Maine's Public Universities

UNIVERSITY OF MAINE SYSTEM

Board of Trustees
15 Estabrooke Drive
Orono, ME 04469

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www.maine.edu

October 22, 2019

TO: Members of the Board of Trustees

FR: Ellen N. Doughty, Clerk of the Board Ellen Doughty

RE: **October 30, 2019 Special Board Meeting**

Enclosed are the materials for the **Special Board of Trustees Meeting** on **Wednesday, October 30, 2019,** at the UM Wells Conference Center. Directions are included in the Board meeting materials. Parking will be located in the Dunn Hall parking lot.

The Board Meeting materials are available on the Diligent portal, for those who have access, and in PDF format on the Board of Trustees website at: www.maine.edu/UMStrusteesmeetings

On Wednesday, October 30th, the meeting will begin directly following the Board of Trustees Audit and Finance, Facilities, Technology Joint Session. The meeting will be in Wells Conference Center, Room 1.

Overnight accommodations for those that have requested, have been made at the Courtyard Marriott, 236 Sylvan Rd, Bangor, ME 04401. PH: 207-262-0070 Incoming messages can be left with Heather Massey at 991-4724 or Ellen Doughty at 949-4905.

In the event of a postponement, cancellation, or changes in the Board of Trustees meeting, a message will be recorded on the Board Office telephone (991-4724). In addition, every effort will be made to personally contact the Board of Trustees, the Presidents, and the System Staff.

cc: Chancellor Dannel Malloy
Board of Trustees
Faculty & Student Representatives
University Presidents
System Staff

Directions to UM Campus – Wells Conference Center

From the South on I-95: take exit 191 to Kelly Road and turn right. Continue on Kelly Road for 1 mile until you reach the traffic light, then turn left onto Route 2 and go through downtown Orono. Cross the river, turn left at the lights onto College Avenue. Continue on College Ave and enter campus at the Long Road campus entrance on the right.

From the North on I-95: take exit 193 to Stillwater Avenue and turn left. Drive straight for one mile and turn right onto College Avenue. Drive one mile and turn left onto the UMaine campus (Long Road).

The Wells Conference Center and parking locations are noted on the UM campus map.


1865 THE UNIVERSITY OF MAINE
2015–16 Campus Map
VISITOR permits authorize parking in any black lot or visitor space.
RED (Resident Student) permits authorize parking in red lots.
BLACK (Commuter Student) permits authorize parking in black lots.
BLUE (Faculty/Staff) permits authorize parking in any blue or black lot.
GREEN (Carpool) permits authorize use of individually allocated spaces.
Permits MUST be displayed on interior mirror.
Signs governing lots take precedence over all maps and permits
Information
Ambulance
Public Bus Stop
Emergency Phone
Visitor Parking
Visitors need permits. Visitor Permits allow parking in metered spaces, any BLACK lot and they are available free from:
• Visitors Center in Buchanan (F–5)
• MeCard Services in Mem. Union (D–3)
• UMaine Police (E–1)
• Bear Necessities in Alfond (A–5)
Parking Office: 207.581.4047
Winter Parking Ban
Blue & Black lots, as well as visitor spaces, are closed to parking from midnight to 6:00 am from November 1 to May 1.
Overnight Parking Permits
are available from UMaine Police and the MeCard Services, 130 Memorial Union.
umaine.edu/parking
Wells Conference Center
Parking will be in the Dunn Lot
University Park Housing
Apartments for students, faculty & staff located one mile from campus
Welcome!
to the University of Maine, Orono
Please respect that UMaine is a walking campus
Pedestrians have right-of-way at all times
DISTANCE 1/8 MILE
Walking time 2–3 minutes
UMaine ©7/2015
Cartography by Purple Lizard Maps
Please suggest edits to mike@purplelizard.com

University of Maine System
Special Board of Trustees Meeting

October 30, 2019
University of Maine, hosted by UMS
Room 1, Wells Conference Center

AGENDA

Wednesday, October 30, 2019

Call to Order @ Directly following the Audit and Finance, Facilities, Technology Joint Session (approximately 2:30 pm)

Citizen Comment
The Board of Trustees provides time for citizen comment prior to the business agenda at each meeting. The Chair of the Board will establish time limits (usually three minutes per person) and determine any questions of appropriateness and relevancy. Personnel decisions, collective bargaining issues, grievances, litigation and other areas excludable from public discussion under the Maine Freedom of Access Law shall not constitute appropriate matters for such input. A person who wishes to speak during the citizen comment period should arrive prior to the meeting start time and sign up on a sheet provided, indicating name and topic of remarks.

Chair's Remarks

Action Items:
Tab 1 – Annual Financial Report FY2019
Tab 2 – MBA – Reduction Non-Resident Tuition Rate
Tab 3 – FY2020 Proposed Operating Budget Revisions

Consent Agenda:
October 30, 2019 Finance, Facilities, Technology Committee Meeting
Tab 4 – Real Property Disposition, UM

Attachments:
FY2019 UMS Annual Financial Report
Friends of Orleans COA University of Maine

Date of the Next Meeting: November 17 & 18, 2019 at the University of Maine at Farmington

Tabs noted in red text are action items.

Note: Times are estimated based upon the anticipated length for presentations or discussion of a particular topic. An item may be brought up earlier or the order of items changed for effective deliberation of matters before the Board.

AGENDA ITEM SUMMARY

1. **NAME OF ITEM**: Annual Financial Report – Fiscal Year 2019

2. **INITIATED BY**: Dannel P. Malloy, Chancellor

3. **BOARD INFORMATION**: **BOARD ACTION: X**

4. **OUTCOME:**
Primary Outcomes:
Enhance fiscal positioning

BOARD POLICY:
Bylaws – Section 3

5. **BACKGROUND:**
The University of Maine System's (UMS) fiscal year 2019 (FY2019) draft Annual Financial Report is presented for the Audit Committee's review. Darla Reynolds, UMS Director of Accounting, and Tracy Elliot, UMS Vice President of Finance and Controller, will provide an overview of the results at the October 30, 2019 joint Audit and Finance, Facilities, & Technology Committee meeting.

As shown on page 36 of the Annual Financial Report, the UMS ended FY19 with a *Loss Before Other Changes in Net Position* of nearly $12 million and *Total Other Changes in Net Position* of $16 million, for a *Change in Net Position* for FY2019 of $5 million.

As shown on page 34, *Total Net Position* at June 30, 2019 was $818 million increasing $5 million from FY2018. Changes in each *Net Position* category were:

Net Position Category:	**FY2019 Increase (Decrease)**
Net Investment in Capital Assets	$(8) million
Restricted Nonexpendable	$7million
Restricted Expendable	$1 million
Unrestricted	$5 million
Change in Net Position	$5 million

6. **TEXT OF PROPOSED RESOLUTION:**

That the Board of Trustees accepts the recommendation of the Audit Committee and approves the FY2019 Annual Financial Report as presented. $7 million

Attachment:
FY2019 UMS Annual Financial Report

REVISED - 10/29/2019

AGENDA ITEM SUMMARY

1. **NAME OF ITEM**: MBA – Reduction of Non-Resident Tuition Rate

2. **INITIATED BY**: Dannel P. Malloy, Chancellor

3. **BOARD INFORMATION**: **BOARD ACTION: X**

4. **OUTCOME:** **BOARD POLICY:**
   Increase Enrollment

5. **BACKGROUND:**

   The current out-of-state tuition rate is at $1466 per credit hour and a 2.5% increase for Fall 2020 will put it over $1500 per credit hour. After a tuition/cost analysis, a non-resident tuition rate of $775 per credit hour would yield positive net revenue and positively influence increased credit hour production from non-resident students.

   The Finance, Facilities, and Technology Committee approved this recommendation to be forwarded to the Board of Trustees for approval at the October 30th, 2019 Special Board of Trustees meeting.

6. **TEXT OF PROPOSED RESOLUTION:**

   That the Board of Trustees accepts the recommendations of the Finance, Facilities and Technology Committee and approves the MBA – reduction in non-resident tuition rate to $775 per credit hour effective Spring 2020.

10/22/2019

Maine's Public Universities
UNIVERSITY OF MAINE SYSTEM

AGENDA ITEM SUMMARY

1. **NAME OF ITEM**: FY2020 Proposed Operating Budget Revisions

2. **INITIATED BY**: Dannel P. Malloy, Chancellor

3. **BOARD INFORMATION**: **BOARD ACTION: X**

4. **OUTCOME:** **BOARD POLICY:**
   Enhance fiscal positioning

5. **BACKGROUND:**

Based on current enrollment projections, each university was given the opportunity to review their FY20 budget (approved by the Board of Trustees in May 2019) and submit a revised budget for approval, if warranted. The University of Maine's amended budget was approved at the September Board meeting. The Universities of Maine at Farmington, Fort Kent, and Presque Isle are requesting FY20 budget amendments as follows:

UMF - A reduction of 3,274 budgeted undergraduate credit hours (2,011 or 4.3% in-state and 1,263 or 12.9% in out-of-state). This revised budget reflects a 0.9% increase when compared to FY19 actual credit hours and a 6.9% reduction when compared to FY19 budgeted credit hours. The revised financial budget reflects a $1.8 million reduction in E&G revenue (tuition and financial aid) and $0.3 million in expenses. UMF's approved E&G budget was balanced by the utilization of $500,000 in budget stabilization funds. The revised budget results in a $1.5 million deficit after the utilization of the budget stabilization funds.

UMFK – A reduction of 3,599 budgeted credit hours (2,191 or 11.8% in-state, 198 or 3.7% out-of-state, 502 or 46.9% Academic Partnerships, and 708 or 15% Early College). This revised budget reflects a 9.3% reduction when compared to FY19 actual credit hours and a 16.6% reduction when compared to FY19 budgeted credit hours. The revised financial budget reflects a $0.9 million reduction in both E&G revenue (tuition and financial aid) and expenses; therefore, UMFK is continuing to budget positive E&G operating results of $0.4 million.

UMPI - A reduction of 1,541 budgeted credit hours (557 or 13% in Early College and 1,434 or 41.3% in Academic Partnerships). This revised budget reflects a 4.2% reduction when compared to FY19 actual credit hours and a 13.7% reduction when compared to

FY19 budgeted credit hours. The revised financial budget reflects a $0.7 million reduction in both E&G revenue and expenses; therefore, UMPI is continuing to budget an E&G operating deficit of $0.2 million which is offset by the Auxiliary budget.

SYSTEM – The revised credit hours (including UMaine's previously-approved adjustment) total 672,267 or 14,937 less than originally budgeted. The revised total credit hours are 1.3% above FY19 actual credit hours and 0.5% below FY19 budgeted credit hours.

	Credit Hours	Change Compared to FY19 Budget	Change Compared to FY19 Actuals
UMAINE (previously approved)			
Original	290,377	2.3%	2.4%
Revised	283,854	-----%	0.1%
Change	(6,523)		
UMF			
Original	56,287	-1.2%	7.2%
Revised	53,013	-6.9%	0.9%
Change	(3,274)		
UMFK			
Original	29,691	-5.0%	3.2%
Revised	26,092	-16.6%	-9.3%
Change	(3,599)		
UMPI			
Original	28,041	-8.7%	1.4%
Revised	26,500	-13.7%	-4.2%
Change	(1,541)		
SYSTEM			
Original	687,204	1.7%	3.6%
Revised	672,267	-0.5%	1.3%
Change	(14,937)		

That the Finance, Facilities, and Technology Committee approved this recommendation to be forwarded to the Board of Trustees for approval at the October 30th, 2019 Special Board of Trustees meeting.

6. TEXT OF PROPOSED RESOLUTION:

That the Board of Trustees accepts the recommendations of the Finance, Facilities and Technology Committee and approves the revised FY2020 Operating Budget for Universities of Maine at Farmington, Fort Kent, and Presque Isle.

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Maine's Public Universities
UNIVERSITY OF MAINE SYSTEM

AGENDA ITEM SUMMARY

1. **NAME OF ITEM**: Real Property Disposition, UM

2. **INITIATED BY**: Dannel P. Malloy, Chancellor

3. **BOARD INFORMATION**: **BOARD ACTION:** **X**

4. **OUTCOME:** Enhance Fiscal Positioning
   BOARD POLICY: 802 – Disposition of Real Property

5. **BACKGROUND:**

This is a request pursuant to Board of Trustees Policy 802 for the University of Maine System, acting through the University of Maine, to dispose of the University's interests in certain real property at 1 Baxter Lane and 3 Baxter Lane in Orleans, Massachusetts with the proceeds to be deposited in the Ralph L. Demont '39 Oceanographic Studies Fund at the University of Maine, per the wishes of the deceased donor.

On February 22, 2019, the University of Maine System, through the University of Maine, was delivered deeds for a 50 percent interest in two properties to be shared with the Friends of Orleans Council on Aging, by the will of Ralph L. Demont of 3 Baxter Lane, Orleans, MA. The Friends of Orleans Council on Aging has expressed a desire to dispose of its interest in the property at the earliest opportunity that it and the University of Maine System might utilize the proceeds of sale to support their individual missions.

Upon approval by Trustees, the University would seek to sell the properties. Because a buyer has emerged for one of the properties, this item is proposed, per the resolution below, for the consent agenda at the Trustee meeting set for October 30, 2019 rather than the November meeting.

A Comparable Market Analysis prepared in April 2019 indicates that both parcels together comprise approximately 1 acre of land, with each having a residential structure on the land. The structures on 1 Baxter Lane and 3 Baxter Lane are 500 gross square feet and 1194 gross square feet, respectively. The properties together have a municipally assessed value of $656,300.

A broker was retained locally and the properties have been publicly listed for sale through various real estate publications and web sites since approximately April 2019. The parcel at 1 Baxter Lane was initially listed for $289,000. The parcel at 3 Baxter Lane is currently listed for $389,000. Excerpts of the Comparable Market Analysis are included as an attachment.

10/22/19

As of October 16, 2019, the house at 1 Baxter Lane is occupied by a prospective buyer under a short-term use agreement and a purchase and sale contract is in place with the prospective buyer subject to the approval of this resolution. The purchase and sale agreement provides for a sale price of $180,000 in cash. The property at 3 Baxter Lane remains listed for sale.

This request is in keeping with the recommendations approved by the Board of Trustees to reduce the University's footprint and increase the utilization rate of facilities. That is, the University is not seeking to somehow retain or occupy the real property itself. The buildings have been unoccupied since June, 2019 and have not used by the University of Maine System in any capacity. The location in Massachusetts and residential scale and style of the buildings are not optimal for University use.

Again, the proceeds of the sales received by the University will be deposited in the Ralph L. Demont '39 Oceanographic Studies Fund to be used for Oceanographic studies at the University of Maine, per the wishes of the deceased.

The Finance, Facilities, and Technology Committee approved this recommendation to be forwarded to the Consent Agenda for Board of Trustee approval at the October 30, 2019 Special Board meeting.

6. TEXT OF PROPOSED RESOLUTION:

That the Board of Trustees approves the recommendation of the Finance, Facilities and Technology Committee authorizing the University of Maine System acting through the University of Maine to approve receipt of deeds for, and authorizes the sale of, two properties located in Orleans, Massachusetts, with proceeds of sale to be shared 50 percent with the Friends of Orleans Council on Aging and the University's portion of the proceeds to be deposited in the Ralph L. Demont '39 Oceanographic Studies Fund in accordance with the last will and testament of the donor, subject to review and approval of the final terms and conditions by the University's General Counsel and Treasurer.

Attachment:
Friends of Orleans COA University of Maine

10/22/19

2019 University of Maine System Annual Financial Report

The University of Maine System is a Component Unit of the State of Maine
Electronic statements are available at
maine.edu/about-the-system/system-office/finances/annual-financial-reports/
Or by contacting:
Controller's Office
5703 Alumni Hall Suite 101
Orono, ME 04469-5703

NON-DISCRIMINATION NOTICE

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October 2019

Dear Friend:

Maine values education and the work our public universities do to provide learners of all backgrounds and ages with affordable access to quality academic programming. Maine also values stewardship and sound fiscal management. The University of Maine System FY 2019 Financial Report exemplifies these sentiments and we welcome your review of our results.

Our institutions proudly prepare our students for a lifetime of learning and discovery in the great traditions of higher education. What differentiates Maine's public universities in terms of outcomes, value, and state return on investment is the System's focus on and unmatched capacity for preparing students for Maine workforce and community leadership.

The University of Maine System is backed by more $400 million dollars in public investment, research funding, and the generosity of the state's largest network of alumni and stakeholders. The support detailed in this report makes it possible for Maine's seven public universities to provide our students with access to the state's largest array of quality programs, internships, research opportunities, and accelerated pathways to graduate and professional degrees.

The public support and research mission of the System help maintain a faculty that is Maine's largest and most highly-credentialed collection of scholars and researchers while sustaining our commitment to affordability for Maine students. The average in-state tuition at Maine's public universities is nearly four times lower than the average published tuition rates of the four comparable Maine private institutions enrolling first-year cohorts of more than 60 Maine students.

Over the last five years the University of Maine System has been engaged in educational and administrative reforms heralded as the One University Initiative. University leaders, with strong oversight and support from the UMS Board of Trustees, have been strengthening the economic foundation and fiscal controls of the System. Achievements have also included expanded access to university programs, enrollment stabilization despite declines in the number of students graduating from Maine high schools, and new opportunities for campus collaborations and state service.

Last December, the Board of Trustees adopted a Declaration of Strategic Priorities to guide the next phase of higher education reform in Maine and a leadership succession plan that led to my July 1 appointment as Chancellor. These priorities move the state toward the establishment of an employer-engaged, efficient and cost-effective continuum of public education that provides the people of Maine with access to flexible, relevant 21st Century education from early childhood to retirement.

In pursuit of these priorities the Board approved my recommendation in September to unify our institutional accreditations within the System. With the informed involvement of campus stakeholders we will develop a unified accreditation plan for the Board's consideration later this semester that moves us forward and more clearly defines our One University ambitions.

Thank you for your interest in and support of our work.

Dannel P. Malloy
Chancellor

UNIVERSITY OF MAINE SYSTEM
BOARD OF TRUSTEES AND MANAGEMENT
AS OF JUNE 30, 2019

CliftonLarsonAllen

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
University of Maine System
Orono, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the University of Maine System (the System) (a component unit of the State of Maine) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of the University of Maine Foundation (Foundation), the discretely presented component unit. Those statements were audited by other auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditor. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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Board of Trustees
University of Maine System

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the System as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The 2018 financial statements of the System were audited by other auditors whose report dated October 29, 2018, expressed unmodified opinions on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplemental information – retirement and OPEB plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The supplemental information required by the State of Maine, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information required by the State of Maine is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2019 supplemental information required by the State of Maine is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The 2018 supplemental information required by the State of Maine was audited by other auditors whose report dated October 29, 2018, expressed unmodified opinions on the supplemental information.

Board of Trustees
University of Maine System

The Chancellor's Letter and schedule of the Board of Trustees and Management, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated REPORT DATE on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

DRAFT

CliftonLarsonAllen LLP

REPORT DATE

UNIVERSITY OF MAINE SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019 AND 2018 (UNAUDITED)

The Management's Discussion and Analysis (MD&A) provides a broad overview of the University of Maine System's ("the System" or UMS) financial condition as of June 30, 2019 and 2018, the results of its operations for the years then ended, significant changes from the previous years, and outlook for the future where appropriate and relevant. Management has prepared the financial statements and related note disclosures along with this MD&A. The MD&A should be read in conjunction with the accompanying basic financial statements and related notes.

Mission

Established in 1968 by the Maine State Legislature, the System is the State's largest educational enterprise, uniting its public universities in the common purpose of providing high-quality educational undergraduate and graduate opportunities that are accessible, affordable, and relevant to the needs of Maine students, businesses, and communities. The System features seven universities—some with multiple campuses—located across the state, as well as nine outreach centers, a law school, an additional 32 course sites, and Cooperative Extension. The System carries out the traditional tripartite mission – teaching, research, and public service. A major resource for the State, the System drives economic development by conducting world-class research, commercializing valuable ideas, and partnering successfully with businesses and industries throughout Maine and beyond.

Universities, Campuses, and Centers

The System is a comprehensive public institution of higher education with nearly 30,000 enrolled students, supported by the efforts of 1,169 regular full-time faculty, 69 regular part-time faculty, 3,091 regular full-time staff, and 238 regular part-time staff members.

From Maine's largest city to its rural northern borders, our universities are known for excellence in teaching and research. Our universities are:

1865 THE UNIVERSITY OF MAINE

The University of Maine (UM) is the state's land grant, sea grant and space grant institution, and the flagship institution in the University of Maine System. UM is one of New England's premier universities and the state's only public research university. It offers baccalaureate, master's and doctoral degree programs.

UMA UNIVERSITY OF MAINE AT AUGUSTA

With campuses in Augusta and Bangor, nine Centers across Maine, and expertise in online and distance learning, the University of Maine at Augusta (UMA) is considered the university of choice for Mainer's who want to receive a quality and affordable education without uprooting their lives.

Established in 1864 as Maine's first public institution of higher education, the University of Maine at Farmington (UMF) is Maine's public liberal arts college, offering quality programs in teacher education, human services, and arts and sciences.

The University of Maine at Fort Kent (UMFK) is a campus focused on health sciences and professional programs. Founded in 1878 to meet local, state, and regional workforce needs, UMFK provides a diversity of learners the education and development needed to be successful professionals and engaged members of their communities in the 21st Century.

The University of Maine at Machias (UMM) is the regional campus of the University of Maine. Its distinctive baccalaureate programs create enriching educational opportunities that prepare graduates for professional success and lifelong community engagement.

For more than a century, the University of Maine at Presque Isle (UMPI) has been helping students find their path to great professional careers. UMPI provides students with life-changing opportunities in a caring, small-university environment. UMPI combines liberal arts and selected professional programs and serves as a cultural and educational resource for the entire region.

Situated in Maine's economic and cultural heart, the University of Southern Maine (USM) offers undergraduate and graduate degrees online and at campuses in Portland, Gorham and Lewiston-Auburn. Known for its academic excellence, student focus, career preparation and community engagement, USM provides students with hands-on experience that complements classroom learning and leads to employment opportunities in one of the nation's most desirable places to live.

The University of Maine School of Law, a freestanding institution within the System, is located in Portland. Lewiston-Auburn College is a campus of USM. The Hutchinson Center in Belfast is a campus of UM. UMA Bangor is a campus of UMA. UMA also has nine Centers that provide onsite, distance and online students with access and support to education courses offered by all seven UMS universities at the Centers as well as at 32 Interactive Television (ITV) course receive sites statewide.

Student Enrollment

Chart 1 shows student enrollment, including early college, on a headcount basis with 29,735 students enrolled for the fall 2018 semester, up 2.6% from fall 2017 and up 0.4% since fall 2014. For fall 2018, 64% of the student population was enrolled full-time compared to 65% for fall 2017.

