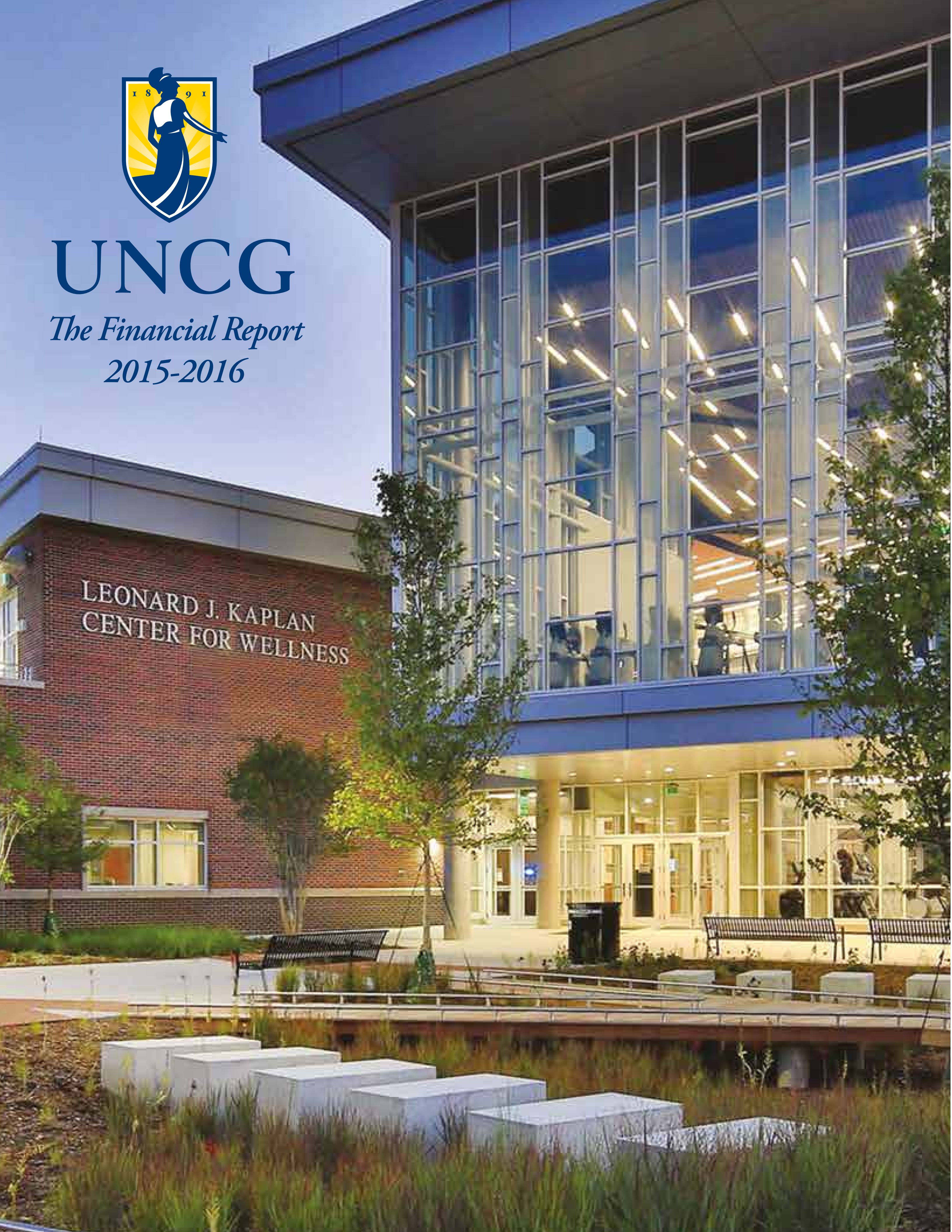

UNCG

The Financial Report
2015-2016

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THE UNIVERSITY *of* NORTH CAROLINA
GREENSBORO

Business Affairs

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The Chancellor and The Board of Trustees
of The University of North Carolina at Greensboro

I am pleased to present the University's Financial Report for the year ended June 30, 2016. The report is comprised of four sections: management's discussion and analysis; the financial statements; the related financial statement footnote disclosures; and the required supplementary information. The accompanying financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) pronouncements, which establish standards for external financial reporting for public colleges and universities.

For the 2015-16 fiscal year, the University experienced a $17.5 million increase in its net position (assets and deferred outflows of resources less liabilities and deferred inflows of resources) due in part to increases in tuition and fees, sales and services, and noncapital grant and gifts revenues. State appropriations increased by $4.6 million (3.2%) during the fiscal year providing 37.3% of the University's total revenues. Tuition and fee rates were increased to provide financial aid for our neediest students and to enable the University to continue to offer support, curriculum, and instruction necessary for our students to achieve their goals and to prepare them for future challenges and opportunities.

GASB Standard No. 68, Accounting and Financial Reporting for Pensions, implemented in fiscal year 2015, requires the University to recognize its proportionate share of the State of North Carolina's net pension liability in the financial statements as a liability and a deferred inflow of resources. The changes in these amounts from the prior year contributed $5.4 million to the overall increase in net position mentioned earlier.

Many dedicated faculty and staff work tirelessly across the campus to support the UNCG mission. I would like to specifically recognize our Office of Accounting Services team for their hard work in preparing this financial report.

Sincerely,

Charles A. Maimone
Vice Chancellor for Business Affairs

The University of North Carolina at Greensboro
Management's Discussion and Analysis

Introduction

The University of North Carolina at Greensboro (the "University") provides the following management discussion and analysis (MD&A) as an overview of the financial activities for the fiscal year ended June 30, 2016. This discussion, the preceding transmittal letter, the following financial statements, required supplementary information, and the related notes to the financial statements have been prepared by management and comprise the University's complete financial report. The financial statements, required supplementary information, notes to the financial statements, and this discussion are the responsibility of management.

The purpose of the MD&A is to identify significant transactions that have financial impact and to highlight favorable and unfavorable trends. However, this discussion and analysis should be read in conjunction with, and is qualified in its entirety by, the related financial statements, required supplementary information, and notes to the financial statements.

Using the Financial Report

The University's financial report includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) pronouncements, which establish standards for external financial reporting for public colleges and universities. GASB standards require that financial statements be presented on a consolidated basis to focus on the University as a whole, with resources classified for accounting and reporting purposes into four net position categories.

Statement of Net Position

The Statement of Net Position is a "point of time" financial statement that presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University. The purpose of this financial statement is to present to the readers of the University's financial report a fiscal snapshot as of the end of the fiscal year (i.e., June 30th). The Statement of Net Position presents both the current and noncurrent portions of assets and liabilities as well as deferred outflows and deferred inflows. The differences between current and noncurrent assets and liabilities are discussed further in the notes to the financial statements.

From the data presented, readers of this statement are able to determine the assets available to continue the operations of the institution. They are able to determine how much the institution owes vendors, bond holders, and other creditors. The Statement of Net Position also provides a picture of the net position (assets and deferred outflows minus liabilities and deferred inflows) and their availability for expenditure by the institution. Net position is divided into three major categories: net investment in capital assets; unrestricted net position; and restricted net position, which is reflected in two subcategories – expendable and nonexpendable. These three categories of net position are discussed further in the notes to the financial statements.

A condensed Statement of Net Position is reflected in the following table.

Condensed Statement of Net Position

	6/30/16	6/30/15
Assets		
Current Assets	$ 154,144,634	$ 145,711,465
Noncurrent Capital Assets, Net of Accumlulated Depreciation	717,035,982	683,773,799
Other Noncurrent Assets	255,326,521	295,057,945
Total Assets	1,126,507,137	1,124,543,209
Deferred Outflows of Resources		
Deferred Loss on Refunding	4,583,446	2,716,687
Deferred Outflows Related to Pensions	6,794,463	6,763,298
Total Deferred Outflows of Resources	11,377,909	9,479,985
Liabililities		
Current Liabilities	33,058,192	31,224,470
Long-Term Liabilities, Net	357,144,516	355,330,541
Other Noncurrent Liabilities	13,081,985	12,800,324
Total Liabilities	403,284,693	399,355,335
Deferred Inflows of Resources		
Deferred Revenue, Split Interest Trust Agreements	161,046	158,609
Deferred Inflows Related to Pensions	5,622,820	23,199,528
Total Deferred Inflows of Resources	5,783,866	23,358,137
Net Position		
Net Investment in Capital Assets	383,786,101	379,141,339
Restricted - Nonexpendable	138,145,648	132,548,727
Restricted - Expendable	122,156,867	129,017,041
Unrestricted	84,727,871	70,602,615
Total Net Position	$ 728,816,487	$ 711,309,722

The total assets of the University increased slightly by $2.0 million for the year ($8.4 million increase for current assets and a $6.4 million decrease for noncurrent assets). This overall increase was comprised of an increase of $33.3 million in capital assets, net of accumulated depreciation, an increase of $7.0 million in current unrestricted cash and cash equivalents, a $1.4 million increase in current restricted cash and cash equivalents, a decrease of $14.7 million in endowment investments, a decrease of $26.1 million in noncurrent restricted cash and cash equivalents, and a $1.1 million increase in all other assets. The increase in capital assets, net of accumulated depreciation, is mainly due to an increase in capital assets - depreciable from the completion of the construction of the Kaplan Center for Wellness during the fiscal year. The decrease in noncurrent restricted cash and cash equivalents is from the expenditure of the remainder of the bond proceeds on construction costs for the Kaplan Center for Wellness. The increase in unrestricted cash and cash equivalents is related to increases in student enrollment leading to increases in operating revenues. The decrease in endowment investments is directly attributable to decreases in the value of investments of UNCG Endowment Partners, LP, which holds the endowment pool assets.

