



NC STATE UNIVERSITY

Annual Financial Report 2018

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Prepared by the University Controller's Office
For the Fiscal Year Ended June 30, 2018

A constituent institution of the University of North Carolina
and a component unit of the State of North Carolina



MISSION STATEMENT

As a research-extensive land-grant university, North Carolina State University is dedicated to excellent teaching, the creation and application of knowledge, and engagement with public and private partners. By uniting our strength in science and technology with a commitment to excellence in a comprehensive range of disciplines, NC State promotes an integrated approach to problem solving that transforms lives and provides leadership for social, economic, and technological development across North Carolina and around the world.



As a Research I, land-grant institution, NC State is committed to providing a world-class education and innovative research developments to the people of North Carolina and beyond, a mission that has stayed the same throughout our 131 years as a university.

Our Think and Do mentality guides the NC State community towards success. As a research institution, we are dedicated to tackling the grand challenges of the world. Our world-renowned faculty is committed to finding these global solutions, bolstering the reputation of this grand university, and providing students with a challenging and invigorating educational experience.

During the past year, NC State faculty members received prestigious national and global awards for their contributions, including a Sloan Fellowship, a Heinz Award for Technology, and an O. Max Gardner Award. Our staff members have also received recognition for their efforts in the form of awards like the Governor's Award for Excellence. NC State's students won a Marshall Scholarship, an Astronaut Scholarship, two Hollings Scholarships, 14 Gilman Scholarships, and a total of 22 National Science Foundation graduate research fellowships.

These remarkable faculty, staff and student achievements prove NC State's dedication to providing an exceptional education that is accessible to all communities, and our continued growth has not gone unnoticed. The Princeton Review named NC State to their "Colleges That Pay You Back" list. Kiplinger's Personal Finance listed NC State in the top ten for best value among public universities for in-state and out-of-state students.

NC State fulfilled another outstanding year for the books, proving itself as a research powerhouse. Our research expenditures exceeded \$500 million for the fiscal year. Researchers and Research Administrators submitted over 3,413 proposals valuing at \$1.15 billion in total funding requests. NC State's research awards total has seen significant growth in the last nine years, as it has increased by 63% since 2009.

It was also a record-breaking year regarding partnerships and support from donors. Research commercialization and startups have strengthened Centennial Campus partnerships from last year by 4%, opening 13 new offices on campus and bringing the total number of Partner employees to 4,800. NC State has also made excellent progress of \$1.33 billion toward our goal of \$1.6 billion for the Think and Do the Extraordinary Campaign. For the second year in a row, NC State exceeded the \$200 million mark in gifts and new commitments, with gifts totaling \$215.4 million.

The future of NC State is supported through developments like these that allow our students, faculty, and staff to pursue the Think and Do mindset. Our university provides challenging educational experiences that create lasting impacts. I am confident in the future of our great university, and I look forward to everything it has yet to accomplish.

A handwritten signature in black ink that reads "Randy Woodson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Randy Woodson, Chancellor
NC State University

To: Chancellor W. Randolph Woodson and the Board of Trustees
North Carolina State University



I am pleased to present North Carolina State University's 2018 Annual Financial Report. Prepared by Finance and Administration staff in accordance with generally accepted accounting principles for public colleges and universities as defined by the Governmental Accounting Standards Board, the report contains detailed information about the university's financial activities. This report includes key financial data for the past five years, complete financial statements with management analysis, the Office of the State Auditor's report, and recent achievements. Supplemental information includes trend data relating to admissions, enrollment, degrees awarded, faculty, endowment, and debt coverage. The information enclosed is accurate in all material respects and reported in a manner fairly representing the university's financial position to the best of our knowledge. Finance and Administration maintains an effective system of internal controls to ensure that assets are safeguarded and transactions are properly executed and recorded.

Financial Report Highlights

- The university's financial assets were \$3.40 billion.
- Net position grew by \$95.5 million or 27.4% during the reporting period. Beginning net position was restated to \$349.1 million as a result of GASB pronouncements relating to OPEB and ending net position was \$444.6 million.
- Revenues and expenses (operating, nonoperating and other) were \$1.65 billion and \$1.56 billion, respectively.
- Revenues exceeded expenses by \$53.3 million (net income) before capital revenues of \$30.5 million and additions to endowments of \$11.7 million.
- Revenues (operating, nonoperating and other) increased by \$78.9 million or 5.0%, primarily due to increases in student tuition and fees, capital grants, sales and services, state appropriations and investment income.
- State noncapital appropriations increased \$8.9 million, and capital appropriations increased \$2.4 million.
- Operating expenses increased by \$37.5 million or 2.5%, with instruction, auxiliary enterprises and research, showing the largest increases.

NC State upholds its commitment to financial stewardship and its overarching goal of solving the grand challenges of an increasingly complex world. In this way the university preserves its founding mission to create economic, societal and intellectual prosperity for the people of North Carolina and the United States.

Sincerely,

A handwritten signature in cursive script that reads "Mary Peloquin-Dodd".

Mary Peloquin-Dodd
Interim Vice Chancellor for Finance and Administration
NC State University

NC STATE PRIDE POINTS

Essential Facts and Figures

- 34,432 students, 2,344 faculty and 6,571 staff
- 10 colleges representing all major academic fields
- 20 residence halls and 16 Living and Learning Villages
- 900+ student organizations
- Largest university in North Carolina
- \$1.567 billion budget for fiscal year 2018
- Educating more North Carolinians than any other university
- Cooperative Extension Service provides services to citizens in all 100 counties and the Eastern Band of Cherokee Indians
- Industry Expansion Solutions helps the state's small manufacturers boost efficiencies, creating an average economic benefit of \$149 million per year since 2005

Ranked Among the Best

- #1 best college in North Carolina (Money)
- #3 veterinary medicine program nationally (U.S. News & World Report)
- #4 nationally in online graduate computer and IT programs (U.S. News & World Report)
- #6 best value nationally among public universities (U.S. News & World Report)
- #7 best value for out-of-state students among public universities (Kiplinger's)
- #8 MBA nationally in return on investment (Poets & Quants)
- #9 nationally in online engineering programs (U.S. News & World Report)
- #9 best value for in-state students among public universities (Kiplinger's)
- #11 online MBA nationally (Princeton Review)
- #12 graduate engineering program among public universities (U.S. News & World Report)

Academic Excellence: Brightest Students, Best Faculty

- NC State students won one Goldwater, Marshall, Truman and Udall Scholarships, a Fulbright grant and 24 National Science Foundation graduate research fellowships in the 2017-2018 academic year
- Recent freshman classes boast the highest high school GPAs and SAT scores in university history
- The Chancellor's Faculty Excellence Program has hired 69 world-leading educators and researchers in 20 interdisciplinary clusters, including bioinformatics, geospatial analytics and personalized medicine
- NC State ranks #5 among national research universities in producing Fulbright Scholars
- 25 faculty are members of the National Academies

Driving Economic Prosperity

- NC State's 125+ startups and spinoffs have attracted \$1.6 billion in venture capital
- #6 nationally in commercialization agreements based on university research; #2 among universities without a medical school
- 950+ U.S. patents and 1,000+ foreign patents, yielding 550+ consumer products
- NC State and its students, alumni and associated startups generate \$6.5 billion of North Carolina income annually

A National Leader in Attracting Sponsored Research

- One of only two universities in the nation leading two National Science Foundation Engineering Research Centers: the FREEDM Systems Center, researching smart-grid technology; and the ASSIST Center, developing wearable, self-powered health monitors
- NC State leads seven federally funded collaborative institutes, including:
 - \$140 million PowerAmerica initiative, developing an advanced power electronics manufacturing sector for the Department of Energy
 - \$60 million Laboratory for Analytic Sciences, studying data analytics for the National Security Agency
 - \$25 million Consortium for Nonproliferation Enabling Capabilities, combating the spread of nuclear weapons for the National Nuclear Security Administration

Rising Levels of External Support

- \$215.4 million in gifts and new commitments for FY18, second only to FY17
- \$165.1 million in cash gifts in FY18, the highest total we've ever received
- An anonymous couple made a \$4.5 million bequest to the College of Sciences to benefit students and faculty in applied mathematics

Athletic Achievement

- The football team scored a 52-31 victory over Arizona State in the Sun Bowl
- The men's and women's swimming teams and the women's cross-country team all won ACC championships
- Wrestler Mike Macchiavello won the nation championship in the 197-pound weight class, and NC State finished the NCAA Wrestling Championships tied for fourth place, the highest team finish in school history
- NC State's student-athletes also excelled in the classroom, posting the department's highest-ever federal graduation rate and graduation success rate

Interdisciplinary Partnerships That Make a Difference

- NC State is ranked #4 in the nation for the share of our research that's sponsored by private industry, according to the Information Technology and Innovation Foundation
- Eastman Chemical, LexisNexis and ABB are among our on-campus partners benefiting from next-door proximity to NC State faculty, staff and students
- NC State Entrepreneurship, our Supply Chain Resource Cooperative and our Nonwovens Institute combine academic scholarship with real-world experience to create knowledge, teach students and benefit partners
- NC State's expertise in biomanufacturing, nonwoven textiles and clean energy stimulates formation of industry clusters, drawing companies and jobs to North Carolina

NC State's Centennial Campus

A national model for partnership-driven research campuses

- Centennial Campus is a public-private research campus where 75+ corporate, government and nonprofit partners work alongside 75+ NC State research and academic units.
- The campus is also home to the College of Engineering, the College of Textiles, the College of Veterinary Medicine and the Institute for Emerging Issues, a think tank focused on tackling big issues that affect North Carolina's prosperity.
- Centennial's Office of Technology Commercialization and New Ventures helps faculty and entrepreneurs transfer discoveries from the lab to the marketplace.
- The James B. Hunt Jr. Library, winner of the prestigious Stanford Prize for Innovation in Research Libraries, is one of the most technologically advanced learning and collaboration spaces in the world.



