The University of North Carolina at Asheville

Asheville, North Carolina

Financial Statement Audit Report

For the Year Ended June 30, 2024

A Constituent Institution of the University of North Carolina System

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A Department of the
State of North Carolina

NCOSA
Office of the
State Auditor

North Carolina Office of the State Auditor
Jessica N. Holmes, J.D., State Auditor

Auditor's Transmittal

The Honorable Roy Cooper, Governor
Honorable Members of the North Carolina General Assembly
Board of Trustees, The University of North Carolina at Asheville

We have completed a financial statement audit of The University of North Carolina at Asheville for the year ended June 30, 2024, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

The results of our tests disclosed no deficiencies in internal control over financial reporting that we consider to be material weaknesses in relation to our audit scope or any instances of noncompliance or other matters that are required to be reported 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.

Jessica N. Holmes, J.D.

Jessica N. Holmes, J.D.
State Auditor

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Chapter 147, Article 5A of the North Carolina General Statutes gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.

Independent Auditor's Report

North Carolina Office of the State Auditor
Jessica N. Holmes, J.D., State Auditor

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of The University of North Carolina at Asheville (University), a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of The University of North Carolina at Asheville, and its discretely presented component unit, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the consolidated financial statements of The University of North Carolina at Asheville Foundation, Inc. (Foundation), the University's discretely presented component unit. Those consolidated financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Foundation, are based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The University of North Carolina at Asheville and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAGAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAGAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2024 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Jessica N. Holmes, J.D.

Jessica N. Holmes, J.D.
State Auditor

Raleigh, North Carolina

October 31, 2024

Management’s Discussion and Analysis

Introduction

This section of The University of North Carolina at Asheville's (University) financial report provides an overview of the financial position and activities for the year ended June 30, 2024. This discussion has been prepared by management along with the financial statements and related notes to the financial statements, which follow this section and, as such, should be read in conjunction with them. This discussion and analysis only reflects the activity of the University for the fiscal years ended June 30, 2024 and 2023 and not The University of North Carolina at Asheville Foundation, Inc. (Foundation), the University's discretely presented component unit. It is designed to focus on current activities, resulting change, and currently known facts.

These statements have been prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board (GASB) and include the *Statement of Net Position*, the *Statement of Revenues, Expenses, and Changes in Net Position*, the *Statement of Cash Flows*, and Notes to the Financial Statements. Comparative information for the prior fiscal year is also presented in the condensed financial statements in this section.

Statement of Net Position

The *Statement of Net Position* presents assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (the difference between assets and deferred outflows of resources from liabilities and deferred inflows of resources) as of the date of the fiscal year end (June 30). This statement assists in the determination of the financial condition of the University. Comparative, condensed versions for fiscal years 2024 and 2023 are as follows:

Condensed Statement of Net Position

	Fiscal Year 2024	Fiscal Year 2023	$ Change	% Change
Assets				
Current Assets	$ 24,725,562.82	$ 23,896,621.08	$ 828,941.74	3.47%
Capital Assets, Net	253,397,073.66	249,348,980.01	4,048,093.65	1.62%
Other Noncurrent Assets	29,408,061.32	27,968,503.40	1,439,557.92	5.15%
Total Assets	307,530,697.80	301,214,104.49	6,316,593.31	2.10%
Total Deferred Outflows of Resources	22,812,751.33	19,516,916.16	3,295,835.17	16.89%
Liabilities				
Current Liabilities	11,336,116.67	9,382,023.07	1,954,093.60	20.83%
Long-Term Liabilities, Net	153,991,718.20	146,208,781.85	7,782,936.35	5.32%
Other Noncurrent Liabilities	315,306.01	433,939.60	(118,633.59)	-27.34%
Total Liabilities	165,643,140.88	156,024,744.52	9,618,396.36	6.16%
Total Deferred Inflows of Resources	22,498,628.11	32,822,363.16	(10,323,735.05)	-31.45%
Net Position				
Net Investment in Capital Assets	174,352,961.77	170,274,658.23	4,078,303.54	2.40%
Restricted - Nonexpendable	9,913,594.45	9,447,944.99	465,649.46	4.93%
Restricted - Expendable	22,334,160.92	19,821,563.61	2,512,597.31	12.68%
Unrestricted	(64,399,037.00)	(67,660,253.86)	3,261,216.86	-4.82%
Total Net Position	$ 142,201,680.14	$ 131,883,912.97	$ 10,317,767.17	7.82%

General Discussion of Changes in Statement of Net Position

The University's total assets increased slightly this year by $6.32 million, or 2.10%.

The largest contributor to the $6.32 million increase was in capital assets, net. This category consists of both nondepreciable and depreciable assets offset by their accumulated depreciation or amortization. In fiscal 2024, this category experienced a net increase of $4.05 million. Of this, nondepreciable assets increased by $2.63 million primarily due to the addition of $3.50 million related to a campus wide roadway improvement project classified as construction in progress (CIP) offset by other projects moved out of CIP and put in service during fiscal 2024. Depreciable capital assets, net increased by $1.42 million. Major projects added to depreciable assets included $4.51 million related to the Karl Straus Track Improvement project and additional right-to-use subscription assets of $2.25 million. These were offset by a net increase in accumulated depreciation and amortization of $8.04 million.

Other noncurrent assets consist of noncurrent restricted cash, endowment investments, notes receivable, and leases receivable. The $1.44 million increase is primarily attributable to an increase in endowment investments of $2.30 million, offset by a $0.61 million decrease in noncurrent restricted cash. The increase in endowment investments resulted from combined returns on invested assets of 12.00% in 2024 as compared to 0.83% in 2023.

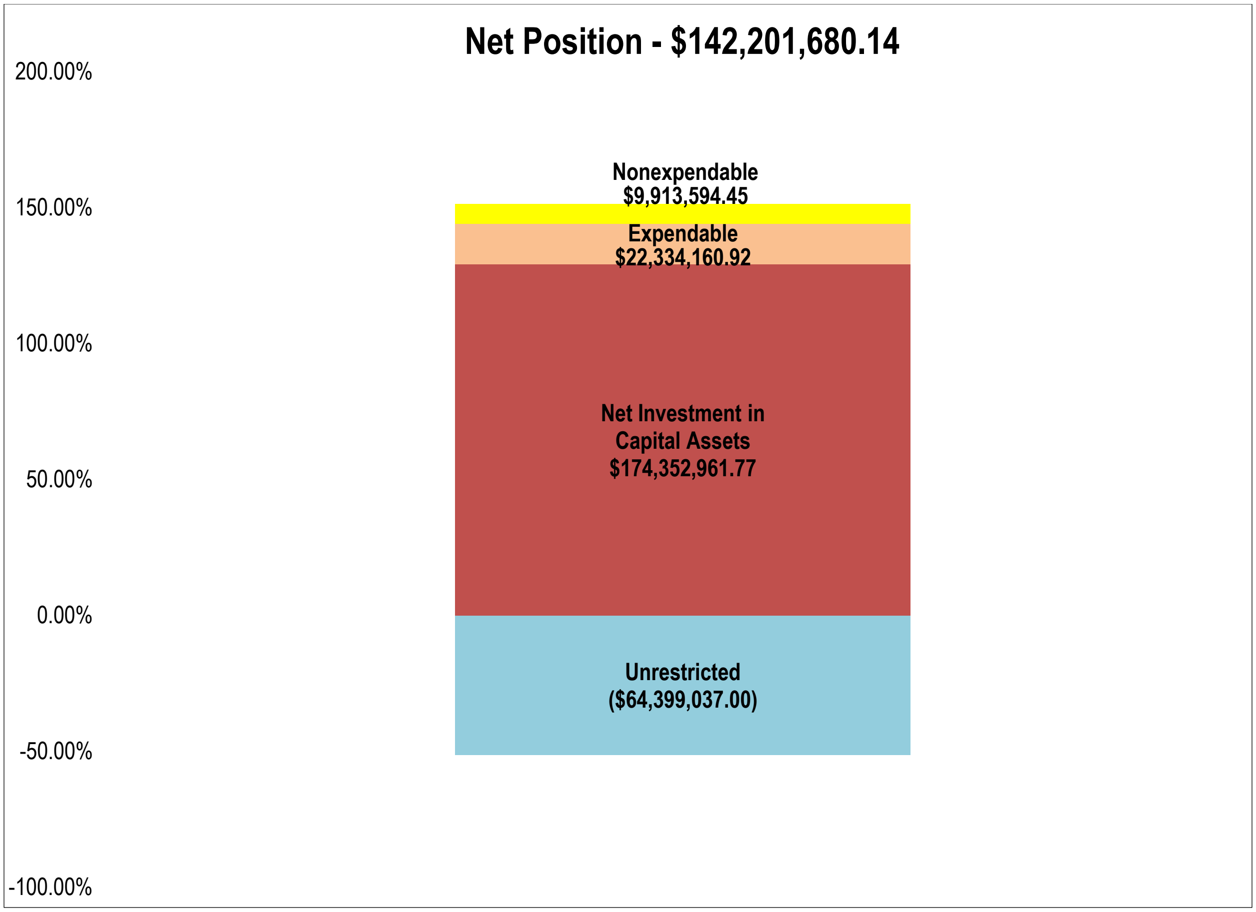
Total liabilities increased $9.62 million or 6.16%, due primarily to a $8.69 million combined increase in the University's net pension and net other postemployment benefits (OPEB) long-term liabilities as a result of changes in actuarial valuations. Current liabilities increased $1.95 million primarily due to a $1.72 million increase in accrued payroll related to the Faculty Realignment Incentive Program (FRIP) pursuant to Session Law 2023-134 and administered by the UNC System Office. As per UNC System Policy, this voluntary program "allows UNC constituent institutions to offer retirement incentives to faculty who have played a vital role on their campus and will assist institutions in proactively planning for successful faculty transitions into retirement."

Other major shifts in current and long-term liabilities resulted from $3.03 million in scheduled payments on long-term debt. In addition, the recognition of current and long-term liabilities totaling an additional $1.10 million were recorded related to subscription-based information technology agreements (SBITAs). For additional information on these liabilities, please refer to Notes 8 & 9 of the Notes to the Financial Statements.

The University reports deferred outflows and inflows of resources for pension and OPEB plans. Any increases or decreases to the deferred outflows or inflows of resources for the respective plans are due to changes in actuarial valuations. For more information about the University’s deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, refer to Notes 13 & 14 of the Notes to the Financial Statements, respectively. In addition, for more information on the underlying assumptions related to these matters, please refer to the Required Supplemental Information (RSI) schedules for both pension and OPEB.

General Discussion of University’s Net Position

The components of net position are shown in the graph below.



Net position represents residual interest in the University's assets and deferred outflows of resources after deduction of all liabilities and deferred inflows of resources. For financial reporting purposes, net position is divided into three major components as discussed below.

Net investment in capital assets represents the University's investment in capital assets such as land, construction in progress, buildings, machinery and equipment, general infrastructure, arts, literature, and artifacts, right-to-use leased assets, and SBITAs, net of accumulated depreciation/amortization, deferred outflows of resources, deferred inflows of resources, and outstanding liabilities attributable to the acquisition, construction, or improvement of those assets. In fiscal 2024, the $4.08 million increase is primarily due to the net increase in capital assets discussed above as well as the continued payment of capital related debt.

Restricted net position is subject to externally imposed restrictions governing use and is further divided into two categories: nonexpendable and expendable. Restricted nonexpendable net position primarily includes the University's permanent endowment funds received from donors for the purpose of creating present and future income. These funds, according to donor restrictions, must be held in perpetuity or for a specified period of time.

Restricted expendable net position is typically comprised of income from invested endowed funds, grants from others, gifts with specific restrictions on spending, and funds restricted for capital projects. In fiscal 2024, this category increased by $2.51 million. This was primarily a result of $1.68 million in restricted funds received for the FRIP program discussed above.

Unrestricted net position is not subject to externally imposed restrictions. Substantially all of the University's unrestricted net position has been designated for various programs and initiatives. Unrestricted net position has seen a significant decline due to the implementations of GASB Statement No. 68 for pensions and GASB Statement No. 75 for OPEB, both requiring the recognition of significant liabilities, deferred outflows of resources, and deferred inflows of resources for financial reporting. These components are allocations from the State of North Carolina as a whole and are not within the University management's control. Given the magnitude of its share of the Retiree Health Benefit Fund's (RHBF) unfunded net OPEB liability component, it appears that the University's unrestricted net position will remain in a deficit from this point forward unless the funding status of RHBF dramatically changes.

The $76.70 million negative impact on unrestricted net position from both the net OPEB liability components and the net pension liability components is from the two aforementioned GASB standards and is disclosed in Note 10. The negative effects from these components was lower than fiscal year 2023 by $4.68 million and are the main contributors to the overall increase in unrestricted net position of $3.26 million. The University's remaining unrestricted net position for fiscal year 2024 reflected a decrease of $1.42 million due to a decrease in unrestricted cash of $0.97 million as compared to the prior year.

Unrestricted Net Position Adjusted for the Impact of Pension and OPEB Related Items

	Fiscal 2024	Fiscal 2023	$ Change	% Change
Total Unrestricted Net Postion	$ (64,399,037.00)	$ (67,660,253.86)	$ 3,261,216.86	-4.82%
Effect of GASB 68 - Pensions (Note 10)	7,432,152.18	6,401,870.12	1,030,282.06	16.09%
Effect of GASB 75 - OPEB (Note 10)	69,263,070.22	74,973,606.09	(5,710,535.87)	-7.62%
Remaining Unrestricted Net Position	$ 12,296,185.40	$ 13,715,222.35	$ (1,419,036.95)	-10.35%

Statement of Revenues, Expenses, and Changes in Net Position

The *Statement of Revenues, Expenses, and Changes in Net Position* presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. Given a public university's dependency on revenues such as state appropriations, grants, gifts, and investment income, which are prescribed by the GASB as nonoperating revenues, operating expenses will exceed operating revenues, resulting in an operating loss. Therefore, nonoperating revenues and expenses are integral components in determining the increase or decrease in net position and in analyzing the core performance of the University as a whole. The following table is a condensed, comparative review of the Statement of Revenues, Expenses, and Changes in Net Position for fiscal years 2024 and 2023:

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	Fiscal Year 2024	Fiscal Year 2023	$ Change	% Change
Operating Revenues				
Student Tuition and Fees, Net	$ 18,261,886.89	$ 16,700,800.28	$ 1,561,086.61	9.35%
Sales and Services, Net	14,973,475.97	12,776,683.56	2,196,792.41	17.19%
Grants and Contracts	4,736,332.94	5,881,161.76	(1,144,828.82)	-19.47%
Other Operating Revenues	1,960,984.81	1,911,955.21	49,029.60	2.56%
Total Operating Revenues	39,932,680.61	37,270,600.81	2,662,079.80	7.14%
Operating Expenses				
Salaries and Benefits	70,348,932.85	57,211,763.33	13,137,169.52	22.96%
Supplies and Services	20,133,955.50	24,441,704.24	(4,307,748.74)	-17.62%
Scholarships and Fellowships	5,130,744.88	6,511,771.58	(1,381,026.70)	-21.21%
Utilities	3,078,642.95	2,960,042.94	118,600.01	4.01%
Depreciation/Amortization	9,616,913.43	8,774,857.63	842,055.80	9.60%
Total Operating Expenses	108,309,189.61	99,900,139.72	8,409,049.89	8.42%
Operating Loss	(68,376,509.00)	(62,629,538.91)	(5,746,970.09)	9.18%
Nonoperating Revenues (Expenses)				
State Appropriations	55,388,703.48	51,046,455.00	4,342,248.48	8.51%
State Aid - Coronavirus	208,866.10	774,119.62	(565,253.52)	-73.02%
Student Financial Aid & Noncapital Contributions	14,321,025.49	12,294,674.76	2,026,350.73	16.48%
Federal Aid - COVID-19	-	4,582,265.65	(4,582,265.65)	-100.00%
Investment Income, Net	3,662,028.24	542,313.59	3,119,714.65	575.26%
Interest and Fees on Debt	(3,321,047.77)	(3,201,357.81)	(119,689.96)	3.74%
Other Nonoperating Revenues (Expenses)	10,817.26	(305,413.73)	316,230.99	-103.54%
Net Nonoperating Revenues	70,270,392.80	65,733,057.08	4,537,335.72	6.90%
Income Before Other Revenues	1,893,883.80	3,103,518.17	(1,209,634.37)	-38.98%
Capital Contributions	8,283,340.31	2,126,233.18	6,157,107.13	289.58%
Additions to Endowments	140,543.06	2,088,792.22	(1,948,249.16)	-93.27%
Increase in Net Position	10,317,767.17	7,318,543.57	2,999,223.60	40.98%
Beginning Net Position	131,883,912.97	124,565,369.40	7,318,543.57	5.88%
Ending Net Position	$ 142,201,680.14	$ 131,883,912.97	$ 10,317,767.17	7.82%
Reconciliation of Change in Net Position				
Total Revenues	$ 121,948,004.55	$ 110,725,454.83	$ 11,222,549.72	10.14%
Less: Total Expenses	111,630,237.38	103,406,911.26	8,223,326.12	7.95%
Increase in Net Position	$ 10,317,767.17	$ 7,318,543.57	$ 2,999,223.60	40.98%

General Discussion of Changes in Statement of Revenues, Expenses, and Changes in Net Position

In summary, the change to the increase in net position from fiscal 2023 to fiscal 2024 was $3.00 million or 40.98%.

