Maine's Public Universities

UNIVERSITY OF MAINE SYSTEM

Annual Financial Report

Year Ended June 30, 2016

2016

University of Maine

University of Maine at Augusta

University of Maine at Farmington

University of Maine at Fort Kent

University of Maine at Machias

University of Maine at Presque Isle

University of Southern Maine

Electronic statements are available at
http://www.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

The University of Maine System does not discriminate on the grounds of race, color, religion, sex, sexual orientation, including transgender status and gender expression, national origin, citizenship status, age, disability, genetic information or veterans' status in employment, education, and all other programs and activities. The following positions have been designated to handle inquiries regarding non-discrimination policies: Campus Equal Opportunity Officers or the Director of the Equal Opportunity Center of Excellence for the University of Maine System, 39 Exeter St., Portland, Me 04101, Voice (207) 780-4709, TTY 711 (Maine Relay System).

Maine's Public Universities
UNIVERSITY OF MAINE SYSTEM

Office of the Chancellor
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Orono, ME 04469

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The University of Maine
University of Maine at Augusta
University of Maine at Farmington
University of Maine at Fort Kent
University of Maine at Machias
University of Maine at Presque Isle
University of Southern Maine

November 2016

Dear Friend:

Our public universities are working to position Maine for a better future.

Our One University Initiative is a pioneering change effort that has achieved the nation's only reduction in the inflation-adjusted cost of four-year, public higher education. The efficiencies we have identified are also saving students and taxpayers more than $80 million annually and have established a stronger, sustainable financial foundation for our institutions. Our hard work and tough choices over the past few years have aligned our universities in size and in structure with the times.

More than mere austerity, we have also developed new capacities for collaborations and integrations across our campuses which is helping our universities compete regionally and globally for the talent and resources we need to move Maine forward.

With the adoption of the Unified Budget Recommendations by the Board of Trustees in September of 2016, we have reached a milestone. Our administrative restructuring provides the tools we need to collaborate as a single, integrated statewide enterprise to serve all our students and State.

Our work as stewards of Maine's public universities is far from done, but we are proud of our accomplishments and are optimistic about what this progress means for advancing Maine's future. The partnerships and strategic focus we are achieving by serving Maine as One University are key to building the opportunities needed to work with Maine's community and business leaders to address our State's demographic, economic, and workforce challenges.

Please visit our website at www.maine.edu to learn more about how our universities, talented educators, and dedicated staff serve our students and the State of Maine.

Sincerely,

James H. Page

James H. Page
Chancellor

As of June 30, 2016

BerryDunn

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
University of Maine System

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, which consist of the System's statements of net position and financial position as of June 30, 2016 and 2015, the related statements of revenues, expenses and changes in net position and cash flows for the years then ended the related statement of activities for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the System's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the discretely presented component unit. Those statements were audited by another auditor, whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the discretely presented component unit, are based solely on the reports of the other auditor. We conducted our audits in accordance with U.S. generally accepted auditing standards 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 discretely presented component unit 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 auditor's 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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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 audits and the reports of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of the System as of June 30, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 8 through 27, Schedules of Funding Progress on page 80 and the supplementary information related to the System's retirement plans on pages 81 through 86, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 U.S. generally accepted auditing standards, 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements as a whole. The supplementary information presented in the Schedules of Activities on page 87 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audits 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 U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the System's June 30, 2015 financial statements, and we expressed unmodified opinions on those audited financial statements in our report dated November 16, 2015. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 14, 2016 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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.

Berry Dunn McNeil & Parker, LLC

Bangor, Maine
November 14, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015 (Unaudited)

University of Maine System ("the System" or UMS) management has prepared the following unaudited Management's Discussion and Analysis (MD&A) to provide users with a narrative and analysis of the financial position and activities based on currently known facts, decisions, and conditions. This discussion includes an analysis of the financial condition and results of activities of the System for the fiscal years ended June 30, 2016 and prior years. This presentation includes highly summarized information and 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 seven distinctive 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 carries out the traditional tripartite mission – teaching, research, and public service. The System is a major resource for the State, driving economic development by conducting world-class research, commercializing valuable ideas, and partnering successfully with businesses and industries throughout Maine and beyond.

UNIVERSITY OF MAINE SYSTEM UNIVERSITIES, CAMPUSES & CENTERS

The System is a comprehensive public institution of higher education with approximately 30,000 enrolled students, supported by the efforts of 1,133 regular full-time faculty, 61 regular part-time faculty, 2,936 regular full-time staff, and 285 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:

University of Maine (UM):	Maine's land and sea-grant institution
University of Maine at Augusta (UMA):	Central Maine's baccalaureate and associate degree institution
University of Maine at Farmington (UMF):	Maine's selective liberal arts college
University of Maine at Fort Kent (UMFK):	Baccalaureate university in the St. John Valley
University of Maine at Machias (UMM):	Eastern Maine's baccalaureate institution
University of Maine at Presque Isle (UMPI):	Baccalaureate education for the Northeastern region
University of Southern Maine (USM):	A comprehensive public university

The University of Maine School of Law, a freestanding institution within the System, is located in Portland and is Maine's only law school. Lewiston-Auburn College is a campus of USM. The University of Maine at Augusta-Bangor is a campus of UMA. The Hutchinson Center in Belfast is a campus of UM. University College is the UMS' distant education organization and offers access to courses and programs from the 7 universities at more than 40 locations and online.

The System has also expanded its Professional Graduate Center (PGC) initiative which will serve as a combined graduate center for the UM and USM graduate business programs, the Juris Doctor program at the University of Maine School of Law, and now the graduate programs in public health and in public policy and management that operate at the Muskie School of Public Service at USM. In addition, the PGC will now include the Cutler Institute for Health and Policy, which is the research arm of USM and part of the Muskie School.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015 (Unaudited)

STUDENT ENROLLMENT

Throughout the System, 28,994 students were enrolled on a headcount basis for the Fall 2015 semester, down 2.1% from Fall 2014 and 6.8% since Fall 2011.

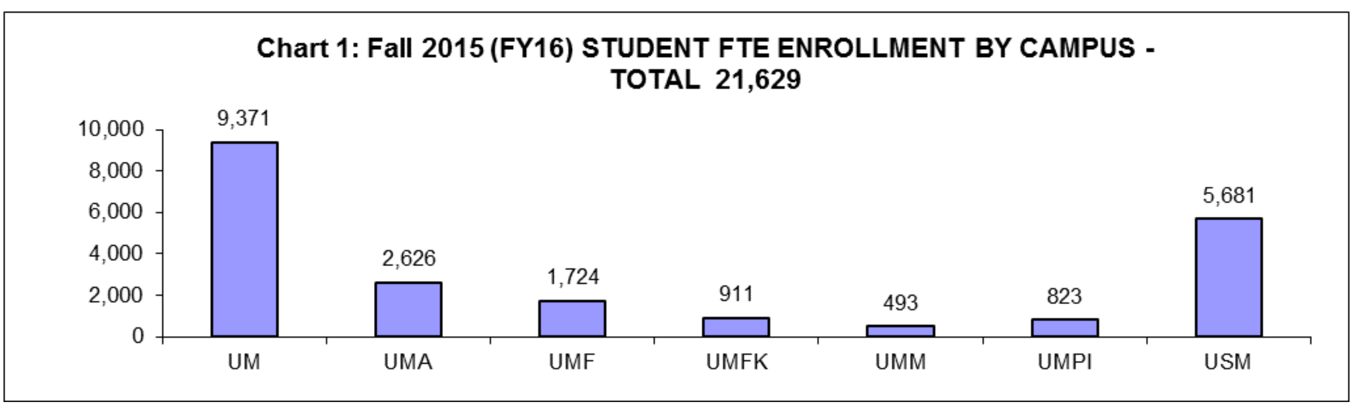
Table 1: Fall Student Enrollments by Headcount

	Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011	
Full-Time	**18,898**	**65%**	**19,273**	**65%**	19,728	65%	20,153	65%	20,057	64%
Part-Time	**10,096**	**35%**	**10,340**	**35%**	10,637	35%	10,859	35%	11,051	36%
Headcount	**28,994**	**100%**	**29,613**	**100%**	30,365	100%	31,012	100%	31,108	100%

Table 2 below shows student enrollment on a full-time equivalent (FTE) basis with 21,629 students enrolled for the Fall 2015 semester, down 1.9% from Fall 2014. FTE enrollments were down 2.2% from Fall 2013 to Fall 2014. Since Fall 2011, enrollments have declined by 1,297 students or 5.7%. For Fall 2015, 65% of the student population was enrolled full-time and 80% on an FTE basis were Maine residents.

Table 2: Fall Student FTE Enrollments

	% Change Fall 2011 to 2015	Fall 2015	% Change	Fall 2014	% Change	Fall 2013	% Change	Fall 2012	% Change	Fall 2011	% Change
UM	**2.8%**	**9,371**	**-1.5%**	**9,512**	**1.7%**	9,356	3.5%	9,040	-0.9%	9,120	-2.5%
UMA	**-7.0%**	**2,626**	**0.4%**	**2,615**	**-3.6%**	2,713	-5.2%	2,862	1.4%	2,823	0.6%
UMF	**-13.1%**	**1,724**	**1.7%**	**1,695**	**-6.2%**	1,807	-4.7%	1,896	-4.4%	1,983	-1.0%
UMFK	**29.8%**	**911**	**8.7%**	**838**	**4.1%**	805	3.3%	779	11.0%	702	-0.4%
UMM	**-8.2%**	**493**	**-4.5%**	**516**	**-4.8%**	542	-5.1%	571	6.3%	537	-5.6%
UMPI	**-17.5%**	**823**	**5.6%**	**779**	**-7.6%**	843	-13.4%	974	-2.3%	997	-4.5%
USM	**-16.0%**	**5,681**	**-6.6%**	**6,082**	**-5.9%**	6,460	-6.0%	6,871	1.6%	6,764	-4.1%
Total	**-5.7%**	**21,629**	**-1.9%**	**22,037**	**-2.2%**	22,526	-2.0%	22,993	0.3%	22,926	-2.6%



MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015 (Unaudited)

STUDENT COMPREHENSIVE COST OF EDUCATION

Net student fee revenue, totaling $237 million in FY16 and $238 million in FY15, is the System's greatest source of revenue, contributing 36% of Total Operating and Net Nonoperating Revenues for the past four years. Net student fees are impacted by enrollment levels; tuition, room and board, and fees; and the amount of scholarship allowances provided to students.

The weighted average comprehensive cost of education for UMS undergraduate, graduate and Law School students is shown in Table 3 below. The modest increases in the student cost of education reflect the System's continued commitment to providing affordable higher education. Containing increases in tuition and fees rates continues to be challenging given cost pressures and limited increases in Noncapital State of Maine Appropriations. Noncapital Appropriations were the System's second largest source of revenues contributing $201 million (or 31%) in FY16 and $199 million (or 31%) in FY15.

As shown below, FY16 saw weighted average comprehensive cost of education increases that were significantly lower than in FY12. Percentage changes in FY16 range from an increase of 2.6% for Undergraduate Canadian students to an increase of 0.5% for Graduate Canadian students. Percentage changes in FY15 range from an increase of 2.0% for Undergraduate Canadian students to a decrease of 1.4% for Graduate New England Board of Higher Education (NEBHE) students.

Table 3: Student Comprehensive Cost of Education
Tuition, Mandatory Fees, and Room and Board
Fiscal Year Weighted Averages

	2016		2015		2014		2013		2012	
	Cost	% Change	Cost	% Change	Cost	% Change	Cost	% Change	Cost	% Change
Undergraduate										
In-State	**$18,396**	1.3%	**$18,151**	0.6%	$18,035	1.3%	$17,802	0.4%	$17,731	3.3%
Out-of-State	**33,998**	1.6%	**33,453**	1.3%	33,022	2.4%	32,250	2.6%	31,418	3.0%
NEBHE	**23,067**	1.6%	**22,707**	0.5%	22,584	1.7%	22,213	-0.1%	22,239	3.8%
Canadian	**22,119**	2.6%	**21,548**	2.0%	21,116	1.9%	20,725	0.7%	20,572	4.0%
Graduate										
In-State	**$17,217**	1.4%	**$16,982**	0.3%	$16,937	1.3%	$16,721	0.5%	$16,634	3.2%
Out-of-State	**32,733**	2.4%	**31,958**	1.4%	31,517	2.5%	30,757	2.2%	30,099	3.5%
NEBHE	**20,655**	1.1%	**20,438**	-1.4%	20,735	0.9%	20,552	0.8%	20,389	5.3%
Canadian	**21,123**	0.5%	**21,014**	-0.4%	21,095	2.5%	20,572	0.4%	20,492	3.3%
Law School										
In-State	**$32,630**	0.8%	**$32,380**	0.6%	$32,180	0.6%	$31,989	0.4%	$31,857	4.1%
Out-of-State	**43,700**	0.6%	**43,450**	0.5%	43,250	0.4%	43,059	0.7%	42,777	3.2%
NEBHE/Canadian	**40,760**	0.6%	**40,510**	0.5%	40,310	0.5%	40,119	0.6%	39,897	3.5%

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015 (Unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS

The University of Maine 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, and
- Statements of Cash Flows.

The University of Maine Foundation is a legally separate tax-exempt component unit of the University of Maine System. This entity's financial position and activities are discretely presented in the University'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, liabilities, deferred inflows, and net position of the System. This statement is the primary statement used to report financial condition. Net position represents the residual interest in the System's assets and deferred outflows after liabilities and deferred inflows are deducted. The change in net position is an indicator of whether the overall financial condition has improved or deteriorated during the year. Table 4 on page 13 shows Condensed Statements of Net Position for the past five years.

Restatement of Prior Years

As noted in the FY15 financial statements, the FY14 financial statements were restated to reflect:

- adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* as described in the FY15 financial statements' Notes 1b and 17 and
- early adoption of 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,* as described in the FY15 financial statements' Notes 1b and 17.

