(152,531)	(245,032)
Net cash used in investing activities	(152,531)	(245,032)
Net change in cash	(111,491)	(183,667)
Cash, beginning of year	1,035,258	1,218,925
Cash, end of year	\$ 923,767	1,035,258
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 48,023	55,387
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in assets:		
Accrued interest receivable	(2,179)	(2,211)
Prepaid expenses	(2,068)	6,618
Increase (decrease) in liabilities:		
Accounts payable	(2,736)	1,571
Net cash provided by operating activities	\$ 41,040	61,365
Non-cash activities:		
Net appreciation (depreciation) in fair value of investments	\$ 2,546	(3,070)

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Notes to Financial Statements**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND FUND DESCRIPTION

The Maine Municipal Association Unemployment Compensation Group Fund was established to provide an alternative to individual direct reimbursement for unemployment compensation claims for participating members of the Maine Municipal Association, a voluntary organization of cities, towns and plantations. The Association administers the self-insured Fund. Under this program, the Association collects contributions from members (which are determined based upon actuarial estimates), invests the funds collected and pays claims resulting from the program, as well as an administrative fee. Each member has an individual account and is solely responsible for its own claims and a pro-rata share of the fund expenses. If a member decides to withdraw from the Fund any balance owed to the Fund or due to the member is paid.

These financial statements include only the accounts for the Maine Municipal Association Unemployment Compensation Group Fund and do not include the accounts of other funds administered by the Association.

Tax Exempt Status - The Fund was established and is administered by the Maine Municipal Association, a tax exempt instrumentality of the municipalities, and therefore is exempt from income taxes.

Basis of Accounting - The Fund maintains its books of account and prepares its financial statements on the accrual basis.

The Fund follows the applicable provisions of Government Accounting Standards Board's (GASB) generally accepted accounting principles (GAAP) for state and local governments through its pronouncements (Statements and Interpretations). Additionally, the Fund follows the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The Fund has elected not to follow subsequent private-sector guidance.

Amounts collected from Fund participants to pay claims and investment earnings are reported as increases in member account balances, while costs of claims and other costs are presented as reductions in such balances.

Cash and Cash Equivalents - The Fund considers all highly liquid deposits and debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments - U.S. Government and Agency securities and corporate bonds are carried at fair value and are included in a pooled Maine Municipal Association investment account. None of the Fund's financial instruments are held for trading purposes. The Fund estimates that the fair value of all financial instruments at December 31, 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. Investment income allocated to member accounts is based upon earnings of specific investments held in the pooled investment account. Realized and unrealized gains or losses on investments are included in the member account balance liability.

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

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.

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
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>2005</u>	<u>2004</u>
CMA - mutual fund investment sweep	\$ 262,426	542,409
Money market mutual fund	661,341	492,849
Totals	\$ 923,767	1,035,258

Mutual fund sweep accounts are pooled accounts containing assets of the General Fund, Special Funds, Workers' Compensation Fund, Unemployment Compensation Fund, Public Officials Liability Fund and Property & Casualty Pool. The money market mutual fund is also a pooled account but does not include the Workers' Compensation Fund. Only the assets belonging to the Unemployment Compensation Group Fund are included in these financial statements.

Custodial Credit Risk-Fund Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Fund's deposits in excess of the FDIC insured limit may not be recoverable. The Fund addresses this risk by minimizing balances in bank accounts. Checking accounts are on a zero balance basis and collected funds are transferred from the CMA - deposit account on a daily basis either to the checking accounts to cover checks presented for payment or to a money market fund outside of the bank. 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.

Investments

At December 31, 2005, the Fund had the following investments and maturities:

	<u>Fair Value</u>	<u>< 1 year to Maturity</u>	<u>1 to 5 years to Maturity</u>	<u>5 + years to Maturity</u>
Investment types:				
Certificates of deposit	(1) \$ 1,250,000	1,250,000	-	-
U.S. government obligations	497,254	497,254	-	-
Totals	\$ 1,747,254	1,747,254	-	-

- (1) Of the certificates of deposit held at December 31, 2005, \$400,000 was covered by FDIC. The remainder is uninsured and uncollateralized.

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Notes to Financial Statements, Continued

DEPOSITS AND INVESTMENTS, CONTINUED

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Fund's investment policy requires that, to the extent possible, management attempts to match investments with anticipated cash requirements. Investments outside of the parameters of the adopted Asset Strategy must be presented for Board approval prior to implementation. Liquidity risk, as defined by the Fund's investment policy, is the risk that funds may not be available as needed, or may be available only by liquidating investments with a resultant capital loss. The Fund's investment policy requires that investment maturities be timed to meet projected cash flow requirements, with a margin for the unexpected. The maximum maturity permitted under Board policy in 2005 was 3 years.

Credit Risk: Credit risk is the risk that the entity in which the fund has invested may be unable to redeem investments when they mature. The Fund's investment policy limits investments to entities that have high ratings by recognized rating agencies. Management monitors the ratings of entities in which it has invested and would sell investments should a significant rating decline occur. No such issues were noted in 2005, and the Fund had no investments in corporate stocks or bonds as of December 31, 2005.

Custodial Credit Risk-Fund Investments: For investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Fund addresses this risk by having the custodian hold investments to the Fund's benefit, by maintaining high quality standards for the entities in which it invests and by monitoring the ratings of entities in which it has invested.

Concentration of Credit Risk: It is the Fund's policy to diversify its investments by security type to mitigate concentration risk. 2005 asset allocation targets were as follows: money market funds: 25%, certificates of deposit: 40%, and U.S. government securities: 35%. Actual levels vary over the course of the year, and may be adjusted by management based on changing economic conditions.

NET APPRECIATION (DEPRECIATION) IN FAIR VALUE

Net appreciation or (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 Member Account Balances note.

	<u>2005</u>	<u>2004</u>
U.S. government securities	\$ 2,546	(3,070)
Totals	\$ 2,546	(3,070)

MEMBER DIVIDENDS

The Board has established a policy of distributing dividends to members whose account balance exceeds an actuarially calculated threshold. The total dividends paid during 2005 and 2004 were \$577,670 and \$494,668, respectively. Based on an independent actuarial analysis of the December 31, 2004 member balances, a dividend of \$678,455 is included in the member account balance at December 31, 2005 and may either be credited against 2006 contributions or included in a dividends distribution.

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND

Financial Statements

For the years ended December 31, 2006 and 2005

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Financial Statements
For the years ended December 31, 2006 and 2005

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Certified Public Accountants and Business Consultants

Independent Auditor's Report

Board of Directors
Maine Municipal Association
Unemployment Compensation Group Fund

We have audited the accompanying statements of net assets of Maine Municipal Association Unemployment Compensation Group Fund as of December 31, 2006 and 2005, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Maine Municipal Association Unemployment Compensation Group Fund as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The management discussion and analysis, as listed in the table of contents, is not a required part of the basic 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 required supplementary information. However, we did not audit the information and express no opinion on it.