Operating revenues increased $2.66 million or 7.14%. This was due to the slight increase in overall enrollment for full-time equivalent (FTE) students of 41.5 on average for the fall and spring semesters from fiscal year 2023 to 2024. The average mix of FTE students shifted to additional nonresident students of 45 while in-state students reduced slightly by (3.5). Revenues from the additional nonresident students resulted in $1.10 million of the $1.56 million increase in net tuition and fees. The remaining increase is also due to additional nonresident summer school distance learning revenues of $0.50 million as compared to the prior year.

Within sales and services, net, housing and dining revenues also contributed to the increase in operating revenues, with revenues from these services increasing by $1.77 million or 18.37% due to changes in meal plan offerings resulting in additional plans being purchased, a 3% increase in fees for both services, and an 11.5% increase in overall units or plans purchased. Offsets to these increases were grant related revenues that decreased from fiscal 2023 by $1.14 million due primarily to non-recurring COVID-19 related program funds from a private grantor.

Operating expenses increased $8.41 million or 8.42%. This increase was driven by a $13.14 million increase in salaries and benefits where the effects of pension and OPEB expense increased $7.71 million, FRIP added $1.68 million not reflected in the prior year, and $1.50 million in salary increases for both state (legislatively provided for) and non-state funded employees. Additionally, the University initiated a reduction-in-force as part of its expense management measures which resulted in various leave payouts totaling an additional $0.8 million.

Offsets to this increase were decreases in supplies and services of $4.31 million due primarily to one-time large repair expenses in the prior year and expense management measures implemented in 2024. In addition, scholarships and fellowships decreased $1.38 million due primarily to the Higher Education Emergency Relief Fund (HEERF) concluding in fiscal 2023.

Net nonoperating revenues increased by $4.54 million driven by an increase in state appropriations of $4.34 million. State appropriations comprised 45.42% and 46.10% of total revenues for fiscal years 2024 and 2023, respectively, which is higher than total operating revenues each year. Thus, illustrating the University's dependence on strong state support.

The increase in state appropriations is primarily related to recurring legislative salary increases for state employees of $1.78 million, a $1.68 million non-recurring appropriation for FRIP (also discussed above in the changes to the Statement of Net Position), and a non-recurring $1.00 million special appropriation for Athletics. These were offset by a recurring $1.49 million appropriation reduction related to the enrollment decline in 2023. State support also increased by $0.82 million due to funds received from the Sports Wagering Tax Allocation in accordance with Session Law 2023-42. The revenues related to the Sports Wagering Tax Allocation will be recurring revenues that will fluctuate year over year as they are based on taxes collected and allocated per the Session Law.

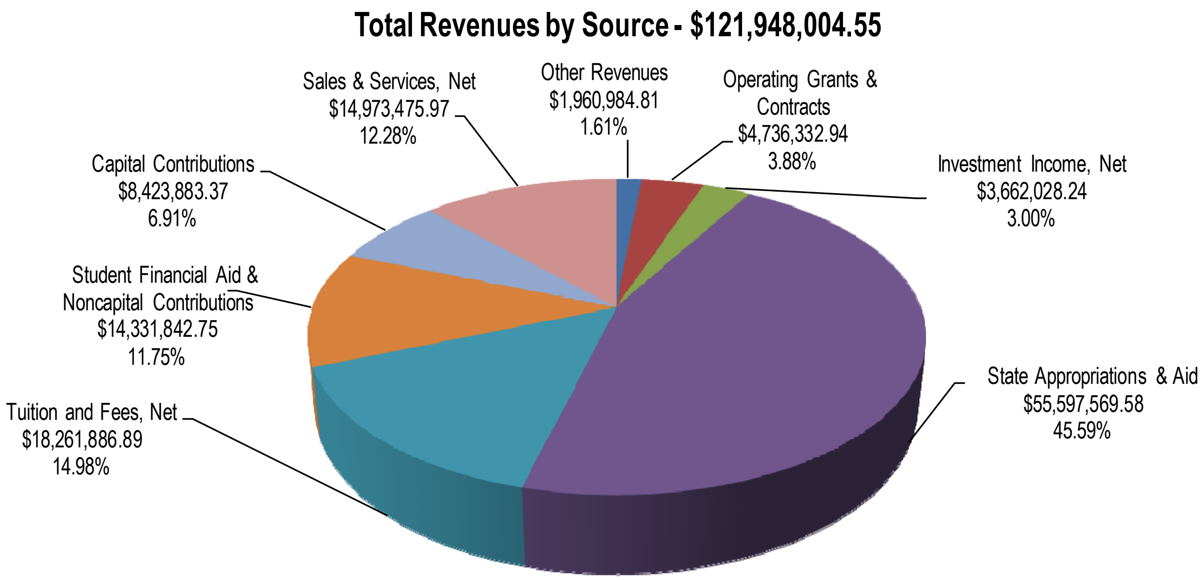
In addition, net investment income increased by $3.12 million as endowment investments returns were 12.0% in 2024, a substantial increase over the 0.83% return in 2023. Noncapital contributions increased $1.24 million due to increased contributions from the Foundation for various programs and scholarships. Offsetting these increases was a $4.58 million decrease in federal COVID-19 aid as the HEERF program concluding in 2023.

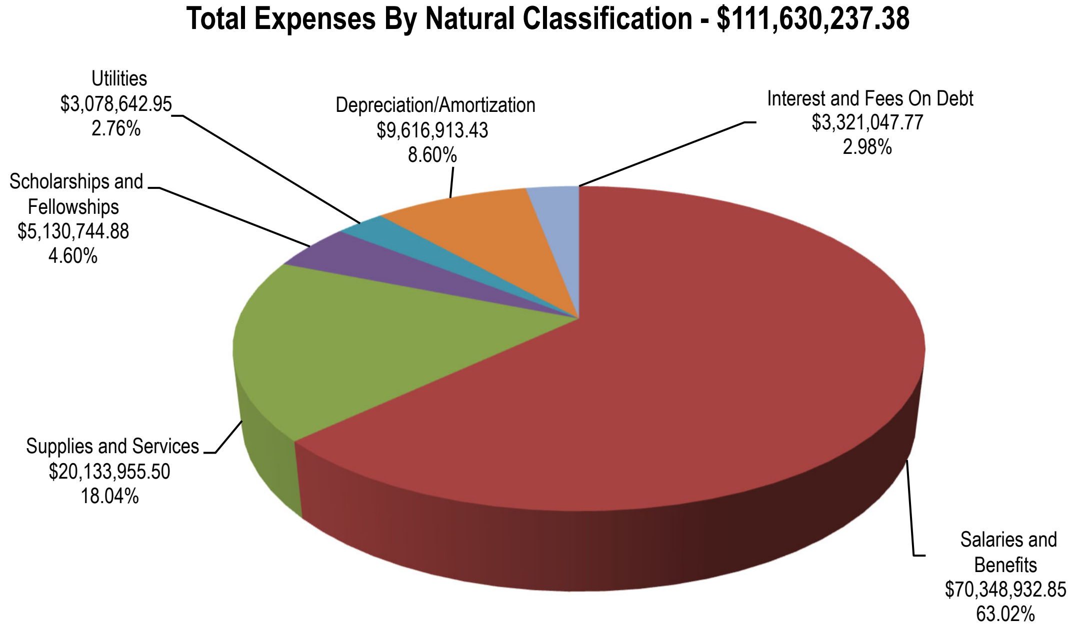
Capital contributions represent both grants from the SCIF allocated to the University, any bond proceeds received from the State, and capital gifts from the Foundation or third parties. This category increased $6.16 million primarily due to an additional $3.11 million in SCIF funds received and the Foundation's contribution of $2.85 million toward the completion of the $4.51 million Karl Straus Track renovation and improvement project.

Additions to endowments decreased by $1.95 million due to the University's fundraising in the prior year related to the $3.00 million required match to a 2022 special appropriation from the State for funds to reduce debt for students who are North Carolina residents. The special appropriation required that funds shall be made available to the University for the program on the basis of $1 in non-state funds for every $1 in state funds. The resulting $6.00 million investment of the combined appropriation and fundraising has been named the Asheville Trust.

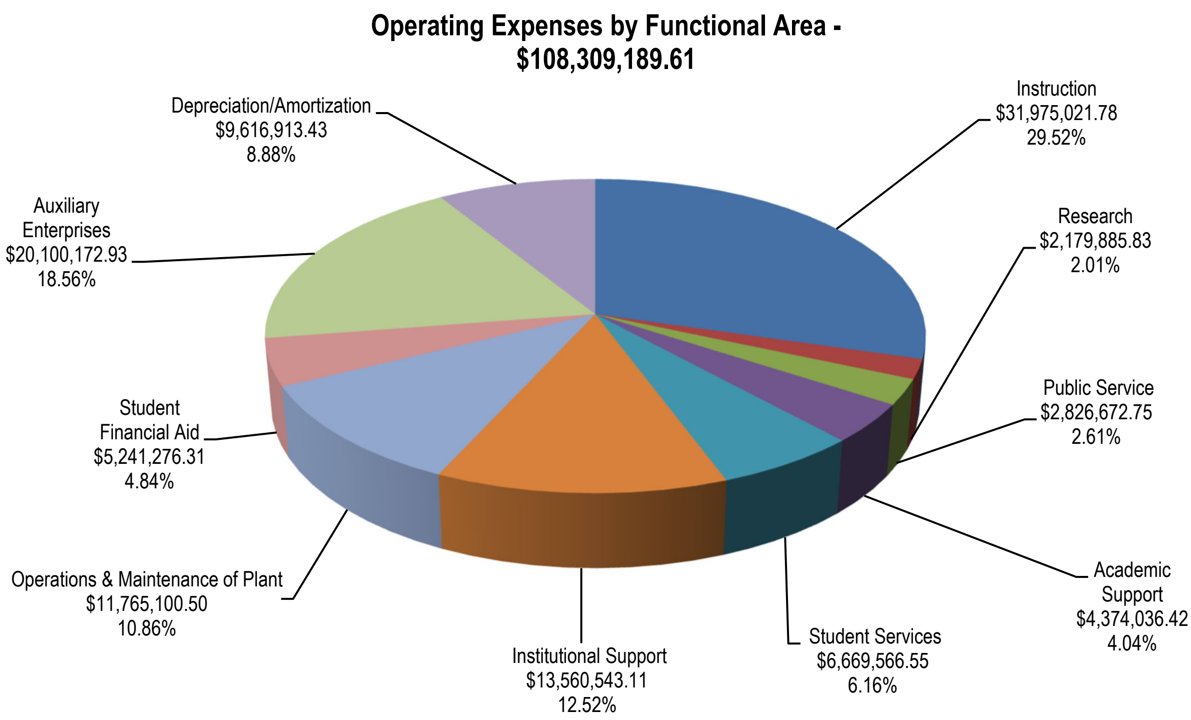
Additional Summary Information

A summary of the University's fiscal year 2024 total of all revenues and expenses by source and natural classification is as follows:





Operating expenses by functional area for fiscal year are shown in the graph below:



Debt Administration and Debt Rating

Moody's Credit Rating Update

On February 7, 2024, Moody's issued an update to its January 20, 2023, credit analysis. Based on its update, Moody's affirmed the University's credit rating on its general revenue and system pool revenue bond ratings of A2 but revised the outlook to negative from stable. In its rating action, Moody's cited credit strengths including the "strong support from the State of North Carolina" for both operating and capital needs, "an all fixed rate structure of its bond portfolio providing predictability to debt obligations, and enrollment stabilization initiatives which include enhancing brand distinctiveness and awareness which provide prospects for a recovery of student demand."

Offsetting credit factors cited include "a highly competitive student market in North Carolina which has resulted in enrollment declines and coupled with state pricing restrictions and a price sensitive student population partially constrain net student revenue growth prospects, pressuring operating performance."

Due to Component Unit – Karl Straus Track Renovation and Improvement Project

During fiscal year 2022, the University entered into a Funding and Reimbursement Agreement (Agreement) with the Foundation whereby the Foundation would advance up to $4.50 million for the purposes of financing improvements to the University's Karl Straus athletic track facility ("track project"). Under the Agreement, the University will reimburse the Foundation for up to $2.50 million of the funds disbursed for the track project. Upon termination of the ground lease mentioned below, the funds will be repaid within 20 years at a fixed rate of 5.0% (five percent) per annum on the outstanding principal balance. No security or collateral is pledged for this $2.50 million.

The Agreement was amended on June 30, 2024, and provided for the final amount owed to the Foundation of $1.67 million as well as a one-year extension to the term to allow for an interest only payment on the principal during the first year of the Agreement. No other amendments to the Agreement were made. Simultaneously during 2023, the University entered into a ground lease with the Foundation for $1.00. The ground lease, as amended, terminated on June 30, 2024 as construction was completed (the Construction Completion Date, as defined).

For additional information concerning capital assets and debt administration, see Notes 6 and 8, respectively.

Economic Outlook

Enrollment Trends

The University maintains strong admission standards for incoming freshman as the institution continues to enhance its national profile. The following table compares fall semester total headcount and full-time-equivalent (FTE) students for the previous five years.