The total liabilities of the University increased by $3.9 million for the year ($1.8 million increase for current liabilities and a $2.1 million increase in noncurrent liabilities). This overall increase in total liabilities consists of a $12.1 million increase in net pension liability, a $9.5 million decrease in bonds payable, and a $1.3 million increase in all other liability categories, both current and noncurrent. The University is required to recognize its proportionate share of the State of North Carolina's net pension liability for fiscal year 2016, in accordance with GASB Statement No. 68, which was implemented in the prior fiscal year. The overall net pension liability for the State of North Carolina increased in fiscal year 2016, thus the University's Statement of Net Position reflects a similar increase in net pension liability. Additional information on the

University's pension plans is provided in Note 12 of the notes to the financial statements and in the Required Supplementary Information. The decrease in bonds payable is due to bond principal payments during the fiscal year with only an advanced refunding bonds payable transaction being entered into during the fiscal year.

Deferred outflows of resources increased by $1.9 million due to the recognition of a deferred loss on refunding from the issuance of General Revenue Refunding Bonds, Series 2016 during the fiscal year. Deferred inflows of resources decreased by $17.5 million mainly due to the decrease of the deferred inflow related to pensions which represents the University's proportionate share of the accumulated difference between projected and actual earnings on pension plan investments and the accumulated difference between actual and projected demographic factors included in the measurement of the total pension liability. This deferred inflow related to pensions is included in pension expense using a systemic and rational amortization method over a closed five-year period (refer to Note 12 of the notes to the financial statements for details).

The combination of the increase in total assets of $2.0 million, the increase in total liabilities of $3.9 million, the increase of $1.9 million in deferred outflows, and the $17.5 million decrease in deferred inflows of resources yields an overall increase in total net position of $17.5 million. The net position category of net investment in capital assets increased by $4.6 million due to the capitalization of the steam distribution infrastructure project, the soccer stadium field repairs project, and the Tower Village fire alarm replacement project. An increase of $5.6 million in the category of restricted nonexpendable net position is directly related to the continued receipt of endowed gifts. A decrease of $6.9 million in the category of restricted expendable net position is the result of a decline in the value of endowment investments during the fiscal year. The unrestricted net position category increased by $14.1 million. This increase is attributable to multiple factors, which include a $3.4 million increase in the Management Flexibility carryforward funds, a $5.4 million increase due to changes in the net pension liability and deferred inflows related to pensions amounts, and the effect of increased student enrollment on tuition and fees and sales and services revenues.

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues earned by the institution, both operating and nonoperating, and the expenses incurred by the institution, operating and nonoperating, and any other revenues earned by the institution.

Generally speaking, operating revenues are earned for providing goods and services to the various constituencies of the institution. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the institution. Nonoperating revenues are revenues earned for which goods and services are not provided. State appropriations and federal financial aid awards are included as nonoperating revenues in accordance with GASB guidelines even though these revenues are instrumental to the University's mission and operations. Nonoperating expenses are expenses not directly related to the normal operations of the University (e.g., interest expense and other fees on capital asset related debt) and are netted against nonoperating revenues on the Statement of Revenues, Expenses, and Changes in Net Position. Other revenues include capital contributions and additions to the principal of permanent and term endowments.

A condensed Statement of Revenues, Expenses, and Changes in Net Position is reflected in the following table.

Condensed Statement of
Revenues, Expenses and Changes in Net Position
For The Year Ended

	6/30/16	6/30/15
Operating Revenues		
Student Tuition and Fees, Net	$ 99,590,112	$ 91,899,672
Grants and Contracts	8,197,443	8,492,438
Sales and Services, Net	51,404,528	49,678,881
Interest Earnings on Loans	117,121	137,438
Other Operating Revenues	1,589,544	835,481
Total Operating Revenues	160,898,748	151,043,910
Operating Expenses		
Salaries and Benefits	226,075,680	220,177,193
Supplies and Materials	19,567,230	20,159,281
Services	56,816,731	53,432,586
Scholarships and Fellowships	29,343,741	30,350,030
Utilities	7,969,781	7,901,206
Depreciation	19,757,741	18,186,798
Total Operating Expenses	359,530,904	350,207,094
Operating Loss	(198,632,156)	(199,163,184)
Nonoperating Revenues (Expenses)		
State Appropriations	148,838,492	144,234,249
Noncapital Grants and Gifts	79,099,370	75,899,848
Investment Income (Loss)	(8,929,314)	2,117,327
Interest and Fees on Debt	(9,007,077)	(9,162,852)
Other Nonoperating Expenses	(4,268,833)	(917,120)
Net Nonoperating Revenues	205,732,638	212,171,452
Income Before Other Revenues	7,100,482	13,008,268
Other Revenues		
Capital Appropriations	3,292,800	
Capital Grants and Gifts	994,934	778,903
Total Other Revneues	4,287,734	778,903
Income Before Additions to Endowments	11,388,216	13,787,171
Additions to Endowments	6,118,549	4,528,553
Increase in Net Position	17,506,765	18,315,724
Net Position - July 1, as Previously Reported	711,309,722	719,946,012
Restatement		(26,952,014)
Net Position - June 30	$ 728,816,487	$ 711,309,722

The Statement of Revenues, Expenses, and Changes in Net Position reflect an increase in the net position at the end of the year and an increase of $20.6 million (5.4%) in total revenues of $399.2 million. Total expenses were $381.7 million. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Position are as follows.

- Operating revenues increased by $9.8 million (6.5%), whereas operating expenses increased by $9.3 million (2.7%), for a combined net decrease in operating loss of $.5 million. The largest increase within operating revenues was in student tuition and fees, net, which increased $7.7 million (8.4%). This increase is due to enrollment and tuition rate increases. Sales and services, net, also increased by $1.7 million (3.5%) due to increases in enrollment and in rates for auxiliary services.

  The increase in operating expenses is the result of a $5.9 million (2.7%) increase in salaries and benefits, a $3.4 (6.3%) million increase in services, a $1.6 million (8.6%) increase in depreciation, and a $1.6 million (2.6%) decrease in all other operating expense categories. The increase in salaries and benefits is due to increases in salaries and increases in personnel consistent with enrollment growth. The increase in services is correlated with the increase in state appropriations providing additional funds for University departments to expend on academic services type activities. The increase in depreciation is due to newly capitalized major building additions and renovations, including the Kaplan Center for Wellness and the Moran Commons Dining Hall renovation.

- State appropriations increased by $4.6 million (3.2%) due to increases in enrollment and the absence of any allotment holdback during the fiscal year. Investment income decreased by $11.0 million, to an investment loss of $8.9 million, because of decreases in the value of investments, significant decreases in net realized gains on investment transactions compared to the prior fiscal year, and the University's external investment pool's total return fell from .3% for the prior fiscal year to a loss of 4.8% for the current fiscal year. Noncapital grants increased by $3.8 million (5.4%) reflecting an increase in federal student financial aid due to increased enrollment. The caption other nonoperating expenses consists of surplus property sales (a revenue), bond issue costs, and the loss on the disposal of capitalized assets. The loss on the disposal of capitalized assets was $4.1 million, which included a $3.6 million loss on the removal of the former dining hall assets prior to the capitalization of the newly renovated Moran Commons Dining Hall.

- Other revenues for fiscal year 2016 consist of capital appropriations, capital grants, capital gifts, and additions to endowments. The University received $3.3 million in capital appropriations from the State during fiscal year 2016 for various repair and renovation projects across the campus. Additions to endowments increased by $1.6 million (35.1%) due to an overall increase in giving to the University during the fiscal year.

Capital Asset and Debt Administration

During fiscal year 2015-16, the Kaplan Center for Wellness, the Moran Commons Dining Hall, the Infrastructure Steam Distribution Project, the Soccer Stadium Field Repair Project, the Tower Village Fire Alarm Replacement Project, and various roof replacement projects on multiple buildings were all completed and capitalized.

Major projects included in construction in progress include the Moore-Strong Fire Alarm replacement, the Cone Residence Hall renovation project, and the 1510 Walker Avenue renovations.

On April 4, 2016, the University issued $21.6 million in General Revenue Refunding Bonds, Series 2016. The proceeds were used for an advanced refunding of $21.5 million of outstanding General Revenue Bonds, Series 2009A. This refunding will result in an economic gain of $1.9 million over the next 18 years.

For additional information concerning Capital Asset and Debt Administration, see Notes 6 and 8 in the notes to the financial statements.