The overall impact to the Condensed Statements of Net Position was that the FY14 beginning of year net position as previously reported declined over $11 million while the FY14 effect on the Change in Net Position was an increase of almost $4 million, resulting in a nearly $8 million decline from the previously stated FY14 unrestricted net position.

Additionally, as noted in the FY14 financial statements, the FY13 financial statements were restated to reflect adoption of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The overall impact to the Condensed Statements of Net Position was that the beginning of year net position as previously reported declined $2 million while the FY13 effect on the Change in Net Position was a decline of $1 million, resulting in a total $3 million decline from the previously stated FY13 net position category of net investment in capital assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015 (Unaudited)

Table 4 shows total assets and deferred outflows of $1.19 billion at June 30, 2016 decreased $12 million, or -1%, from the prior year, and increased $10 million, or less than 1%, since June 30, 2012. Total assets are categorized as either 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. The major component of current assets is operating investments which totaled $231 million at June 30, 2016 and 2015.

Noncurrent assets consist mainly of endowment investments and capital assets, net of depreciation. Endowment investments totaled $136 million at June 30, 2016, a decrease of $7 million or 5% from the FY15 year-end balance of $143 million and a $15 million or 12% increase since June 30, 2012. Capital assets totaled $707 million and $703 million at June 30, 2016 and 2015, respectively.

Current liabilities of $64 million and $74 million at June 30, 2016 and 2015, 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, timing of the funding of the Other Postemployment Benefits (OPEB) Trust and budget constraints.

At $258 million, total noncurrent liabilities decreased $7 million or 3% from June 30, 2015 to 2016. This decrease is primarily the result of an increase of $3 million in accrued liabilities offset by a net decrease of $10 million in bonds and notes payable as the System made debt payments. Total noncurrent liabilities increased $1 million or less than 1% from June 30, 2014 to 2015 primarily the result of a decrease of $3 million in endowment funds held for others offset by a net increase of $5 million in bonds and notes payable. In FY15, the System issued $48 million of revenue bonds to provide $13 million for energy efficiency projects at UMF and UMM and to achieve interest savings by refunding $38 million of previously issued bonds.

Total net position at June 30, 2016 of $867 million increased $6 million or less than 1% from the June 30, 2015 balance. Additional information about net position is presented on page 18.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015 (Unaudited)

Table 4: Condensed Statements of Net Position as of June 30
($ in millions)

	2016	% Change	2015	% Change	2014	2013	2012
Current Assets	$293	2%	$288	-4%	$300	$307	$315
Noncurrent Assets							
Endowment investments	136	-5%	143	-5%	150	133	121
Capital assets, net	707	1%	703	1%	698	688	684
Other	45	-25%	60	30%	46	57	60
Total Assets	1,181	-1%	1,194	0%	1,194	1,185	1,180
Deferred Outflows of Resources	9	13%	8	100%	4	4	
Total Assets & Deferred Outflows	$1,190	-1%	$1,202	0%	$1,198	$1,189	$1,180
Current Liabilities	$64	-14%	$74	16%	$64	$71	$79
Noncurrent Liabilities:							
Long-term debt	155	-6%	165	4%	158	173	183
Other	103	3%	100	-6%	106	95	93
Total Liabilities	322	-5%	339	3%	328	339	355
Deferred Inflows of Resources	1	-50%	2	0%	0		
Total Liabilities & Deferred Inflows	323	-5%	341	4%	328	339	355
Net investment in capital assets	544	1%	541	2%	532	511	500
Restricted:							
Nonexpendable	58	0%	58	2%	57	56	55
Expendable	108	2%	106	-3%	109	100	93
Unrestricted	157	1%	156	-9%	172	183	177
Total Net Position	867	1%	861	-1%	870	850	825
Total Liabilities & Net Position	$1,190	-1%	$1,202	0%	$1,198	$1,189	$1,180

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, and the University of Maine School of Law Foundation.

Table 5 on the next page shows the June 30, 2016, 2015, and 2014 market values of the pooled investments, including the amounts held on behalf of each entity. These amounts exclude other separately held UMS endowment assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015 (Unaudited)

Table 5: Market Value of MIP Investments by Entity
($ in millions)

	2016	2015	2014
University of Maine System & Affiliates Endowments	$135	$140	$150
Other Post Employment Benefits Trust (OPEB)	98	94	95
Maine Maritime Academy	29	30	29
University of Maine School of Law Foundation	4	4	4
Total	**$266**	**$268**	**$278**

The accompanying Statements of Net Position report endowment investments that include the System's and affiliates' share of the MIP, along with separately invested UMS endowments. The liability for the affiliates' share of those investments is also recognized on those Statements as funds held for others. The OPEB Trust, Maine Maritime Academy, and the University of Maine School of Law Foundation investments are not included in those Statements.

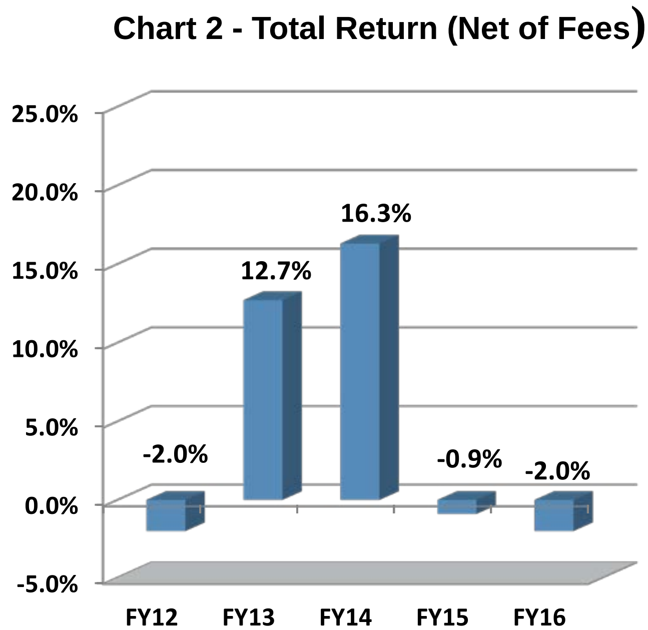
The MIP investments are diversified among the following asset classes to minimize risk while optimizing return.

Table 6: Asset Allocation Percentages for Managed Investment Pool at June 30

	2016	2015	2014
Domestic Equities	**24%**	**22%**	**22%**
International Equities	**24%**	**23%**	**23%**
Fixed Income	**18%**	**15%**	**15%**
Global Asset Allocation	**18%**	**25%**	**26%**
Hedge Funds	**12%**	**13%**	**12%**
Timber	**2%**	**2%**	**2%**
Cash	**2%**	**0%**	**0%**
Total	100%	100%	100%

Financial markets were a challenge again in FY16 with the pool realizing a net of fees return of -2.0%, down from -0.9% in FY15, and 16.3% in FY14. The pooled investments have a 5-year annualized net of fees return of 4.5%.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015 (Unaudited)



Endowments (Including Affiliates)

Endowments are generally created from gifts or bequests from donors with the funds invested for the purpose of creating 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, then such amounts are considered restricted expendable. If the use of funds is left to the discretion of the System, the endowment income and appreciation are considered unrestricted.

As mentioned above, the System continues to use 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 3, these pooled investments had a market value of $135 million at June 30, 2016, decreasing $5 million from the prior year end market value of $140 million. This decline included endowment contributions of $4 million less $3 million in net negative performance and $6 million distributed for scholarships and other operating activities.

These pooled investments had a market value of $140 million at June 30, 2015, decreasing $10 million from the prior year end market value of $150 million. This decline included endowment contributions of $1 million less $2 million in net negative performance, $6 million distributed for scholarships and other operating activities, and $3 million withdrawn by one of the affiliates.

The System manages its endowment with the goal of generating a fairly consistent stream of annual support for current needs, while at the same time preserving the endowment as a whole to ensure funds for future years.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015 (Unaudited)

Chart 3: Market Values of UMS & Affiliates Endowments Invested in Pool ($ in millions)

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 FY13 thru FY16 was 4.5%, down from 4.75% in FY12.

Capital Assets and Debt Activities

Table 7 on page 17 shows the status of major capital construction projects as of June 30, 2016, and the related budget approved by the Board of Trustees (BOT).

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 as it considers which facilities to upgrade, retire, or build. Capital needs are funded with State bonds, gifts, grants, educational and general funds, and System revenue bonds.

During FY16, the System had capital asset additions of $43 million which included $38 million of construction in progress and $5 million of equipment. In FY15, the System had capital asset additions of $41 million which included $33 million of construction in progress and $8 million of equipment and software. In FY14, the System had capital asset additions of $44 million which included $39 million of construction in progress and $5 million in equipment and software.

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, 2016 and 2015, was $166 million and $176 million, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015 (Unaudited)

Table 7: Major Capital Projects Completed During FY16 or In Progress at June 30, 2016
($ in millions)

	Project	Funding Source	Status	BOT Approved Budget
UMA				
	UMA Lewiston Hall Renovation	Educational & General	In Progress	$ 2.00
UMF				
	Science Labs Renovations (Preble & Ricker)	Educational & General, State Bond	Completed	1.38
	Central Heating Plant	2015 Revenue Bond	Completed	11.00
UMFK				
	Forestry Geographic Info Sys Tech Labs/Nursing Lab Renovation/Teleconference Center Upgrades	State Bond	In Progress	1.20
UMM				
	Powers Hall Exterior and Masonry	Educational & General, State Bond	Completed	1.56
	Compressed Natural Gas Heating Conversion	2015 Revenue Bond	In Design	1.80
	Kimball Hall Demolition	Educational & General, Anticipated 2017 Revenue Bond	In Progress	0.95
UM				
	Advanced Structures & Composites Ctr Expansion	Grant, Gift, State Bond	In Progress	8.90
	Cooperative Extension Diagnostic & Research Lab	Educational & General, State Bond	In Design	9.00
	Aubert Hall STEM Classroom Renovation	State Bond	Completed	2.70
	Wells Commons Dish Room Renovation	Educational & General	Completed	1.30
	Boardman Hall STEM Lab Renovation	State Bond	Completed	0.61
	Little Hall STEM Classroom Renovation	State Bond	Completed	1.74
	Estabrooke 3rd & 4th Floor Renovation	Educational & General	Completed	5.00
USM				
	Central Heat Plant Renovation Portland	Educational & General	Completed	3.00
	Bailey Hall Lab Renovation	State Bond	Completed	1.25
	Lewiston Auburn College Nursing Lab Renovation	State Bond	Completed	0.60
	Science Building Lab Upgrade	State Bond	In Progress	0.77
	Improvements to existing space for relocation of personnel from perimeter and lower density facilities	Educational & General	In Progress	1.54
	Bio-Science Chemistry Lab	State Bond	Completed	1.25
	Gorham Softball Field Improvements	Educational & General	In Progress	2.20
	Wireless Infrastructure Upgrade	Educational & General	In Progress	1.90
	Brooks Kitchen Exhaust Upgrade	Educational & General	In Progress	0.82
UMPI				
	Folsom/Pullen Science Classroom & Lab Upgrades	State Bond	Completed	1.20
UMS				
	IT Infrastructure - Wireless and Classroom Technology Upgrades	Anticipated 2017 Revenue Bond	In Design	19.00
	MaineStreet Upgrade	Anticipated 2017 Revenue Bond	In Design	2.00
	Improvements to existing space for relocation of personnel from 16 Central Street	Educational & General	In Progress	1.00
			TOTAL	$ 85.67

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015 (Unaudited)

Net Position

Net investment in capital assets represents the historical cost of the System's capital assets reduced by total accumulated depreciation and outstanding principal balances on debt attributable to the acquisition, construction, or improvement of those assets. As seen in Table 4 on page 13, the System's net investment in capital assets was $544 million at June 30, 2016. The FY16 increase of $3 million was primarily the result of $4 million in net additions to capital assets after annual depreciation and a $1 million decline in related debt.

For FY15, the $9 million increase was primarily the result of $5 million in net additions to capital assets after annual depreciation and a $4 million decline in related debt.

The restricted-nonexpendable net position at June 30, 2016 remained at $58 million and represents the System's permanent endowment funds. Items that impact this category of net position include new endowment gifts and fair market value fluctuations for those endowments whose fair value has fallen below the endowment corpus. From FY12 to FY15, the balance increased $1 million each year.

The restricted-expendable net position of $108 million at June 30, 2016 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 FY16 net increase of $1 million included a nearly $5 million increase in gift balances; an increase of approximately $1 million each in quasi endowment gifts, appropriation balances, and University student loan fund balances; and a decline of nearly $7 million in endowment values due to negative investment performance and distributions for endowed spending.

For FY15, the $3 million net decrease in restricted-expendable net position was primarily the result of a nearly $500 thousand loss from negative investment performance, nearly $6 million distributed for endowed spending, a $1 million increase in restricted gift monies for scholarships for adults, a $1 million increase in unspent State of Maine appropriations for the Maine Economic Improvement Fund, and a $1 million increase in a restricted institutional loan fund.

The unrestricted net position of $157 million at June 30, 2016 increased by $1 million after having decreased by $16 million in FY15. This 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, 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 University of Maine System, funds must be readily available to cover various situations including emergency expenditures, strategic priorities, operating losses, over-expenditures on capital or other projects, and benefits costs.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015 (Unaudited)

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.

Restatement of Prior Years

As mentioned earlier on page 11, and as further described in the FY15 financial statements' Notes 1b and 17, FY14 was restated to reflect application of the change in accounting principle related to pensions resulting in a decrease to the FY14 beginning of year net position of over $11 million while the effect on FY14 operating expense was a decrease of almost $4 million. The change in net position for FY14 (as restated) therefore increased almost $4 million and the impact on net position at June 30, 2014, was a decline of nearly $8 million, from the amount previously reported.