FINANCIAL HIGHLIGHTS

FOR THE YEARS ENDED JUNE 30, 2014-2018
(DOLLARS ARE IN MILLIONS)

	2014	2015	2016	2017	2018
University Net Position					
Invested in Capital Assets, Net of Related Debt	\$1,326.7	\$1,382.7	\$1,413.8	\$1,413.7	\$1,441.2
Restricted Nonexpendable	\$94.9	\$106.6	\$119.3	\$129.0	\$143.8
Restricted Expendable (1)	\$241.3	\$211.5	\$217.7	\$275.7	\$325.4
Unrestricted	\$256.2	\$217.1	\$240.4	-\$1,469.3	-\$1,465.8
Total Net Position	\$1,919.1	\$1,917.9	\$1,991.2	\$349.1	\$444.6
Gifts					
Noncapital Gifts	\$66.3	\$68.1	\$71.2	\$78.0	\$76.6
Capital Gifts	\$2.8	\$16.2	\$7.0	\$4.4	\$6.7
Contracts & Grants					
Federal Contracts & Grants	\$140.7	\$146.7	\$158.1	\$164.5	\$165.1
State and Local Contracts and Grants	\$35.3	\$39.4	\$36.3	\$38.7	\$40.3
Nongovernmental Contracts and Grants	\$71.8	\$83.0	\$83.9	\$85.1	\$88.7
Total Contracts and Grants	\$247.8	\$269.1	\$278.3	\$288.3	\$294.1
Appropriations and Tuition and Fees					
Federal Appropriations	\$19.8	\$16.9	\$13.8	\$22.6	\$21.6
State Appropriations for Operations	\$473.0	\$481.5	\$502.5	\$506.4	\$515.4
State Appropriations for Capital Projects	\$12.2	\$0.0	\$9.0	\$6.1	\$8.5
Tuition and Fees (Gross)	\$336.0	\$360.3	\$384.4	\$404.9	\$432.3
Foundation Support	\$56.9	\$72.9	\$65.1	\$68.2	\$70.0
Endowment Investments	\$205.0	\$230.1	\$209.0	\$311.5	\$349.4
Investment Fund Return	15.7%	9.0%	-1.4%	11.9%	11.6%
Capital Assets					
Total University Capital Assets	\$2,732.0	\$2,819.8	\$2,940.5	\$3,024.1	\$3,135.7
Total University Capital Assets, Net of Accumulated Depreciation	\$1,948.8	\$1,977.2	\$2,025.3	\$2,021.7	\$2,054.3
University Debt					
Short-term Debt	\$10.0	\$10.0	\$40.1	\$5.1	\$20.1
Bonds Payable	\$513.6	\$499.0	\$484.3	\$519.4	\$500.0
Notes Payable	\$80.6	\$76.2	\$71.8	\$68.8	\$65.2
Estimated Expenses for Full-Time Students Living on Campus - N.C. Residents					
(dollars are in whole numbers)					
Tuition and Fees	\$8,206	\$8,296	\$8,581	\$8,880	\$9,058
Books and Supplies	\$1,058	\$1,076	\$1,076	\$1,082	\$1,082
Room Rent (Average)	\$6,034	\$6,244	\$6,375	\$6,560	\$6,618
Meals (Average)	\$3,400	\$3,786	\$3,936	\$4,075	\$4,236
Other Personal Expenses	\$2,700	\$2,690	\$1,500	\$1,508	\$1,556
Transportation	\$786	\$798	\$890	\$894	\$1,088
Total	\$22,184	\$22,890	\$22,358	\$22,999	\$23,638

1. Sources for funding Restricted Expendable Net Assets include gifts, contracts and grants, unexpended capital appropriations, endowment income, unexpended debt proceeds, required reserves, and loan funds.

2. 2014 Unrestricted Net Position does not include the restatement for GASB 68 Pension Liability Reporting implemented in Fiscal Year 2015.

3. 2014, 2015, & 2016 Unrestricted Net Position does not include the restatement for GASB 75 Other Postemployment Benefits Liability Reporting implemented in Fiscal Year 2018

BOARD OF TRUSTEES

As of June 30, 2018



Jimmy D. Clark,
Greensboro, NC
Chair



Robert Andrews III,
Raleigh, NC



Thomas Cabaniss,
Richmond, VA



Ann B. Goodnight,
Cary, NC



James A. Harrell III,
Raleigh, NC



Stanhope A. Kelly,
Winston-Salem,
NC



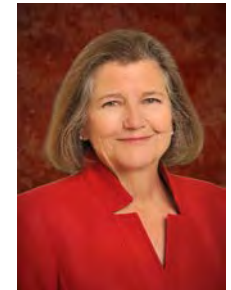
Wendell H.
Murphy,
formerly of Rose
Hill, NC



David Nimocks,
Fayetteville, NC



Dr. Ronald W.
Prestage,
Camden, SC



Susan Ward,
Raleigh, NC



Dewayne N.
Washington,
Wake Forest, NC



Edward I. Wesiger,
Jr,
Charlotte, NC



Jess Errico
Student Body
President

EXECUTIVE AND ADMINISTRATIVE OFFICERS

EXECUTIVE OFFICERS

W. Randolph Woodson

Chancellor

Marc I. Hoit

Vice Chancellor for Information Technology

Alan Rebar

Vice Chancellor for Research, Innovation and Economic Development

Warwick Arden

Provost and Executive Vice Chancellor

Brian C. Sischo

Vice Chancellor for University Advancement

Michael D. Mullen

Vice Chancellor and Dean for the Division of Academic and Student Affairs

Deborah A. Yow

Director of Athletics

Scott Douglass

Vice Chancellor for
Finance and Administration

PJ Teal

Secretary of the University

Eileen S. Goldgeier

Vice Chancellor and
General Counsel

DEANS

Richard Linton

Dean of College of
Agriculture and Life Sciences

Peter Harries

Interim Dean of Graduate School

Christine McGahan

Dean of College of Sciences

Mark Hoversten

Dean of College of Design

Jeffrey P. Braden

Dean of College of Humanities
and Social Sciences

David Hinks

Dean of College of Textiles

Mary Ann Danowitz

Dean of College of Education

Annette Ranft

Dean of Poole College of Management

Michael D. Mullen

Vice Chancellor and Dean for the Division of Academic and Student Affairs

Louis Martin-Vega

Dean of College of
Engineering

Mary Watzin

Dean of College of
Natural Resources

D. Paul Lunn

Dean of College of
Veterinary Medicine



FINANCIAL SECTION

NORTH CAROLINA
STATE UNIVERSITY

2018 ANNUAL
FINANCIAL REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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20601 Mail Service Center
Raleigh, NC 27699-0600
Telephone: (919) 807-7500
Fax: (919) 807-7647
<http://www.ncauditor.net>

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
North Carolina State University
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of North Carolina State University (University), a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, and its discretely presented component units, as of and for the year ended June 30, 2018, 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 opinions on these financial statements based on our audit. We did not audit the financial statements of the NC State Investment Fund, Inc., which represent 23 percent and 4 percent, respectively, of the assets and revenues of the University; nor the financial statements of the North Carolina State University Foundation, Inc., the NC State Student Aid Association, Inc., or The North Carolina Agricultural Foundation, Inc., the University's discretely presented component units. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports 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 *Governmental 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 North Carolina State University Foundation, Inc. and the NC State Student Aid Association, 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 opinions.

Opinions

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 respective financial position of North Carolina State University, and its discretely presented component units, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20 to the financial statements, during the year ended June 30, 2018, North Carolina State University adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended by Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017*. Our opinion is not modified with respect to this matter.