Economic and Strategic Outlook

The University continues to operate in an environment of continued reductions in state support, although these permanent reductions have been offset by strong enrollment growth (5.3% for FY15, 4% for FY16, and 1.3% for FY17). The University welcomed its largest freshman class ever, 2,852 students (2.8% increase over the prior year) for the fall semester of the

2016-17 academic year. More importantly fundable student credit hours have risen 3.7% since the fall 2015 semester, in part due to the University's strong growth in distance education programs, which has provided additional revenues to more than offset reductions to state appropriations.

In an effort to maintain the University's strong financial position in the current challenging and competitive higher education environment, the University has successfully expanded its geographic footprint along the Gate City Boulevard corridor through the completion of several significant building projects. The Spartan Village Phase I project consisted of the construction of four apartment style residence halls with an 800 bed capacity. This project has been a tremendous success with all four buildings being fully occupied since opening in the fall of 2013. The Kaplan Center for Wellness, a 216,000 square foot facility, houses the Department of Recreation and Wellness and enhances the University's vision of making a difference in the lives of students and the campus community. Construction of Spartan Village Phase II, a 300 bed apartment style residence hall with associated retail space, located between Spartan Phase I and the Kaplan Center for Wellness, has begun and is expected to be completed by the start of the fall 2017 semester. The demand for this apartment style residence hall space will remain strong in this area due to the related projects, the Railroad Pedestrian Underpass and Campus Police Building, that were completed and fully operational for the fall 2014 semester. These projects provide Spartan Village Phase I and II and the Kaplan Center for Wellness with access to security services and an easy connection to other areas of the campus.

In March of 2016, North Carolina voters approved the Connect NC Bonds, which will provide the University with $105 million for the construction of a new Nursing and Instructional academic building on the main campus. Construction is expected to begin in the late spring of 2018 and will result in a four-story structure that will house the entire School of Nursing, which is currently located in four separate campus buildings. This facility will also provide teaching and flexible laboratory research space for the Biology, Chemistry, and Health and Human Services departments.

The University's overall financial condition is stable and strengthening due to sustained enrollment growth despite continuing reductions in state support. The ongoing efforts to contain costs, implement operating efficiencies whenever possible, and diversify revenue sources will continue. Despite the challenging and competitive higher education environment, management strongly believes the University has sufficient resources to grow and provide excellent service to students, the surrounding Piedmont Triad community, and the State of North Carolina.

STATE OF NORTH CAROLINA

Office of the State Auditor

Beth A. Wood, CPA
State Auditor

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The University of North Carolina at Greensboro (University), a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of The University of North Carolina at Greensboro Investment Fund, Inc., which represent 20.86 percent, 32.25 percent, and 2.52 percent, respectively, of the assets, net position, and revenues of the University; The UNCG Excellence Foundation, Inc., which represent 10.03 percent, 14.53 percent, and .81 percent, respectively, of the assets, net position, and revenues of the University; The University of North Carolina at Greensboro Human Environmental Sciences Foundation, Incorporated, which represent .77 percent, 1.19 percent, and .01 percent, respectively, of the assets, net position, and revenues of the University; nor the Capital Facilities Foundation, Inc., which represent 1.28 percent, .22 percent, and .01 percent, respectively, of the assets, net position, and revenues of the University. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of The University of North Carolina at Greensboro Investment Fund, Inc., The UNCG Excellence Foundation, Inc., The University of North Carolina at Greensboro Human Environmental Sciences Foundation, Incorporated, and the Capital Facilities Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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

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

Opinion

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of The University of North Carolina at Greensboro, as of June 30, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – 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, 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 December 5, 2016 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. The report on internal control and compliance has been issued under separate cover in the Financial Statement Audit Report of The University of North Carolina at Greensboro by this office.

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

December 5, 2016

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 105,535,829
Restricted cash and cash equivalents	28,731,445
Short-term investments	904,154
Restricted short-term investments	8,712,211
Receivables, net (Note 5)	8,344,622
Inventories	404,671
Notes receivable, net (Note 5)	1,511,702
Total current assets	154,144,634
Noncurrent Assets:	
Restricted cash and cash equivalents	10,672,118
Receivables	1,617,810
Endowment investments	235,618,517
Other investments	3,798,338
Notes receivable, net (Note 5)	3,619,738
Capital assets - nondepreciable (Note 6)	78,800,189
Capital assets - depreciable, net (Note 6)	638,235,793
Total noncurrent assets	972,362,503
Total assets	1,126,507,137
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding	4,583,446
Deferred outflows related to pensions	6,794,463
Total deferred outflows of resources	11,377,909
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities (Note 7)	10,399,112
Due to primary government	6,381
Deposits payable	768,110
Funds held for others	52,044
Unearned revenue	5,335,658
Interest payable	3,406,783
Long-term liabilities - current portion (Note 8)	13,090,104
Total current liabilities	33,058,192
Noncurrent Liabilities:	
Accounts payable and accrued liabilities (Note 7)	3,077,705
Funds held for others	1,504,439
U. S. government grants refundable	5,084,360
Funds held in trust for pool participants	3,415,481
Long-term liabilities, net (Note 8)	357,144,516
Total noncurrent liabilities	370,226,501
Total liabilities	403,284,693
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue, split interest trust agreements	161,046
Deferred inflows related to pensions	5,622,820
Total deferred inflows of resources	5,783,866
NET POSITION	
Net investment in capital assets	383,786,101
Restricted for:	
Nonexpendable:	
Scholarships and fellowships	79,635,409
Endowed professorships	18,497,957
Departmental uses	30,092,695
Loans	874,969
Art	1,521,282
Other	7,523,336
Expendable:	
Scholarships and fellowships	60,001,907
Research	40,059
Endowed professorships	19,313,332
Departmental uses	28,742,533
Loans	1,053,890
Capital projects	8,348,136
Debt service	44
Art	772,522
Other	3,884,444
Unrestricted	84,727,871
Total net position	$ 728,816,487

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

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2016

REVENUES		
Operating Revenues:		
Student tuition and fees, net (Note 10)	$	99,590,112
Federal grants and contracts		6,280,749
State and local grants and contracts		1,224,599
Nongovernmental grants and contracts		692,095
Sales and services, net (Note 10)		51,404,528
Interest earnings on loans		117,121
Other operating revenues		1,589,544
Total operating revenues		160,898,748
EXPENSES		
Operating Expenses:		
Salaries and benefits		226,075,680
Supplies and materials		19,567,230
Services		56,816,731
Scholarships and fellowships		29,343,741
Utilities		7,969,781
Depreciation		19,757,741
Total operating expenses		359,530,904
Operating loss		(198,632,156)
NONOPERATING REVENUES (EXPENSES)		
State appropriations		148,838,492
Noncapital grants - student financial aid		52,284,872
Noncapital grants		22,877,244
Noncapital gifts		3,937,254
Investment loss (includes investment expense of $1,573,732)		(8,929,314)
Interest and fees on debt		(9,007,077)
Other nonoperating expenses		(4,268,833)
Net nonoperating revenues		205,732,638
Income before other revenues		7,100,482
Capital appropriations		3,292,800
Capital grants		733,951
Capital gifts		260,983
Additions to endowments		6,118,549
Increase in net position		17,506,765
NET POSITION		
Net position - July 1, 2015		711,309,722
Net position - June 30, 2016	$	728,816,487

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

CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	$	158,086,190
Payments to employees and fringe benefits		(232,434,022)
Payments to vendors and suppliers		(84,367,889)
Payments for scholarships and fellowships		(29,343,741)
Loans issued		(1,493,768)
Collection of loans		1,349,116
Interest earned on loans		111,561
Other receipts		1,621,240
Net cash used by operating activities		(186,471,313)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations		148,838,492
Noncapital grants - student financial aid		52,284,872
Noncapital grants		23,255,839
Noncapital gifts		2,979,293
Additions to endowments		6,118,549
William D. Ford direct lending receipts		92,231,572
William D. Ford direct lending disbursements		(92,231,572)
Related activity agency disbursements		(181,994)
Net cash provided by noncapital financing activities		233,295,051
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt		3,607,158
Capital appropriations		3,292,800
Capital grants		733,951
Proceeds from sale of capital assets		36,321
Acquisition and construction of capital assets		(56,576,209)
Principal paid on capital debt		(10,498,952)
Interest and fees paid on capital debt		(11,072,747)
Net cash used by capital financing and related financing activities		(70,477,678)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments		43,508,018
Investment income		3,272,120
Purchase of investments and related fees		(40,882,948)
Net cash provided by investing activities		5,897,190
Net decrease in cash and cash equivalents		(17,756,750)
Cash and cash equivalents - July 1, 2015		162,696,142
Cash and cash equivalents - June 30, 2016	$	144,939,392