As noted in the System's FY14 financial statements' Notes 1b and 16, FY13 was restated to reflect retroactive applications of the change in accounting principle, related to assets previously reported as assets and liabilities. This resulted in a change to the 2013 beginning of year net position of -$2 million while the effect on 2013 operating expenses was an increase of $1 million. The change in net position for FY13 (as restated) therefore declined $1 million and the impact to net position at June 30, 2013, was a decline of $3 million from the amount previously reported.

The System's total net position increased by $6 million in FY16, decreased $9 million in FY15 and increased $20 million in FY14.

Table 8 shows Condensed Statements of Revenues, Expenses, and Changes in Net Position for the past five fiscal years ended June 30.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015 (Unaudited)

Table 8: Condensed Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30
($ in millions)

	2016	2015	2014	2013	2012
Net Student Fees	**$237**	**$238**	$243	$246	$241
Grants, Contracts and Indirect Cost Recovery	**148**	**146**	156	161	178
Other Operating Revenues	**52**	**52**	54	56	57
Operating Revenues	**437**	**436**	453	463	476
Operating Expenses	**(660)**	**(669)**	(671)	(673)	(672)
Operating Loss	**(223)**	**(233)**	(218)	(210)	(196)
Nonoperating Revenues (Expenses)					
Noncapital State of Maine Appropriations	**201**	**199**	198	194	198
Gifts Currently Expendable	**17**	**15**	14	11	12
Endowment Return Used for Operations	**6**	**6**	5	5	5
Investment Income (Loss)	**3**	**(1)**	13	10	5
Interest Expense, Net	**(5)**	**(5)**	(6)	(7)	(8)
Net Nonoperating Revenues	**222**	**214**	224	213	212
Income (Loss) Before Other Changes in Net Position	**(1)**	**(19)**	6	3	16
Other Changes in Net Position					
State of Maine Capital Appropriation	**13**	**11**	2	6	5
Capital Grants and Gifts	**3**	**4**	7	8	20
Endow. Return, Net of Amt. Used for Operations	**(8)**	**(6)**	14	8	(6)
Other	**(1)**	**1**	1	2	3
Total Other Changes in Net Position	**7**	**10**	24	24	22
Change in Net Position	**$6**	**($9)**	$30	$27	$38

Operating and Nonoperating Revenue

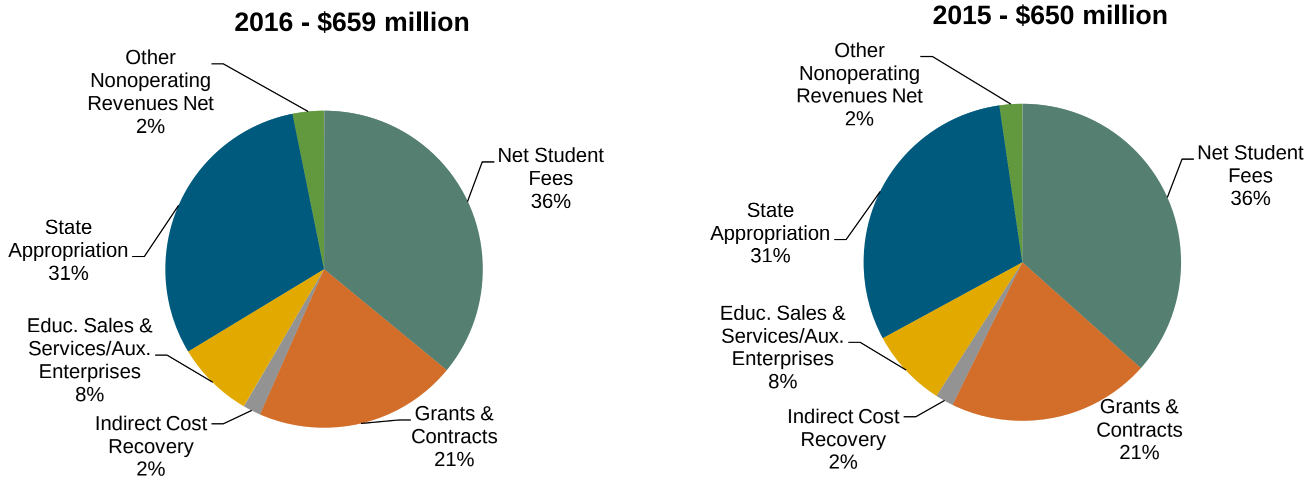
In addition to receiving tuition and fees, the System receives revenue from other sources such as governmental and privately funded grants and contracts; gifts from individuals, foundations, and corporations; state appropriations; and investment income.

UMS revenues and expenses are categorized as either operating or nonoperating. Certain significant recurring revenues and expenses are considered nonoperating including state appropriations, gifts, 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 FY16 and FY15.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015 (Unaudited)

CHART 4: TOTAL OPERATING & NET NONOPERATING REVENUE



Net student fees of $237 million for FY16 are the primary source of operating revenues. The portion of total operating and net nonoperating revenues funded by net student revenues has remained constant at 36% from FY13 through FY16.

Net student revenues are comprised of tuition and fees and residence and dining fees less scholarship allowances:

- Tuition and fees totaled $270 million in FY16, increasing $2 million (or almost 1%) from the prior year. FY15 increased $1 million (or almost 1%) and FY14 saw a decrease of $1 million (or almost 1%) compared to FY13.
- Residence and dining fees of $61 million in FY16 were up $3 million (or 4%) compared with FY15 which was down $2 million (or 3%) from FY14, while such revenues were up $2 million in FY14 (or 4%) from FY13.
- Scholarship allowances of $95 million increased $6 million (or 7%) in FY16, increased $4 million (or 5%) in FY15, and increased $4 million (or 6%) in FY14.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015 (Unaudited)

Federal financial aid awards are based on a student's financial need compared with 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 FY16, total financial aid provided to students was $127 million, increasing $8 million or 7% over FY15 aid of $119 million. The increase includes an increase of $7 million in institutional unrestricted aid, an increase of $2 million in State of Maine aid, and a decrease of $1 million in aid from the Federal Pell Grant Program.

For FY15, total financial aid provided to students was $119 million, increasing $5 million or 4% over FY14 aid of $114 million. The increase includes a nearly $1 million increase in institutional restricted aid, an increase of $5 million in institutional unrestricted aid, and a decrease of $1 million in aid from the Federal Pell Grant Program.

In FY14, total financial aid provided to students was $114 million, increasing $3 million or 2% over FY13 aid of $111 million. The increase includes nearly $2 million in increased institutional restricted aid, an increase of $2 million in institutional unrestricted aid, and a decrease of nearly $2 million in aid from the State of Maine.

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 $136 million in FY16, increasing $2 million or 2% from FY15. This net increase is primarily due to a new multiple year grant that provided $2 million in funding from the US Department of Education at UMF. Additionally, Federal student financial aid decreased $1 million and State of Maine financial aid increased by $2 million for FY16.

Grants and contracts revenues totaled $134 million in FY15, decreasing $8 million or nearly 6% from FY14. Significant funding variations in this net decrease include a $4 million decline in gross funding for the Maine School and Library Network as one major grant sub-recipient negotiated FY15 funding directly from the federal government instead of funds being passed through the University of Maine System as in prior years; a $3 million decrease in funding from the US Department of Energy at UM as a result of two multiple year grants ending during FY15; and a decline of $2 million in US Department of Health and Human Services funding at USM as a result of three grants that ended prior to or during FY15.

In addition to providing for direct costs, grants and contracts sponsors also 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 $11 million in FY16 declining from $12 million in FY15, and down from $14 million in FY14.

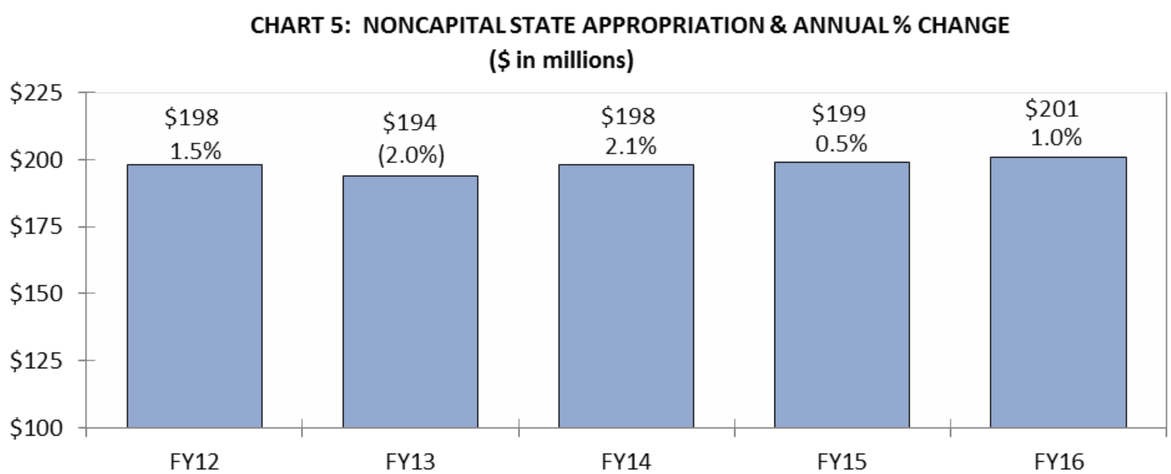
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015 (Unaudited)

Noncapital State of Maine Appropriations:

State noncapital appropriation revenue includes amounts for general operations as well as 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 5 below, the System received $201 million in noncapital State appropriation revenue during FY16, up $2 million or 1.0% from FY15. The System received $199 million in noncapital State appropriation revenue during FY15, up $1 million or 0.5% from FY14.

At $201 million, noncapital state appropriation covered 90% of the $223 million net operating loss in FY16, up from net operating loss coverage levels of 85% in FY15 but down from 91% in FY14.

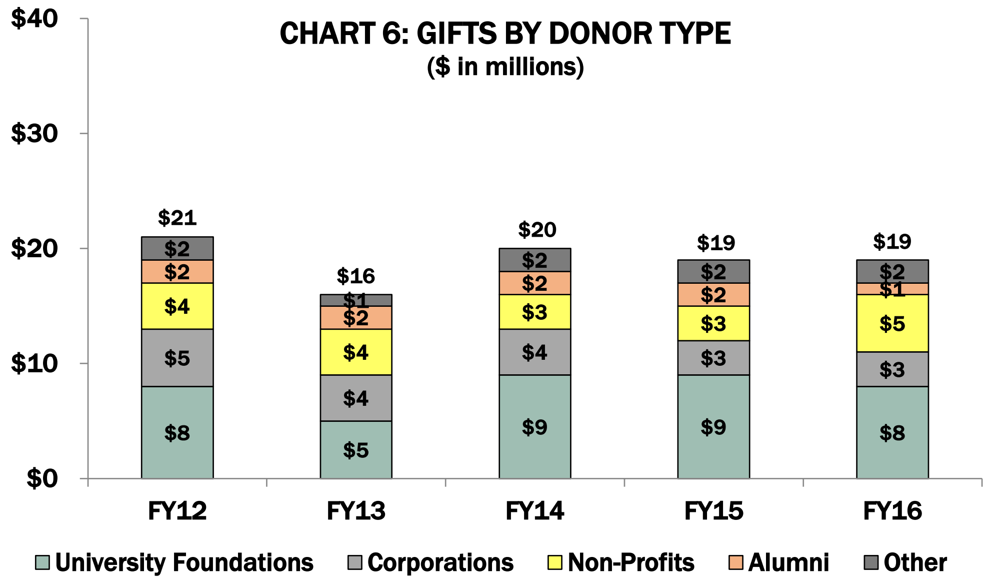


MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015 (Unaudited)

Cash Gifts:

As shown in Chart 6 below, gifts received in FY16 of $19 million were equivalent to the prior year. In FY15, gifts received were down by $1 million from the prior year compared to being up by $4 million in FY14.

89% of the $19 million in gifts received in FY16 were restricted, 6% were endowed and 5% were unrestricted. Of the $19 million in gifts received in FY15, 89% were restricted, 8% were endowed, and 3% were unrestricted. The donor type consistently contributing the most gift dollars is University Foundations.



MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015 (Unaudited)

Operating Expenses

Table 9 shows expenses on a functional basis while Table 10 shows expenses based on natural classification.

Table 9: Operating Expenses, Classified by Function
For the Years Ended June 30
($ in millions)

	2016		2015		2014		2013		2012	
Instruction	**$168**	**25%**	**$180**	**27%**	$181	27%	$180	27%	$179	27%
Research	**66**	**10%**	**65**	**10%**	72	11%	69	10%	73	11%
Public service	**60**	**9%**	**61**	**9%**	60	9%	60	9%	64	10%
Academic support	**66**	**10%**	**70**	**10%**	76	11%	77	12%	77	12%
Student services	**54**	**8%**	**52**	**8%**	49	7%	50	7%	48	7%
Institutional support	**64**	**10%**	**58**	**9%**	48	7%	54	8%	56	8%
Operation and maintenance of plant	**49**	**7%**	**50**	**7%**	51	8%	50	7%	47	7%
Depreciation and amortization	**37**	**6%**	**35**	**5%**	34	5%	32	5%	30	4%
Student aid	**33**	**5%**	**31**	**5%**	30	5%	32	5%	28	4%
Auxiliary enterprises	**63**	**10%**	**67**	**10%**	70	10%	69	10%	70	10%
Total Operating Expenses	**$660**	**100%**	**$669**	**100%**	$671	100%	$673	100%	$672	100%

Table 10: Total Expenses by Natural Classification
For the Years Ended June 30
($ in millions)

	2016		2015		2014		2013		2012	
Operating:										
Compensation	**$296**	**45%**	**$306**	**46%**	$310	46%	$308	45%	$308	45%
Benefits	**124**	**19%**	**130**	**19%**	126	19%	125	18%	126	19%
Utilities	**27**	**4%**	**30**	**4%**	35	5%	34	5%	32	5%
Supplies and Services	**143**	**21%**	**137**	**20%**	136	20%	142	21%	148	22%
Depreciation and Amortization	**37**	**5%**	**35**	**5%**	34	5%	32	5%	30	4%
Student Aid	**33**	**5%**	**31**	**5%**	30	4%	32	5%	28	4%
Total Operating Expenses	**660**	**99%**	**669**	**99%**	671	99%	673	99%	672	99%
Nonoperating:										
Interest	**5**	**1%**	**5**	**1%**	6	1%	7	1%	8	1%
Total Expenses	**$665**	**100%**	**$674**	**100%**	$677	100%	$680	100%	$680	100%

Compensation and benefits expense totaled $420 million in FY16, decreasing $16 million (4%) compared with FY15 after having stayed flat with FY14.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015 (Unaudited)

STATEMENTS OF CASH FLOWS

The Statements of Cash Flows examines the changes in cash position from a 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. This statement helps 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.