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 Information

The introductory and supplementary sections are presented for purposes of additional analysis and are not required as part of the basic financial statements. This information is the

responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The introductory and supplementary sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2018 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 a separate cover in the Financial Statement Audit Report of North Carolina State University published by this office.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

November 8, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

Management's Discussion and Analysis of the financial report provides an overview of the accompanying basic financial statements. It includes comparative financial analysis with discussion of significant changes from the prior year. The overview also includes information on currently known facts, decisions, or conditions affecting the financial affairs of the North Carolina State University (University).

Financial Highlights

The University's net position, as restated, increased by \$95.5 million to \$444.6 million in fiscal year 2018. GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB) heavily impacted the University's unrestricted net position. See further information regarding this impact in the Net Position section. Net position represents the University's equity. It is the residual of all the other elements of the statement of financial position, the assets and deferred outflows of resources less liabilities and deferred inflows of resources. Restricted expendable net position increased \$49.7 million, driven by the increase in endowed professorships due to professorships reaching their minimum endowment level which allows spending to commence and overall increase in investment return. Restricted non-expendable net position increased \$14.8 million driven mainly by the increase in gifts for professorships and the state matching for professorships. Unrestricted net position increased by \$3.5 million.

Revenues increased by \$57.4 million or 3.7%, to \$1.61 billion in fiscal year 2018. Revenues represent amounts received or accrued that are either operating or nonoperating on the accompanying financial statements. Increases in tuition and fees, state appropriations, investment income, sales and services, capital grants and research contracts and grants were major factors in the revenue growth.

Expenses grew 2.6% in 2018, up \$38.8 million over fiscal year 2017 expenses. Expenses represent amounts paid or accrued for operating or nonoperating purposes. Instruction, research, auxiliary enterprises, public service, and depreciation showed the largest increases, while other functional categories had small increases or decreases.

Using the Financial Statements

The University's financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting 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.

The 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 University blends two component units as if they were part of the University, and three entities are reported as discretely presented component units based on the nature and significance of their relationship to the University. Note 1A provides detailed information on the University's financial reporting entity.

The University's three financial statements are used to evaluate financial position as of June 30th and the results of operations for the fiscal year then ended. The *Statement of Net Position* provides information relative to the evaluation of financial position. The *Statement of Revenues, Expenses, and Changes in Net Position* provides information relative to the evaluation of the results of operations. Its ending net position agrees to the total net position on the *Statement of Net Position*.

The financial statements also include a *Statement of Cash Flows*. This statement is used to identify the University's sources and uses of cash. The ending cash on the *Statement of Cash Flows* agrees to the total cash reported on the *Statement of Net Position*. Also, this statement reconciles the net operating loss reported in the *Statement of Revenues, Expenses, and Changes in Net Position* to the net cash used by operating activities.

In using the financial statements, the *Notes to the Financial Statements* accompanying the financial statements should be read in conjunction with the financial statements. The notes provide information regarding the significant accounting principles applied in the financial statements, authority for and associated risk of deposits and investments, detailed information on long-term liabilities, detailed information on accounts receivable, accounts payable, revenues and expenses, required information on pension plans and other postemployment benefits, insurance against losses, commitments and contingencies, and accounting changes. If necessary, the disclosures include a discussion of adjustments to prior periods and events subsequent to the University's financial statement period. Overall, these disclosures provide information to better understand details, risk, and uncertainty associated with amounts reported in the financial statements.



Comparative Condensed Financial Statement Information

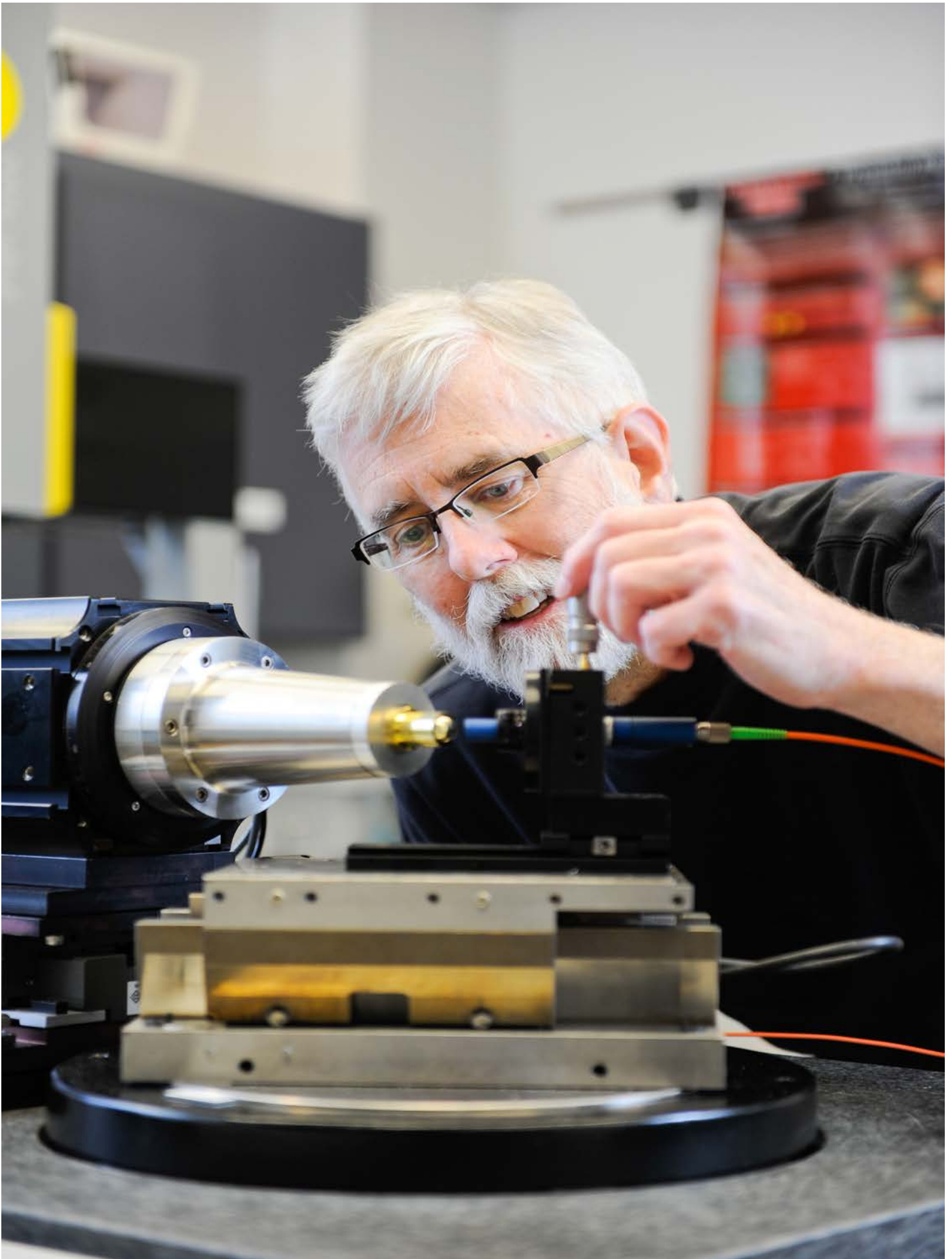
Statement of Net Position

The *Statement of Net Position* provides information regarding the University's assets, deferred outflows and inflows of resources, liabilities, and net position as of June 30, 2018. Asset and liability balances are classified as either current or noncurrent. Assets classified as current are those that are available to pay for current liabilities or current year expenditures. Liabilities classified as current are those that are due and payable in the next fiscal year. The net position balances are classified as either net

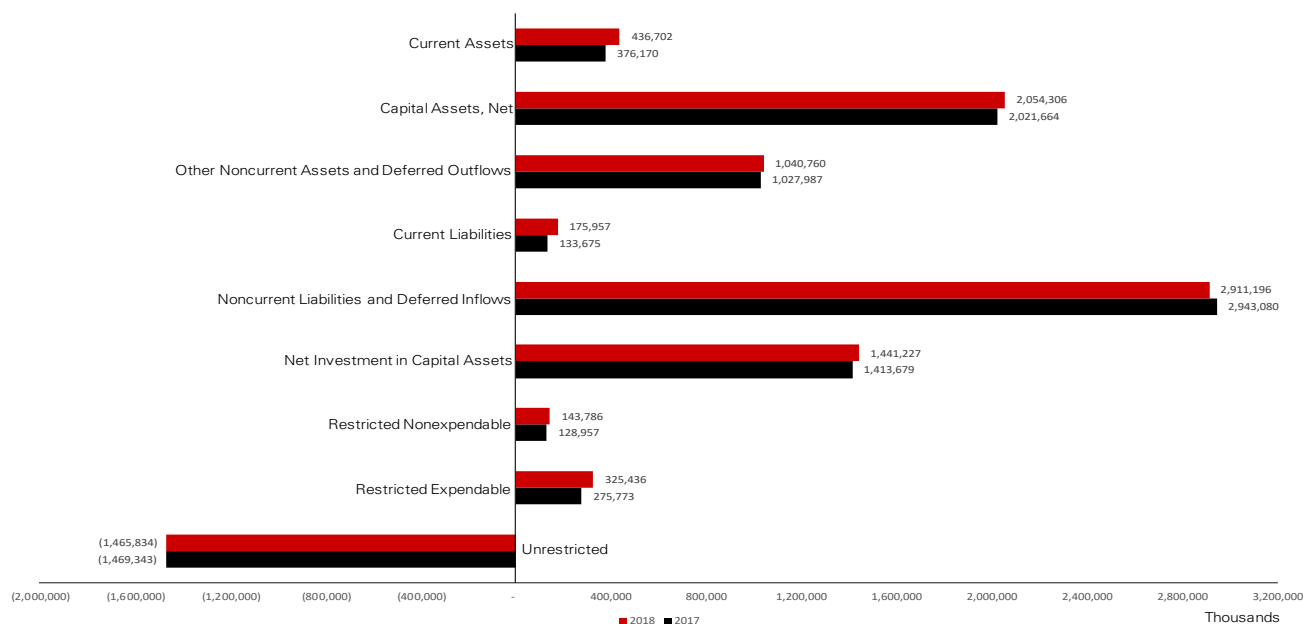
investment in capital assets, restricted or unrestricted. In addition, net position balances classified as restricted are classified as either nonexpendable or expendable. Overall, the *Statement of Net Position* provides information to evaluate the financial strength of the University and its ability to meet current and long-term obligations.