Fall Semester	2019	2020	2021	2022	2023
Undergraduate Headcount	3,587	3,358	3,233	2,914	2,907
Graduate Headcount	13	5	0	0	18
Total Headcount	3,600	3,363	3,233	2,914	2,925
Undergraduate FTE	3,288	3,104	3,010	2,717	2,703
Graduate FTE	9	3	0	0	18
Total FTE	3,297	3,107	3,010	2,717	2,721

In reviewing the five-year horizon above, UNC Asheville's enrollment declined four of the five consecutive years with 2023 reflecting a slight increase. Public national peer data obtained from the Institutional Research division indicate that public peers have also seen annual declines in enrollment over the past five years, suggesting an overall market trend.

Fall 2024 enrollment marked the second year of increased enrollment. The census reflected a current overall headcount of 3,055 (4.4% increase over 2023) along with 2,870 FTE (5.5% increase over 2023).

In addition, the incoming class of new students – 1,027 in all – is the third largest in the University's history. Included in this, new first time student enrollment increased 15.6% over 2023 and 43.6% over two years. New transfer student enrollment increased 11.2%.

Additional Fiscal Year 2024 Initiatives

During fiscal year 2024, because of the five-year enrollment decline and corresponding declines in state appropriations for operations, the University developed a comprehensive plan that would include not only measures for 2024, but also for future years. The plan launched during 2024 included, among other things, regular communication from the Chancellor, reduced spending on both personnel and non-personnel expenses, a reduction in workforce, evaluating the University's portfolio of programs, and creating a visioning effort to reach its institutional goals of sustainable enrollment.

Through the measures and initiatives highlighted below, the University will position itself for a more sustainable financial future.

Highlights of the measures were as follows:

- In October 2023, the University announced the launch of Access Asheville, a new financial aid program. Access Asheville guarantees full tuition and fees coverage through grants and scholarships during the fall and spring semesters for North Carolina residents whose adjusted gross income is $80,000 or less. In her Fall 2024 campus update, the Chancellor cited that this program accounted for 216 new students. See additional enrollment information above.

- All positions were reviewed resulting in the elimination of twelve (12) staff positions.

- The FRIP was offered to its faculty for either a June 30, 2024, or a June 30, 2025, retirement date. Sixteen (16) faculty chose to accept this offer.

- The Chancellor announced an Academic Portfolio Review (APR) on May 1, 2024. According to the Chancellor's announcement, "the assessment of our academic offerings will help us allocate resources - and support students - as effectively and efficiently as we can. It marks the University's latest step to address short-term financial pressures while we undertake longer-term planning together."

  The measured approach to the APR included input from the engagement of an external, independent academic program study. The program study's findings were shared with, and input was provided from, academic leaders, the faculty senate executive committee, and department chairs over the course of several weeks. A plan was presented to, and approved by, the UNC System Board of Governors at its July 24, 2024, meeting. Five (5) of the University's 27 undergraduate programs were impacted. Four (4) degree programs will be phased out while one program will see a curtailment of specific concentrations.

Additional information regarding the University's fiscal and operational plans can be found through the Asheville 2030 webpage of the University's website.

Hurricane Helene

On September 25, 2024, Governor Roy Cooper declared a state of emergency due to Hurricane Helene which hit Western North Carolina on September 27th. On September 28th, the Chancellor declared the University closed. Since then, the University has worked with various city, county, state and federal agencies to restore its operations and infrastructure, and has maintained consistent communications with all campus stakeholders.

Through a coordinated dorm-to-dorm and room-to-room effort led by Student Affairs, the University confirmed approximately 1,300 students remained on campus when the storm hit. Students who remained housed in the residence halls were provided daily with drinking water, three meals, and support services. All on-campus UNC Asheville students were safely relocated within 72 hours.

The University remained closed until October 24th and moved to a suspended operations status on October 25th. Classes resumed on October 28th and will remain in an online format for the remainder of the Fall 2024 semester.

Refer to the University's website for ongoing updates regarding the impact of Hurricane Helene.

Conclusion

Management believes that the University is well positioned to continue its level of excellence of service to students, the community, and governmental agencies.

As the only designated undergraduate liberal arts university in the University of North Carolina System, UNC Asheville stimulates learning by offering students an intellectually rigorous education that builds critical thinking and workforce skills to last a lifetime. Small class sizes, award-winning faculty, and a nationally acclaimed undergraduate research program foster innovation as well as recognition.

Looking ahead, a crucial element to the University's future will continue to be the level of state funding and managing enrollment to achieve optimal academic profiles, selectivity, and net tuition revenue. The additional $10.00 million provided in the fiscal year 2022 budget and carried forward into fiscal 2023 - $3.00 million nonrecurring for student debt reduction (Asheville Trust) and $7.00 million recurring for improving student outcomes and scholarships for rural, first generation, or underrepresented communities - signaled strong state support for its mission and uniqueness in the UNC System.

The University will strategically seek alternative funding sources through contract and grant funding as well as conferences and camps and private fundraising. The University will continue to employ its investment strategy to maximize total returns, at an appropriate level of risk in accordance with our strategic plan, while utilizing a spending rate policy to insulate the University's operations from temporary market volatility. The University will also continue to control its spending to be in accordance with available revenue sources.

While it is not possible to predict the ultimate results, management believes that with continued prudent strategic efficiency measures, the support of the State of North Carolina, and faithful donors, the University's financial condition is strong enough to weather future economic uncertainties.

Financial Statements

The University of North Carolina at Asheville
Statement of Net Position
June 30, 2024

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 18,891,890.62
Restricted Cash and Cash Equivalents	3,412,498.74
Receivables, Net (Note 5)	1,700,944.43
Inventories	295,157.53
Notes Receivable, Net (Note 5)	181,557.54
Leases Receivable	243,513.96
Total Current Assets	24,725,562.82
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	2,238,064.87
Endowment Investments	26,823,993.25
Notes Receivable, Net (Note 5)	20,977.89
Leases Receivable	325,025.31
Capital Assets - Nondepreciable (Note 6)	14,641,232.73
Capital Assets - Depreciable, Net (Note 6)	238,755,840.93
Total Noncurrent Assets	282,805,134.98
Total Assets	307,530,697.80
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Loss on Refunding	6,910.73
Deferred Outflows Related to Pensions	11,677,662.82
Deferred Outflows Related to Other Postemployment Benefits (Note 14)	11,128,177.78
Total Deferred Outflows of Resources	22,812,751.33
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 7)	3,829,074.44
Deposits Payable	87,816.09
Unearned Revenue	1,270,924.90
U.S. Government Grants Refundable	74,860.17
Interest Payable	469,325.97
Due To University Component Unit - Interest Payable	83,241.84
Long-Term Liabilities - Current Portion (Note 8)	5,520,873.26
Total Current Liabilities	11,336,116.67
Noncurrent Liabilities:	
Funds Held for Others	64,583.82
U.S. Government Grants Refundable	250,722.19
Long-Term Liabilities - Due To University Component Unit (Note 8)	1,664,837.25
Long-Term Liabilities, Net (Note 8)	152,326,880.95
Total Noncurrent Liabilities	154,307,024.21
Total Liabilities	165,643,140.88

DEFERRED INFLOWS OF RESOURCES	
Deferred Gain on Refunding	36,730.69
Deferred Inflows Related to Pensions	432,192.00
Deferred Inflows Related to Other Postemployment Benefits (Note 14)	21,500,029.00
Deferred Inflows for Leases	529,676.42
Total Deferred Inflows of Resources	22,498,628.11
NET POSITION	
Net Investment in Capital Assets	174,352,961.77
Restricted:	
Nonexpendable:	
True Endowments	9,913,594.45
Expendable:	
Scholarships, Research, Instruction, and Other	20,032,629.19
Capital Projects	2,167,138.51
Debt Service	134,393.22
Total Restricted-Expendable Net Position	22,334,160.92
Unrestricted	(64,399,037.00)
Total Net Position	$ 142,201,680.14

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

The University of North Carolina at Asheville
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2024 *Exhibit A-2*

OPERATING REVENUES	
Student Tuition and Fees, Net (Note 11)	$ 18,261,886.89
Federal Grants and Contracts	2,629,503.69
State and Local Grants and Contracts	1,158,445.40
Nongovernmental Grants and Contracts	948,383.85
Sales and Services, Net (Note 11)	14,973,475.97
Interest Earnings on Loans	847.86
Other Operating Revenues	1,960,136.95
Total Operating Revenues	39,932,680.61
OPERATING EXPENSES	
Salaries and Benefits	70,348,932.85
Supplies and Services	20,133,955.50
Scholarships and Fellowships	5,130,744.88
Utilities	3,078,642.95
Depreciation/Amortization	9,616,913.43
Total Operating Expenses	108,309,189.61
Operating Loss	(68,376,509.00)
NONOPERATING REVENUES (EXPENSES)	
State Appropriations	55,388,703.48
State Aid - Coronavirus	208,866.10
Student Financial Aid	8,075,339.06
Noncapital Contributions	6,245,686.43
Investment Income (Net of Investment Expense of $133,279)	3,662,028.24
Interest and Fees on Debt	(3,321,047.77)
Other Nonoperating Revenues	10,817.26
Net Nonoperating Revenues	70,270,392.80
Income Before Other Revenues	1,893,883.80
Capital Contributions	8,283,340.31
Additions to Endowments	140,543.06
Total Other Revenues	8,423,883.37
Increase in Net Position	10,317,767.17
NET POSITION	
Net Position - July 1, 2023	131,883,912.97
Net Position - June 30, 2024	$ 142,201,680.14

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

The University of North Carolina at Asheville
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 38,482,686.93
Payments to Employees and Fringe Benefits	(73,371,444.56)
Payments to Vendors and Suppliers	(23,828,578.89)
Payments for Scholarships and Fellowships	(5,130,744.88)
Collection of Loans	35,248.50
Interest Earned on Loans	847.86
William D. Ford Direct Lending Receipts	9,258,332.00
William D. Ford Direct Lending Disbursements	(9,258,332.00)
Related Activity Agency Disbursements	(11,136.15)
Other Receipts	1,678,132.47
Net Cash Used by Operating Activities	(62,144,988.72)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	55,388,703.48
State Aid - Coronavirus	208,866.10
Student Financial Aid	8,023,505.06
Noncapital Contributions	6,142,174.11
Additions to Endowments	140,543.06
Total Cash Provided by Noncapital Financing Activities	69,903,791.81
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES	
Capital Contributions	4,769,921.86
Proceeds from Lease Arrangements	278,853.41
Acquisition and Construction of Capital Assets	(5,026,162.88)
Principal Paid on Capital Debt and Lease/Subscription Liabilities	(5,095,090.26)
Interest and Fees Paid on Capital Debt and Lease/Subscription Liabilities	(3,602,102.51)
Net Cash Used by Capital Financing and Related Financing Activities	(8,674,580.38)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	1,381,342.25
Investment Income	1,332,396.26
Purchase of Investments and Related Fees	(1,347,921.17)
Net Cash Provided by Investing Activities	1,365,817.34
Net Increase in Cash and Cash Equivalents	450,040.05
Cash and Cash Equivalents - July 1, 2023	24,092,414.18
Cash and Cash Equivalents - June 30, 2024	$ 24,542,454.23

The University of North Carolina at Asheville
Statement of Cash Flows — *Exhibit A-3*
For the Fiscal Year Ended June 30, 2024 — *Page 2 of 2*

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$ (68,376,509.00)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	9,616,913.43
Lease Income (Amortized Deferred Inflows of Resources)	(292,821.74)
Allowances, Write-Offs, and Amortizations	3,801.30
Other Nonoperating Income	10,817.26
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	177,054.37
Inventories	36,206.11
Notes Receivable, Net	35,248.50
Deferred Outflows Related to Pensions	(1,823,993.94)
Deferred Outflows Related to Other Postemployment Benefits	(1,499,483.87)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	1,067,437.03
Funds Held for Others	(11,136.15)
Unearned Revenue	180,796.32
Net Pension Liability	3,099,210.00
Net Other Postemployment Benefits Liability	5,666,802.00
Compensated Absences	(5,032.00)
Deposits Payable	(5,228.86)
Workers' Compensation Liability	20,434.52
Deferred Inflows Related to Pensions	(244,934.00)
Deferred Inflows Related to Other Postemployment Benefits	(9,800,570.00)
Net Cash Used by Operating Activities	$ (62,144,988.72)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	$ 5,563,529.28
Assets Acquired through a Gift	3,513,418.45
Change in Fair Value of Investments	2,426,566.98
Amortization of Bond Premiums/Discounts	(335,415.78)
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	(77,284.00)

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

The University of North Carolina at Asheville Foundation, Inc.
Consolidated Statement of Financial Position
June 30, 2024 — Exhibit B-1

CURRENT ASSETS		
Cash and Cash Equivalents	$	4,168,686.70
Sales Tax Receivable		37,659.23
Other Receivables		212,313.98
Promises to Give, Net		750,987.41
Due from University - Interest Receivable		83,241.84
Prepaid Expense		157,565.91
Total Current Assets		5,410,455.07
PROPERTY AND EQUIPMENT, NET		2,286,795.28
OPERATING LEASE RIGHT OF USE ASSETS		555,929.16
OTHER ASSETS		
Investments		49,567,124.91
Promises to Give, Net		1,195,799.61
Beneficial Interests		455,704.80
Prepaid Expense		5,787.50
Due from University		1,664,837.25
Total Other Assets		52,889,254.07
Total Assets	$	61,142,433.58
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	$	3,278,622.73
Current Portion of Operating Lease Liability		69,719.06
Accounts Payable		364,284.62
Construction Contracts Payable		35,858.75
Unearned Revenue		83,495.37
Annuities Payable		78,079.96
Total Current Liabilities		3,910,060.49
NONCURRENT LIABILITIES		
Annuities Payable		334,383.38
Operating Lease Liability		514,321.72
Total Noncurrent Liabilities		848,705.10
Total Liabilities		4,758,765.59
NET ASSETS		
Without Donor Restrictions		2,211,693.21
With Donor Restrictions		54,171,974.78
Total Net Assets		56,383,667.99
Total Liabilities and Net Assets	$	61,142,433.58

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

The University of North Carolina at Asheville Foundation, Inc.
Consolidated Statement of Activities
For the Fiscal Year Ended June 30, 2024 — *Exhibit B-2*

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES AND PUBLIC SUPPORT			
Contributions	$ 236,630.84	$ 2,964,448.67	$ 3,201,079.51
Contributions-Gifts in Kind	420,818.64	108,731.00	529,549.64
Grant Revenues	-	593,258.95	593,258.95
Net Investment Income	598,163.68	5,105,104.34	5,703,268.02
Gain on Beneficial Interests	-	25,378.26	25,378.26
Special Events	133,661.41	193,743.85	327,405.26
Rental and Lease Income	206,969.00	-	206,969.00
Other Income	-	65,311.24	65,311.24
Net Assets Released from Restriction	8,589,167.36	(8,589,167.36)	-
Total Operating Revenues and Public Support	10,185,410.93	466,808.95	10,652,219.88
OPERATING EXPENSES			
Program Services	8,072,086.91	-	8,072,086.91
Supporting Services:			-
Management and General	473,505.67	-	473,505.67
Fundraising	410,207.75	-	410,207.75
Total Operating Expenses	8,955,800.33	-	8,955,800.33
Change in Net Assets from Operations	1,229,610.60	466,808.95	1,696,419.55
OTHER CHANGES			
Transfer of Track Improvements & Equipment to the University	(2,847,475.81)	-	(2,847,475.81)
Change in Net Assets	(1,617,865.21)	466,808.95	(1,151,056.26)
NET ASSETS			
Net Assets at Beginning of Year	3,829,558.42	53,705,165.83	57,534,724.25
Net Assets at End of Year	$ 2,211,693.21	$ 54,171,974.78	$ 56,383,667.99

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

Notes to the Financial Statements

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 (GAAP), 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 Asheville (University) is a constituent institution of the multi-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 *Annual Comprehensive Financial Report*.

