



# **STATE OF NORTH CAROLINA**

**FINANCIAL STATEMENT AUDIT REPORT OF**

**THE UNIVERSITY OF NORTH CAROLINA AT GREENSBORO**

**GREENSBORO, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2001**

**OFFICE OF THE STATE AUDITOR**

**RALPH CAMPBELL, JR.**

**STATE AUDITOR**

**FINANCIAL STATEMENT AUDIT REPORT OF**  
**THE UNIVERSITY OF NORTH CAROLINA AT GREENSBORO**  
**GREENSBORO, NORTH CAROLINA**  
**FOR THE YEAR ENDED JUNE 30, 2001**

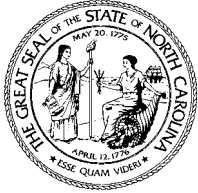
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Ralph Campbell, Jr.  
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**AUDITOR'S TRANSMITTAL**

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The Honorable Michael F. Easley, Governor  
The General Assembly of North Carolina  
Board of Trustees, The University of North Carolina at Greensboro

This report presents the results of our financial statement audit of The University of North Carolina at Greensboro, a component unit of the State of North Carolina, for the year ended June 30, 2001. Our audit was made by authority of Article 5A of G.S. §147.

The accounts and operations of the University are an integral part of the State's reporting entity represented in the State's *Comprehensive Annual Financial Report* (CAFR) and the State's *Single Audit Report*. In those reports, the State Auditor expresses an opinion on the State's financial statements. In the *Single Audit Report*, the State Auditor also presents the audit results on the State's internal controls and on the State's compliance with laws, regulations, contracts, and grants applicable to the State's financial statements and to its federal financial assistance programs.

As part of the audit work necessary for the CAFR and the *Single Audit Report*, the accounts and operations of the University were subject to audit procedures as we considered necessary. In addition, we performed auditing procedures that we considered necessary for us to report on the accompanying financial statements and supplementary information that relate solely to The University of North Carolina at Greensboro. The audit procedures were conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

The purpose of this report is to present the results of our audit on the accompanying financial statements and supplementary information that relate solely to The University of North Carolina at Greensboro. A summary of our reporting objectives and audit results are:

1. **Objective** - Express an opinion on the accompanying financial statements and supplementary information that relate solely to The University of North Carolina at Greensboro.

**Results** - The accompanying financial statements present fairly, in all material respects, the amounts and disclosures made in accordance with accounting principles generally accepted in the United States of America. The accompanying supplementary information presents information that is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## AUDITOR'S TRANSMITTAL (CONCLUDED)

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2. **Objective** - Present instances of noncompliance, if any, with laws, regulations, contracts, or grants.

**Results** - Our tests disclosed no instances of noncompliance which require disclosure herein under *Government Auditing Standards*.

3. **Objective** - Present significant deficiencies, if any, in internal control over financial reporting which could adversely affect the University's ability to record, process, summarize, and report financial data in the financial statements.

**Results** - Our tests disclosed no material weaknesses in internal control over financial reporting which require disclosure herein under *Government Auditing Standards*.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

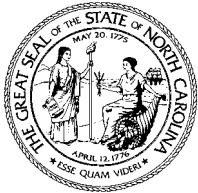


Ralph Campbell, Jr.  
State Auditor

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**INDEPENDENT AUDITOR'S REPORT**

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Board of Trustees  
The University of North Carolina at Greensboro  
Greensboro, North Carolina

We have audited the accompanying Balance Sheet of The University of North Carolina at Greensboro, a component unit of the State of North Carolina, as of June 30, 2001, and the related Statement of Changes in Fund Equity and Statement of Current Funds Revenues, Expenditures, and Other Changes for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The University of North Carolina at Greensboro as of June 30, 2001, and the changes in fund equity and the current funds revenues, expenditures, and other changes for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14A to the financial statements, the University changed its method of accounting for securities lending transactions allocated from the State Treasurer's Cash and Investment Pool during the year ended June 30, 2001. As discussed in Note 14B to the financial statements, the University implemented Governmental Accounting Standard Board, Statement #33, *Accounting and Financial Reporting for Nonexchange Transactions*, during the year ended June 30, 2001.

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2001 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the independent auditor's report in considering the results of our audit.

Schedules 1, 2, 3, and 4 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Ralph Campbell, Jr." in a cursive script.

Ralph Campbell, Jr.  
State Auditor

October 19, 2001

***The University of North Carolina at Greensboro***  
***Balance Sheet***  
***June 30, 2001***

***Exhibit A***

	Current Funds			Fiduciary Funds			Plant Funds		
	Unrestricted								
	General	Proprietary	Restricted	Loan	Endowment	Agency	Unexpended	Debt Service	Investment in Plant
<b><i>ASSETS</i></b>									
Cash and Cash Equivalents	\$ 24,736,530	\$ 17,841,518	\$ 3,209,107	\$ 445,794	\$ 857,465	\$ 374,694	\$ 25,317,449	\$ 125,233	\$ 0
Investments	742,939		3,530,274		111,568,730	1,548,457	2,501,408	5,203,656	
Receivables:									
Accounts Receivable (Net)	1,173,650	671,567	3,842,093	6,663					
Intergovernmental Receivables			4,274,687	423					
Interest Receivable	90,997	69,853	114,600	161,252	10,593	247	39,779		
Due from Other Funds	386,872	62,345	2,243,924	40,622	65,474		380,350	684,420	
Due from Primary Government			898,028				6,224,723		
Notes Receivable (Net)				5,470,240	20,639				
Inventories	131,336	345,312							
Prepaid Items			2,064						
Fixed Assets (Note 4)									339,454,017
<b>Total Assets</b>	<b>\$ 27,262,324</b>	<b>\$ 18,990,595</b>	<b>\$ 18,114,777</b>	<b>\$ 6,124,994</b>	<b>\$ 112,522,901</b>	<b>\$ 1,923,398</b>	<b>\$ 34,463,709</b>	<b>\$ 6,013,309</b>	<b>\$ 339,454,017</b>



**The University of North Carolina at Greensboro**  
**Balance Sheet**  
**June 30, 2001**

**Exhibit A**  
**Page 2**

	Current Funds			Fiduciary Funds			Plant Funds		
	Unrestricted								
	General	Proprietary	Restricted	Loan	Endowment	Agency	Unexpended	Debt Service	Investment in Plant
<b>LIABILITIES AND FUND EQUITY</b>									
<b>Liabilities:</b>									
Accounts Payable and Accrued Liabilities:									
Accounts Payable	\$ 608,413	\$ 197,191	\$ 1,069,431	\$ 0	\$ 1,844,020	\$ 47,036	\$ 3,635,256	\$ 0	\$ 0
Accrued Payroll	3,212,047	30,056	122,574						
Intergovernmental Payables			369,688						
Due to Other Funds	1,409,225	894,522	267,759	104,967	1,187,534				
Due to Primary Government		106,530							
Bonds Payable (Note 5B)							15,445,181	1,416,154	53,579,865
Interest Payable								684,421	
Deposits Payable	299,410	100							
Accrued Vacation Leave	3,017,266	502,572	457,538						
Deferred Revenue	2,478,340	299,502	647,429						
Funds Held in Trust for Pool Participants						1,548,457			
Funds Held for Others	546,264					327,905			
<b>Total Liabilities</b>	<b>11,570,965</b>	<b>2,030,473</b>	<b>2,934,419</b>	<b>104,967</b>	<b>3,031,554</b>	<b>1,923,398</b>	<b>19,080,437</b>	<b>2,100,575</b>	<b>53,579,865</b>
<b>Fund Equity:</b>									
Net Investment in Plant									285,874,152
Fund Balances:									
Restricted:									
U. S. Government Grants Refundable				4,694,630					
Endowment					92,633,276				
Term Endowment					536,472				
Quasi-Endowment					10,387,562				
Annuity and Life Income Funds					2,666,359				
Restricted for Debt Retirement								630,631	
Restricted for Repair and Replacement								3,282,103	
Other Restricted Funds			15,180,358	1,325,397			15,383,272		
Unrestricted:									
Quasi-Endowment					3,267,678				
Other Unrestricted Funds	15,691,359	16,960,122							
<b>Total Fund Equity</b>	<b>15,691,359</b>	<b>16,960,122</b>	<b>15,180,358</b>	<b>6,020,027</b>	<b>109,491,347</b>		<b>15,383,272</b>	<b>3,912,734</b>	<b>285,874,152</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 27,262,324</b>	<b>\$ 18,990,595</b>	<b>\$ 18,114,777</b>	<b>\$ 6,124,994</b>	<b>\$ 112,522,901</b>	<b>\$ 1,923,398</b>	<b>\$ 34,463,709</b>	<b>\$ 6,013,309</b>	<b>\$ 339,454,017</b>

The accompanying notes to the financial statements are an integral part of this statement.