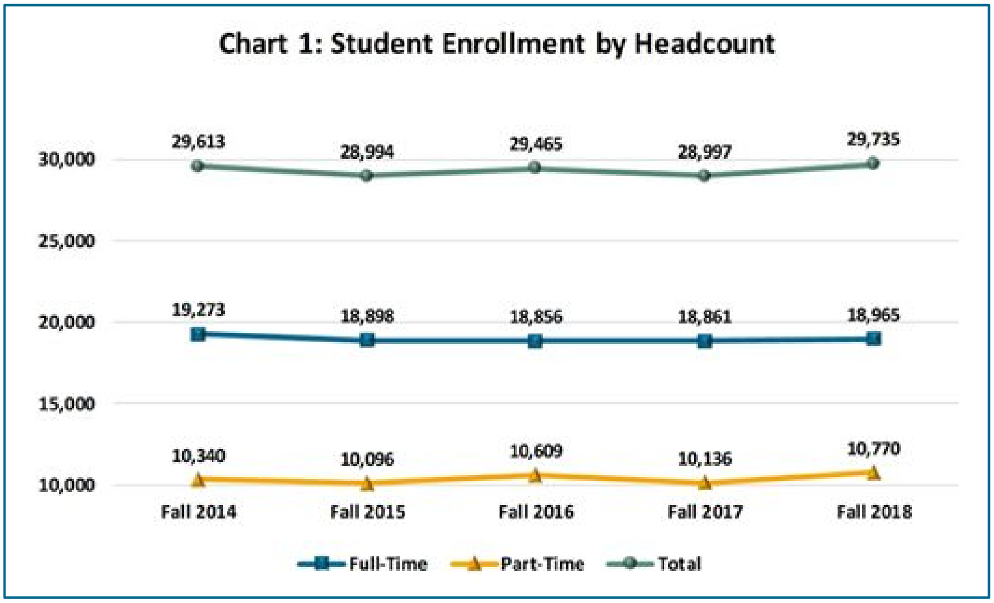


Chart 2 and Table 1 show student enrollment, including early college, on a full-time equivalent (FTE) basis with 22,033 FTE students enrolled for the fall 2018 semester, up 1.0% from fall 2017 and flat with fall 2014. For fall 2018 and fall 2017, 75% and 76%, respectively, of FTE enrollments were Maine residents.

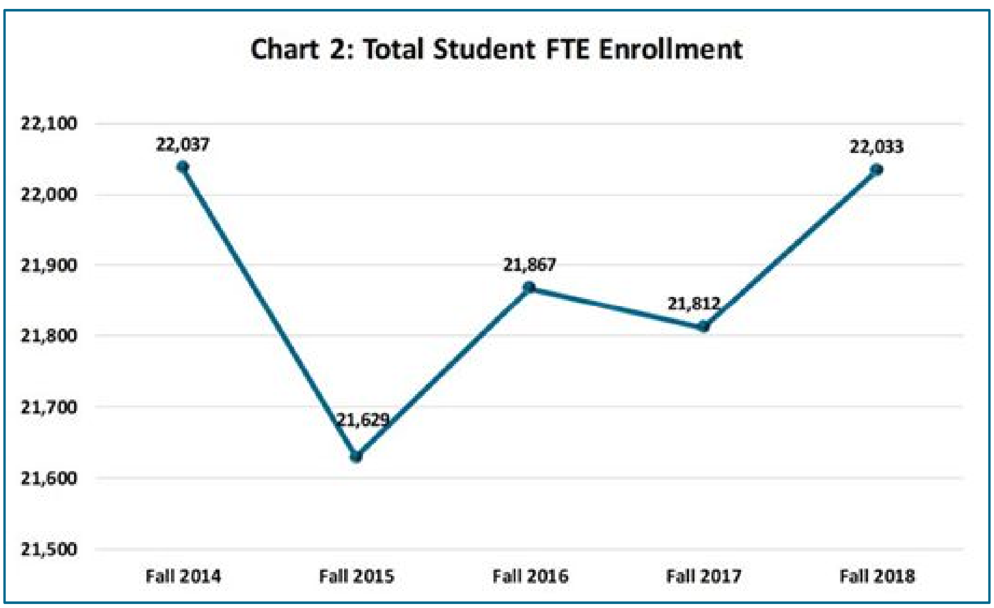


Table 1: Student FTE Enrollment

	% Change Fall 2014 to 2018	Fall 2018	% Change	Fall 2017	% Change	Fall 2016	% Change	Fall 2015	% Change	Fall 2014	% Change
UM	**2.5%**	**9,750**	**0.3%**	**9,720**	**1.3%**	9,594	2.4%	9,371	-1.5%	9,512	1.7%
UMA	**-14.1%**	**2,247**	**3.6%**	**2,169**	**-10.4%**	2,422	-7.8%	2,626	0.4%	2,615	-3.6%
UMF	**-3.2%**	**1,641**	**-4.8%**	**1,723**	**0.8%**	1,709	-0.9%	1,724	1.7%	1,695	-6.2%
UMFK	**13.8%**	**954**	**0.4%**	**950**	**-9.7%**	1,052	15.5%	911	8.7%	838	4.1%
UMM	**-17.6%**	**425**	**-6.0%**	**452**	**-8.1%**	492	-0.2%	493	-4.5%	516	-4.8%
UMPI	**19.8%**	**933**	**3.3%**	**903**	**2.0%**	885	7.5%	823	5.6%	779	-7.6%
USM	**0.0%**	**6,083**	**3.2%**	**5,895**	**3.2%**	5,713	0.6%	5,681	-6.6%	6,082	-5.9%
Total	**0.0%**	**22,033**	**1.0%**	**21,812**	**-0.3%**	21,867	1.1%	21,629	-1.9%	22,037	-2.2%

Student Comprehensive Cost of Education

Net student fee revenue, totaling $264 million in FY19 and $256 million in FY18, is the System's greatest source of revenue, contributing 37% of Total Operating and Net Nonoperating Revenues for FY19 and FY18 and 36% for each of the prior five years. Net student fees are impacted by enrollment levels; tuition, room and board, and fee levels; and the amount of scholarship allowances provided to students.

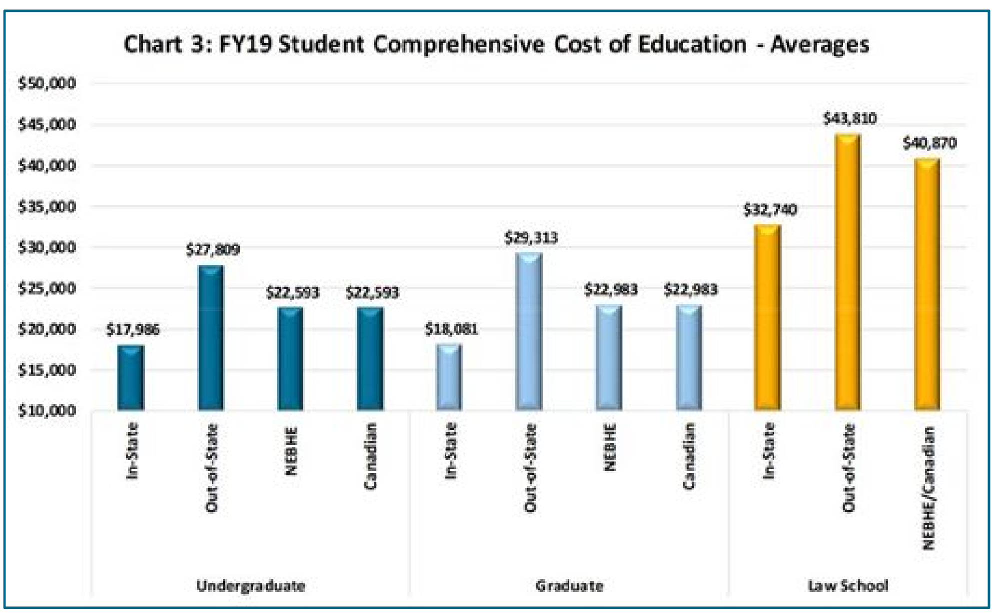
The average comprehensive cost of education (tuition, fees, and room and board) for UMS undergraduate, graduate, and Law School students is shown in Table 2 and Chart 3. The percentage changes for the comprehensive cost of education in FY19 range from an increase of 3.3% for In-State Graduate students, down to an increase of 0.5% for Out-of-State Undergraduate students. Percentage changes in FY18 ranged from an increase of 4.4% for Undergraduate NEBHE and Canadian students, down to an increase of 0.1% for all categories of Law School students.

The FY19 in-state undergraduate tuition increased by a system-wide average of 2.4% where the overall average comprehensive cost of education for this same category of students increased 2.7%. In FY18, the System increased tuition for in-state undergraduate students for the first time since FY12. Continuing with its commitment to affordable educational opportunities, the System held the in-state undergraduate tuition increase to a system-wide average of 3.3% and the overall average comprehensive cost of education for this same category of students to an increase of 2.7%.

Table 2: Student Comprehensive Cost of Education
Tuition, Mandatory Fees, and Room and Board Fiscal Year Averages

	2019		2018		2017		2016		2015	
	Cost	% Change	Cost	% Change	Cost	% Change	Cost	% Change	Cost	% Change
Undergraduate:										
In-State	**$17,986**	2.7%	**$17,520**	2.7%	$17,065	0.3%	$17,008	1.0%	$16,837	0.7%
Out-of-State	**27,809**	0.4%	**27,707**	2.9%	26,922	1.1%	26,634	0.9%	26,407	-6.1%
NEBHE	**22,593**	2.6%	**22,015**	4.6%	21,045	2.0%	20,633	0.8%	20,462	0.6%
Canadian	**22,593**	2.5%	**22,045**	4.6%	21,075	1.8%	20,710	0.8%	20,539	0.6%
Graduate:										
In-State	**$18,081**	3.3%	**$17,501**	2.3%	$17,114	0.5%	$17,031	1.1%	$16,853	0.8%
Out-of-State	**29,313**	3.1%	**28,427**	2.7%	27,674	1.0%	27,405	1.1%	27,107	1.1%
NEBHE	**22,983**	2.8%	**22,350**	4.0%	21,488	2.0%	21,075	1.3%	20,808	0.2%
Canadian	**22,983**	2.8%	**22,350**	4.0%	21,488	2.0%	21,075	1.3%	20,808	0.2%
Law School:										
In-State	**$32,740**	0.9%	**$32,460**	0.1%	$32,430	-0.6%	$32,630	0.8%	$32,380	0.6%
Out-of-State	**43,810**	0.6%	**43,530**	0.1%	43,500	-0.5%	43,700	0.6%	43,450	0.5%
NEBHE/Canadian	**40,870**	0.7%	**40,590**	0.1%	40,560	-0.5%	40,760	0.6%	40,510	0.5%

Note: Undergraduate costs presented in the above Table 2 for 2018 differ from last year's MD&A and are based upon restated amounts included in the System report titled, "Student Charges FY2019".



OVERVIEW OF THE FINANCIAL STATEMENTS

The System's financial statements are prepared in accordance with U.S. generally accepted accounting principles and include three primary components, the:

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

The University of Maine Foundation is a legally separate tax-exempt component unit of the System. This entity's financial position and activities are discretely presented in the System's financial statements as required by Governmental Accounting Standards Board (GASB) statements. The MD&A includes information only for the System, not its component unit.

STATEMENTS OF NET POSITION

The Statements of Net Position present the financial position of the System at one point in time – June 30 – and include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the System. These statements are the primary statements used to report financial condition. Net position represents the residual interest in the System's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. The change in net position is an indicator of whether the overall financial condition has improved or deteriorated during the year. Table 3 on page 16 shows Condensed Statements of Net Position for the past five years.

Restatement of Prior Years

As noted in the FY18 financial statements, the FY17 financial statements were restated to reflect:

- adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB No. 75), as described in Notes 1b and 18 to the FY18 financial statements,
- adoption of GASB Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB No. 81), as described in Note 1b to the FY18 financial statements, and the
- early adoption of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, as described in Note 1b to the FY18 financial statements.

The overall impact on the Condensed Statements of Net Position was that the previously reported FY17 beginning of year net position decreased nearly $102 million while the FY17 Change in Net Position increased $12 million, resulting in a nearly $90 million decrease from the previously stated unrestricted net position as of June 30, 2017.

Overview of Condensed Statements of Net Position

As shown in Table 3, assets and liabilities are classified as current or noncurrent. Current assets are available to satisfy current liabilities, which in turn are those amounts expected to be payable within the next year. Total assets and deferred outflows of resources of $1.24 billion at June 30, 2019, increased $13 million, or 1% over the prior year, and increased $41 million, or 3%, since June 30, 2015.

The major component of current assets is operating investments, which totaled $250 million at June 30, 2019 and $252 million at June 30, 2018. Noncurrent assets consist mainly of endowment investments and capital assets, net of depreciation. Endowment investments totaled $163 million at June 30, 2019, an increase of $9 million, or 6%, from the FY18 year-end balance of $154 million and a $20 million, or 14%, increase since June 30, 2015. Capital assets net of accumulated depreciation totaled $685 million and $700 million at June 30, 2019 and 2018, respectively.

Current liabilities of $76 million and $68 million at June 30, 2019 and 2018, respectively, consist primarily of accounts payable and various accrued liabilities including those for the System's workers compensation, health, and retirement plans. Impacts to accounts payable and accrued liabilities include the timing of the last check cycle for the fiscal year, the level of construction activity in progress, and budget constraints.

At $305 million, total noncurrent liabilities decreased $23 million, or 7%, from June 30, 2018 to 2019. This decrease is primarily the result of a $10 million decrease in bonds and notes payable and a $10 million decrease in other accrued liabilities. For FY18, the System had total noncurrent liabilities of $328 million, a decrease of $12 million, or 4%, from June 30, 2017 primarily the result of a $13 million decrease in bonds and notes payable offset by a $1 million increase in other accrued liabilities.

Total net position at June 30, 2019 of $818 million increased $4 million, or 0.5%, from the June 30, 2018 balance which increased $16 million, or 2%, from the June 30, 2017 balance. Additional information about net position is presented on page 22.

Table 3: Condensed Statements of Net Position as of June 30

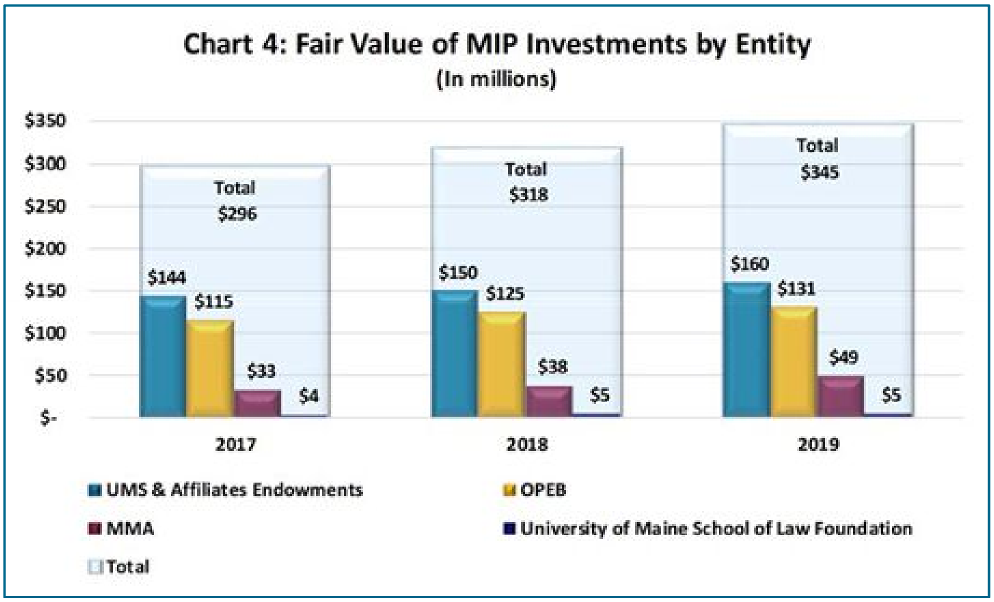
(In millions)

	2019	% Change	2018	% Change	Restated 2017	2016	2015
Current Assets	**$ 325**	**6%**	**$ 307**	**1%**	$304	$293	$288
Noncurrent Assets							
Endowment investments	**163**	**6%**	**154**	**5%**	147	136	143
Capital assets, net	**685**	**-2%**	**700**	**0%**	700	707	703
Other	**48**	**-16%**	**57**	**-15%**	67	45	60
Total Assets	**1,221**	**0%**	**1,218**	**0%**	1,218	1,181	1,194
Deferred Outflows of Resources	**22**	**83%**	**12**	**-14%**	14	9	8
Total Assets and Deferred Outflows	**$ 1,243**	**1%**	**$ 1,230**	**0%**	$1,232	$1,190	$1,202
Current Liabilities	**$ 76**	**12%**	**$ 68**	**-1%**	$69	$64	$74
Noncurrent Liabilities							
Long-term debt	**135**	**-9%**	**148**	**-8%**	161	155	165
Other	**170**	**-6%**	**180**	**1%**	179	103	100
Total Liabilities	**381**	**-4%**	**396**	**-3%**	409	322	339
Deferred Inflows of Resources	**44**	**120%**	**20**	**-20%**	25	1	2
Total Liabilities and Deferred Inflows	**425**	**2%**	**416**	**-4%**	434	323	341
Net investment in capital assets	**542**	**-2%**	**551**	**1%**	544	544	541
Restricted							
Nonexpendable	**66**	**12%**	**59**	**0%**	59	58	58
Expendable	**116**	**1%**	**115**	**1%**	114	108	106
Unrestricted	**94**	**6%**	**89**	**10%**	81	157	156
Total Net Position	**818**	**0%**	**814**	**2%**	798	867	861
Total Liabilities, Deferred Inflows and Net Position	**$ 1,243**	**1%**	**$ 1,230**	**0%**	$1,232	$1,190	$1,202

Managed Investment Pool (MIP)

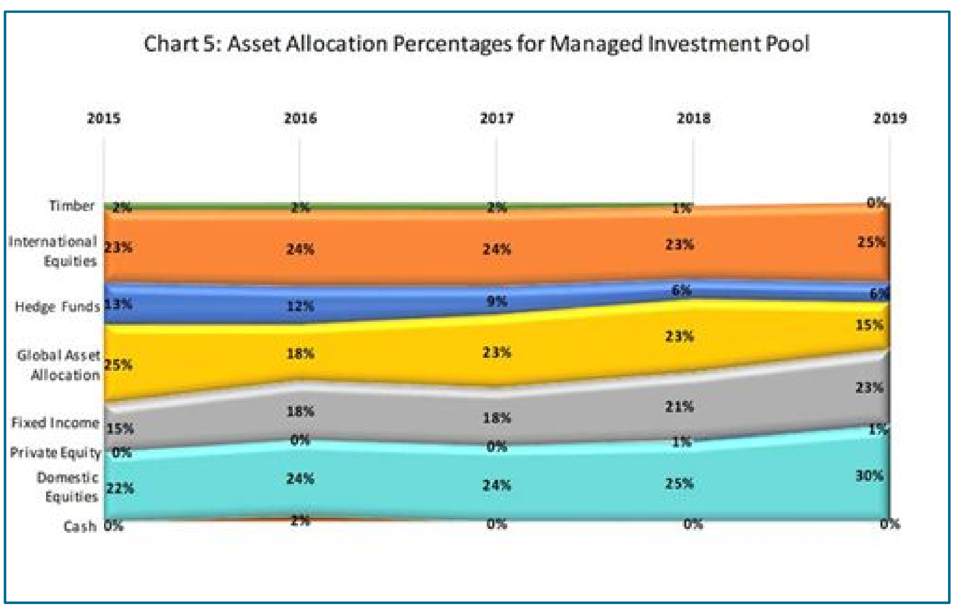
The System pools certain funds for investment purposes including the System's endowment pool monies (including affiliated organizations) and monies on behalf of the following entities: the UMS OPEB Trust, Maine Maritime Academy (MMA), and the University of Maine School of Law Foundation.

Chart 4 shows the June 30, 2017, 2018, and 2019 fair values of the MIP investments, including the amounts held on behalf of each entity.

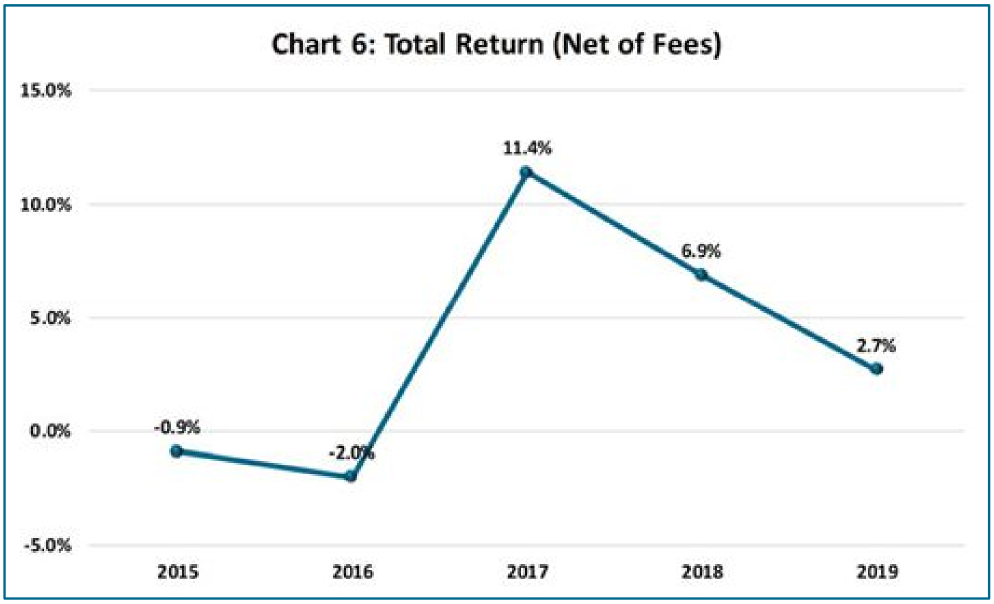


The System's and affiliates' share of the MIP are included in the accompanying Condensed Statements of Net Position as part of endowment investments. The OPEB Trust, Maine Maritime Academy, and the University of Maine School of Law Foundation portions of MIP investments are not included in those Statements.

The MIP investments are diversified among a number of asset classes to minimize risk while optimizing return. Chart 5 illustrates the percentage of holdings in each asset class and how they have changed over the past 5 years.



As shown in Chart 6, in FY19 the pool realized a net of fees return of 2.7%, down from 6.9% in FY18 and down from 11.4% in FY17. The pooled investments have a 5-year annualized net of fees return of 3.5%.



Endowments (Including Affiliates)

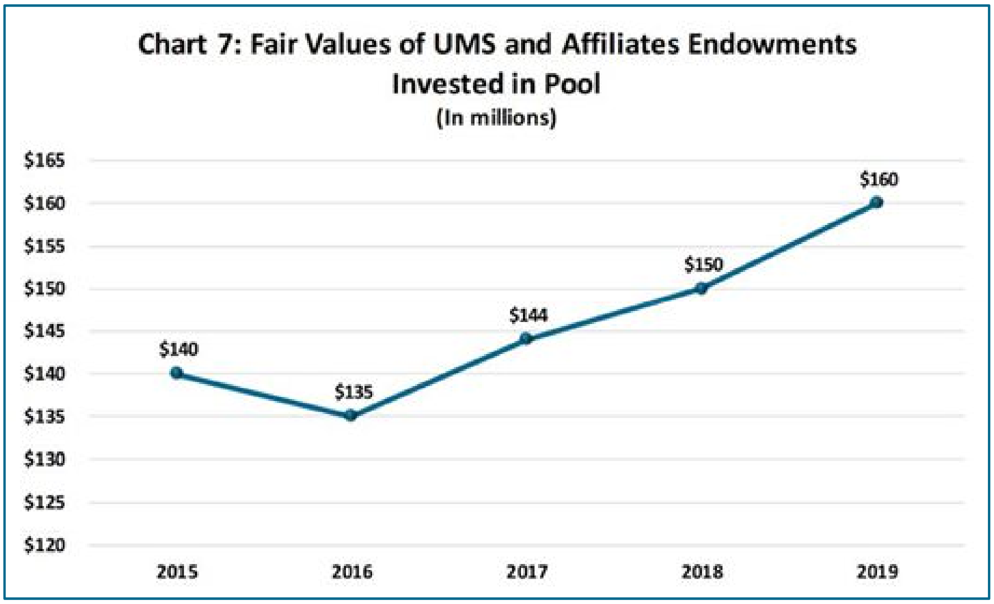
Endowments are generally created from donor gifts or bequests with the funds invested to create present and future income with the original amount of the gift (corpus) retained in perpetuity. If the donor established criteria to determine how the expendable amounts are to be used, such amounts are considered restricted expendable. If the use of expendable amounts is left to the discretion of the System, the endowment income and appreciation are considered unrestricted.

