Audit & Finance/Facilities Joint Session


Committee Members Absent: Kurt Adams, Mark Gardner, and Michelle Hood.

Trustee Fournier, Chair of the Finance/Facilities Committee, called the Joint Session to order and welcomed everyone.


The $38 million increase in Net Assets includes:
- An increase in Invested in Capital Assets, net of debt, of $26 million,
- An increase in Restricted Net Assets of $1 million, and
- An increase in Unrestricted Net Assets of $11 million.

Other significant highlights regarding the Annual Financial Report include:

- Operating and Net Non-operating Revenues totaled $688 million for FY2012, down from $704 million in the prior year. The primary sources of revenue include Net Student Fees at 35%, State Appropriations at 29%, and Grant and Contract Revenue with associated Indirect Cost Recovery at 25%.
- Total tuition and fees were $266 million, increasing $5 million over the prior year.
- The System held undergraduate in-state tuition increases for FY2012 to an average 4.3%, down from 4.8% in the prior year.
- Fall 2011 enrollments totaled 22,926 on a full-time equivalent basis (FTE) and 31,108 on a headcount basis, each declining approximately 3% from Fall 2010 levels. Consistent with prior years, 64% of the student population was enrolled full-time. For both Fall 2011 and Fall 2010, 86% of students were Maine residents.
- Noncapital State of Maine appropriations of $198 million increased $2.3 million or 1.2% over the prior year.
The Managed Investment Pool (including Endowments) experienced a -2.0% net of fees return compared to 21.9% for FY2011. The pooled investments have a 5-year annualized net of fees return of 1.8%. The market value of pooled investments was $191 million at June 30, 2012 and included UMS and affiliates endowments of $121 million. Endowment returns used for scholarship and other endowed spending was $5 million in FY2012 and in FY2011.

UMS earned operating investment income of $4.6 million in FY2012 with a net of fees return of 1.3% compared with FY2011 income of $10.7 million and a 4.7% net of fees return. Operating investments have a 5-year annualized net of fees return of 2.3%.

Compensation and benefits expense, at $434 million in FY2012, comprised 64% of all UMS operating and non-operating expenses [73% of the educational and general budget]. Compensation and benefits expense increased $7 million over FY2011; $5 million of the increase was for compensation and $2 million for benefits.

The Statement of Net Assets at June 30, 2012 includes capital asset additions of $47 million consisting of $40 million related to construction in progress and $7 million in equipment and software. FY2011 capital asset additions were $53 million.


Total bonds and notes payable were $190 million on June 30, 2012, declining a net $2 million from the prior year. During FY2012, the UMS issued 2012 Series A Revenue bonds to refund a $30 million balloon payment for the 2002 bonds and to fund renovations to the UM Field House/Memorial Gym Complex.

On a motion from Trustee Johnson, which was seconded by Trustee Collins, the Audit and Finance/Facilities Committee agreed to forward the FY2012 Annual Financial Report to the Consent Agenda for action.

**External Auditor Report Including Required Communications and Management Representation Letter.** Ms. Renee Bishop and Ms. Amanda Butterfield from Berry, Dunn McNeil and Parker, LLC reviewed the results of the 2012 UMS financial statement audit, discussed required communications, and provided an overview of emerging accounting issues. As mentioned in the Required Communications letter, BDMP noted a significant deficiency in internal control related to the Procurement Systems Analyst’s access levels and authority. Management noted that corrective action has been taken as recommended.

The following emerging issues regarding financial reporting were discussed:

- GASB 68: *Accounting and Financial Reporting for Pensions*
- GASB 65: *Items Previously Reported as Assets and Liabilities*
- GASB 63: *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- GASB 61: *The Financial Reporting Entity: Omnibus an amendment of GASB Statement No. 14 and No. 34*

Adjournment.

Ellen Doughty for
J. Kelley Wiltbank, Clerk