**The University of North Carolina at Greensboro**  
**Statement of Changes in Fund Equity**  
**Year Ended June 30, 2001**

**Exhibit B**

	Current Funds			Fiduciary Funds		Plant Funds		
	Unrestricted							Investment in Plant
	General	Proprietary	Restricted	Loan	Endowment	Unexpended	Debt Service	
<b>Revenues and Other Additions:</b>								
Tuition and Fees	\$ 34,053,047	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
State Appropriations	94,453,989					3,672,100		
Federal Contracts and Grants	2,901,355		26,793,461	48,565				
State Contracts and Grants	160,354		3,054,816			9,368,595		
Local Contracts and Grants			166,106					
Nongovernmental Contracts and Grants			2,738,734					
Gifts	977,948	65,000	6,734,898	12,645	6,449,002			1,030,654
Investment Income	1,810,063	950,862	28,551	133,511	(3,079,356)	(75,934)	285,148	
Endowment Income	418,210		2,173,775					
Sales and Services	5,959,084	33,242,257						
Expended for Plant Facilities								14,340,582
Retirement of Indebtedness								2,739,289
Other Revenues and Additions	69,920		124,053	49,790				
<b>Total Revenues and Other Additions</b>	<b>140,803,970</b>	<b>34,258,119</b>	<b>41,814,194</b>	<b>244,511</b>	<b>3,369,646</b>	<b>12,964,761</b>	<b>285,148</b>	<b>18,110,525</b>
<b>Expenditures and Other Deductions:</b>								
Educational and General	136,480,673		35,791,695					
Auxiliary Enterprises		24,407,790						
Internal Service Funds		1,216,745						
Indirect Costs Recovered			2,915,689					
Refunded to Grantors			4,052					
Expended for Plant Facilities						18,161,377		
Retirement of Indebtedness							2,739,289	
Interest on Indebtedness							3,069,853	
Disposal of Plant Facilities								2,688,260
Other Expenditures and Deductions				27,331			28,025	
<b>Total Expenditures and Other Deductions</b>	<b>136,480,673</b>	<b>25,624,535</b>	<b>38,711,436</b>	<b>27,331</b>		<b>18,161,377</b>	<b>5,837,167</b>	<b>2,688,260</b>
<b>Transfers:</b>								
Mandatory Transfers In (Out)	(2,302,277)	(3,822,899)	141,376	21,584			5,962,216	
Non-Mandatory Transfers In (Out)	1,331,788	(4,036,253)	2,063,203	17,780	(3,385,523)	4,009,005		
<b>Net Transfers In (Out)</b>	<b>(970,489)</b>	<b>(7,859,152)</b>	<b>2,204,579</b>	<b>39,364</b>	<b>(3,385,523)</b>	<b>4,009,005</b>	<b>5,962,216</b>	
<b>Net Increase (Decrease) for the Year</b>	<b>3,352,808</b>	<b>774,432</b>	<b>5,307,337</b>	<b>256,544</b>	<b>(15,877)</b>	<b>(1,187,611)</b>	<b>410,197</b>	<b>15,422,265</b>
<b>Fund Equity July 1, 2000</b>	<b>12,338,551</b>	<b>16,185,690</b>	<b>9,873,021</b>	<b>5,763,483</b>	<b>109,507,224</b>	<b>16,570,883</b>	<b>3,502,537</b>	<b>270,451,887</b>
<b>Fund Equity June 30, 2001</b>	<b>\$ 15,691,359</b>	<b>\$ 16,960,122</b>	<b>\$ 15,180,358</b>	<b>\$ 6,020,027</b>	<b>\$ 109,491,347</b>	<b>\$ 15,383,272</b>	<b>\$ 3,912,734</b>	<b>\$ 285,874,152</b>

The accompanying notes to the financial statements are an integral part of this statement.

***The University of North Carolina at Greensboro***  
***Statement of Current Funds Revenues, Expenditures, and Other Changes***  
***Year Ended June 30, 2001, with comparative totals for 2000***

***Exhibit C***

	Unrestricted			Restricted	Totals Year Ended June 30,	
	General	Proprietary	Total		2001	2000
<b>Revenues:</b>						
Tuition and Fees	\$ 34,053,047	\$ 0	\$ 34,053,047	\$ 0	\$ 34,053,047	\$ 33,360,954
State Appropriations	94,453,989		94,453,989		94,453,989	84,598,460
Federal Contracts and Grants	2,901,355		2,901,355	24,398,766	27,300,121	23,635,858
State Contracts and Grants	160,354		160,354	2,800,168	2,960,522	2,915,327
Local Contracts and Grants				159,466	159,466	183,231
Nongovernmental Contracts and Grants				2,479,029	2,479,029	2,483,031
Gifts	977,948	65,000	1,042,948	6,734,698	7,777,646	1,413,240
Investment Income	1,810,063	950,862	2,760,925	28,551	2,789,476	2,524,598
Endowment Income	418,210		418,210	2,173,775	2,591,985	4,028,071
Sales and Services	5,959,084	33,242,257	39,201,341		39,201,341	37,622,111
Other Sources	69,920		69,920	124,053	193,973	74,482
<b>Total Revenues</b>	<b>140,803,970</b>	<b>34,258,119</b>	<b>175,062,089</b>	<b>38,898,506</b>	<b>213,960,595</b>	<b>192,839,363</b>
<b>Expenditures:</b>						
Educational and General:						
Instruction	68,411,901		68,411,901	694,441	69,106,342	63,040,499
Organized Research	201,757		201,757	13,013,298	13,215,055	11,914,106
Public Service	2,267,477		2,267,477	8,497,753	10,765,230	10,362,794
Academic Support	21,670,221		21,670,221	3,140,310	24,810,531	22,336,185
Student Services	10,004,900		10,004,900	244,705	10,249,605	10,061,771
Institutional Support	17,009,411		17,009,411	283,410	17,292,821	16,160,821
Plant Maintenance and Operations	13,116,601		13,116,601	3,663	13,120,264	11,913,457
Student Financial Aid	3,798,405		3,798,405	9,914,116	13,712,521	12,055,837
Auxiliary Enterprises		24,407,790	24,407,790		24,407,790	23,878,559
Internal Service Funds		1,216,745	1,216,745		1,216,745	1,447,551
<b>Total Expenditures</b>	<b>136,480,673</b>	<b>25,624,535</b>	<b>162,105,208</b>	<b>35,791,696</b>	<b>197,896,904</b>	<b>183,171,580</b>
<b>Transfers and Additions/(Deductions):</b>						
Refunded to Grantors				(4,052)	(4,052)	(18,841)
Mandatory Transfers In (Out)	(2,302,277)	(3,822,899)	(6,125,176)	141,376	(5,983,800)	(5,691,259)
Non-Mandatory Transfers In (Out)	1,331,788	(4,036,253)	(2,704,465)	2,063,203	(641,262)	(3,101,252)
<b>Net Increase in Fund Equity</b>	<b>\$ 3,352,808</b>	<b>\$ 774,432</b>	<b>\$ 4,127,240</b>	<b>\$ 5,307,337</b>	<b>\$ 9,434,577</b>	<b>\$ 856,431</b>

The accompanying notes to the financial statements are an integral part of this statement.

**THE UNIVERSITY OF NORTH CAROLINA AT GREENSBORO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2001**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America, the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The University of North Carolina at Greensboro is a constituent institution of the sixteen campus University of North Carolina System, which is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

The accompanying financial statements present all funds belonging to the University and its component units. While the Board of Governors of the University of North Carolina System has ultimate responsibility, the Chancellor, the Board of Trustees, and the Board of Trustees of the Endowment Fund have delegated responsibilities for financial accountability of the University's funds. Although legally separate, The Human Environmental Sciences Foundation, Inc., The Weatherspoon Arts Foundation, The UNCG Excellence Foundation, and The University of North Carolina at Greensboro Investment Fund, Inc., component units of the University, are reported as if they were part of the University.

The Human Environmental Sciences Foundation, Inc. is governed by a twenty-seven member board consisting of twenty-seven elected directors. The Foundation's purpose is to aid and promote excellence in higher education, service and research, and the endowment of the School of Human Environmental Sciences at The University of North Carolina at Greensboro. Because the elected directors of the Foundation are appointed by the members of the The University of North Carolina at Greensboro Board of Trustees and the Foundation's sole purpose is to benefit The University of North Carolina at Greensboro, its financial statements have been blended with those of the University.

The Weatherspoon Arts Foundation is governed by a twenty-eight member board consisting of one ex officio director and twenty-seven elected directors. The Foundation's purpose is to acquire by gift,

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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purchase, lease, loan, or other means of conveyance works of art and to maintain and enhance the arts collection of teaching, research, and public services purposes exclusively for the use and benefit of The University of North Carolina at Greensboro. Because the elected directors of the Foundation are appointed by the members of the The University of North Carolina at Greensboro Board of Trustees and the Foundation's sole purpose is to benefit The University of North Carolina at Greensboro, its financial statements have been blended with those of the University.

The UNCG Excellence Foundation is governed by a thirty-one member board consisting of three ex officio directors and twenty-eight elected directors. The Foundation's purpose is to aid, support, and promote teaching, research and service in the various educational, scientific, scholarly, professional, artistic and creative endeavors of the University. Because the elected directors of the Foundation are appointed by the members of The University of North Carolina at Greensboro Board of Trustees and the Foundation's sole purpose is to benefit The University of North Carolina at Greensboro as long as The University of North Carolina at Greensboro qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1954 (or corresponding provisions of any future United States Internal Revenue law), its financial statements have been blended with those of the University.

The University of North Carolina at Greensboro Investment Fund, Inc. is governed by a board consisting of eight ex officio directors and six elected directors. The Investment Fund's purpose is to support the University by operating an investment fund for charitable, nonprofit foundations, associations, trusts, endowments and funds that are organized and operated primarily to support the University. The Investment Fund is an external governmental investment pool. Because the elected directors of the Investment Fund are appointed by the members of The University of North Carolina at Greensboro Board of Trustees and the Investment Fund's primary purpose is to benefit The University of North Carolina at Greensboro, its financial statements have been blended with those of the University.

Separate financial statements for the Foundation and the Investment Fund may be obtained from the Business Affairs Office, 254 Mossman Building, Greensboro, NC 27402, or by calling 336-334-5200. Other related foundations and similar non-profit corporations for which the University is not financially accountable are not part of the accompanying financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**B. Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America applicable to governmental colleges and universities as promulgated by the Governmental Accounting Standards Board (GASB). In accordance with GASB Statement #15 *Governmental College and University Accounting and Financial Reporting Models*, the University has elected to follow the fund accounting and reporting guidelines set forth by the American Institute of Certified Public Accountants in its Industry Audit Guide, *Audits of Colleges and Universities*.