As mentioned in the previous MIP section, the System uses a pooled investment approach for its endowments (unless otherwise specified by the donor) and the endowments of three affiliates. Affiliates investing in the endowment pool include: the University of Maine at Fort Kent Foundation, the University of Southern Maine Foundation, and the John L. Martin Scholarship Fund, Inc.

As shown in Chart 7, the UMS and its affiliates share of these pooled endowment investments had a fair value of $160 million at June 30, 2019, increasing $10 million from the 2018 year-end fair value of $150 million. This increase included endowment contributions of $13 million plus $4 million in positive net performance less $7 million distributed for scholarships and other operating activities.

The pool's June 30, 2018 fair value of $150 million had increased $6 million from the 2017 year-end fair value of $144 million. This increase included endowment contributions of $2 million plus

$10 million in positive net performance less $6 million distributed for scholarships and other operating activities.



The UMS endowment distribution formula is designed to smooth market volatility. The method uses a 3-year market value average with a percentage-spending rate applied. The spending rate applied in FY15 thru FY19 was 4.5%.

The fair value of the pooled endowment investments for the UMS and its affiliates and the fair value of separately invested UMS endowments comprise the endowment investments reported in the accompanying Condensed Statements of Net Position. The liability for the affiliates' share of the pooled endowment investments is also recognized in those Statements as part of funds held for others.

Capital Assets and Debt Activities

Table 4 on page 21 shows the status of major capital construction projects as of June 30, 2019 and the related budget approved by the UMS Board of Trustees.

The System's facilities are critical to each university's mission as they provide the physical framework and environment for education, research, cultural programs, and residential life. The System continually evaluates its long-term capital and strategic needs, including which facilities to upgrade, retire, or build. Capital assets are funded with various sources of funds including state bonds, gifts, grants, educational and general funds, and System revenue bonds.

During FY19, the System had capital asset additions of $27 million, which included $19 million of construction in progress, $7 million of equipment and $1 million of software. In FY18, the System had capital asset additions of $40 million, which included $32 million of construction in progress and $8 million of equipment. In FY17, the System had capital asset additions of $31 million, which included $27 million of construction in progress and $4 million of equipment.

The System strives to manage all of its financial resources effectively, including the prudent use of debt to finance construction projects that support the System's mission; thereby, placing the System in a better position to achieve its strategic goals. Total debt as of June 30, 2019 was $150 million, a decrease of $12 million, or 7%, from the FY18 total debt of $162 million. In FY18, total debt decreased $14 million, or 8%, from the FY17 total debt of $176 million.

Table 4: Major Capital Projects Completed During FY19 or In Progress at June 30, 2019
(In millions)

Project	Funding Source	Status	BOT Approved Budget
UMA			
• Augusta Campus Welcome Center	2018 State Bond	In Progress	$ 0.40
UMF			
• Dearborn Gym HW Upgrades	2010 State Bond, 2018 State Bond	In Progress	0.85
• 274 Front Street Acquisition	2018 State Bond	In Progress	0.85
UMFK			
• Forestry Geographic Info Sys Tech Labs/Nursing Lab Renovation/Teleconference Center Upgrades	2013 State Bond	Complete	1.20
UMM			
• Campus Card Access Installation	Educational & General, Auxiliary Funds	Complete	0.60
UM			
• Advanced Structures and Composites Ctr Equipment	Gift	In Progress	1.50
• Cooperative Extension Diagnostic and Research Lab	2014 State Bond, Educational & General, Grants	In Progress	9.60
• Aquatic Animal Health Facility	Grants, Campus Funds	In Progress	2.87
• Darling Marine Center Waterfront Infrastructure	Grants, Campus Funds	In Progress	3.00
• Engineering Education and Design Center - full design, initial relocation, and related costs	Anticipated Revenue Bond, Educational & General, Gifts	In Progress	9.00
• Wells Commons Generator	Auxiliary Funds	In Progress	0.53
• CCAR EDA Hatchery Building Roof Replacement	Educational & General	In Progress	0.56
• Hilltop Commons Servery Updates	Auxiliary Funds	In Progress	0.93
• York Hall Kitchen Hood Replacement	Auxiliary Funds	In Progress	0.95
• UM Energy Solutions	Educational & General	In Progress	5.70
USM			
• Athletic Field Lighting	Educational & General	In Progress	1.78
• USM Center for the Arts	Gifts	In Progress	1.00
• Corthell Hall HVAC Upgrades	Educational & General	In Progress	0.55
• Woodward Hall Renovation	2018 State Bond, Educational & General	In Progress	1.80
• Ricci Lecture Hall Renovation	2018 State Bond, Gifts, Educational & General	In Progress	0.68
• Brooks Student Center Generator & Success Center	Educational & General	In Progress	0.67
• Schematic Design of the Career and Student Success Center	2018 State Bond	In Progress	1.00
• Bailey Hall Fire Protection and Electrical Upgrade	2018 State Bond, Educational & General	In Progress	2.58
• USM Nursing Simulation Lab	2018 State Bond	In Progress	0.45
UMPI			
• UMPI Greenhouse	2013 State bond, Gifts, MEIF	In Progress	0.93
UMS			
• IT Infrastructure - Wireless and Classroom Technology Upgrades	2017 Revenue Bond	In Progress	19.00
• MaineStreet Upgrade	2017 Revenue Bond	In Progress	2.00
TOTAL			$ 70.98

Deferred Outflows and Inflows of Resources

Deferred outflows of resources of $22 million at June 30, 2019 increased $10 million from the prior year balance of $12 million. The increase is primarily due to an $11 million increase related to the UMS' postemployment health plan or OPEB. In FY18, the System's deferred outflows of resources decreased $2 million from the June 30, 2017 balance of $14 million.

Deferred inflows of resources of $44 million at June 30, 2019 increased $24 million from the $20 million at June 30, 2018. The increase is primarily due to an increase of $22 million related to the System's OPEB plan and $1 million related to a dining services concession arrangement with a third party. In FY18, the System's deferred inflows of resources decreased $5 million from the $25 million at June 30, 2017, primarily due to a $4 million decrease related to the System's OPEB plan.

Net Position

Net investment in capital assets represents the historical cost of the System's capital assets reduced by total accumulated depreciation and outstanding balances of debt attributable to the acquisition, construction, or improvement of those assets. As seen in Table 3, on page 16, the System's net investment in capital assets was $542 million at June 30, 2019 and $551 million at June 30, 2018.

The FY19 decrease in net investment in capital assets of $9 million was primarily comprised of capital asset acquisitions of $27 million less $41 million of depreciation expense, less $1 million of capital asset retirements, less new debt of $4 million, plus a reduction in debt of $10 million.

The FY18 increase in net investment in capital assets of $7 million was primarily the result of an $8 million decrease in debt offset by a $1 million increase in deferred inflows of resources related to the System's dining services concession arrangement with a third party.

Restricted-nonexpendable net position of $66 million at June 30, 2019 increased $7 million, or 12%, over the $59 million at both June 30, 2018 and 2017, primarily due to a one-time single gift of $5 million. This category of net position represents the corpus of the System's permanent endowment funds. Items that impact this category of net position include new endowment gifts and fair value fluctuations for those endowments whose fair value has fallen below the endowment corpus.

Restricted-expendable net position of $116 million at June 30, 2019 consists of a variety of funds including unexpended gifts, quasi-endowments and appreciation on true endowments, subject to externally imposed conditions on spending. This category of net position is restricted for various purposes including student financial aid, capital asset acquisitions, research, and public service.

The FY19 net increase of $1 million, or 1%, is primarily attributable to a $2 million increase in restricted cash gifts offset by a $1 million decrease in endowment values as endowment income distributed for operations exceeded actual investment performance, and a $2 million increase in Maine Economic Improvement Fund expenditures.

The FY18 net increase of $1 million, or 1%, in restricted-expendable net position was primarily attributable to a $3 million increase in endowment values mainly due to investment performance, offset by a $2 million decrease in restricted cash gifts mainly from the use of gift dollars for scholarships and other restricted purposes.

Unrestricted net position of $94 million at June 30, 2019 increased by $5 million, or 6%, from the FY18 year-end balance of $89 million. For FY18, unrestricted net position increased $8 million, or 10%, from the FY17 year-end balance of $81 million.

The unrestricted net position category is not subject to externally imposed stipulations; however, these resources are critical for the financial stability of the UMS and have been designated by management for specific areas, including operational and capital needs, compensating for operating investment and other budget fluctuations, and benefits costs including covering the risks associated with self-insured plans. Given both the physical and financial size of the System, funds must be readily available to cover various situations including emergency and other unforeseen expenditures, strategic priorities, operating losses, over-expenditures on budgeted items, and benefits costs.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statements of Revenues, Expenses, and Changes in Net Position reports operating revenues, operating expenses, nonoperating revenues (expenses), other changes in net position, and the resulting change in net position for the fiscal year.

Table 5, on the next page, shows Condensed Statements of Revenues, Expenses, and Changes in Net Position for the past five fiscal years ended June 30. The System's total net position increased $4 million in FY19, $16 million in FY18, and $33 million in FY17.

Restatement of Prior Years

The FY18 financial statements' Notes 1b and 18 explain that FY17 was restated to reflect application of the change in accounting principles related to OPEB. This restatement resulted in a $12 million decrease to FY17 operating expenses. Accordingly, the change in net position for FY17 (as restated) increased from $21 million to $33 million.

Table 5: Condensed Statements of Revenues, Expenses, and Changes in Net Position Years Ended June 30 (In millions)

	2019	2018	Restated 2017	2016	2015
Operating Revenues					
Net student fees	**$ 264**	**$ 256**	$ 245	$ 237	$ 238
Grants, contracts and recovery of indirect costs	**153**	**150**	150	148	146
Other operating revenues	**53**	**52**	53	52	52
Total Operating Revenues	**470**	**458**	448	437	436
Operating Expenses	**(724)**	**(692)**	(668)	(660)	(669)
Operating Loss	**(254)**	**(234)**	(220)	(223)	(233)
Nonoperating Revenues (Expenses)					
Noncapital State of Maine appropriations	**212**	**211**	212	201	199
Gifts currently expendable	**16**	**14**	13	17	15
Endowment return used for operations	**6**	**6**	6	6	6
Investment income	**12**	**7**	10	3	(1)
Interest expense, net	**(4)**	**(4)**	(5)	(5)	(5)
Net Nonoperating Revenues (Expenses)	**242**	**234**	236	222	214
Income (Loss) Before Other Changes in Net Position	**(12)**	**-**	16	(1)	(19)
Other Changes in Net Position					
State of Maine capital appropriations	**6**	**8**	5	13	11
Capital grants and gifts	**4**	**4**	3	3	4
Endow. return, net of amount used for operations	**(2)**	**3**	8	(8)	(6)
Other	**8**	**1**	1	(1)	1
Total Other Changes in Net Position	**16**	**16**	17	7	10
Change in Net Position	**$ 4**	**$ 16**	$ 33	$ 6	$ (9)

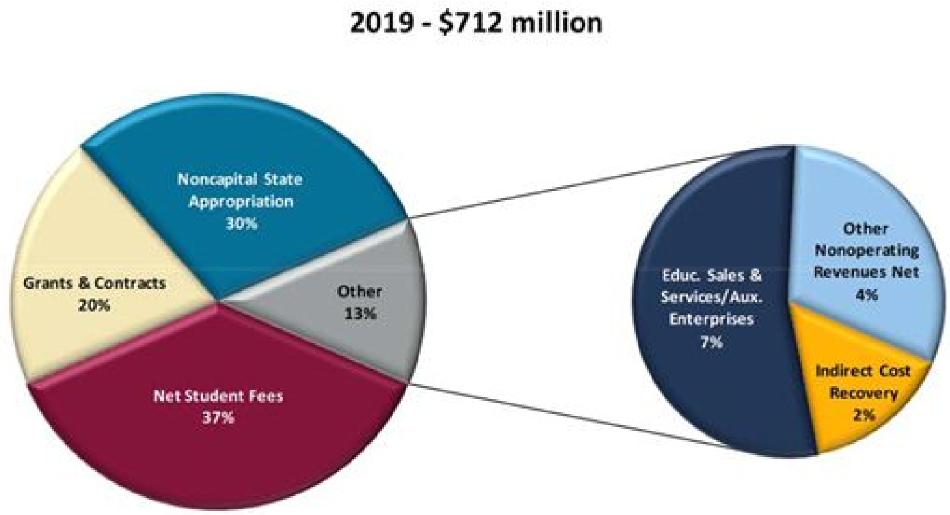
Operating and Nonoperating Revenue

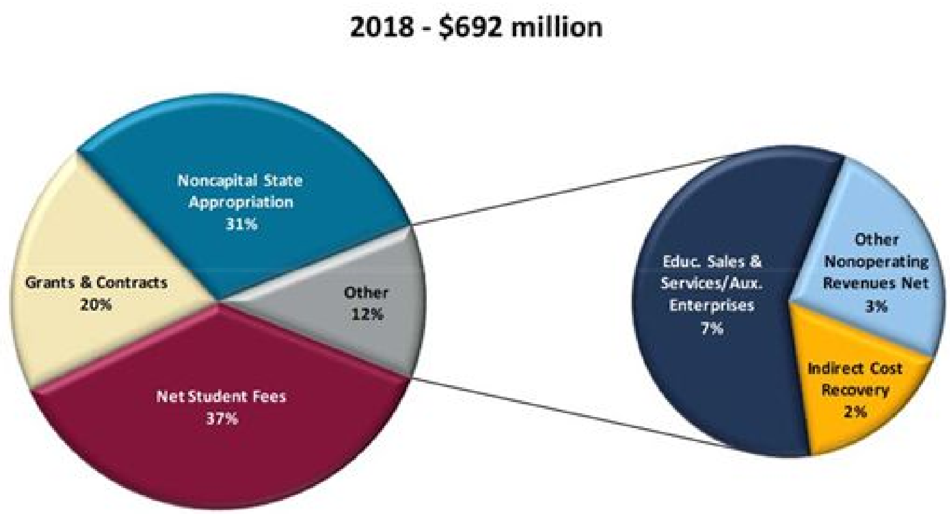
In addition to tuition and fees, the System receives revenue from other sources such as governmental and privately funded grants and contracts; gifts from individuals, foundations, and corporations; state appropriations; and investment income.

UMS revenues and expenses are categorized as either operating or nonoperating. Certain significant recurring revenues and expenses are considered nonoperating including state noncapital appropriations, gifts, endowment return used for operations, investment income or loss, and interest expense.

The following pie charts illustrate the total operating and net nonoperating revenue sources used to fund the System's activities for FY19 and FY18.

Chart 8: Total Operating and Net Nonoperating Revenue





Net student fees of $264 million for FY19 are the primary source of revenues used to fund operating expenses, representing 37% of total operating and net nonoperating revenues, consistent with FY18. For FY15 through FY17, net student fees represented 36% of total operating and net nonoperating revenues.

Net student fees revenue is comprised of tuition and fees and residence and dining fees less scholarship allowances:

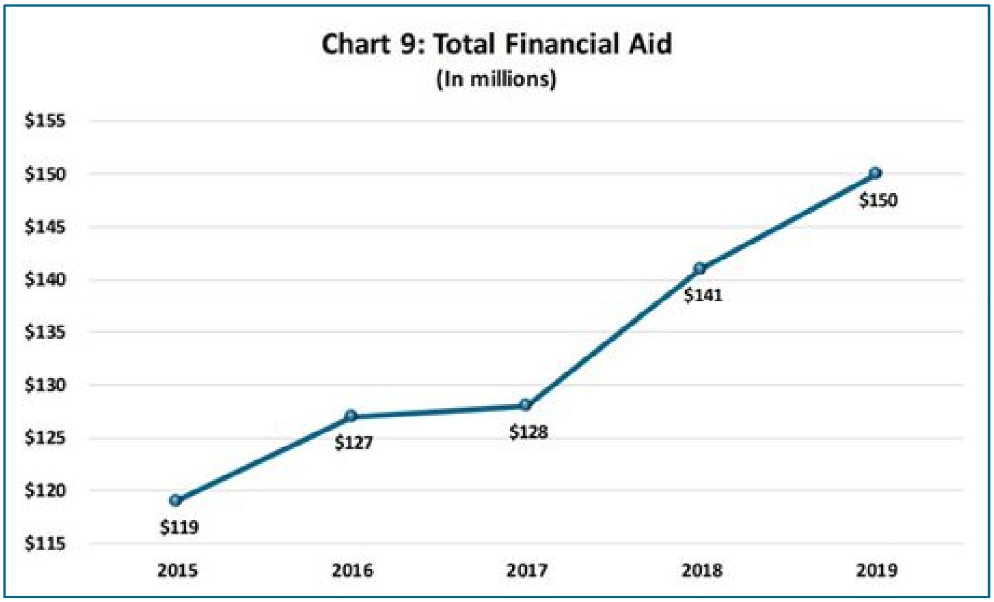
- Tuition and fees totaled $313 million in FY19, increasing $13 million, or 4%, from the prior year. FY18 revenues increased $19 million, or 7%, from FY17, and FY17 revenues increased $10 million, or 4%, from FY16.
- Residence and dining fees of $65 million in FY19 were up $1 million, or 2%, compared with FY18, which was up $2 million, or 3%, from FY17. Such revenues for FY17 were up $1 million, or 2%, from FY16.
- Scholarship allowances totaled $114 million in FY19, increasing $6 million, or 6%, from the prior year. The FY18 scholarship allowances increased $11 million, or 11%, from FY17 which increased $3 million, or 3%, from the prior year.

Student Financial Aid

Student financial aid awards are made from a variety of sources including federal, state, private, and university funds. Aid received from third parties is recognized as grants and contracts revenue on the Statements of Revenues, Expenses, and Changes in Net Position while the distribution of aid from all sources is shown as one of two components:

1. Scholarship Allowances – financial aid retained by the System to cover students' tuition, fees, and on-campus housing and meals. These amounts are reported as a direct offset to operating revenues.
2. Student Aid Expense – financial aid refunded to students to cover off-campus living costs, books, and other personal living expenses. These amounts are reported as operating expense.

Federal financial aid awards are based on a student's financial need considering their total cost of education which includes tuition and fees, housing and meals (both on and off campus), books, and other personal living expenses.



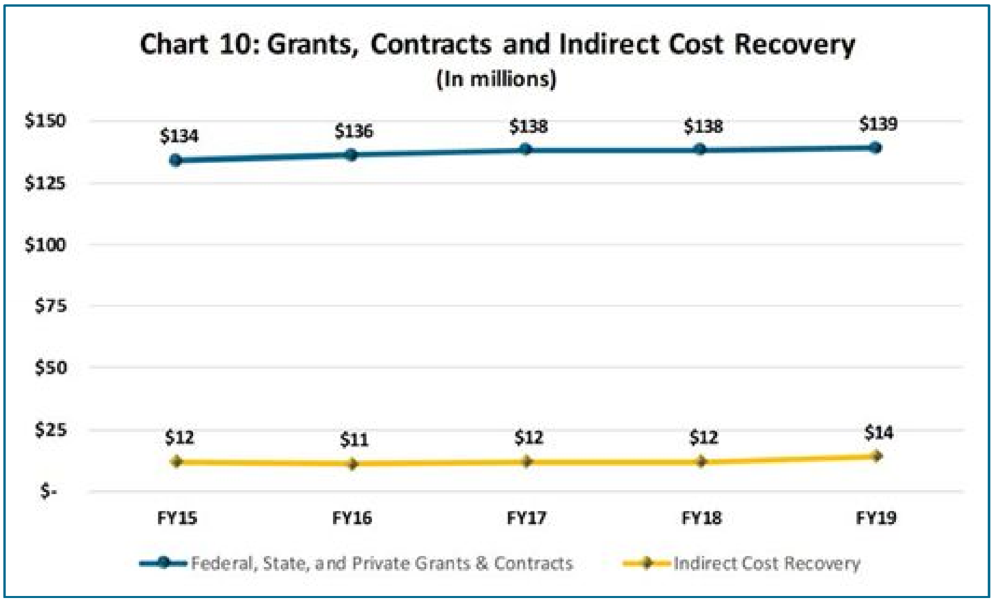
During FY19, total financial aid provided to students was $150 million, increasing $9 million, or 6%, over FY18 financial aid of $141 million. The increase includes an increase of $7 million in institutional unrestricted aid and an increase of $2 million in institutional restricted aid.

In FY18, total financial aid provided to students was $141 million, increasing $13 million, 10%, over FY17 aid of $128 million. The increase includes an increase of $13 million in institutional unrestricted aid, an increase of $2 million in aid from the Federal Pell Grant Program, and a decrease of $2 million in State of Maine aid.

In FY17, total financial aid provided to students was $128 million, increasing $1 million, or less than 1%, over FY16 aid. The increase includes an increase of $5 million in institutional unrestricted aid, a decrease of $2 million in institutional restricted aid, and a decrease of $3 million in aid form the Federal Pell Grant Program.

Grants, Contracts, and Indirect Cost Recovery

Grants and contracts revenues are recognized to the extent of related expenses. Consequently, reported revenues will fluctuate based on the timing of expenses across fiscal years. The System receives funding from federal, state, and private sources with the majority of funding being provided by the federal government for research activities. State research and development funding is often used to leverage federal dollars.



Grants and contracts revenues totaled $139 million in FY19, increasing $1 million, or 1% from FY18. This net increase is primarily due to new awards from the U.S. Department of Defense and the U.S. Department of Agriculture resulting in a combined increase of $3 million. Additionally, Federal student financial aid experienced a combined decrease of $1 million in Pell and Work Study revenue. Pell and Work Study revenues are highly variable and are impacted by the financial status of the enrolling students as well as enrollment levels. Various other sources of grants and contracts decreased by a combined total of $1 million.

Total grants and contracts revenues totaled $138 million for both FY18 and FY17. Although total revenue did not change between the two fiscal years, the composition of these revenues did. Revenues from the U.S. Department of Education increased $2 million from FY17 to FY18 and revenues from the Maine Department of Education decreased $2 million for the same period.

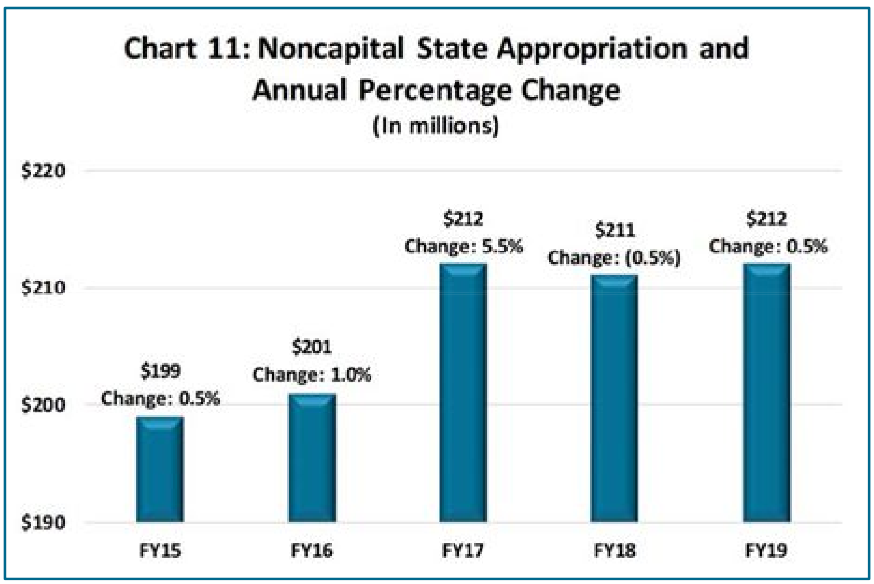
In addition to providing for direct costs, grants and contracts sponsors provide for recovery of Facilities and Administrative (F&A) costs, which are also known as indirect costs. The amount of allowable F&A costs is calculated for each grant and contract using the applicable negotiated rate subject to specific sponsor limitations and other proposal and award conditions. Recovery of indirect costs totaled $14 million for FY19, increasing $2 million from FY18. Recovery of F&A costs was $12 million in both FY18 and FY17.