	Year Ended June 30, 2016
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	$ (198,632,156)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation expense	19,757,741
Allowances and write-offs	61,370
Pension expense	1,314,859
Miscellaneous pension adjustments	7,389
Changes in Assets, Liabilities and Deferred Outflows of Resources:	
Receivables (net)	(1,093,567)
Inventories	(35,930)
Notes receivable (net)	(197,153)
Accounts payable and accrued liabilities	498,785
Due to primary government	(709)
Unearned revenue	(118,188)
Deferred outflows for contributions subsequent to the measurement date	(6,794,463)
Compensated absences	(1,242,091)
Deposits payable	2,800
Net cash used by operating activities	$ (186,471,313)
RECONCILIATION OF CASH AND CASH EQUIVALENTS	
Current Assets:	
Cash and cash equivalents	$ 105,535,829
Restricted cash and cash equivalents	28,731,445
Noncurrent Assets:	
Restricted cash and cash equivalents	10,672,118
Total cash and cash equivalents - June 30, 2016	$ 144,939,392
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Assets acquired through the assumption of a liability	$ 583,580
Assets acquired through a gift	260,983
Change in fair value of investments	(11,847,360)
Loss on disposal of capital assets	(4,093,279)
Bond issuance cost withheld	200,250
Amortization of bond premiums	(2,255,832)
Funds escrowed to defease bonds payable	23,984,107
Funds used to payoff notes payable	9,446,803

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

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Note 1 - Significant Accounting Policies

A. Financial Reporting Entity - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (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 Greensboro (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 *Comprehensive Annual Financial Report.*

The accompanying financial statements present all funds belonging to the University and its component units. While the Board of Governors of the University of North Carolina System has ultimate responsibility, the Chancellor, the Board of Trustees, and the Board of Trustees of the Endowment Fund have delegated responsibilities for financial accountability of the University's funds. The University's component units are blended in the University's financial statements. See below for further discussion of the University's component units.

Blended Component Units - Although legally separate, the following component units of the University are reported as if they were part of the University: The University of North Carolina at Greensboro Human Environmental Sciences Foundation, Incorporated; The University of North Carolina at Greensboro Weatherspoon Arts Foundation; The UNCG Excellence Foundation, Inc.; The University of North Carolina at Greensboro Investment Fund, Inc.; and the Capital Facilities Foundation, Inc.

The University of North Carolina at Greensboro Human Environmental Sciences Foundation, Incorporated is governed by a 21-member board consisting of two ex officio directors and 19 appointed directors. The Foundation is organized exclusively for the benefit of the departments and center formerly housed within the School of Human Environmental Sciences at The University of North Carolina at Greensboro prior to July 1, 2011, which consist of the Consumer Apparel and Retail Studies Department, Human Development and Family Studies Department, Interior Architecture Department, Nutrition Department, Social Work Department, and the Center for New North Carolinians. The Foundation's purpose is to aid and promote excellence in higher education, service and research, and the endowment of the five departments and center listed above. Because the directors of the Foundation are appointed by the members of The University of North Carolina at Greensboro Board of Trustees and the Foundation's sole purpose is to benefit The University of North Carolina at Greensboro, its financial statements have been blended with those of the University.

The University of North Carolina at Greensboro Weatherspoon Arts Foundation is governed by a 28-member board consisting of three ex officio directors and 25 appointed directors. The Foundation's purpose is to acquire by gift, purchase, lease, loan, or other means of conveyance works of art and to maintain and enhance the arts collection teaching, research, and public services purposes exclusively for the use and benefit of The University of North Carolina at Greensboro. Because the directors of the Foundation are appointed by the members of The University of North Carolina at Greensboro Board of Trustees and the Foundation's sole purpose is to benefit The University of North Carolina at Greensboro, its financial statements have been blended with those of the University.

The UNCG Excellence Foundation, Inc. is governed by a 41-member board consisting of four ex officio directors, four emeritus and 33 appointed directors. The Foundation's purpose is to aid, support and promote teaching, research, and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the University. Because the directors of the Foundation are appointed by the members of The University of North Carolina at Greensboro Board of Trustees and the Foundation's sole purpose is to benefit The University of North Carolina at Greensboro as long as The University of North Carolina at Greensboro qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1954 (or corresponding provisions of any future United States Internal Revenue law), its financial statements have been blended with those of the University.

The University of North Carolina at Greensboro Investment Fund, Inc. is governed by a 13-member board consisting of nine ex officio directors and four appointed directors. The Investment Fund's purpose is to support the University by operating an investment fund for charitable, nonprofit foundations, associations, trusts, endowments, and funds that are organized and operated primarily to support the University. The Investment Fund is a governmental external investment pool. Because the directors of the Investment Fund are appointed by the members of The University of North Carolina at Greensboro Board of Trustees and the Investment Fund's primary purpose is to benefit The University of North Carolina at Greensboro, its financial statements have been blended with those of the University.

The Capital Facilities Foundation, Inc. is governed by a nine-member board consisting of four ex officio directors and five appointed directors. The Foundation's purpose is to enhance the University's educational mission through assisting with the acquisition, development, financing, construction, management, and operation of capital assets for the University. Because the directors of the Foundation are appointed by the members of The University of North Carolina at Greensboro Board of Trustees and the Foundation's sole purpose is to benefit The University of North Carolina at Greensboro, its financial statements have been blended with those of the University.

An electronic version of the separate financial statements for the Foundations and The Investment Fund is available by accessing the UNCG Business Affairs home page (http://www.uncg.edu/baf) and clicking on "Foundation Finance", then "Foundation Audit Reports", or by calling (336) 334-5200. Other related foundations and similar nonprofit corporations for which the University is not financially accountable are not part of the accompanying financial statements.

Condensed combining information regarding blended component units is provided in Note 17.

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 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*, 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. Investments in partnerships are stated at net asset value based on the fair value of the partnership's assets. Fair value of the partnership investments is based upon the General Partner's best judgement in estimating the fair value of these investments. 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 increase (decrease) in the value of investments is recognized as a component of investment income.

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

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. Land and other real estate held as investments by endowments are reported at fair value, consistent with how investments are generally reported.

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, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied, and accrued interest receivable from investments and student loans. Receivables are recorded net of estimated uncollectible amounts.

G. Inventories - Inventories, consisting of expendable supplies and merchandise for resale, 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. Interest costs incurred are capitalized during the period of construction.

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.

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	25-50 years
Machinery & Equipment	4-20 years
General Infrastructure	25-50 years

The Weatherspoon Art Collection is capitalized at cost or acquisition value at the date of donation. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. This collection is considered inexhaustible and is therefore not depreciated.

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, unspent debt proceeds, and endowment and other restricted investments.

J. Funds Held in Trust for Pool Participants - Funds held in trust for pool participants represent the external portion of the University's governmental external investment pool more fully described in Note 2.

K. Noncurrent Long-Term Liabilities - Noncurrent long-term liabilities include principal amounts of revenue . bonds payable, net pension liability, notes payable, annuity and life income payable, and compensated absences that will not be paid within the next fiscal year.

Revenue bonds payable are reported net of unamortized premiums. The University amortizes bond premiums over the life of the bonds using the proportionate-to-stated interest method. Deferred charges on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method, and are included as Deferred Outflows or Deferred Inflows of Resources on the Statement of Net Position. Issuance costs are expensed.

The net pension liability represents the University's proportionate share of the collective net pension liability reported in the State of North Carolina's 2015 *Comprehensive Annual 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 12 for further information regarding the University's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

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. 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.

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 and inflows of resources.

N. 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.

O. 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.

P. 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 the Fuel Depot, Postal Operations, Printing Services, Telecommunications, and Telephone Services. 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.

Cash on hand at June 30, 2016 was $56,428. The carrying amount of the University's deposits not with the State Treasurer was $9,617,373 and the bank balance was $9,196,835. 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, 2016, $8,051,254 of the University's bank balance was exposed to custodial credit risk as uninsured and uncollateralized.

B. Investments - 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.

Additionally, the University has also been delegated authority by the President of The University of North Carolina pursuant to G.S. 116-36.1 and Section 600.2.4.1 of the Policy Manual of the University of North Carolina to invest its trust funds 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 of The University of North Carolina at Greensboro Human Environmental Sciences Foundation, Incorporated, The UNCG Excellence Foundation, Inc., and The University of North Carolina at Greensboro Investment Fund, Inc. 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.

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

Investments are subject to the following risks.

Interest Rate Risk: Interest rate risk is the risk the University may face should interest rate variances affect the value of investments. The University's formal policy limits some fixed income holdings to those that have a high quality rating (AA/Aa or better) and those with a sufficient duration (four years or more) to provide effective protection in a deflationary environment.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's formal policy limits some fixed income holdings to those that have a high quality rating (AA/Aa or better) and those with a sufficient duration (four years or more) to provide effective protection in a deflationary environment.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The University does not have a formal policy for concentration of credit risk.

Short-Term Investment Fund - At June 30, 2016, the amount shown on the Statement of Net Position as cash and cash equivalents includes $135,265,591 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 1.5 years as of June 30, 2016. 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 State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page http://www.osc.nc.gov/ and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

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

The External Investment Pool is not registered with the SEC and is not subject to any formal oversight other than that provided by the Board of Directors. The Board is responsible for adopting investment objectives and policies, for hiring investment advisors, and for monitoring policy implementation and investment performance. As of September 1, 2013, the Board along with Cambridge Associates Resources, LLC, created a limited partnership, UNCG Endowment Partners, LP. As part of the agreement, Cambridge is the General Partner and The University of North

Carolina at Greensboro Investment Fund, Inc. is the Limited Partner. The University of North Carolina at Greensboro Investment Fund, Inc. contributed its investment portfolio in exchange for its interest in UNCG Endowment Partners, LP. The Board's primary role is to adopt investment objectives and policies and monitor the policy implementation and investment performance.