**C. Fund Structure** - The accompanying financial statements are structured into three categories of funds: Current, Fiduciary, and Plant Funds.

The **Current Funds** are used to account for the revenues and expenditures resulting from operations, with the Unrestricted Funds and Restricted Fund shown separately. The Restricted Fund represents resources that are restricted to use by either an outside donor or grantor. Current funds that are internally designated for specific purposes by the governing board or management having delegated authority are reported as Unrestricted Funds. The Unrestricted Proprietary Fund reflecting the operations of the student supply store, dormitories, other auxiliary enterprises, internal service funds, student activity funds and intercollegiate athletics is shown separately from the Unrestricted General Fund.

The **Fiduciary Funds** are used to account for additions to and deductions from fund equity of the Loan Fund and Endowment Fund. The Annuity and Life Income Fund is immaterial to the operations of the University and, as a result, is reported as part of the Endowment Fund. In addition, the Fiduciary Funds are used to account for funds of students and organizations held by the University as custodian in the Agency Fund. The transactions of the Agency Fund increase and decrease assets and liabilities but do not effect fund equity. As a result, the Agency Fund is not reflected in the Statement of Changes in Fund Equity.

The **Plant Funds** are used to account for additions to and deductions from fund equity of the Unexpended Plant Fund, Debt Service Fund, and the Investment in Plant Fund. The Debt Service Fund includes the Repair and Replacement reserves as well as the reserves for Retirement of Indebtedness.

**D. Basis of Accounting** - The financial statements of the University have been prepared on the accrual basis except that, in accordance with accounting practices customarily followed by public educational

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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institutions, no provision is made for depreciation of fixed assets, interest on loans to students is recorded when collected, and revenue from tuition and student fees for summer sessions is reported totally within the fiscal year in which the session is primarily conducted. Otherwise, revenues are recorded when earned and expenditures are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the University receives value without directly giving equal value in exchange, include grants, state appropriations, and private donations. On an accrual basis, revenues from these transactions are recognized in the fiscal year in which all eligibility requirements (resource provider conditions) have been satisfied, if measurable and probable of collection.

The Statement of Current Funds Revenues, Expenditures, and Other Changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

- E. Cash and Cash Equivalents** - In addition to cash on deposit with private bank accounts, petty cash, and undeposited receipts, this classification includes cash on deposit with fiscal agents and short-term investments with the State Treasurer's Cash and Investment Pool (a governmental external investment pool). All other short-term investments are reported as investments.
- F. Investments** - This classification includes long-term fixed income investments, equity investments, mutual funds, money market funds, limited partnerships, real estate investment trusts, real estate, and other asset holdings by the University. Except for money market funds, real estate not held by a governmental external investment pool and other asset holdings, these investments are reported at fair value for year-end financial reporting purposes. Fair value is the amount at which an investment could be exchanged between two willing parties. Fair value for financial reporting purposes is based on quoted market prices. The net increase (decrease) in the fair value of investments is recognized as a part of investment income.

Money market funds, real estate not held by a governmental external investment pool and other asset holdings are reported at cost, if purchased, or at fair market value or appraised value at date of gift, if donated.

- G. Receivables and Allowance for Doubtful Accounts** – Accounts receivable in the Unrestricted General Fund and the Unrestricted Proprietary Fund are shown in the accompanying financial statements net

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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of allowances for doubtful accounts of \$237,529 and \$173,632, respectively. In addition, notes receivable in the Loan Fund is shown net of the allowance for doubtful accounts of \$608,801. The accounts and notes receivable for other funds are shown at book value with no provision for doubtful accounts considered necessary.

- H. Inventories** - Inventories held by the University are priced at the lower of cost or market value using the last invoice cost. The inventories for the Unrestricted General Fund consist of expendable supplies, merchandise for resale and fuel oil held for consumption. Inventories for the Unrestricted Proprietary Fund consist of expendable supplies, postage, and other merchandise for resale.
- I. Fixed Assets and Depreciation** – Fixed Assets are stated at cost at date of acquisition or fair market value at date of donation in the case of gifts. The University capitalizes fixed assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of one or more years. Depreciation is not recorded.

To the extent that current funds are used to finance plant assets, the amounts provided are accounted for as: (1) expenditures, in the case of normal replacement of furniture and movable equipment; (2) mandatory transfers, in the case of required provisions for debt retirement and renewal and replacement; and (3) transfers of a non-mandatory nature for all other cases.

Fixed assets financed with debt proceeds are reported in the Investment in Plant Fund subgroup when expenditures are incurred. Construction period interest cost in excess of earnings associated with the debt proceeds is capitalized as a component of the fixed asset.

Fixed assets, such as roads, parking lots, decks, sidewalks, and other non-building structures and improvements are capitalized as infrastructure.

- J. Vacation and Sick Leave** - The University's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1st or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30th equals the leave carried forward at the previous December 31st plus the leave earned, less the leave taken between January 1st and June 30th. The University has the policy of recording the cost of sick leave when taken and paid rather than when the leave is earned. The policy provides for



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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unlimited accumulation of sick leave, but the employee cannot be compensated for any unused sick leave upon termination of employment.

- K. Revenue Recognition** – Current Funds revenues, as reflected on Exhibit C, include all exchange and non-exchange transactions earned and in which all eligibility requirements (resource provider conditions) have been satisfied, if measurable and probable of collection.

Certain Unrestricted Proprietary Fund auxiliary operations provide goods and services to activities reported in the Unrestricted General Fund (as well as external customers). These auxiliary operations include activities such as central stores, the print shop, and other auxiliaries with interdepartmental activities. Because the University reports its Unrestricted General and Proprietary Fund activities separately on the financial statements, interdepartmental charges between the Unrestricted General and Proprietary Funds have not been eliminated. The total internal (and external) transactions related to these operations totaled approximately \$1,120,081 for the fiscal year ended June 30, 2001. These internal (and external) charges have been reported as a part of sales and service revenue and related costs as auxiliary enterprise expenses.

Tuition remission and waivers are recorded as “Tuition and Fees” revenue and as “Student Financial Aid” expenditures on the accompanying financial statements.

Student fees pledged under bond indentures are reported as unrestricted revenues when received unless such fees are not legally available for other purposes, in which case they are reported as an addition to Debt Service Fund equity.

- L. Endowment Investment Return** – Investments of the University’s endowment funds are pooled, unless required to be separately invested by the donor. Investment return of the University’s endowment funds is predicated on the total return concept (yield plus appreciation). Annual payouts from the University’s pooled endowment funds are equal to 4.5 percent of the average market value of the Investment Pool at December 31 for the past three years. To the extent that the current year earnings do not meet the payout requirements, the University uses accumulated realized appreciation to make up the difference.

Endowments are classified as either “true” or “quasi”. True endowments are funds that the donor has specified, as a condition of the gift, that the principal be maintained indefinitely. Quasi-endowments are funds on which there is no such restriction placed by the donor. For classification

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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purposes, the net change in fair value of investments is classified as true endowment or, if stipulated by the donor, as quasi-endowment.

- M. Funds Held in Trust by Others** - Funds held in trust by others are resources neither in the possession nor the control of the University, but held and administered by an outside organization, with the University deriving income from such funds. Such funds established under irrevocable trusts where the University has legally enforceable rights or claims in the future have not been recorded on the accompanying financial statements. These amounts are recorded as an asset and revenue when received by the University. At year end the amount held in irrevocable trusts by others for the University was \$4,510,371. Funds established under revocable trusts or where the trustees have discretionary power over distributions are recorded as revenue when distributions are received and resource provider conditions are satisfied.

### NOTE 2 - DEPOSITS AND INVESTMENTS

- A. Deposits** - The University is required by General Statute 147-77 to deposit its budget code cash and by the University of North Carolina Board of Governors pursuant to General Statute 116-36.1 to deposit its institutional trust funds, except for funds received for services rendered by health care professionals, in the State Treasurer's Cash and Investment Pool. In addition, the University may voluntarily deposit endowment funds, special funds, revenue bond proceeds, debt service funds, and funds received for services rendered by health care professionals with the State Treasurer's Cash and Investment Pool. Special funds consist of moneys for intercollegiate athletics and agency funds held directly by the University.

Deposits include cash and cash equivalents and certificates of deposit totaling \$72,830,277. At year-end, cash on hand was \$77,513. The University's portion of the State Treasurer's Cash and Investment Pool was \$70,139,037. It is the State Treasurer's policy and practice for deposits not covered by federal depository insurance to be covered by collateral held by the State of North Carolina's agent in the name of the State and for his investments to be held by the State's agent in the State's name. The carrying amount of the University's deposits not with the State Treasurer was \$2,691,240 and the bank balance was \$2,686,613. Of the bank balance, \$429,037 was covered by federal depository insurance and \$2,257,576 was uninsured and uncollateralized.

North Carolina General Statutes 147-69.1(c) and 147-69.2 authorize the State Treasurer to invest in the following: obligations of or fully

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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guaranteed by the United States; obligations of certain federal agencies; repurchase agreements; obligations of the State of North Carolina; certificates of deposit of specified institutions; prime quality commercial paper; specified bills of exchange; asset-backed securities, corporate bonds and notes with specified ratings; general obligations of other states; general obligations of North Carolina local governments; certain venture capital limited partnerships; and the obligations or securities of the North Carolina Enterprise Corporation.