CURRENT AND FUTURE CONSIDERATIONS

The vision of One University for all of Maine was announced in January 2015 with the objective of seven mission-differentiated, mutually dependent campuses operating as one fully integrated university singularly focused on student success and responsive service to the State of Maine. As we make progress toward this vision, our universities and our people are in a much better position today to define and achieve our collective success. Hard work and tough choices over the past few years have aligned our universities in size and in structure with the times. We have also achieved pioneering collaboration and integration across our campuses that is better positioning our universities to compete regionally and globally for the talent and resources we need to move Maine forward.

Establishing a truly integrated, comprehensive, and sustainable public university system for Maine goes hand in hand with certain aspirations which will be focused on over the next five years. Such priority outcomes include increased enrollment, improved student success and completion, enhanced fiscal positioning of our System and greater support of Maine through expanded research and economic development. Priorities will also include relevant academic programming and workforce engagement. At the forefront of this work remains the Trustees' priority to ensure the System continues to provide a quality education that is affordable to Maine families.

We are becoming stronger through a strategic focus on our strengths and better alignment with the times. While there is still a great deal of work to do, our commitment to serve Maine as One University includes some notable achievements:

- Maine is the only state in the country to reduce the real cost of public higher education over the last five years;
- A landmark credit transfer agreement between Maine's higher education systems was established, transfer among Maine's public universities has improved significantly, and we have worked closely with our secondary school partners to increase early college participation by 74% over the last two academic years;
- A commitment to affordability and fiscal responsibility has strengthened our foothold along a path to financial stability; and,
- As of early October 2016, full time equivalent enrollment activity for fall shows out-of-state enrollment up 9% while in-state enrollment is down 2% compared to the same time last year. Throughout the System, our campuses are having successes in attracting national attention, outside resources, and youthful talent to Maine.

Over the past several years, we have also been working hard to restructure University Services which is our statewide, single-entity approach to managing administrative functions and delivering support services to our seven mission differentiated universities. University Services largely replaces an expensive seven-campus administrative management model and includes functions such as facilities,

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015 (Unaudited)

finance and budget, general counsel, human resources, information technology, organizational effectiveness, risk and general services, shared processing center, and strategic procurement.

Further, during FY16 and into FY17, the System's financial and business officers worked collaboratively along with various stakeholders to develop a comprehensive set of budget and other fiscal recommendations to increase collaborations and improve financial stability. The Board endorsed these *Unified Budget* recommendations in September 2016 and the System will now begin implementation.

Accounting Pronouncements with Potential Significant Impacts

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB No. 75) will be adopted in FY18 with retroactive application to FY17 including restatement of the beginning of year net position for FY17. The primary objective of this Statement is to improve accounting and financial reporting with the purpose of providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The new Standard will affect how the System measures, reports, and discloses information about its other postemployment benefits (OPEB) other than pensions. The effects of implementation on the financial statements have not yet been determined but the adjustment to unrestricted net position is expected to be significant.

Global Financial Considerations

Financial market conditions present continued risks and opportunities as the System considers its investment and financing needs. FY16 saw another difficult year in the markets with volatility persisting while the sustained low interest rate environment bodes favorably for the System's anticipated revenue bond issuance in FY17. Anticipated proceeds will primarily be used for wireless and classroom technology improvements as well as refunding a prior revenue bond issuance to achieve interest savings.

Net student fees represents 36% of Total Operating and Net Nonoperating Revenue and continues to be the largest source of revenue for the System. Affordable quality education remains among the System's highest priorities, as demonstrated by five years of frozen undergraduate in-state tuition and mandatory fees.

The second largest revenue source for the System is the State of Maine noncapital appropriation representing 31% of Total Operating and Net Nonoperating Revenue. In years past, the State has made significant adjustments to UMS' appropriation and other fiscal support as it balances its own budget. As shown previously in Chart 5, the Noncapital State Appropriation has shown some improvement having increased from $198 million in FY12 to $201 million in FY16. Making college more affordable for Maine students, the Governor has committed to submitting a FY17 supplemental budget request of $4.65 million to support the System's extension of its in-state tuition freeze during FY17. This is in addition to the State supported 1.9% (or $3.46 million) increase in the System's FY17 general fund allocation.

The Work Ahead

With the launching of the *One University for all of Maine* framework and the recently approval *Unified Budget* recommendations, the work ahead will continue to be transformational and highly anticipated, guided by the objective of seven mission-differentiated, mutually dependent campuses operating as one fully integrated university singularly focused on student success and responsive service to the State of Maine.

Statements of Net Position

June 30, 2016 and 2015

($ in thousands)

	2016	2015
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	$ 1,298	$ 6,174
Operating investments (Notes 3 and 16)	230,592	231,354
Accounts, grants, and pledges receivable, net (Note 4)	55,565	44,161
Inventories and prepaid expenses	5,352	5,953
Notes and lease receivable, net (Note 5)	63	63
Total Current Assets	292,870	287,705
Noncurrent Assets		
Deposits with bond trustees (Notes 3, 6 and 16)	1,411	12,744
Accounts, grants, and pledges receivable, net (Note 4)	2,696	7,862
Notes and leases receivable, net (Note 5)	40,802	40,877
Endowment investments (Notes 3 and 16)	135,821	142,547
Capital assets, net (Note 6)	706,662	702,812
Total Noncurrent Assets	887,392	906,842
Total Assets	**1,180,262**	**1,194,547**
Deferred Outflows of Resources (Note 15)	**9,370**	**7,728**
Total Assets and Deferred Outflows	**$ 1,189,632**	**$ 1,202,275**
Liabilities		
Current Liabilities		
Accounts payable	$ 14,742	$ 18,158
Unearned revenue and deposits (Note 8)	10,692	11,069
Accrued liabilities (Notes 7, 11, 13 and 14)	24,896	31,680
Funds held for others	1,831	1,828
Current portion of long-term debt (Note 7)	11,411	11,312
Total Current Liabilities	63,572	74,047
Noncurrent Liabilities		
Accrued liabilities (Notes 7, 11 and 13)	55,123	52,748
Funds held for others (Note 3)	18,202	18,189
Long-term debt (Note 7)	154,874	164,782
Government advances refundable (Note 9)	29,768	30,269
Total Noncurrent Liabilities	257,967	265,988
Total Liabilities	**321,539**	**340,035**
Deferred Inflows of Resources (Note 15)	**1,388**	**1,609**
Net Position		
Net investment in capital assets (Note 10)	544,597	540,544
Restricted		
Nonexpendable (Note 10)	57,920	58,121
Expendable (Notes 3 and 10)	107,586	106,254
Unrestricted (Notes 3 and 10)	156,602	155,712
Commitments and contingencies (Notes 6, 7 and 11)	-	-
Total Net Position	**866,705**	**860,631**
Total Liabilities, Deferred Inflows and Net Position	**$ 1,189,632**	**$ 1,202,275**

See accompanying notes to the basic financial statements.

Statements of Financial Position – Discretely Presented Component Unit

June 30, 2016 and 2015
($ in thousands)

	2016	2015
Assets		
Cash and cash equivalents	$ 609	$ 175
Other receivables	101	123
Promises to give, less allowance for uncollectible pledges of $125	1,413	1,949
Short-term investments	3,168	2,223
Cash surrender value of life insurance	148	141
Long-term investments, endowment	179,887	185,613
Long-term investments, life income plans	4,455	4,809
Notes receivable	375	574
Equity in Buchanan Alumni House	2,626	2,657
Investment real estate	6,000	5,847
Property and equipment, net of accumulated depreciation of $187 and $147, respectively	171	124
Other assets	609	764
Irrevocable trusts	8,573	10,674
Assets managed for Buchanan Alumni House	281	348
Net funding to be provided from Buchanan Alumni House	24	13
Total Assets	**$ 208,440**	**$ 216,034**
Liabilities		
Accounts payable	$ 35	$ 27
Distributions due income beneficiaries	1,798	1,823
Accrued expenses	558	509
Notes payable	523	694
Custodial accounts payable	2,835	3,071
Total Liabilities	5,749	6,124
Net Assets		
Unrestricted net assets	8,218	8,033
Temporarily restricted net assets	41,372	54,325
Permanently restricted net assets	153,101	147,552
Total Net Assets	202,691	209,910
Total Liabilities and Net Assets	**$ 208,440**	**$ 216,034**

See accompanying notes to the basic financial statements.

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2016 and 2015
($ in thousands)

	2016	2015
Operating Revenues		
Tuition and fees	$ 270,193	$ 267,683
Residence and dining fees	60,936	58,406
Less: scholarship allowances	(94,529)	(88,432)
Net student fees	236,600	237,657
Federal, state, and private grants and contracts	136,103	133,703
Recovery of indirect costs	11,524	12,129
Educational sales and services and other revenues	34,977	32,344
Other auxiliary enterprises	17,693	20,294
Total Operating Revenues	436,897	436,127
Operating Expenses		
Instruction	168,415	179,728
Research	66,278	65,393
Public service	59,603	60,701
Academic support	66,291	70,357
Student services	53,907	52,105
Institutional support	63,657	57,580
Operation and maintenance of plant	49,039	50,100
Depreciation and amortization (Note 6)	37,051	35,304
Student aid	33,069	30,925
Auxiliary enterprises	63,372	66,872
Total Operating Expenses	660,682	669,065
Operating Loss	(223,785)	(232,938)
Nonoperating Revenues (Expenses)		
Noncapital State of Maine appropriations	201,404	198,757
Gifts currently expendable	17,072	14,539
Endowment return used for operations (Note 3)	6,165	5,660
Investment income (loss) (Note 3)	2,561	(499)
Interest expense, net (Note 7)	(4,749)	(5,146)
Net Nonoperating Revenues	222,453	213,311
Loss Before Other Changes in Net Position	**(1,332)**	**(19,627)**
Other Changes in Net Position		
State of Maine capital appropriations	13,104	11,267
Capital grants and gifts	2,881	4,555
Endowment return (loss), net of amount used for operations (Note 3)	(7,946)	(6,151)
True and quasi endowment gifts	1,180	1,725
Loss on disposal of capital assets	(1,813)	(841)
Total Other Changes in Net Position	7,406	10,555
Change in Net Position	**6,074**	**(9,072)**
Net Position - Beginning of Year	860,631	869,703
Net Position - End of Year	$ 866,705	$ 860,631

See accompanying notes to the basic financial statements.

Statements of Activities – Discretely Presented Component Unit

Year Ended June 30, 2016 With Comparative Totals for 2015
($ in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	Total 2015
Revenues, Gains, Losses, and Reclassification					
Contributions	$ 1,427	$ 4,561	$ 4,828	$ 10,816	$ 12,283
Investment loss and other revenue	(3,210)	(4,116)	1,555	(5,771)	(4,310)
Net assets released from restrictions	14,232	(13,398)	(834)	-	-
Total Revenues, Gains, Losses, and Reclassification	12,449	(12,953)	5,549	5,045	7,973
Expenses and Losses					
Program services	9,909	-	-	9,909	9,424
Management and general	819	-	-	819	763
Fundraising	1,536	-	-	1,536	940
Total Expenses	12,264	-	-	12,264	11,127
Uncollectible promises to give	-	-	-	-	9
Total Expenses and Losses	12,264	-	-	12,264	11,136
Change in Net Assets	**185**	**(12,953)**	**5,549**	**(7,219)**	**(3,163)**
Net Assets - Beginning of Year	8,033	54,325	147,552	209,910	213,073
Net Assets - End of Year	$ 8,218	$ 41,372	$ 153,101	$ 202,691	$ 209,910

See accompanying notes to the basic financial statements.

Statements of Cash Flows

Years Ended June 30, 2016 and 2015
($ in thousands)

	2016	2015
Cash Flows From Operating Activities		
Tuition, residence, dining, and other student fees	$ 235,207	$ 237,551
Grants and contracts	145,461	149,024
Educational sales and services and other auxiliary enterprise revenues	50,534	53,990
Payments to and on behalf of employees	(422,224)	(426,462)
Financial aid paid to students	(39,591)	(37,314)
Payments to suppliers	(167,535)	(166,167)
Loans issued to students	(6,324)	(6,306)
Collection of loans to students	5,929	5,945
Interest collected on loans to students	713	730
Net Cash Used for Operating Activities	(197,830)	(189,009)
Cash Flows From Noncapital Financing Activities		
State appropriations	201,404	198,757
Noncapital grants and gifts	17,519	16,602
Agency transactions	(10,402)	(1,771)
Net Cash Provided by Noncapital Financing Activities	208,521	213,588
Cash Flows From Capital and Related Financing Activities		
Proceeds from capital debt issuances	-	12,948
Capital appropriations	18,592	5,391
Capital grants and gifts	5,941	6,922
Proceeds from sale of capital assets	150	12
Acquisition and construction of capital assets	(46,029)	(32,350)
Principal paid on capital debt and leases	(9,737)	(8,412)
Interest paid on capital debt and leases	(6,627)	(6,814)
Net Cash Used for Capital and Related Financing Activities	(37,710)	(22,303)
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	417,266	514,987
Purchases of investments	(405,382)	(520,545)
Earnings from investments	10,259	8,639
Net Cash Provided by Investing Activities	22,143	3,081
Net Increase (Decrease) in Cash and Cash Equivalents	(4,876)	5,357
Cash and cash equivalents - Beginning of Year	6,174	817
Cash and cash equivalents - End of Year	$ 1,298	$ 6,174

See accompanying notes to basic financial statements.