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

April 4, 2007
South Portland, Maine

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Management Discussion and Analysis
Fiscal Year Ended 2006

This section of the Maine Municipal Association Unemployment Compensation Fund (the Fund) annual financial report sets forth a narrative overview of its financial activities for the year ended December 31, 2006. Please read it in conjunction with the Fund's financial statements and accompanying notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Fund's fiscal year is January 1 through December 31. The annual financial report consists of three parts:

- Management Discussion and Analysis
- Basic Financial Statements
- Notes to Financial Statements

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

Basic Financial Statements include:

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

These statements present the Fund's status at December 31, 2006 and financial developments during fiscal year 2006.

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

FINANCIAL HIGHLIGHTS

The Maine Municipal Association Unemployment Compensation Fund is comprised of individual accounts for each of its members. Each member is responsible for their own claims and a proportional share of Fund operating costs. Member balances are based on annual recommendations by an independent actuary.

For all fund years combined, developments in calendar year 2006 included:

- Total assets at December 31, 2006 totaled \$2,661,327, a decrease of 0.8%.
- Member balances totaled \$2,633,295 at December 31, 2006, a decrease of 0.6%.

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Management Discussion and Analysis, Continued

FINANCIAL ANALYSIS

The following table summarizes the Statements of Net Assets:

	<u>12/31/2006</u>	<u>12/31/2005</u>
Assets		
Current Assets	2,661,327	2,681,948
Total Assets	2,661,327	2,681,948
Liabilities		
Accounts Payable	28,032	32,300
Total Liabilities	28,032	32,300
Net Assets		
Member Balances	<u>2,633,295</u>	<u>2,649,648</u>

ANALYSIS OF FINANCIAL DEVELOPMENTS IN FISCAL YEAR 2006

The following table compares ultimate results for the 2006 Fund Year as projected at December 31, 2006 with the original budget. The December 31, 2005 figures are provided for comparison.

	<u>2006 BUDGET</u>	<u>year ended 12/31/06</u>	<u>year ended 12/31/05</u>
ADDITIONS TO MEMBER BALANCES			
Member Contributions	1,031,360	1,040,875	1,026,088
Investment and Other Revenues	70,000	120,991	83,169
Total Revenues	<u>1,101,360</u>	<u>1,161,866</u>	<u>1,109,257</u>
DEDUCTIONS FROM MEMBER BALANCES			
Benefits Paid	332,676	329,917	328,813
Contingency Fund	578,766	-	-
Provision for Benefits	911,442	329,917	328,813
Administrative Expenses	169,822	169,847	154,751
Dividends Paid	678,455	678,455	577,670
Total Expenses	<u>1,759,719</u>	<u>1,178,219</u>	<u>1,061,234</u>
NET CHANGE IN MEMBER BALANCES	<u>(658,359)</u>	<u>(16,353)</u>	<u>48,023</u>
MEMBER BALANCES - BEGINNING		2,649,648	2,601,625
MEMBER BALANCES - ENDING		<u>2,633,295</u>	<u>2,649,648</u>

FUND FINANCIAL POSITION AT DECEMBER 31, 2006

At December 31, 2006, Member balances totaled \$2,633,295.

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Management Discussion and Analysis, Continued

CAPITAL ASSETS AND LONG TERM-DEBT

At December 31, 2006 the Fund had no capital assets and no long-term debt.

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

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

REQUEST FOR INFORMATION

This financial report is designed to provide our members, customers, investors and creditors with a general overview of the Fund's finances and to show the Fund's accountability for the money it receives. If you have any questions about this report or need additional information, contact Martin Hanish, Chief Financial Officer at (207) 623-8428.

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Statements of Net Assets
December 31, 2006 and 2005**

	2006	2005
ASSETS		
Cash and cash equivalents	\$ 804,574	923,767
Investments:		
Certificates of deposit	1,350,000	1,250,000
U.S. Government and agency securities	495,625	497,254
Total investments	1,845,625	1,747,254
Accrued interest receivable	8,322	6,451
Prepaid expenses	2,806	4,476
Total assets	\$ 2,661,327	2,681,948
LIABILITIES		
Accounts payable	28,032	32,300
Total liabilities	\$ 28,032	32,300
NET ASSETS		
Restricted - Member balances	\$ 2,633,295	2,649,648

See accompanying notes to financial statements.

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Statements of Revenues, Expenses and Changes in Net Assets
Years ended December 31, 2006 and 2005

	2006	2005
Revenues:		
Contributions	\$ 1,040,875	1,026,088
Investment income	120,991	83,169
Total revenues	1,161,866	1,109,257
Expenses:		
Claims paid	329,917	328,813
Dividends	678,455	577,670
Administrative fees	169,847	154,751
Total expenses	1,178,219	1,061,234
Change in net assets	(16,353)	48,023
Net assets, beginning of year	2,649,648	2,601,625
Net assets, end of year	\$ 2,633,295	2,649,648

See accompanying notes to financial statements.

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Statements of Cash Flows
For the years ended December 31, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Receipts from contributions	\$ 1,040,875	1,026,088
Receipts from investment income	119,120	80,990
Payments for claims paid	(329,917)	(328,813)
Payments for dividends paid	(678,455)	(577,670)
Payments for other expenses	(172,445)	(159,555)
Net cash provided by (used in) operating activities	(20,822)	41,040
Cash flows from investing activities:		
Net purchase of investments	(98,371)	(152,531)
Net cash used in investing activities	(98,371)	(152,531)
Net change in cash	(119,193)	(111,491)
Cash, beginning of year	923,767	1,035,258
Cash, end of year	\$ 804,574	923,767
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ (16,353)	48,023
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
(Increase) decrease in assets:		
Accrued interest receivable	(1,871)	(2,179)
Prepaid expenses	1,670	(2,068)
Increase (decrease) in liabilities:		
Accounts payable	(4,268)	(2,736)
Net cash provided by (used in) operating activities	\$ (20,822)	41,040
Non-cash activities:		
Net appreciation (depreciation) in fair value of investments	\$ (2,550)	2,546

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Notes to Financial Statements**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND FUND DESCRIPTION

The Maine Municipal Association Unemployment Compensation Group Fund was established to provide an alternative to individual direct reimbursement for unemployment compensation claims for participating members of the Maine Municipal Association, a voluntary organization of cities, towns and plantations. The Association administers the self-insured Fund. Under this program, the Association collects contributions from members (which are determined based upon actuarial estimates), invests the funds collected and pays claims resulting from the program, as well as an administrative fee. Each member has an individual account and is solely responsible for its own claims and a pro-rata share of the fund expenses. If a member decides to withdraw from the Fund any balance owed to the Fund or due to the member is paid.

These financial statements include only the accounts for the Maine Municipal Association Unemployment Compensation Group Fund and do not include the accounts of other funds administered by the Association.

Tax Exempt Status - The Fund was established and is administered by the Maine Municipal Association, a tax exempt instrumentality of the municipalities, and therefore is exempt from income taxes.

Basis of Accounting - The Fund maintains its books of account and prepares its financial statements on the accrual basis.

The Fund follows the applicable provisions of Government Accounting Standards Board's (GASB) U.S. generally accepted accounting principles (GAAP) for state and local governments through its pronouncements (Statements and Interpretations). Additionally, the Fund follows the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The Fund has elected not to follow subsequent private-sector guidance.

Amounts collected from Fund participants to pay claims and investment earnings are reported as increases in member account balances, while costs of claims and other costs are presented as reductions in such balances.