Noncapital State of Maine Appropriations

State noncapital appropriation revenue includes amounts for general operations and amounts legislatively earmarked for research and development, financial aid, and various other areas. Although not considered operating revenue under GASB reporting requirements, the noncapital state appropriation was the second largest funding source for educational and general operations behind Net Student Fees.

As shown in Chart 11, the System received $212 million in noncapital state appropriation revenue during FY19, up $1 million, or 0.5%, from FY18. The System received $211 million in noncapital state appropriation revenue during FY18, down $1 million, or 0.5%, from FY17.

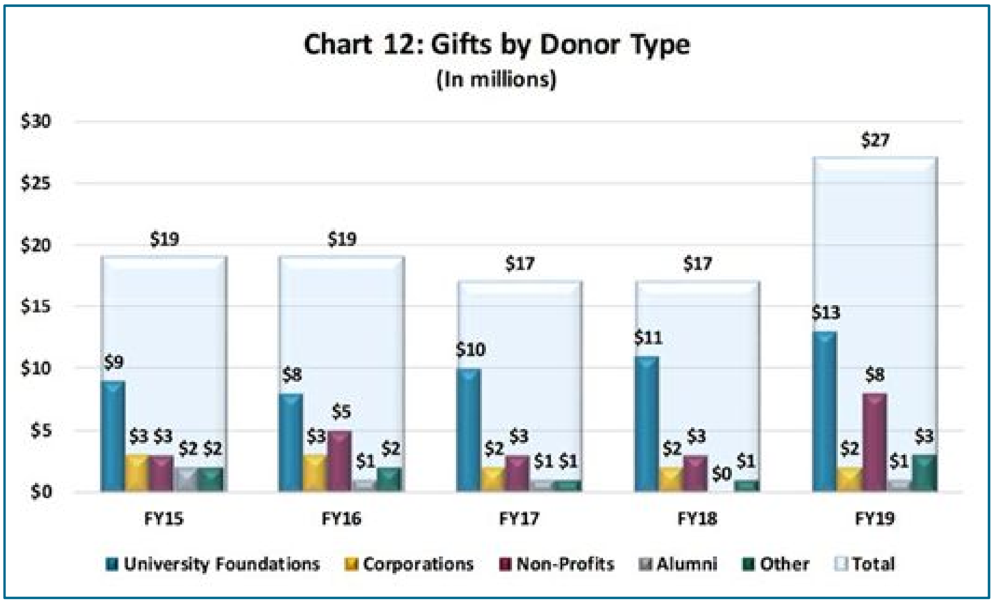
At $212 million, noncapital state appropriation revenue covered 83% of the $254 million operating loss in FY19, down from the operating loss coverage level of 90% in FY18 and 96% level in FY17.



Cash Gifts

As shown in Chart 12, total gifts of $27 million received in FY19 were up $10 million from the prior year. FY19 gifts from the non-profits increased $5 million, university foundations and other donor types each increased $2 million and alumni gifts increased $1 million. FY18 gifts from university foundations increased $1 million while alumni gifts decreased $1 million with no major change in gifts from other donor types.

Of the $27 million in gifts received in FY19, 67% were restricted, 32% were endowed, and 1% were unrestricted. Of the $17 million in gifts received in FY18, 90% were restricted, 8% were endowed, and 2% were unrestricted which was the same as FY17.



Operating Expenses

Table 6 shows expenses on a functional basis while Table 7 shows expenses by natural classification.

Table 6: Operating Expenses by Functional Classification For the Years Ended June 30

(In millions)

	2019		2018		Restated 2017		2016		2015	
Instruction	**$ 181**	**25%**	**$ 174**	**25%**	$ 171	26%	$ 168	25%	$ 180	27%
Academic support	**73**	**10%**	**74**	**11%**	71	10%	66	10%	70	10%
Student services	**61**	**9%**	**58**	**8%**	54	8%	54	8%	52	8%
Subtotal	**315**	**44%**	**306**	**44%**	296	44%	288	43%	302	45%
Research	**80**	**11%**	**76**	**11%**	73	11%	66	10%	65	10%
Public service	**59**	**8%**	**57**	**8%**	60	9%	60	9%	61	9%
Institutional support	**74**	**10%**	**64**	**9%**	55	8%	64	10%	58	9%
Operation and maintenance of plant	**52**	**7%**	**51**	**8%**	51	7%	49	7%	50	7%
Depreciation and amortization	**41**	**6%**	**40**	**6%**	38	6%	37	6%	35	5%
Student aid	**36**	**5%**	**34**	**5%**	31	5%	33	5%	31	5%
Auxiliary enterprises	**67**	**9%**	**64**	**9%**	64	10%	63	10%	67	10%
Total Operating Expenses	**$ 724**	**100%**	**$ 692**	**100%**	**$ 668**	**100%**	**$ 660**	**100%**	**$ 669**	**100%**

Table 7: Total Expenses by Natural Classification For the Years Ended June 30

(In millions)

	2019		2018		Restated 2017		2016		2015	
Operating:										
Compensation	**$322**	**44%**	**$310**	45%	$ 302	45%	$ 296	45%	$ 306	46%
Benefits	**139**	**19%**	**124**	18%	116	17%	124	19%	130	19%
Utilities	**31**	**4%**	**30**	4%	31	4%	27	4%	30	4%
Supplies and Services	**155**	**21%**	**154**	22%	150	22%	143	21%	137	20%
Depreciation and Amortization	**41**	**6%**	**40**	5%	38	6%	37	5%	35	5%
Student Aid	**36**	**5%**	**34**	5%	31	5%	33	5%	31	5%
Total Operating Expenses	**724**	**99%**	**692**	**99%**	668	99%	660	99%	669	99%
Nonoperating:										
Interest	**4**	**1%**	**4**	1%	5	1%	5	1%	5	1%
Total Expenses	**$728**	**100%**	**$696**	**100%**	$ 673	100%	$ 665	100%	$ 674	100%

Compensation and benefits expense totaled $461 million in FY19, increasing $27 million (6%) where FY18 saw an increase of $16 million (4%) compared with FY17.

STATEMENTS OF CASH FLOWS

The Statements of Cash Flows examines the changes in cash position for each year of operations. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the System during the fiscal year. These statements help users assess the System's ability to generate future cash flows, its ability to meet obligations as they become due and its need for external financing.

STRATEGIC VISION AND PRIORITIES

The One University Framework

One University is the framework by which UMS organizes and acts so as to bring all its resources into focused support for all Maine learners, businesses, and communities. It is driven by a realistic appraisal of Maine's severe demographic and fiscal facts and by the highly competitive and rapidly changing higher education landscape. The initiative, launched by Chancellor James Page in 2015, has generated national attention as a pioneering example of public higher education reform.

Declaration of Strategic Priorities

The Board of Trustees ("the Board") adopted a Declaration of Strategic Priorities in December of 2018 to sustain and expand the One University framework and to guide the search for a new chancellor. Former Connecticut Governor Dannel P. Malloy was appointed Chancellor on July 1, 2019.

Informed by Maine's workforce needs, the state's demographic challenges, and the need to meet student and employer expectations for post-secondary education in a rapidly changing marketplace, the strategic priorities guide and expedite higher education reform in Maine for the next three to five years. The vision for these reforms is the establishment of an efficient and cost-effective continuum of public education that provides the people of Maine with access to flexible, relevant 21st Century learning that extends from early childhood to retirement.

Priorities include:

- Workforce Engagement: New programs and connections that maximize workforce impact and business development, including experiential learning opportunities in all academic programs;
- University Research and Development: Support Maine industries and foster business formation and expansion through increased focus on research and economic development;
- Micro-Credentials: Collaborate with existing businesses, non-profits, and community partners to develop micro-credentials for economic advancement and expansion;

- Adult Degree Completion and Employer Alignment: Prepare adult learners with affordable, flexible, and stackable credentials and degree-based programming aligned with the needs of this learner population and their employers;
- Early College: Develop early college programming that supports local schools and sustainably reaches at least 5,000 Maine high school juniors and seniors; and,
- Student Debt: To help retain its status as a national leader in higher education affordability and tuition restraint, collaborate with policy makers to develop statewide strategies to increase affordability and reduce student debt.

At its September 2019 meeting the Board unanimously voted to accept Chancellor Malloy's report recommending a unified accreditation and directed the Chancellor and the University Presidents to develop a process and plan for Board consideration unifying the separate accreditations of the individual institutions under the New England Commission of Higher Education into a statewide System accreditation.

ECONOMIC CONSIDERATIONS

The System routinely issues revenue bonds for its capital needs and S&P Global Ratings (S&P) reviews the credit worthiness of the System and its debt. In August 2018, S&P affirmed the System's AA- long-term rating and underlying rating on its various series of outstanding revenue bonds with a stable outlook. The revenue bonds are secured by a broad pledge of the System's available resources with the State of Maine periodically providing debt service support including recent commitments totaling $50 million. To reach this total, the State committed $2 million in annual support for 10 years starting in FY19, increasing by an additional $3 million for 10 years starting in FY20. The anticipated use of this funding is for costs associated with the construction of an Engineering Education Design Center at the University of Maine.

Recognizing that the System's campuses are critical public infrastructure essential to the state's economic growth, Maine voters approved a $49 million University Workforce Development Bond in the fall of 2018. This bond will fund infrastructure improvements at all University campuses. The need-based investment plan was supported by the governor and nearly every member of the Maine Legislature and will enable the System to:

- Improve and expand classrooms and labs to provide modern education and training in sectors where Maine most needs workers.
- Increase student recruitment, retention and graduates who would be ready for good-paying Maine careers.
- Reduce operating and maintenance costs and the System's facilities footprint.
- Bring more students, jobs, investments and opportunities to our universities and communities.

UNIVERSITY OF MAINE SYSTEM
STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018 (IN THOUSANDS)

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents *(Note 2)*	$ 13,003	$ 1,528
Operating investments *(Note 3)*	249,891	252,236
Accounts, grants, and pledges receivable, net *(Note 4)*	55,756	47,399
Inventories and prepaid expenses	6,078	5,637
Notes and lease receivable, net *(Note 5)*	63	63
Total Current Assets	324,791	306,863
Noncurrent Assets		
Deposits with bond trustees *(Notes 3 and 6)*	7,351	14,828
Accounts, grants and pledges receivable, net *(Note 4)*	2,798	738
Notes and leases receivable, net *(Note 5)*	35,976	40,060
Endowment investments *(Note 3)*	162,580	154,114
Capital assets, net *(Note 6)*	684,957	700,043
Irrevocable split interest agreements	2,099	1,673
Total Noncurrent Assets	895,761	911,456
Total Assets	1,220,552	1,218,319
Deferred Outflows of Resources *(Note 15)*	22,749	11,986
Total Assets and Deferred Outflows of Resources	**$ 1,243,301**	**$ 1,230,305**
Liabilities		
Current Liabilities		
Accounts payable	$ 16,392	$ 16,791
Unearned revenue and deposits *(Note 8)*	14,540	9,513
Accrued liabilities - current portion *(Notes 7, 11 and 13)*	27,501	25,979
Funds held for others - current portion	2,614	2,016
Long-term debt - current portion *(Note 7)*	14,778	13,958
Total Current Liabilities	75,825	68,257
Noncurrent Liabilities		
Accrued liabilities *(Notes 7, 11, 13 and 14)*	114,629	127,624
Funds held for others *(Note 3)*	24,651	22,887
Long-term debt *(Note 7)*	135,360	147,664
Government advances refundable *(Note 9)*	29,940	29,502
Total Noncurrent Liabilities	304,580	327,677
Total Liabilities	380,405	395,934
Deferred Inflows of Resources *(Note 15)*	44,700	20,698
Net Position		
Net investment in capital assets *(Note 10)*	542,491	550,658
Restricted		
Nonexpendable *(Note 10)*	65,990	59,459
Expendable *(Notes 3 and 10)*	115,928	114,988
Unrestricted *(Notes 3 and 10)*	93,787	88,568
Total Net Position	818,196	813,673
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 1,243,301**	**$ 1,230,305**

See accompanying notes to the basic financial statements.

UNIVERSITY OF MAINE SYSTEM
STATEMENTS OF FINANCIAL POSITION – DISCRETELY PRESENTED COMPONENT UNIT
JUNE 30, 2019 AND 2018 (IN THOUSANDS)

	2019	2018
Assets		
Cash and cash equivalents	$ 1,676	$ 2,727
Other receivables	85	100
Promises to give, less allowance for uncollectible pledges of $140	11,399	10,901
Short-term investments	11,385	5,201
Cash surrender value of life insurance	162	153
Long-term investments, endowment	227,085	220,679
Long-term investments, life income plans	4,977	5,054
Notes receivable	47	150
Equity in Buchanan Alumni House	2,672	2,684
Investment real estate	5,821	5,877
Property and equipment, net of accumulated depreciation of $232 and $273, respectively	132	160
Other assets	562	577
Irrevocable trusts	6,933	8,308
Total Assets	**$ 272,936**	**$ 262,571**
Liabilities		
Accounts payable	$ 446	$ 469
Distributions due income beneficiaries	1,991	1,933
Accrued expenses	796	765
Custodial accounts payable	3,030	3,192
Total Liabilities	6,263	6,359
Net Assets		
Without donor restrictions	12,441	11,613
With donor restrictions	254,232	244,599
Total Net Assets	266,673	256,212
Total Liabilities and Net Assets	**$ 272,936**	**$ 262,571**

See accompanying notes to the basic financial statements.

UNIVERSITY OF MAINE SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2019 AND 2018 (IN THOUSANDS)

	2019	2018
Operating Revenues		
Tuition and fees	$ 312,736	$ 299,827
Residence and dining fees	65,484	63,842
Less: scholarship allowances	(114,025)	(107,561)
Net student fees	264,195	256,108
Federal, state and private grants and contracts	139,330	137,699
Recovery of indirect costs	13,569	12,264
Educational sales and services and other revenues	35,443	34,493
Other auxiliary enterprises	17,316	17,455
Total Operating Revenues	469,853	458,019
Operating Expenses		
Instruction	180,910	174,198
Research	79,973	76,005
Public service	58,955	57,586
Academic support	73,190	73,956
Student services	61,774	57,820
Institutional support	73,878	63,540
Operation and maintenance of plant	51,794	50,970
Depreciation and amortization *(Note 6)*	41,126	39,768
Student aid	35,692	33,797
Auxiliary enterprises	66,905	64,471
Total Operating Expenses	724,197	692,111
Operating Loss	(254,344)	(234,092)
Nonoperating Revenues (Expenses)		
Noncapital State of Maine appropriations	211,975	210,979
Gifts currently expendable	16,637	14,172
Endowment return used for operations *(Note 3)*	6,378	6,204
Investment income *(Note 3)*	11,644	6,490
Interest expense, net *(Note 7)*	(4,206)	(4,341)
Net Nonoperating Revenues (Expenses)	242,428	233,504
Loss Before Other Changes in Net Position	(11,916)	(588)
Other Changes in Net Position		
State of Maine capital appropriations	5,958	8,029
Capital grants and gifts	4,209	4,370
Endowment return, net of amount used for operations *(Note 3)*	(1,951)	3,086
True and quasi endowment gifts	8,558	1,380
Gain (Loss) on disposal of capital assets	(335)	(443)
Total Other Changes in Net Position	16,439	16,422
Change in Net Position	**4,523**	**15,834**
Net Position - Beginning of the Year	813,673	797,839
Net Position - End of Year	$ 818,196	$ 813,673

See accompanying notes to the basic financial statements.

UNIVERSITY OF MAINE SYSTEM
STATEMENTS OF ACTIVITIES – DISCRETELY PRESENTED COMPONENT UNIT
YEAR ENDED JUNE 30, 2019 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE, 30 2018 (IN THOUSANDS)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Revenues, Gains, Losses, and Reclassification				
Contributions	$ 4,849	$ 12,661	$ 17,510	$ 26,139
Advancement services	3,668	-	3,668	3,696
Investment income and other revenue	527	7,194	7,721	16,121
Reinvestment of donor funds	668	(668)	-	-
Net assets released from restrictions pursuant to endowment spending distribution	6,222	(6,222)	-	-
Net assets released from restrictions - other	3,332	(3,332)	-	-
Total Revenues, Gains, Losses, and Reclassification	19,266	9,633	28,899	45,956
Expenses and Losses				
Program services	14,556	-	14,556	12,817
Management and general	1,349	-	1,349	1,365
Fundraising	2,533	-	2,533	2,561
Total Expenses	18,438	-	18,438	16,743
Change in Net Assets	**828**	**9,633**	**10,461**	**29,213**
Net Assets - Beginning of Year	11,613	244,599	256,212	226,999
Net Assets - End of Year	$ 12,441	$ 254,232	$ 266,673	$ 256,212

See accompanying notes to the basic financial statements.

UNIVERSITY OF MAINE SYSTEM
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018 (IN THOUSANDS)

	2019	2018
Cash Flows From Operating Activities		
Tuition, residence, dining, and other student fees	$ 260,702	$ 253,012
Grants and contracts	151,957	152,123
Educational sales and services and other auxiliary enterprise revenues	53,906	51,173
Payments to and on behalf of employees	(454,588)	(430,443)
Financial aid paid to students	(41,736)	(40,156)
Payments to suppliers	(182,812)	(183,601)
Loans issued to students	(1,675)	(4,888)
Collection of loans to students	5,379	5,748
Net Cash Used for Operating Activities	(208,867)	(197,032)
Cash Flows From Noncapital Financing Activities		
State appropriations	211,975	210,979
Noncapital grants and gifts	25,037	18,082
Agency transactions	(271)	5,701
Net Cash Provided by Noncapital Financing Activities	236,741	234,762
Cash Flows From Capital and Related Financing Activities		
Proceeds from capital debt issuances	-	65
Capital appropriations	5,554	9,972
Capital grants and gifts	3,203	1,360
Proceeds from sale of capital assets	805	140
Acquisition and construction of capital assets	(24,094)	(34,425)
Principal paid on capital debt and leases	(13,358)	(12,841)
Interest paid on capital debt and leases	(6,329)	(6,540)
Net Cash Used for Capital and Related Financing Activities	(34,219)	(42,269)
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	710,181	697,973
Purchases of investments	(703,195)	(699,361)
Earnings from investments	10,834	5,814
Net Cash Provided by Investing Activities	17,820	4,426
Net Increase (Decrease) in Cash and Cash Equivalents	11,475	(113)
Cash and Cash Equivalents - Beginning of Year	1,528	1,641
Cash and Cash Equivalents - End of Year	**$ 13,003**	**$ 1,528**

See accompanying notes to the basic financial statements.

UNIVERSITY OF MAINE SYSTEM
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018 (IN THOUSANDS)

Reconciliation of operating loss to net cash used for operating activities:

	2019	2018
Operating Loss	$ (254,344)	$ (234,092)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation and amortization	41,126	39,768
Changes in assets, liabilities, deferred outflows and deferred inflows:		
Accounts and grants receivable, net	(5,460)	1,921
Inventories and prepaid expenses	(441)	(246)
Notes receivable, net	4,021	1,165
Deferred outflows related to pensions	392	839
Deferred outflows related to OPEB	(11,417)	881
Deferred outflows related to SIAs	(426)	-
Accounts payable	1,301	(1,137)
Unearned revenue and deposits	5,029	(1,366)
Accrued liabilities	(11,088)	(403)
Grants refundable	438	38
Deferred inflows related to pensions	(154)	(114)
Deferred inflows related to OPEB	22,180	(3,836)
Deferred inflows related to SIAs	426	-
Deferred inflows related to dining contract	(450)	(450)
Net Cash Used for Operating Activities	**$ (208,867)**	**$ (197,032)**

Noncash investing, capital, and financing activities:

	2019	2018
Capital asset additions included in accounts payable and accrued liabilities as of June 30	$ 2,758	$ 4,451
Capital asset additions acquired through long-term debt	$ 3,567	$ 644
Capital asset additions acquired through service consession arrangements	$ 567	$ 1,785
Book value of capital asset trade-ins	$ 32	$ -

See accompanying notes to the basic financial statements.

UNIVERSITY OF MAINE SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018 (IN THOUSANDS)

1. SIGNIFICANT ACCOUNTING POLICIES

a. Organization

The University of Maine System ("the System"), a discretely presented component unit of the State of Maine, consists of seven universities, nine centers, and a central administrative office. All activities of the System are included in the accompanying financial statements, including those of its discretely presented component unit, the University of Maine Foundation, which is a not-for-profit entity controlled by a separate governing board whose goal is to support the System (see Note 16). The component unit receives funds primarily through donations and contributes funds to the System for student scholarships and institutional support.

b. Basis of Presentation

The accompanying financial statements of the System have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB).

Under the System's policy, operating activities in the Statements of Revenues, Expenses, and Changes in Net Position are those that generally result from exchange transactions such as payments received for services and payments made for the purchase of goods and services and certain grants. Certain other transactions are reported as nonoperating activities in accordance with GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities.* These nonoperating activities include the System's noncapital appropriations from the State of Maine, gifts currently expendable, endowment return used for operations, net investment income, and interest expense.

In FY19, the System adopted GASB Statement No. 83, *Certain Asset Retirement Obligations* (GASB No. 83). This statement addresses accounting and financial reporting related to asset retirement obligations (AROs) which are legally enforceable liabilities associated with the retirement of tangible capital assets. As of June 30, 2019 and 2018, the System did not have legal obligations to perform future asset retirement activities; thus, the adoption of GASB No. 83 does not impact the accompanying financial statements.

In FY19, the System adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB No. 88). The objective of this statement is to improve disclosures related to debt by defining debt and expanding the information that must be disclosed for debt. Adoption of GASB No. 88 did not impact the accompanying financial statements and disclosures for the UMS' debt are included in Note 7.

1. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

c. Net Position

The System's net position (assets plus deferred outflows of resources less liabilities and deferred inflows of resources) is classified for accounting purposes in the following four categories:

> **Net investment in capital assets:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair or improvement of those assets. It also includes the premiums/discounts related to the outstanding debt. This category excludes the portion of debt attributable to unspent bond proceeds.
>
> **Restricted – nonexpendable:** Net position subject to externally imposed conditions that the System maintain them in perpetuity. Such net position includes the historical gift value of restricted true endowment funds. In the event that market fluctuations have caused the fair value of an endowment to fall below corpus, the related net position is valued at the lower fair value amount.
>
> **Restricted – expendable:** Net position subject to externally imposed conditions that can be fulfilled by the actions of the System or by the passage of time. Such net position includes the accumulated net gains on true endowment funds, restricted gifts and income, and other similarly restricted funds.
>
> **Unrestricted:** All other categories of net position. Unrestricted net position may be committed by actions of the System's Board of Trustees.

The System has adopted a policy of generally utilizing restricted – expendable resources, when available, prior to unrestricted resources.

d. Cash and Cash Equivalents

The System considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

e. Investments

All investments are reported at fair value except for the state pool, which is reported at amortized cost. System management is responsible for the fair measurement of investments reported in the financial statements. The System has implemented policies and procedures to assess the reasonableness of the fair values provided and believes that reported fair values at the Statements of Net Position dates are reasonable.

Pooled Third party investments: Three outside entities, the UMS Other Post Employment Benefit (OPEB) Trust, Maine Maritime Academy and the University of Maine School of Law Foundation, pool monies with the System's endowment pool. Investment performance results of these pooled monies are allocated on a pro rata basis based on the number of pool shares held by each entity.

1. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions to and withdrawals from the pool are allowed only on the first business day of a calendar quarter.

Investment of these monies follows guidelines approved by the System's Board of Trustees Investment Committee. These guidelines are further disclosed in the remainder of this Note and Note 3 to these financial statements as part of the discussion of endowments.