Following is a comparative analysis on the condensed balances reported in the *Statement of Net Position* as of June 30, 2018 and restated as of June 30, 2017.

	2018	As Restated 2017	Increase/ (Decrease)
Assets			
Current Assets	\$ 436,701,540	\$ 376,169,813	\$ 60,531,727
Capital Assets, Net	2,054,306,415	2,021,663,820	32,642,595
Other Noncurrent Assets	904,233,884	841,283,249	62,950,635
Total Assets	3,395,241,839	3,239,116,882	156,124,957
Deferred Outflows of Resources			
Accumulated Decrease in Fair Value of Hedging Derivatives		9,026,065	(9,026,065)
Deferred Outflows Related to Pensions	95,716,440	139,036,517	(43,320,077)
Deferred Outflows Related to OPEB	40,809,814	38,641,648	2,168,166
Total Deferred Outflows of Resources	136,526,254	186,704,230	(50,177,976)
Liabilities			
Current Liabilities	175,957,188	133,674,526	42,282,662
Noncurrent Liabilities			
Long-Term Liabilities	1,963,750,202	2,581,110,189	(617,359,987)
Other Noncurrent Liabilities	382,749,666	352,404,788	30,344,878
Total Liabilities	2,522,457,056	3,067,189,503	(544,732,447)
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions	5,778,080	9,565,156	(3,787,076)
Deferred Inflows Related to OPEB	558,917,888		558,917,888
Total Deferred Inflows of Resources	564,695,968	9,565,156	555,130,812
Net Position			
Net Investment in Capital Assets	1,441,226,903	1,413,679,229	27,547,674
Restricted			
Nonexpendable	143,785,771	128,956,654	14,829,117
Expendable	325,436,076	275,773,247	49,662,829
Unrestricted	(1,465,833,681)	(1,469,342,677)	3,508,996
Total Net Position	\$ 444,615,069	\$ 349,066,453	\$ 95,548,616



The following graph illustrates the assets, deferred outflows, liabilities, deferred inflows and net position of the University as of June 30, 2018, as compared to restated June 30, 2017 balances (*in thousands*).



Assets totaled \$3.40 billion, an increase of \$156.1 million over the prior year. This change in assets includes an increase in current assets of \$60.5 million, an overall increase in net capital assets of \$32.6 million and an increase in other noncurrent assets of \$63.0 million.

Current assets increased by \$60.5 million in fiscal year 2018. This increase was primarily the result of a \$33.5 million increase in cash and cash equivalents, driven by a \$10.9 million increase in the areas of auxiliaries, \$8.1 million increase in the management flexibility carryforward, \$7.9 million increase in clearing and processing accounts and \$7.2 million increase in miscellaneous sales and services activities. The remaining difference was offset by decreases in contracts and grants and overhead cash. Current restricted cash and cash equivalents increased \$20.2 million as a result of increases in trust funds, endowment funds and capital improvement and debt funds. Other current assets increased by small amounts.

The increase in net capital assets of \$32.6 million is due largely to an increase in spending on construction projects, driven by the start of several large projects such as Engineering Oval and Plant Sciences buildings. This was partially offset by an increase in accumulated depreciation in fiscal year 2018 as compared to fiscal year 2017 which led to a decrease in depreciable capital assets. Capital grants, capital appropriations resources and capital gifts increased from the prior year.

The \$63.0 million increase in other noncurrent assets is made up of increases in endowment investments, restricted investments and restricted cash. Noncurrent investments increased \$57.9 million due to increases in unrealized and realized gains due to market fluctuations. Noncurrent restricted cash and cash equivalents increased \$8.7 million in fiscal year 2018. The remaining difference was made up of numerous smaller items.

The deferred outflows of resources for the University's swap agreements, the deferred outflows for pensions and deferred outflows for OPEB are shown in a separate section of the financial statements. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which was implemented in fiscal year 2013, established deferred sections of the financial statements. The deferred outflows for pensions and OPEB accounts reflect the University's allocated portion of deferred outflows for the TSERS cost-sharing pension plan and the State's OPEB plans. Amounts in these accounts are amortized over time as pension and OPEB expenses. Deferred outflows of resources as restated decreased \$50.2 million in current year. The \$43.3 million decrease in the deferred outflows of pensions and the \$2.2 million increase in deferred outflows of OPEB are due to changes in the pension and OPEB contributions and the University's proportionate share of contributions to the plans. The accumulated decrease in the fair value of hedging derivatives account decreased \$9.0 million due to the University refunding the swap agreements and no longer recording a derivative.

Liabilities totaled \$2.52 billion, a decrease of \$544.7 million over the prior year as restated. The decrease in liabilities is attributable to a decrease in noncurrent liabilities of \$587.0 million, offset by an increase in current liabilities of \$42.3 million.

Current liabilities totaled \$176.0 million. These liabilities include accounts payable and accrued liabilities, payables to other entities, unearned revenue, interest payable and the current portion of University debt. The current liabilities increase of \$42.3 million was primarily caused by increases in short-term debt, accounts payable and unearned revenue. The University issued an additional \$15.0 million in outstanding commercial paper in fiscal year 2018 for



ongoing construction projects. Accounts payables and accrued liabilities increased \$13.1 million mainly due to new construction projects. In addition, unearned revenue increased \$12.1 million, with the largest increase being in contract and grant unearned revenues. The remaining difference is made up of multiple smaller items.

Noncurrent liabilities totaled \$2.35 billion, and include deposits payable, funds held for other entities, funds held in trust in the investment pool, unearned revenue, long-term liabilities and in prior year the hedging derivative liability. The primary factors in the \$587.0 million increase in noncurrent liabilities was long-term liabilities, funds held in trust for pool participants, funds held for others and the hedging derivative liability. Long-term liabilities as restated decreased by \$617.4 million, primarily due to the new OPEB liability and the restatement for the OPEB liability in 2017 which caused a decrease of \$568.6 million. Also, the University's share of the net pension liability for the Teachers' and State Employees' Retirement System (TSERS) plan decreased \$25.8 million due to the difference between the projected and actual investment earnings in the TSERS plan. Bonds payable had a net decrease of \$19.5 million due to regular principal payments and the University issuing \$87.2 million in North Carolina State University at Raleigh, General Revenue Bonds, Series 2018. The bonds were issued for a current refunding of \$42.0 million of outstanding North Carolina State University at Raleigh Variable Rate General Revenue Bonds, Series 2003B and \$57.0 million of outstanding North Carolina State University at Raleigh Variable Rate General Revenue Refunding Bonds, Series 2015, both with a variable interest rate. The decrease in long-term liabilities was offset by net increases in other noncurrent liabilities. Funds held in trust for pool participants increased \$31.7 million due to increases in unrealized gains due to market fluctuations and participant increases to the fund. Funds held for other increased \$8.9 million from fiscal year 2017 and the hedging derivative liability decreased \$9.0 million due to the University refunding the bonds and no longer having derivatives. The remaining difference is made up of multiple smaller items.

Deferred inflows for pensions and deferred inflows for OPEB, are required by the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB) and are shown in a separate section in the financial statements. This \$564.7 million deferred inflows of resources is another allocation of TSER's cost-sharing pension plan balances and OPEB plan balances. The \$555.1 million increase in deferred inflows is driven by the higher pension and OPEB liabilities related to the difference between projected and actual investment earnings. These deferred inflows for pensions and OPEB are amortized over time as pension expense and OPEB expense.