The financial statements and disclosures for the State Treasurer's Cash and Investment Pool are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.state.nc.us/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

- B. Investments** - The University is authorized by The University of North Carolina Board of Governors pursuant to General Statute 116-36.2 to invest its special funds and funds received for services rendered by health care professionals in the same manner as the State Treasurer is required to invest, as previously discussed.

In accordance with the bond resolutions, bond proceeds and debt service funds are invested in obligations which will by their terms mature on or before the date funds are expected to be required for expenditure or withdrawal.

General Statute 116-36(e) provides that the trustees of the Endowment Fund shall be responsible for the prudent investment of the Fund in the exercise of their sound discretion, without regard to any statute or rule of law relating to the investment of funds by fiduciaries but in compliance with any lawful condition placed by the donor upon that part of the Endowment Fund to be invested.

Investments of The Human Environmental Sciences Foundation, Inc., The Weatherspoon Arts Foundation, The UNCG Excellence Foundation, and the University of North Carolina at Greensboro Investment Fund, Inc. are restricted only by the requirements placed on them by the donor or pool participant agreement.

Investments of various funds may be pooled unless prohibited by statute or by terms of the gift or contract. The University utilizes investment pools to manage investments and distribute investment income. The University utilizes the following investment pool:

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**External Investment Pool** - This is an external investment pool sponsored by the University. The pool was established in July 1, 1992. The pool is utilized to manage the investments for charitable, nonprofit organizations, associations, trusts, endowments and funds that are organized and operated primarily to support the University. Endowment funds of the University, as well as those of The Human Environmental Sciences Foundation, Inc. and the UNCG Excellence Foundation, which are component units included in the University's reporting entity, represent the pool's internal participants. Other affiliated organizations not included in the University's reporting entity represent the pool's external participants. Fund ownership of the pool is measured using the unit market value method. Under this method, each participating fund's investment balance is determined based on the number of units of ownership purchased when joining the pool. Thereafter, the pooled assets are valued monthly, and a new unit market value is determined. The external portion of the pool is presented in the accompanying financial statements as "Funds Held in Trust for Pool Participants" in the University's Agency Funds.

The external investment pool is not registered with the SEC and is not subject to any formal oversight other than that provided by the Board of Directors. The Board is responsible for adopting investment objectives and policies, for hiring investment advisors, and for monitoring policy implementation and investment performance. The Board has chosen not to make individual security selection decisions. The Board's primary role is to oversee the allocation of the pool's portfolio among the asset classes, investment vehicles, and investment managers.

Wachovia Bank, N.A. is the custodian for the pool and provides the University with monthly statements defining income and market value information which is then allocated among the fund's participants. There are no involuntary participants in the pool. The University has not provided or obtained any legally binding guarantees during the period to support the value for the pool's investments. The annual financial report for the external investment pool may be obtained from the University.

**Credit Risk Categories** - The University's investments (pooled and non-pooled) are categorized below to give an indication of the level of risk assumed by the entity at year-end. The credit risk categories are concerned with custodial credit risk, which is the risk that a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment transaction fails. There are three categories of credit risk. Category 1 includes investments that are insured or registered or for which the securities are held by the University or its agent in the

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

University's name. Category 2 includes uninsured and unregistered investments for which the securities are held by a counterparty's trust department or agent in the University's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by a counterparty's trust department or agent but not in the University's name. A summary of the University's investments at June 30, 2001 is presented below:

### *External Investment Pool*

	Fair Value		
	Risk Category		
	1	2	3
<b>Categorized Investments:</b>			
Corporate Stocks	\$ 0	\$ 39,931,903	\$ 0
International Stocks		1,205,859	
<b>Total Categorized Investments</b>	<u>\$ 0</u>	<u>\$ 41,137,762</u>	<u>\$ 0</u>
<b>Investments Not Categorized:</b>			
Money Market Funds			6,586,430
Mutual Funds			50,871,807
Limited Partnerships			12,764,828
Real Estate Investment Trusts			237,225
<b>Total Investments Not Categorized</b>			<u>70,460,290</u>
<b>Total External Pool Investments</b>			<u>\$ 111,598,052</u>

### *Non-Pooled Investments*

	Fair Value		
	Risk Category		
	1	2	3
<b>Categorized Investments:</b>			
U. S. Government Securities	\$ 0	\$ 2,001,427	\$ 0
Corporate Bonds		741,137	
Corporate Stocks		2,393,159	
International Stocks		97,696	
<b>Total Categorized Investments</b>	<u>\$ 0</u>	<u>\$ 5,233,419</u>	<u>\$ 0</u>
<b>Investments Not Categorized:</b>			
Money Market Funds			5,612,004
Mutual Funds			2,420,411
Real Estate			231,578
<b>Total Investments Not Categorized</b>			<u>8,263,993</u>
<b>Total Non-Pooled Investments</b>			<u>\$ 13,497,412</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### *Total Investments*

	Fair Value		
	Risk Category		
	1	2	3
			Total
<b>Total Categorized Investments</b>	<u>\$ 0</u>	<u>\$ 46,371,181</u>	<u>\$ 0</u>
<b>Total Investments Not Categorized</b>			<u>78,724,283</u>
<b>Total Investments</b>			<u>\$ 125,095,464</u>

**C. Non-Current Funds Gains and Losses on Investments** – The net change in fair value of investments is recorded as part of “Investment Income” on the accompanying financial statements. The additions and deductions to the non-current fund’s fund equity resulting from the net change in fair value of investments follow:

	Net Unrealized Gains/Losses	Realized Gains	Realized Losses	Net Change in Fair Value
Endowment Fund	\$ (6,011,400)	\$ 3,520,879	\$ (613,207)	\$ (3,103,728)
Unexpended Plant Fund	(394,863)			(394,863)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**D. Endowment Fund Investments** - The Board of Trustees of the Endowment Fund of The University of North Carolina at Greensboro and the Boards of Directors of the Foundations included in the University's reporting entity have established a policy, for Endowment Fund Investments, that seeks to preserve and enhance the real (inflation-adjusted) purchasing power while providing a relatively predictable, stable, and constant (in real terms) stream of earnings in line with spending needs. The fair value of the Endowment Fund Investments as of June 30, 2001 as compared to the prior year was as follows:

	Balance June 30, 2001	Balance June 30, 2000
<b>Investments by Fund:</b>		
Endowment	\$ 100,075,635	\$ 101,454,442
Term Endowment	483,228	161,567
Quasi-Endowment Unrestricted	1,526,233	1,443,591
Quasi-Endowment Restricted	4,973,263	4,877,746
Annuity and Life Income Funds	4,510,371	4,041,518
<b>Total</b>	<u>\$ 111,568,730</u>	<u>\$ 111,978,864</u>
<b>Investment by Type:</b>		
Debt Securities	\$ 1,873,119	\$ 1,835,957
Equity Securities	40,076,116	41,757,771
Money Market Funds	6,558,272	4,426,984
Mutual Funds	50,697,408	52,801,141
Real Estate	10,928	10,928
Limited Partnerships	12,127,506	10,977,852
Real Estate Investment Trusts	225,381	168,231
<b>Total</b>	<u>\$ 111,568,730</u>	<u>\$ 111,978,864</u>

### NOTE 3 - INTER-FUND RECEIVABLES AND PAYABLES

Due From/To Other Funds as of June 30, 2001 are summarized below:

Due From	Due To							Total Due From
	Unrestricted General	Unrestricted Proprietary	Restricted	Loan	Endowment	Unexpended Plant	Debt Service	
Unrestricted General Fund	\$ 0	\$ 33,534	\$ 1,204,992	\$ 0	\$ 0	\$ 0	\$ 170,699	\$ 1,409,225
Unrestricted Proprietary Fund	451					380,350	513,721	894,522
Restricted Fund	151,629	28,811		21,845	65,474			267,759
Loan	104,967							104,967
Endowment	129,825		1,038,932	18,777				1,187,534
<b>Total Due To</b>	<u>\$ 386,872</u>	<u>\$ 62,345</u>	<u>\$ 2,243,924</u>	<u>\$ 40,622</u>	<u>\$ 65,474</u>	<u>\$ 380,350</u>	<u>\$ 684,420</u>	<u>\$ 3,864,007</u>

These inter-fund receivables and payables are expected to be paid back during the next fiscal year at no interest.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

In addition, other inter-fund borrowings of a temporary nature have occurred where one bank account is maintained for more than one fund. Because the fund making the temporary loan has not been determined by the College, these inter-fund borrowings are not reported as an asset of the fund making the advance or as a liability of the fund receiving the advance.