Endowment: The System follows the pooled investment concept for its endowed funds, whereby all invested funds are included in one pool, except for funds that are separately invested as directed by the donor. Investment income is allocated to each endowed fund in the pool based on its pro rata share of the pool.

The income produced by the fund, including realized and unrealized gains, can be used to meet the spending objective. As determined by policy, the expendable income objective was 4.5% for FY19 and FY18. The percentage was applied to a 3-year market value average to determine expendable income.

Under State of Maine law, subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established. The System's policy is to spend endowment appreciation to the extent of the approved annual spending rate while not invading corpus. The return (loss) net of the amount used for operations is presented as Other Changes in Net Position in the Statements of Revenues, Expenses and Changes in Net Position.

Authorized Investment Vehicles - Operating Investments: The System has a three-tiered approach regarding its operating investments:

- **Liquidity Pool** – The purpose of this pool is to meet the day-to-day obligations of the System. It consists of funds that are invested in a portfolio of highest quality short-term fixed-income securities (e.g., Treasury obligations, agency securities, repurchase agreements, money market funds, commercial paper, and/or short-term bond mutual funds) with adequate liquidity. The average quality of the pool will be rated at least "A-1" by Standard and Poor's (or equivalent).
- **Income Pool** – The purpose of this pool is to provide sufficient income to meet budgetary goals and provide additional diversification to minimize downside risk. This pool invests in a diversified portfolio which may include items such as, but not limited to, fixed income securities, Federal Deposit Insurance Corporation insured or adequately collateralized certificates of deposit (CDs), or unconstrained, short or intermediate term bond funds with a normal average duration of -2 to 7 years. The pool may invest in funds rated from BB to AAA quality. The overall average quality rating of this pool will be at least "A-" by Standard and Poor's (or equivalent).

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

1. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- **Total Return Pool** – This pool is expected to add diversification and growth to the portfolio and may invest in diversified assets made up of, but not limited to, equities, hedge funds, and global asset allocation mandates.

Authorized Investment Vehicles - Endowment Investments: The fund is diversified both by asset class and within asset classes. To have a reasonable probability of consistently achieving the Fund's return objectives, the following asset allocation policy ranges were applicable as of June 30, 2019 and 2018:

	2019	2018
Equity securities	45-65%	35-55%
Fixed income securities	15-35%	13-29%
Other	10-30%	24-44%
Cash	0-10%	0-10%

Authorized Investment Vehicles - Deposits with Bond Trustees: These monies are invested in accordance with the governing bond resolutions and arbitrage certificates.

f. Gifts and Pledges

Gifts are recorded at their fair value at the date of gift. Promises to donate to the System are recorded as receivables and revenues when the System has met all applicable eligibility and time requirements. Gifts and bequests to be used for endowment purposes are categorized as endowment gifts. Other gifts are categorized as currently expendable. Pledges receivable are reported net of amounts deemed uncollectible and after discounting to the present value of the expected future cash flows. Since the System cannot fulfill the time requirement for gifts to endowments until the gift is received, pledges to endowments are not reported. Because of uncertainties with regard to their realizability and valuation, bequests and intentions to give and other conditional promises are not recognized as assets until the specified conditions are met.

g. Grants and Contracts and Capital Appropriations

The System records a receivable and corresponding revenue for grants and contracts and capital appropriations at the point all eligibility requirements (e.g., allowable costs are incurred) are met.

h. Inventories

Inventories are stated at cost. Cost is determined using the first-in, first-out method or the average-cost method.

i. Capital Assets

Capital assets which include property, plant, equipment, intangible assets and library holdings are recorded at cost when purchased or constructed and at acquisition value at date of donation. Costs for maintenance, repairs and minor renewals and replacements are expensed as incurred; major

1. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

renewals and replacements are capitalized.

Prior to July 1, 2003, library materials were generally capitalized and depreciated over a ten-year period. Effective July 1, 2003, the System began to expense library materials as incurred. The System will retain the undepreciated library materials balance as a core non-depreciating asset.

The System does not capitalize and depreciate its collections of historical treasures and works of art because it is the System's policy that:

- Works of art and historical treasures are to be held for public exhibition, education, or research in furtherance of public service, rather than for financial gain.
- Works of art and historical treasures are to be protected, kept unencumbered, cared for, and preserved.
- Proceeds from sale of works of art and historical treasures are to be used to acquire other items for the collections.

A capitalization threshold of $50 is used for buildings, building additions and improvements, land improvements and internally generated intangibles. Equipment (including equipment acquired under capital leases) and purchased software are capitalized with a unit cost of $5 or more. These assets, with the exception of land, are depreciated and amortized using the straight-line basis over the estimated useful lives of the related assets, which range from 4 to 60 years.

j. Irrevocable Split-Interest Agreements

The System's irrevocable split-interest agreements consist of the System's remainder interest in trusts held by third parties. The System reports these irrevocable split-interest agreements as assets and deferred inflows of resources when it becomes aware of the agreement and has sufficient information to measure its beneficial interest. The System recognizes the annual change in the fair values of the split interest agreements as an increase or decrease in the asset and the related deferred inflows of resources. The System will recognize revenue at the termination of the agreement, as stipulated in the irrevocable split-interest agreement. Also, at the termination of the agreement, the split-interest asset and the related deferred inflow of resources will be eliminated.

k. Unearned Revenue and Deposits

Unearned revenue and deposits in the Statements of Net Position consists primarily of grant and contract advances and deposits and advance payments received for tuition and fees related to certain summer programs and tuition received for the following academic year. Unearned revenue for summer programs is presented net of related expenses (e.g., student aid).

1. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

l. Compensated Absences

Employees earn the right to be compensated during absences for annual vacation leave. The accompanying Statements of Net Position reflect an accrual for the amounts earned, including related benefits ultimately payable. The System accounts for the vacation leave hours on a last-in, first-out basis. A portion of this liability is classified as current and represents the System's estimate of vacation time that will be paid during the next fiscal year to employees leaving the System.

m. Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources are the consumption of assets or increase in liabilities that is applicable to future reporting periods. Deferred outflows of resources are presented separately after Total Assets in the Statements of Net Position.

The System's deferred outflows consist of:

1. The difference between the reacquisition price and the carrying value of refunded revenue bonds. These amounts are to be recognized as a component of interest expense over the shorter of the remaining life of the refunded bonds or the life of the new bonds.
2. Assumption and experience changes and net investment losses that increase the pension and OPEB liabilities. These amounts are to be recognized as components of pension and postemployment health expense in future reporting periods.

Deferred inflows of resources are the acquisition of assets or reduction of liabilities that is applicable to future reporting periods. Deferred inflows of resources are presented separately after Total Liabilities in the Statements of Net Position.

The System's deferred inflows of resources consist of:

1. Assumption and experience changes and net investment gains that reduce the pension and OPEB liabilities. These amounts are to be recognized as components of pension and postemployment health expense in future reporting periods.
2. The unamortized balances of a service concession arrangement with Sodexo America, LLC that provided the System with equipment, facility improvements, and a signing bonus. These amounts will be recognized as revenue over the life of the agreement.
3. An offsetting credit to the fair value of the System's remainder interest in irrevocable split-interest agreements. These deferrals will be recognized as gift income at the termination of the split-interest agreement.

1. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

n. Net Student Fees

Student tuition, dining, residence, and other fees are presented net of scholarships and fellowships applied to students' accounts. Certain other scholarship amounts are paid directly to, or refunded to, the student and are generally reflected as student aid expense.

o. Tax Status

The System is exempt from income taxes under Section 115 of the Internal Revenue Code ("the Code") as a governmental entity. It is also recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Code.

p. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant estimates in the financial statements include liabilities for self-insured plans, pension and other retirement benefit obligations, as well as allowances for uncollectible receivables. Actual results could differ from those estimates.

q. Reclassifications

Certain FY18 items in the accompanying financial statements have been reclassified, without effect on total net position, to conform to the FY19 presentation.

2. CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that in the event of bank failure, the System's deposits may not be returned. Deposits are considered uninsured if they are not covered by depository insurance and are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the System's name. The System's policy is that with the exception of daily operating cash, it will carry no deposits that are uncollateralized or uninsured. As of June 30, 2019 and 2018, bank balances with uninsured or uncollateralized operating cash deposits were $1,361 and $1,354, respectively.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

3. INVESTMENTS

a. Composition and Fair Value Measurements

Composition and Purpose of Investments:

The System uses a pooled investment approach for its endowments (including Affiliates' endowments invested with the System) unless otherwise required by the donor. As previously noted, three outside entities - the UMS OPEB Trust, Maine Maritime Academy, and the University of Maine School of Law Foundation - pool monies for investment purposes with the System's endowment. Investment policies and strategies are determined for this combined Managed Investment Pool (MIP). Fair values, credit ratings, and interest rate risk for the entire investment pool are presented below under 'endowment' investments. The amount held for the three outside entities is then deducted to show only the amount of the System's endowment investment.

Operating Investments: The System's operating investments are available to fund operations or other purposes as determined by System management.

Endowment Investments: Except for certain gifts invested separately at the request of the donors ($730 and $428 at June 30, 2019 and 2018, respectively), the System's endowment is managed as a pooled investment fund using external investment managers. The University of Maine at Fort Kent Foundation, the University of Southern Maine Foundation, and the John L. Martin Scholarship Fund, Inc. participate in the System's endowment pool through a management agreement. The fair values of the investments held for these affiliated organizations at June 30, 2019 and 2018, respectively are $24,651 and $22,883, and are reported as funds held for others in the accompanying Statements of Net Position.

Endowed gifts are invested to generate income to be used to fund various activities such as scholarships and research as specified by the donors. The total endowment accumulated net income and appreciation available to the System for spending is as follows at June 30:

	2019	2018
Restricted - expendable	$54,700	$55,678
Unrestricted	17,165	16,012
Total available for spending	$71,865	$71,690

Deposits with Bond Trustees: Deposits with bond trustees are composed of unexpended revenue bond proceeds.

Investments for the Defined Benefit Plan – Classified Employees: These pension plan investments are managed by the System, but are not included in the accompanying financial statements as their purpose is to offset the Total Pension Liability of the System's Defined Benefit Plan – Classified Employees described in Note 13d.

3. INVESTMENTS - CONTINUED

Fair Value Measurements:

GASB Statement No. 72, *Fair Value Measurement and Application* (GASB No. 72), defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the entity's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GASB No. 72 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, and describes three levels of inputs that may be used to measure fair value:

Level 1. Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity has the ability to access as of the measurement date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgement.

Level 2. Valuations based on significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilites, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3. Valuations based on inputs that are unobservable and significant to the overall fair value measurement. They reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The above hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to level 1 measurements and the lowest priority to level 3 measurements. Investments that are measured at fair value using net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

The System measures the fair value of investments in certain entities that do not have a quoted market price at the calculated NAV per share or its equivalent. As these investments are not readily marketable the estimated value is subject to uncertainty, and therefore, may differ from the value that would have been used had a ready market for the investments existed.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

The **System's investments,** including the MIP**,** were composed of the following at June 30, 2019:

		Fair Value Measurements Using:					
	Total	**Level 1**	**Level 2**	**Level 3**	**Credit Rating**	**Interest Rate Risk**	
Operating Investments:							
Equities:							
Multi-strategy funds	$ 58,491	$ 58,491	$ -	$ -			
Fixed income funds:							
Bonds	133,081	47,359	85,722	-	Not rated	1.79-6.0 years	Duration
Money markets	18,347	18,347	-	-	Not rated	17-30 days	Weighted Average Maturity
Total operating investments by fair value level	**209,919**	**$ 124,197**	**$ 85,722**	**$ -**			
Operating investments measured at NAV							
Equities: Multi-Strategy	14,622						
Bank loans	22,380				Not rated	.10 years	Duration
Total operating investments measured at NAV	37,002						
Total operating investments measured at fair value plus NAV	246,921						
State pool measured at amortized cost	2,970				Not rated	.54 years	Duration
Total operating investments	**$ 249,891**						
Deposits with Bond Trustees:							
Bonds and money markets	**$ 7,351**	**$ 7,351**	**$ -**	**$ -**	Not rated	17-30 days	Weighted Average Maturity
Endowment Investments:							
MIP investments:							
Equities:							
Equity securities	$ 13,985	$ 13,985	$ -	$ -			
Equity funds	144,568	144,568	-	-			
Multi-strategy funds	47,714	47,714	-	-	Not rated	Not rated	
Fixed income funds:							
Money markets	1,199	1,199	-	-	Not rated	17 days	Weighted Average Maturity
Bonds	66,019	41,549	24,470	-	Not rated	2.7-7.7 years	Duration
Real assets	1,523	-	-	1,523	Not rated	Not rated	
Total MIP investments by fair value level	**275,008**	**$ 249,015**	**$ 24,470**	**$ 1,523**			
MIP investments measured at NAV							
Equity securities	11,108						
Multi-strategy funds	43,994						
Bank Loans	14,844				Not rated	0.2 years	Duration
Total MIP investments measured at NAV	69,946						
Total MIP investments measured at fair value plus NAV	344,954						
Less portion held on behalf of outside entities	(184,896)						
Endowment portion of MIP investments	160,058						
Separately invested assets	2,522	$ 2,522	$ -	$ -			
Total endowment investments measured at fair value	**$ 162,580**						

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

Pension investments for the **Defined Benefit Plan – Classified Employees** were composed of the following at June 30, 2019:

		Fair Value Measurements Using:					
	Total	**Level 1**	**Level 2**	**Level 3**	**Credit Rating**	**Interest Rate Risk**	
Pension Investments at Fair Value:							
Equities:							
Equity funds	$ 7,987	$ 7,987	$ -	$ -			
Multi-strategy funds	1,895	1,895	-	-	Not rated	Not rated	
Fixed income funds:							
Money markets	668	668	-	-	Not rated	17 days	Weighted Average Maturity
Bonds	10,223	10,223	-	-	Not rated	2.7-7.7 years	Duration
Real assets	2,167	-	-	2,167	Not rated	Not rated	
Total pension investments by fair value level	**22,940**	**$ 20,773**	**$ -**	**$ 2,167**			
Pension Investments Measured at NAV:							
Equity funds	1,080						
Multi-strategy funds	1,224						
Bank Loans	1,332				Not rated	0.2 years	Duration
Total pension investments measured at NAV	3,636						
Total pension investments measured at fair value	**$ 26,576**						

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

3. INVESTMENTS - CONTINUED

Additional disclosures for **System investments,** including the MIP, measured at NAV at June 30, 2019:

	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Period Notice
Operating Investments:			
Equities: Multi-strategy [1]	$14,622	Monthly, Quarterly	60, 90 days
Bank loans [2]	22,380	Bi-monthly	15 days
Total operating investments measured at NAV	**$37,002**		
Endowment Investments:			
MIP investments measured at NAV			
Equity securities	$11,108		
Multi-strategy funds [1]			
(includes unfunded commitments of $1,845)	43,994	Monthly, Quarterly	30, 45, 60, 90 days
Bank loans [2]	14,844	Monthly	30 days
Total pooled investments measured at NAV	69,946		
Less portion held on behalf of outside entities	(37,491)		
Total endowment investments measured at NAV	**$32,455**		

Additional disclosures for pension investments for the **Defined Benefit Plan – Classified Employees** measured at NAV at June 30, 2019:

	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Period Notice
Pension investments measured at NAV:			
Equity funds	$ 1,080		
Multi-strategy funds [1]	1,224	Monthly	90 days
Bank loans [2]	1,332	Monthly	30 days
Total pension investments measured at NAV	**$ 3,636**		

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

The **System's investments**, including the MIP, were composed of the following at June 30, 2018:

		Fair Value Measurements Using:					
	Total	Level 1	Level 2	Level 3	Credit Rating	Interest Rate Risk	
Operating Investments:							
Equities:							
Multi-strategy funds	$ 57,053	$ 57,053	$ -	$ -			
Fixed income funds:							
Bonds	125,999	48,729	77,270	-	Not rated	1.81-7.8 years	Duration
Money markets	22,290	22,290	-	-	Not rated	23-25 days	Weighted Average Maturity
Total operating investments by fair value level	**205,342**	**$ 128,072**	**$ 77,270**	**$ -**			
Operating investments measured at NAV							
Equities: Multi-Strategy	14,817						
Bank loans	18,704				Not rated	.10 years	Duration
Total operating investments measured at NAV	33,521						
Total operating investments measured at fair value plus NAV	238,863						
State pool measured at amortized cost	13,373				Not rated	.45 years	Duration
Total operating investments	**$ 252,236**						
Deposits with Bond Trustees:							
Bonds and money markets	**$ 14,828**	**$ 14,828**	**$ -**	**$ -**	Not rated	23-25 days	Weighted Average Maturity
Endowment Investments:							
MIP investments:							
Equities:							
Equity securities	$ 9,935	$ 9,935	$ -	$ -			
Equity funds	121,325	121,325	-	-			
Multi-strategy funds	68,014	68,014	-	-	Not rated	Not rated	
Fixed income funds:							
Money markets	14	14	-	-	Not rated	22 days	Weighted Average Maturity
Bonds	50,593	34,187	16,406	-	Not rated	2.28-7.8 years	Duration
Real assets	2,717	-	-	2,717	Not rated	Not rated	
Total MIP investments by fair value level	**252,598**	**$ 233,475**	**$ 16,406**	**$ 2,717**			
MIP investments measured at NAV							
Equity securities	10,463						
Multi-strategy funds	38,655						
Bank Loans	15,883				Not rated	2 months	Duration
Total MIP investments measured at NAV	65,001						
Total MIP investments measured at fair value plus NAV	317,599						
Less portion held on behalf of outside entities	(167,680)						
Endowment portion of MIP investments	149,919						
Separately invested assets	4,195	$ 4,195	$ -	$ -			
Total endowment investments measured at fair value	**$ 154,114**						

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

Pension investments for the **Defined Benefit Plan – Classified Employees** were composed of the following at June 30, 2018:

		Fair Value Measurements Using:			Credit	Interest Rate	
	Total	**Level 1**	**Level 2**	**Level 3**	**Rating**	**Risk**	
Pension Investments at Fair Value:							
Equities:							
Equity funds	$ 5,688	$ 5,688	$ -	$ -			
Multi-strategy funds	7,966	7,966	-	-	Not rated	Not rated	
Fixed income funds:							
Money markets	354	354	-	-	Not rated	22 days	Weighted Average Maturity
Bonds	8,600	8,600	-	-	Not rated	2.28-7.8 years	Duration
Real assets	2,287	-	-	2,287	Not rated	Not rated	
Total pension investments by fair value level	**24,895**	**$ 22,608**	**$ -**	**$ 2,287**			
Pension Investments Measured at NAV:							
Equity funds	850						
Multi-strategy funds	1,642						
Bank Loans	1,543				Not rated	2 months	Duration
Total pension investments measured at NAV	4,035						
Total pension investments measured at fair value	**$ 28,930**						

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

3. INVESTMENTS - CONTINUED

Additional disclosures for **System investments,** including the MIP, measured at NAV at June 30, 2018:

	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Period Notice
Operating Investments:			
Equities: Multi-strategy [1]	$14,817	Monthly, Quarterly	60, 90 days
Bank loans [2]	18,704	Bi-monthly	15 days
Total operating investments measured at NAV	**$33,521**		
Endowment Investments:			
MIP investments measured at NAV			
Equity securities	$10,463		
Multi-strategy funds [1]			
(includes unfunded commitments of $1,642)	38,655	Monthly, Quarterly	30, 45, 60, 90 days
Bank loans [2]	15,883	Monthly	30 days
Total pooled investments measured at NAV	65,001		
Less portion held on behalf of outside entities	(34,318)		
Total endowment investments measured at NAV	**$30,683**		

Additional disclosures for pension investments for the **Defined Benefit Plan – Classified Employees** measured at NAV at June 30, 2018:

	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Period Notice
Pension investments measured at NAV:			
Equity funds	$ 850		
Multi-strategy funds [1]	1,642	Monthly	90 days
Bank loans [2]	1,543	Monthly	30 days
Total pension investments measured at NAV	**$ 4,035**		

Additional information for investments measured at NAV at June 30, 2019 and 2018 is as follows:

[1] Multi-strategy funds: Includes investments in equities and limited partnerships. Limited partnerships may invest in pooled vehicles in global equities, fixed income instruments, currencies, commodities; long and short positions with respect to bonds, leveraged loans, trade claims and other investments; or other hedge funds with objectives to outperform certain benchmarks. Fair values of these investments are completed on a monthly or quarterly basis using other significant direct or indirect observable inputs or recent observable transaction information for similar investments. Includes investments in liquidation status awaiting final distributions.

3. INVESTMENTS - CONTINUED

[2] Bank loans: Investments in these funds include floating rate loans in a diverse set of industries and are traditionally rated below investment grade. Other observable inputs determine fair value of this investment.

b. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System's policy for managing interest rate risk is as follows:

Operating Investments: To limit interest rate exposure, the System diversifies its investments as specified in Note 1.e.

Endowment Investments: To limit interest rate exposure, the endowment investment policy restricts the average effective duration of the fixed income portfolio to no more than 1 year from the duration of the applicable benchmark (e.g., the Barclays Capital Aggregate Bond Index was 5.73 years and 6.05 years at June 30, 2019 and 2018, respectively).

Investments for the Defined Benefit Plan – Classified Employees: To limit interest rate exposure, the defined benefit plan investment policy restricts the average effective duration of the fixed income portfolio to no more than 1 year from the duration of the applicable benchmark (e.g., the Barclays Capital Aggregate Bond Index was 5.73 years and 6.05 years at June 30, 2019 and 2018, respectively).

c. Foreign Currency Risk

Operating Investments: The System's operating investments include various fixed income, equity, and hedge fund holdings that have foreign currency exposure, with some funds hedging against foreign currency risk. Portfolio foreign currency exposure was $25,048 and $17,993 at June 30, 2019 and 2018, respectively.

Endowment Investments: The System's endowments are invested in the System MIP. The MIP invests in various fixed income, equity, and hedge funds which have foreign currency exposure, with some funds hedging against foreign currency risk. The endowment investments share of the foreign currency exposure in the MIP was $50,158 and $44,591 at June 30, 2019 and 2018, respectively.

Investments for the Defined Benefit Plan – Classified Employees: Pension investments include various fixed income, equity, and hedge fund holdings that have foreign currency exposure, with some funds hedging against foreign currency risk. Portfolio foreign currency exposure was $4,734 and $4,596 at June 30, 2019 and 2018, respectively.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

3. INVESTMENTS - CONTINUED

d. Investment Income (Loss)

Income (loss) related to the **System's investments** is as follows:

2019

	Net Gains (Losses)	Interest and Dividends	Investment Fees	Net Income (Loss)
Endowment investment income and fees	$ 2,166	$ 3,061	$ (931)	$ 4,296
Net loss allocated to affiliates				131
System endowment net income				$ 4,427
Reported as endowment return used for operations				$ 6,378
Reported as endowment return, net of amount used for operations				(1,951)
System endowment income				$ 4,427
Operating investments	$ 4,330	$ 8,052	$ (993)	$ 11,389
Perkins savings account	-	10	-	10
Deposits with bond trustees	-	245	-	245
Total other investment income (loss)	$ 4,330	$ 8,307	$ (993)	$ 11,644

2018

	Net Gains (Losses)	Interest and Dividends	Investment Fees	Net Income (Loss)
Endowment investment income and fees	$ 8,909	$ 2,023	$ (973)	$ 9,959
Net income allocated to affiliates				(669)
System endowment net income				$ 9,290
Reported as endowment return used for operations				$ 6,204
Reported as endowment return, net of amount used for operations				3,086
System endowment income				$ 9,290
Operating investments	$ 1,040	$ 6,371	$ (1,125)	$ 6,286
Perkins savings account	-	3	-	3
Deposits with bond trustees	-	201	-	201
Total other investment income (loss)	$ 1,040	$ 6,575	$ (1,125)	$ 6,490

See Note 13d for investment returns related to the **Defined Benefit Plan – Classified Employees**.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

4. ACCOUNTS, GRANTS, AND PLEDGES RECEIVABLE

Accounts, grants, and pledges receivable include the following at June 30:

	2019			2018		
	Total	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion
Student and other accounts receivable	$ 43,911	$ 42,029	$ 1,882	$ 37,568	$ 37,167	$ 401
Grants receivable	24,617	24,094	523	18,327	18,208	119
Pledges receivable	1,178	777	401	571	330	241
Total gross receivables	69,706	66,900	2,806	56,466	55,705	761
Less allowance for doubtful accounts	(11,145)	(11,144)	(1)	(8,309)	(8,306)	(3)
Less discount on pledges receivable	(7)	-	(7)	(20)	-	(20)
Total receivables, net	$ 58,554	$ 55,756	$ 2,798	$ 48,137	$ 47,399	$ 738

In accordance with GASB Statement No. 35, grants receivable related to the acquisition of capital assets is reported as a noncurrent receivable even though collection is expected within the next twelve months.