Net position totaled \$444.6 million, an increase of \$95.5 million as restated over the prior year. Restricted expendable net position increased \$49.7 million, driven by the increase in capital projects funded by capital appropriations and new debt issuance. Also, the increase in endowed professorships due to professorships

reaching their minimum endowment level which allows spending to commence and overall increase in investment return. Restricted nonexpendable net position increased \$14.8 million driven mainly by the increases in gifts for professorships and the state matching for professorships. Unrestricted net position increased by \$3.5 million.

During the current fiscal year, the University implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). As a result of this new accounting and reporting change, participants in the State's OPEB plans, including the University, were allocated a proportionate share of the OPEB plan's net OPEB liabilities/assets, deferred outflows of resources, deferred inflows of resources and OPEB benefit expense, specifically for the Disability Income Plan of North Carolina (DIPNC) and the Retiree Health Benefit Fund (RHBF). For the purpose of reporting actuarial determined OPEB benefit expense for fiscal year 2018, the Statement of Net Position was restated as of June 30, 2017. The amounts for the restatement as well as the amounts for June 30, 2018 were based on the allocated proportionate shares from the State's plans as determined by actuarial valuation and the deferred outflows for current contributions as determined by the participating entity.

Significant to this reporting change was that the OPEB restatement for the RHBF resulted in a significant decrease in the University's June 30, 2017 unrestricted net position by \$1.69 billion, which reduced the University's overall unrestricted net position balance at June 30, 2017 to a negative \$1.47 billion. To understand the continuing impact of the GASB 75 change as of June 30, 2018 and the effect of reporting the proportionate share of the RHBF as well as the University's proportionate share of the State's pension plan on unrestricted net position, Note 11 "Net Position" has been added to the Notes to the Financial Statements. As reported in Note 11, the total impact from reporting the RHBF as well as the pension plan obligations at June 30, 2018 was a negative \$1.77 billion. The difference between the net effect amount reported in Note 11 and the unrestricted net position reported on financial statements (a negative \$1.47 billion) is a positive \$302.3 million. This positive difference represents unrestricted funds held by the University in its institutional trust, special, debt, and investment funds, as well as any unrestricted funds held by the University's blended component units, and also includes any operating state funds authorized for carryforward. More information regarding the GASB 75 change can be located in Note 15 to the financial statements.

As restated, the University's current assets are more than sufficient to cover current liabilities, with a ratio of 2.5 times compared to 2.8 times in the prior year. The University's total assets are more than the University's liabilities with a ratio 1.4 times as compared to 1.1 times in the prior year. These financial ratios are indicators of the University's financial strength and its ability to meet current and long-term obligations.



Statement of Revenues, Expenses, and Changes in Net Position

The *Statement of Revenues, Expenses, and Changes in Net Position* provides information regarding the University's activities for the year ending June 30, 2018. The activity balances are classified as operating, nonoperating, or other revenues, expense, gains or losses. Activities classified as operating include all revenues of the University except those considered nonoperating, or those associated with funds received to enhance capital assets or permanent endowments. Operating expenses are all expenses except those related to interest expense on financing activities, loss on disposal of capital assets, and investment expenses

(shown as net against investment income). Activities classified as nonoperating include state appropriations, noncapital gifts and grants revenue, investment income (net of investment expenses), and gains or losses on disposal of capital assets. Activities classified as other include capital appropriations, gifts, and grants and additions to permanent endowments. Overall, the *Statement of Revenues, Expenses, and Changes in Net Position* provides information to evaluate the University's management of operations and maintenance of financial strength.

Following is a comparative analysis on the condensed balances reported in the *Statement of Revenues, Expenses, and Changes in Net Position* for the fiscal years ended June 30, 2018, and June 30, 2017.

	2018	2017	Change
Operating Revenues			
Student Tuition and Fees, Net	\$ 330,352,213	\$ 307,439,091	\$ 22,913,122
Federal Appropriations	21,625,829	22,562,648	(936,819)
Grants and Contracts	294,193,287	288,284,295	5,908,992
Sales and Services, Net	263,608,903	253,461,699	10,147,204
Other	16,909,824	16,198,009	711,815
Total Operating Revenues	926,690,056	887,945,742	38,744,314
Operating Expenses			
Salaries and Benefits	949,374,759	932,152,864	17,221,895
Supplies and Materials	132,990,562	125,589,349	7,401,213
Services	272,120,504	263,000,838	9,119,666
Scholarships and Fellowships	45,026,871	43,760,379	1,266,492
Utilities	33,344,861	34,128,182	(783,321)
Depreciation/Amortization	98,921,388	95,642,657	3,278,731
Total Operating Expenses	1,531,778,945	1,494,274,269	37,504,676
Net Operating Loss	(605,088,889)	(606,328,527)	1,239,638
Nonoperating Revenues (Expenses)			
State Appropriations	515,352,773	506,418,963	8,933,810
Noncapital Grants - Student Financial Aid	48,459,424	44,532,489	3,926,935
Other Noncapital Grants and Gifts	77,560,949	78,490,487	(929,538)
Investment Income	41,274,045	35,265,691	6,008,354
Other	(24,218,206)	(23,697,523)	(520,683)
Net Nonoperating Revenues	658,428,985	641,010,107	17,418,878
Gain Before Other Revenue	53,340,096	34,681,580	18,658,516
Capital Appropriations, Gifts, and Grants	30,518,036	14,598,596	15,919,440
Additions to Permanent Endowments	11,690,484	9,645,619	2,044,865
Increase in Net Position	95,548,616	58,925,795	36,622,821
Beginning Net Position	349,066,453	1,991,251,678	(1,642,185,225)
Restatement		(1,701,111,020)	1,701,111,020
Ending Net Position	\$ 444,615,069	\$ 349,066,453	\$ 95,548,616

Fiscal year 2017-2018 total revenues are \$1,653,430,195 and total expenses are \$1,557,881,579.

Fiscal year 2016-2017 total revenues are \$1,578,036,517 and total expenses are \$1,519,110,722.



Operating and Nonoperating Activities

The following illustrates the relationships of operating and nonoperating revenue sources and expense functions to total revenue/expenses for the fiscal year 2018 and 2017, and the consistency of relationships between the two years.

OPERATING AND NONOPERATING REVENUES

Title	% to Total 2018	% to Total 2017
State Appropriations	32%	33%
Research Contracts and Grants	18%	19%
Student Tuition and Fees	21%	20%
Sales and Services	16%	16%
Noncapital Grants and Gifts	8%	8%
Federal Appropriations	1%	1%
Other	4%	3%
Total	100%	100%

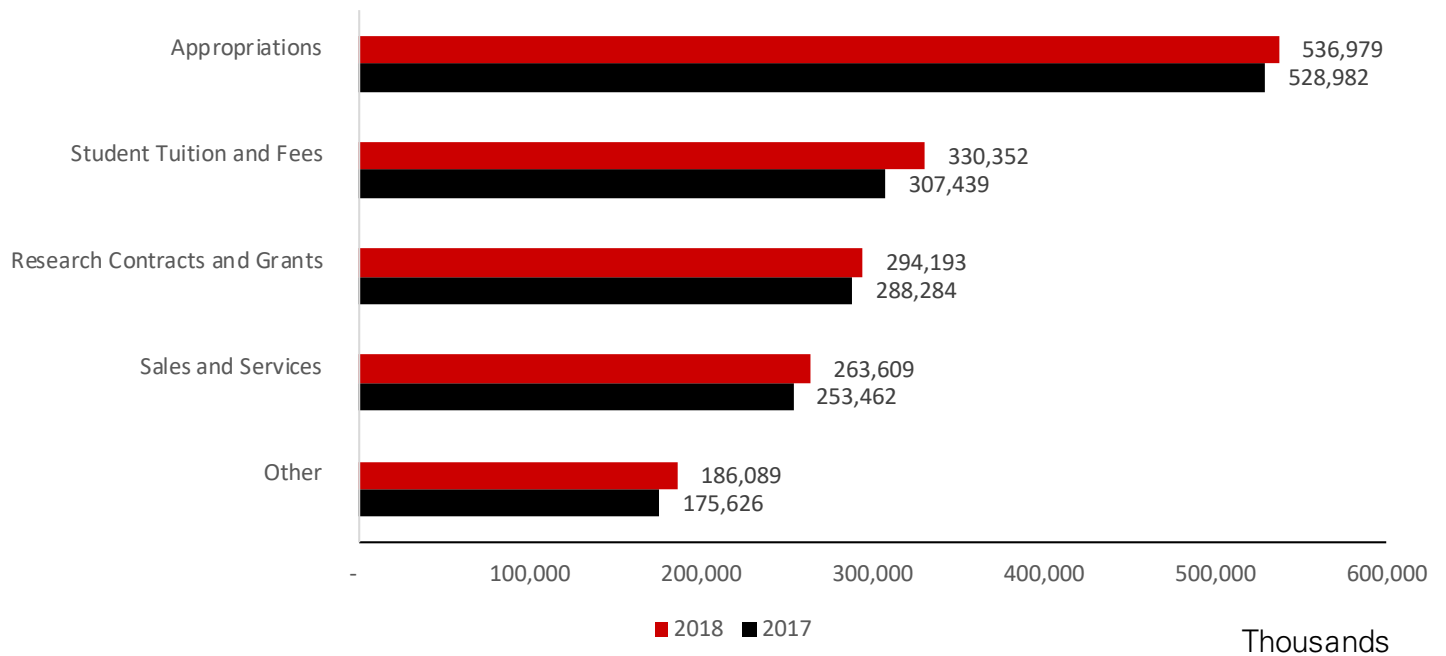
OPERATING AND NONOPERATING EXPENSES

Title	% to Total 2018	% to Total 2017
Instruction	31%	30%
Research	18%	18%
Public Service	8%	8%
Auxiliary Enterprises	12%	12%
Operations & Maintenance of Plant	5%	6%
Academic Support	6%	6%
Institutional Support	7%	7%
Depreciation/Amortization	6%	6%
Student Financial Aid	3%	3%
Student Services	2%	2%
Other	2%	2%
Total	100%	100%

