

University of Maine System
Board of Trustees

Zoom Meeting
October 27, 2023

Audit Committee

Present: Committee Members: Mike Michaud, Chair; Kelly Martin, David MacMahon, Lisa Eames, Owen McCarthy and Trish Riley. **Other Trustees:** Donna Loring
Chancellor: Dannel Malloy. **Presidents:** Joan Ferrini-Mundy, Jacqueline Edmondson
System Staff: Tracy Elliott, Paul Chan, Kayla Flewelling, Ryan Low, Darla Reynolds, and Samantha Hegmann **Other Participants:** Linda Bournival, Andy Kenderdine, Janis Elsemoore CLA, Michael Johns, CLA CliftonLarsonAllen LLP

Trustee Michaud called the meeting to order and thanked everyone for participating. The Clerk performed a roll call of the Committee members present.

UM Department of Athletics Agreed-Upon Procedures Report

Samantha Hegmann, Associate Athletic Director for Compliance for the University of Maine, provided a brief overview regarding the enclosed Department of Athletics Agree-Upon Procedures Report for Academic Year 2022-2023, performed by WithumSmith+Brown, PC.

This report can be found and referenced in the meeting materials.

Audit Committee FY2024 Work Plan

Chair Michaud briefly reviewed the work plan for fiscal year 2024 with the committee of which one meeting will be held. That work plan is outlined below:

May Meeting Agenda:

1. Review Single Audit Report
2. External auditor summary of federal compliance Single Audit results
3. External auditor discussion of required communications, audit planning for the next fiscal year, and emerging accounting issues
4. UM Department of Athletics Agreed-Upon Procedures Report

Chair Michaud reminded the committee that other meetings and agenda items can be scheduled as needed in the future.

Other Postemployment Benefits (OPEB) Plan Presentation

Other Postemployment Benefits (or OPEB) are benefits (other than pensions) that U.S. state and local governments provide to their retired employees which primarily involve healthcare benefits, but may also include life insurance, disability, and other services.

Linda Bournival, Consulting Actuary, of KMS Actuaries, LLC provided an overview of the UMS OPEB Plan's actuarial results including key financial results and information about the Plan's Trust assets and funded status.

Annual Financial Report – FY2023

The University of Maine System’s (UMS) fiscal year 2023 (FY2023) draft Annual Financial Report is presented for the Audit Committee’s review. The report is currently pending final review by the UMS external auditors. Darla Reynolds, UMS Director of Accounting, will provide an overview of the results at the October 27, 2023, Audit Committee meeting.

As shown on page 43 of the Annual Financial Report, UMS ended FY23 with *Loss Before Other Changes in Net Position* of \$23 million and *Total Other Changes in Net Position* of \$54 million, for a *Change in Net Position* for FY2023 of \$31 million.

As shown on page 41, *Total Net Position* at June 30, 2023 was \$1 billion increasing \$31 million from FY2022. Changes in each *Net Position* category were:

Net Position Category:	FY2023 Increase (Decrease)
<i>Net Investment in Capital Assets</i>	\$45 million
<i>Restricted Nonexpendable</i>	\$1 million
<i>Restricted Expendable</i>	\$5 million
<i>Unrestricted</i>	<u>(\$20) million</u>
<i>Change in Net Position</i>	<u>\$31 million</u>

On a motion by Trustee Martin, which was seconded by Trustee Riley, and approved by all Trustees present, the Audit Committee approved the following resolution:

That the Board of Trustees accepts the recommendation of the Audit Committee and approves the FY2023 Annual Financial Report as presented.

Auditor Communications to the Audit Committee

CliftonLarsonAllen LLP (CLA) representatives Michael Johns, Principal, and Andy Kenderdine, Manager, reported to the Committee the 2023 UMS audit results and emerging accounting issues and opened the floor for discussion around their Required Communications Letter. Of note in this report, there were a few changes to the Audit process that were outlined to include the modernizing of auditing standards (SAS 143-145) to address evolving business environments that will go into effect in 2024, with new requirements built in to address enhanced risk assessment and understanding of estimates and deeper IT understanding with more inquiries and data requests/testing. This will impact future audits by allowing auditors more time to evaluate controls and utilize IT specialists to offer additional recommendations that could positively impact complex IT systems.

Executive Session

On a motion by Trustee Martin, which was seconded by Trustee Riley, the Audit Committee went into Executive Session under the following provisions:

- 1 MRSA Section 405 6-A to discuss the evaluation of personnel and the consideration and discussion of appointments, evaluations, employment, and duties.
- 1 MRSA Section 405 6-C to discuss the condition, acquisition or disposition of real property or economic development if premature disclosure of the information would prejudice the competitive or bargaining position of the UMS.

On a motion by Trustee McCarthy, which was seconded by Trustee MacMahon, the Committee concluded the Executive Session.

Additional information on the meeting can be found on the Board of Trustees website:
<https://www.maine.edu/board-of-trustees/meeting-agendas-materials/audit-committee/>

Adjournment.

Kayla Flewelling, Interim Clerk