Statements of Cash Flows

Years Ended June 30, 2016 and 2015
($ in thousands)

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

	2016	2015
Operating loss	$ (223,785)	$ (232,938)
Adjustments to reconcile net operating loss to net cash used for operating activities:		
Depreciation and amortization	37,051	35,304
Bond costs paid through bond financing	-	465
Changes in assets and liabilities:		
Accounts and grants receivable, net	(3,902)	5,870
Inventories and prepaid expenses	601	(615)
Notes receivable, net	13	132
Deferred outflows related to pensions	(1,942)	(2,496)
Accounts payable	1,413	715
Unearned revenue and deposits	(170)	40
Accrued liabilities	(6,387)	3,145
Grants refundable	(501)	(240)
Deferred inflows related to pensions	(221)	1,609
Net Cash Used for Operating Activities	$ (197,830)	$ (189,009)

Noncash investing, capital, and financing activities:

	2016	2015
Capital asset additions included in accounts payable and accrued liabilities as of June 30	$ 2,013	$ 7,819
Capital asset additions acquired through capital leases	$ -	$ 1,845
Capital asset additions acquired through long-term debt	$ 1,527	$ 1,097
Bond issuance costs financed with bond payable	$ -	$ 465
Refunding of debt through new bond issuance	$ -	$ 40,206

See accompanying notes to basic financial statements.

Notes to the Financial Statements

Years Ended June 30, 2016 and 2015
($ 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, eight 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 which is a not-for-profit entity controlled by a separate governing board whose goal is to support the System (see Note 17). 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, 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 operating appropriations from the State of Maine, net investment income, gifts, and interest expense.

In FY16, the System adopted GASB Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

In FY15, the System adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* and 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 No. 67 and No. 68*. Statement No. 73 is effective for periods beginning after June 15, 2016. However, the System early adopted the standard and implemented Statement No. 73 for the fiscal year ended June 30, 2015. Statements No. 68 and No. 73 were implemented retroactive to July 1, 2013 pursuant to the transition provisions of those Statements.

Under Statements No. 68 and No. 73, the actuarially determined net pension liability is reported in full as a liability in the Statements of Net Position and certain items that were previously reported as assets and liabilities are to be reported as deferred outflows of resources or deferred

Notes to the Financial Statements
Years Ended June 30, 2016 and 2015
($ in thousands)

inflows of resources in the year incurred or received. Conforming changes were made retroactively to all years presented including reclassification of certain balances and restatement of beginning net position.

The financial statements include certain prior-year summarized comparative information of a discretely presented component unit in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the System's June 30, 2015 financial statements, from which the summarized information was derived.

c. Net Position

The System's net position (assets plus deferred outflows minus liabilities and deferred inflows) 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. 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. Such net position includes the historical gift value of restricted true endowment funds.

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. System management is responsible for the fair measurement of investments reported in the financial statements. The System has implemented

Notes to the Financial Statements
Years Ended June 30, 2016 and 2015
($ in thousands)

policies and procedures to assess the reasonableness of the fair values provided and believes that reported fair values at the statement of net position date are reasonable.

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. 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 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 4.50% for FY16 and FY15. 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 UMS. 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

Notes to the Financial Statements
Years Ended June 30, 2016 and 2015
($ in thousands)

AAA quality. The overall average quality rating of this pool will be at least “A-” by Standard and Poor’s (or equivalent).

- 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.

Endowment Investments: The fund is diversified both by asset class and within asset classes. In order 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:

	2016	2015
• Equity securities	35-55%	33-53%
• Fixed income securities	13-23%	10-20%
• Other	27-47%	30-50%
• Cash	0-10%	0-10%

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

f. Inventories

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

g. 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.

h. 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.

Notes to the Financial Statements
Years Ended June 30, 2016 and 2015
($ in thousands)

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 fair value at date of donation. Costs for maintenance, repairs and minor renewals and replacements are expensed as incurred; major 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.
- The proceeds from sales 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.

Interest costs on debt related to capital assets, net of investment income on unspent bond proceeds, are generally capitalized during the construction period.

j. 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).

k. 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 for such benefit. 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.

Notes to the Financial Statements
Years Ended June 30, 2016 and 2015
($ in thousands)

l. Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources are the consumption of assets or increase in liabilities that are 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 and 2) assumption changes and investment losses that increase the pension liability. These amounts are to be recognized as a component of pension expense in future reporting periods.

Deferred inflows of resources are the acquisition of assets or reduction of liabilities that are 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 consist of experience gains that reduce the pension liability. These amounts are to be recognized as a component of pension expense in future reporting periods.

m. 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.

n. Tax Status

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

o. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. The current economic environment increases the uncertainty of those estimates.

p. Reclassifications

Certain FY15 items in the accompanying financial statements have been reclassified, without effect on total net position, to conform to the FY16 presentation.

Notes to the Financial Statements
Years Ended June 30, 2016 and 2015
($ in thousands)

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 and uncollateralized 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, 2016 and 2015, bank balances with uninsured or uncollateralized operating cash deposits were $1,346 and $1,107, respectively.

3. INVESTMENTS

a. 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. Three outside entities, the UMS OPEB Trust, Maine Maritime Academy and the University of Maine School of Law Foundation, pool monies 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 these 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 ($302 and $314 at June 30, 2016 and 2015, 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, 2016 and 2015, respectively are $18,202 and $18,189, 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. Total endowment accumulated net income and appreciation available to the System for spending are as follows at June 30:

	2016	2015
Restricted - expendable	$45,678	$51,173
Unrestricted	13,858	14,859
Total available for spending	$59,536	$66,032

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

Notes to the Financial Statements
Years Ended June 30, 2016 and 2015
($ in thousands)

The System's investments are composed of the following at June 30, 2016:

	Fair Value	Credit Rating	Interest Rate Risk	
Operating Investments:				
Equities:				
Multi-strategy funds	$ 65,352			
Fixed income funds:				
Bank loans	12,829	Not rated	.10 years	Duration
Bonds	112,876	Not rated	.48 - 5.8 years	Duration
Money markets	21,596	Not rated	6-28 days	Ave maturity
State pool	17,939	Not rated	.58 years	Duration
Total operating investments	$ 230,592			
Deposits with Bond Trustees:				
Fixed income funds:				
Bonds	$ 22	Aaa-Moody's	35 days	Ave maturity
Money markets	1,389	Not rated	6 days	Ave maturity
Total deposits with bond trustees	$ 1,411			
Endowment Investments:				
MIP investments:				
Equities:				
Equities	$ 16,601			
Equity funds	122,851			
Multi-strategy funds	82,119			
Fixed income funds:				
Money markets	4,381	Not rated	4 days	Ave maturity
Bonds	34,108	Not rated	4-8.4 years	Duration
Real assets	5,634			
Total MIP investments	265,694			
Less portion held on behalf of outside entities	(131,017)			
Endowment portion of MIP investments	134,677			
Separately invested assets:				
Held in cash and cash equivalents pending investment	842			
Money funds, savings, CDs	68			
Equities	234			
Total endowment investments	$ 135,821			

Notes to the Financial Statements

Years Ended June 30, 2016 and 2015
($ in thousands)

The System's investments are composed of the following at June 30, 2015:

	Fair Value	Credit Rating	Interest Rate Risk	
Operating Investments:				
Equities:				
Multi-strategy funds	$ 71,165			
Fixed income funds:				
Bank loans	18,941	Not rated	.10 years	Duration
Bonds	118,824	Not rated	-.06 - 5.7 years	Duration
Money markets	11,552	Not rated	35-36 days	Ave maturity
State pool	10,872	Not rated	.54 years	Duration
Total operating investments	$ 231,354			
Deposits with Bond Trustees:				
Fixed income funds:				
Bonds	$ 23	Aaa-Moody's	33 days	Ave maturity
Money markets	12,721	Not rated	35-36 days	Ave maturity
Total deposits with bond trustees	$ 12,744			
Endowment Investments:				
MIP investments:				
Equities:				
Equities	$ 13,407			
Equity funds	119,071			
Multi-strategy funds	102,637			
Fixed income funds:				
Money markets	147	Not rated	27 days	Ave maturity
Bonds	27,220	Not rated	4.5 years	Duration
Real assets	5,270			
Total MIP investments	267,752			
Less portion held on behalf of outside entities	(127,675)			
Endowment portion of MIP investments	140,077			
Separately invested assets:				
Held in cash and cash equivalents pending investment	2,156			
Money funds, savings, CDs	68			
Equities	246			
Total endowment investments	$ 142,547			

Notes to the Financial Statements
Years Ended June 30, 2016 and 2015
($ in thousands)

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 5.49 years and 5.65 years at June 30, 2016 and 2015, respectively).

c. Foreign Currency Risk

Operating Investments: The System's operating investments include various fixed income, equity, and hedge fund holdings which have foreign currency exposure, with some funds hedging against foreign currency risk. Portfolio foreign currency exposure was $18 million and $24 million at June 30, 2016 and 2015, 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 $40 million and $48 million at June 30, 2016 and 2015, respectively.

Notes to the Financial Statements
Years Ended June 30, 2016 and 2015
($ in thousands)

d. Investment Income (Loss)

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

	2016			
	Net Gains (Losses)	Interest and Dividends	Investment Fees	Net Earnings (Loss)
Endowment investments	$ (4,351)	$ 2,692	$ (1,122)	$ (2,781)
Managed funds distributed				1,000
System endowment loss				$ (1,781)
Reported as endowment return used for operations				$ 6,165
Reported as endowment loss, net of amount used for operations				(7,946)
System endowment loss				$ (1,781)
Operating investments	$ (1,395)	$ 4,989	$ (1,039)	$ 2,555
Deposits with bond trustees	-	6	-	6
Total other investment income (loss)	$ (1,395)	$ 4,995	$ (1,039)	$ 2,561

	2015			
	Net Gains (Losses)	Interest and Dividends	Investment Fees	Net Earnings (Loss)
Endowment investments	$ (5,112)	$ 4,029	$ (1,193)	$ (2,276)
Managed funds distributed				1,785
System endowment loss				$ (491)
Reported as endowment return used for operations				$ 5,660
Reported as endowment loss, net of amount used for operations				(6,151)
System endowment loss				$ (491)
Operating investments	$ (4,850)	$ 5,436	$ (1,086)	$ (500)
Deposits with bond trustees	-	1	-	1
Total other investment income (loss)	$ (4,850)	$ 5,437	$ (1,086)	$ (499)

Notes to the Financial Statements
Years Ended June 30, 2016 and 2015
($ in thousands)

4. ACCOUNTS, GRANTS, AND PLEDGES RECEIVABLE

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

	2016			2015		
	Total	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion
Student and other accounts receivable	$ 39,419	$ 39,086	$ 333	$ 26,265	$ 25,942	$ 323
Grants receivable	21,813	21,098	715	29,109	22,906	6,203
Pledges receivable	2,994	1,263	1,731	1,996	574	1,422
Total gross receivables	64,226	61,447	2,779	57,370	49,422	7,948
Less allowance for doubtful accounts	(5,915)	(5,882)	(33)	(5,287)	(5,261)	(26)
Less discount on pledges receivable	(50)	-	(50)	(60)	-	(60)
Total receivables, net	$ 58,261	$ 55,565	$ 2,696	$ 52,023	$ 44,161	$ 7,862

In accordance with GASB Statement No. 35, grants receivable related to the acquisition of capital assets are 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:

	2016			2015		
	Total	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion
Perkins loans	$ 30,059	$ -	$ 30,059	$ 30,489	$ -	$ 30,489
Nursing loans	2,024	-	2,024	1,961	-	1,961
Institutional loans	9,480	-	9,480	9,039	-	9,039
Lease receivable **(a)**	813	63	750	876	63	813
Total notes and leases receivable	42,376	63	42,313	42,365	63	42,302
Less allowance for doubtful accounts	(1,511)	-	(1,511)	(1,425)	-	(1,425)
Total notes and leases receivable, net	$ 40,865	$ 63	$ 40,802	$ 40,940	$ 63	$ 40,877

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.