5. NOTES AND LEASES RECEIVABLE

Notes and leases receivable include the following at June 30:

	2019			2018		
	Total	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion
Perkins loans	$ 24,337	$ -	$ 24,337	$ 28,583	$ -	$ 28,583
Nursing loans	2,339	-	2,339	2,344	-	2,344
Institutional loans	10,500	-	10,500	10,203	-	10,203
Lease receivable **(a)**	626	63	563	689	63	626
Total notes and leases receivable	37,802	63	37,739	41,819	63	41,756
Less allowance for doubtful accounts	(1,763)	-	(1,763)	(1,696)	-	(1,696)
Total notes and leases receivable, net	$ 36,039	$ 63	$ 35,976	$ 40,123	$ 63	$ 40,060

Collections of the notes receivable for Perkins, Nursing, and Institutional loans may not be used to pay current liabilities, as the proceeds are restricted for making new loans. Accordingly, these notes receivable are recorded in the accompanying Statements of Net Position as noncurrent assets.

(a) Lease receivable consists of a lease with the University of New Hampshire, secured by equipment with monthly payments of $5, including interest at 4.85% per annum. The lease matures in 2029.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 is as follows:

	Beginning Balance	Additions	Reclassifications	Retirements	Ending Balance
Land	$ 18,376	$ -	$ -	$ -	$ 18,376
Library materials	25,686	-	-	-	25,686
Construction in progress	23,104	19,520	(24,818)	-	17,806
Total nondepreciable assets	67,166	19,520	(24,818)	-	61,868
Land improvements	60,922	-	2,892	(2,051)	61,763
Buildings & improvements	915,924	-	15,515	(62)	931,377
Equipment	153,078	6,828	5,947	(2,784)	163,069
Software	33,031	832	464	(35)	34,292
Total depreciable assets	1,162,955	7,660	24,818	(4,932)	1,190,501
Less accumulated depreciation:					
Land improvements	39,089	2,198	-	(1,019)	40,268
Buildings & improvements	363,038	25,298	-	(31)	388,305
Equipment	101,524	10,990	-	(2,707)	109,807
Software	26,427	2,640	-	(35)	29,032
Total accumulated depreciation	530,078	41,126	-	(3,792)	567,412
Net depreciable assets	632,877	(33,466)	24,818	(1,140)	623,089
Total capital assets	$ 700,043	$ (13,946)	$ -	$ (1,140)	$ 684,957

Capital asset activity for the year ended June 30, 2018 is as follows:

	Beginning Balance	Additions	Reclassifications	Retirements	Ending Balance
Land	$ 17,895	$ -	$ 481	$ -	$ 18,376
Library materials	25,686	-	-	-	25,686
Construction in progress	18,929	32,465	(28,065)	(225)	23,104
Total nondepreciable assets	62,510	32,465	(27,584)	(225)	67,166
Land improvements	57,341	-	3,636	(55)	60,922
Buildings & improvements	896,762	-	20,783	(1,621)	915,924
Equipment	142,852	7,436	2,906	(116)	153,078
Software	32,652	120	259	-	33,031
Total depreciable assets	1,129,607	7,556	27,584	(1,792)	1,162,955
Less accumulated depreciation:					
Land improvements	37,228	1,899	-	(38)	39,089
Buildings & improvements	339,946	24,436	-	(1,344)	363,038
Equipment	90,836	10,746	-	(58)	101,524
Software	23,740	2,687	-	-	26,427
Total accumulated depreciation	491,750	39,768	-	(1,440)	530,078
Net depreciable assets	637,857	(32,212)	27,584	(352)	632,877
Total capital assets	$ 700,367	$ 253	$ -	$ (577)	$ 700,043

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

6. CAPITAL ASSETS - CONTINUED

As of June 30, 2019 and 2018, $7,327 and $14,805, respectively, in proceeds from revenue bond issuances remain unspent. These amounts are included in the accompanying Statements of Net Position as part of deposits with bond trustees.

Also remaining unspent as of June 30, 2019 and 2018 is $47,580 and $486, respectively, in capital appropriations awarded by the State of Maine. These amounts are not included in the accompanying financial statements because the System has not met all eligibility requirements (e.g., incurred costs).

Both the revenue bond and capital appropriation monies are earmarked for specific projects, most of which are capital construction projects. As monies are spent on these projects, the costs are included in capital assets in the accompanying Statements of Net Position.

Outstanding commitments on uncompleted construction contracts totaled $15,433 and $10,363 at June 30, 2019 and 2018, respectively.

7. ACCRUED LIABILITIES AND LONG-TERM DEBT

Changes in accrued liabilities and long-term debt during the year ended June 30, 2019 include the following:

	Beginning Balance Restated	Additions	Reductions	Ending Balance	Current Portion
Accrued liabilities:					
Workers' compensation *(Note 11)*	$ 2,571	$ 712	$ (1,464)	$ 1,819	$ 908
Health insurance *(Note 11)*	6,470	83,178	(81,477)	8,171	8,171
Postemployment health plan *(Note 14)*	77,505	41,452	(55,710)	63,247	-
Other employee benefit programs *(Note 13)*	51,838	60,180	(58,034)	53,984	5,004
Other	15,219	13,700	(14,010)	14,909	13,418
Total accrued liabilities	$ 153,603	$ 199,222	$ (210,695)	$ 142,130	$ 27,501
Long-term debt:					
Capital lease obligations [a]	$ 2,974	$ -	$ (541)	$ 2,433	$ 461
Bonds and notes payable [b]	158,016	832	(13,212)	145,636	13,861
Lease purchase agreement [b]	632	2,735	(1,298)	2,069	456
Total long-term debt	$ 161,622	$ 3,567	$ (15,051)	$ 150,138	$ 14,778

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

7. ACCRUED LIABILITIES AND LONG-TERM DEBT - CONTINUED

Changes in accrued liabilities and long-term debt during the year ended June 30, 2018 include the following:

	Beginning Balance Restated	Additions	Reductions	Ending Balance	Current Portion
Accrued liabilities:					
Workers' compensation *(Note 11)*	$ 3,235	$ 332	$ (996)	$ 2,571	$ 873
Health insurance *(Note 11)*	5,584	69,402	(68,516)	6,470	6,470
Postemployment health plan *(Note 14)*	76,614	30,266	(29,375)	77,505	-
Other employee benefit programs *(Note 13)*	51,521	56,507	(56,190)	51,838	4,757
Other	17,117	13,328	(15,226)	15,219	13,879
Total accrued liabilities	$ 154,071	$ 169,835	$ (170,303)	$ 153,603	$ 25,979
Long-term debt:					
Capital lease obligations [(a)]	$ 3,538	$ -	$ (564)	$ 2,974	$ 622
Bonds and notes payable [(b)]	172,264	65	(14,313)	158,016	13,213
Lease purchase agreement [(b)]	-	644	(12)	632	123
Total long-term debt	$ 175,802	$ 709	$ (14,889)	$ 161,622	$ 13,958

a. Lease Obligations

The System leases certain equipment and real estate under leases with terms exceeding one year. Future minimum lease payments under capital leases and under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) as of June 30, 2019 are as follows:

Year Ending	Capital Leases		Operating	
June 30:	Principal	Interest	Leases	Total
2020	$ 461	$ 78	$ 395	$ 934
2021	502	71	233	806
2022	162	63	245	470
2023	169	56	239	464
2024	177	48	238	463
2025-2029	962	115	1,222	2,299
2030-2034	-	-	896	896
2035-2039	-	-	395	395
Total minimum lease payments	$ 2,433	$ 431	$ 3,863	$ 6,727

The rent expense related to operating leases amounted to $682 for the year ended June 30, 2019 and $756 for the year ended June 30, 2018.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

b. Bonds, Notes Payable and Lease Purchase Agreements

Bonds, notes payable and lease purchase agreements consist of the following at June 30:

	2019	2018
2017 Series A Revenue Bonds (original principal of $30,340) Serial bonds, maturing from 2018 to 2026, with annual principal payments from $2,285 to $4,460 and coupon interest rates from 4.0% to 5.0%. Issued to refund 2007A Series Revenue bonds and to provide funding for capital projects. Includes premiums of $2,241 and $2,993, respectively.	$ 24,941	$ 28,873
2015 Series A Revenue Bonds (original principal of $48,450) Serial bonds, maturing from 2016 to 2037, with annual principal payments from $405 to $3,760 and coupon interest rates from 3.0% to 5.0%. Issued to refund 2004A, 2005A, and 2007A Series Revenue bonds and to provide funding for capital projects. Includes premiums of $2,406 and $2,994, respectively.	44,611	47,619
2013 Series A Revenue Bonds (original principal of $65,255) Serial and Term bonds, maturing from 2014 to 2035, with annual principal payments from $1,275 to $4,425 and coupon interest rates from 2.0% to 5.0%. Issued to refund 2000A, 2003A, 2004A, and 2005A Series Revenue bonds. Includes premiums of $3,309 and $4,089, respectively.	53,654	57,679
2012 Series A Revenue Bonds (original principal of $34,975) Serial and Term bonds, maturing from 2013 to 2033, with annual principal payments from $1,070 to $2,620 and coupon interest rates from 2.0% to 4.0%. Issued to refund balloon on the 2002A Series Revenue bonds and to provide funding for a capital project. Includes premiums of $594 and $720, respectively.	19,799	21,775
University of Maine Foundation Note payable, secured by equipment, with annual payments of $15, including interest at 4.25%, matures 2023	47	59
Key Government Finance Inc. $832 loan secured by five-year software license agreement, annual payments of $182, including interest at 3.78%, matures July 2023	832	-
Efficiency Maine Trust $2,595 loan for biomass energy project, quarterly principal payments of $65 plus interest at 1.5% beginning in June 2016 and continuing through March 2026.	1,752	2,011
Total bonds and notes payable, net	145,636	158,016

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

	2019	2018
Banc of America Public Capital Corp.		
Master lease purchase agreement, secured by equipment and vehicles, quarterly or semi-annual payments including interest at 1.82% to 4.14%, maturing from October 2022 to March 2026	2,069	632
Total bonds, notes payable and lease purchase agreements, net	$ 147,705	$ 158,648
Total par value of outstanding bonds, notes payable and lease purchase agreements	$ 139,155	$ 147,852
Total unamortized premiums and discounts	8,550	10,796
Total bonds, notes payable and lease purchase agreements	$ 147,705	$ 158,648

Costs associated with the issuance of revenue bonds have been expensed as incurred and included in the accompanying Statements of Revenues, Expenses and Changes in Net Position. Premiums, discounts, and deferred amounts on refunding are being amortized over the life of the respective bond issuances as part of interest expense using the effective interest method.

Principal and interest payments on bonds, notes payable and lease purchase agreements for the next five years and in subsequent five-year periods are as follows at June 30, 2019:

Year Ending June 30:	Principal	Interest	Total
2020	$ 12,383	$ 5,749	$ 18,132
2021	11,333	5,223	16,556
2022	11,822	4,733	16,555
2023	11,296	4,185	15,481
2024	11,502	3,666	15,168
2025-2029	44,714	11,585	56,299
2030-2034	32,295	3,826	36,121
2035-2038	3,810	179	3,989
Total Payments	$ 139,155	$ 39,146	$ 178,301

Interest costs related to the revenue bonds for FY19 and FY18 were $4,003 and $4,216, respectively.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

8. UNEARNED REVENUE AND DEPOSITS

Unearned revenue and deposits as of June 30 consist of the following:

	2019	2018
Unearned grant advances	$ 5,722	$ 1,298
Unearned summer session revenue	7,211	6,732
Other unearned revenue and deposits	1,607	1,483
Total unearned revenue and deposits	$ 14,540	$ 9,513

The System recognizes grant and contract revenue to the extent that it has fulfilled the eligibility requirements (e.g., incurred allowable costs) of the grant or contract award. Some awards pay the System in advance of the System fulfilling its obligations. In such situations, the System reports the cash as an asset and the offset as unearned revenue and deposits, a current liability, in the Statements of Net Position (see unearned grant advances in the above table).

The vast majority of grant and contract awards made to the System pay the funds to the System on a reimbursement basis. To the extent that the System has eligible, unreimbursed expenses, it recognizes a grant receivable in the Statements of Net Position. The System excludes from its financial statements the portion of an award not currently reimbursable because the System has not yet met the eligibility requirements. As of June 30, 2019 and 2018, the portion of outstanding awards excluded from the financial statements totaled $52,514 and $48,183, respectively.

9. GOVERNMENT ADVANCES REFUNDABLE

The System participates in the Federal Perkins Loan and Nursing Loan Programs. These programs are funded through a combination of Federal and Institutional resources. The portion of these programs that has been funded with Federal funds is ultimately refundable to the U.S. Government upon the termination of the System's participation in the programs. The portion that would be refundable if the programs were terminated as of June 30, 2019 and 2018 has been included in the accompanying Statements of Net Position as a noncurrent liability.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

10. NET POSITION

The System's net position is composed of the following as of June 30:

	2019	2018
Net investment in capital assets	$ 542,491	$ 550,658
Restricted - Nonexpendable:		
Endowment funds	65,990	59,459
Restricted - Expendable:		
Student financial aid	48,531	49,026
Capital assets and retirement of debt	3,463	3,205
Loans	17,066	16,467
Academic support	13,846	12,862
Research and public service	6,430	8,203
Library	3,877	3,360
Other	22,715	21,865
Total restricted - expendable	115,928	114,988
Unrestricted:		
Educational and general reserves	67,873	67,358
Risk management	2,551	2,132
Budget stabilization	12,975	13,178
Auxiliary enterprises	14,116	12,981
Benefit pool carryover	12,201	15,729
Implementation of GASB 75 for OPEB	(87,824)	(89,607)
Information technology initiatives	792	430
Internally designated projects	15,389	18,421
Facility projects	33,630	28,521
Quasi endowment corpus	8,684	7,189
Endowment appreciation	8,481	8,823
Cost sharing and other	4,919	3,413
Total unrestricted	93,787	88,568
Total Net Position	$ 818,196	$ 813,673

11. COMMITMENTS AND CONTINGENCIES

a. Grant Program Involvement

The System participates in a number of federal programs subject to financial and compliance audits. The amount of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the System does not expect these amounts, if any, to be material to the financial statements.

b. Risk Management – Insurance Programs

The System is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries; environmental pollution and natural disasters. The System manages these risks through a combination of commercial insurance policies purchased in the name of the System, a large deductible all-risk property insurance program and a self-insured retention program for physical damage to vehicles and mobile equipment.

The System's retention obligation for the general liability and vehicle liability is capped at $400 per claim, with an aggregate limit of $20,000 per year. Educator's legal liability risks are subject to a $150 per loss retention with no annual cap. The System's estimate of the amount payable under these retention levels has been included in the accompanying Statements of Net Position as part of current accrued liabilities. As of June 30, 2019 and 2018 certain legal claims existed for which the probability or amount of payment could not be determined. The System, however, does not expect these amounts, if any, to be material to the financial statements.

At October 1, 2016, the System moved from a self-funded workers' compensation model to commercial insurance. Prior to October 1, 2016, the System was self-funded for the risk of loss related to workers' compensation. The liability for pre-existing unpaid claims is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The System's estimated liability at June 30, 2019 and 2018 of $1,819 and $2,571, respectively, for pre-existing workers' compensation claims is included in accrued liabilities in the accompanying Statements of Net Position (see Note 7). The System now purchases commercial workers' compensation insurance which limits the exposure for any one incident to $1.

The System's active employee and under age 65 retiree health plans are self-funded with an Administrative Services Only (ASO) agreement with a commercial carrier. The System's Medicare eligible retiree health plan is a fully insured Medicare Advantage Private Fee for Service program with a commercial carrier. Both contracts are in effect from January 1 through December 31, 2019. As of June 30, 2019 and 2018, the estimated liability for claims incurred but not reported is included in total health insurance accrued liabilities in the accompanying Statements of Net Position (see Note 7). The System purchases stop-loss insurance which limits the exposure to $1,000 per individual.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

11. COMMITMENT AND CONTINGENCIES - CONTINUED

The System's health insurance liability at June 30 consists of the following:

	2019	2018
Claims incurred but not reported	$7,007	$5,358
Reported claims	1,164	1,112
Total health insurance liability *(Note 7)*	$8,171	$6,470

Related to the System's self-insured health plan, certain collective bargaining agreements with System employees provide for a health insurance 'premium rebate' in the event that the total aggregate premium amount for the applicable two-year period (the "calculation period") exceeds, by a stated percentage, the total aggregate costs paid for claims and other expenses for the same period. Throughout each calculation period, the System receives periodic reports on how actual costs are trending in relation to the premiums; however, probability of a rebate cannot be determined prior to the end of the calculation period. For the calculation period ending December 31, 2018, there was no rebate owed.

12. PASS THROUGH GRANTS

During FY19 and FY18, the System distributed $118,791 and $121,873, respectively, for student loans through the U.S. Department of Education Federal Direct Lending Program. These distributions and related funding sources are not included as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

13. PENSION PLANS

The System has several single-employer pension plans, each of which is described in more detail below. The System's pension expense for each of these plans was as follows for the years ended June 30:

	2019	2018
Faculty and Professional Employees:		
Contributory retirement plan	$20,778	$19,878
Incentive retirement plan	1,470	1,399
Hourly Employees:		
Basic retirement plan	3,309	3,306
Defined benefit plan	3,298	1,575
Total net pension expense	$28,855	$26,158

a. Contributory Retirement Plan - Faculty and Professional Employees

Eligible salaried employees participate in the University of Maine System Retirement Plan for Faculty and Professional Employees (Contributory Plan), a defined contribution retirement plan administered by the Teachers Insurance and Annuity Association of America (TIAA). The Board of Trustees and collective bargaining agreements establish benefit terms and mandatory employee and employer contribution rates.

All full-time employees are eligible once employment begins. Part-time employees are eligible upon achieving the equivalent of five years of continuous, full-time, regular service. All eligible employees are required to participate when they reach thirty years of age. The System contributes an amount equal to 10% of each participant's base salary and each participant contributes 4% of base salary. Participants may make additional voluntary contributions up to limits allowable by the Internal Revenue Service. The System implemented a five-year vesting schedule for the employer matching contribution for certain salaried employees hired on or after January 1, 2010. All participant contributions are fully and immediately vested.

Effective June 1, 2014, TIAA became the sole record-keeper for the Contributory Retirement Plan. Upon separation from the System, participants may withdraw up to 100% of their vested account balances or transfer funds to other investment alternatives subject to Internal Revenue Service limitations and the contractual provisions of the Contributory Plan.

Employee contributions made to the Contributory Plan were $8,311 in FY19 and $7,951 in FY18.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

13. PENSION PLANS - CONTINUED

b. Incentive Retirement Plan – Faculty and Professional Employees

Plan Description

Plan Administration: The Incentive Retirement Plan is a single employer plan administered by the System. The Plan does not issue standalone financial statements.

Benefits Provided: Represented faculty who were employed before July 1, 1996 and other professional employees who were employed before July 1, 2006 participate in the University of Maine System Incentive Retirement Plan (Incentive Plan), a defined benefit plan, which was established on July 1, 1975. The Board of Trustees has authority to establish and amend provisions under the Incentive Plan subject to collective bargaining.

The Incentive Plan provides that eligible retiring employees with at least 10 years of continuous regular full-time equivalent service immediately prior to retirement will receive a benefit equivalent to 1½% times their completed years of service (up to a maximum of 27 years) times their final annual base salary. This amount is to be paid as a lump-sum contribution to the participant's retirement account. Employees enrolled in the Incentive Plan may elect to retire at any age on or after 55.

Plan Membership: At June 30, 2019 and 2018, active plan membership consisted of 925 and 992 active plan participants, respectively.

Contributions: The Incentive Plan is funded on a terminal funding basis - funded when costs become due and payable. Employees do not make contributions under the Incentive Plan.

Net Pension Liability

The total pension liability related to the Incentive Plan at the measurement date of June 30, 2019 and 2018 was $21,082 and $21,504, respectively. The fiduciary net position as a percentage of the total pension liability was 0.00% as this plan has no assets. The total pension liability was determined by an actuarial valuation as of July 1, 2019 and July 1, 2017, respectively, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Inflation	Not explicitly assumed
Salary increases	3.5% per year, including longevity
Discount rate	3.5% as of June 30, 2019 3.87% as of June 30, 2018
Life expectancy – FY19	Mortality rates were based on the RP-2014 Mortality Table Projected with Generational Mortality Improvement Using Scale MP-2018
Life expectancy – FY18	Non-annuitants – RP-2000 Mortality Table projected to 2028 with Scale AA Annuitants – RP-2000 Mortality Table projected to 2020 with Scale AA

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

13b. Incentive Retirement Plan – Faculty and Professional Employees - continued

Discount rate**:** GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* requires projected benefit payments be discounted to their actuarial present value using a tax-exempt, high-quality municipal bond rate.

For the Incentive Plan, which does not hold assets, the total pension liability is based on the discount rate of 3.50% and 3.87% as of June 30, 2019 and 2018, respectively. The rates are based on the municipal bond rates as of the measurement dates. The municipal bond rates for 2019 and 2018 are based on the Bond Buyer 20-Bond General Obligation (GO) Index published for the weeks of June 27, 2019 and June 28, 2018, respectively.

Sensitivity of the net pension liability to changes in the discount rate: The following table presents the total pension liability as of June 30, calculated using the respective current discount rate as well as using a discount rate 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2019			June 30, 2018		
	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total pension liability	$ 21,828	$ 21,082	$ 20,336	$ 22,280	$ 21,504	$ 20,734

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

13b. Incentive Retirement Plan – Faculty and Professional Employees - continued

Changes in Total Pension Liability for the **Incentive Retirement Plan**:

Fiscal Year Ended June 30	**2019**	**2018**
Total pension liability – beginning	$21,504	$22,312
Changes for the year:		
Service cost	595	604
Interest	813	785
Differences between expected and actual experience	(217)	-
Changes of assumptions and other inputs	562	(225)
Benefit payments	(2,175)	(1,972)
Total pension liability – ending (a)	21,082	21,504
Fiduciary net position – beginning	-	-
Contributions – employer	2,175	1,972
Benefit payments	(2,175)	(1,972)
Fiduciary net position – ending (b)	-	-
Net pension liability – ending (a)-(b)	$21,082	$21,504
Plan fiduciary net position as a percentage of the total pension liability	0.00%	0.00%
Covered-employee payroll	$68,685	$72,541
Net pension liability as a percentage of covered-employee payroll	30.69%	29.64%
Contributions as a percentage of covered-employee payroll	3.17%	2.72%

13. PENSION PLANS - CONTINUED

c. Basic Retirement Plan - Classified Employees

The Basic Retirement Plan (Basic Plan) is a single employer defined contribution plan (DC Plan) administered by the System and does not issue standalone financial statements. This DC Plan was created on July 1, 1998 in accordance with Section 403(b) of the Internal Revenue Code. Classified employees hired July 1, 1998 or later participate in this DC Plan.