The accompanying financial statements present all funds belonging to the University and its component unit. 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. The University's component unit is discretely presented in the University's financial statements. See below for further discussion of the University's component unit. Other related foundations and similar nonprofit corporations for which the University is not financially accountable are not part of the accompanying financial statements.

Discretely Presented Component Unit - The University of North Carolina at Asheville Foundation, Inc. (Foundation) is a legally separate nonprofit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the University.

The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. The Foundation is governed by a self-perpetuating Board of Directors. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is reported in separate consolidated financial statements because of the difference in its reporting model, as described below.

The Foundation is a private nonprofit organization that reports its financial results under the Financial Accounting Standards Board (FASB) Codification. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

The consolidated financial statements of the Foundation contain the financial information of the following wholly owned subsidiaries: UNC Asheville Baseball Stadium, LLC, UNC Asheville Real Estate, LLC, UNC Asheville Foundation Makerspace, LLC, and UNC Asheville Foundation Riverside Property, LLC. Further information on these entities can be obtained from the consolidated financial statements of the Foundation as described below.

During the year ended June 30, 2024, the Foundation distributed $8,237,463.33 to the University for both restricted and unrestricted purposes. The University has a $1,664,837.25 contractual obligation to repay funds to the Foundation related to improvements for the Karl Strauss Track facility. Interest of $83,241.84 related to this obligation is recorded in current liabilities. The principal amount of $1,664,837.25 is recorded in noncurrent liabilities. Additional disclosures related to this transaction are in Note 8. Complete consolidated financial statements for the Foundation can be obtained from the Vice Chancellor of Advancement, 224 W.T. Weaver Building, CPO 3800, One University Heights, Asheville, North Carolina 28804, or by calling 828-232-5134.

B. Basis of Presentation - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities,* and GASB Statement No. 84, *Fiduciary Activities,* the full scope of the University's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

C. Basis of Accounting - The financial statements of the University have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

Nonexchange transactions, in which the University receives (or gives) value without directly giving (or receiving) equal value in exchange, include state appropriations, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

D. Cash and Cash Equivalents - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, cash on deposit with fiscal agents, and deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

E. Investments - To the extent available, investments are recorded at fair value based on quoted market prices in active markets on a trade-date basis. Additional information regarding the fair value measurement of investments is disclosed in Note 3. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net change in the value of investments is recognized as a component of investment income.

Endowment investments include the principal amount of gifts and bequests that, according to donor restrictions, must be held in perpetuity or for a specified period of time, along with any accumulated investment earnings on such amounts. Further, endowment investments also include amounts internally designated by the University for investment in an endowment capacity (i.e. quasi-endowments), along with accumulated investment earnings on such amounts.

F. **Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.

G. **Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the last invoice cost method.

H. **Capital Assets** - Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. The value of assets constructed includes all material direct and indirect construction costs.

The University capitalizes assets that have a value or cost of $5,000 or greater at the date of acquisition and an estimated useful life of more than one year. In addition, grouped acquisitions of machinery and equipment that have an estimated useful life of more than one year but are individually below the $5,000 threshold are capitalized.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets in the following manner:

Asset Class	Estimated Useful Life
Buildings	10-100 years
Machinery and Equipment	2-30 years
Art, Literature, and Artifacts	2-25 years
General Infrastructure	10-75 years

The University does not capitalize the collections considered to be inexhaustible or the general collections for use in the Ramsey Library or in other campus locations. These collections adhere to the University's policy to maintain for public exhibition, education, or research; protect, keep unencumbered, care for, and preserve. Accounting principles generally accepted in the United States of America permit collections maintained in this manner to be charged to operations at time of purchase rather than be capitalized.

Right-to-use leased and subscription assets are recorded at the present value of payments expected to be made during the lease or subscription term, plus any upfront payments and ancillary charges paid to place the underlying right-to-use asset into service. Lease liabilities are capitalized as a right-to-use asset when the underlying leased asset has a cost of $100,000 or greater and an estimated useful life of more than one year. Subscription liabilities are capitalized as a right-to-use asset when the underlying subscription asset has a cost of $10,000 or greater and an estimated useful life of more than one year.

Amortization for right-to-use leased and subscription assets is computed using the straight-line method over the shorter of the lease/subscription term or the underlying asset's estimated useful life. If a lease agreement contains a purchase option the University is reasonably certain will be exercised, the right-to-use leased asset is amortized over the asset's estimated useful life.

I. Restricted Assets - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets, resources legally segregated for the payment of principal and interest as required by debt covenants, and endowment and other restricted investments.

J. Accounting and Reporting of Fiduciary Activities - Pursuant to the provisions of GASB Statement No. 84, *Fiduciary Activities*, custodial funds that are normally expected to be received and disbursed within a 3-month period or otherwise do not meet the fiduciary activity criteria defined by GASB Statement No. 84 continue to be reported in the Statement of Net Position as funds held for others and as operating activities in the Statement of Cash Flows.

There are no other trust or custodial funds meeting the criteria of a fiduciary activity that are required to be reported in separate fiduciary fund financial statements.

K. Noncurrent Long-Term Liabilities - Noncurrent long-term liabilities include principal amounts of long-term debt and other long-term liabilities that will not be paid within the next fiscal year. Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Long-term debt includes: revenue bonds payable and a note from direct borrowing due to the University's component unit. Other long-term liabilities include: lease liabilities, subscription liabilities, compensated absences, net pension liability, net other postemployment benefits (OPEB) liability, and workers' compensation.

Revenue bonds payable are reported net of unamortized premiums or discounts. The University amortizes bond premiums/discounts over the life of the bonds using the straight-line method that approximates the effective interest method. Deferred gains and losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method, and are aggregated as deferred outflows of resources or deferred inflows of resources on the Statement of Net Position. Issuance costs are expensed in the reporting period in which they are incurred.

The net pension liability represents the University's proportionate share of the collective net pension liability reported in the State of North Carolina's 2023 *Annual Comprehensive Financial Report.* This liability represents the University's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 13 for further information regarding the University's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

The net OPEB liability represents the University's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2023 *Annual Comprehensive Financial Report.* This liability represents the University's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund and Disability Income Plan of North Carolina. See Note 14 for further information regarding the University's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

L. Compensated Absences - 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 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. 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 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on December 31 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

There is no liability for unpaid accumulated sick leave because the University has no obligation to pay sick leave upon termination or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

M. Deferred Outflows/Inflows of Resources - Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

N. Net Position - The University's net position is classified as follows:

Net Investment in Capital Assets - This represents the University's total investment in capital assets, net of outstanding liabilities related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets. Additionally, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of capital assets or related debt are also included in this component of net position.

Restricted Net Position - Nonexpendable - Nonexpendable restricted net position includes endowments and similar type assets whose use is limited by donors or other outside sources, and, as a condition of the gift, the principal is to be maintained in perpetuity.

Restricted Net Position - Expendable - Expendable restricted net position includes resources for which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted Net Position - Unrestricted net position includes resources derived from student tuition and fees, sales and services, unrestricted gifts, royalties, and interest income. It also includes the net position of accrued employee benefits such as compensated absences, workers' compensation, pension plans, and other postemployment benefits.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the University. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are always used first. Both restricted and unrestricted net position include consideration of deferred outflows of resources and deferred inflows of resources. See Note 10 for further information regarding deferred outflows of resources and deferred inflows of resources that had a significant effect on unrestricted net position.

O. Scholarship Discounts - Student tuition and fees revenues and certain other revenues from University charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The scholarship discount is the difference between the actual charge for goods and services provided by the University and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the University has recorded a scholarship discount.

P. Revenue and Expense Recognition - The University classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the University's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, (3) certain federal, state, and local grants and contracts that are essentially contracts for services, and (4) interest earned on loans. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions that represent subsidies or gifts to the University, as well as investment income, are considered nonoperating since these are either investing, capital, or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.

Q. Internal Sales Activities - Certain institutional auxiliary operations provide goods and services to University departments, as well as to its customers. These institutional auxiliary operations include activities such as central stores, printing services, and telecommunications. In addition, the University has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to University departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

Note 2 - Deposits and Investments

A. Deposits - Unless specifically exempt, the University is required by North Carolina General Statute 147-77 to deposit moneys received with the State Treasurer or with a depository institution in the name of the State Treasurer. However, the University of North Carolina Board of Governors, pursuant to G.S. 116-36.1, may authorize the University to deposit its institutional trust funds in interest-bearing accounts and other investments authorized by the Board of Governors, without regard to any statute or rule of law relating to the investment of funds by fiduciaries. Although specifically exempted, the University may voluntarily deposit institutional trust funds, endowment funds, special funds, revenue bond proceeds, debt service funds, and funds received for services rendered by health care professionals with the State Treasurer. Special funds consist of moneys for intercollegiate athletics and agency funds held directly by the University.

At June 30, 2024, the amount shown on the Statement of Net Position as cash and cash equivalents includes $24,494,263.73, which represents the University's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.4 years as of June 30, 2024. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the North Carolina Department of State Treasurer Investment Programs' separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at https://www.nctreasurer.com/ in the Audited Financial Statements section.

Cash on hand at June 30, 2024 was $12,115.55. The carrying amount of the University's deposits not with the State Treasurer was $36,074.95, and the bank balance was $88,217.31. Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a deposit policy for custodial credit risk. As of June 30, 2024, the University's bank balance was not exposed to custodial credit risk.

B. Investments

University - The University is authorized by the University of North Carolina Board of Governors pursuant to G.S. 116-36.2 and Section 600.2.4 of the Policy Manual of the University of North Carolina 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 discussed below.

G.S. 147-69.1(c), applicable to the State's General Fund, and G.S. 147-69.2, applicable to institutional trust funds, authorize the State Treasurer to invest in the following: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; repurchase agreements; obligations of the State of North Carolina; certificates of deposit and other deposit accounts of specified financial institutions; prime quality commercial paper; asset-backed securities with specified ratings, specified bills of exchange or time drafts, and corporate bonds/notes with specified ratings; general obligations of other states; general obligations of North Carolina local governments; and obligations of certain entities with specified ratings.

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

G.S. 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 from various donors or other sources 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.

Investments are subject to the following risks as defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosures – An Amendment of GASB Statement No. 3.*

Interest Rate Risk: Interest rate risk is the risk the University may face should interest rate variances affect the value of investments. The University does not have a formal policy that addresses interest rate risk.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University does not have a formal policy that addresses credit risk.

Long-Term Investment Pool - This is an internal investment pool that is utilized for the investment of the endowment funds. Fund ownership is measured using the unitized method. Under this method, each participating fund's investment balance is determined on the basis of the number of units purchased less sales multiplied by the current market value. The investment strategy, including the selection of investment managers, is based on the directives of the Board of Trustees of the Endowment Fund. At year-end, approximately 90 percent of the pooled investments were held with the UNC Investment Fund, LLC and the remainder was held with the Boston Trust Walden Company.

The following table presents investments by type and investments subject to interest rate risk at June 30, 2024, for the Long-Term Investment Pool.

Long-Term Investment Pool

		Investment Maturities (in Years)		
	Amount	Less Than 1	1 to 5	6 to 10
Investment Type				
Debt Securities				
U.S. Treasuries	$ 535,951.11	$ -	$ -	$ 535,951.11
Money Market Mutual Funds	35,000.36	35,000.36	-	-
Domestic Corporate Bonds	184,460.10	-	118,771.25	65,688.85
Total Debt Securities	755,411.57	$ 35,000.36	$ 118,771.25	$ 601,639.96
Other Securities				
UNC Investment Fund	24,539,273.38			
Domestic Stocks	1,428,516.95			
Foreign Stocks (denominated in U.S. Dollars)	100,791.35			
Total Long-Term Investment Pool	$ 26,823,993.25			

At June 30, 2024, investments in the Long-Term Investment Pool had the following credit quality distribution for securities with credit exposure:

	Amount	AAA Aaa	A	BBB Baa
Money Market Mutual Funds	$ 35,000.36	$ 35,000.36	$ -	$ -
Domestic Corporate Bonds	184,460.10	32,125.60	104,834.25	47,500.25
Totals	$ 219,460.46	$ 67,125.96	$ 104,834.25	$ 47,500.25

Rating Agency: Moody's Investor Service, Inc.

UNC Investment Fund, LLC - At June 30, 2024, the University's investments include $24,539,273.38, which represents the University's equity position in the UNC Investment Fund, LLC (UNC Investment Fund). The UNC Investment Fund is an external investment pool that is not registered with the Securities and Exchange Commission, does not have a credit rating, and is not subject to any regulatory oversight. Investment risks associated with the UNC Investment Fund are included in audited financial statements of the UNC Investment Fund, LLC which may be obtained from UNC Management Company, Inc., 1400 Environ Way, Chapel Hill, NC 27517.

Component Unit - Investments of the University's discretely presented component unit, the Foundation, are subject to and restricted by G.S. 36E Uniform Prudent Management of Institutional Funds Act (UPMIFA) and any requirements placed on them by contract or donor agreements. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required.

The Foundation owns a membership interest in the UNC Investment Fund, LLC. The Foundation also has investments held within brokerage firms comprised of debt and equity securities with fair values based upon active markets.

The Foundation's investments stated at fair value at June 30, 2024 are summarized as follows:

	2024		
Investment Type	Cost	Fair Value	Cumulative Unrealized Gains (Losses)
Membership Interest in UNC Investment Fund LLC	$ 10,921,967.45	$ 44,027,980.72	$ 33,106,013.27
U.S. Treasury Notes and Government Securities	1,232,500.42	1,129,744.74	(102,755.68)
Money Market Mutual Fund	73,551.52	73,551.52	-
Domestic Corporate Bonds	421,893.95	385,762.05	(36,131.90)
Domestic Mutual Funds	547,599.27	634,188.97	86,589.70
Foreign Mutual Funds	98,417.81	99,577.18	1,159.37
Domestic Stocks	2,245,778.39	2,988,027.55	742,249.16
Foreign Stocks	155,535.47	213,597.34	58,061.87
Real Estate Funds	17,141.32	14,694.84	(2,446.48)
Total Investments	$ 15,714,385.60	$ 49,567,124.91	$ 33,852,739.31

The following schedule summarizes investment return and its classification in the Consolidated Statement of Activities for the year ended June 30, 2024:

	Total
Interest and Dividends	$ 362,559.71
Investment Expenses	(188,152.57)
Realized Gains	2,618,202.61
Unrealized Gains	2,910,658.27
Net Investment Income	$ 5,703,268.02

Note 3 - Fair Value Measurements

University - To the extent available, the University's investments are recorded at fair value as of June 30, 2024. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.

Level 2 Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly.

Level 3 Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment.