Notes to the Financial Statements

Years Ended June 30, 2016 and 2015

($ in thousands)

(a) Lease receivable consists of the following:

	2016	2015
University of New Hampshire		
Secured by equipment; monthly payments of $5, including interest at 4.85% per annum; matures 2029	$ 813	$ 876

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 is as follows:

	Beginning Balance	Additions	Reclasses	Retirements	Ending Balance
Land	$ 17,895	$ -	$ -	$ -	$ 17,895
Library materials	25,686	-	-	-	25,686
Construction in progress	14,322	38,188	(41,013)	-	11,497
Total nondepreciable assets	57,903	38,188	(41,013)	-	55,078
Land improvements	53,291	-	1,839	-	55,130
Buildings & improvements	855,806	-	36,173	(7,598)	884,381
Equipment	128,356	4,676	2,636	(2,326)	133,342
Software	32,203	-	365	-	32,568
Total depreciable assets	1,069,656	4,676	41,013	(9,924)	1,105,421
Less accumulated depreciation:					
Land improvements	33,369	1,918	-	-	35,287
Buildings & improvements	300,737	22,231	-	(6,025)	316,943
Equipment	72,440	10,069	-	(1,936)	80,573
Software	18,201	2,833	-	-	21,034
Total accumulated depreciation	424,747	37,051	-	(7,961)	453,837
Net depreciable assets	644,909	(32,375)	41,013	(1,963)	651,584
Total capital assets	$ 702,812	$ 5,813	$ -	$ (1,963)	$ 706,662

Notes to the Financial Statements

Years Ended June 30, 2016 and 2015
($ in thousands)

Capital asset activity for the year ended June 30, 2015 is as follows:

	Beginning Balance	Additions	Reclasses	Retirements	Ending Balance
Land	$ 17,858	$ -	$ 37	$ -	$ 17,895
Library materials	25,686	-	-	-	25,686
Construction in progress	8,494	32,998	(27,170)	-	14,322
Total nondepreciable assets	52,038	32,998	(27,133)	-	57,903
Land improvements	50,691	-	2,600	-	53,291
Buildings & improvements	838,648	-	17,447	(289)	855,806
Equipment	121,530	5,831	5,921	(4,926)	128,356
Software	29,027	2,011	1,165	-	32,203
Total depreciable assets	1,039,896	7,842	27,133	(5,215)	1,069,656
Less accumulated depreciation:					
Land improvements	31,499	1,870	-	-	33,369
Buildings & improvements	280,305	20,647	-	(215)	300,737
Equipment	66,636	9,952	-	(4,148)	72,440
Software	15,366	2,835	-	-	18,201
Total accumulated depreciation	393,806	35,304	-	(4,363)	424,747
Net depreciable assets	646,090	(27,462)	27,133	(852)	644,909
Total capital assets	$ 698,128	$ 5,536	$ -	$ (852)	$ 702,812

Additions to capital assets for the years ended June 30, 2016 and 2015 include the following:

- Assets acquired through capital leases of $0 and $1,845, respectively.
- Capitalized interest costs of $125 and $56, less interest earnings on unexpended bond proceeds of $5 and $2, respectively.

As of June 30, 2016 and 2015, $1,389 and $12,721, 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, 2016 is $8,073 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 $10,768 and $26,496 at June 30, 2016 and 2015, respectively.

Notes to the Financial Statements
Years Ended June 30, 2016 and 2015
($ in thousands)

7. ACCRUED LIABILITIES AND LONG-TERM DEBT

Changes in accrued liabilities and long-term debt during the year ended June 30, 2016 include the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued liabilities:					
Workers' compensation - Note 11	$ 4,182	$ 1,644	$ (1,520)	$ 4,306	$ 1,206
Health insurance - Note 11	6,080	62,903	(62,859)	6,124	6,124
Postemployment health plan - Note 14	1,137	14,911	(15,366)	682	682
Other employee benefit programs - Note 13	55,415	58,027	(61,131)	52,311	4,417
Other	17,614	14,407	(15,425)	16,596	12,467
Total accrued liabilities	$ 84,428	$ 151,892	$ (156,301)	$ 80,019	$ 24,896
Long-term debt:					
Capital lease obligations **(a)**	$ 4,949	$ -	$ (743)	$ 4,206	$ 690
Bonds and notes payable **(b)**	171,145	1,527	(10,593)	162,079	10,721
Total long-term debt	$ 176,094	$ 1,527	$ (11,336)	$ 166,285	$ 11,411

Changes in accrued liabilities and long-term debt during the year ended June 30, 2015 include the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued liabilities:					
Workers' compensation - Note 11	$ 4,052	$ 791	$ (661)	$ 4,182	$ 1,088
Health insurance - Note 11	7,286	66,085	(67,291)	6,080	6,080
Postemployment health plan - Note 14	-	12,377	(11,240)	1,137	1,137
Other employee benefit programs - Note 13	55,062	63,889	(63,536)	55,415	8,010
Other	15,217	15,786	(13,389)	17,614	15,365
Total accrued liabilities	$ 81,617	$ 158,928	$ (156,117)	$ 84,428	$ 31,680
Long-term debt:					
Capital lease obligations **(a)**	$ 3,471	$ 1,845	$ (367)	$ 4,949	$ 736
Bonds and notes payable **(b)**	164,352	54,716	(47,923)	171,145	10,576
Total long-term debt	$ 167,823	$ 56,561	$ (48,290)	$ 176,094	$ 11,312

Notes to the Financial Statements
Years Ended June 30, 2016 and 2015
($ in thousands)

(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, 2016 are as follows:

	Capital Leases		Operating	
Year Ending June 30:	Principal	Interest	Leases	Total
2017	$ 690	$ 119	$ 843	$ 1,652
2018	624	105	695	1,424
2019	623	91	623	1,337
2020	471	71	342	884
2021	329	71	233	633
2022-2026	885	245	1,198	2,328
2027-2031	584	42	1,246	1,872
2032-2036	-	-	659	659
2037-2041	-	-	132	132
Total minimum lease payments	$ 4,206	$ 744	$ 5,971	$ 10,921

The rent expense related to operating leases amounted to $1,109 for the year ended June 30, 2016 and $1,320 for the year ended June 30, 2015.

Notes to the Financial Statements
Years Ended June 30, 2016 and 2015
($ in thousands)

(b) Bonds and Notes Payable

Bonds and notes payable consist of the following at June 30:

	2016	2015
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.	$ 46,435	$ 48,450
Add: unamortized premium	4,284	5,000
Total 2015 Series A Bonds	50,719	53,450
2013 Series A Revenue Bonds (original principal of $65,255)		
Serial bonds, maturing from 2014 to 2033, 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.	54,700	57,615
3.5% Term Bonds due March 1, 2034	2,455	2,455
3.5% Term Bonds due March 1, 2035	2,540	2,540
Add: unamortized premium	5,975	7,084
Total 2013 Series A Bonds	65,670	69,694
2012 Series A Revenue Bonds (original principal of $34,975)		
Serial bonds, maturing from 2013 to 2028, and 2031, with annual principal payments from $1,070 to $2,540 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.	20,880	23,235
3.0% Term Bonds due March 1, 2030	2,540	2,540
3.0% Term Bonds due March 1, 2033	2,620	2,620
Add: unamortized premium	1,116	1,393
Total 2012 Series A Bonds	27,156	29,788
2007 Series A Revenue Bonds (original principal of $46,740)		
Serial bonds, maturing from 2008 to 2037, with annual principal payments from $195 to $3,380 and coupon interest rates from 4.5% to 5.0%. Issued to partially refund the 1998A and 2004A Series Revenue Bonds and to provide funding for capital projects.	15,675	16,665
Add: unamortized premium	142	193
Total 2007 Series A Bonds	15,817	16,858
University of Maine Foundation		
Note payable, drawn against $300 line of credit, unsecured, semi-annual payments of $5, including interest at 2.75%, matures 2018	15	30
Note payable, secured by equipment, matures 2019, with annual payments of $75, including interest at 3.94%.	172	258

Notes to the Financial Statements

Years Ended June 30, 2016 and 2015
($ in thousands)

	2016	2015
Efficiency Maine Trust		
$2,595 loan for biomass energy project, quarterly interest only payments at 1.5% during construction, quarterly principal payments of $65 plus interest at 1.5% beginning in June 2016 and continuing through March 2026.	$ 2,530	$ 1,067
Total bonds and notes payable, net	$ 162,079	$ 171,145
Total par value of outstanding bonds and notes payable	$ 150,562	$ 157,475
Total unamortized premiums and discounts	11,517	13,670
Total bonds and notes payable, net	$ 162,079	$ 171,145

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 and notes payable for the next five years and in subsequent five-year periods are as follows at June 30, 2016:

Year Ending June 30:	Principal	Interest	Total
2017	$ 8,793	$ 6,317	$ 15,110
2018	9,798	5,911	15,709
2019	9,339	5,457	14,796
2020	10,104	5,036	15,140
2021	8,975	4,598	13,573
2022-2026	42,688	16,814	59,502
2027-2031	40,360	8,114	48,474
2032-2036	20,060	1,656	21,716
2037	445	15	460
	$ 150,562	$ 53,918	$ 204,480

Interest costs related to the revenue bonds for FY16 and FY15 were $4,689 and $5,038, respectively.

Refunding of Debt

On April 8, 2015, the System issued $48,450 of 2015 Series A Revenue Bonds to currently refund $13,985 of 2005 and 2004 Series A Revenue Bonds, to advance refund $24,165 of 2007 Series A Revenue Bonds, and to provide $12,710 for new projects. The System completed the refunding to reduce its total debt service payments over the following twenty-two years by $4,459 and to obtain economic gain (difference between the present values of the old and new debt service payments) of

Notes to the Financial Statements
Years Ended June 30, 2016 and 2015
($ in thousands)

$3,422. The principal amount of debt refunded through in-substance defeasance was $38,150. The amount still outstanding at June 30, 2016 and 2015 was $24,165.

Refunding bond proceeds of $40,206 were placed in an escrow account to pay the interest due on the refunded bonds and to retire the bonds on their respective call dates which range from FY15 to FY17. The escrow is invested to yield enough earnings to pay required future payments, which are $25,296 and $26,427 as of June 30, 2016 and 2015, respectively.

The FY15 refunding resulted in a deferred amount on refunding of $1,750 which represents the difference between the reacquisition price and the carrying value of the refunded bonds. Amortization of this deferred amount on refunding will be charged to operations as additional interest expense through the year FY37. The unamortized portion of the deferred amount on refunding, which was $1,617 and $1,723 as of June 30, 2016 and 2015, respectively, is included in deferred outflows in the accompanying Statements of Net Position.

8. UNEARNED REVENUE AND DEPOSITS

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

	2016	2015
Unearned grant advances	$ 3,550	$ 3,613
Unearned summer session revenue	6,595	6,404
Other unearned revenue and deposits	547	1,052
Total unearned revenue and deposits	$ 10,692	$ 11,069

Generally, grants and contracts awarded to the System, but for which it has not fulfilled the eligibility requirements (e.g., incur allowable costs), are not included in the System's financial statements. The total of such awards as of June 30, 2016 and 2015 was $21,098 and $42,002, respectively.

In certain circumstances, however, the System receives cash in advance of fulfilling its obligations. In such situations the System reports the cash as an asset and the offset as a current liability in unearned revenue and deposits in the Statements of Net Position.

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, 2016 and 2015 has been included in the accompanying Statements of Net Position as a noncurrent liability.

Notes to the Financial Statements
Years Ended June 30, 2016 and 2015
($ in thousands)

10. NET POSITION

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

	2016	2015
Net investment in capital assets	$ 544,597	$ 540,544
Restricted - Nonexpendable:		
Endowment funds	57,920	58,121
Restricted - Expendable:		
Student financial aid	40,925	44,092
Capital assets and retirement of debt	3,164	2,066
Loans	15,724	15,267
Academic support	12,902	12,851
Research and public service	12,664	9,663
Library	2,894	2,917
Other	19,313	19,398
Total restricted - expendable	107,586	106,254
Unrestricted:		
Educational and general reserves	55,690	59,707
Risk management	2,331	2,358
Budget stabilization	10,667	15,164
Auxiliary enterprises	10,424	11,738
Benefit pool carryover	10,589	10,619
Information technology initiatives	3,268	3,145
Internally designated projects	17,442	12,787
Facility projects	31,698	24,722
Endowment earnings	13,858	14,859
Cost sharing and other	635	613
Total unrestricted	156,602	155,712
Total net position	$ 866,705	$ 860,631

Notes to the Financial Statements
Years Ended June 30, 2016 and 2015
($ in thousands)

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 self-insurance program for workers' compensation claims, and a 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 $410 per claim, with an aggregate limit of $15,000 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, 2016 and 2015 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.

The System is self-funded for the risk of loss related to workers' compensation. The liability for 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, 2016 and 2015 of $4,306 and $4,182, respectively, for workers' compensation claims is included in accrued liabilities in the accompanying Statements of Net Position (see Note 7). The System purchases commercial specific and aggregate excess workers' compensation insurance which limits the exposure for any one incident to $1,000 and provides coverage in the event that total claims exceed expectations.

During FY16, the System's management determined that market pricing of workers' compensation commercial insurance is favorable for the short to medium-term. The System will therefore move from a self-funded model and purchase worker's compensation insurance in FY17.

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, 2016. As of June 30, 2016 and 2015, the estimated liability for claims incurred but not reported is included in total health insurance accrued liabilities in the accompanying Statements of Net Position

Notes to the Financial Statements
Years Ended June 30, 2016 and 2015
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(see Note 7). The System purchases stop-loss insurance which limits the exposure to $1,000 per individual.

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

	2016	2015
Claims incurred but not reported	$ 5,200	$ 5,558
Reported claims	924	522
Total health insurance liability - Note 7	$ 6,124	$ 6,080

The System continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

12. PASS THROUGH GRANTS

During FY16 and FY15, the System distributed $129,284 and $137,292, 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.

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:

	2016	2015
Faculty and Professional Employees:		
Contributory retirement plan	$ 18,868	$ 19,908
Incentive retirement plan	1,546	1,829
Hourly Employees:		
Basic retirement plan	3,326	3,492
Defined benefit plan	2,825	864
Total net pension expense	$ 26,565	$ 26,093

Notes to the Financial Statements

Years Ended June 30, 2016 and 2015
($ in thousands)

Faculty and Professional Employee Plans

Contributory Retirement Plan

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.

Prior to June 1, 2014, participants had the option to direct up to 100% of existing accumulations and/or current contributions to selected investment vehicles outside of TIAA. As of June 1, 2014, all future contributions are directed to TIAA as the sole record-keeper. 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 $7,545 in FY16 and $7,961 in FY15.

Incentive Retirement Plan

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

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.

Notes to the Financial Statements
Years Ended June 30, 2016 and 2015
($ in thousands)

Employees covered by benefit terms: At June 30 total incentive retirement pension plan membership consisted of the following:

	2016	2015
Active plan participants	1,157	1,314

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.