Cash and Cash Equivalents - The Fund considers all highly liquid deposits and debt instruments purchased with a maturity of three months or less to be cash equivalents. Amounts in the mutual fund investment sweep and the money market fund are indirectly invested in U.S. government obligations.

Investments - U.S. Government and Agency securities and corporate bonds are carried at fair value and are included in a pooled Maine Municipal Association investment account. None of the Fund's financial instruments are held for trading purposes. The Fund 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. Investment income allocated to member accounts is based upon earnings of specific investments held in the pooled investment account. Realized and unrealized gains or losses on investments are included in the member account balance liability.

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

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.

DEPOSITS AND INVESTMENTS

Deposits

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

	<u>2006</u>	<u>2005</u>
CMA - mutual fund investment sweep	\$ 235,093	262,426
Money market mutual fund	569,481	661,341
Totals	\$ 804,574	923,767

Mutual fund sweep accounts are pooled accounts containing assets of the General Fund, Special Funds, Workers' Compensation Fund, Unemployment Compensation Fund, Public Officials Liability Fund and Property & Casualty Pool. The money market mutual fund is also a pooled account but does not include the Workers' Compensation Fund. Only the assets belonging to the Unemployment Compensation Group Fund are included in these financial statements.

Custodial Credit Risk-Fund Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Fund's deposits in excess of the FDIC insured limit may not be recoverable. The Fund addresses this risk by minimizing balances in bank accounts. Checking accounts are on a zero balance basis and collected funds are transferred from the CMA - deposit account on a daily basis either to the checking accounts to cover checks presented for payment or to a money market fund outside of the bank. 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.

Investments

At December 31, 2006, the Fund had the following investments and maturities:

	<u>Fair Value</u>	<u>< 1 year to Maturity</u>	<u>1 to 5 years to Maturity</u>	<u>5 + years to Maturity</u>
Investment types:				
Certificates of deposit	(1) \$1,350,000	1,350,000	-	-
U.S. government obligations	495,625	495,625	-	-
Totals	\$ 1,845,625	1,845,625	-	-

(1) Of the certificates of deposit held at December 31, 2006, \$370,000 was covered by FDIC. The remainder was uninsured and uncollateralized.

At December 31, 2005, the Fund had the following investments and maturities:

	<u>Fair Value</u>	<u>< 1 year to Maturity</u>	<u>1 to 5 years to Maturity</u>	<u>5 + years to Maturity</u>
Investment types:				
Certificates of deposit	(1) \$ 1,250,000	1,250,000	-	-
U.S. government obligations	497,254	497,254	-	-
Totals	\$ 1,747,254	1,747,254	-	-

(1) Of the certificates of deposit held at December 31, 2005, \$450,000 was covered by FDIC. The remainder is uninsured and uncollateralized.

DEPOSITS AND INVESTMENTS, CONTINUED

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Fund's investment policy requires that, to the extent possible, management attempts to match investments with anticipated cash requirements. Investments outside of the parameters of the adopted Asset Strategy must be presented for Board approval prior to implementation. Liquidity risk, as defined by the Fund's investment policy, is the risk that funds may not be available as needed, or may be available only by liquidating investments with a resultant capital loss. The Fund's investment policy requires that investment maturities be timed to meet projected cash flow requirements, with a margin for the unexpected. The maximum maturity permitted under Board policy in 2006 and 2005 was 3 years.

Credit Risk: Credit risk is the risk that the entity in which the fund has invested may be unable to redeem investments when they mature. The Fund's investment policy limits investments to entities that have high ratings by recognized rating agencies. Management monitors the ratings of entities in which it has invested and would sell investments should a significant rating decline occur. No such issues were noted in 2006 or 2005, and the Fund had no investments in corporate stocks or bonds as of December 31, 2006 and 2005.

Custodial Credit Risk-Fund Investments: For investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Fund addresses this risk by having the custodian hold investments to the Fund's benefit, by maintaining high quality standards for the entities in which it invests and by monitoring the ratings of entities in which it has invested.

Concentration of Credit Risk: It is the Fund's policy to diversify its investments by security type to mitigate concentration risk. 2006 and 2005 asset allocation targets were as follows: money market funds: 25%, certificates of deposit: 40%, and U.S. government securities: 35%. Actual levels vary over the course of the year, and may be adjusted by management based on changing economic conditions.

NET APPRECIATION (DEPRECIATION) IN FAIR VALUE

Net appreciation or (depreciation) in fair value during the years ended December 31, 2006 and 2005 by type of investment was as follows. Such amounts are included in investment income in the Member Dividends note.

	<u>2006</u>	<u>2005</u>
U.S. government securities	\$ (2,550)	2,546
Totals	\$ (2,550)	2,546

MEMBER DIVIDENDS

The Board has established a policy of distributing dividends to members whose account balance exceeds an actuarially calculated threshold. The total dividends paid during 2006 and 2005 were \$678,455 and \$577,670, respectively.

Based on an independent actuarial analysis of the December 31, 2005 member balances, a surplus of \$597,433 is included in the member account balance at December 31, 2006 and may either be credited against 2007 contributions or included in a dividend distribution.

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND**

Financial Statements

For the years ended December 31, 2007 and 2006

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
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

Board of Directors

Maine Municipal Association

Unemployment Compensation Group Fund

We have audited the accompanying statements of net assets of Maine Municipal Association Unemployment Compensation Group Fund as of December 31, 2007 and 2006, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 position of the Maine Municipal Association Unemployment Compensation Group Fund as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The management discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

March 27, 2008
South Portland, Maine

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Management Discussion and Analysis
Fiscal Year Ended 2007**

This section of the Maine Municipal Association Unemployment Compensation Fund (the Fund) annual financial report sets forth a narrative overview of its financial activities for the year ended December 31, 2007. Please read it in conjunction with the Fund's financial statements and accompanying notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Fund's fiscal year is January 1 through December 31. The annual financial report consists of three parts:

- Management Discussion and Analysis
- Basic Financial Statements
- Notes to Financial Statements

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

Basic Financial Statements include:

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

These statements present the Fund's status at December 31, 2007 and financial developments during fiscal year 2007.

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

FINANCIAL HIGHLIGHTS

The Maine Municipal Association Unemployment Compensation Fund is comprised of individual accounts for each of its members. Each member is responsible for their own claims and a proportional share of Fund operating costs. Member balances are based on annual recommendations by an independent actuary.

For all fund years combined, developments in calendar year 2007 included:

- Total assets at December 31, 2007 totaled \$2,759,829, an increase of 3.7% over 2006.
- Member balances totaled \$2,717,584 at December 31, 2007, an increase of 3.2%.

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Management Discussion and Analysis, Continued**

FINANCIAL ANALYSIS

The following table summarizes the Statements of Net Assets:

	<u>12/31/2007</u>	<u>12/31/2006</u>
Assets		
Current Assets	2,759,829	2,661,327
Total Assets	<u>2,759,829</u>	<u>2,661,327</u>
Liabilities		
Accounts Payable	42,245	28,032
Total Liabilities	<u>42,245</u>	<u>28,032</u>
Net Assets		
Member Balances	<u>2,717,584</u>	<u>2,633,295</u>

ANALYSIS OF FINANCIAL DEVELOPMENTS IN FISCAL YEAR 2007

The following table compares ultimate results for the 2007 Fund Year at December 31, 2007 with the original budget. The December 31, 2006 figures are provided for comparison.