The following table summarizes the University's investments, including deposits in the Short-Term Investment Fund, within the fair value hierarchy at June 30, 2024:

		Fair Value Measurements Using		
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level				
Debt Securities				
U.S. Treasuries	$ 535,951.11	$ 535,951.11	$ -	$ -
Money Market Mutual Funds	35,000.36	35,000.36	-	-
Domestic Corporate Bonds	184,460.10	184,460.10	-	-
Total Debt Securities	755,411.57	755,411.57	-	-
Other Securities				
Domestic Stocks	1,428,516.95	1,428,516.95	-	-
Foreign Stocks (denominated in U.S. Dollars)	100,791.35	100,791.35	-	-
Total Investments by Fair Value Level	2,284,719.87	$ 2,284,719.87	$ -	$ -
Investments as a Position in an External Investment Pool				
Short-Term Investment Fund	24,494,263.73			
UNC Investment Fund	24,539,273.38			
Total Investments as a Position in an External Investment Pool	49,033,537.11			
Total Investments Measured at Fair Value	$51,318,256.98			

Short-Term Investment Fund - Ownership interests of the STIF are determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB Statement No. 72. The University's position in the pool is measured and reported at fair value and the STIF is not required to be categorized within the fair value hierarchy.

UNC Investment Fund - Ownership interests of the UNC Investment Fund are determined on a market unit valuation basis each month and in accordance with the UNC Investment Fund's operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB Statement No. 72. The University's position in the pool is measured and reported at fair value and the UNC Investment Fund is not required to be categorized within the fair value hierarchy.

Debt and Equity Securities - Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Component Unit - Because the Foundation reports under the FASB reporting model, the disclosure of fair value measurements differ from the GASB reporting model used by the University.

There were no changes during the year to the Foundation's valuation techniques used to measure asset and liability fair values on a recurring basis.

The following table sets forth by level, within the fair value measurements, fair value hierarchy. The Foundation's financial assets and liabilities are classified at their entirety based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Fair Value Measurements on a Recurring Basis as of June 30, 2024

		Fair Value Measurements Using		
	Total	Level 1	Level 2	Level 3
Assets:				
UNC Investment Fund LLC	$ 44,027,980.72	$ -	$ -	$ 44,027,980.72
Short-Term Investment Fund	3,681,505.94	-	3,681,505.94	-
U.S. Treasury Notes and Government Securities	1,129,744.74	1,129,744.74	-	-
Money Market Mutual Funds	73,551.52	73,551.52	-	-
Domestic Corporate Bonds	385,762.05	385,762.05	-	-
Domestic Mutual Funds	634,188.97	634,188.97	-	-
Foreign Mutual Funds	99,577.18	99,577.18	-	-
Domestic Stocks	2,988,027.55	2,988,027.55	-	-
Foreign Stocks	213,597.34	213,597.34	-	-
Real Estate Funds	14,694.84	14,694.84	-	-
Beneficial Interest in Charitable Remainder Trusts	88,071.62	-	-	88,071.62
Beneficial Interest in Perpetual Trust	210,444.85	-	-	210,444.85
Beneficial Interest in Assets Held by Others	157,188.33	-	-	157,188.33
Total Investments Measured at Fair Value	$ 53,704,335.65	$ 5,539,144.19	$ 3,681,505.94	$ 44,483,685.52

Fair Value Measurements at June 30, 2024 Using Significant Unobservable Inputs (Level 3)

	Level 3		
	UNC Investment Fund	Trusts	Total
Beginning Balance, July 1, 2023	$ 42,416,224.77	$ 445,326.54	$ 42,861,551.31
Change in Value of Beneficial Interests	-	10,378.26	10,378.26
Unrealized Gains	2,556,257.66	-	2,556,257.66
Sales	(944,501.71)	-	(944,501.71)
Ending Balance, June 30, 2024	$ 44,027,980.72	$ 455,704.80	$ 44,483,685.52

UNC Investment Fund LLC (the Fund) is valued at fair value by the Foundation as determined on a market unit valuation basis each month as provided by the Fund, which is in accordance with the UNC Investment Fund's operating procedures.

Beneficial interests in the perpetual trust and the charitable remainder unitrust are valued at fair value based on management's assumptions about the estimated future cash receipts from the Foundation's share of the fair market value of the trust's assets.

Beneficial interest in assets held by NC Gift Planning LLC (the LLC) are valued at fair value by the Foundation as determined by the LLC. In determining the reasonableness of the fair value, management of the Foundation receives and reviews statements from the LLC reflecting the market value of the assets held.

Disclosure of unobservable inputs to fair value measurement has not been disclosed for the investments because quantitative unobservable inputs are not developed by the Foundation when measuring fair value.

Note 4 - Endowment Investments

Investments of the University's endowment funds are pooled, unless required to be separately invested by the donor. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation, realized and unrealized, of the investments of the endowment funds. Under the Uniform Prudent Management of Institutional Funds Act (UPMIFA), authorized by the North Carolina General Assembly on March 19, 2009, the Board may also appropriate expenditures from eligible nonexpendable balances if deemed prudent and necessary to meet program outcomes and for which such spending is not specifically prohibited by the donor agreements. However, a majority of the University's endowment donor agreements prohibit spending of nonexpendable balances and therefore the related nonexpendable balances are not eligible for expenditure. During the year, the Board did not appropriate expenditures from eligible nonexpendable endowment funds.

Investment return of the University's endowment funds is predicated on the total return concept (yield plus appreciation). Annual payouts from the University's endowment funds are based on an adopted spending policy which limits spending to 5% of the average of the endowment principal's three-year trailing market value. Under this policy, the spending policy is agreed upon prior to the beginning of the University's fiscal year and is maintained at that level unless altered by Board action. To the extent that the total return for the current year exceeds the payout, the excess is added to the appreciation of the principal. If current year earnings do not meet the payout requirements, the University uses accumulated income and appreciation from restricted, expendable net position endowment balances to make up the difference. At June 30, 2024 net appreciation of $10,234,212.69 was available to be spent, of which $10,053,149.70 was classified in net position as restricted expendable for scholarships, research, instruction and other. The remaining portion of net appreciation available to be spent is classified as unrestricted net position.

Note 5 - Receivables

Receivables at June 30, 2024, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$1,890,343.08	$ 764,116.51	$1,126,226.57
Student Sponsors	67,747.08	-	67,747.08
Accounts	264,621.92	-	264,621.92
Intergovernmental	213,523.14	-	213,523.14
Interest on Loans	1,678.10	-	1,678.10
Other	27,147.62	-	27,147.62
Total Current Receivables	$2,465,060.94	$ 764,116.51	$1,700,944.43
Notes Receivable:			
Notes Receivable - Current:			
Federal Loan Programs	$ 611,264.06	$ 429,706.52	$ 181,557.54
Notes Receivable - Noncurrent:			
Federal Loan Programs	$ 71,040.86	$ 50,062.97	$ 20,977.89

Note 6 - Capital Assets

A summary of changes in the capital assets for the year ended June 30, 2024, is presented as follows:

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024
Capital Assets, Nondepreciable:				
Land	$ 10,275,310.62	$ 78,000.00	$ -	$ 10,353,310.62
Art, Literature, and Artifacts	226,100.00	61,200.00	-	287,300.00
Construction in Progress	1,511,890.07	5,244,367.23	2,755,635.19	4,000,622.11
Total Capital Assets, Nondepreciable	12,013,300.69	5,383,567.23	2,755,635.19	14,641,232.73
Capital Assets, Depreciable:				
Buildings	323,040,733.47	1,951,415.28	35,356.20	324,956,792.55
Machinery and Equipment	13,823,458.47	656,467.35	544,460.23	13,935,465.59
Art, Literature, and Artifacts	201,500.00	-	-	201,500.00
General Infrastructure	22,655,005.71	5,305,724.37	245,260.00	27,715,470.08
Right-to-Use Leased Buildings	1,284,562.96	125,403.21	-	1,409,966.17
Right-to-Use Leased Machinery and Equipment	2,027,710.73	893,572.07	125,740.22	2,795,542.58
Right-to-Use Subscription Assets	2,425,234.38	2,249,595.54	773,811.67	3,901,018.25
Total Capital Assets, Depreciable	365,458,205.72	11,182,177.82	1,724,628.32	374,915,755.22
Less Accumulated Depreciation/Amortization for:				
Buildings	105,445,792.17	6,327,177.53	35,356.20	111,737,613.50
Machinery and Equipment	6,642,136.00	773,069.96	544,460.23	6,870,745.73
Art, Literature, and Artifacts	197,132.64	809.28	-	197,941.92
General Infrastructure	13,803,121.48	642,220.92	245,260.00	14,200,082.40
Right-to-Use Leased Buildings	370,846.56	209,581.66	-	580,428.22
Right-to-Use Leased Machinery and Equipment	830,381.23	719,451.61	106,823.96	1,443,008.88
Right-to-Use Subscription Assets	833,116.32	944,602.47	647,625.15	1,130,093.64
Total Accumulated Depreciation/Amortization	128,122,526.40	9,616,913.43	1,579,525.54	136,159,914.29
Total Capital Assets, Depreciable, Net	237,335,679.32	1,565,264.39	145,102.78	238,755,840.93
Capital Assets, Net	$ 249,348,980.01	$ 6,948,831.62	$ 2,900,737.97	$ 253,397,073.66

As of June 30, 2024, the total amount of right-to-use leased assets was $4,205,508.75, and the related accumulated amortization was $2,023,437.10.

Note 7 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2024, were as follows:

	Amount
Current Accounts Payable and Accrued Liabilities	
Accounts Payable	$ 850,129.91
Accounts Payable - Capital Assets	529,939.18
Accrued Payroll	2,240,483.34
Contract Retainage	178,579.77
Other	29,942.24
Total Current Accounts Payable and Accrued Liabilities	$ 3,829,074.44

Note 8 - Long-Term Liabilities

A. Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities for the year ended June 30, 2024, is presented as follows:

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Current Portion
Long-Term Debt					
Revenue Bonds Payable	$ 69,717,700.00	$ -	$ 2,852,500.00	$ 66,865,200.00	$ 3,028,800.00
Plus: Unamortized Premium	5,501,327.03	-	336,483.57	5,164,843.46	-
Less: Unamortized Discount	1,334.78	-	1,067.79	266.99	-
Total Revenue Bonds Payable, Net	75,217,692.25	-	3,187,915.78	72,029,776.47	3,028,800.00
Other Long-Term Liabilities					
Lease Liabilities	2,205,197.12	974,577.54	928,677.76	2,251,096.90	848,778.55
Subscription (SBITA) Liabilities	1,157,730.15	2,215,595.54	1,096,505.17	2,276,820.52	837,087.03
Employee Benefits					
Compensated Absences	3,620,350.00	2,718,087.00	2,723,119.00	3,615,318.00	751,277.00
Net Pension Liability	15,578,413.00	3,099,210.00	-	18,677,623.00	-
Net Other Postemployment Benefits Liability	53,301,701.00	5,593,984.00	4,466.00	58,891,219.00	-
Workers' Compensation	85,465.80	55,076.90	34,642.38	105,900.32	54,930.68
Total Other Long-Term Liabilities	75,948,857.07	14,656,530.98	4,787,410.31	85,817,977.74	2,492,073.26
Total Long-Term Liabilities, Net	$ 151,166,549.32	$ 14,656,530.98	$ 7,975,326.09	$ 157,847,754.21	$ 5,520,873.26
Other Long-Term Debt					
Note from Direct Borrowing					
Due to University Component Unit	$ 217,407.33	$ 1,664,837.25	$ 217,407.33	$ 1,664,837.25	$ -

Additional information regarding lease and subscription (SBITA) liabilities is included in Note 9.
Additional information regarding the net pension liability is included in Note 13.
Additional information regarding the net other postemployment benefits liability is included in Note 14.
Additional information regarding workers' compensation is included in Note 15.

B. Revenue Bonds Payable - The University was indebted for revenue bonds payable for the purposes shown in the following table:

Purpose	Series	Interest Rate		Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2024
Revenue Bonds Payable						
The University of North Carolina System Pool Revenue Bonds						
Refunding of Campus Housing and Dining, Series 2002A	2010C	5.00%	*	10/01/2024	$ 5,815,000.00	$ 410,000.00
UNCA General Revenue Bonds						
UNCA Revenue Refunding Bond - Housing, Series 2002A	2012	2.32%		06/01/2027	6,345,400.00	1,661,200.00
UNCA Revenue Bond - Student Health, Counseling, Development Center	2013A	2.14%		04/01/2030	4,987,000.00	1,961,000.00
UNCA Revenue Bond - Athletics, Student Recreation Center	2014	2.89%		06/01/2029	1,039,500.00	403,000.00
UNCA Revenue Bond - Housing, Student Center Renovation	2017	3.00%	*	06/01/2046	46,290,000.00	43,800,000.00
UNCA General Revenue Refunding Bonds - Housing, Series 2010	2019	5.00%	*	06/01/2040	20,875,000.00	18,630,000.00
Total General Revenue Bonds Payable					79,536,900.00	66,455,200.00
Total Revenue Bonds Payable (principal only)					$85,351,900.00	66,865,200.00
Plus: Unamortized Premium						5,164,843.46
Less: Unamortized Discount						266.99
Total Revenue Bonds Payable, Net						$ 72,029,776.47

* For variable rate debt, interest rates in effect at June 30, 2024 are included. These issues are traditional fixed rate with periodic changes to the annual rate over the obligation's term.

C. Due to University Component Unit - The University was indebted for a note from direct borrowing due to the Foundation for the purpose shown in the following table:

Purpose	Interest Rate	Final Maturity Date*	Original Amount of Issue	Principal Outstanding June 30, 2024
Karl Strauss Track Improvements	5.00%	06/01/2045	$ 1,664,837.25	$ 1,664,837.25

* The Due to Component Unit Obligation for the Karl Strauss Track Project includes no pre-payment penalties for early principal payment. Reimbursement is to occur within twenty one (21) years from completion of the Track Project. Payments to the Foundation will be adjusted and the loan re-amortized with any additional payments received during the 21-year term.

D. Annual Requirements - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2024, are as follows:

	Annual Requirements			
	Revenue Bonds Payable		Due to University Component Unit	
Fiscal Year	Principal	Interest	Principal	Interest
2025	$ 3,028,800.00	$ 2,865,131.06	$ -	$ 83,241.84
2026	3,234,600.00	2,740,536.72	49,733.89	82,112.39
2027	3,357,800.00	2,608,261.00	52,278.37	79,567.91
2028	2,763,000.00	2,470,440.60	54,953.04	76,893.24
2029	2,857,000.00	2,371,879.90	57,764.53	74,081.75
2030-2034	14,179,000.00	10,117,311.60	336,295.25	322,936.15
2035-2039	17,170,000.00	6,730,400.00	431,587.44	227,643.96
2040-2044	14,355,000.00	2,977,950.00	553,881.44	105,349.96
2045-2046	5,920,000.00	357,600.00	128,343.29	3,502.44
Total Requirements	$ 66,865,200.00	$ 33,239,510.88	$ 1,664,837.25	$ 1,055,329.64

Interest on the variable rate debt is predetermined in each of the bond covenants.

E. Terms of Debt Agreements - The University's debt agreements are subject to the following collateral requirements and terms with finance-related consequences:

Revenue Bonds Payable - The University has six outstanding revenue bonds payable. The total principal outstanding balance at June 30, 2024 is $66,865,200. All six issuances are governed by the General Trust Indenture (Indenture) dated September 1, 2002 between the Board of Governors of the University of North Carolina (Board) and Wachovia Bank, the successor to which is U.S. Bank National Association, as Trustee.