### NOTE 4 - CHANGES IN FIXED ASSETS

A summary of changes in the fixed assets is presented as follows:

	Balance July 1, 2000	Additions	Deletions	Balance June 30, 2001
Land	\$ 17,199,867	\$ 284,289	\$ 0	\$ 17,484,156
Buildings	173,827,268	2,244,450	373,772	175,697,946
Infrastructure	23,908,087	63,785		23,971,872
Furniture, Machinery and Equipment	22,261,542	2,725,224	2,298,378	22,688,388
Artwork, Artifacts and Literature	75,964,896	3,594,273	16,110	79,543,059
Construction in Progress	7,115,455	12,953,141		20,068,596
<b>Total Fixed Assets</b>	<b>\$ 320,277,115</b>	<b>\$ 21,865,162</b>	<b>\$ 2,688,260</b>	<b>\$ 339,454,017</b>

### NOTE 5 - LONG-TERM OBLIGATIONS

**A. Changes in Long-Term Obligations** - A summary of changes in the long-term obligations is presented as follows:

	Balance July 1, 2000	Additions	Deletions	Balance June 30, 2001
Notes Payable	\$ 4,055,289	\$ 0	\$ 4,055,289	\$ 0
Bonds Payable (principal only)	53,094,000	19,870,000	1,996,000	70,968,000
<b>Total Long-Term Obligations</b>	<b>\$ 57,149,289</b>	<b>\$ 19,870,000</b>	<b>\$ 6,051,289</b>	<b>\$ 70,968,000</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**B. Bonds Payable** - The University was indebted for bonds payable (net of discount and premium) in the amount of \$70,441,200 at June 30, 2001 for the purposes shown in the following table:

Purpose	Series	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through 6/30/01	Principal Outstanding 6/30/01
<b>Housing and Dining System</b>						
Dormitory System Bonds of 1962	B	3.5%	7/1/02	\$ 1,800,000	\$ 1,643,000	\$ 157,000
Dormitory Systems Bonds of 1966	C	4.75%	7/1/05	2,550,000	1,964,000	586,000
Housing and Dining System Revenue Bonds 1993	C	5.6%	4/1/18	4,265,000	740,000	3,525,000
Housing and Dining System Revenue Bonds 1997	D	5.1%	4/1/23	6,000,000	390,000	5,610,000
Housing and Dining System Revenue Bonds 1997	E	4.6%	4/1/07	7,290,000	3,225,000	4,065,000
Housing and Dining System Revenue Bonds 1997	F	5.1%	4/1/16	8,750,000	1,290,000	7,460,000
Housing and Dining System Revenue Bonds 2000	G	6.0%	4/1/26	6,425,000		6,425,000
Total Housing and Dining System				37,080,000	9,252,000	27,828,000
<b>Student Facilities System</b>						
Student Facilities Revenue Bonds 1992	A	5.7%	4/1/17	10,425,000	2,035,000	8,390,000
Student Facilities Revenue Bonds 1997	B	5.1%	4/1/23	3,755,000	245,000	3,510,000
Student Facilities Revenue Bonds 1997	C	5.3%	4/1/23	12,200,000	830,000	11,370,000
Total Student Facilities System				26,380,000	3,110,000	23,270,000
General Revenue Bonds 2001	A	4.7%	4/1/26	19,870,000		19,870,000
<b>Total Bonds Payable (principal only)</b>				<u>\$ 83,330,000</u>	<u>\$ 12,362,000</u>	<u>\$ 70,968,000</u>
Less: Unamortized Discount						526,800
<b>Total Bonds Payable</b>						<u>\$ 70,441,200</u>

Designated student fees and revenue streams related to the systems financed have been pledged for the payment of these bonds. In addition, fund reservations required by the Bond Indentures have been established and recorded in the Debt Service Fund.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- C. Annual Requirements** - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2001 are presented as follows:

<u>Fiscal Year</u>	<u>Annual Requirements (Principal and Interest)</u>
	<u>Bonds Payable</u>
2002	\$ 6,049,481
2003	6,293,066
2004	6,210,143
2005	6,229,194
2006	6,219,443
2007-2011	27,449,409
2012-2016	26,890,917
2017-2021	18,939,301
2022-2026	12,599,635
<b>Total Requirements</b>	<u><u>\$ 116,880,589</u></u>

- D. Bond Defeasance** - The University has extinguished long-term debt obligations by the issuance of new long-term debt instruments as follows:

**Housing and Dining System:** In 1997, the University defeased \$8,045,000 of outstanding Dining System Revenue Bonds, Series B (1991). An irrevocable trust was established with an escrow agent to provide for all future debt service payments on the defeased bonds. The trust assets and the liability for the defeased bonds are not included in the University's balance sheet. At June 30, 2001, the outstanding balance of the defeased Housing and Dining System Revenue Bonds was \$7,070,000.

### NOTE 6 - OPERATING LEASES

Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2001:

<u>Fiscal Year</u>	<u>Amount</u>
2002	\$ 201,980
2003	206,284
2004	149,315
2005	149,503
2006	75,857
<b>Total Minimum Lease Payments</b>	<u><u>\$ 782,939</u></u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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Rental expense for all operating leases during the year was \$425,380.

### NOTE 7 - COMMITMENTS AND CONTINGENCIES

- A. Commitments** – The University has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$34,358,389.
- B. Pending Litigation and Claims** – The University is a party to other litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. University management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the University.
- C. University Improvement General Obligation Bonds** – The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of two billion five hundred million dollars of general obligation bonds of the State, as subsequently approved by a vote of qualified voters of the State, to provide funds for capital improvements for the University of North Carolina. The funds authorized are to be used solely for capital facilities cost on the University of North Carolina campuses as specified in the legislation. The bond legislation specifies the amount of bond funding for each University campus and the level of bond funding intended for each project. The bonds are authorized to be issued over a six-year period beginning in 2001 at a level not to exceed amounts provided in the legislation. Using a cash flow financing approach, The University of North Carolina – General Administration (UNC-GA), establishes annual amounts not to exceed for each approved project. The amounts not to exceed are subject to change due to actual cash availability and needs during the year. Subsequent to the bond sales and the availability of bond proceeds, UNC-GA notifies the Office of State Budget and Management (OSBM) of the amounts not to exceed for each approved project. Within these amounts, based on an official request of cash needs from the University, OSBM authorizes allotments. The University records the allotments as revenue on the accompanying financial statements. In addition, amounts not allotted but accrued as expended at year-end are recorded as revenue. The University's remaining authorization \$156,639,660 is contingent on future bond sales and OSBM allotment approval. Because of uncertainty and time restrictions the remaining authorization is not recorded as an asset or revenue on the accompanying financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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### **NOTE 8 - BUDGETING AND BUDGETARY CONTROL**

The State of North Carolina operates on a biennial budget cycle with separate annual departmental and institutional certified budgets adopted by the General Assembly.

Chapter 116, Article 1, Part 2A of the North Carolina General Statutes authorizes the universities within the sixteen campus University of North Carolina System to apply for special responsibility status, which sets the legal level of budgetary control at the institution's budget code level. A budget code is a convention used in the State's accounting system to distinguish the type of fund and the responsible department or institution. Budget codes are also used to segregate certain purposes within departments or institutions. Institutions with special responsibility status must still have certain budget revisions, primarily those associated with unanticipated revenues, approved by the Office of State Budget and Management. Additionally, universities must maintain programs and services in accordance with the guidelines established by the Board of Governors of the consolidated University of North Carolina System. The University of North Carolina at Greensboro has applied for and received special responsibility status.

After the budget is approved by the General Assembly and adopted by the Board of Governors, the University follows an established system of budgetary controls. Periodic interim budget statements to department heads guide them in managing budget allocations. Monthly financial reports, which include budget and actual data, are provided for each fund to individual managers responsible for the fund. When actual conditions require changes to the budget, revisions are prepared and communicated to those affected. Changes to the budget are reviewed and approved at the University or State level as required. The University maintains an encumbrance accounting system as another method to ensure that imposed expenditure constraints are observed. The state budgetary control is maintained on a cash basis of accounting.

### **NOTE 9 - RISK MANAGEMENT**

The University is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in state-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks.

Tort claims of up to \$500,000 are self-insured under the authority of the State Tort Claims Act. In addition, the State provides excess liability coverage up to \$11,000,000 for public officers and employees via contract with a private

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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insurance company. The premium, based on a composite rate, is paid by the University to the State's Agent of Record.

The State Property Fire Insurance Fund (Fund), an internal service fund of the State, insures all State owned buildings and contents for fire and various other property losses up to \$2,500,000 per occurrence. The Fund purchases excess insurance from private insurers to cover losses over the amounts insured by the Fund. Coverage for fire losses for operations supported by the State's General Fund is provided at no cost to the University. Other operations not supported by the State's General Fund are charged for fire coverage. The University also purchased through the Fund extended coverage for losses due to wind and hail damage, explosion, and smoke, among the optional coverage. A number of University departments have also elected to purchase "all-risk" insurance through the Fund. The principal cause of loss addressed by this coverage is theft. Losses covered by the Fund are subject to a \$500 per occurrence deductible except theft losses which carry a \$1,000 per occurrence deductible. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

All State-owned vehicles are covered by liability insurance handled by the North Carolina Department of Insurance. The State is self-insured for the first \$500,000 of any loss through a retrospective rating plan. Excess insurance coverage is purchased through a private insurer to cover losses greater than \$500,000. The liability limits for losses occurring in state are \$500,000 per claimant and \$5,000,000 per occurrence. The University is charged premiums to cover the cost of excess insurance and to pay for those losses falling under the self-insured retention.

The University is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from State funds. The blanket honesty bond is with a private insurance company and is handled by the North Carolina Department of Insurance with coverage of \$5,000,000 per occurrence and a \$50,000 deductible.

Other coverage not handled by the North Carolina Department of Insurance is purchased through the State's Agent of Record.

Employees and retirees are provided health care coverage by the Comprehensive Major Medical Plan, a component unit of the State. The Plan is funded by employer and employee contributions and is administered by a third party contractor. Health care coverage is optionally available through a contractual agreement with a single HMO plan.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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The North Carolina Workers' Compensation Program provides benefits to workers injured on the job. All employees of the State and its component units are included in the program. When an employee is injured, the University's primary responsibility is to arrange for and provide the necessary treatment for work related injury. The University is responsible for paying medical benefits and compensation in accordance with the North Carolina Workers' Compensation Act. The University is self-insured for workers' compensation.

Term life insurance of \$25,000 to \$50,000 is provided to eligible workers. This self-insured death benefit program is administered by the State Treasurer's Office and funded via employer contributions.

Additional details on the state-administered risk management programs are disclosed in the State's *Comprehensive Annual Financial Report*, issued by the Office of the State Controller.