	<u>2007 BUDGET</u>	<u>year ended 12/31/07</u>	<u>year ended 12/31/06</u>
ADDITIONS TO MEMBER BALANCES			
Member Contributions	1,063,040	1,065,056	1,040,875
Investment and Other Revenues	100,000	136,142	120,991
Total Revenues	<u>1,163,040</u>	<u>1,201,198</u>	<u>1,161,866</u>
DEDUCTIONS FROM MEMBER BALANCES			
Benefits Paid	349,611	338,238	329,917
Contingency Fund	597,844	-	-
Provision for Benefits	947,455	338,238	329,917
Administrative Expenses	181,228	181,228	169,847
Dividends Paid	597,443	597,443	678,455
Total Expenses	<u>1,726,126</u>	<u>1,116,909</u>	<u>1,178,219</u>
NET CHANGE IN MEMBER BALANCES	<u>(563,086)</u>	<u>84,289</u>	<u>(16,353)</u>
MEMBER BALANCES - BEGINNING		2,633,295	2,649,648
MEMBER BALANCES - ENDING		<u>2,717,584</u>	<u>2,633,295</u>

FUND FINANCIAL POSITION AT DECEMBER 31, 2007

At December 31, 2007, Member balances totaled \$2,717,584.

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Management Discussion and Analysis, Continued

CAPITAL ASSETS AND LONG TERM-DEBT

At December 31, 2007 the Fund had no capital assets and no long-term debt.

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

Management is aware of no conditions, decisions or contingencies that are expected to significantly impact the Fund's financial position in the future.

REQUEST FOR INFORMATION

This financial report is designed to provide our members, customers, investors and creditors with a general overview of the Fund's finances and to show the Fund's accountability for the money it receives. If you have any questions about this report or need additional information, contact Martin Hanish, Chief Financial Officer at (207) 623-8428.

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Statements of Net Assets
December 31, 2007 and 2006**

	2007	2006
ASSETS		
Cash and cash equivalents	\$ 1,755,429	804,574
Investments:		
Certificates of deposit	948,000	1,350,000
U.S. Government and agency securities	-	495,625
Total investments	948,000	1,845,625
Accounts receivable	905	-
Accrued interest receivable	1,711	8,322
Prepaid expenses	53,784	2,806
Total assets	\$ 2,759,829	2,661,327
LIABILITIES		
Accounts payable	42,245	28,032
Total liabilities	\$ 42,245	28,032
NET ASSETS		
Restricted - Member balances	\$ 2,717,584	2,633,295

See accompanying notes to financial statements.

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Statements of Revenues, Expenses and Changes in Net Assets
Years ended December 31, 2007 and 2006

	2007	2006
Revenues:		
Contributions	\$ 1,065,056	1,040,875
Investment income	136,142	120,991
Total revenues	1,201,198	1,161,866
Expenses:		
Claims paid	338,238	329,917
Dividends	597,443	678,455
Administrative fees	181,228	169,847
Total expenses	1,116,909	1,178,219
Change in net assets	84,289	(16,353)
Net assets, beginning of year	2,633,295	2,649,648
Net assets, end of year	\$ 2,717,584	2,633,295

See accompanying notes to financial statements.

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Statements of Cash Flows
For the years ended December 31, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Receipts from contributions	\$ 1,065,056	1,040,875
Receipts from investment income	135,237	119,120
Payments for claims paid	(338,238)	(329,917)
Payments for dividends paid	(597,443)	(678,455)
Payments for other expenses	(211,382)	(172,445)
Net cash provided by (used in) operating activities	53,230	(20,822)
Cash flows from investing activities:		
Net proceeds (purchase) of investments	897,625	(98,371)
Net cash provided by (used in) investing activities	897,625	(98,371)
Net change in cash	950,855	(119,193)
Cash, beginning of year	804,574	923,767
Cash, end of year	\$ 1,755,429	804,574
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ 84,289	(16,353)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
(Increase) decrease in assets:		
Accounts receivable	(905)	-
Accrued interest receivable	6,611	(1,871)
Prepaid expenses	(50,978)	1,670
Increase (decrease) in liabilities:		
Accounts payable	14,213	(4,268)
Net cash provided by (used in) operating activities	\$ 53,230	(20,822)
Non-cash activities:		
Net appreciation (depreciation) in fair value of investments	\$ 3,041	(2,550)

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Notes to Financial Statements**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND FUND DESCRIPTION

The Maine Municipal Association Unemployment Compensation Group Fund was established to provide an alternative to individual direct reimbursement for unemployment compensation claims for participating members of the Maine Municipal Association, a voluntary organization of cities, towns and plantations. The Association administers the self-insured Fund. Under this program, the Association collects contributions from members (which are determined based upon actuarial estimates), invests the funds collected and pays claims resulting from the program, as well as an administrative fee. Each member has an individual account and is solely responsible for its own claims and a pro-rata share of the fund expenses. If a member decides to withdraw from the Fund any balance owed to the Fund or due to the member is paid.

These financial statements include only the accounts for the Maine Municipal Association Unemployment Compensation Group Fund and do not include the accounts of other funds administered by the Association.

Tax Exempt Status - The Fund was established and is administered by the Maine Municipal Association, a tax exempt instrumentality of the municipalities, and therefore is exempt from income taxes.

Basis of Accounting - The Fund maintains its books of account and prepares its financial statements on the accrual basis.

The Fund follows the applicable provisions of Government Accounting Standards Board's (GASB), U.S. generally accepted accounting principles (GAAP) for state and local governments through its pronouncements (Statements and Interpretations). Additionally, the Fund follows the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The Fund has elected not to follow subsequent private-sector guidance.

Amounts collected from Fund participants to pay claims and investment earnings are reported as increases in member account balances, while costs of claims and other costs are presented as reductions in such balances.

Cash and Cash Equivalents - The Fund considers all highly liquid deposits and debt instruments purchased with a maturity of three months or less to be cash equivalents. Amounts in the mutual fund investment sweep and the money market fund are indirectly invested in U.S. government obligations.

Investments - U.S. Government and Agency securities and corporate bonds are carried at fair value and are included in a pooled Maine Municipal Association investment account. None of the Fund's financial instruments are held for trading purposes. The Fund 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. Investment income allocated to member accounts is based upon earnings of specific investments held in the pooled investment account. Realized and unrealized gains or losses on investments are included in the member account balance liability.

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

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND FUND DESCRIPTION, 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 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.

DEPOSITS AND INVESTMENTS

Deposits

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

	<u>2007</u>	<u>2006</u>
CMA - mutual fund investment sweep	\$ 461,991	235,093
Money market mutual fund	1,293,438	569,481
Totals	\$ 1,755,429	804,574

Mutual fund sweep accounts are pooled accounts containing assets of the General Fund, Special Funds, Workers' Compensation Fund, Unemployment Compensation Fund, Public Officials Liability Fund and Property & Casualty Pool. The money market mutual fund is also a pooled account but does not include the Workers' Compensation Fund. Only the assets belonging to the Unemployment Compensation Group Fund are included in these financial statements.