Eligible employees who were hired before July 1, 1998 could elect to roll over to the DC Plan the value of their accrued benefit in the Defined Benefit Retirement Plan for Classified Staff (DB Plan), as described further below, or remain in the DB Plan. Eligible employees that remained in the DBt Plan and were age 50 and over on June 30, 1998 would continue to accrue additional benefits while the value of the benefit for those under age 50 would remain static. The majority of those under age 50 chose to roll over the value of their accrued benefit to the DC Plan.

Full-time employees are eligible to participate in the DC Plan once employment begins. Part-time employees are eligible once they have achieved the equivalent of five years of continuous, full-time regular service. Since June 1, 2014, all contributions have been directed to TIAA as the sole record-keeper.

Employees hired prior to July 1, 1998 and who have more than five years of completed service may voluntarily contribute up to 4% of base pay to the DC Plan and receive a 100% match from the System. Employees hired July 1, 1998 or later are required to contribute 1%. Employee contributions to the DC Plan of up to 4% of base pay are matched 100% by the System. In addition, employees who have four or more years of completed service and do not participate in the DB Plan, receive System contributions equal to 6% of their base pay, for a total maximum employer contribution of 10%.

The System implemented a four-year vesting schedule for the employer matching contribution for classified employees hired on or after January 1, 2010 and, on January 1, 2013, implemented a five-year vesting schedule for employer matching contributions. Employees hired before January 1, 2010 were fully and immediately vested in the employer matching contribution. All participant contributions are fully and immediately vested.

Upon separation from the System, participants may withdraw up to 100% of their vested account balances or transfer funds to other investment alternatives subject to Internal Revenue Service limitations and the contractual provisions of the Basic Plan.

Employee contributions made to the Basic Plan were $1,395 in FY19 and $1,394 in FY18.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

13. PENSION PLANS - CONTINUED

d. Defined Benefit Plan – Classified Employees

Plan Description

Plan Administration: The Defined Benefit Plan (the Plan) is a single employer plan administered by the System. The Plan does not issue standalone financial statements. The Plan is maintained for eligible classified employees who chose not to join the Basic Plan.

The System's Board of Trustees has authority to establish or amend provisions of all classified employee plans, including contribution requirements, subject to collective bargaining agreements.

Benefits Provided: Participants are eligible for normal retirement benefits upon attaining age 65 and retirement. The monthly retirement benefit is based on a formula specified by policy in collective bargaining agreements. Eligible employees receive the sum of:

a. 1.25% or 1.50% (based on years of service) of the participant's average annual compensation times credited service (up to a maximum of 30 years); plus

b. 1.25% or 1.50% (based on years of service) of the participant's unused sick leave.

Participants are eligible for early retirement benefits upon the attainment of age 55 and completion of five years of continuous service. The benefit is computed in accordance with the normal retirement age benefit, but is reduced by an actuarial factor because benefits will be paid over a longer period of time. No reduction is made if an employee retires after attaining 62 years of age with 25 or more years of service. Participants are also eligible for disability and death benefits.

Employees who participate in the Plan may also participate in the Optional Retirement Savings Plan (ORSP). The ORSP is a voluntary, employee-funded defined contribution plan. Employees may contribute up to 4% of their base pay and receive a 100% match from the System. The ORSP is administered by TIAA.

Plan Membership: The Plan is closed to new entrants. At June 30, pension plan membership consisted of the following:

	2019	2018
Inactive plan participants or beneficiaries currently receiving benefits	742	715
Inactive plan participants entitled to but not yet receiving benefits	213	304
Active plan participants	5	6
Total plan participants	960	1,025

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

13d. Defined Benefit Plan – Classified Employees – continued

Contributions: The System adopted a funding strategy for the Plan on February 27, 2014. The System's funding strategy follows a long-term contribution schedule, such that a level annual dollar amount will be contributed to the plan indefinitely, while never allowing the Plan's assets to be depleted. The actuarially determined annual projected contribution to the Plan is $896 through and including FY47, at which point the projected fiduciary net position is estimated to be sufficient to meet annual benefit payments; however, any required contribution amount will be re-determined with each actuarial valuation as market performance and other factors will impact the required future funding. Funding the Plan over the long-term allows the System to minimize contribution volatility.

Employees do not make contributions under the Plan.

Plan Investments

Method Used to Value Investments: Investments are reported at fair value. See Note 3 for information related to the fair value measurement, interest rate risk, and foreign currency risk associated with the Plan's investments.

Investment Policy: The Plan's investments are diversified both by asset class and within asset classes. To have a reasonable probability of consistently achieving the Plan's return objectives, the following asset allocation policy ranges were effect as of June 20, 2019 and 2018:

	2019	2018
Equity securities	12-32%	12-32%
Fixed income securities	25-45%	25-45%
Other	30-50%	30-50%
Cash	0-10%	0-10%

Rate of Return: For the years ended June 30, 2019 and 2018, the annual money-weighted rate of return, net of investment expenses, was 4.03% and 4.8%, respectively.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

13d. Defined Benefit Plan – Classified Employees - continued

Net Pension Liability

The components of the net pension liability at the measurement date of June 30 were as follows:

	2019	2018
Total pension liability	$ 38,105	$ 38,397
Fiduciary net position	(26,576)	(28,930)
Net pension liability	$ 11,529	$ 9,467
Fiduciary net position as a percentage of the total pension liability	69.74%	75.34%

For purposes of determining fiduciary net position, benefits are recorded when paid.

Actuarial Assumptions: The total pension liability as of June 30, 2019 and 2018 was determined by an actuarial valuation as of July 1, 2019 and July 1, 2017, respectively, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Actuarial asset method	The actuarial value of assets is the market value of assets
Inflation	2.6% for FY19 and 3% for FY18
Salary increases	3.5% for all years
Investment rate of return	6.25% net of investment expenses, including inflation
Life expectancy – FY19:	
Pre-retirement	RP-2014 Mortality Table projected with fully generational mortality improvement using Scale MP-2018
Post-retirement healthy	RP-2014 Mortality Table projected with fully generational mortality improvement using Scale MP-2018
Post-retirement disabled	RP-2014 Disabled Mortality Table
Life expectancy – FY18:	
Pre-retirement	RP-2000 Mortality Table projected to 2028 with Scale AA
Post-retirement healthy	RP-2000 Mortality Table projected to 2020 with Scale AA
Post-retirement disabled	RP-2000 Mortality Table, no projection

The long-term expected rate of return on the Plan's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

13d. Defined Benefit Plan – Classified Employees - continued

Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of June 30 are summarized in the following table:

	2019		2018	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Large Cap Equity	8.0%	4.50%	8.0%	4.50%
Small/Mid Cap Equity	4.0%	4.80%	4.0%	4.75%
International Equity	7.0%	4.80%	7.0%	4.75%
Emerging Market Equity	3.0%	6.50%	3.0%	6.25%
Core Fixed Income	35.0%	1.51%	35.0%	0.75%
Global Asset Allocation	27.5%	3.60%	27.5%	3.60%
Real Estate	8.0%	3.30%	8.0%	3.25%
Alternative Investments	4.5%	3.50%	4.5%	6.50%
Cash	3.0%	0.00%	3.0%	0.00%
Total	100.0%		100.0%	

Discount Rate: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* requires that projected benefit payments be discounted to their actuarial present value using the single rate that reflects (1) a long-term expected rate of return on pension plan investments to the extent that the pension plan's assets are sufficient to pay benefits and pension plan assets are expected to be invested using a strategy to achieve that return and (2) a tax-exempt, high-quality municipal bond rate to the extent that the conditions for use of the long-term expected rate of return are not met.

For the Plan, the discount rate used to measure the total pension liability at June 30, 2019 and 2018 was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from the System will be made in accordance with the Plan's funding policy adopted on February 27, 2014. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected benefit payments of current plan participants. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

13d. Defined Benefit Plan – Classified Employees - continued

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability as of June 30, 2019 calculated using the discount rate of 6.25%, as well as using a discount rate 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2019			June 30, 2018		
	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Net pension liability	$ 14,368	$ 11,529	$ 9,041	$ 12,146	$ 9,467	$ 7,104

Changes in Net Pension Liability for the **Defined Benefit Pension Plan**:

Fiscal Year Ended June 30	2019	2018
Total pension liability – beginning	$38,397	$40,291
Changes for the year:		
Service cost	1	1
Interest	2,270	2,385
Differences between expected and actual experience	(1,238)	-
Changes of assumptions	2,828	-
Benefit payments	(4,153)	(4,280)
Total pension liability – ending (a)	38,105	38,397
Fiduciary net position – beginning	28,930	31,216
Contributions – employer	714	695
Net investment income	1,112	1,335
Benefit payments	(4,153)	(4,280)
Administrative expenses	(27)	(36)
Fiduciary net position – ending (b)	26,576	28,930
Net pension liability – ending (a)-(b)	$11,529	$ 9,467
Plan fiduciary net position as a percentage of the total pension liability	69.74%	75.34%
Covered-employee payroll	$ 156	$ 105
Net pension liability as a percentage of covered employee payroll	7396.21%	9052.65%
Contributions as a percentage of covered employee payroll	458.23%	664.54%
Plan assets measured at fair value	$ 26,576	$ 28,930

13. PENSION PLANS - CONTINUED

e. Funding of Basic and Defined Benefit Plans – Classified Employees

While the Basic Plan and Defined Benefit Plan are administratively separate, they are both part of the Retirement Plan for Classified Employees and are covered by the same plan document. In accordance with Section 414(k) of the Internal Revenue Code, the System may elect to fund employer contributions to the Basic Plan and ORSP from any excess assets in the Defined Benefit Plan, subject to certain limitations.

14. POSTEMPLOYMENT HEALTH PLAN

Plan Description

Plan Administration: The Other Postemployment Benefits (OPEB) Health Plan ("OPEB Plan") is a defined benefit, single employer plan, administered by the System. The OPEB Plan does not produce standalone financial statements. Within certain limits, the Board of Trustees has authority to establish and amend provisions under the Plan for retirees. This authority is subject to collective bargaining agreements for active employees.

Plan Benefits: System retirees at or above the normal retirement age of 65 with at least ten years of continuous full-time regular university service immediately prior to retirement, and who are in the System health plan upon retirement, are eligible for group health coverage. This coverage is also extended to those former employees in the plan receiving benefits under the System's long-term disability (LTD) insurance and to widows/widowers of university employees and retirees. Employees who retire on or after April 1, 2008 and former employees receiving LTD benefits will have a one-time election to cease coverage under the System health plan and later reenroll for coverage provided continuous coverage is documented.

The System subsidizes the cost of insurance for eligible persons who are retired from the System and have reached age 65 and former employees approved for LTD benefits regardless of age or service subject to the following:

- For employees who retired prior to July 1, 2010, the subsidy is 100% of the cost for the retiree and 50% of the costs for eligible dependents.
- For employees who retired on or after July 1, 2010, but before January 1, 2017, the subsidy is reduced to 93%, 90%, or 85%, of the individual health premium, depending on the employee's years of System service.
- For employees who retired on or after January 1, 2017, the subsidy is 80% of the cost for the retiree and 50% of the costs for eligible dependents.
- Former employees who began LTD benefits on or after September 20, 2016 are eligible to continue the health plan for a maximum of 24 months with an 80% individual premium subsidy and a 50% dependent premium subsidy.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

14. POSTEMPLOYMENT HEALTH PLAN - CONTINUED

With certain restrictions, dependents are eligible to continue coverage at the 50% rate after the death of a retiree meeting the above criteria.

Eligible persons who were under age 65 and who retired from the System prior to January 1, 2011 do not receive a direct subsidy until they reach age 65. They must pay 100% of the active employee premium rate for the medical plan elected which includes an implicit subsidy as the actual medical plan premiums for this age group would be more than the active employee population. Eligible retirees under age 65 who retire on or after January 1, 2011 no longer receive the implicit subsidy but rather contribute a percentage of the actual medical plan premium for the early retiree group. The contribution percentage is phased in through calendar year 2019 (from 62.5% in 2011 to 100% in 2019).

Health insurance coverage for eligible persons is provided as part of the System's regular health insurance contract. Persons eligible for a subsidy from the System may not convert their benefit into an in-lieu-of payment to secure coverage under independent plans.

The System's OPEB expense for June 30, 2019 and 2018 was $8,371 and $9,878, respectively.

Plan membership: At June 30, OPEB Plan membership consisted of the following:

	2019	**2018**
Inactive plan participants or beneficiaries currently receiving benefits	2,239	2,359
Active plan participants	4,127	3,961
Total plan participants	6,366	6,320

Contributions: The System annually contributes an actuarially determined contribution to a Trust, based on the results of the most recent actuarial valuation.

Funding the OPEB Plan over the long-term allows the System to smooth market impacts, limiting contribution volatility. The required contribution amount will be re-determined with each actuarial valuation as market performance and other factors will impact the required future funding.

Plan Investments

Assets of the OPEB Plan are invested in the System's managed investment pool. See Notes 1e and 3 for more information on the pool and the OPEB Plan's share.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

14. POSTEMPLOYMENT HEALTH PLAN - CONTINUED

Net OPEB Liability

The components of the net OPEB liability at June 30 were as follows:

	2019	2018
Total OPEB liability	$ 194,586	$ 202,855
Fiduciary net position	(131,339)	(125,350)
Net OPEB liability	$ 63,247	$ 77,505
Fiduciary net position as a percentage of the total OPEB liability	67.50%	61.79%

Actuarial Assumptions: The total OPEB liability as of June 30, 2019 and 2018 was determined by an actuarial valuation as of July 1, 2019 and July 1,2017, respectively, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Actuarial asset method	Market value
Inflation	2.6% for 2019 and 3% for 2018
Investment rate of return	7.5% net of investment expenses, including inflation
Healthcare cost trend rate	8% for 2019 decreasing .5% per year to 5.5%, then grading down to an ultimate trend rate of 3.9%, utilizing the Society of Actuaries Getzen Medical Trend Model. The ultimate medical inflation rate is reached in 2075.
	8% for 2017 decreasing 1% per year to an ultimate rate of 5% for 2020 and later.
Life expectancy:	
Pre-retirement - 2019	RP-2014 Mortality Table projected with fully generational mortality improvement using scale MP-2018. For disabled lives, RP-2014 Disabled Mortality Table
Post-retirement – 2018	RP-2014 Mortality Table projected with fully generational mortality improvement using scale MP-2018
Pre-retirement – 2018	RP-2014 Mortality Table projected with fully generational mortality improvement using scale MP-2014. For disable lives, RP-2014 Disabled Mortality Table
Post-retirement – 2018	RP-2014 Mortality Table projected with fully generational mortality improvement using scale MP-2014

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

14. POSTEMPLOYMENT HEALTH PLAN - CONTINUED

(expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan's target asset allocation as of June 30 are summarized in the following table:

	2019		2018	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Domestic Large Cap	22%	4.50%	16%	4.50%
Domestic Small/Mid Cap	8%	4.80%	6%	4.75%
International Equity	25%	5.29%	23%	4.75%
Fixed Income	24%	1.60%	21%	1.39%
Global Asset Allocation	15%	3.20%	23%	3.60%
Hedge Funds	6%	3.50%	6%	4.25%
Real Assets	0%	0.00%	3%	3.25%
Private Equity	0%	0.00%	2%	6.50%
Cash and Equivalents	0%	0.00%	0%	0.00%
Total	100%		100%	

Discount Rate: Projected benefit payments are required to be discounted to their actuarial present value using the single rate that reflects (1) a long-term expected rate of return on OPEB Plan investments to the extent that the OPEB Plan's fiduciary net position is projected to be sufficient to make projected benefit payments and OPEB Plan assets are expected to be invested using a strategy to achieve that return and (2) a tax-exempt, high-quality municipal bond rate to the extent that the conditions for use of the long-term expected rate of return are not met.

The discount rate used to measure the total OPEB liability at the measurement date was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from the System will be made in accordance with the OPEB Plan's funding policy. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

14. POSTEMPLOYMENT HEALTH PLAN - CONTINUED

rate of return of 7.5% on OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate: The following presents the net OPEB liability as of June 30, calculated using the respective current discount rate as well as using a discount rate 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2019			June 30, 2018		
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net OPEB liability	$ 87,709	$ 63,247	$ 42,810	$ 105,713	$ 77,505	$ 56,466

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates: The following presents the net OPEB liability as of June 30, calculated using the respective current healthcare cost trend rates as well as using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	June 30, 2019			June 30, 2018		
	1% Decrease 7% Year 1 Decreasing to 4%	Healthcare Cost Trend Rates 8% Year 1 Decreasing to 5%	1% Increase 9% Year 1 Decreasing to 6%	1% Decrease 7% Year 1 Decreasing to 4%	Healthcare Cost Trend Rates 8% Year 1 Decreasing to 5%	1% Increase 9% Year 1 Decreasing to 6%
Net OPEB liability	$ 41,066	$ 63,247	$ 89,889	$ 52,779	$ 77,505	$ 110,373

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

14. POSTEMPLOYMENT HEALTH PLAN - CONTINUED

Changes in the net OPEB liability:

Fiscal Year Ended June 30	**2019**	**2018**
Total OPEB liability – beginning	$202,855	$ 191,497
Changes for the year:		
Service cost	6,583	6,330
Interest	15,354	14,482
Changes of benefit terms	-	-
Differences between expected and actual experience	(30,871)	-
Changes of assumptions	10,090	-
Benefit payments	(9,425)	(9,454)
Total OPEB liability – ending (a)	194,586	202,855
Fiduciary net position – beginning	125,350	114,883
Contributions – employer	11,868	11,942
Net investment income	3,546	7,979
Benefit payments	(9,425)	(9,454)
Fiduciary net position – ending (b)	131,339	125,350
Net OPEB liability – ending (a)-(b)	$ 63,247	$ 77,505
Plan fiduciary net position as a percentage of the total OPEB liability	67.50%	61.79%
Covered-employee payroll	$237,125	$ 220,849
Net OPEB liability as a percentage of covered employee payroll	26.67%	35.09%
Contributions as a percentage of covered employee payroll	5.00%	5.41%
Plan assets measured at fair value	$131,339	$ 125,350

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

15. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

The composition of deferred outflows and inflows of resources at June 30 is summarized as follows:

2019

	Pension Liability	OPEB	Deferred Amount on Debt Refunding	Irrevocable Split-Interest Agreements	Service Concession Arrangement	Total
Deferred outflows of resources	$ 3,011	$ 15,706	$ 4,032	$ -	$ -	$ 22,749
Deferred inflows of resources	$ 1,439	$ 36,012	$ -	$ 2,099	$ 5,150	$ 44,700

2018

	Pension Liability	OPEB	Deferred Amount on Debt Refunding	Irrevocable Split-Interest Agreements	Service Concession Arrangement	Total
Deferred outflows of resources	$ 3,403	$ 4,289	$ 4,294	$ -	$ -	$ 11,986
Deferred inflows of resources	$ 1,593	$ 13,832	$ -	$ 1,673	$ 3,600	$ 20,698

Deferred outflows of resources and deferred inflows of resources for pensions and OPEB were related to the following sources for the year ended June 30:

	Incentive Retirement Plan	Defined Benefit Plan	Total Pension	OPEB
Deferred outflows of resources				
Changes of assumption or other inputs	$ 1,154	$ -	$1,154	$ 12,024
Difference between expected and actual experience	755	-	755	-
Net difference between projected and actual earnings on plan investments	-	1,102	1,102	3,682
Total deferred outflows of resources	1,909	1,102	3,011	15,706
Deferred inflows of resources				
Changes of assumption or other inputs	531	-	531	-
Difference between expected and actual experience	908	-	908	36,012
Total deferred inflows of resources	1,439	-	1,439	36,012
Net deferred outflows (inflows)	$ 470	$1,102	$1,572	$(20,306)

15. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES - CONTINUED

Deferred outflows of resources and deferred inflows of resources for pensions and OPEB were related to the following sources for the year ended June 30:

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

2018

	Incentive Retirement Plan	Defined Benefit Plan	Total Pension	OPEB
Deferred outflows of resources				
Changes of assumption or other inputs	$ 847	$ -	$ 847	$ 4,289
Difference between expected and actual experience	932	-	932	-
Net difference between projected and actual earnings on plan investments	-	1,624	1,624	-
Total deferred outflows of resources	1,779	1,624	3,403	4,289
Deferred inflows of resources				
Changes of assumption or other inputs	649	-	649	-
Difference between expected and actual experience	944	-	944	12,148
Net difference between projected and actual earnings on plan investments	-	-	-	1,684
Total deferred inflows of resources	1,593	-	1,593	13,832
Net deferred outflows (inflows)	$ 186	$1,624	$1,810	$ (9,543)

Deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in pension expense and postemployment health expense, respectively, during the years ending June 30 as follows:

Year Ending June 30:	Incentive Retirement Plan	Defined Benefit Plan	Total Pension	OPEB
2020	$ 62	$ 596	$ 658	$ (4,073)
2021	62	170	232	(4,073)
2022	62	218	280	(3,317)
2023	180	118	298	(3,253)
2024	72	-	72	(3,038)
Thereafter	32	-	32	(2,552)
	$ 470	$ 1,102	$ 1,572	$ (20,306)

16. COMPONENT UNITS

The System is supported in part by several foundations and alumni associations that raise funds on the System's behalf. The System determined that one of those entities, the University of Maine Foundation ("the Foundation"), meets the criteria set forth under GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, for inclusion as a discretely presented component unit of the System.

The Foundation is a legally separate, tax-exempt organization, which acts primarily as a fund-raising organization to supplement the resources that are available to the System in support of its programs. The Board of Directors of the Foundation is self-perpetuating and independent of the System's Board of Trustees. Although the System does not control the timing or amount of receipts from the Foundation, the Foundation holds and invests resources almost entirely for the System's benefit (specifically the University of Maine); the System is entitled to access a majority of the economic resources held; and the economic resources held are "significant to the System" based on a 5% of net position threshold. The Foundation has accordingly been discretely presented as a component unit of the System in the accompanying financial statements as of and for the years ended June 30, 2019 and 2018, and is reported in separate financial statements as the Foundation reports its financial results under Financial Accounting Standards Board standards rather than GASB standards. Contributions and additions to endowments with donor restrictions were $9,525 for FY19 and $9,778 for FY18.

The Foundation asset category, long-term investments, endowment, comprised 83% and 84% of the Foundation's total assets as of June 30, 2019 and 2018, respectively. Remaining disclosures in this note relate to this asset group.

Change in accounting principle

In FY19 the Foundation adopted FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which was issued in order to improve financial reporting for not-for-profit entities. Among other provisions, ASU 2016-14 reduces the number of classes of net assets from three to two, *Net Assets Without Donor Restrictions* and *Net Assets With Donor Restrictions*. The Foundation implemented the provisions of ASU 2016-14 retroactively and they have been applied to all periods presented.

Long-term investments, endowment

The Foundation maintains a general pool of investments for its endowments. These investment securities are stated at fair value based on quoted market prices within active markets. The fair values of alternative investments are determined from information supplied by the investment managers based on the market values of underlying investments on a net asset value basis. Investment income is reflected in the Statements of Activities as "without donor restrictions" or "with donor restrictions" based upon the existence and nature of any donor-imposed restrictions.

16. COMPONENT UNITS - CONTINUED

The Foundation has established a specific set of investment objectives and guidelines for investment managers that attempt to provide a predictable stream of income while seeking to maintain the purchasing power of the endowment assets over the long-term. The investment policy establishes an achievable return objective and seeks to manage risk through diversification of asset classes. The current long-term return objective is to return 7.25% in 2019 and 2018. Actual returns in any given year may vary from these amounts.

Endowment spending policy

The Foundation utilizes a spending policy for its pooled endowment in order to provide for the current and long-term needs of endowment recipients. The spending policy determines the endowment income to be distributed. For the year ended June 30, 2019, the spending policy was 4.5% of the average market value for the twelve previous quarters ending September 30. For the year ended June 30, 2018, the spending policy was 4.5% of the average market value for the twelve previous quarters ending December 31.