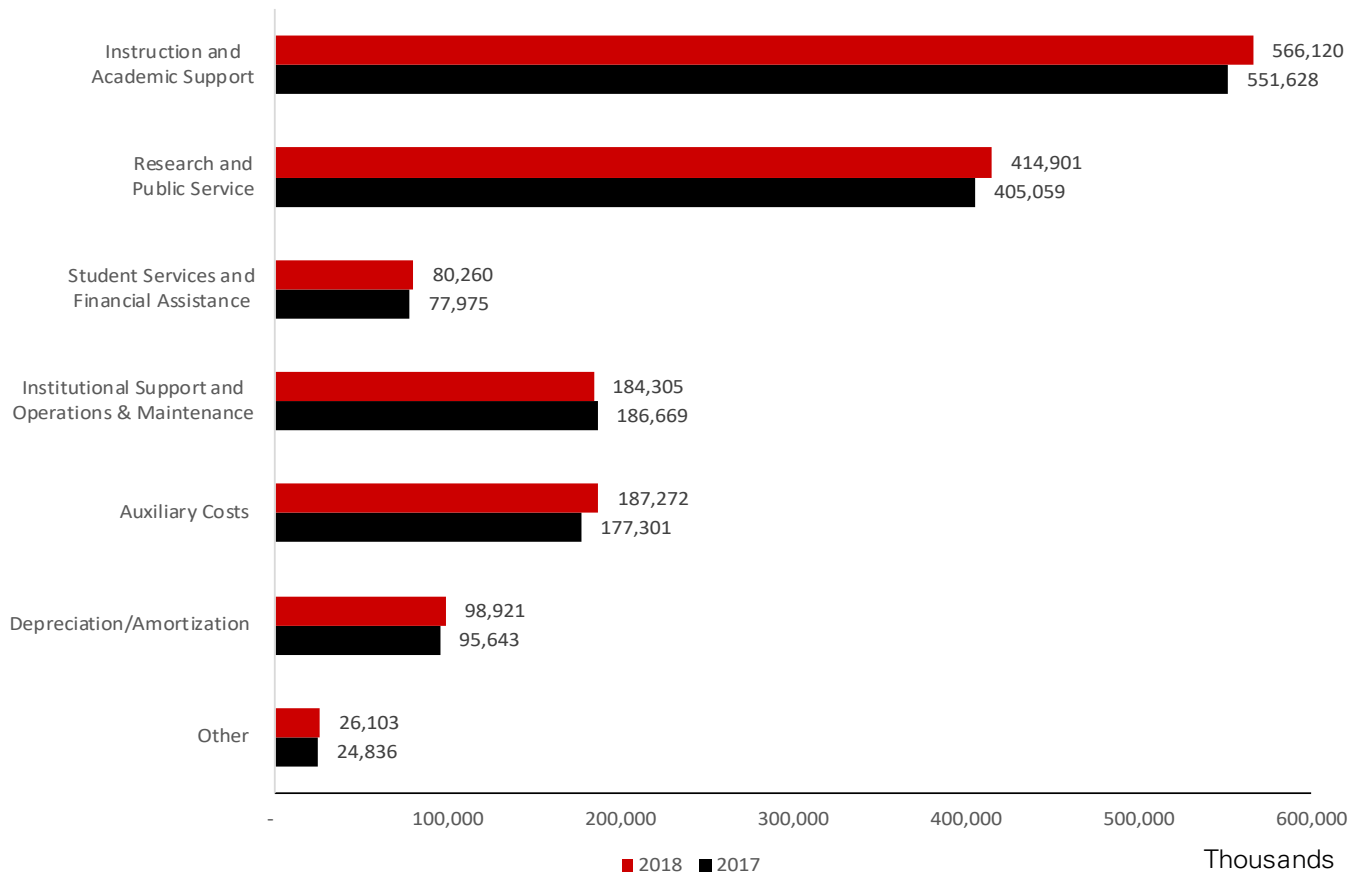


The following graphs illustrate the University's operating and nonoperating revenues/expenses by source/function (*in thousands*).

OPERATING AND NONOPERATING REVENUES



OPERATING AND NONOPERATING EXPENSES





Total revenues (operating, nonoperating, and other) increased \$74.6 million or 4.7% compared to the prior year. Student tuition and fees increased \$22.9 million, as enrollment increased 6.9% in 2018 and increases in fees due to College of Engineering enhancement fee. Sales and services revenues grew \$10.1 million or 4.0%. Housing grew \$6.0 million due to larger than usual freshman class and a new rule requiring all freshman to live on campus. There were smaller increases in various services including dining, athletics and veterinary services. Research contracts and grants rose by \$5.9 million, mostly in non-governmental contracts and grants. State appropriations increased \$8.9 million and noncapital grants were up \$4.4 million. Investment income increased \$6.0 million due to gains in a positive market. Other activity increased \$18.0 million from the prior year. The increase is primarily an increase in capital grants of \$11.2 million due to increases in construction related bond activity. The University received \$2.4 million more from the State in capital appropriations. Capital gifts increased \$2.3 million, due to receiving more gifts from foundations and additions to permanent endowment were up \$2.0 million. The remaining difference is made up of numerous small items.

Total expenses (operating and nonoperating) increased \$38.8 million or 2.6% compared to the prior year. Salaries and benefits increased \$17.2 million or 1.8% in 2018. The largest salary increases were in instruction, \$4.4 million, auxiliary enterprise, \$4.2 million and research, \$3.8 million. There was a \$1k legislative raise in fiscal year 2018 and other salary increases and the related benefits also contributed to the salaries growth. The next largest increase in expenses was services. Services grew \$9.1 million, driven by an increase in maintenance and service agreements. Instruction and auxiliary enterprise showed the largest increase in services. Supplies and materials increased \$7.4 million due to an increase in overall construction activity from prior year. Interest and fees on

debt increased \$4.7 million due to costs associated with the new bond issuance. As capital assets rose, the related depreciation/amortization expense also increased by \$3.3 million or 3.4%. Partially offsetting this expense increase, other nonoperating expenses decreased \$4.2 million due to pollution remediation for Lot 86 recognized in 2017. The remaining difference is made up of numerous small items.

Capital Assets and Long-Term Debt Activities

Capital Assets

The University capitalizes assets that have a value or cost equal to \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year except for internally generated software which is capitalized when the value or cost is \$1,000,000 or greater and other intangible assets which are capitalized when the value or cost is \$100,000 or greater. Repairs and renovations that do not extend the life of the building beyond the expected useful life at acquisition, or increase the future service potential of the building are expensed and not capitalized.

Machinery and equipment are depreciated over their estimated useful lives, generally 4 to 22 years beginning in the year of acquisition. Buildings and general infrastructure are depreciated over their estimated useful lives, generally 10 to 50 years for buildings and 15 to 75 years for general infrastructure beginning in the year that the construction is completed or, if purchased after construction, when acquired. Computer software is amortized over a useful life of 2 to 15 years. Land, construction in progress, and computer software in development are nondepreciable capital assets. When a construction project is completed, the capital project costs are moved from the construction in progress account to either buildings or general infrastructure as appropriate.





As shown in the following table, the University increased its net capital assets by \$32.6 million during fiscal year 2018.