Custodial Credit Risk-Fund Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Fund's deposits in excess of the FDIC insured limit may not be recoverable. The Fund addresses this risk by minimizing balances in bank accounts. Checking accounts are on a zero balance basis and collected funds are transferred from the CMA - deposit account on a daily basis either to the checking accounts to cover checks presented for payment or to a money market fund outside of the bank. 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.

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Notes to Financial Statements, Continued**

DEPOSITS AND INVESTMENTS, CONTINUED

Investments

At December 31, 2007, the Fund had the following investments and maturities:

Investment types:	Fair Value	< 1 year to Maturity	1 to 5 years to Maturity	5 + years to Maturity
Certificates of deposit (1)	\$ 948,000	948,000	-	-
Totals	\$ 948,000	948,000	-	-

- (1) Of the certificates of deposit held at December 31, 2007, \$600,000 was covered by FDIC. The remainder was uninsured and uncollateralized.

At December 31, 2006, the Fund had the following investments and maturities:

Investment types:	Fair Value	< 1 year to Maturity	1 to 5 years to Maturity	5 + years to Maturity
Certificates of deposit (1)	\$ 1,350,000	1,350,000	-	-
U.S. government obligations	495,625	495,625	-	-
Totals	\$ 1,845,625	1,845,625	-	-

- (1) Of the certificates of deposit held at December 31, 2006, \$370,000 was covered by FDIC. The remainder is uninsured and uncollateralized.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Fund's investment policy requires that, to the extent possible, management attempts to match investments with anticipated cash requirements. Investments outside of the parameters of the adopted Asset Strategy must be presented for Board approval prior to implementation. Liquidity risk, as defined by the Fund's investment policy, is the risk that funds may not be available as needed, or may be available only by liquidating investments with a resultant capital loss. The Fund's investment policy requires that investment maturities be timed to meet projected cash flow requirements, with a margin for the unexpected. The maximum maturity permitted under Board policy in 2007 and 2006 was 3 years.

Credit Risk: Credit risk is the risk that the entity in which the fund has invested may be unable to redeem investments when they mature. The Fund's investment policy limits investments to entities that have high ratings by recognized rating agencies. Management monitors the ratings of entities in which it has invested and would sell investments should a significant rating decline occur. No such issues were noted in 2007 or 2006, and the Fund had no investments in corporate stocks or bonds as of December 31, 2007 and 2006.

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Notes to Financial Statements, Continued

DEPOSITS AND INVESTMENTS, CONTINUED

Custodial Credit Risk-Fund Investments: For investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Fund addresses this risk by having the custodian hold investments to the Fund's benefit, by maintaining high quality standards for the entities in which it invests and by monitoring the ratings of entities in which it has invested.

Concentration of Credit Risk: It is the Fund's policy to diversify its investments by security type to mitigate concentration risk. 2007 and 2006 asset allocation targets were as follows: money market funds: 25%, certificates of deposit: 40%, and U.S. government securities: 35%. Actual levels vary over the course of the year, and may be adjusted by management based on changing economic conditions.

NET APPRECIATION (DEPRECIATION) IN FAIR VALUE OF INVESTMENTS

Net appreciation or (depreciation) in fair value during the years ended December 31, 2007 and 2006 by type of investment was as follows. Such amounts are included in investment income in the Member Dividends note.

	<u>2007</u>	<u>2006</u>
U.S. government securities	\$ 3,041	(2,550)
Totals	\$ 3,041	(2,550)

MEMBER DIVIDENDS

The Board has established a policy of distributing dividends to members whose account balance exceeds an actuarially calculated threshold. The total dividends paid during 2007 and 2006 were \$597,433 and \$678,455, respectively.

Based on an independent actuarial analysis of the December 31, 2006 member balances, a surplus of \$959,602 is included in the member account balance at December 31, 2007 and may either be credited against 2008 contributions or included in a dividend distribution.

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND**

Financial Statements

For the Years Ended December 31, 2008 and 2007

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
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

Board of Directors
Maine Municipal Association
Unemployment Compensation Group Fund

We have audited the accompanying statements of net assets of Maine Municipal Association Unemployment Compensation Group Fund as of December 31, 2008 and 2007, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 position of the Maine Municipal Association Unemployment Compensation Group Fund as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The management discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

April 27, 2009
South Portland, Maine

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Management Discussion and Analysis
Fiscal Year Ended 2008**

This section of the Maine Municipal Association Unemployment Compensation Fund (the Fund) annual financial report sets forth a narrative overview of its financial activities for the year ended December 31, 2008. Please read it in conjunction with the Fund's financial statements and accompanying notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Fund's fiscal year is January 1 through December 31. The annual financial report consists of three parts:

- Management Discussion and Analysis
- Basic Financial Statements
- Notes to Financial Statements

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

Basic Financial Statements include:

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

These statements present the Fund's status at December 31, 2008 and financial developments during fiscal year 2008.

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

FINANCIAL HIGHLIGHTS

The Maine Municipal Association Unemployment Compensation Fund is comprised of individual accounts for each of its members. Each member is responsible for their own claims and a proportional share of Fund operating costs. Member balances are based on annual recommendations by an independent actuary.

Developments in calendar year 2008 included:

- Total assets at December 31, 2008 totaled \$2,251,319, a decrease of 22.6% over 2007.
- Member balances totaled \$2,186,186 at December 31, 2008, a decrease of 24.3%.

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Management Discussion and Analysis, Continued**

FINANCIAL ANALYSIS

The following table summarizes the Statements of Net Assets:

	<u>12/31/2008</u>	<u>12/31/2007</u>
Assets		
Current Assets	2,251,319	2,759,829
Total Assets	<u>2,251,319</u>	<u>2,759,829</u>
Liabilities		
Accounts Payable	65,133	42,245
Total Liabilities	<u>65,133</u>	<u>42,245</u>
Net Assets		
Member Balances	<u><u>2,186,186</u></u>	<u><u>2,717,584</u></u>

ANALYSIS OF FINANCIAL DEVELOPMENTS IN FISCAL YEAR 2008

The following table compares ultimate results for the 2008 Fund Year at December 31, 2008 with the original budget. The December 31, 2007 figures are provided for comparison.

	<u>2008 BUDGET</u>	<u>year ended 12/31/08</u>	<u>year ended 12/31/07</u>
ADDITIONS TO MEMBER BALANCES			
Member Contributions	974,160	979,551	1,065,056
Investment and Other Revenues	90,000	70,319	136,142
Total Revenues	<u>1,064,160</u>	<u>1,049,870</u>	<u>1,201,198</u>
DEDUCTIONS FROM MEMBER BALANCES			
Benefits Paid	597,627	434,021	338,238
Contingency Fund	239,385	-	-
Provision for Benefits	837,012	434,021	338,238
Administrative Expenses	187,645	187,645	181,228
Dividends Paid	959,602	959,602	597,443
Total Expenses	<u>1,984,259</u>	<u>1,581,268</u>	<u>1,116,909</u>
NET CHANGE IN MEMBER BALANCES	<u>(920,099)</u>	<u>(531,398)</u>	<u>84,289</u>
MEMBER BALANCES - BEGINNING		2,717,584	2,633,295
MEMBER BALANCES - ENDING		<u><u>2,186,186</u></u>	<u><u>2,717,584</u></u>

FUND FINANCIAL POSITION AT DECEMBER 31, 2008

At December 31, 2008, Member balances totaled \$2,186,186.