### NOTE 10 - PENSION PLANS

**A. Retirement Plans** - Each permanent full-time employee, as a condition of employment, is a member of either the Teachers' and State Employees' Retirement System or the Optional Retirement Program. The Teachers' and State Employees' Retirement System (System) is a multiple-employer cost sharing defined benefit pension plan administered by the North Carolina State Treasurer.

After five years of creditable service, employees qualify for a vested deferred benefit. Employees who retire on or after age 65 and complete 5 years of membership service (age 55 and 5 years of creditable service for law enforcement officers), reach age 60 with 25 years of membership service, or complete 30 years of creditable service receive a retirement allowance of 1.81% of an average final compensation (based on the 4 consecutive years that produce the highest average) multiplied by the number of years of creditable service. Employees may retire with reduced benefits if they reach age 50 with 20 years of creditable service or reach age 60 with 5 years of creditable service (age 50 with 15 years creditable service for law enforcement officers).

Benefit and contribution provisions for the Teachers' and State Employees' Retirement System are established by North Carolina General Statute 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contributions rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. For the year ended June 30, 2001, these rates were set at 5.33% of covered payroll for employers and 6% of covered payroll for members.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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For the year ended June 30, 2001, the University had a total payroll of \$102,245,993 of which \$50,634,476 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$3,038,069 and \$2,698,818, respectively. The University made one hundred percent of its annual required contributions for the years ended June 30, 2001, 2000, and 1999, which were \$2,698,818, \$3,687,247, and \$3,124,655, respectively.

In accordance with constitutional provisions requiring a balanced budget for the State of North Carolina, the Governor issued an executive order requiring the employers' share of retirement contributions for the months February 2001 through June 2001 to be transferred to a reserve account rather than paid to the Teachers' and State Employees' Retirement System. A portion of those funds was ultimately used by the State of North Carolina for general fund purposes and not released to the retirement system. The total amount of employer contributions paid by the University has been recognized as pension costs in the financial statements. The contributions which were not released to the Teachers' and State Employees' Retirement System are considered immaterial to the University's financial statements taken as whole. The University has no liability for pension costs beyond the contributions already made.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.state.nc.us/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

The Optional Retirement Program (Program) is a defined contribution retirement plan, which provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. Administrators and eligible faculty of the University may join the Program instead of the Teachers' and State Employees' Retirement System. The Program offers plans administered by the Teachers' Insurance Annuity Association and College Retirement Equities Fund (TIAA-CREF), as well as Lincoln National Life Insurance Company, the Variable Annuity Life Insurance Company (VALIC) and Fidelity Investments. Participant eligibility and contributory requirements are established by General Statute 135-5.1. Participants contribute 6% of their salary and the University matches with a 6.84% contribution for pension benefits. The University assumes no liability other than its contribution.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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Participants in the Program are vested after five years of service but plan administrators must return the value of the participant's and University's contribution to both the participant and the University if termination occurs prior to five years of service. Participants may direct their contributions to TIAA-CREF, Lincoln National, VALIC, Fidelity Investment or combinations of the aforementioned. Participants in all four plans may choose to invest among several alternatives, including fixed and variable accounts. Employees may elect to have their contributions deposited by one provider and the matching benefit deposited by another, or they may elect to have both deposited by the same provider.

For the year ended June 30, 2001, the University had a total payroll of \$102,245,993 of which \$34,391,910 was covered under the Optional Retirement Program. Total employee and employer contributions for pension benefits for the year were \$2,063,515 and \$2,352,407, respectively.

### **B. Deferred Compensation and Supplemental Retirement Income Plans**

IRC Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the Plan). The Plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation from service, death, disability, retirement or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, *the North Carolina Public Employee Deferred Compensation Trust Fund*. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the University. The voluntary contributions by employees amounted to \$67,497 for the year ended June 30, 2001.

IRC Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System and the Optional Retirement Program are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the plan are the responsibility of the Plan participants. No costs are incurred by the University except for a 5% employer contribution for the University's law enforcement officers, which is mandated under General Statute 143-163.30(e). Total employer



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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contributions on behalf of University law enforcement officers for the year ended June 30, 2001 were \$61,312. The voluntary contributions by employees amounted to \$636,719 for the year ended June 30, 2001.

IRC Section 403(b) and 403(b)(7) Plans - All University employees who work can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and state income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of universities and certain charitable and other non-profit institutions. All costs of administering and funding these plans are the responsibility of the Plan participants. No costs are incurred by the University. The voluntary contributions by employees amounted to \$2,305,937 for the year ended June 30, 2001.

### NOTE 11 - OTHER POST EMPLOYMENT BENEFITS

#### A. Health Care for Long-Term Disability Beneficiaries and Retirees -

The University participates in state administered programs which provide post employment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina, and retirees of the Teachers' and State Employees' Retirement System or the Optional Retirement Program. These benefits were established by Chapter 135, Article 3, Part 3, of the General Statutes and may be amended only by the North Carolina General Assembly. Funding for the health care benefit for long-term disability beneficiaries and retirees is financed on a pay-as-you-go basis. The University contributed 1.28% of the covered payroll under the Teachers' and State Employees' Retirement System and the Optional Retirement Program for these health care benefits. For the fiscal year ended June 30, 2001, the University's total contribution to the Plan was \$1,088,338. The University assumes no liability for retiree health care benefits provided by the programs other than its required contribution. Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report*.

#### B. Long-Term Disability - The University participates in the Disability Income Plan of North Carolina (DIPNC). Established by Chapter 135, Article 6, of the General Statutes, DIPNC provides short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System or the Optional Retirement Program. The Plan provides disability income to eligible participants. Long-term disability income benefits are advance funded on an actuarially

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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determined basis using the one-year term cost method. The University contributes .52% of covered payroll under the Teachers' and State Employees' Retirement System and the Optional Retirement Program to the DIPNC. For the fiscal year ended June 30, 2001, the University's total contribution to the DIPNC was \$442,137. The University assumes no liability for long-term disability benefits under the plan other than its contribution. Additional detailed information about the DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*.

### **NOTE 12 - CONSTRUCTION COSTS PAID FROM DEBT PROCEEDS**

Construction costs paid from University issued debt proceeds are not reflected as additions to fund equity of the Investment in Plant Fund but rather as an increase to the Investment in Plant Fund's assets and liabilities. During the year, \$6,493,925 was added to the Investment in Plant Fund's assets and liabilities for assets purchased from debt proceeds.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**NOTE 13 - PLEDGES RECEIVABLE**

The University has outstanding total pledges in the amount of \$7,162,664 and pledges receivable in the amount of \$3,530,935. Pledges that are expected to be collected and available for expenditure, that are both verifiable and measurable, are reported on the accompanying financial statements as part of accounts receivable. The pledges are receivable annually over varying time periods ranging from one to five years. In accordance with accounting principles generally accepted in the United States of America, the original amount pledged has been discounted based on a projected interest rate for the outstanding periods. Due to the nature of the donor organizations, the University considers these pledges to be collectible. Scheduled receipts and the discounted amount under these pledge commitments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2002	\$ 912,203
2003	831,721
2004	425,335
2005	531,970
2006	<u>829,706</u>
<b>Total Pledge Receipts Expected</b>	<b>\$ 3,530,935</b>
Discount Amount Representing Interest (4.50% Rate of Interest)	<u>271,257</u>
<b>Present Value of Pledge Receipts Expected</b>	<b><u><u>\$ 3,259,678</u></u></b>

Pledges not available for expenditure, such as additions to permanent endowments, are not recorded until received because the donor condition not to expend cannot start to be satisfied until received.

**NOTE 14 - ACCOUNTING CHANGES**

**A. Securities Lending Transactions** - The University deposits certain funds with the State Treasurer's Cash and Investment Pool, which participates in securities lending activities. In prior years it was the State's policy to allocate the risk associated with these transactions to each component unit. For the year ending June 30, 2001, the State changed its policy, as a result of discussion with the GASB technical staff, to report the associated risk as part of the State of North Carolina's fiduciary funds rather than to allocate the risk to component units. The effect of this change removes from the University issued financial statements the assets and liabilities

associated with the State Treasurer's security lending program. This change does not affect the University's beginning fund equities.

- B. Governmental Accounting Standard Board, Statement #33, *Accounting and Financial Reporting for Nonexchange Transactions* -** Effective July 1, 2000, the University implemented the new accounting and reporting standards required in GASB #33. This standard provides accounting rules over non-exchange transactions and changes the University's standards for the recognition of revenues and the reporting of funds received but not earned in the University's restricted fund. In prior years, the University reported funds received but not expended in its restricted fund as an addition to fund equity. Based on this new standard, revenues are recognized when earned and when the resource provider's conditions have been satisfied. Amounts received not meeting the recognition requirements are now reported as deferred revenue. In addition, the new standard requires promises to give (pledges) that are expected to be collected and available for expenditure, and that are verifiable and measurable, be recorded as a receivable and revenue, upon satisfying the resource provider's conditions. Prior to this year, pledges were not recorded as a receivable unless there was a legally enforceable right.