A security interest in the Trust Estate is granted under the Indenture to the Trustee for the benefit of the bondholders (Owners). The Trust Estate is defined as all property rights conveyed by the Board and includes (1) all moneys and securities held by the Trustee, the Board or any other depositories in any and all of the funds and accounts established under the Indenture, and (2) any additional property that may be subjected to a lien by the Board, or on its behalf, and the Trustee is hereby authorized to receive the same as additional security. The Indenture does not convey or create any pledge or lien on property owned by the Board or any revenues of the Board or University. The Trust Estate becomes immediately subject to the lien of the security interest in the event of non-delivery of debt service funds due.

An event of default occurs when: (1) there is a failure to pay the principal, interest or premium on any Bond due and payable at the stated maturity, or (2) failure by the Board to perform any covenant, condition, agreement or provision contained in the Bonds or with the failure continuing for a period of thirty days after written notice requesting that it be remedied.

On the occurrence and continuance of an event of default, the Trustee may, or if required by a majority of the Owners of the Bonds, must, declare the Bonds to be immediately due and payable. The Trustee is also empowered to take whatever action at law in or in equity may appear necessary or desirable to enforce all rights of the Owners against the Board.

Due to University Component Unit - The University entered into a Funding and Reimbursement Agreement (Agreement) with the Foundation on May 10, 2022, for the purpose of improving and completing the Karl Strauss Track facilities. This agreement was later modified and became effective June 30, 2024, whereby the University agreed to repay the Foundation $1,664,837.25 of funds advanced by the Foundation together with interest thereon. Such reimbursement is to occur within twenty-one (21) years from the completion of the project with the first year being repaid on an interest only basis. Payments to the Foundation will be adjusted and the loan re-amortized with any additional principal payments received during the twenty-one (21) year term. There is no security or collateral provided by the University for the repayment of the funds and nothing in the Agreement shall be construed as or constitute a pledge of the credit of the University or the State with respect to any amounts to be reimbursed to the Foundation.

Note 9 - Leases and Subscription-Based Information Technology Arrangements

A. Lessor Arrangements - The University leases building and rooftop space to external parties. The leases expire at various dates, and some have renewal options. Lease receivables and related deferred inflows of resources are recorded based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using the interest rate stated per the lease contract, or the University's estimated incremental borrowing rate if there is no stated contractual interest rate.

During the year the University did not recognize any variable payment amounts.

During the year ended June 30, 2024, the University recognized operating revenues related to lessor arrangements totaling $266,294.64, and nonoperating lease interest income totaling $26,527.10.

The University's lessor arrangements at June 30, 2024, are summarized below (excluding short-term leases):

Classification:	Number of Lease Contracts	Lease Receivable June 30, 2024	Current Portion	Lease Terms (1)	Interest Rate Ranges
Lessor:					
Buildings	4	$ 568,539.27	$ 243,513.96	2 months - 3 years	3.0%-3.89%

(1) The lease terms represent the range of remaining terms in each lease.

B. Lessee Arrangements - The University has lease agreements for the right to use office space, classroom space, and equipment from both external and related parties. The leases expire at various dates, and some have renewal options. Lease liabilities and right-to-use leased assets are recorded at the present value of payments expected to be made during the lease term, plus any upfront payments and ancillary charges paid to place the underlying right-to-use asset into service. The expected payments are discounted using the interest rate stated per the lease contract, or the University's estimated incremental borrowing rate if there is no stated contractual interest rate.

During the year the University did not recognize any variable payment amounts.

The University had commitments under lessee arrangements before the lease term as follows: 1) a four-year lease agreement for the right-to-use computer equipment beginning July 1, 2024, with total payments over the period of $559,085.32; and 2) a four-year lease agreement for the right-to-use computer equipment beginning July 1, 2024, with total payments over the period of $329,355.92.

The University's lessee arrangements at June 30, 2024, are summarized below (excluding short-term leases):

Classification:	Number of Lease Contracts	Lease Liabilities June 30, 2024	Current Portion	Lease Terms (1)	Interest Rate/ Ranges
Lessee:					
Right-to-Use Leased Buildings	4	$ 961,498.41	$ 262,771.17	2 - 5 years	3.89%
Right-to-Use Leased Machinery and Equipment	12	1,289,598.49	586,007.38	1 month - 4 years	2.82% -25%
Total	16	$ 2,251,096.90	$ 848,778.55		

(1) The lease terms were calculated using weighted averages based on lease payable amounts.

C. **Subscription-Based Information Technology Arrangements (SBITAs)** - The University enters SBITAs for the right to use information technology software and cloud computing arrangement (network) assets from external parties. The SBITAs expire at various dates, and some have renewal options. Subscription liabilities and the related right-to-use subscription assets are recorded based on the present value of expected payments over the term of the respective SBITA. The expected payments are discounted using the interest rate stated per the SBITA contract, or the University's estimated incremental borrowing rate if there is no stated contractual interest rate.

During the year the University did not recognize any variable payment amounts.

The University had commitments under SBITAs before the SBITA term as follows: 1) a three-year SBITA for the right-to-use hosting services beginning July 1, 2024, with total payments over the period of $32,149.00; 2) a five-year SBITA for the right-to-use the eProcurement system beginning July 1, 2024, with total payments over the period of $197,219.00; and 3) a three-year SBITA for the right-to-use software that will help ensure the confidentiality and effectiveness of services to students with disabilities with total payments over the period of $14,634.27.

The University's SBITAs at June 30, 2024, are summarized below (excluding short-term SBITAs):

SBITA	Number of SBITAs	Subscription (SBITA) Liabilities June 30, 2024	Current Portion	SBITA Terms and Conditions	Interest Rate Ranges
Right-to-Use Subscription Assets	31	$2,276,820.52	$ 837,087.03	1-5yrs	2.43% -7%

D. Annual Requirements - The annual requirements to pay principal and interest on leases and SBITAs at June 30, 2024, are as follows:

	Annual Requirements			
	Lease Liabilities		Subscription (SBITA) Liabilities	
Fiscal Year	Principal	Interest	Principal	Interest
2025	$ 848,778.55	$ 225,035.15	$ 837,087.03	$ 61,403.80
2026	644,677.79	108,110.06	665,196.68	40,044.39
2027	487,258.03	47,620.49	435,573.92	20,345.29
2028	222,551.57	9,478.98	338,962.89	8,519.14
2029	40,864.67	1,135.33	-	-
2030	6,966.29	33.71	-	-
Total Requirements	$ 2,251,096.90	$ 391,413.72	$ 2,276,820.52	$ 130,312.62

Note 10 - Net Position

Unrestricted net position has been significantly affected by transactions resulting from the recognition of deferred outflows of resources, deferred inflows of resources, and related long-term liabilities, as shown in the following table:

	Amount
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	$ (7,432,152.18)
Net OPEB Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(69,263,070.22)
Effect on Unrestricted Net Position	(76,695,222.40)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	12,296,185.40
Total Unrestricted Net Position	$ (64,399,037.00)

See Notes 13 and 14 for detailed information regarding the amortization of the deferred outflows of resources and deferred inflows of resources relating to pensions and OPEB, respectively.

Note 11 - Revenues

A summary of discounts and allowances by revenue classification is presented as follows:

	Gross Revenues	Less Scholarship Discounts and Allowances	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees, Net	$26,523,011.37	$ 8,258,261.75	$ 2,862.73	$18,261,886.89
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Residential Life	$10,258,194.51	$ 3,077,958.87	$ 1,288.05	$ 7,178,947.59
Dining	6,049,304.39	1,834,580.14	759.57	4,213,964.68
Health, Physical Education, and Recreation Services	59,415.83	-	7.46	59,408.37
Bookstore	10,015.80	-	-	10,015.80
Parking	874,959.49	84,836.08	109.87	790,013.54
Athletic	1,203,812.79	-	151.15	1,203,661.64
Other	38,179.33	-	-	38,179.33
Sales and Services of Education and Related Activities	1,479,285.02	-	-	1,479,285.02
Total Sales and Services, Net	$19,973,167.16	$ 4,997,375.09	$ 2,316.10	$14,973,475.97

Note 12 - Operating Expenses by Function

The University's operating expenses by functional classification are presented as follows:

	Salaries and Benefits	Supplies and Services	Scholarships and Fellowships	Utilities	Depreciation/ Amortization	Total
Instruction	$ 29,911,610.98	$ 2,063,410.80	$ -	$ -	$ -	$ 31,975,021.78
Research	1,722,987.70	456,898.13	-	-	-	2,179,885.83
Public Service	2,292,872.77	533,799.98	-	-	-	2,826,672.75
Academic Support	3,180,910.28	1,193,126.14	-	-	-	4,374,036.42
Student Services	5,049,689.85	1,619,876.70	-	-	-	6,669,566.55
Institutional Support	11,864,399.94	1,696,143.17	-	-	-	13,560,543.11
Operations and Maintenance of Plant	7,031,927.65	2,675,891.07	-	2,057,281.78	-	11,765,100.50
Student Financial Aid	58,075.13	52,456.30	5,130,744.88	-	-	5,241,276.31
Auxiliary Enterprises	9,236,458.55	9,842,353.21	-	1,021,361.17	-	20,100,172.93
Depreciation/Amortization	-	-	-	-	9,616,913.43	9,616,913.43
Total Operating Expenses	$ 70,348,932.85	$ 20,133,955.50	$ 5,130,744.88	$ 3,078,642.95	$ 9,616,913.43	$ 108,309,189.61

Note 13 - Pension Plans

A. Defined Benefit Plan

Plan Administration: The State of North Carolina administers the Teachers' and State Employees' Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide pension benefits for general employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (LEAs) and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the LEAs and charter schools that elect to join the Retirement System. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with unreduced retirement benefits at age 65 with five years of membership service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with reduced retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of membership service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members. The plan does not provide for automatic post-retirement benefit increases.

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act and may not be less than the contribution rate required of plan members. The TSERS Board of Trustees establishes a funding policy from which an accrued liability rate and a normal contribution rate are developed by the consulting actuary. The sum of those two rates developed under the funding policy is the actuarially determined contribution rate (ADC). The TSERS Board of Trustees may further adopt a contribution rate policy that is higher than the ADC known as the required employer contribution to be recommended to the North Carolina General Assembly. The University's contractually-required contribution rate for the year ended June 30, 2024 was 17.64% of covered payroll. Plan members' contributions to the pension plan were $1,262,816.27, and the University's contributions were $3,710,575.14 for the year ended June 30, 2024.

The TSERS plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2023 *Annual Comprehensive Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at https://www.osc.nc.gov/ or by calling the State Controller's Financial Reporting Section at 919-707-0500.

TSERS Basis of Accounting: The financial statements of the TSERS plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the TSERS plan, and additions to/deductions from the TSERS plan's fiduciary net position have been determined on the same basis as they are reported by TSERS.

Methods Used to Value TSERS Investment: Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its External Investment Pool. TSERS and other pension plans of the State of North Carolina participate in the Long-Term Investment, Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Opportunistic Fixed Income Investment, and Inflation Sensitive Investment portfolios. The Fixed Income Asset Class includes the Long-Term Investment and Fixed Income Investment portfolios. The Global Equity Asset Class includes the Equity Investment portfolio. The investment balance of each pension trust fund represents its share of the fair value of the net position of the various portfolios within the External Investment Pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2023 *Annual Comprehensive Financial Report*.

Net Pension Liability: At June 30, 2024, the University reported a liability of $18,677,623.00 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022, and update procedures were used to roll forward the total pension liability to June 30, 2023. The University's proportion of the net pension liability was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2023, the University's proportion was 0.11203%, which was an increase of 0.00707 from its proportion measured as of June 30, 2022, which was 0.10496%.

Actuarial Assumptions: The following table presents the actuarial assumptions used to determine the total pension liability for the TSERS plan at the actuarial valuation date:

Valuation Date	12/31/2022
Inflation	2.5%
Salary Increases*	3.25% - 8.05%
Investment Rate of Return**	6.5%

* Salary increases include 3.25% inflation and productivity factor.
** Investment rate of return includes inflation assumption and is net of pension plan investment expense.

TSERS currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. public plan population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

Future ad hoc cost-of-living adjustment amounts are not considered to be substantively automatic and are therefore not included in the measurement. The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023 (the measurement date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	0.9%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	8.2%
Opportunistic Fixed Income	5.0%
Inflation Sensitive	2.7%

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2023 is 0.78%.

Discount Rate: The discount rate used to measure the total pension liability was 6.5% for the December 31, 2022 valuation. The discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the plan at June 30, 2023 calculated using the discount rate of 6.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5%) or 1-percentage-point higher (7.5%) than the current rate:

Net Pension Liability		
1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
$ 320,651,101.13	$ 18,677,623.00	$ 7,633,386.99

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2024, the University recognized pension expense of $4,846,220.00. At June 30, 2024, the University reported deferred outflows of resources and deferred inflows of resources related to TSERS from the following sources:

Employer Balances of Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions by Classification:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	$ 1,522,668.00	$ 137,854.00
Changes of Assumptions	655,933.00	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	5,201,716.00	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	586,770.67	294,338.00
Contributions Subsequent to the Measurement Date	3,710,575.15	-
Total	$ 11,677,662.82	$ 432,192.00

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to TSERS will be recognized as pension expense as follows:

Schedule of the Net Amount of the Employer's Balances of Deferred Outflows of Resources and Deferred Inflows of Resources That will be Recognized in Pension Expense:

Year Ending June 30:	Amount
2025	$ 2,420,514.63
2026	1,351,246.56
2027	3,540,935.08
2028	222,199.40
Total	$ 7,534,895.67

B. Defined Contribution Plan - The Optional Retirement Program (ORP) is a defined contribution pension plan that provides retirement benefits with options for payments to beneficiaries in the event of the participant’s death. Faculty and staff of the University may join the ORP instead of TSERS. The ORP is administered by the UNC System.

Benefits are provided by means of contracts issued and administered by the privately-operated Teachers' Insurance and Annuity Association and Fidelity Investments. Participants' eligibility and contributory requirements are established in General Statute 135-5.1 and may be amended only by the North Carolina General Assembly. Participants are always fully vested in their own contributions to the plan and their investment earnings. Participants are fully vested in the University's contributions and earnings after five years of participating in the ORP.

Participants contribute 6% of compensation and the University contributes 6.84%. For the year ended June 30, 2024, the University had a total payroll of $56,504,482.62, of which $26,975,405.11 was covered under ORP. Total employee and employer contributions for pension benefits for the year were $1,618,524.31 and $1,845,117.71, respectively. The amount of pension expense recognized in the current year related to ORP is equal to the employer contributions. The amount of forfeitures reflected in pension expense recognized during the reporting period was $227,786.68.

Note 14 - Other Postemployment Benefits

The University participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2023 *Annual Comprehensive Financial Report.* An electronic version of this report is available on the North Carolina Office of the State Controller's website at https://www.osc.nc.gov/ or by calling the State Controller's Financial Reporting Section at 919-707-0500.

A. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: The financial statements of these plans were prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan. For purposes of measuring the net other postemployment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of each plan, and additions to/deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by the plans.

Methods Used to Value Plan Investments: Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the other postemployment benefit funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan is invested in the Short-Term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool. The investment balance of each other employee benefit trust fund represents its share of the fair value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2023 *Annual Comprehensive Financial Report.*

B. Plan Descriptions

1. Health Benefits

Plan Administration: The State of North Carolina administers the North Carolina State Health Plan for Teachers and State Employees, referred to as the State Health Plan (the Plan), a healthcare plan exclusively for the benefit of employees of the State, the University of North Carolina System, community colleges, and certain other component units. In addition, Local Education Agencies (LEAs), charter schools, and some select local governments that are not part of the State's financial reporting entity also participate. Health benefit programs and premium rates are determined by the State Treasurer upon approval of the Plan Board of Trustees.