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Management Discussion and Analysis, Continued

CAPITAL ASSETS AND LONG TERM-DEBT

At December 31, 2008 the Fund had no capital assets and no long-term debt.

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

Management is aware of no conditions, decisions or contingencies that are expected to significantly impact the Fund's financial position in the future.

REQUEST FOR INFORMATION

This financial report is designed to provide our members, customers, investors and creditors with a general overview of the Fund's finances and to show the Fund's accountability for the money it receives. If you have any questions about this report or need additional information, contact Martin Hanish, Chief Financial Officer at (207) 623-8428.

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Statements of Net Assets
December 31, 2008 and 2007**

	2008	2007
ASSETS		
Cash and cash equivalents	\$ 1,336,058	1,755,429
Investments:		
Certificates of deposit	899,544	948,000
Total investments	899,544	948,000
Accounts receivable	-	905
Accrued interest receivable	5,523	1,711
Prepaid expenses	10,194	53,784
Total assets	\$ 2,251,319	2,759,829
LIABILITIES		
Accounts payable	65,133	42,245
Total liabilities	\$ 65,133	42,245
NET ASSETS		
Restricted - Member balances	\$ 2,186,186	2,717,584

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended December 31, 2008 and 2007**

	2008	2007
Revenues:		
Contributions	\$ 979,551	1,065,056
Investment income	70,319	136,142
Total revenues	1,049,870	1,201,198
Expenses:		
Claims paid	434,021	338,238
Dividends	959,602	597,443
Administrative fees	187,645	181,228
Total expenses	1,581,268	1,116,909
Change in net assets	(531,398)	84,289
Net assets, beginning of year	2,717,584	2,633,295
Net assets, end of year	\$ 2,186,186	2,717,584

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Statements of Cash Flows
For the Years Ended December 31, 2008 and 2007**

	2008	2007
Cash flows from operating activities:		
Receipts from contributions	\$ 979,551	1,065,056
Receipts from investment income	71,224	135,237
Payments for claims paid	(434,021)	(338,238)
Payments for dividends paid	(959,602)	(597,443)
Payments for other expenses	(124,979)	(211,382)
Net cash provided by (used in) operating activities	(467,827)	53,230
Cash flows from investing activities:		
Net proceeds (purchase) of investments	48,456	897,625
Net cash provided by investing activities	48,456	897,625
Net change in cash	(419,371)	950,855
Cash, beginning of year	1,755,429	804,574
Cash, end of year	\$ 1,336,058	1,755,429
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ (531,398)	84,289
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
(Increase) decrease in assets:		
Accounts receivable	905	(905)
Accrued interest receivable	(3,812)	6,611
Prepaid expenses	43,590	(50,978)
Increase in liabilities:		
Accounts payable	22,888	14,213
Net cash provided by (used in) operating activities	\$ (467,827)	53,230
Non-cash activities:		
Net appreciation in fair value of investments	\$ -	3,041

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Notes to Financial Statements**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND FUND DESCRIPTION

The Maine Municipal Association Unemployment Compensation Group Fund was established to provide an alternative to individual direct reimbursement for unemployment compensation claims for participating members of the Maine Municipal Association, a voluntary organization of cities, towns and plantations. The Association administers the self-insured Fund. Under this program, the Association collects contributions from members (which are determined based upon actuarial estimates), invests the funds collected and pays claims resulting from the program, as well as an administrative fee. Each member has an individual account and is solely responsible for their own claims and a pro-rata share of the fund expenses. If a member decides to withdraw from the Fund any balance owed to the Fund or due to the member is paid.

These financial statements include only the accounts for the Maine Municipal Association Unemployment Compensation Group Fund and do not include the accounts of other funds administered by the Association.

Tax Exempt Status - The Fund was established and is administered by the Maine Municipal Association, a tax exempt instrumentality of the municipalities, and therefore is exempt from income taxes.

Basis of Accounting - The Fund maintains its books of account and prepares its financial statements on the accrual basis.

The Fund follows the applicable provisions of Government Accounting Standards Board's (GASB) and U.S. generally accepted accounting principles (GAAP) for state and local governments through its pronouncements (Statements and Interpretations). Additionally, the Fund follows the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The Fund has elected not to follow subsequent private-sector guidance.

Amounts collected from Fund participants to pay claims and investment earnings are reported as increases in member account balances, while costs of claims and other costs are presented as reductions in such balances.

Cash and Cash Equivalents - The Fund considers all highly liquid deposits and debt instruments purchased with a maturity of three months or less to be cash equivalents. Amounts in the mutual fund investment sweep and the money market fund are indirectly invested in U.S. government obligations.

Investments - U.S. Government and Agency securities and corporate bonds are carried at fair value and are included in a pooled Maine Municipal Association investment account. None of the Fund's financial instruments are held for trading purposes. The Fund 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. Investment income allocated to member accounts is based upon earnings of specific investments held in the pooled investment account. Realized and unrealized gains or losses on investments are included in the member account balance liability.

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

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Notes to Financial Statements, Continued**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND FUND DESCRIPTION, 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 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.

DEPOSITS AND INVESTMENTS

Deposits

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

	<u>2008</u>	<u>2007</u>
CMA - mutual fund investment sweep	\$ 184,195	461,991
Money market mutual fund	1,151,863	1,293,438
Totals	\$ 1,336,058	1,755,429

The mutual fund sweep account is a pooled account containing assets of the Maine Municipal Association, the Workers' Compensation Fund, the Unemployment Compensation Fund, and the Property & Casualty Pool. The money market mutual fund is also a pooled account but does not include the Workers' Compensation Fund. Only the assets belonging to the Unemployment Compensation Group Fund are included in these financial statements.

Custodial Credit Risk-Fund Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the Fund's deposits in excess of the FDIC insured limit may not be recoverable. The Fund addresses this risk by minimizing balances in bank accounts. Checking accounts are on a zero balance basis and collected funds are transferred from the CMA - deposit account on a daily basis either to the checking accounts to cover checks presented for payment or to a money market fund outside of the bank. 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.

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Notes to Financial Statements, Continued**

DEPOSITS AND INVESTMENTS, CONTINUED

Investments

At December 31, 2008, the Fund had the following investments and maturities:

Investment types:	Fair Value	< 1 year to Maturity	1 to 5 years to Maturity	5 + years to Maturity
Certificates of deposit (1)	\$ 899,544	899,544	-	-
Totals	\$ 899,544	899,544	-	-

(1) All of the certificates of deposit held at December 31, 2008 were covered by FDIC.

At December 31, 2007, the Fund had the following investments and maturities:

Investment types:	Fair Value	< 1 year to Maturity	1 to 5 years to Maturity	5 + years to Maturity
Certificates of deposit (1)	\$ 948,000	948,000	-	-
Totals	\$ 948,000	948,000	-	-

(1) Of the certificates of deposit held at December 31, 2007, \$600,000 was covered by FDIC. The remainder was uninsured and uncollateralized.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Fund's investment policy requires that, to the extent possible, management attempts to match investments with anticipated cash requirements. Investments outside of the parameters of the adopted Asset Strategy must be presented for Board approval prior to implementation. Liquidity risk, as defined by the Fund's investment policy, is the risk that funds may not be available as needed, or may be available only by liquidating investments with a resultant capital loss. The Fund's investment policy requires that investment maturities be timed to meet projected cash flow requirements, with a margin for the unexpected. The maximum maturity permitted under Board policy in 2008 and 2007 was 3 years.