**The University of North Carolina at Greensboro**

**Revenue Bond Funds**

**Balance Sheet**

**June 30, 2001**

**Schedule 1**

	Student Housing	Student Dining	Student Housing and Dining	Student Facilities System
<b>REVENUE FUND</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 4,541,131	\$ 2,504,313	\$ 7,045,444	\$ 7,886,641
Receivables - Students	158,353	116,199	274,552	62,904
Receivables - Vendors		31,856	31,856	165,410
Accrued Interest Receivable	19,367	10,977	30,344	32,923
<b>Total Assets</b>	<b>\$ 4,718,851</b>	<b>\$ 2,663,345</b>	<b>\$ 7,382,196</b>	<b>\$ 8,147,878</b>
<b>Liabilities and Fund Equity:</b>				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 57,935	\$ 86,476	\$ 144,411	\$ 7,837
Due to Other Funds	544,582	201,324	745,905	321,125
Due to Primary Government				137
Accrued Vacation Leave	141,461	400	141,861	28,124
Deferred Revenue	67,850	52,583	120,433	98,270
<b>Total Liabilities</b>	<b>811,828</b>	<b>340,783</b>	<b>1,152,610</b>	<b>455,493</b>
Fund Equity:				
Unrestricted	3,907,023	2,322,562	6,229,586	7,692,385
<b>Total Liabilities and Fund Equity</b>	<b>\$ 4,718,851</b>	<b>\$ 2,663,345</b>	<b>\$ 7,382,196</b>	<b>\$ 8,147,878</b>
<b>BOND AND INTEREST SINKING FUND</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 36,923	\$ 88,309
Investments	744,472		7,693	4,906
Due from Other Funds	15,054		352,703	308,718
<b>Total Assets</b>	<b>\$ 759,525</b>	<b>\$ 0</b>	<b>\$ 397,320</b>	<b>\$ 401,933</b>
<b>Liabilities and Fund Equity:</b>				
Liabilities:				
Bonds Payable	\$ 0	\$ 0	\$ 1,438,611	\$ 341,800
Bond Discount			(223,662)	(140,683)
Interest Payable	15,054		352,703	308,718
<b>Total Liabilities</b>	<b>15,054</b>	<b>0</b>	<b>1,567,653</b>	<b>509,836</b>
Fund Equity (Deficit):				
Restricted	744,472		(1,170,333)	(107,902)
<b>Total Liabilities and Fund Equity</b>	<b>\$ 759,525</b>	<b>\$ 0</b>	<b>\$ 397,320</b>	<b>\$ 401,933</b>

***The University of North Carolina at Greensboro***  
***Revenue Bond Funds***  
***Balance Sheet***  
***June 30, 2001***

***Schedule 1***

***Page 2***

	Student Housing	Student Dining	Student Housing and Dining	Student Facilities System
<b><i>REPAIR AND REPLACEMENT RESERVE</i></b>				
<b>Assets:</b>				
Investments	\$ 253,357	\$ 0	\$ 0	\$ 0
<b>Liabilities and Fund Equity:</b>				
Fund Equity:				
Restricted	253,357			
<b>Total Liabilities and Fund Equity</b>	<b>\$ 253,357</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b><i>MAINTENANCE FUNDS</i></b>				
<b>Assets:</b>				
Investments	\$ 0	\$ 0	\$ 1,691,653	\$ 1,337,093
<b>Liabilities and Fund Equity:</b>				
Fund Equity:				
Restricted	\$ 0	\$ 0	\$ 1,691,653	\$ 1,337,093
<b>Total Liabilities and Fund Equity</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,691,653</b>	<b>\$ 1,337,093</b>
<b><i>BOND RESERVE FUNDS</i></b>				
<b>Assets:</b>				
Investments	\$ 0	\$ 0	\$ 0	\$ 1,164,483
<b>Liabilities and Fund Equity:</b>				
Fund Equity:				
Unrestricted	\$ 0	\$ 0	\$ 0	\$ 1,164,483
<b>Total Liabilities and Fund Equity</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,164,483</b>
Deficit fund balances are due to year end accruals.				

**The University of North Carolina at Greensboro**

**Revenue Bond Funds**

**Schedule of Changes in Fund Equity**

**Year Ended June 30, 2001**

**Schedule 2**

	Student Housing	Student Dining	Student Housing and Dining	Student Facilities System
<b>REVENUE FUND</b>				
<b>Additions:</b>				
Tuition and Fees	\$ 0	\$ 0	\$ 0	\$ 2,411,507
Investment Income	263,300	184,021	447,321	387,557
Sales and Services	9,583,640	7,213,810	16,797,450	2,927,510
Other Revenues and Additions	107,110		107,110	
<b>Total Additions</b>	<b>9,954,050</b>	<b>7,397,831</b>	<b>17,351,881</b>	<b>5,726,574</b>
<b>Deductions:</b>				
Personnel Compensation	2,809,814	102,490	2,912,305	673,065
Supplies and Materials	315,076	16,297	331,372	86,958
Current Services	2,385,513	5,985,884	8,371,397	157,496
Fixed Charges	125,437	12,101	137,538	49,863
Capital Outlay	14,128	55,624	69,753	37,025
Transfer to (from) Capital Improvement Code	973,785	265,975	1,239,759	958,689
Transfer for Bond Debt Service	2,405,816	331,160	2,736,976	2,139,805
Transfer for Note Payable		154,575	154,575	181,018
Transfer to (from) Unexpended Plant Funds		(1,919)	(1,919)	60,000
Transfer to (from) Proprietary Funds		10,000	10,000	
Transfer to Auxiliary Administration	250,000	280,000	530,000	75,000
<b>Total Deductions</b>	<b>9,279,569</b>	<b>7,212,187</b>	<b>16,491,756</b>	<b>4,418,920</b>
<b>Net Increase in Fund Equity</b>	<b>674,481</b>	<b>185,644</b>	<b>860,125</b>	<b>1,307,654</b>
<b>Fund Equity July 1, 2000</b>	<b>3,232,542</b>	<b>2,136,918</b>	<b>5,369,461</b>	<b>6,384,731</b>
<b>Fund Equity June 30, 2001</b>	<b>\$ 3,907,023</b>	<b>\$ 2,322,562</b>	<b>\$ 6,229,586</b>	<b>\$ 7,692,385</b>
<b>BOND AND INTEREST SINKING FUND</b>				
<b>Additions:</b>				
Investment Income	\$ 31,626	\$ 0	\$ 20,897	\$ 12,920
Transfers:				
From Auxiliaries	184,047		2,551,618	1,037,208
From Bond Reserves				59,843
From Educational and General				818,510
<b>Total Additions</b>	<b>215,673</b>		<b>2,572,515</b>	<b>1,928,481</b>
<b>Deductions:</b>				
Retirement of Indebtedness	181,000		1,155,000	660,000
Interest on Indebtedness	30,107		1,421,422	1,268,145
Fiscal Agent Fees	4,334		16,718	6,973
<b>Total Deductions</b>	<b>215,441</b>		<b>2,593,140</b>	<b>1,935,118</b>
<b>Net Increase (Decrease) in Fund Equity</b>	<b>232</b>		<b>(20,625)</b>	<b>(6,637)</b>
<b>Fund Equity (Deficit) July 1, 2000</b>	<b>744,240</b>		<b>(1,149,708)</b>	<b>(101,265)</b>
<b>Fund Equity (Deficit) June 30, 2001</b>	<b>\$ 744,472</b>	<b>\$ 0</b>	<b>\$ (1,170,333)</b>	<b>\$ (107,902)</b>

<b>The University of North Carolina at Greensboro</b>				
<b>Revenue Bond Funds</b>				
<b>Schedule of Changes in Fund Equity</b>				<b>Schedule 2</b>
<b>Year Ended June 30, 2001</b>				<b>Page 2</b>
	Student Housing	Student Student	Student Housing and Dining	Student Facilities System
<b>REPAIR AND REPLACEMENT RESERVE</b>				
<b>Additions:</b>				
Investment Income	\$ 12,849	\$ 0	\$ 0	\$ 0
<b>Net Increase in Fund Equity</b>	12,849			
<b>Fund Equity July 1, 2000</b>	240,508			
<b>Fund Equity June 30, 2001</b>	<u>\$ 253,357</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>MAINTENANCE FUNDS</b>				
<b>Additions:</b>				
Investment Income	\$ 0	\$ 0	\$ 85,777	\$ 60,151
Transfers from Education and General				277,453
<b>Total Additions</b>			85,777	337,604
<b>Net Increase in Fund Equity</b>			85,777	337,604
<b>Fund Equity July 1, 2000</b>			1,605,876	999,489
<b>Fund Equity June 30, 2001</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,691,653</u>	<u>\$ 1,337,093</u>
<b>BOND RESERVE FUNDS</b>				
<b>Additions:</b>				
Investment Income	\$ 0	\$ 0	\$ 0	\$ 60,928
<b>Deductions:</b>				
Transfers to Bond and Interest Sinking Fund				59,843
<b>Net Increase in Fund Equity</b>				1,085
<b>Fund Equity July 1, 2000</b>				1,163,398
<b>Fund Equity June 30, 2001</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,164,483</u>
Deficit fund balances are due to year end accruals.				