The total pension liability at the measurement date of June 30, 2016 was $22,246. 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, 2015, 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	2.85% as of June 30, 2016
	3.80% as of June 30, 2015
Life expectancy	
Non-annuitants:	RP-2000 Mortality Table projected to 2028 with Scale AA
Annuitants:	RP-2000 Mortality Table projected to 2020 with Scale AA

Discount rate: GASB Statement No. 73 requires projected benefit payments be discounted to their actuarial present value using a tax-exempt, high-quality municipal bond rate.

For the Incentive Retirement Plan, which does not hold assets, the discount rate used to measure the total pension liability was 2.85% and is based on the municipal bond rate as of the measurement date. The municipal bond rate is based on the Bond Buyer 20-Bond General Obligation (GO) Index published for the week of June 30, 2016. The discount rate used to measure the Total Pension Liability as of June 30, 2015 is 3.80% and is based on the Bond Buyer 20-Bond GO Index published for the week of June 25, 2015.

Notes to the Financial Statements
Years Ended June 30, 2016 and 2015
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Sensitivity of the net pension liability to changes in the discount rate:

The following presents the total pension liability as of June 30, 2016 calculated using the discount rate of 2.85%, as well as what the total pension liability would be if it were calculated using a discount rate 1-percentage point lower (1.85%) or 1-percentage point higher (3.85%) than the current rate:

	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
Total pension liability	$ 23,210	$ 22,246	$ 21,277

Notes to the Financial Statements
Years Ended June 30, 2016 and 2015
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Changes in Total Pension Liability for the Incentive Retirement Plan

Fiscal Year Ended June 30	2016	2015
Total pension liability – beginning	$ 24,990	$ 27,440
Changes for the year:		
Service cost	718	880
Interest	877	1,110
Differences between expected and actual experience	-	(1,831)
Changes of assumptions and other inputs	921	505
Benefit payments	(5,260)	(3,114)
Total pension liability – ending (a)	22,246	24,990
Fiduciary net position – beginning	-	-
Contributions – employer	5,260	3,114
Benefit payments	(5,260)	(3,114)
Administrative expenses	-	-
Fiduciary net position – ending (b)	-	-
Net pension liability – ending (a)-(b)	$ 22,246	$ 24,990
Plan fiduciary net position as a percentage of the total pension liability	0.00%	0.00%
Covered-employee payroll*	$ 95,653	$ 92,419
Net pension liability as a percentage of covered-employee payroll	23.26%	27.04%
Contributions as a percentage of covered-employee payroll	5.50%	3.37%

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

Notes to the Financial Statements
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($ in thousands)

Classified Employees

Basic Retirement Plan

The Basic Retirement Plan is a single employer defined contribution plan administered by the System. The Plan does not issue standalone financial statements.

The Defined Contribution Program of the Basic Retirement Plan for Classified Employees (Basic 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 the Basic Plan.

Eligible employees who were hired before July 1, 1998 could elect to roll over to the Basic Plan the value of their accrued benefit in the Defined Benefit Retirement Plan for Classified Staff (Defined Benefit Plan, as described further below) or remain in the Defined Benefit Plan. Eligible employees that remained in the Defined Benefit 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 Basic Plan.

Full-time employees are eligible to participate in the Basic Plan once employment begins. Part-time employees are eligible once they have achieved the equivalent of five years of continuous, full-time regular service. As of June 1, 2014, all contributions are 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 Basic 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 Basic 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 Defined Benefit 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. 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 $1,364 in FY16 and $1,431 in FY15.

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Defined Benefit Plan

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. Normal retirement benefits are paid to participants who attain age 65 and retire.

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.

Early retirement benefits are paid to participants who retire upon the attainment of age 55 and who have completed 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.

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

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.

Employees covered by benefit terms: At June 30, pension plan membership consisted of the following:

	2016	2015
Inactive plan participants or beneficiaries currently receiving benefits	788	809
Inactive plan participants entitled to but not yet receiving benefits	343	345
Active plan participants	11	12
Total plan participants	1,142	1,166

The Plan is closed to new entrants.

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 $735 through FY42; at which point benefit payments will be equivalent to contributions to the plan until there are no plan participants; however, the required contribution amount will be re-determined with each actuarial valuation as market performance and other factors will impact the required

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future funding. Funding the plan over the long-term allows the System to minimize contribution volatility.

Employees do not make contributions under the Plan.

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

	2016	2015
Total pension liability	$ 42,934	$ 43,318
Fiduciary net position	(32,763)	(36,627)
Net pension liability	$ 10,171	$ 6,691
Fiduciary net position as a percentage of the total pension liability	76.31%	84.55%

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

The total pension liability was developed from a roll forward valuation as of July 1, 2015, 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	3%
Salary increases	3.5% for all years, including longevity
Investment rate of return	6.25%, net of investment expenses, including inflation; 6.75% for FY15
Life expectancy	
Pre-retirement:	RP-2000 Mortality Table projected to FY28 with Scale AA
Post-retirement health:	RP-2000 Mortality Table projected to FY20 with Scale AA
Post-retirement disabled:	RP-2000 Mortality Table, no projection

The long-term expected rate of return on pension plan 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized in the following table:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Equity	8%	4.50%
Small/Mid Cap Equity	4%	4.75%
International Equity	7%	5.00%
Emerging Market Equity	3%	6.50%
Core Fixed Income	27%	0.89%
Global Multi-Sector	5%	1.96%
Global Asset Allocation	25%	4.00%
Real Estate (Core)	8%	3.50%
Hedge Funds	10%	3.50%
Cash	3%	0.00%
Total	100%	

Investment Returns:

Fiscal Year Ended June 30	2016	2015
Annual money-weighted rate of return, net of investment expenses	0.64%	0.12%

Discount Rate: GASB Statement No. 68 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, 2016 and 2015 was 6.25% and 6.75%, respectively. 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.

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability as of June 30, 2016 calculated using the discount rate of 6.25%, as well as what the net pension liability would be if it were calculated using a discount rate 1-percentage point lower (5.25%) or 1-percentage point higher (7.25%) than the current rate:

Notes to the Financial Statements

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	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Net pension liability	$ 13,322	$ 10,171	$ 7,405

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Changes in Net Pension Liability for the Defined Benefit Pension Plan

Fiscal Year Ended June 30	2016	2015
Total pension liability – beginning	$ 43,318	$ 45,075
Changes for the year:		
Service cost	5	40
Interest	2,769	2,884
Differences between expected and actual experience	-	12
Changes of assumptions	1,427	-
Benefit payments	(4,585)	(4,693)
Total pension liability – ending (a)	42,934	43,318
Fiduciary net position – beginning	36,627	40,201
Contributions – employer	538	1,100
Net investment income	202	27
Benefit payments	(4,585)	(4,693)
Administrative expenses	(19)	(8)
Fiduciary net position – ending (b)	32,763	36,627
Net pension liability – ending (a)-(b)	$ 10,171	$ 6,691
Plan fiduciary net position as a percentage of the total pension liability	76.31%	84.55%
Covered-employee payroll*	$ 312	$ 301
Net pension liability as a percentage of covered employee payroll	3259.94%	2222.92%
Contributions as a percentage of covered employee payroll	172.44%	365.45%
Plan assets measured at fair value	$ 32,763	$ 36,627

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

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Funding of Basic and Defined Benefit Plans

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

The System follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which requires the System to account for other postemployment benefits (OPEB), primarily health care, on an accrual basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Revenues, Expenses, and Changes in Net Position when future retirees earn their postemployment benefits, rather than when they use their postemployment benefit. To the extent that an entity does not fund its actuarially required contribution, a postemployment benefit liability is recognized in the Statement of Net Position over time.

The System provides postemployment health insurance to retirees meeting certain age and years-of-service requirements. Eligible persons are those that retire with at least 10 years of continuous, full-time equivalent service after the age of 45; and former employees approved for long-term disability benefits regardless of age or service.

The Postemployment Health Plan (the Plan) is a defined benefit, single employer plan, administered by the System. The 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. As of June 30, 2016 and 2015, there were approximately 6,640 persons covered by the System's postemployment health plan.

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 long-term disability benefits regardless of age or service. The subsidy consists of 100% of the cost for the retiree and 50% of the costs for eligible dependents; however, the subsidy for employees who retire on or after July 1, 2010 is reduced to 93%, 90%, or 85%, of the individual health premium, depending on the employee's years of System service. As of June 30, 2016 and 2015, there were approximately 2,066 and 2,078 persons, respectively, receiving a subsidy from the System. With certain restrictions, dependents are eligible to continue coverage at the 50% rate after the death of a retiree meeting the above criteria.

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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).

As of June 30, 2016 and 2015, there were 34 and 39 persons, respectively, participating in the plan but not receiving a subsidy from the System.

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 annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Employer contributions made include both amounts paid to the Plan and actual medical claims paid throughout the year. The System's management is committed to annually funding at a level such that employer contributions equal the ARC. The following table shows the components of the System's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the net OPEB obligation for the years ended June 30:

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Fiscal Year Ended June 30	(a) Annual Required Contribution (ARC)	(b) Interest on OPEB Obligation	(c) ARC Adjust-ment	(d) (a)+(b)-(c) Annual OPEB Cost	(e) Employer Contributions Made	(f) (e)/(d) Percentage of Annual OPEB Cost Contributed	(g) (d)-(e) Change in Net OPEB Obligation	Net OPEB Obligation/ (Asset) Balance
2016	$ 14,911	$ -	$ -	$ 14,911	$ 15,366	103%	$ (455)	$ 682
2015	$ 12,377	$ -	$ -	$ 12,377	$ 8,718	70%	$ 3,659	$ 1,137
2014	$ 13,052	$ -	$ -	$ 13,052	$ 18,083	139%	$ (5,031)	$ (2,522)

Employer contributions made are comprised of the following:

	Pay-as-you-go	(OPEB) Irrevocable Trust	Total Employer Contributions
2016	$ 10,229	$ 5,137	$ 15,366
2015	$ 8,718	$ -	$ 8,718
2014	$ 8,573	$ 9,510	$ 18,083

The net OPEB obligation of $682 and $1,137 as of June 30, 2016 and 2015, respectively, is included in the accompanying Statements of Net Position as a current accrued liability. The System's management is committed to funding the net obligation balance by December 31 on an annual basis. The Other Postemployment Benefits Trust invests its assets in the System MIP and follows the investment guidelines described in Note 3 of these financial statements.

As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $196,680 and the actuarial value of assets was $94,167 resulting in an Unfunded Actuarial Accrued Liability (UAAL) of $102,513 which results in a funded ratio of 47.9%. The covered payroll (annual payroll of active employees covered by the Plan) was $220,629 for FY15 and the ratio of the UAAL to the covered payroll was 46.5%.

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as the actual results are compared with past expectation and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about whether the actuarial plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuations, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.75% investment rate of return/discount rate (net of administrative expenses), which is the rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual health care cost trend rate of 8% initially, decreasing annually by 1% until an ultimate rate of 5% is reached. The actuarial value of assets is based on their fair value at July 1, 2015. The UAAL is being amortized on a level dollar basis over an open thirty year period.

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:

	2016			2015		
	Pension Liability	Deferred amount on Debt Refunding	Total	Pension Liability	Deferred amount on Debt Refunding	Total
Deferred outflows of resources	$ 4,438	$ 4,932	$ 9,370	$ 2,496	$ 5,232	$ 7,728
Deferred inflows of resources	$ 1,388	$ -	$ 1,388	$ 1,609	$ -	$ 1,609

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

	2016		
	Incentive Retirement Plan	Defined Benefit Plan	Total
Deferred outflows of resources			
Changes of assumption or other inputs	$ 1,192	$ -	$ 1,192
Net difference between projected and actual earnings on pension plan investments	-	3,246	3,246
Total deferred outflows of resources	1,192	3,246	4,438
Deferred inflows of resources			
Difference between expected and actual experience	1,388	-	1,388
Total deferred inflows of resources	1,388	-	1,388
Net deferred (inflows) and outflows	$ (196)	$ 3,246	$ 3,050

Notes to the Financial Statements

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	2015		
	Incentive Retirement Plan	Defined Benefit Plan	Total
Deferred outflows of resources			
Changes of assumption or other inputs	$ 444	$ -	$ 444
Net difference between projected and actual earnings on pension plan investments	-	2,052	2,052
Total deferred outflows of resources	444	2,052	2,496
Deferred inflows of resources			
Difference between expected and actual experience	1,609	-	1,609
Total deferred inflows of resources	1,609	-	1,609
Net deferred (inflows) and outflows	$ (1,165)	$ 2,052	$ 887

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

Year Ending June 30:	Incentive Retirement Plan	Classified Defined Benefit Plan	Total
2017	$ (49)	$ 940	$ 891
2018	(49)	940	891
2019	(49)	940	891
2020	(49)	426	377
2021	(49)	-	(49)
Thereafter	49	-	49
	$ (196)	$ 3,246	$ 3,050

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16. FAIR VALUE MEASUREMENTS

GASB Statement No. 72, *Fair Value Measurement and Application*, 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. The standard 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.