Credit Risk: Credit risk is the risk that the entity in which the fund has invested may be unable to redeem investments when they mature. The Fund's investment policy limits investments to entities that have high ratings by recognized rating agencies. Management monitors the ratings of entities in which it has invested and would sell investments should a significant rating decline occur. No such issues were noted in 2008 or 2007, and the Fund had no investments in corporate stocks or bonds as of December 31, 2008 and 2007.

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Notes to Financial Statements, Continued**

DEPOSITS AND INVESTMENTS, CONTINUED

Custodial Credit Risk-Fund Investments: For investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Fund addresses this risk by having the custodian hold investments to the Fund's benefit, by maintaining high quality standards for the entities in which it invests and by monitoring the ratings of entities in which it has invested.

Concentration of Credit Risk: It is the Fund's policy to diversify its investments by security type to mitigate concentration risk. 2008 asset allocation targets were as follows: money market funds: 40%, certificates of deposit: 30%, and U.S. government securities: 30%; and in 2007 asset allocation targets were as follows: money market funds: 25%, certificates of deposit: 40%, and U.S. government securities: 35%. Actual levels vary over the course of the year, and may be adjusted by management based on changing economic conditions.

MEMBER DIVIDENDS

The Board has established a policy of distributing dividends to members whose account balance exceeds an actuarially calculated threshold. The total dividends paid during 2008 and 2007 were \$959,602 and \$597,433, respectively.

Based on an independent actuarial analysis of the December 31, 2007 member balances, a surplus of \$652,032 is included in the member account balance at December 31, 2008 and may either be credited against contributions or included in a dividend distribution.

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND**

Financial Statements

For the Years Ended December 31, 2009 and 2008

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
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

Board of Directors
Maine Municipal Association
Unemployment Compensation Group Fund

We have audited the accompanying statements of net assets of Maine Municipal Association Unemployment Compensation Group Fund as of December 31, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 position of the Maine Municipal Association Unemployment Compensation Group Fund as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The management discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

May 27, 2010
South Portland, Maine

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Management Discussion and Analysis
Fiscal Year Ended 2009**

This section of the Maine Municipal Association Unemployment Compensation Fund (the Fund) annual financial report sets forth a narrative overview of its financial activities for the year ended December 31, 2009. Please read it in conjunction with the Fund's financial statements and accompanying notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Fund's fiscal year is January 1 through December 31. The annual financial report consists of three parts:

- Management Discussion and Analysis
- Basic Financial Statements
- Notes to Financial Statements

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

Basic Financial Statements include:

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

These statements present the Fund's status at December 31, 2009 and financial developments during fiscal year 2009.

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

FINANCIAL HIGHLIGHTS

The Maine Municipal Association Unemployment Compensation Fund is comprised of individual accounts for each of its members. Each member is responsible for their own claims and a proportional share of Fund operating costs. Member balances are based on annual recommendations by an independent actuary.

Developments in calendar year 2009 included:

- Total assets at December 31, 2009 totaled \$1,761,396, a decrease of 21.8% over 2008.
- Member balances totaled \$1,691,745 at December 31, 2009, a decrease of 22.6%.

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Management Discussion and Analysis, Continued**

FINANCIAL ANALYSIS

The following table summarizes the Statements of Net Assets:

	<u>12/31/2009</u>	<u>12/31/2008</u>
Assets		
Current Assets	1,761,396	2,251,319
Total Assets	1,761,396	2,251,319
Liabilities		
Accounts Payable	69,651	65,133
Total Liabilities	69,651	65,133
Net Assets		
Member Balances	<u>1,691,745</u>	<u>2,186,186</u>

ANALYSIS OF FINANCIAL DEVELOPMENTS IN FISCAL YEAR 2009

The following table compares ultimate results for the 2009 Fund Year at December 31, 2009 with the original budget. The December 31, 2008 figures are provided for comparison.

	<u>2009 BUDGET</u>	<u>year ended 12/31/09</u>	<u>year ended 12/31/08</u>
ADDITIONS TO MEMBER BALANCES			
Member Contributions	1,000,140	1,001,568	979,551
Investment and Other Revenues	75,000	22,891	70,319
Total Revenues	<u>1,075,140</u>	<u>1,024,459</u>	<u>1,049,870</u>
DEDUCTIONS FROM MEMBER BALANCES			
Benefits Paid	606,495	700,610	434,021
Contingency Fund	268,678	-	-
Provision for Benefits	875,173	700,610	434,021
Administrative Expenses	159,787	159,787	187,645
Dividends Paid	652,032	652,032	959,602
Accounts closed	-	6,471	-
Total Expenses	<u>1,686,992</u>	<u>1,518,900</u>	<u>1,581,268</u>
NET CHANGE IN MEMBER BALANCES	<u>(611,852)</u>	<u>(494,441)</u>	<u>(531,398)</u>
MEMBER BALANCES - BEGINNING		2,186,186	2,717,584
MEMBER BALANCES - ENDING		<u>1,691,745</u>	<u>2,186,186</u>

FUND FINANCIAL POSITION AT December 31, 2009

At December 31, 2009, Member balances totaled \$1,691,745.

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Management Discussion and Analysis, Continued

CAPITAL ASSETS AND LONG TERM-DEBT

At December 31, 2009 the Fund had no capital assets and no long-term debt.

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

Management is aware of no conditions, decisions or contingencies that are expected to significantly impact the Fund's financial position in the future.

REQUEST FOR INFORMATION

This financial report is designed to provide our members, customers, investors and creditors with a general overview of the Fund's finances and to show the Fund's accountability for the money it receives. If you have any questions about this report or need additional information, contact Martin Hanish, Chief Financial Officer at (207) 623-8428.

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Statements of Net Assets
December 31, 2009 and 2008**

	2009	2008
ASSETS		
Cash and cash equivalents	\$ 850,833	1,336,058
Investments:		
Certificates of deposit	805,906	899,544
U.S. Government securities	99,797	-
Total investments	905,703	899,544
Accrued interest receivable	2,549	5,523
Prepaid expenses	2,311	10,194
Total assets	\$ 1,761,396	2,251,319
LIABILITIES		
Accounts payable	69,651	65,133
Total liabilities	\$ 69,651	65,133
NET ASSETS		
Restricted - Member balances	\$ 1,691,745	2,186,186

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended December 31, 2009 and 2008**

	2009	2008
Revenues:		
Contributions	\$ 1,001,568	979,551
Investment income	22,891	70,319
Total revenues	1,024,459	1,049,870
Expenses:		
Claims paid	700,610	434,021
Dividends	652,032	959,602
Administrative fees	159,787	187,645
Accounts closed	6,471	-
Total expenses	1,518,900	1,581,268
 Change in net assets	 (494,441)	 (531,398)
Net assets, beginning of year	2,186,186	2,717,584
Net assets, end of year	\$ 1,691,745	2,186,186

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Statements of Cash Flows
For the Years Ended December 31, 2009 and 2008**