Endowment spending is contingent upon a fund's market value exceeding its historic dollar value (principal). In accordance with the Uniform Prudent Management of Institutional Funds Act, a prudent expenditure may be allowed unless the donor has explicitly prohibited expenditure of principal. During the years ended June 30, 2019 and 2018, the Foundation distributed $12,835 and $10,755, respectively, to the System for both restricted and unrestricted purposes.

Fair value measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

A fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Foundation. Unobservable inputs reflect assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1. Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

16. COMPONENT UNITS - CONTINUED

Level 2. Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3. Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The following table summarizes the Foundation's long-term endowment investments by class in the fair value hierarchy as of June 30:

2019

	Level 1	Level 2	Level 3	Total	Liquidity
U.S. equities	$ 56,323	$ -	$ -	$ 56,323	Daily/Monthly
Non U.S. equities	72,274	-	-	72,274	Daily/Monthly/Quarterly
U.S. fixed income	20,239	-	-	20,239	Daily
Total private investments	-	-	8,709	8,709	Illiquid
Alternative investments	-	-	49,155	49,155	Illiquid/Monthly/Quarterly/ Semi-Annually/Annually
Cash	20,385	-	-	20,385	Daily
Total long-term investments, endowment	**$169,221**	**$ -**	**$57,864**	**$227,085**	

2018

	Level 1	Level 2	Level 3	Total	Liquidity
U.S. equities	$ 55,654	$ -	$ -	$ 55,654	Daily/Monthly
Non U.S. equities	76,070	-	-	76,070	Daily/Monthly/Quarterly
U.S. fixed income	25,355	-	-	25,355	Daily
Global fixed income	5,046	-	-	5,046	Monthly
Total private investments	-	-	3,740	3,740	Illiquid
Alternative investments	-	-	54,462	54,462	Illiquid/Monthly/Quarterly/ Semi-Annually/Annually
Cash	352	-	-	352	Daily
Total long-term investments, endowment	**$162,477**	**$ -**	**$58,202**	**$220,679**	

Complete financial statements for the Foundation may be obtained from the Foundation’s office at Two Alumni Place, Orono, ME 04469-5792.

17. SERVICE CONCESSION ARRANGEMENTS

In June 2016, the System contracted with Sodexo America LLC (“Sodexo”) to provide food services at all campuses except the University of Maine. The agreement is for a term of 5 years (subject to renewal for 5 additional 1 year terms, upon mutual agreement of the parties). Upon execution of the contract, the System received a signing bonus of $500 and a commitment by Sodexo to provide up to $4,000 for equipment and improvements to the System’s dining facilities during the first 2 years of the agreement. Effective September 1, 2018, the contract was amended to include an additional $2,000 for equipment and improvements. Any such improvements and equipment provided will remain the property of the System. Improvements to facilities not completed as of June 30, 2019 are recorded as a receivable in the amount of $1,433 in the Statement of Net Position.

As of June 30, 2019 and 2018, the equipment and improvements provided under this agreement have been classified as either capital assets or expenses in accordance with the System’s capitalization policies, with an offsetting deferred inflow of resources. The signing bonus has also been classified as a deferred inflow of resources. Over the life of the contract, the System will amortize the deferred inflows of resources while recognizing auxiliary revenue each year. If the agreement expires, terminates or is amended in a way that has an adverse impact on Sodexo, the System will be liable for the unamortized portion of Sodexo’s investment.

As of June 30, 2019 and 2018 the balance of the deferred inflows of resources related to the Sodexo service concession arrangement is $5,150 and $3,600, respectively (see Note 15). During FY19 and FY18, amortization in the amount of $450 has been recognized as auxiliary revenue.

UNIVERSITY OF MAINE SYSTEM
REQUIRED SUPPLEMENTAL INFORMATION – RETIREMENT AND OPEB PLANS
YEAR ENDED JUNE 30, 2019 (UNAUDITED)
(IN THOUSANDS)

INCENTIVE RETIREMENT PLAN:

Changes in Total Pension Liability and Related Ratios

Fiscal Year Ended June 30	**2019**	**2018**	**2017**	**2016**	**2015**
Service cost	$ 595	$ 604	$ 862	$ 718	$ 880
Interest	813	785	629	877	1,110
Differences between expected and actual experience	(217)	-	1,287	-	(1,831)
Changes of assumptions and other inputs	562	(225)	(628)	921	505
Benefit payments	(2,175)	(1,972)	(2,084)	(5,260)	(3,114)
Net change in total pension liability	(422)	(808)	66	(2,744)	(2,450)
Total pension liability – beginning	21,504	22,312	22,246	24,990	27,440
Total pension liability – ending	$21,082	$21,504	$22,312	$22,246	$24,990
Covered-employee payroll	$68,685	$72,541	$77,644	$95,653	$92,419
Total pension liability as a percentage of covered-employee payroll	30.69%	29.64%	28.74%	23.26%	27.04%

Schedule of Employer Contributions

Fiscal Year Ended June 30	**2019**	**2018**	**2017**	**2016**	**2015**
Actuarially determined contribution	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the actuarially determined contribution	2,175	1,972	2,084	5,260	3,114
Contribution deficiency (excess)	$ (2,175)	$ (1,972)	$ (2,084)	$ (5,260)	$ (3,114)
Covered-employee payroll	$68,685	$72,541	$77,644	$95,653	$92,419
Contributions as a percentage of covered-employee payroll	3.17%	2.72%	2.68%	5.50%	3.37%

REQUIRED SUPPLEMENTAL INFORMATION - RETIREMENT PLANS (UNAUDITED) (IN THOUSANDS)

INCENTIVE RETIREMENT PLAN – CONTINUED:

Notes to Required Supplementary Information:

Changes of benefit terms:	None.
Changes of assumptions and other inputs:	2019: The discount rate changed from 3.87% as of the beginning of the measurement period to 3.5% as of the end of the measurement period. 2018: The discount rate changed from 3.58% as of the beginning of the measurement period to 3.87% as of the end of the measurement period. 2017: The discount rate changed from 2.85% as of the beginning of the measurement period to 3.58% as of the end of the measurement period.
Methods and assumptions used in calculations of actuarially determined contributions:	The University of Maine System Incentive Retirement Plan is funded on a terminal funding basis - funded when costs become due and payable.

Actuarial cost method	Entry age normal
Inflation	Not explicitly assumed
Salary increases	3.5% per year, including longevity
Payroll growth	3.5% per year

Assets:	There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73.

REQUIRED SUPPLEMENTAL INFORMATION - RETIREMENT PLANS (UNAUDITED) (IN THOUSANDS)

DEFINED BENEFIT PENSION PLAN:

Changes in Total Pension Liability and Related Ratios

Fiscal Year Ended June 30	**2019**	**2018**	**2017**	**2016**	**2015**	**2014****
Changes for the year:						
Service cost	$ 1	$ 1	$ 6	$ 5	$ 40	$
Interest	2,270	2,385	2,545	2,769	2,884	
Differences between expected and actual experience	(1,238)	-	(759)	-	12	
Changes of assumptions	2,828	-	-	1,427	-	
Benefit payments	(4,153)	(4,280)	(4,435)	(4,585)	(4,693)	
Net change in total pension liability	(292)	(1,894)	(2,643)	(384)	(1,757)	
Total pension liability – beginning	38,397	40,291	42,934	43,318	45,075	
Total pension liability – ending (a)	38,105	38,397	40,291	42,934	43,318	45,075
Contributions – employer	714	695	735	538	1,100	
Net investment income	1,112	1,335	2,173	202	27	
Benefit payments	(4,153)	(4,280)	(4,435)	(4,585)	(4,693)	
Administrative expenses	(27)	(36)	(20)	(19)	(8)	
Net change in plan fiduciary net position	(2,354)	(2,286)	(1,547)	(3,864)	(3,574)	
Fiduciary net position – beginning	28,930	31,216	32,763	36,627	40,201	
Fiduciary net position – ending (b)	26,576	28,930	31,216	32,763	36,627	40,201
Net pension liability – ending (a)-(b)	$ 11,529	$ 9,467	$ 9,075	$ 10,171	$ 6,691	$ 4,874
Plan fiduciary net position as a percentage of the total pension liability	69.74%	75.34%	77.48%	76.31%	84.56%	89.19%
Covered-employee payroll*	$ 156	$ 105	$ 168	$ 312	$ 301	$ 692
Net pension liability as a percentage of covered-employee payroll	7396.21%	9052.65%	5400.37%	3259.34%	2219.09%	704.23%

* Covered payroll for 2016 is the 2015 covered payroll, increased by payroll growth of 3.5%

** Detailed information regarding the change in the total pension liability for FY14 has not been presented as that information was not available.

Schedule of Employer Contributions

Fiscal Year Ended June 30	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Actuarially determined contribution	$ 714	$ 695	$ 735	$ 538	$ 550	$ 550
Contributions in relation to the actuarially determined contribution	714	695	735	538	1,100	550
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ (550)	$ -
Covered-employee payroll*	$ 156	$ 105	$ 168	$ 312	$ 301	$ 692
Contributions as a percentage of covered-employee payroll	458.23%	664.54%	437.48%	172.49%	364.84%	79.47%

REQUIRED SUPPLEMENTAL INFORMATION - RETIREMENT PLANS (UNAUDITED) (IN THOUSANDS)

DEFINED BENEFIT PENSION PLAN – CONTINUED:

Notes to Required Supplementary Information:

Changes of benefit terms:

None.

Changes of assumptions:

2019: The mortality tables were updated to reflect more recent mortality tables and generational mortality improvement.

2018: None

2017: None

2016: The investment return rate was changed from 6.75% to 6.25% and the administrative expense assumption was changed from $50, increasing by 3% per year, to $30, increasing by 2% per year up to a maximum of $70.

2015: The actuarial funding method was changed from Projected Unit Credit to Entry Age Normal, the investment return rate was changed from 7.25% to 6.75% and the administrative expense assumption was changed from $90 per year to $50 per year.

Methods and assumptions used in calculations of actuarially determined contributions:

The actuarially determined contributions in the schedule of employers' contributions are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contributions reported in that schedule:

Actuarial cost method	2015 to 2019: Entry age normal 2014: Projected Unit Credit
Asset valuation method	The actuarial value of assets is the market value of assets.
Inflation	2019: 2.6% per year 2016 to 2018: 3% per year 2015: 3.25% per year
Salary increases	3.5% per year
Payroll increases	3.5% per year
Investment rate of return/discount rate	2016 to 2019: 6.25%, net of investment expenses, compounded annually. 2015: 6.75%, net of investment expenses, compounded annually. 2014: 7.25%, net of investment expenses, compounded annually.

REQUIRED SUPPLEMENTAL INFORMATION - RETIREMENT PLANS (UNAUDITED) (IN THOUSANDS)

DEFINED BENEFIT PENSION PLAN – CONTINUED:

Investment Returns: Fiscal Year Ended June 30	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expenses	4.03%	4.80%	7.04%	0.64%	0.12%	14.27%

The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. The rate of return is then calculated by solving, through an iterative process, for the rate that equates the sum of the weighted external cash flows into and out of the pension plan investments to the ending fair value of pension plan investments.

REQUIRED SUPPLEMENTAL INFORMATION - RETIREMENT PLANS (UNAUDITED) (IN THOUSANDS)

OPEB PLAN:

Changes in Net OPEB Liability and Related Ratios

Fiscal Year Ended June 30	**2019**	**2018**	**2017**	**2016****
Changes for the year:				
Service cost	$ 6,583	$ 6,330	$ 6,174	$
Interest	15,354	14,482	15,567	
Changes in benefit terms	-	-	(8,670)	
Differences between expected and actual experience	(30,871)	-	(17,138)	
Changes of assumptions	10,090	-	6,051	
Benefit payments	(9,425)	(9,454)	(10,364)	
Net change in total OPEB liability	(8,269)	11,358	(8,380)	
Total OPEB liability – beginning	202,855	191,497	199,877	
Total OPEB liability – ending (a)	194,586	202,855	191,497	199,877
Contributions – employer	11,868	11,942	16,146	
Net investment income	3,546	7,979	11,565	
Benefit payments	(9,425)	(9,454)	(10,364)	
Net change in plan fiduciary net position	5,989	10,467	17,347	
Fiduciary net position – beginning	125,350	114,883	97,536	
Fiduciary net position – ending (b)	131,339	125,350	114,883	97,536
Net OPEB liability – ending (a)-(b)	$ 63,247	$ 77,505	$ 76,614	$ 102,341
Plan fiduciary net position as a percentage of the total OPEB liability	67.50%	61.79%	59.99%	48.80%
Covered-employee payroll	$ 237,125	$ 220,849	$ 214,956	
Net OPEB liability as a percentage of covered-employee payroll	26.67%	35.09%	35.64%	

** Detailed information regarding the change in the total OPEB liability for FY16 has not been presented as that information was not available.

REQUIRED SUPPLEMENTAL INFORMATION - RETIREMENT PLANS (UNAUDITED) (IN THOUSANDS)

OPEB PLAN - CONTINUED:

Schedule of Employer Contributions

Fiscal Year Ended June 30	**2019**	**2018**	**2017**
Actuarially determined contribution	$ 13,216	$ 12,819	$ 14,970
Contributions in relation to the actuarially determined contribution	11,868	11,942	16,146
Contribution deficiency (excess)	$ 1,348	$ 877	$ (1,176)
Covered-employee payroll	$ 237,125	$ 220,849	$ 214,956
Contributions as a percentage of covered-employee payroll	5.00%	5.41%	7.51%

<u>Notes to Required Supplementary Information:</u>

Changes of assumptions:

2019: The mortality tables were updated to reflect more recent mortality tables and generational mortality improvement. The health care cost rate was updated to reflect more recent trends.

2018: *None*

2017: The investment rate of return/discount rate was changed from 7.75% to 7.5% and the actuarial funding method was changed from Projected Unit Credit to Entry Age Normal.

Methods and assumptions used in calculations of actuarially determined contributions:

The actuarially determined contributions in the schedule of employers' contributions are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contributions reported in that schedule:

Actuarial cost method	2017 to 2019: Entry age normal 2016: Projected Unit Credit
Amortization method	2019: Level dollar amount over 28 years on a closed amortization period 2017 to 2018: Level dollar amount over 30 years on a closed amortization period
Amortization period	2019: 28 years 2017 to 2018: 30 years
Asset valuation method	Market value
Inflation	2019: 2.6% per year 2017 to 2018: 3% per year

REQUIRED SUPPLEMENTAL INFORMATION - RETIREMENT PLANS (UNAUDITED) (IN THOUSANDS)

Healthcare cost trend rate	2019: 8% decreasing .5% per year to 5.5%, then grading down to an ultimate trend rate of 3.9%, utilizing the Society of Actuaries Getzen Medical Trend Model. The ultimate medical inflation rate is reached in 2075. 2017 to 2018: 8% decreasing 1% per year to an ultimate rate of 5% for 2020 and later years
Investment rate of return/ discount rate	2017 to 2019: 7.5% net of OPEB plan investment expenses, including inflation 2016: 7.75% net of investment expenses, including inflation

Investment Returns: **Fiscal Year Ended June 30**	**2019**	**2018**	**2017**
Annual money-weighted rate of return, net of investment expenses	2.81%	6.90%	11.56%

The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of OPEB plan investments by the proportion of time they are available to earn a return during that period. The rate of return is then calculated by solving, through an iterative process, for the rate that equates the sum of the weighted external cash flows into and out of the OPEB plan investments to the ending fair value of OPEB plan investments.

UNIVERSITY OF MAINE SYSTEM
SUPPLEMENTAL INFORMATION REQUIRED BY THE STATE OF MAINE
SCHEDULES OF ACTIVITIES
(IN THOUSANDS)

Year Ended June 30, 2019

Functions/Programs	Expenses	Charges for Services	Program Investment Loss	Operating Grants/ Contributions	Capital Grants/ Contributions	Net (Expense) Revenue
University of Maine System	$728,403	$ 316,954	$ (1,951)	$ 175,914	$ 4,209	$(233,277)

General Revenues:	
Unrestricted interest and investment income	11,644
Additions to endowments - gifts	8,558
State of Maine noncapital appropriation	211,975
State of Maine capital appropriation	5,958
Loss on disposal of capital assets	(335)
Total Revenues and Extraordinary Items	237,800
Change in Net Position	4,523
Net Position, Beginning of Year	813,673
Net Position, End of Year	$ 818,196

Year Ended June 30, 2018

Functions/Programs	Expenses	Charges for Services	Program Investment Gain	Operating Grants/ Contributions	Capital Grants/ Contributions	Net (Expense) Revenue
University of Maine System	$696,452	$ 308,056	$ 3,086	$ 170,339	$ 4,370	$(210,601)

General Revenues:	
Unrestricted interest and investment income	6,490
Additions to endowments - gifts	1,380
State of Maine noncapital appropriation	210,979
State of Maine capital appropriation	8,029
Loss on disposal of capital assets	(443)
Total Revenues and Extraordinary Items	226,435
Change in Net Position	15,834
Net Position, Beginning of Year	797,839
Net Position, End of Year	$ 813,673

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
University of Maine System
Orono, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the University of Maine System (the System) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated REPORT DATE. Our report includes a reference to other auditors who audited the financial statements of the University of Maine Foundation (Foundation), as described in our report on the System's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Trustees
University of Maine System

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DRAFT

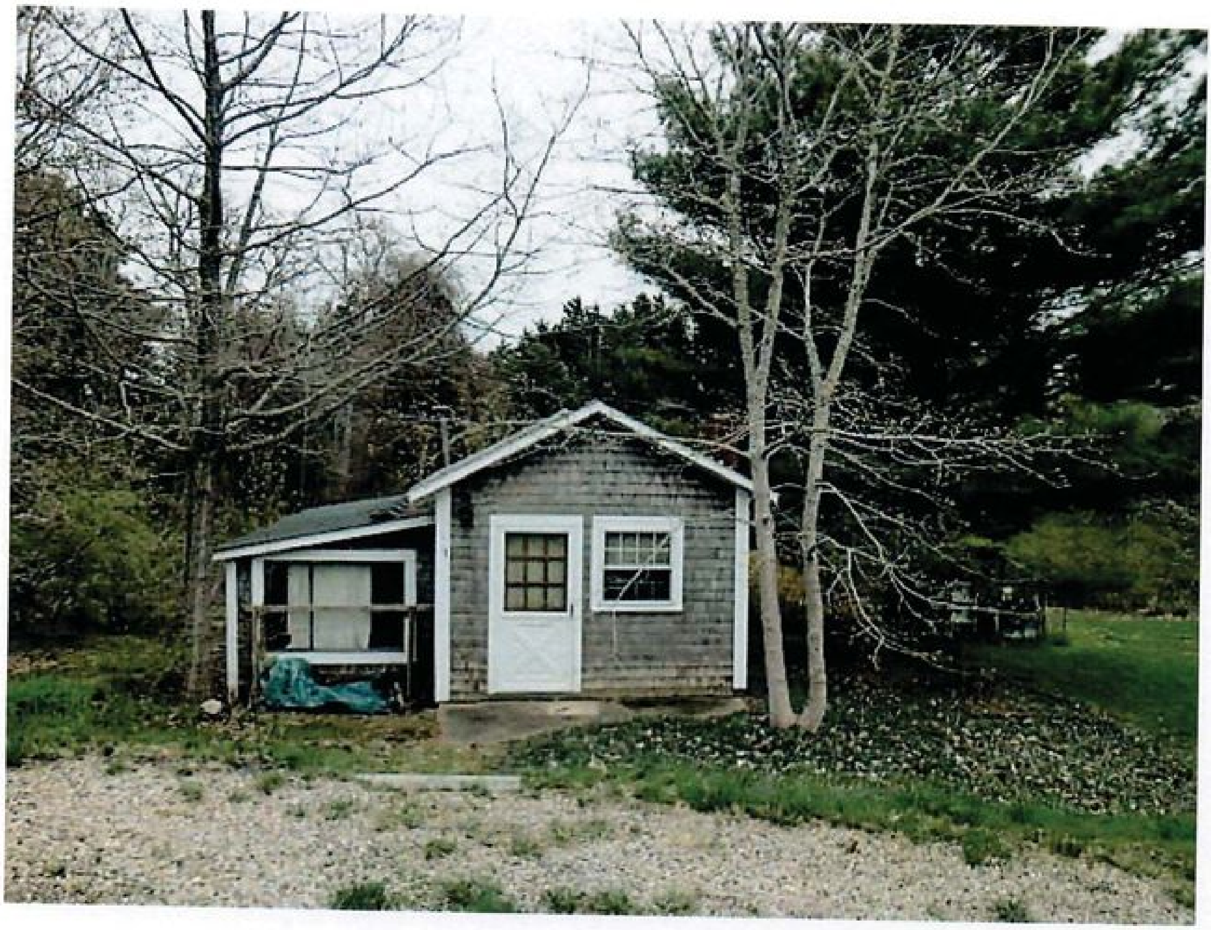
CliftonLarsonAllen LLP

REPORT DATE

CMA Prepared for Friends of Orleans COA & University of Maine by Mary D Sullivan

1 Baxter Lane , East Orleans MA 02643

Listing Price Recommendation



Low	$279,000
High	$329,000
Recommended	$289,000

CMA Prepared for Friends of Orleans COA & University of Maine by Mary D Sullivan

3 Baxter Lane , East Orleans MA 02643

Listing Price Recommendation

Low	$389,000
High	$429,000
Recommended	$399,000

Town of Orleans, Massachusetts Assessor's Online Database

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Enter Search Criteria Below (Hint: When searching by Street or Owner, try entering just the first few letters). Adobe Acrobat Reader is required to view the Property Record Card. To obtain a copy of the reader Click the "Get Adobe Reader" Icon.

To view a Property Record Card, click on the icon (far right column) in Search Results.

Get ADOBE READER

Search On Personal Property Records Rather Than Real Property (Browse Listing Only)

<Choose an optional sort order> Sort Order (Filtering field is the default)

Click to Search using criteria below | Database Last Updated On: 11/27/2018 | Clear Criteria

Key	Map	Parcel	Ext	Owner	St.No.	StNo2	Street	Class	Book	Page
							BAXTER			

Search Results

Keyno	Map	Parcel	Ext	Ty	Owner	StNo	StNo2	Street	Class	Book	Page	AssdVal	Card_PDF
3632	43	126	0	R	LOTUFF SHIRLEY ANNE TRUSTEE	1		BAXTER LN	1010	26923	289	$314,800	
3631	43	125	0	R	LOTUFF SHIRLEY ANNE TRUSTEE	3		BAXTER LN	1010	26923	287	$361,000	
3630	43	124	0	R	GRUSSING JAMES & DUBUC DONNA M	5		BAXTER LN	1010	30012	180	$316,500	
3624	43	118	0	R	NARDOLILLO SARAH & STOECKERT	5	A	BAXTER LN	1320	21069	38	$600	
3623	43	117	0	R	HODKOSKI DONALD	6		BAXTER LN	1010	14958	47	$325,500	
3628	43	122	0	R	MASSA DAVID C TRUSTEE	7		BAXTER LN	1010	23217	102	$380,100	
3629	43	123	0	R	MASSA DAVID C TRUSTEE	7		BAXTER LN	1060	23217	102	$257,400	
3625	43	119	0	R	CABLE LEE W & CAROL G	9		BAXTER LN	1010	25130	94	$444,100	
3627	43	121	0	R	CLOUGH ANSON W & NANCY P	11		BAXTER LN	1010	7350	126	$486,400	
3617	43	111	0	R	KUHLMANN PHILIP &SCHLEY CHERYL	12		BAXTER LN	1010	28877	317	$854,200	
3626	43	120	0	R	LOBO ESTHER P	15		BAXTER LN	1010	10911	124	$1,246,300	