The Retiree Health Benefit Fund (RHBF) has been established by Chapter 135-7, Article 1 of the General Statutes as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments that are not part of the State's financial reporting entity also participate.

By statute, RHBF is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System (TSERS). RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the Plan. The State Treasurer, with the approval of the Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the Plan.

Benefits Provided: Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 15. The plan options change when the former employees become eligible for Medicare. The benefits provided include medical and pharmacy coverage for employees and their dependents. Non-Medicare eligible members have two self-funded options administered by the State Health Plan while Medicare members have three options, including one self-funded option and two fully-insured Medicare Advantage/Prescription Drug Plan options. Self-funded medical and pharmacy claims costs are shared between the covered member and the State Health Plan. If the self-funded plan is elected by a Medicare eligible member, the coverage is secondary to Medicare. Fully-insured claims include cost sharing from covered members with the remaining balance paid by the fully-insured carrier.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of TSERS, the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the North Carolina General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the North Carolina General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the North Carolina General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the Plan's total noncontributory premium. Employees first hired on or after October 1, 2006 and members of the North Carolina General Assembly first taking office on or after February 1, 2007 with five but less than 10 years of retirement service credit are eligible for coverage on a fully contributory basis.

Section 35.21 (c) & (d) of Session Law 2017-57 repealed retiree medical benefits for employees first hired on or after January 1, 2021. The legislation amended Chapter 135, Article 3B of the General Statutes to require that retirees must earn contributory retirement service in the TSERS (or in an allowed local system unit), CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions: Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the North Carolina General Assembly in the Appropriations Act. The University's contractually-required contribution rate for the year ended June 30, 2024 was 7.14% of covered payroll. The University's contributions to the RHBF were $3,428,795.29 for the year ended June 30, 2024.

In fiscal year 2022, the Plan transferred $180.51 million to RHBF as a result of cost savings to the Plan over a span of six years. For financial reporting purposes, the transfer was recognized as a nonemployer contributing entity contribution. The contribution was allocated among the RHBF employers and recorded as noncapital contributions. For the fiscal year ended June 30, 2024, the University recognized noncapital contributions for RHBF of $77,284.00.

2. Disability Income

Plan Administration: As discussed in Note 15, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units and LEAs which are not part of the State's reporting entity, and the University Employees' ORP. By statute, DIPNC is administered by the Department of State Treasurer and the Board of Trustees of TSERS.

Benefits Provided: Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, while the employee is disabled and does not meet the TSERS conditions for unreduced service retirement. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or the University Employees' ORP, earned within 96 months prior to becoming disabled or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. A general employee is eligible to receive an unreduced retirement benefit from TSERS after: (1) reaching the age of 65 and completing five years of membership service; (2) reaching the age of 60 and completing 25 years of creditable service; or (3) completing 30 years of creditable service, at any age.

For employees who had five or more years of membership service as of July 31, 2007, during the first 36 months of the long-term disability period, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one-twelfth of the annual longevity payment and local supplements to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of $3,900 per month reduced by any primary Social Security disability benefits, by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee be at least age 62, and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled, but the benefits payable shall be no less than $10 a month. After the first 36 months of the long-term disability, the long-term benefit is calculated in the same manner as described above except the monthly benefit is reduced by an amount equal to a monthly primary Social Security disability benefit to which the participant or beneficiary might be entitled had Social Security disability benefits been awarded. When an employee qualifies for an unreduced service retirement allowance from TSERS, the benefits payable from DIPNC will cease, and the employee will commence retirement under TSERS or the University Employees' ORP.

For employees who had less than five years of membership service as of July 31, 2007, and meet the requirements for long-term disability on or after August 1, 2007, benefits are calculated in the same manner as described above except that after the first 36 months of the long-term disability, no further long-term disability benefits are payable unless the employee has been approved and is in receipt of primary Social Security benefits.

Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases.

Contributions: Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Act by the North Carolina General Assembly and coincide with the State's fiscal year. The University's contractually-required contribution rate for the year ended June 30, 2024 was 0.11% of covered payroll. The University's contributions to DIPNC were $52,824.58 for the year ended June 30, 2024.

C. Net OPEB Liability

Retiree Health Benefit Fund: At June 30, 2024, the University reported a liability of $58,829,035.00 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2023. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022, and update procedures were used to roll forward the total OPEB liability to June 30, 2023. The University's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2023, the University's proportion was 0.22077%, which was a decrease of 0.00341 from its proportion measured as of June 30, 2022, which was 0.22418%.

Disability Income Plan of North Carolina: At June 30, 2024, the University reported a liability of $62,184.00 for its proportionate share of the collective net OPEB liability for DIPNC. The net OPEB liability was measured as of June 30, 2023. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022, and update procedures were used to roll forward the total OPEB liability to June 30, 2023. The University's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2023, the University's proportion was 0.23381%, which was an increase of 0.00976 from its proportion measured as of June 30, 2022, which was 0.22405%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities were then rolled forward to June 30, 2023 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/2022	12/31/2022
Inflation	2.5%	2.5%
Salary Increases*	3.25% - 8.05%	3.25% - 8.05%
Investment Rate of Return**	6.5%	3.0%
Healthcare Cost Trend Rate - Medical***	6.5% grading down to 5% by 2029	N/A
Healthcare Cost Trend Rate - Prescription Drug***	10% grading down to 5% by 2033	N/A
Healthcare Cost Trend Rate - Prescription Drug Rebates***	7% grading down to 5% by 2033	N/A
Healthcare Cost Trend Rate - Medicare Advantage***	0% through 2025, 5% thereafter	N/A
Healthcare Cost Trend Rate - Administrative***	3%	N/A

* Salary increases include 3.25% inflation and productivity factor.

** Investment rate of return is net of OPEB plan investment expense, including inflation.

*** Disability Income Plan of NC eliminated employer reimbursements from the Plan (which included State Health Plan premiums) effective July 1, 2019.

N/A - Not Applicable

The OPEB plans currently use mortality tables that vary by age, gender, employee group (i.e. teacher, other educational employee, general employee, or law enforcement officer) and health status (i.e. disabled or not disabled). The current mortality rates are based on published tables and studies that cover significant portions of the U.S. public plan population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2023.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2023 (the measurement date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	0.9%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	8.2%
Opportunistic Fixed Income	5.0%
Inflation Sensitive	2.7%

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2023 is 0.78%.

Actuarial valuations of the plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The results of the valuations fluctuate from year to year as actual experience differs from assumptions. This includes demographic experiences (i.e., mortality and retirement) that differ from expected. This also includes financial experiences (i.e., member medical costs and contributions) that vary from expected trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial assumptions used for RHBF are consistent with those used to value the pension benefits of TSERS where appropriate. These assumptions are based on the most recent pension valuations available. The discount rate used for RHBF reflects a pay-as-you-go approach.

Projections of benefits for financial reporting purposes of the plans are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The RHBF is funded solely by employer contributions and benefits are dependent on membership requirements.

The actuarial methods and assumptions used for DIPNC include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Prior to July 1, 2019, employers received a reimbursement from DIPNC for employer costs, including the employer's share of the State Health Plan premiums, incurred during the second six months of the first year of a member's short-term disability coverage. With the elimination of the reimbursement to employers, State Health Plan premiums are no longer reimbursed by DIPNC for the benefits that were effective on or after July 1, 2019.

The actuarial assumptions used in the December 31, 2022 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2019, as amended for updates to certain assumptions (such as medical claims and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

Discount Rate: The discount rate used to measure the total OPEB liability for RHBF was 3.65% at June 30, 2023 compared to 3.54% at June 30, 2022. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments to current plan members. As a result, a municipal bond rate of 3.65% was used as the discount rate used to measure the total OPEB liability. The 3.65% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2023.

The discount rate used to measure the total OPEB liability for DIPNC was 3.00% at June 30, 2023 compared to 3.08% at June 30, 2022. The projection of cash flow used to determine the discount rate assumed that contributions from plan members would be made at the current contribution rate and that contributions from employers would be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was not projected to be available to make all projected future benefit payments to the current plan members. In order to develop the blended discount rate of 3.00%, 3.00% was used during the period that the plan was projected to have a fiduciary net position, and a municipal bond rate of 3.65% was used during the period that the plan was projected to have no fiduciary net position. The 3.65% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2023.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the University's proportionate share of the net OPEB liability of the plans, as well as what the plans' net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	Net OPEB Liability		
	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
RHBF	$ 69,400,616.97	$ 58,829,035.00	$ 50,220,068.59
	1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
DIPNC	$ 74,753.73	$ 62,184.00	$ 49,385.35

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability of the plans, as well as what the plans' net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Net OPEB Liability		
	1% Decrease (Medical - 4% - 5.5%, Pharmacy - 4% - 9%, Pharmacy Rebate - 4% - 6%, Med. Advantage - 0% - 4%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 10%, Pharmacy Rebate - 5% - 7%, Med. Advantage - 0% - 5%, Administrative - 3%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 11%, Pharmacy Rebate - 6% - 8%, Med. Advantage - 0% - 6%, Administrative - 4%)
RHBF	$ 48,569,044.56	$ 58,829,035.00	$ 72,060,193.42

Effective with the actuarial valuation as of December 31, 2021, the liability for the State's potential reimbursement of costs incurred by employers was removed because the reimbursement by DIPNC was eliminated for disabilities occurring on or after July 1, 2019. Thus sensitivity to changes in the healthcare cost trend rates is not applicable for DIPNC.

OPEB Expense: For the fiscal year ended June 30, 2024, the University recognized OPEB expense as follows:

OPEB Plan	Amount
RHBF	$ (2,215,793.00)
DIPNC	88,873.00
Total OPEB Expense	$ (2,126,920.00)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2024, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Employer Balances of Deferred Outflows of Resources Related to OPEB by Classification:

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 647,823.00	$ 54,496.00	$ 702,319.00
Changes of Assumptions	6,372,974.71	4,531.00	6,377,505.71
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	469,957.00	81,221.00	551,178.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	-	15,555.20	15,555.20
Contributions Subsequent to the Measurement Date	3,428,795.29	52,824.58	3,481,619.87
Total	$ 10,919,550.00	$ 208,627.78	$ 11,128,177.78

Employer Balances of Deferred Inflows of Resources Related to OPEB by Classification:

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 57,641.00	$ 34,443.00	$ 92,084.00
Changes of Assumptions	15,695,112.00	10,615.00	15,705,727.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	5,700,075.00	2,143.00	5,702,218.00
Total	$ 21,452,828.00	$ 47,201.00	$ 21,500,029.00

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as reductions of the net OPEB liabilities related to RHBF and DIPNC in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Schedule of the Net Amount of the Employer's Balances of Deferred Outflows of Resources and Deferred Inflows of Resources That will be Recognized in OPEB Expense:

Year Ending June 30:	RHBF	DIPNC
2025	$ (5,511,454.00)	$ 32,673.00
2026	(5,908,020.00)	21,136.00
2027	(3,343,392.00)	31,548.00
2028	800,792.71	13,434.00
2029	-	5,783.00
Thereafter	-	4,028.20
Total	$ (13,962,073.29)	$ 108,602.20

Note 15 - Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to, and 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. 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.

A. Employee Benefit Plans

1. State Health Plan

University employees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer and employee contributions. The Plan has contracted with third parties to process claims. See Note 14, Other Postemployment Benefits, for additional information regarding retiree health benefits.

2. Death Benefit Plan of North Carolina

Term life insurance (death benefits) of $25,000 to $50,000 is provided to eligible workers who enroll in the Teachers' and State Employees' Retirement System. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was 0.13% for the current fiscal year.

3. Disability Income Plan

Short-term and long-term disability benefits are provided to University employees through the Disability Income Plan of North Carolina (DIPNC), part of the State's Pension and Other Employee Benefit Trust Funds. Short-term benefits are paid by the University for up to twelve months. The Board of Trustees of the DIPNC may extend the short-term disability benefits for up to an additional twelve months. During the extended period of short-term disability benefits, payments are made directly by the DIPNC to the beneficiary. As discussed in Note 14, long-term disability benefits are payable as other postemployment benefits from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

The University is required to maintain all risk coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Fire and lightning coverage is provided at no cost to the University for operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the fire and lightning coverage. Coverage for all remaining risks for all buildings is charged to the University. Losses covered by the Fund are subject to a $5,000 per occurrence deductible, however, the University has chosen a $250,000 deductible. Coverage value for all buildings and contents are based on replacement values. The University has also purchased through the Fund extended coverage for boiler and machinery components with a $5,000 deductible, and fine arts coverage for artwork subject to a $2,500 deductible.

All state-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are $1,000,000 per claim and $10,000,000 per occurrence. The University pays premiums to the North Carolina Department of Insurance for the coverage.

2. **Public Officers' and Employees' Liability Insurance**

The risk of tort claims of up to $1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to $2,000,000 per claim and $10,000,000 in the aggregate per fiscal year via contract with private insurance companies. The University pays the premium, based on a composite rate, directly to the private insurer.

3. **Employee Dishonesty and Computer Fraud**

The University is protected for losses from employee dishonesty and computer fraud. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. Universities are charged a premium by the private insurance company. Coverage limit is $5,000,000 per occurrence. The private insurance company pays 90% of each loss less a $100,000 deductible.

4. **Statewide Workers' Compensation Program**

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 retains the risk for workers' compensation.

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

Note 16 - 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 $2,349,076.45 and on other purchases were $2,327,638.35 at June 30, 2024.

B. Pending Litigation and Claims - The University is a party to 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.

Note 17 - Changes in Financial Accounting and Reporting

For the fiscal year ended June 30, 2024, the University implemented the following pronouncement issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 100, Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62

GASB Statement No. 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. It defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity, and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for each type of accounting change and error corrections, and requires disclosure in the notes to the financial statements of descriptive information about accounting changes and error corrections, such as their nature. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information and supplementary information.

Note 18 - Subsequent Event

On September 27, 2024, Hurricane Helene impacted areas of the southeastern United States, including Asheville, North Carolina, and specifically UNC Asheville's campus. The most significant impact to the University's campus was caused by the excessive level of rainfall during the storm. The impact of the hurricane caused significant damage to the University's facilities, infrastructure, and grounds. Notwithstanding the damage to campus, the University anticipates that the damage to campus and other consequences of Hurricane Helene will not have a long-term impact to the University and its finances and will not materially impair the University's ability to fulfill its mission of instructing students and meet its financial obligations.