	2009	2008
Cash flows from operating activities:		
Receipts from contributions	\$ 1,001,568	979,551
Receipts from investment income	22,891	71,224
Payments for claims paid	(700,610)	(434,021)
Payments for dividends paid	(652,032)	(959,602)
Payments for other expenses	(150,883)	(124,979)
Net cash used in operating activities	(479,066)	(467,827)
Cash flows from investing activities:		
Net proceeds (purchase) of investments	(6,159)	48,456
Net cash provided by (used in) investing activities	(6,159)	48,456
Net change in cash	(485,225)	(419,371)
Cash, beginning of year	1,336,058	1,755,429
Cash, end of year	\$ 850,833	1,336,058
Reconciliation of change in net assets to net cash used in operating activities:		
Change in net assets	\$ (494,441)	(531,398)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
(Increase) decrease in assets:		
Accounts receivable	-	905
Accrued interest receivable	2,974	(3,812)
Prepaid expenses	7,883	43,590
Increase in liabilities:		
Accounts payable	4,518	22,888
Net cash used in operating activities	\$ (479,066)	(467,827)

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Notes to Financial Statements**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND FUND DESCRIPTION

The Maine Municipal Association Unemployment Compensation Group Fund (the Fund) was established to provide an alternative to individual direct reimbursement for unemployment compensation claims for participating members of the Maine Municipal Association (the Association), a voluntary organization of cities, towns and plantations. The Association administers the self-insured Fund. Under this program, the Association collects contributions from members (which are determined based upon actuarial estimates), invests the funds collected and pays claims resulting from the program, as well as an administrative fee. Each member has an individual account and is solely responsible for their own claims and a pro-rata share of the fund expenses. If a member decides to withdraw from the Fund any balance owed to the Fund or due to the member is paid.

These financial statements include only the accounts for the Maine Municipal Association Unemployment Compensation Group Fund and do not include the accounts of other funds administered by the Association.

Tax Exempt Status - The Fund was established and is administered by the Maine Municipal Association, a tax-exempt instrumentality of the municipalities, and therefore is exempt from income taxes.

Basis of Accounting - The Fund maintains its books of account and prepares its financial statements on the accrual basis.

The Fund follows the applicable provisions of Government Accounting Standards Board's (GASB) and U.S. generally accepted accounting principles (GAAP) for state and local governments through its pronouncements (Statements and Interpretations). Additionally, the Fund follows the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The Fund has elected not to follow subsequent private-sector guidance.

Amounts collected from Fund participants to pay claims and investment earnings are reported as increases in member account balances, while costs of claims and other costs are presented as reductions in such balances.

Cash and Cash Equivalents - The Fund considers all highly liquid deposits or held in money market accounts to be cash equivalents. Amounts in the mutual fund investment sweep and the money market fund are indirectly invested in U.S. government obligations.

Investments - U.S. Government and Agency securities and corporate bonds are carried at fair value and are included in a pooled Maine Municipal Association investment account. None of the Fund's financial instruments are held for trading purposes. The Fund 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 estimated fair value amounts have been determined by quoted market prices. Investment income allocated to member accounts is based upon earnings of specific investments held in the pooled investment account. Realized and unrealized gains or losses on investments are included in the member account balance liability.

Accounts Receivable - Accounts receivable have been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at December 31, 2009 and 2008.

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Notes to Financial Statements, Continued**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND FUND DESCRIPTION, 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 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.

DEPOSITS AND INVESTMENTS

Deposits

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

	<u>2009</u>	<u>2008</u>
CMA - mutual fund investment sweep	\$ 178,843	184,195
Money market mutual fund	671,990	1,151,863
Totals	\$ 850,833	1,336,058

The mutual fund sweep account is a pooled account containing assets of the Maine Municipal Association, the Workers' Compensation Fund, the Unemployment Compensation Fund, and the Property & Casualty Pool. The money market mutual fund is also a pooled account but does not include the Workers' Compensation Fund. Only the assets belonging to the Unemployment Compensation Group Fund are included in these financial statements.

Custodial Credit Risk-Fund Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the Fund's deposits in excess of the FDIC insured limit may not be recoverable. The Fund addresses this risk by minimizing balances in bank accounts. Checking accounts are on a zero balance basis and collected funds are transferred from the CMA - deposit account on a daily basis either to the checking accounts to cover checks presented for payment or to a money market fund outside of the bank. 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.

**MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Notes to Financial Statements, Continued**

DEPOSITS AND INVESTMENTS, CONTINUED

Investments

At December 31, 2009, the Fund had the following investments and maturities:

Investment types:	Fair Value	< 1 year to Maturity	1 to 5 years to Maturity	5 + years to Maturity
Certificates of deposit (1)	\$ 805,906	551,878	254,028	-
U.S. Government Securities	\$ 99,797	-	99,797	-
Totals	\$ 905,703	551,878	353,825	-

(1) Of the certificates of deposit held at December 31, 2009 \$630,220 were covered by FDIC, the remainder was collateralized with U.S. Government Securities.

At December 31, 2008, the Fund had the following investments and maturities:

Investment types:	Fair Value	< 1 year to Maturity	1 to 5 years to Maturity	5 + years to Maturity
Certificates of deposit (1)	\$ 899,544	899,544	-	-
Totals	\$ 899,544	899,544	-	-

(1) Of the certificates of deposit held at December 31, 2008, \$899,544 was covered by FDIC.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates might adversely affect the fair value of an investment. The Fund addresses this risk by maintaining a high degree of liquidity so that investments will not have to be sold prior to maturity.

Credit Risk: Credit risk is the risk that the entity in which the Fund has invested may be unable to honor investments when they mature. The Fund's investment policy limits investments to entities that have high ratings by recognized rating agencies. Management monitors the ratings of entities in which it has invested. No such issues were noted in 2009 or 2008.

Custodial Credit Risk: Custodial credit risk is the risk that the Fund might not be able to recover assets held on its behalf by a third party due to the insolvency of that entity. The Fund addresses this risk by selecting a custodial bank with the highest rating awarded by Bauer Financial Services and monitoring the rating of its custodian on a quarterly basis. In addition, assets are held by the custodian for the Fund's benefit.

MAINE MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION GROUP FUND
Notes to Financial Statements, Continued

DEPOSITS AND INVESTMENTS, CONTINUED

Concentration Risk: Concentration risk is the risk that conditions adversely affecting an economic sector might have a significant negative impact on the Fund. The Fund addresses this risk by limiting certificate of deposit investments in any one institution to the FDIC insured limit and by limiting the portion of the Fund which may be held in corporate investments.

Liquidity Risk: Liquidity risk is the risk that Fund investments might not mature and be redeemed to provide cash to meet Fund obligations as they arise. The Fund controls this risk by maintaining a strong cash and equivalents position, by timing maturities to meet anticipated cash requirements, and by minimizing the other potential impacts of the other risk categories noted above.

MEMBER DIVIDENDS

The Board has established a policy of distributing dividends to members whose account balance exceeds an actuarially calculated threshold. The total dividends paid during 2009 and 2008 were \$652,032 and \$959,602, respectively.

Based on an independent actuarial analysis of the December 31, 2008 member balances, a surplus of \$498,104 is included in the member account balance at December 31, 2009 and may either be credited against contributions or included in a dividend distribution.