Cambridge Associates Resources, LLC serves as the outsourced chief investment officer for the Pool and provides the University with monthly statements defining income and fair value information, which is then allocated among the fund's participants. There are no involuntary participants in the Pool. The University has not provided or obtained any legally binding guarantees during the period to support the value for the Pool's investments. The annual financial report for the External Investment Pool may be obtained from the Business Affairs Office, 254 Mossman, Greensboro, NC 27402, or by calling (336) 334-5200.

The following table presents investments by type and investments subject to interest rate risk at June 30, 2016, for the External Investment Pool.

External Investment Pool

	Amount
Investment Type	
Other Securities	
Partnerships:	
UNCG Endowment Partners, LP	$ 235,021,232

Non-Pooled Investments - The following table presents the investments by type and investments subject to interest rate risk at June 30, 2016, for the University's non-pooled investments.

Non-Pooled Investments

		Investment Maturities (in Years)		
	Amount	Less Than 1	1 to 5	6 to 10
Investment Type				
Debt Securities				
Money Market Funds	$ 45	$ 45	$ 0	$ 0
Mutual Bond Funds	3,301,056		718,032	2,583,024
Total Debt Securities	3,301,101	$ 45	$ 718,032	$ 2,583,024
Other Securities				
Mutual Funds	8,518,161			
Corporate Securities:				
Common Stocks	1,809,226			
Investment in Real Estate	383,500			
Total Non-Pooled Investments	$ 14,011,988			

At June 30, 2016, the University's non-pooled investments had the following credit quality distribution for securities with credit exposure:

	Amount	AAA Aaa	AA Aa	A	BB/Ba and below
Money Market Funds	$ 45	$ 45	$ 0	$ 0	$ 0
Mutual Bond Funds	3,301,056		1,529,564	688,508	1,082,984
Totals	$ 3,301,101	$ 45	$ 1,529,564	$ 688,508	$ 1,082,984

Rating Agency: Standard & Poor's and Moody's Rating Services

Total Investments - The following table presents the fair value of the total investments at June 30, 2016:

	Amount
Investment Type	
Debt Securities	
Money Market Funds	$ 45
Mutual Bond Funds	3,301,056
Other Securities	
Mutual Funds	8,518,161
Corporate Securities:	
Common Stocks	1,809,226
Investment in Real Estate	383,500
Partnerships:	
UNCG Endowment Partners, LP	235,021,232
Total Investments	$ 249,033,220

C. Reconciliation of Deposits and Investments - A reconciliation of deposits and investments for the University as of June 30, 2016, is as follows:

Cash on Hand	$ 56,428
Amount of Deposits with Private Financial Institutions	9,617,373
Deposits in the Short-Term Investment Fund	135,265,591
External Investment Pool	235,021,232
Non-Pooled Investments	14,011,988
Total Deposits and Investments	$ 393,972,612
Deposits	
Current:	
Cash and Cash Equivalents	$ 105,535,829
Restricted Cash and Cash Equivalents	28,731,445
Noncurrent:	
Restricted Cash and Cash Equivalents	10,672,118
Total Deposits	144,939,392
Investments	
Current:	
Short-Term Investments	904,154
Restricted Short-Term Investments	8,712,211
Noncurrent:	
Endowment Investments	235,618,517
Other Investments	3,798,338
Total Investments	249,033,220
Total Deposits and Investments	$ 393,972,612

Note 3 - Fair Value Measurements

To the extent available, the University's investments are recorded at fair value as of June 30, 2016. 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 the Short-Term Investment Fund, within the fair value hierarchy at June 30, 2016:

		Fair Value Measurements Using		
	Fair Value	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Debt Securities				
Money Market Funds	$ 45	$ 45	$ 0	$ 0
Mutual Bond Funds	3,301,056	3,301,056		
Total Debt Securities	3,301,101	3,301,101		
Other Securities				
Short-Term Investment Fund	135,265,591		135,265,591	
Mutual Funds	8,518,161	8,518,161		
Corporate Securities:				
Common Stocks	1,809,226	1,809,226		
Investment in Real Estate	383,500			383,500
Total Investments by Fair Value Level	149,277,579	$ 13,628,488	$ 135,265,591	$ 383,500
Investments Measured at the Net Asset Value (NAV)				
Partnerships:				
UNCG Endowment Partners, LP	235,021,232			
Total Investments Measured at Fair Value	$ 384,298,811			

Short-Term Investment Fund - Ownership interest of the STIF is 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.

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.

Investment in Real Estate – The UNCG Excellence Foundation, Inc. currently holds three parcels of land that were gifted to the Foundation. Two parcels are life estates which were appraised at the time of gift and recorded at a value of $383,000. These properties will be sold at the time the donor no longer lives on the property. The third parcel was gifted as part of an estate and is valued at the tax value of $500.

The valuation of investments measured at the Net Asset Value (NAV) per share (or its equivalent) is presented on the following table.

Investments Measured at the NAV

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Partnerships:				
UNCG Endowment Partners, LP	$ 235,021,232	N/A	N/A	N/A

UNCG Endowment Partners, LP – The UNCG Endowment Partners, LP (the "Partnership") will generally seek to achieve long-term equity-like returns through broadly diversifying by asset class, investment manager, geography, economic sector, and security. The Partnership seeks to achieve its objective by allocating its assets among unaffiliated limited partnerships, unaffiliated limited liability companies, unaffiliated private equity and/or venture capital funds, including offshore funds, other investment entities and/or separate accounts managed pursuant to investment management agreements (collectively, the "Underlying Funds"), as well as publicly-traded stocks, exchange-traded funds, mutual funds, bonds, and derivative contracts.

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 pooled endowment funds for 2016 and 2015 are equal to 4.25 and 4.5 percent respectively of the average market value of the Investment Pool at December 31 for the past three years. Under this policy, the prior year spending percentage is increased by the inflation rate to determine the current year spending percentage. To the extent that the total return for the current year exceeds the payout, the excess is added to 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, 2016, net appreciation of $33,450,483 was available to be spent, of which $31,139,024 was classified in net position as restricted expendable for scholarships and fellowships, endowed professorships, departmental uses, loans, art, and other, as it is restricted for specific purposes. The remaining portion of net appreciation available to be spent is classified as unrestricted net position.

During the current year, the University incurred investment losses that exceeded the related endowment's available accumulated income and net appreciation. These losses resulted in a reduction to the specific nonexpendable endowment balance. At June 30, 2016 the amount of investment losses reported against the nonexpendable endowment balances was $161,743.

Note 5 - Receivables

Receivables at June 30, 2016, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 2,738,830	$ 749,756	$ 1,989,074
Student Sponsors	1,171,255		1,171,255
Intergovernmental	3,410,087		3,410,087
Pledges	644,346	8,231	636,115
Investment Earnings	82,339		82,339
Interest on Loans	258,001		258,001
Other	797,751		797,751
Total Current Receivables	$ 9,102,609	$ 757,987	$ 8,344,622
Notes Receivable:			
Notes Receivable - Current:			
Federal Loan Programs	$ 1,479,925	$ 128,295	$ 1,351,630
Institutional Student Loan Programs	337,916	177,844	160,072
Total Notes Receivable - Current	$ 1,817,841	$ 306,139	$ 1,511,702
Notes Receivable - Noncurrent:			
Federal Loan Programs	$ 4,194,584	$ 574,846	$ 3,619,738

Note 6 - Capital Assets

A summary of changes in the capital assets for the year ended June 30, 2016, is presented as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital Assets, Nondepreciable:				
Land	$ 49,197,756	$ 92,833	$ 0	$ 49,290,589
Art, Literature, and Artifacts	23,032,335	260,983	11,150	23,282,168
Construction in Progress	81,226,768	52,273,104	127,272,440	6,227,432
Total Capital Assets, Nondepreciable	153,456,859	52,626,920	127,283,590	78,800,189
Capital Assets, Depreciable:				
Buildings	597,732,963	125,452,887	8,065,751	715,120,099
Machinery and Equipment	59,026,764	2,573,797	2,948,861	58,651,700
General Infrastructure	79,085,620	3,779,510		82,865,130
Total Capital Assets, Depreciable	735,845,347	131,806,194	11,014,612	856,636,929
Less Accumulated Depreciation for:				
Buildings	137,877,427	13,586,408	4,423,729	147,040,106
Machinery and Equipment	31,734,323	3,224,785	2,461,283	32,497,825
General Infrastructure	35,916,657	2,946,548		38,863,205
Total Accumulated Depreciation	205,528,407	19,757,741	6,885,012	218,401,136
Total Capital Assets, Depreciable, Net	530,316,940	112,048,453	4,129,600	638,235,793
Capital Assets, Net	$ 683,773,799	$ 164,675,373	$ 131,413,190	$ 717,035,982

During the year ended June 30, 2016, the University incurred $12,424,854 in interest costs related to the acquisition and construction of capital assets. Of this total, $8,984,194 was charged in interest expense, and $3,440,660 was capitalized.