Required Supplementary Information

The University of North Carolina at Asheville
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
*Last Ten Fiscal Years**

Exhibit C-1

Teachers' and State Employees' Retirement System	**2024**	**2023**	**2022**	**2021**	**2020**
Proportionate Share Percentage of Collective Net Pension Liability	0.11203%	0.10496%	0.11370%	0.11337%	0.11572%
Proportionate Share of TSERS Collective Net Pension Liability	$ 18,677,623.00	$ 15,578,413.00	$ 5,324,117.00	$ 13,697,360.00	$ 11,996,643.00
Covered Payroll	$ 19,712,072.53	$ 17,675,050.14	$ 17,654,758.80	$ 17,933,050.35	$ 17,644,706.10
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	94.75%	88.14%	30.16%	76.38%	67.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.97%	84.14%	94.86%	85.98%	87.56%

	2019	**2018**	**2017**	**2016**	**2015**
Proportionate Share Percentage of Collective Net Pension Liability	0.12251%	0.12597%	0.11896%	0.11814%	0.11854%
Proportionate Share of TSERS Collective Net Pension Liability	$ 12,197,205.00	$ 9,995,015.00	$ 10,933,653.00	$ 4,353,693.00	$ 1,389,788.00
Covered Payroll	$ 18,683,193.70	$ 17,932,977.86	$ 17,682,484.99	$ 17,151,853.98	$ 16,663,714.36
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	65.28%	55.74%	61.83%	25.38%	8.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.61%	89.51%	87.32%	94.64%	98.24%

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, as amended.

* The amounts presented for each fiscal year were determined as of the prior fiscal year ended June 30.

The University of North Carolina at Asheville
Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
Last Ten Fiscal Years

Exhibit C-2

Teachers' and State Employees' Retirement System	**2024**	**2023**	**2022**	**2021**	**2020**
Contractually Required Contribution	$ 3,710,575.14	$ 3,425,958.21	$ 2,895,173.21	$ 2,609,373.35	$ 2,325,916.63
Contributions in Relation to the Contractually Determined Contribution	3,710,575.14	3,425,958.21	2,895,173.21	2,609,373.35	2,325,916.63
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 21,046,937.87	$ 19,712,072.53	$ 17,675,050.14	$ 17,654,758.80	$ 17,933,050.35
Contributions as a Percentage of Covered Payroll	17.63%	17.38%	16.38%	14.78%	12.97%

	2019	**2018**	**2017**	**2016**	**2015**
Contractually Required Contribution	$ 2,168,534.38	$ 2,014,048.28	$ 1,789,711.19	$ 1,617,947.38	$ 1,569,394.64
Contributions in Relation to the Contractually Determined Contribution	2,168,534.38	2,014,048.28	1,789,711.19	1,617,947.38	1,569,394.64
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 17,644,706.10	$ 18,683,193.70	$ 17,932,977.86	$ 17,682,484.99	$ 17,151,853.98
Contributions as a Percentage of Covered Payroll	12.29%	10.78%	9.98%	9.15%	9.15%

Note: Changes of benefit terms, methods, and assumptions are presented in the Notes to Required Supplementary Information (RSI) schedule following the pension RSI tables.

The University of North Carolina at Asheville
Notes to Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
For the Fiscal Year Ended June 30, 2024

Changes of Benefit Terms:

	Cost of Living Increase									
Teachers' and State Employees'	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Retirement System	N/A	N/A	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	1.00%

Beginning in fiscal year 2015, with the implementation of GASB Statement No. 68, the above table reflects Cost of Living Adjustments (COLA) in the period of the legislative session or Board of Trustees meeting when it was passed. The COLA is effective as of July 1 of that period and the fiscal year end plan liability is affected at June 30 of that year because the COLA is included in the actuarial assumptions used to calculate the plan net pension liability.

Effective July 1, 2017, the definition of law enforcement officer related to TSERS members was changed by the General Assembly to include Probation/Parole officers for retirement benefit purposes. The change includes officers with respect to service rendered on or after July 1, 2017, and provides for unreduced retirement at age 55 with five years of service as a law enforcement officer or reduced retirement at age 50 with 15 years of service as a law enforcement officer.

Effective July 1, 2017, retirees and beneficiaries of deceased retirees receiving benefits from the TSERS as of July 1, 2016, received a 1% cost-of-living adjustment. Retirees and beneficiaries of retirees with retirement effective dates between July 1, 2016 and before June 30, 2017 received a prorated amount. These benefit enhancements reflect legislation enacted by the North Carolina General Assembly.

In December 2021 for the fiscal year ended June 30, 2022, retirees and beneficiaries of deceased retirees receiving benefits from the TSERS as of September 1, 2021, received a one-time cost-of-living supplement payment, equal to 2% of the beneficiary’s annual retirement allowance.

Benefit recipients of the TSERS received a one-time benefit supplement payment equal to 4% of the member’s annual benefit amount, paid in October 2022, as granted by the North Carolina General Assembly for the fiscal year ended June 30, 2023. The one-time supplement does not change the ongoing monthly benefits, and absent additional action by governing authorities, the payments will not recur in future years.

Benefit recipients of the TSERS will receive a one-time benefit supplement payment equal to 4% of the member’s annual benefit amount, paid in November 2023, as granted by the North Carolina General Assembly for the fiscal year ended June 30, 2024. The one-time supplement does not change the ongoing monthly benefits, and absent additional action by governing authorities, the payments will not recur in future years.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions: An actuarial valuation is performed for each year for the plan. The actuarially determined contribution rates in the Schedule of University Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results. See Note 13 for more information on the specific assumptions for the plan. The actuarially determined contributions for those items with covered payroll were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

Changes of Assumptions: In January 2021, the actuarial assumptions for the TSERS were updated to more closely reflect actual experience.

In 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of the TSERS actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined the TSERS experience during the period between January 1, 2015, and December 31, 2019. Based on the findings, the Boards of Trustees of the TSERS adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and mortality improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were updated to more closely reflect actual experience.

The discount rate for the TSERS was lowered from 7.00% to 6.50% effective for the December 31, 2020 valuation, with the resulting effect on minimum actuarially determined employer contribution rates (or amounts) to be gradually recognized over a five-year period beginning July 1, 2022.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina’s 2023 *Annual Comprehensive Financial Report*.

N/A - Not Applicable

The University of North Carolina at Asheville
Required Supplementary Information
Schedule of the Proportionate Share of the Net OPEB Liability or Asset
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
*Last Eight Fiscal Years**

Retiree Health Benefit Fund	**2024**	**2023**	**2022**	**2021**	**2020**
Proportionate Share Percentage of Collective Net OPEB Liability	0.22077%	0.22418%	0.23788%	0.24092%	0.24845%
Proportionate Share of Collective Net OPEB Liability	$ 58,829,035.00	$ 53,235,051.00	$ 73,543,501.00	$ 66,832,603.00	$ 78,607,577.00
Covered Payroll	$ 45,584,069.42	$ 40,836,249.23	$ 41,281,937.16	$ 41,629,483.29	$ 42,192,827.71
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	129.06%	130.36%	178.15%	160.54%	186.31%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	10.73%	10.58%	7.72%	6.92%	4.40%

	2019	**2018**	**2017**
Proportionate Share Percentage of Collective Net OPEB Liability	0.25174%	0.23776%	0.25507%
Proportionate Share of Collective Net OPEB Liability	$ 71,717,146.00	$ 77,954,552.00	$ 110,964,120.00
Covered Payroll	$ 42,289,926.28	$ 40,958,387.45	$ 39,115,679.31
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	169.58%	190.33%	283.68%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.40%	3.52%	2.41%

The University of North Carolina at Asheville
Required Supplementary Information
Schedule of the Proportionate Share of the Net OPEB Liability or Asset
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
*Last Eight Fiscal Years**

Disability Income Plan of North Carolina	**2024**	**2023**	**2022**	**2021**	**2020**
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.23381%	0.22405%	0.23625%	0.24535%	0.25030%
Proportionate Share of Collective Net OPEB Liability (Asset)	$ 62,184.00	$ 66,650.00	$ (38,587.00)	$ (120,697.00)	$ (108,004.00)
Covered Payroll	$ 45,584,069.42	$ 40,836,249.23	$ 41,281,937.16	$ 41,629,483.29	$ 42,192,827.71
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.14%	0.16%	0.09%	0.29%	0.26%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	90.61%	90.34%	105.18%	115.57%	113.00%

	2019	**2018**	**2017**
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.26073%	0.26195%	0.24473%
Proportionate Share of Collective Net OPEB Liability (Asset)	$ (79,199.00)	$ (160,104.00)	$ (151,977.00)
Covered Payroll	$ 42,289,926.28	$ 40,958,387.45	$ 39,115,679.31
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.19%	0.39%	0.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	108.47%	116.23%	116.06%

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended.

* The amounts presented for each fiscal year were determined as of the prior fiscal year ended June 30.

The University of North Carolina at Asheville
Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Last Ten Fiscal Years

Exhibit C-4
Page 1 of 2

Retiree Health Benefit Fund	**2024**	**2023**	**2022**	**2021**	**2020**
Contractually Required Contribution	$ 3,428,795.29	$ 3,140,742.38	$ 2,568,600.08	$ 2,757,633.40	$ 2,693,427.57
Contributions in Relation to the Contractually Determined Contribution	3,428,795.29	3,140,742.38	2,568,600.08	2,757,633.40	2,693,427.57
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 48,022,342.98	$ 45,584,069.42	$ 40,836,249.23	$ 41,281,937.16	$ 41,629,483.29
Contributions as a Percentage of Covered Payroll	7.14%	6.89%	6.29%	6.68%	6.47%

	2019	**2018**	**2017**	**2016**	**2015**
Contractually Required Contribution	$ 2,645,490.30	$ 2,558,540.54	$ 2,379,682.31	$ 2,190,478.04	$ 2,041,929.23
Contributions in Relation to the Contractually Determined Contribution	2,645,490.30	2,558,540.54	2,379,682.31	2,190,478.04	2,041,929.23
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 42,192,827.71	$ 42,289,926.28	$ 40,958,387.45	$ 39,115,679.31	$ 37,193,610.81
Contributions as a Percentage of Covered Payroll	6.27%	6.05%	5.81%	5.60%	5.49%

The University of North Carolina at Asheville
Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans

Exhibit C-4

Last Ten Fiscal Years

Page 2 of 2

Disability Income Plan of North Carolina	2024	2023	2022	2021	2020
Contractually Required Contribution	$ 52,824.58	$ 45,584.07	$ 36,752.62	$ 37,153.74	$ 41,629.48
Contributions in Relation to the Contractually Determined Contribution	52,824.58	45,584.07	36,752.62	37,153.74	41,629.48
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 48,022,342.98	$ 45,584,069.42	$ 40,836,249.23	$ 41,281,937.16	$ 41,629,483.29
Contributions as a Percentage of Covered Payroll	0.11%	0.10%	0.09%	0.09%	0.10%

	2019	2018	2017	2016	2015
Contractually Required Contribution	$ 59,069.96	$ 59,205.90	$ 155,641.87	$ 160,374.29	$ 152,493.80
Contributions in Relation to the Contractually Determined Contribution	59,069.96	59,205.90	155,641.87	160,374.29	152,493.80
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 42,192,827.71	$ 42,289,926.28	$ 40,958,387.45	$ 39,115,679.31	$ 37,193,610.81
Contributions as a Percentage of Covered Payroll	0.14%	0.14%	0.38%	0.41%	0.41%

Note: Changes of benefit terms, methods, and assumptions are presented in the Notes to Required Supplementary Information (RSI) schedule following the OPEB RSI tables.

The University of North Carolina at Asheville
Notes to Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
For the Fiscal Year Ended June 30, 2024

Changes of Benefit Terms: Effective January 1, 2016, benefit terms related to copays, out-of-pocket maximums, and deductibles were changed for three of five options of the Retiree Health Benefit Fund (RHBF). Most of the changes were an increase in the amount from the previous year.

Effective January 1, 2017, benefit terms related to copays, coinsurance maximums, out-of-pocket maximums, and deductibles were changed for two of five options of the RHBF. Most of the changes were an increase in the amount from the previous year.

Effective January 1, 2019, benefit terms related to copays, out-of-pocket maximums, and deductibles were changed for one of four options of the RHBF. Out-of-pocket maximums increased while certain specialist copays decreased related to option benefits.

Effective January 1, 2020, benefit terms related to copays, out-of-pocket maximums, and deductibles were changed for the 70/30 PPO option of the RHBF. Only the copays were adjusted for 80/20 PPO option of the RHBF.

Effective January 1, 2021, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

Effective January 1, 2022, the structure of employer contributions to the RHBF was altered by legislation. Previously, non-Medicare-eligible retirees had the same employer contribution rate as active employees. As a result of the legislative change, non-Medicare-eligible retirees have the same employer contribution rate as Medicare-eligible retirees.

Beginning with the Disability Income Plan of North Carolina (DIPNC) actuarial valuation as of December 31, 2017, the valuation included a liability for the State's potential reimbursement of costs incurred by employers for income benefits and health insurance premiums during the second six months of the first year of employee's short-term disability benefit period. Effective with the actuarial valuation as of December 31, 2021, this liability was removed from the actuarial valuation because the reimbursement from DIPNC was eliminated for disabilities occurring on or after July 1, 2019.

Method and Assumptions Used in Calculations of Actuarially Determined Contributions: An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of University Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning six months preceding the date of the valuation results for the RHBF. The actuarially determined contribution rates in the Schedule of University Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results for the DIPNC. See Note 14 for more information on the specific assumptions for each plan. The actuarially determined contributions were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

Changes of Assumptions: Consistent with prior years, for the actuarial valuation measured as of June 30, 2023 for the RHBF, a number of actuarial assumptions were reviewed and updated. The discount rate for the RHBF was updated to 3.65%, from 3.54% as of June 30, 2022. This update was to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end. Medical and prescription drug claims costs were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations among RHBF plan options over the next five years. The expected impact from the Inflation Reduction Act on assumed Medicare Advantage rates was included. The terms of the Pharmacy Benefits Management contract effective January 1, 2023 and the terms of the third party administrator contract effective January 1, 2025 were incorporated in the valuation.

For the actuarial valuation measured as of June 30, 2023 for DIPNC, the discount rate was updated to 3.00%, from 3.08% as of June 30, 2022. This was a result of an update to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end, combined with a change in the degree to which the plan's fiduciary net position was projected to be available to make all projected future benefit payments to the current plan members.

In 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 2015, and December 31, 2019. Based on the findings, the Boards of Trustees of the TSERS and the Committee on Actuarial Valuation of Retired Employees' Health Benefits adopted a number of new actuarial assumptions and methods for the RHBF and the DIPNC. The most notable changes to the assumptions include updates to the mortality tables and mortality improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were updated to more closely reflect actual experience. Also in 2020, disability rates were adjusted to the non-grandfathered assumptions used in the TSERS actuarial valuation to better align with the anticipated incidence of disability.

For the DIPNC actuarial valuation as of December 31, 2018, for individuals who may become disabled in the future, the Social Security disability income benefit (which is an offset to the DIPNC benefit) was updated to be based on assumed Social Security calculation parameters in the year of the disability. The assumed costs related to the Patient Protection and Affordable Care Act regarding the Health Insurance Provider Fee for the fully insured plans and Excise Tax were removed when those pieces were repealed in December 2019 and first recognized in the 2020 OPEB report.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2023 *Annual Comprehensive Financial Report* .

Independent Auditor's Report

North Carolina Office of the State Auditor
Jessica N. Holmes, J.D., State Auditor

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The University of North Carolina at Asheville (University), a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 31, 2024. Our report includes a reference to other auditors who audited the consolidated financial statements of The University of North Carolina at Asheville Foundation, Inc. (Foundation), as described in our report on the University's financial statements. The consolidated financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Foundation.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

Purpose of this Report

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

Jessica N. Holmes, J.D.

Jessica N. Holmes, J.D.
State Auditor

Raleigh, North Carolina

October 31, 2024

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This audit required 425 hours at an approximate cost of $65,875.