***The University of North Carolina at Greensboro***  
***Intercollegiate Athletics Program***  
***Statement of Current Funds Revenues and Expenditures***  
***Year Ended June 30, 2001***

***Schedule 3***

	<b>Men's Basketball</b>	<b>Women's Basketball</b>	<b>Other Sports</b>	<b>Nonprogram Specific</b>	<b>Total</b>
<b>Revenues:</b>					
Student Fees	\$ 369,178	\$ 507,429	\$ 1,759,849	\$ 792,403	\$ 3,428,859
Ticket Sales	14,354	2,253	31,313	6,044	53,964
Contest Guarantees	128,000	4,500	4,813		137,313
Advertising Income	1,350	500	73,950	58,004	133,804
Institutional Sports Camps and Clinics				493,491	493,491
Concessions				47,580	47,580
Gifts:					
Unrestricted	15,000		50,000		65,000
Restricted	20,609	12,386	113,261	159,084	305,340
Endowment Income:					
Unrestricted	10,350		4,000	133	14,483
Auxiliaries Scholarship Allocation				125,000	125,000
NCAA Distributions				94,192	94,192
Conference Distributions				11,313	11,313
State Appropriations				10,000	10,000
Other Sources	100		5,500	19,440	25,040
<b>Total Revenues</b>	<b>558,941</b>	<b>527,068</b>	<b>2,042,686</b>	<b>1,816,684</b>	<b>4,945,379</b>
<b>Expenditures:</b>					
Coaches' Salaries	169,018	167,550	504,216	111,174	951,958
Other Salaries	15,000	4,940	60,201	785,757	865,898
Employee Benefits	33,688	27,481	96,938	159,279	317,386
Contracted Services	20,697	16,835	31,067	125,701	194,300
Travel:					
Team	66,780	48,515	220,515	82,519	418,329
Recruiting	4,598	2,459	17,026	36	24,119
Other	28,617	16,725	40,520	74,567	160,429
Financial Aid	156,490	146,282	789,006		1,091,778
Maintenance and General Administration	19,021	13,474	53,255	349,320	435,070
Supplies and Uniforms	19,702	20,973	80,618	178,649	299,942
Equipment Purchases				11,000	11,000
Insurance				27,958	27,958
Communications	20,390	5,718	25,754	29,367	81,229
Entertainment	4,248	11,757	7,965	23,312	47,282
Miscellaneous				2,500	2,500
<b>Total Expenditures</b>	<b>558,249</b>	<b>482,709</b>	<b>1,927,081</b>	<b>1,961,139</b>	<b>4,929,178</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>\$ 692</b>	<b>\$ 44,359</b>	<b>\$ 115,605</b>	<b>\$ (144,455)</b>	<b>\$ 16,201</b>

The accompanying notes are an integral part of this statement.

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Organization and Purpose** – The University of North Carolina at Greensboro is a constituent institution of The University of North Carolina System, which is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*. The University of North Carolina at Greensboro is classified as a Division I institution by the National Collegiate Athletic Association (NCAA).
- B. Basis of Presentation** – The preceding statement of current funds revenues and expenditures presents the University's intercollegiate athletic program activity in accordance with the NCAA financial audit guidelines. Those guidelines require only a presentation of the current funds revenues and expenditures by major program and are not intended to provide a complete presentation of the program's financial position or its changes in fund balances.
- C. Revenue Recognition** – Current funds revenues include (1) all unrestricted gifts, grants, fees, sales receipts, and other resources earned during the reporting period and (2) restricted resources to the extent that such funds were expended. Current funds revenues do not include restricted current funds received but not expended or resources that are restricted by external persons or agencies to funds other than current funds.
- D. Basis of Accounting** – The preceding statement of current funds revenues and expenditures was prepared in accordance with the accrual basis, except that no depreciation expense is reflected.
- E. Non-Monetary Transactions** – The University reports goods and services received either by donation or in an exchange transaction at their fair value at the date of receipt. Only services of those individuals possessing skills, which would be purchased if not received through a non-monetary transaction, are recorded.

During the year, athletic clothing, equipment, and accessories were provided to the University at no charge. These items were provided in exchange for an agreement not to use other manufacturers' products. The values of these items have been recorded as advertising revenues in the preceding statement of current funds revenues and expenditures.

During the year, coaching services were provided at no charge to the University. The values of these donations have been recorded as private gifts on the preceding statement of current funds revenues and expenditures.

**NOTE 2 - ADDITIONS TO RESTRICTED FUNDS AND FUNDS OTHER THAN CURRENT FUNDS**

Endowment funds have been established within The University of North Carolina at Greensboro for the benefit of UNCG Intercollegiate Athletics. No additions occurred during the fiscal year ended June 30, 2001. The fund balance during that period of time has been constant at \$150,528.

**NOTE 3 - THE UNCG EXCELLENCE FOUNDATION**

Restricted and endowment funds have been established within The UNCG Excellence Foundation for the benefit of UNCG Intercollegiate Athletics. During the fiscal year, the University received direct current funds support from the Foundation. These amounts are reported as restricted gifts and financial aid expenditures on the preceding statement of current funds revenues and expenditures. The amounts provided as direct support total \$305,340.

**NOTE 4 - SPORTS CAMPS**

The Director of Athletics has administered summer sports camps at the University in baseball, basketball, golf, soccer, softball, tennis, volleyball, and wrestling. These operations are included in the Intercollegiate Athletics Program statement of current funds revenues and expenditures. The coaches who participated were provided additional compensation for services rendered in operating these camps in accordance with the terms of their University contracts.

**The University of North Carolina at Greensboro**

**Schedule of General Obligation Bond Project Authorizations, Budgets and Expenditures**

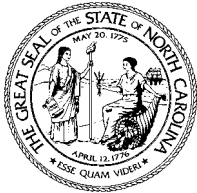
**For Project-to-Date as of June 30, 2001**

**Schedule 4**

	Projected Start Date	General Obligation Bonds Authorized	Other Sources	Total Project Budget	Amount Expended	Percent Completed	Expected Completion Date
<b>Capital Improvement Projects</b>							
<i>Projects Started</i>							
Science Instruction Building Replacement	Nov 2000	\$ 38,412,200	\$ 0	\$ 38,412,200	\$ 617,659	1.61%	Jul 2003
Research Space-Phase I	Jan 2001	5,250,000		5,250,000	40,800	0.78%	Apr 2006
Infrastructure-North Infrastructure-Northeast Quadrant 00-01	Nov 2000	6,825,200		6,825,200	102,135	1.50%	Apr 2005
Technology Infrastructure Expansion	Nov 2000	4,101,300		4,101,300	642,395	15.66%	May 2003
Land Acquisition 00-01	Apr 2000	7,000,000		7,000,000	1,989,486	28.42%	Oct 2005
<i>Projects Not Started - To Be Funded in Future Years</i>							
Petty Building Renovation for Classroom Use	Jul 2003	16,272,300		16,272,300			
Brown Classroom Building-Comprehensive Renovation	Sep 2003	6,493,900		6,493,900			
Mclver Classroom Building Replacement	Jan 2001	21,636,500		21,636,500			
Aycock Auditorium-Comprehensive Renovation	Apr 2003	17,163,000		17,163,000			
Stone Classroom Building-Comprehensive Renovation	Mar 2001	8,930,400		8,930,400			
Alumni House Meeting/Seminar/Office Renovation	Mar 2004	3,258,000		3,258,000			
Heating Plant Expansion and Energy Efficiency Improvements	Dec 2001	4,851,300		4,851,300			
Forney Classroom Building-Comprehensive Renovation	Nov 2004	3,565,400		3,565,400			
McNutt Classroom Building-Comprehensive Renovation	Jul 2003	2,724,000		2,724,000			
Electric Power Distribution Expansion and Upgrade	Apr 2001	4,091,000		4,091,000			
Mclver Chiller Plant Expansion and Improvements	Nov 2000	9,373,800		9,373,800			
Science Instruction Building-Replace Petty Science	Nov 2000	6,059,955		6,059,955			
<b>Total All Projects</b>		<b>\$ 166,008,255</b>	<b>\$ 0</b>	<b>\$ 166,008,255</b>	<b>\$ 3,392,475</b>		

Note: The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of two billion five hundred million dollars of general obligation bonds of the State, as subsequently approved by a vote of qualified voters of the State, to provide funds for capital improvements for the University of North Carolina. The projects listed on this schedule are those funded or to be funded by bond proceeds from the general obligation bonds authorized by Senate Bill 912.

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Ralph Campbell, Jr.  
State Auditor

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**Office of the State Auditor**

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

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Board of Trustees  
The University of North Carolina at Greensboro  
Greensboro, North Carolina

We have audited the financial statements of The University of North Carolina at Greensboro, a component unit of the State of North Carolina, as of and for the year ended June 30, 2001, and have issued our report thereon dated October 19, 2001.

As discussed in Note 14A to the financial statements, the University changed its method of accounting for securities lending transactions allocated from the State Treasurer's Cash and Investment Pool during the year ended June 30, 2001. As discussed in Note 14B to the financial statements, the University implemented Governmental Accounting Standard Board, Statement #33, *Accounting and Financial Reporting for Nonexchange Transactions*, during the year ended June 30, 2001.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS (CONCLUDED)**

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Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Audit Committee, the Board of Trustees and Board of Governors, management and staff of the University, the Governor, the State Controller, the General Assembly, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.



Ralph Campbell, Jr.  
State Auditor

October 19, 2001

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In accordance with G.S. § 147-64.5 and G.S. § 147-64.6(c)(14), copies of this report have been distributed to the public officials listed below. Additional copies are provided to other legislators, state officials, the press, and the general public upon request.

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The Honorable Beverly M. Perdue	Lieutenant Governor of North Carolina
The Honorable Richard H. Moore	State Treasurer
The Honorable Roy A. Cooper, III	Attorney General
Mr. David T. McCoy	State Budget Officer
Mr. Robert Powell	State Controller
Ms. Molly Corbett Broad	President, The University of North Carolina
Dr. Patricia A. Sullivan	Chancellor, The University of North Carolina at Greensboro
Mr. Philip H. Richman	Vice Chancellor for Business Affairs
Mr. Thomas R. Sloan	The University of North Carolina at Greensboro
	Chairman, Board of Trustees
	The University of North Carolina at Greensboro

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Senator Anthony E. Rand  
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Representative N. Leo Daughtry  
Representative Joe Hackney  
Mr. James D. Johnson

Majority Leader of the N.C. House of Representatives  
Majority Leader of the N.C. Senate  
Minority Leader of the N.C. Senate  
Minority Leader of the N.C. House of Representatives  
N. C. House Speaker Pro-Tem  
Director, Fiscal Research Division

February 8, 2002

## **ORDERING INFORMATION**

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