Note 7 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2016, were as follows:

	Amount
Current Accounts Payable and Accrued Liabilities	
Accounts Payable	$ 3,455,791
Accrued Payroll	6,395,729
Other	547,592
Total Current Accounts Payable and Accrued Liabilities	$ 10,399,112
Noncurrent Accounts Payable and Accrued Liabilities	
Contract Retainage	$ 3,077,705

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, 2016, is presented as follows:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Current Portion
Revenue Bonds Payable	$ 305,664,000	$ 21,575,000	$ 31,453,000	$ 295,786,000	$ 11,895,000
Plus: Unamortized Premium	23,091,273	2,611,065	2,255,832	23,446,506	
Total Revenue Bonds Payable, Net	328,755,273	24,186,065	33,708,832	319,232,506	11,895,000
Net Pension Liability	6,216,997	12,135,658		18,352,655	
Notes Payable	11,739,429	12,852,003	10,007,755	14,583,677	598,749
Compensated Absences	12,571,685	9,237,006	10,479,096	11,329,595	596,355
Annuity and Life Income Payable	7,426,657		690,470	6,736,187	
Total Long-Term Liabilities, Net	$ 366,710,041	$ 58,410,732	$ 54,886,153	$ 370,234,620	$ 13,090,104

Additional information regarding the net pension liability is included in Note 12.

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

Purpose	Series	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2016	Principal Outstanding June 30, 2016
Revenue Bonds Payable						
General Revenue Bonds						
General Revenue Bonds (2009)	A	3.50%-5.00%	04/01/2034	$ 29,525,000	$ 26,725,000	$ 2,800,000
General Revenue Bonds (2009)	B	3.00%	04/01/2016	4,120,000	4,120,000	
General Revenue Bonds (2011)		3.00%-5.00%	04/01/2036	77,505,000	975,000	76,530,000
General Revenue Bonds (2012)	A	2.00%-5.00%	04/01/2037	52,360,000	6,390,000	45,970,000
General Revenue Bonds (2014)		3.00%-5.00%	04/01/2039	125,685,000	5,220,000	120,465,000
General Revenue Bonds (2015)		1.75%	04/01/2026	10,109,000	1,513,000	8,596,000
General Revenue Bonds (2016)		2.50%-5.00%	04/01/2034	21,575,000		21,575,000
Total General Revenue Bonds				320,879,000	44,943,000	275,936,000
The University of North Carolina System Pool Revenue Bonds						
General Revenue Bonds (2005A)	(A)	4.00%-5.25%	04/01/2026	22,235,000	17,700,000	4,535,000
General Revenue Bonds (2010B-2)	(B)	3.25%-5.25%	04/01/2026	23,780,000	8,465,000	15,315,000
Total The University of North Carolina System Pool Revenue Bonds				46,015,000	26,165,000	19,850,000
Total Revenue Bonds Payable (principal only)				$ 366,894,000	$ 71,108,000	295,786,000
Plus: Unamortized Premium						23,446,506
Total Revenue Bonds Payable, Net						$ 319,232,506

(A) The University of North Carolina System Pool Revenue Bonds, Series 2005A
(B) The University of North Carolina System Pool Revenue Bonds, Series 2010B-2

C. Annual Requirements - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2016, are as follows:

	Annual Requirements			
	Revenue Bonds Payable		Notes Payable	
Fiscal Year	Principal	Interest	Principal	Interest
2017	$ 11,895,000	$ 13,557,269	$ 598,749	$ 181,618
2018	11,520,000	13,105,718	638,384	160,017
2019	11,691,000	12,652,343	13,346,544	43,273
2020	12,211,000	12,140,425		
2021	12,785,000	11,571,045		
2022-2026	68,594,000	48,741,939		
2027-2031	66,180,000	32,816,469		
2032-2036	74,585,000	16,543,412		
2037-2039	26,325,000	2,331,600		
Total Requirements	$ 295,786,000	$ 163,460,220	$ 14,583,677	$ 384,908

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

On April 4, 2016, the University issued $21,575,000 in General Revenue refunding bonds, Series 2016 with an average interest rate of 3.94%. The bonds were issued to advance refund $21,515,000 of outstanding General Revenue Bonds, Series 2009A bonds with an average interest rate of 4.88%. The net proceeds of the refunding bonds were used to purchase U.S. government securities. These securities were deposited into an irrevocable trust to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the University's Statement of Net Position. This advance refunding was undertaken to reduce total debt service payments by $2,365,736 over the next 18 years and resulted in an economic gain of $1,884,376. At June 30, 2016, the outstanding balance was $21,515,000 for the defeased General Revenue Bonds, Series 2009A.

E. Notes Payable - The University was indebted for notes payable for the purposes shown in the following table:

Purpose	Financial Institution	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2016	Principal Outstanding June 30, 2016
Energy Savings Performance Contract	Sun Trust Equipment Finance Corp.	3.61%	03/01/2019	$ 5,808,994	$ 3,891,925	$ 1,917,069
Spartan Village Phase II	PNC	0.89% *	09/01/2018	12,666,608		12,666,608
Total Notes Payable				$ 18,475,602	$ 3,891,925	$ 14,583,677

* For variable rate debt, the interest rate in effect at June 30, 2016 is reflected in the table above.

The interest rate on the PNC Construction Advance is set on the first day of the month and can be reset on the first day of the following month. The interest rate is calculated as the sum of (1) 68.5% of the monthly LIBOR Rate and (2) 57.5 basis points (0.575%), calculated on the basis of a 365 day year for the actual number of days elapsed.

The University plans to refinance the notes maturing on September 1, 2018 with other long-term financing.

F. Annuities Payable – The Annuity and Life Income Payable balance consists of 157 Charitable Annuity agreements and 17 Charitable Remainder Unitrusts with a market value of $12.5 million. The $6.736 million Annuity and Life Income Payable liability is the expected present value payable to donors based upon their age, the agreed on payment rate, and the applicable federal rate.

Note 9 - Operating Lease Obligations

The University entered into operating leases for real property and equipment. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2016:

Fiscal Year	Amount
2017	$ 178,134
2018	144,422
2019	116,920
2020	105,648
2021	89,374
Total Minimum Lease Payments	$ 634,498

Rental expense for all operating leases during the year was $248,380.

Note 10 - Revenues

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees, Net	$ 140,006,294	$ 0	$ 39,915,187	$ 500,995	$ 99,590,112
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Residential Life	$ 30,819,056	$ 311,683	$ 8,364,909	$ 110,770	$ 22,031,694
Dining	19,199,724	10,795	4,742,690	62,990	14,383,249
Student Union Services	142,703				142,703
Health, Physical Education, and Recreation Services	1,363,156	28,914			1,334,242
Parking	3,862,966	147,251		43,130	3,672,585
Athletic	834,170	11,511			822,659
Other	4,989,931	2,890,707		3,163	2,096,061
Sales and Services of Education and Related Activities	7,044,600	123,265			6,921,335
Total Sales and Services, Net	$ 68,256,306	$ 3,524,126	$ 13,107,599	$ 220,053	$ 51,404,528

Note 11 - Operating Expenses by Function

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	$ 117,843,821	$ 4,002,293	$ 7,843,812	$ 5,717	$ 3,580	$ 0	$ 129,699,223
Research	11,022,943	988,711	4,276,036	736,130			17,023,820
Public Service	6,626,969	220,414	2,337,123	14,938	738		9,200,182
Academic Support	25,956,377	6,435,060	7,400,094	855,936	2,689		40,650,156
Student Services	13,822,515	1,437,908	3,624,357	1,500			18,886,280
Institutional Support	15,500,841	845,618	5,181,168	1,000	535		21,529,162
Operations and Maintenance of Plant	17,842,560	2,929,934	4,757,271		5,456,942		30,986,707
Student Financial Aid				27,721,020			27,721,020
Auxiliary Enterprises	17,459,654	2,707,292	21,396,870	7,500	2,505,297		44,076,613
Depreciation						19,757,741	19,757,741
Total Operating Expenses	$ 226,075,680	$ 19,567,230	$ 56,816,731	$ 29,343,741	$ 7,969,781	$ 19,757,741	$ 359,530,904

Note 12 - 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. 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 full retirement benefits at age 65 with five years of creditable 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 partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable 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 or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the NC General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The University's contractually-required contribution rate for the year ended June 30, 2016 was 9.15% of covered payroll. The University's contributions to the pension plan were $6,794,463, and employee contributions were $4,455,386 for the year ended June 30, 2016.

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 2015 *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page http://www.osc.nc.gov/ and clicking on "Reports" 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 were 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. The plan's fiduciary net position was determined on the same basis used by the pension plan.