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Investments measured at fair value on a recurring basis at June 30, 2016 are summarized as follows:

		Fair Value Measurements Using		
	Total	Level 1	Level 2	Level 3
Operating Investments:				
Equities:				
Multi-strategy funds	$ 65,219	$ 65,219	$ -	$ -
Fixed income funds:				
Bonds	112,876	112,876	-	-
Money markets	21,596	21,596	-	-
Total investments by fair value level	199,691	$ 199,691	$ -	$ -
Investments measured at the NAV				
Multi-strategy funds	133			
Bank loans	12,829			
Total investments measured at the NAV	12,962			
Total investments measured at fair value	212,653			
State pool measured at amortized costs	17,939			
Total operating investments	$ 230,592			
Deposits with Bond Trustees:				
Bonds and money markets	$ 1,411	$ 1,411	$ -	$ -
Endowment Investments:				
MIP investments:				
Equities:				
Equities	$ 16,601	$ 16,601	$ -	$ -
Equity funds	112,594	112,594	-	-
Multi-strategy funds	77,087	77,087	-	-
Fixed income funds:				
Money markets	4,381	4,381	-	-
Bonds	34,108	34,108	-	-
Total MIP investments by fair value level	244,771	$ 244,771	$ -	$ -
MIP investments measured at the NAV				
Equity funds	10,257			
Multi-strategy funds	5,032			
Real assets	5,634			
Total MIP investments measured at the NAV	20,923			
Total MIP investments measured at fair value	265,694			
Less portion held on behalf of outside entities	(131,017)			
Endowment portion of MIP investments	134,677			
Separately Invested Assets:	1,144	$ 1,144	$ -	$ -
Total endowment investments measured at fair value	$ 135,821			

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Investments measured at the NAV at June 30, 2016:

		Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible	Redemption Period Notice
Operating Investments:					
Multi-strategy funds	(1)	$ 133			
Bank loans	(2)	12,829		Bi-monthly	15 days
Total operating investments measured at the NAV		$ 12,962			
Endowment Investments:					
MIP investments measured at the NAV					
Equity funds	(3)	$ 10,257		Monthly	15 days
Multi-strategy funds	(1)	5,032	$ 3,268	Monthly, quarterly	14 days, 45 days
Real assets	(4)	5,634			
Total pooled investments measured at the NAV		20,923			
Less portion held on behalf of outside entities		(10,317)			
Total endowment investments measured at the NAV		$ 10,606			

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Investments measured at fair value on a recurring basis at June 30, 2015 are summarized as follows

		Fair Value Measurements Using		
	Total	Level 1	Level 2	Level 3
Operating Investments:				
Equities:				
Multi-strategy funds	$ 61,502	$ 61,502	$ -	$ -
Fixed income funds:				
Bonds	118,824	118,824	-	-
Money markets	11,552	11,552	-	-
Total investments by fair value level	191,878	$ 191,878	$ -	$ -
Investments measured at the NAV				
Multi-strategy funds	9,663			
Bank loans	18,941			
Total investments measured at the NAV	28,604			
Total investments measured at fair value	220,482			
State pool measured at amortized cost	10,872			
Total operating investments	$ 231,354			
Deposits with Bond Trustees:				
Bonds and money markets	$ 12,744	$ 12,744	$ -	$ -
Endowment Investments:				
MIP investments:				
Equities:				
Equities	$ 13,407	$ 13,407	$ -	$ -
Equity funds	110,526	110,526	-	-
Multi-strategy funds	82,501	82,501	-	-
Fixed income funds:				
Money markets	147	147	-	-
Bonds	27,220	27,220	-	-
Total MIP investments by fair value level	233,801	$ 233,801	$ -	$ -
MIP investments measured at the NAV				
Equity funds	8,545			
Multi-strategy funds	20,136			
Real assets	5,270			
Total MIP investments measured at the NAV	33,951			
Total MIP investments measured at fair value	267,752			
Less portion held on behalf of outside entities	(127,675)			
Endowment portion of MIP investments	140,077			
Separately Invested Assets:	2,470	$ 2,470	$ -	$ -
Total endowment investments measured at fair value	$ 142,547			

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Investments measured at the NAV at June 30, 2015:

		Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible	Redemption Period Notice
Operating Investments:					
Multi-strategy funds	(1)	$ 9,663			
Bank loans	(2)	18,941		Bi-monthly	15 days
Total operating investments measured at the NAV		$ 28,604			
Endowment Investments:					
MIP investments measured at the NAV					
Equity funds	(3)	$ 8,545		Monthly	15 days
Multi-strategy funds	(1)	20,136	$ 3,840	Monthly, quarterly	14 days, 45 days
Real assets	(4)	5,270			
Total MIP investments measured at the NAV		33,951			
Less portion held on behalf of outside entities		(16,189)			
Total endowment investments measured at the NAV		$ 17,762			

Additional information for investments measured at the NAV at June 30 2016 and 2015 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.

(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.

(3) Equity funds: These funds have a mandate requiring the portfolio manager to invest the shareholders' money primarily in equities. Securities that are actively traded are valued based on quoted prices for identical securities in active markets and those that are not actively traded are valued based upon observable market inputs.

(4) Real Assets: Consists of equity and debt investments in commercial timberland property. Investments typically involve an active management strategy structured for realization of profits from the long-term appreciation of investments and moderate income from operations. The NAV per share is calculated based on the ownership interest in partners' capital and significant direct or indirect observable inputs or recent observable transaction information for similar investments.

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17. 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 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, 2016 and 2015, 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 to the permanent endowment were $4,828 for FY16 and $5,138 for FY15.

The Foundation asset category, long-term investments, endowment, comprised 86% of the Foundation's total assets as of June 30, 2016 and 2015. Remaining disclosures in this note relate to this asset group.

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 statement of activities as unrestricted or temporarily restricted based upon the existence and nature of any donor-imposed restrictions.

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 8.3% in 2016 and 2015. Actual returns in any given year may vary from these amounts.

Notes to the Financial Statements
Years Ended June 30, 2016 and 2015
($ in thousands)

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 years ended June 30, 2016 and 2015, the spending policy is 4.5% of the average market value for the five previous years ending December 31. For permanent endowments, spending is contingent upon a fund's market value exceeding principal balances.

For the year beginning July 1, 2014, the Foundation adopted a prudent expenditure for funds with a market value below principal. Unless the donor has explicitly stated the principal is not expendable under any circumstances, prudent expenditures of 2.25% will be distributed for funds less than ten percent below principal and 1% for funds ten percent or more below principal for that year. During the years ended June 30, 2016 and 2015, the Foundation distributed $8,577 and $8,489, 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.
>
> 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.

Notes to the Financial Statements
Years Ended June 30, 2016 and 2015
($ in thousands)

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

	2016				
	Level 1	Level 2	Level 3	Total	Liquidity
Total U.S. equities	$ 46,977	$ -	$ -	$ 46,977	Daily/Monthly
Total non U.S. equities	59,978	-	-	59,978	Daily/ Monthly/ Quarterly
Total U.S. fixed income	18,379	-	-	18,379	Daily
Total global fixed income	5,072	-	-	5,072	Monthly
Total alternative investments	-	-	46,064	46,064	Monthly/ Quarterly/ Semi-Annually/ Annually
Cash	3,417	-	-	3,417	Daily
Total long-term investments, endowment	$ 133,823	$ -	$ 46,064	$ 179,887	

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

18. SIGNIFICANT NEW ACCOUNTING PRONOUNCEMENT

In June 2015, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB No. 75), was issued. The primary objective of this Statement is to improve accounting and financial reporting with the purpose of providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The new Standard will affect how the System measures, reports, and discloses information about its other postemployment benefits (OPEB) other than pensions. The System will be required to adopt GASB No. 75 for the fiscal year ending June 30, 2018. The effects of implementation on the financial statements have not yet been determined.

Required Supplemental Information – Retirement Plans

Year ended June 30, 2016
(Unaudited)
($ in thousands)

Schedules of Funding Progress

Actuarial valuation (date as of July 1)	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll (b-a)/(c)
Postemployment Health Plan						
2015	$ 94,167	$ 196,680	$ 102,513	47.9%	$ 220,629	46.5%
2013	$ 73,042	$ 163,893	$ 90,851	44.6%	$ 244,938	37.1%
2012	$ 52,800	$ 169,921	$ 117,121	31.1%	$ 234,720	49.9%

Required Supplemental Information – Retirement Plans
Year ended June 30, 2016
(Unaudited)
($ in thousands)

Incentive Retirement Plan:

Changes in Total Pension Liability

Fiscal Year Ended June 30	2016	2015
Total pension liability:		
Service cost	$ 718	$ 880
Interest	877	1,110
Differences between expected and actual experience	-	(1,831)
Changes of assumptions and other inputs	921	505
Benefit payments	(5,260)	(3,114)
Net change in total pension liability	(2,744)	(2,450)
Total pension liability – beginning	24,990	27,440
Total pension liability – ending	$ 22,246	$ 24,990
Covered-employee payroll	$ 95,653	$ 92,419
Total pension liability as a percentage of covered-employee payroll	23.26%	27.04%

Schedule of Employer Contributions

Fiscal Year Ended June 30	2016	2015
Actuarially determined contribution	$ -	$ -
Contributions in relation to the actuarially determined contribution	5,260	3,114
Contribution deficiency (excess)	$ (5,260)	$ (3,114)
Covered-employee payroll	$ 95,653	$ 92,419
Contributions as a percentage of covered-employee payroll	5.50%	3.37%

Required Supplemental Information – Retirement Plans

Year ended June 30, 2016
(Unaudited)
($ in thousands)

Incentive Retirement Plan – continued:

Notes to Required Supplementary Information

Changes of benefit terms:

None.

Changes of assumptions and other inputs:

The discount rate changed from 3.80% as of the beginning of the measurement period to 2.85% 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 Statement No. 73.

Required Supplemental Information – Retirement Plans

Year ended June 30, 2016
(Unaudited)
($ in thousands)

Defined Benefit Plan:

Changes in Net Pension Liability and Related Ratios

Fiscal Year Ended June 30	2016	2015
Changes for the year:		
Service cost	$ 5	$ 40
Interest	2,769	2,884
Differences between expected and actual experience	-	12
Changes of assumptions	1,427	-
Benefit payments	(4,585)	(4,693)
Net change in total pension liability	(384)	(1,757)
Total pension liability – beginning	43,318	45,075
Total pension liability – ending (a)	42,934	43,318
Contributions – employer	538	1,100
Net investment income	202	27
Benefit payments	(4,585)	(4,693)
Administrative expenses	(19)	(8)
Net change in plan fiduciary net position	(3,864)	(3,574)
Fiduciary net position – beginning	36,627	40,201
Fiduciary net position – ending (b)	32,763	36,627
Net pension liability – ending (a)-(b)	$ 10,171	$ 6,691
Plan fiduciary net position as a percentage of the Total pension liability	76.31%	84.55%
Covered-employee payroll*	$ 312	$ 301
Net pension liability as a percentage of covered-employee payroll	3259.94%	2222.92%

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

Required Supplemental Information – Retirement Plans
Year ended June 30, 2016
(Unaudited)
($ in thousands)

Defined Benefit Plan – continued:

Schedule of Employer Contributions

Fiscal Year Ended June 30	2016	2015	2014
Actuarially determined contribution	$ 538	$ 550	$ 550
Contributions in relation to the actuarially determined contribution	538	1,100	550
Contribution deficiency (excess)	$ -	$ (550)	$ -
Covered-employee payroll*	$ 312	$ 301	$ 692
Contributions as a percentage of covered-employee payroll	172.44%	365.45%	79.48%

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

Required Supplemental Information – Retirement Plans
Year ended June 30, 2016
(Unaudited)
($ in thousands)

Defined Benefit Plan – continued:

Notes to Required Supplementary Information

Changes of benefit terms:

None.

Changes of assumptions:

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

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, two years 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	Entry age normal
Asset valuation method	The actuarial value of assets is the market value of assets.
Inflation	3% per year
Salary increases	3.5% per year
Payroll increases	3.5% per year
Investment rate of return/ discount rate	6.25%, net of investment expenses, compounded annually. Previously, 6.75%

Investment Returns:

Fiscal Year Ended June 30	2016	2015	2014
Annual money-weighted rate of return, net of investment expenses	64%	0.12%	14.27%

Required Supplemental Information – Retirement Plans
Year ended June 30, 2016
(Unaudited)
($ in thousands)

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.

Supplemental Information Required by the State of Maine

Schedules of Activities

($ in thousands)

Year Ended June 30, 2016

Functions/Programs	Expenses	Charges for Services	Program Investment Loss	Operating Grants/ Contributions	Capital Grants/ Contributions	Net (Expense) Revenue
University of Maine System	$ 665,431	$ 289,270	$ (7,946)	$ 170,864	$ 2,881	$ (210,362)

General Revenues:	
Unrestricted interest and investment losses	2,561
Additions to endowments - gifts	1,180
State of Maine noncapital appropriation	201,404
State of Maine capital appropriation	13,104
Loss on disposal of capital assets	(1,813)
Total Revenues and Extraordinary Items	216,436
Change in Net Position	6,074
Net Position, Beginning of Year	860,631
Net Position, End of Year	$ 866,705

Year Ended June 30, 2015

Functions/Programs	Expenses	Charges for Services	Program Investment Loss	Operating Grants/ Contributions	Capital Grants/ Contributions	Net (Expense) Revenue
University of Maine System	$ 674,211	$ 290,295	$ (6,151)	$ 166,031	$ 4,555	$ (219,481)

General Revenues:	
Unrestricted interest and investment losses	(499)
Additions to endowments - gifts	1,725
State of Maine noncapital appropriation	198,757
State of Maine capital appropriation	11,267
Loss on disposal of capital assets	(841)
Total Revenues and Extraordinary Items	210,409
Change in Net Position	(9,072)
Net Position, Beginning of Year - Restated	869,703
Net Position, End of Year	$ 860,631

INDEPENDENT AUDITOR'S 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*

To the Board of Trustees
University of Maine System

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), a component unit of the State of Maine, which comprise the statement of net position and the statement of financial position for its component unit as of June 30, 2016, the related statements of revenues, expenses and changes in net position and cash flows, and the statement of activities for its component unit, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated November 14, 2016, which contained an unmodified opinion on those financial statements. Our report includes a reference to other auditors, who audited the financial statements of the discretely presented component unit of the System, as described in our report on the System's financial statements. The audit of the financial statements of the component unit was not conducted in accordance with *Governmental Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance or other matters for the discretely presented component unit of the System.

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 System's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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.

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 from 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 System'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 System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Berry Dunn McNeil & Parker, LLC

Bangor, Maine
November 14, 2016