AGENDA ITEM SUMMARY


2. INITIATED BY: James H. Page, Chancellor

3. BOARD INFORMATION: BOARD ACTION: X

4. BACKGROUND:

The fiscal year 2013 (FY13) draft Annual Financial Report was reviewed by the Audit Committee meeting on October 31st. The Report will be presented for the Board of Trustees’ approval at its November 17-18, 2013 meeting.

As shown on page 26 of the Annual Report, the University of Maine System ended FY13 with Income Before Other Changes in Net Position of $4 million. Other Changes in Net Position contributed an additional $24 million, for an increase to Total Net Position of $28 million (or a 3% increase) for the year.

Total Net Position at June 30, 2013 was $853 million. The $28 million increase from the prior year includes:
- An increase in Net Investment in Capital Assets of $13 million,
- An increase in Restricted Net Position of $8 million and
- An increase in Unrestricted Net Position of $7 million.

Other significant highlights regarding the Annual Financial Report include:

- Operating and Net Nonoperating Revenues totaled $673 million for FY13, down $15 million from prior year. Major revenue sources include Net Student Fees Revenue (36%), State Appropriations (29%), and Grant and Contract Revenue with associated Indirect Cost Recovery at (24%).

- Total tuition and fees were $269 million, increasing $3 million over the prior year.

- Fall 2012 enrollments totaled 22,993 on a full-time equivalent basis (FTE), up 0.3% from the prior fall. Fall 2012 enrollments were 31,012 on a headcount basis, down 0.3% from the prior year. 65% of the student population was enrolled full-time and 85% of students were Maine residents.
• Noncapital State of Maine appropriations of $194.4 million decreased $3.2 million or 1.6% from the prior year.

• The Managed Investment Pool (including Endowments) experienced a 12.7% net of fees return compared to -2.0% for FY12. The pooled investments have a 5-year annualized net of fees return of 4.8%. The market value of pooled investments was $234 million at June 30, 2013 and included UMS and affiliates endowments of $133 million. Endowment returns distributed for scholarship and other endowed spending were $5 million in FY13 and in FY12.

• The UMS Other Postemployment Benefits (OPEB) Trust was established in FY09 and is invested in the Managed Investment Pool. The OPEB Trust held $73 million at June 30, 2013, up $20 million from the prior year balance. On October 1, 2013 the UMS sent $2.5 million to the OPEB Trust to fund the FY13 year-end liability.

• UMS earned operating investment income of $9.6 million in FY13 with a net of fees return of 3.6% compared with FY12 income of $4.6 million and a 1.3% net of fees return. Operating investments have a 5-year annualized net of fees return of 2.7%.

• Compensation and benefits expense, at $433 million in FY13, comprised 64% of all UMS operating and nonoperating expenses [74% of the educational and general budget]. Compensation and benefits expense decreased $1 million from FY12.

• The Statement of Net Position includes capital asset additions, net of retirements, of $36 million and $41 million at June 30, 2013 and 2012, respectively.

• Total bonds and notes payable were $177 million on June 30, 2013, declining a net $13 million from the prior year. During FY13, the UMS competitively sold $65.2 million in 2013 Refunding Bonds realizing a total net present value savings of over $7.5 million and a reduction in debt service costs of over $600 thousand on average annually from 2014 to 2035.

5. TEXT OF PROPOSED RESOLUTION:

That the Board of Trustees approves the FY2013 Annual Financial Report as presented.