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 Investment Pool. The pension trust funds are the primary participants in the Long-term Investment portfolio and the sole participants in the External Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Credit Investment, and Inflation Protection Investment portfolios. The investment balance of each pension trust fund represents its share of the fair market 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 2015 *Comprehensive Annual Financial Report.*

Net Pension Liability: At June 30, 2016, the University reported a liability of $18,352,655 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014, and update procedures were used to roll forward the total pension liability to June 30, 2015. The University's proportion of the net pension liability was based on the present value of future salaries for the University relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2015, the University's proportion was .49801%, which was a decrease of .03226 from its proportion measured as of June 30, 2014.

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	12/31/14
Inflation	3%
Salary Increases*	4.25% - 9.10%
Investment Rate of Return**	7.25%

* Salary increases include 3.5% inflation and productivity factor.

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

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. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2014 valuations were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc Cost of Living Adjustment (COLA) 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, 2015 (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	2.2%
Global Equity	5.8%
Real Estate	5.2%
Alternatives	9.8%
Credit	6.8%
Inflation Protection	3.4%

The information above is based on 30-year expectations developed with the consulting actuary for the 2014 asset, liability and investment policy study for 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 3.19%. All rates of return and inflation are annualized.

Discount Rate: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily 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 calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Net Pension Liability (Asset)

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
$ 55,236,426	$ 18,352,655	$ (12,947,478)

Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions: For the year ended June 30, 2016, the University recognized pension expense of $1,314,859. At June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions 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	$ 0	$ 2,086,697
Changes of Assumptions		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		1,988,354
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions		1,547,769
Contributions Subsequent to the Measurement Date	6,794,463	
Total	$ 6,794,463	$ 5,622,820

The amount of $6,794,463 reported as deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in 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 ended June 30:		Amount
2017	$	(2,863,057)
2018		(2,863,057)
2019		(2,746,330)
2020		2,849,624
Total	$	(5,622,820)

B. Defined Contribution Plan - The Optional Retirement Program (Program) is a defined contribution pension plan that provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. Administrators and eligible faculty of the University may join the Program instead of the TSERS. The Board of Governors of The University of North Carolina is responsible for the administration of the Program and designates the companies authorized to offer investment products or the trustee responsible for the investment of contributions under the Program and approves the form and contents of the contracts and trust agreements.

Participants in the Program are immediately vested in the value of employee contributions. The value of employer contributions is vested after five years of participation in the Program. Participants become eligible to receive distributions when they terminate employment or retire.

Participant eligibility and contributory requirements are established by General Statute 135-5.1. Employer and member contribution rates are set each year by the North Carolina General Assembly. For the year ended June 30, 2016, these rates were set at 6.84% of covered payroll for employers and 6% of covered payroll for members. The University assumes no liability other than its contribution.

For the current fiscal year, the University had a total payroll of $184,023,938, of which $81,562,665 was covered under the Optional Retirement Program. Total employer and employee contributions for pension benefits for the year were $5,578,886 and $4,893,760, respectively. The amount of pension expense recognized in the current year related to ORP is equal to the employer contributions less forfeitures of $267,868 recognized during the reporting period.

Note 13 - Other Postemployment Benefits

A. Health Benefits - The University participates in the Comprehensive Major Medical Plan (the Plan), a cost-sharing, multiple-employer defined benefit health care plan that provides postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System (TSERS) or the Optional Retirement Program (ORP). Coverage eligibility varies depending on years of contributory membership service in their retirement system prior to disability or retirement.

The Plan's benefit and contribution provisions are established by Chapter 135, Article 3B, 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.

By General Statute, a Retiree Health Benefit Fund (the Fund) has been established as a fund in which accumulated contributions from employers and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and applicable beneficiaries. By statute, the Fund is administered by the Board of Trustees of TSERS and contributions to the Fund are irrevocable. Also by law, Fund assets are dedicated to providing benefits to retired and disabled employees and applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to the Fund. Contribution rates to the Fund, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are established by the General Assembly.

For the current fiscal year the University contributed 5.60% of the covered payroll under TSERS and ORP to the Fund. Required contribution rates for the years ended June 30, 2015, and 2014, were 5.49% and 5.40%, respectively. The University made 100% of its annual required contributions to the Plan for the years ended June 30, 2016, 2015, and 2014, which were $8,725,869, $8,421,927, and $8,473,310, respectively. The University assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page http://www.osc.nc.gov/ and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

B. Disability Income - The University participates in the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to provide short-term and long-term disability benefits to eligible members of TSERS and ORP. 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.

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2016, the University made a statutory contribution of .41% of covered payroll under TSERS and ORP to the DIPNC. Required contribution rates for the years ended June 30, 2015, and 2014, were .41% and .44%, respectively. The University made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2016, 2015, and 2014, which were $638,858, $628,960, and $690,418, respectively. The University assumes no liability for long-term disability benefits under the Plan other than its contribution.

Additional detailed information about the DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report.*

Note 14 - 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 and retirees 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 has contracted with third parties to process claims.

2. Death Benefit Plan of North Carolina

Term life insurance (death benefits) of $25,000 to $50,000 is provided to eligible workers. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was .16% for the current fiscal year.

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

The University is required to maintain fire and lightning coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Such 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 coverage. Losses covered by the Fund are subject to a $5,000 per occurrence deductible. However, some agencies have chosen a higher deductible for a reduction in premium. The General Property Coverage Policy is the Fund's basic policy and is used to provide insurance against losses caused by Fire and Lightning, Extended Coverage, Broad Form Coverage, and Special Form Coverage. However, the University is covered only for those named perils for which the University has paid a premium and for which the named peril is indicated in the Declarations. Extended coverage for buildings and contents has been purchased for the following buildings: Chemical Storage Facility, the Baseball Complex, the Sullivan Science Building, the Graphics and Printing Services Building, and the Elliott University Center. Vandalism and Malicious Mischief insurance (VMM) has been purchased for the Elliott University Center. The University must fund the additional cost of the above state insurance. Both the Extended coverage and VMM are subject to a $5,000 deductible per event and the cost is based on the declared value of each structure.

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 $10,000,000 via contract with a private insurance company. 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 *Comprehensive Annual Financial Report*, issued by the Office of the State Controller.

5. Other Insurance Held by the University

The University purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance. These purchased coverages are: "all-risk" for computers and miscellaneous equipment covering all perils including fire (replacement cost on listed computers and miscellaneous equipment, $5,000 deductible per event); study abroad accident and health ($250,000 per injury or sickness medical expenses, $10,000 accidental death and dismemberment, $50,000 repatriation of remains, $200,000 evacuation benefit limit, $1,500 bedside visit); international students accident and sickness ($150,000 maximum limit for medical expenses, $10,000 accidental death and dismemberment, $15,000 for repatriation of remains and $50,000 lifetime benefit for medical evacuation); robbery and safe burglary ($1,000,000 per event, $25,000 deductible); musical instruments (stated value cash replacement value with $500 deductible); fine art (property coverage – museum collection and temporary loan, Limits of Liability: $250.0 million limit at insured premises, $25.0 million at any other location, $25.0 million limit in transit on any one conveyance, exhibition, and location, $70.0 million for TRIA (Terrorism Risk Insurance Act), and $250.0 million aggregate limit in any one loss or disaster; Deductibles: $2,500); University Intern liability ($2.0 million per incident / $4.0 million per year; business travel ($100,000 maximum medical expense, $10,000 maximum accidental death and dismemberment maximum benefit, $100,000 medical evacuation maximum benefit); boiler and machinery ($50.0 million equipment breakdown limit, $5,000 deductible); leased computer equipment (stated value with $10,000 deductible for medical equipment and $500 deductible for all other); athletic accident (maximum medical coverage limit $75,000, with $0 deductible, maximum death specific loss $50,000); physicians professional medical liability ($1.0 million per person, $3.0 million total); postal bond (coverage limit $30,000); non-physicians professional medical liability (individual policies) ($1.0 million per person, $3.0 million total); medical professional liability – Kinesiology ($1,000,000 per occurrence, $3,000,000 aggregate) – Genetic Counseling ($2.0 million per occurrence, $4.0 million aggregate); student health; camp accident ($250,000 accidental death and dismemberment maximum annual limit); club sports travel ($10,000 accidental death and dismemberment); volunteer liability ($1.0 million per incident / $3.0 million per year).

Note 15 - 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 $7,940,015 at June 30, 2016.

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.

C. Other Contingent Receivables - The University has received notification of other gifts and grants for which funds have not been disbursed by the resource provider and for which conditions attached to the gift or grant have not been satisfied or, in the case of permanent endowments, cannot begin to be satisfied. In accordance with accounting principles generally accepted in the United States of America, these amounts have not been recorded on the accompanying financial statements. The purpose and amount of other contingent receivables at year-end are as follows:

Purpose	Amount
Pledges to the UNCG Excellence Foundation Endowment Fund	$ 471,389
Pledges to the UNCG Endowment Fund	2,229,694

Note 16 - Related Parties

The University and North Carolina Agricultural and Technical State University have formed a jointly governed nonprofit organization, Gateway University Research Park, Inc., which is also a component unit of the State of North Carolina. The purpose of this organization is to provide a collaborative research environment that fosters academic enrichment, research growth, technology transfer, commercialization, and discovery while encouraging and promoting regional economic development.

During the fiscal year the University made payments totaling $1,900,330 to Gateway University Research Park, Inc. These payments consisted of: $1,288,228 for the construction, maintenance, acquisition, movement, installation, and upgrades of offices, classrooms, and laboratories for the Joint School of Nanoscience and Nanoengineering; $471,101 for the operation and maintenance of University facilities at the Gateway University Research Park; $125,000 for the annual management fee for the Gateway University Research Park; and $16,001 for other facility use fees and maintenance expenses.

Note 17 - Blended Component Units

Condensed combining information for the University's blended component units for the year ended June 30, 2016, is presented as follows:

Condensed Statement of Net Position
June 30, 2016

	UNCG	UNCG Excellence Foundation	Human Environmental Sciences Foundation	Weatherspoon Arts Foundation	Capital Facilities Foundation	Total
ASSETS						
Current Assets	$ 144,724,915	$ 6,355,637	$ 448,764	$ 0	$ 2,615,318	$ 154,144,634
Capital Assets	681,997,243			23,231,668	11,807,071	717,035,982
Other Noncurrent Assets	140,477,506	106,652,812	8,196,203			255,326,521
Total Assets	967,199,664	113,008,449	8,644,967	23,231,668	14,422,389	1,126,507,137
TOTAL DEFERRED OUTFLOWS OF RESOURCES	11,377,909					11,377,909
LIABILITIES						
Current Liabilities	32,703,706	232,273			122,213	33,058,192
Long-Term Liabilities, Net	344,477,908				12,666,608	357,144,516
Other Noncurrent Liabilities	6,345,798	6,736,187				13,081,985
Total Liabilities	383,527,412	6,968,460			12,788,821	403,284,693
TOTAL DEFERRED INFLOWS OF RESOURCES	5,622,820	161,046				5,783,866
NET POSITION						
Net Investment in Capital Assets	360,554,433			23,231,668		383,786,101
Restricted - Nonexpendable	66,970,867	66,671,703	4,503,078			138,145,648
Restricted - Expendable	87,150,613	32,314,443	2,691,811			122,156,867
Unrestricted	74,751,428	6,892,797	1,450,078		1,633,568	84,727,871
Total Net Position	$ 589,427,341	$ 105,878,943	$ 8,644,967	$ 23,231,668	$ 1,633,568	$ 728,816,487

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

For the Fiscal Year Ended June 30, 2016

	UNCG	UNCG Excellence Foundation	Human Environmenta Sciences Foundation	Weatherspoon Arts Foundation	Capital Facilites Foundation	Eliminations	Total
OPERATING REVENUES							
Rental Income	$ 0	$ 0	$ 0	$ 0	$ 296,477	$ (271,631)	$ 24,846
Operating Revenues	160,873,902						160,873,902
Total Operating Revenues	160,873,902				296,477	(271,631)	160,898,748
OPERATING EXPENSES							
Operating Expenses	339,775,782	133,988	1,763		141,131	(279,501)	339,773,163
Depreciation	19,724,375	3,559			29,807		19,757,741
Total Operating Expenses	359,500,157	137,547	1,763		170,938	(279,501)	359,530,904
Operating Gain (Loss)	(198,626,255)	(137,547)	(1,763)		125,539	7,870	(198,632,156)
NONOPERATING REVENUES (EXPENSES)							
Investment Loss	(4,272,400)	(4,281,772)	(375,142)				(8,929,314)
Noncapital Gifts	3,389,379	547,875					3,937,254
Interest and Fees on Debt	(8,860,694)				(146,383)		(9,007,077)
Other Nonoperating Revenues	224,000,608						224,000,608
Other Nonoperating Expenses	(4,256,830)	(853)		(11,150)			(4,268,833)
Net Nonoperating Revenues (Expenses)	210,000,063	(3,734,750)	(375,142)	(11,150)	(146,383)		205,732,638
Transfers		(4,480,272)	(373,393)			4,853,665	
Capital Contributions	4,041,751			245,983			4,287,734
Additions to Endowments	3,364,184	2,699,731	54,634				6,118,549
Increase (Decrease) in Net Position	18,779,743	(5,652,838)	(695,664)	234,833	(20,844)	4,861,535	17,506,765
NET POSITION							
Net Position, July 1, 2015	565,786,063	111,531,781	9,340,631	22,996,835	1,654,412		711,309,722
Net Position, June 30, 2016	$ 584,565,806	$ 105,878,943	$ 8,644,967	$ 23,231,668	$ 1,633,568	$ 4,861,535	$ 728,816,487

Condensed Statement of Cash Flows

June 30, 2016

	UNCG	UNCG Excellence Foundation	Human Environmental Sciences Foundation	Capital Facilities Foundation	Eliminations	Total
Net Cash Used by Operating Activities	$ (185,806,176)	$ (133,988)	$ (1,763)	$ (529,386)	$ 0	$ (186,471,313)
Net Cash Provided (Used) by Noncapital Financing Activities	231,408,268	(2,465,869)	(318,759)		4,671,411	233,295,051
Net Cash Provided (Used) by Capital and Related Financing Activities	(70,665,071)	22,816		164,577		(70,477,678)
Net Cash Provided by Investing Activities	2,885,202	2,689,131	322,857			5,897,190
Net Increase (Decrease) in Cash and Cash Equivalents	(22,177,777)	112,090	2,335	(364,809)	4,671,411	(17,756,750)
Cash and Cash Equivalents, July 1, 2015	158,089,093	1,841,587	57,577	2,707,885		162,696,142
Cash and Cash Equivalents, June 30, 2016	$ 135,911,316	$ 1,953,677	$ 59,912	$ 2,343,076	$ 4,671,411	$ 144,939,392

The University of North Carolina at Greensboro Investment Fund, Inc. (the Fund) was formed to consolidate the endowment pool investments of The University of North Carolina at Greensboro Human Environmental Sciences Foundation, Incorporated, The UNCG Excellence Foundation, Inc., and The Endowment Fund of The University of North Carolina at Greensboro. Subsequently The Alumni Association of The University of North Carolina at Greensboro and The Associated Campus Ministries of The University of North Carolina at Greensboro joined the Fund as external participants. The Fund is the fiscal agent for the pool, and all units of the pool are owned by The University of North Carolina at Greensboro Human Environmental Sciences Foundation, Incorporated, The UNCG Excellence Foundation, Inc., The Endowment Fund of The University of North Carolina at Greensboro, The Alumni Association of The University of North Carolina at Greensboro, and The Associated Campus Ministries of The University of North Carolina at Greensboro (the Participants). Since the balances of the Participants are blended with the University for financial reporting and are included in the condensed combining information shown in the above tables, the entire activity for The University of North Carolina at Greensboro Investment Fund, Inc. is not shown.

Note 18 - Changes in Financial Accounting and Reporting

For the fiscal year ended June 30, 2016, the University implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

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

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

GASB Statement No. 72 provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

	2015	2014	2013
Proportionate share percentage of collective net pension liability	0.49801%	0.53027%	0.55270%
Proportionate share of TSERS collective net pension liability	$ 18,352,655	$ 6,216,997	$ 33,554,522
Covered-employee payroll	$ 73,915,822	$ 75,983,103	$ 78,802,024
Net pension liability as a percentage of covered-employee payroll	24.83%	8.18%	42.58%
Plan fiduciary net position as a percentage of the total pension liability	94.64%	98.24%	90.60%

	2016	2015	2014	2013	2012
Contractually required contribution	$ 6,794,463	$ 6,763,298	$ 6,602,932	$ 6,564,209	$ 5,823,207
Contributions in relation to the contractually determined contribution	6,794,463	6,763,298	6,602,932	6,564,209	5,823,207
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Covered-employee payroll	$ 74,256,427	$ 73,915,822	$ 75,983,103	$ 78,802,024	$ 78,268,906
Contributions as a percentage of covered-employee payroll	9.15%	9.15%	8.69%	8.33%	7.44%

	2011	2010	2009	2008	2007
Contractually required contribution	$ 3,997,274	$ 2,840,309	$ 2,730,725	$ 2,304,401	$ 1,794,990
Contributions in relation to the contractually determined contribution	3,997,274	2,840,309	2,730,725	2,304,401	1,794,990
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Covered-employee payroll	$ 81,080,607	$ 79,560,471	$ 81,271,581	$ 75,554,145	$ 67,480,821
Contributions as a percentage of covered-employee payroll	4.93%	3.57%	3.36%	3.05%	2.66%

Changes of Benefit Terms:

Cost of Living Increase

2015*	2014	2013	2012	2011	2010	2009	2008	2007	2006
1.00%	N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%	3.00%	2.00%

Changes of assumptions. In 2008, and again in 2012, the rates of withdrawal, mortality, service retirement and salary increase for active members and the rates of mortality for beneficiaries were adjusted to more closely reflect actual experience. Assumptions for leave conversions and loads were also revised in 2012.

*Per the 2015 State of North Carolina *Comprehensive Annual Financial Report* , the 1.00% cost of living adjustment applies to retirees whose retirement began on or before July 1, 2013.

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James Clotfelter
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Randle Bennett
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Quita Loflin
Manager of Financial Systems and Reporting

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1891
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