	2018	2017	Increase/ (Decrease)
Land	\$ 74,815,569	\$ 65,562,092	\$ 9,253,477
Construction in Progress	81,586,636	39,116,700	42,469,936
Computer Software in Development		889,234	(899,234)
Buildings	2,333,867,437	2,302,604,237	31,263,200
Machinery and Equipment	401,631,210	382,078,385	19,552,825
General Infrastructure	214,650,572	208,278,633	6,371,939
Computer Software	29,141,865	25,606,749	3,535,116
Total Capital Assets	3,135,693,289	3,024,136,030	111,557,259
Accumulated Depreciation/ Amortization	(1,081,386,874)	(1,002,472,210)	(78,914,664)
Net Capital Assets	\$ 2,054,306,415	\$ 2,021,663,820	\$ 32,642,595

In addition to costs incurred, the University had \$146,498,677 million in outstanding commitments for construction as of June 30, 2018.

During fiscal year 2018, the University continued construction on new facilities and work on renovations to modernize campus. Funding for these improvements came from funds provided by University debt financing and NC bonds and certificates of participation.

Monteith Research Center Cleanroom Renovations modified 11,715 existing square feet to improve the controllability of space conditions for the first and second floor nano-fabrication cleanroom space in the MRC. Modifications to the HVAC systems and equipment were made with regard to reliability, temperature, humidity control and capacity. Approximately 1,700 SF of new mechanical space was constructed to house new HVAC equipment.

Phase two of five phases completed of the Greek Village redevelopment plan. The scope of the project includes the demolition and redesign of road alignments, utility infrastructure and modifications around several sorority houses. This project prepares building lots for two townhouse buildings, an apartment building and two chapter houses.

Owen Residence Hall completed a renovation for each of the 196 resident rooms. The project includes for each of the 196 resident rooms, replacing the in-room sink with new fixtures, doors and plumbing and abatement work in the renovation area.

The ground floor of Patterson Hall currently houses the University Business Operations Division (UBOD) for the College of Agriculture and Life Sciences (CALS). In an effort to optimize efficiency and provide a full complement of services, this project will renovate the ground floor of Patterson Hall to provide a new centralized location for the CALS UBOD. The project will demolish existing non load-bearing partitions to provide collaborative work spaces on the ground floor. Currently the building is connected to the campus distributed steam loop, and provisions will be made to make a future connection to the distributed chilled water loop.



Long-Term Debt Activities

The University incurs long-term debt to finance construction projects, to purchase equipment, and to pay any pollution costs incurred. As shown in the following table, the University increased its long-term debt during fiscal year 2018.

	2018	As Restated 2017	Increase/ (Decrease)
Bonds Payable	\$ 499,877,810	\$ 519,386,497	\$ (19,508,687)
Notes Payable	65,224,375	68,783,161	(3,558,786)
Capital Leases Payable	556,237	730,815	(174,578)
Pollution Remediation Payable	4,645,973	4,787,228	(141,255)
Total Long-term Liabilities	\$ 570,304,395	\$ 593,687,701	\$ (23,383,306)

Long-term liabilities decreased by \$23.4 million, driven by \$19.5 million decrease in bonds payable. The decrease is due to regular principal payments and the University issuing \$87.2 million in North Carolina State University at Raleigh, General Revenue Bonds, Series 2018. The bonds were issued for a current refunding of \$42.0 million of outstanding North Carolina State University at Raleigh Variable Rate General Revenue Bonds, Series 2003B and \$57.0 million of outstanding North Carolina State University at Raleigh Variable Rate General Revenue Refunding Bonds, Series 2015, both with a variable interest rate. Also, notes payable decreased \$3.6 million due to regular principal payments. The remaining difference is made up of multiple smaller items.

Economic Factors That Will Affect the Future

The State of North Carolina continues to experience steady economic growth. Employment growth is improving as employment markets continue to stabilize. The State's economic growth is projected to keep pace with that of the nation as a whole. The State's unemployment rate dropped to 4.2% as of June 2018. The main drivers of revenue, employment and personal income, remain stable. Employment gains continue to improve prospects for better income growth over the next few years. However, wage growth nationally continues to lag other broad measures of economic activity.

For fiscal 2018-2019, The North Carolina legislature approved additional funding to the UNC System for salary

and benefits increases for SHRA and EHRA employees. Also approved was an increase in the minimum wage to \$15 per hour for all state employees. For fiscal 2018-2019 the University received a modest \$3.9 million one-time increase for repairs and renovations for facilities and infrastructure, \$4.2 million for salary increases, and \$4.4 million for retirement and health insurance rate increases. Campus Initiated Tuition Increases resulted in a \$9.2 million increase in funding. The Enrollment Funding Model in the UNC System also changed, and future funding for enrollment growth will be driven by actual increases rather than projected increases in enrollment. For fiscal 2018-2019 the UNC System received \$48.0 million of continuing appropriations to be allocated to the campuses of the System for enrollment growth. The University is proceeding with two large capital improvement projects partially funded by the Connect NC Bonds. The Engineering Building Oval Project began construction in fiscal 2017-2018, with a total project cost of \$154 million of which \$75 million is coming from the Connect NC Bond. The Plant Sciences Initiatives project should begin construction in the spring of 2019 with a total project cost of \$160.2 million of which \$85 million will also come from the Connect NC Bond.

For fall semester 2018, the University recorded its highest ever enrollment of over 35,000 students. While the University is focused on targeted growth, particularly in graduate and professional education, demand metrics continue to improve, and the fall semester enrollment reflected an increase in the percentage of admitted students who enrolled. The University's projected enrollment growth through 2025 flattens and somewhat stabilizes undergraduate and master's degree enrollment with a focus on growing doctoral enrollment, especially in the STEM (Science, Technology, Engineering, Mathematics) disciplines. The quality of the undergraduate student body continues to increase. Retention and graduation rates continue to improve with graduating student debt at a very modest level among major public research universities. The University continues to be rated as one of the country's best values in higher education.

The University implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in the 2018 fiscal year, and the liability reduced the net position by \$1.69 billion.



UNIVERSITY FINANCIAL STATEMENTS

NORTH CAROLINA
STATE UNIVERSITY

2018 ANNUAL
FINANCIAL REPORT

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 200,751,757
Restricted Cash and Cash Equivalents	138,289,881
Receivables, Net (Note 5)	73,120,863
Due from Primary Government	8,516,596
Due from State of North Carolina Component Units	5,226,059
Due from University Component Units	1,546,825
Inventories	6,263,497
Notes Receivable, Net (Note 5)	<u>2,986,062</u>
Total Current Assets	<u>436,701,540</u>

Noncurrent Assets:

Restricted Cash and Cash Equivalents	141,264,437
Endowment Investments	349,411,888
Restricted Investments	241,079,053
Other Investments	162,051,763
Notes Receivable, Net (Note 5)	8,072,553
Net Other Postemployment Benefit Asset	2,354,190
Capital Assets - Nondepreciable (Note 6)	156,402,205
Capital Assets - Depreciable, Net (Note 6)	<u>1,897,904,210</u>
Total Noncurrent Assets	<u>2,958,540,299</u>

Total Assets	<u>3,395,241,839</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions	95,716,440
Deferred Outflows Related to Other Postemployment Benefits (Note 15)	<u>40,809,814</u>
Total Deferred Outflows of Resources	<u>136,526,254</u>

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 7)	56,636,147
Due to Primary Government	8,930,185
Due to State of North Carolina Component Units	399,369
Unearned Revenue	57,537,507
Interest Payable	4,250,087
Short-Term Debt (Note 8)	20,130,000
Long-Term Liabilities - Current Portion (Note 9)	<u>28,073,893</u>
Total Current Liabilities	<u>175,957,188</u>

Noncurrent Liabilities:

Deposits Payable	3,976,639
Funds Held for Others	45,733,728
Unearned Revenue	72,357,568
U.S. Government Grants Refundable	3,221,418
Funds Held in Trust for Pool Participants	257,460,313
Long-Term Liabilities, Net (Note 9)	<u>1,963,750,202</u>
Total Noncurrent Liabilities	<u>2,346,499,868</u>

Total Liabilities	<u>2,522,457,056</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	5,778,080
Deferred Inflows Related to Other Postemployment Benefits (Note 15)	<u>558,917,888</u>
Total Deferred Inflows of Resources	<u>564,695,968</u>

NORTH CAROLINA STATE UNIVERSITY
Statement of Net Position
June 30, 2018

Exhibit A-1
Page 2 of 2

NET POSITION

Net Investment in Capital Assets	1,441,226,903
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	12,921,692
Endowed Professorships	111,222,380
Departmental Uses	11,164,417
Loans	8,477,282
Expendable:	
Scholarships and Fellowships	34,596,410
Research	27,444,441
Endowed Professorships	95,660,246
Departmental Uses	62,800,860
Loans	1,002,542
Capital Projects	81,951,663
Debt Service	17,632,065
Other	4,347,849
Unrestricted	<u>(1,465,833,681)</u>
Total Net Position	<u>\$ 444,615,069</u>

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

NORTH CAROLINA STATE UNIVERSITY
Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2018

Exhibit A-2

REVENUES

Operating Revenues:

Student Tuition and Fees, Net (Note 12)	\$ 330,352,213
Federal Appropriations	21,625,829
Federal Grants and Contracts	165,142,731
State and Local Grants and Contracts	40,308,611
Nongovernmental Grants and Contracts	88,741,945
Sales and Services, Net (Note 12)	263,608,903
Interest Earnings on Loans	249,767
Other Operating Revenues Net, (Note 12)	16,660,057

Total Operating Revenues	926,690,056
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EXPENSES

Operating Expenses:

Salaries and Benefits	949,374,759
Supplies and Materials	132,990,562
Services	272,120,504
Scholarships and Fellowships	45,026,871
Utilities	33,344,861
Depreciation/Amortization	98,921,388

Total Operating Expenses	1,531,778,945
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Operating Loss	(605,088,889)
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NONOPERATING REVENUES (EXPENSES)

State Appropriations	515,352,773
Noncapital Grants - Student Financial Aid	48,459,424
Noncapital Grants	976,193
Noncapital Gifts	76,584,756
Investment Income (Net of Investment Expense of \$1,687,580)	41,274,045
Interest and Fees on Debt	(26,102,634)
Federal Interest Subsidy on Debt	1,140,153
Other Nonoperating Expenses	744,275

Net Nonoperating Revenues	658,428,985
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Income Before Other Revenues	53,340,096
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Capital Appropriations	8,456,800
Capital Grants	15,345,199
Capital Gifts	6,716,037
Additions to Endowments	11,690,484

Increase in Net Position	95,548,616
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NET POSITION

Net Position - July 1, 2017, as Restated (Note 21)	349,066,453
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Net Position - June 30, 2018	\$ 444,615,069
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The accompanying notes to the financial statements are an integral part of this statement.

NORTH CAROLINA STATE UNIVERSITY
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 918,191,538
Payments to Employees and Fringe Benefits	(944,169,835)
Payments to Vendors and Suppliers	(434,837,348)
Payments for Scholarships and Fellowships	(45,026,871)
Loans Issued	(1,893,633)
Collection of Loans	1,923,152
Interest Earned on Loans	251,028
Other Receipts	16,633,824
Net Cash Used by Operating Activities	(488,928,145)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	515,352,773
Noncapital Grants - Student Financial Aid	48,459,424
Noncapital Grants	523,460
Noncapital Gifts	75,487,931
Additions to Endowments	11,690,484
William D. Ford Direct Lending Receipts	119,599,396
William D. Ford Direct Lending Disbursements	(119,638,894)
Related Activity Agency Receipts	60,744,110
Related Activity Agency Disbursements	(51,879,727)
External Participation in Investment Fund Receipts	54,261,412
External Participation in Investment Fund Disbursements	(21,415,864)
Other Receipts	1,579,322
Net Cash Provided by Noncapital Financing Activities	694,763,827

CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES

Proceeds from Capital Debt	164,597,291
Capital Appropriations	8,456,800
Capital Grants	13,095,730
Capital Gifts	6,633,960
Proceeds from Sale of Capital Assets	1,196,866
Acquisition and Construction of Capital Assets	(125,288,171)
Principal Paid on Capital Debt and Leases	(72,565,399)
Interest and Fees Paid on Capital Debt and Leases	(21,357,392)
Payment to Bond Escrow Agent	(99,165,898)
Federal Interest Subsidy on Debt Received	1,140,153
Other Payments	(6,221,697)
Net Cash Used by Capital Financing and Related Financing Activities	(129,477,757)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	95,588,431
Investment Income	5,864,824
Purchase of Investments and Related Fees	(115,411,251)
Net Cash Used by Investing Activities	(13,957,996)

Net Increase in Cash and Cash Equivalents	62,399,929
Cash and Cash Equivalents - July 1, 2017	417,906,146
Cash and Cash Equivalents - June 30, 2018	\$ 480,306,075

**RECONCILIATION OF NET OPERATING LOSS
TO NET CASH USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (605,088,889)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	98,921,388
Allowances, Write-Offs, and Amortizations	(446,599)
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	(1,129,276)
Due from Primary Government	(987,895)
Inventories	(1,076,382)
Notes Receivable, Net	67,317
Net Other Postemployment Benefits Asset	(44,803)
Deferred Outflows for Pensions	43,320,077
Deferred Outflows for Other Postemployment Benefits	(2,168,166)
Changes in Liabilities and Deferred Inflows of Resources	
Accounts Payable and Accrued Liabilities	4,713,273
Due to Primary Government	380,234
Due to State of North Carolina Component Units	(46,480)
Unearned Revenue	10,523,937
Net Pension Liability	(25,770,902)
Net Other Postemployment Benefits Liability	(568,604,246)
Workers Compensation Liability	(29,670)
Compensated Absences	2,641,618
Deposits Payable	766,507
Deferred Inflows for Pensions	(3,787,076)
Deferred Inflows for Other Postemployment Benefits	558,917,888
Net Cash Used by Operating Activities	<u>\$ (488,928,145)</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

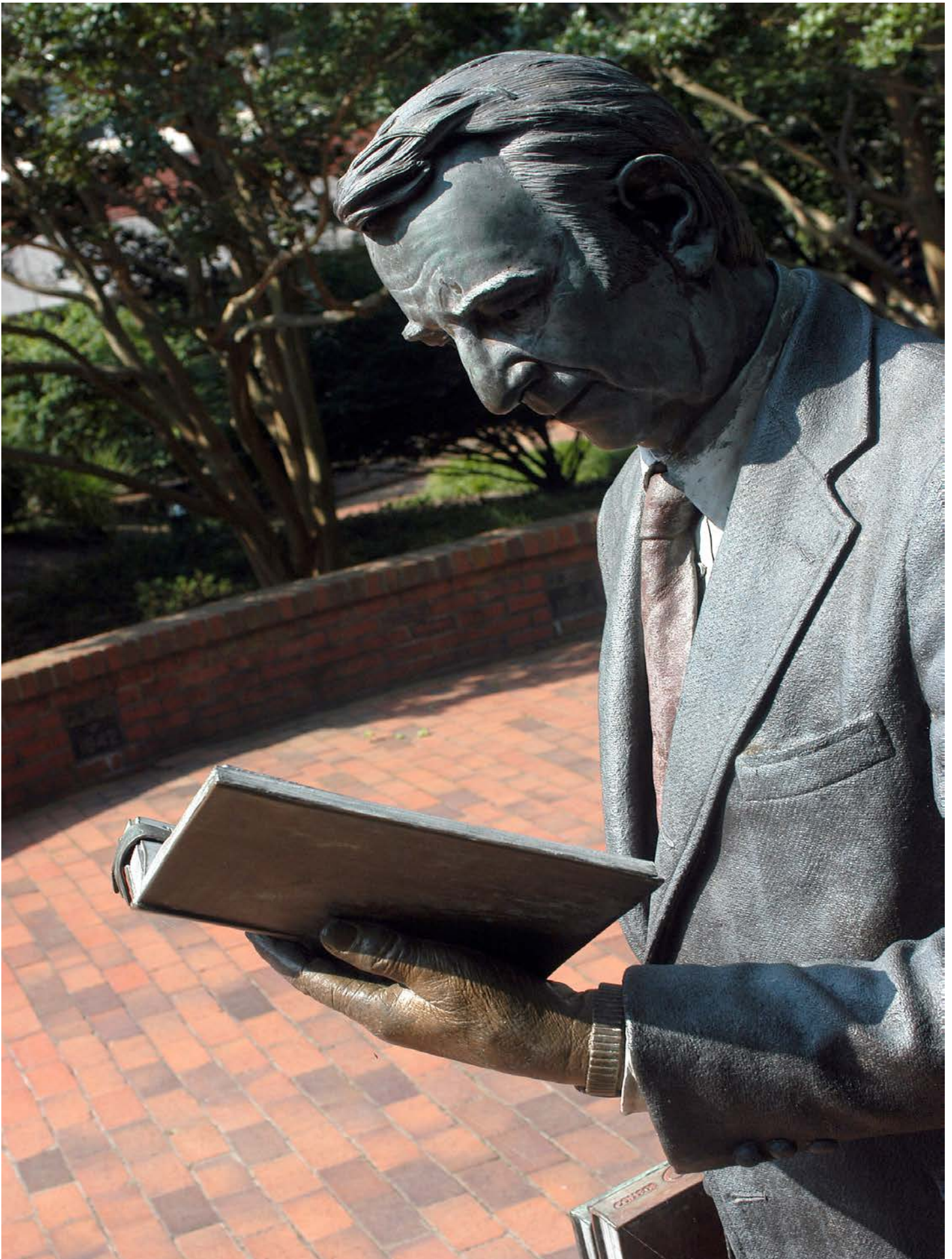
Current Assets:	
Cash and Cash Equivalents	\$ 200,751,757
Restricted Cash and Cash Equivalents	138,289,881
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>141,264,437</u>
Total Cash and Cash Equivalents - June 30, 2018	<u>\$ 480,306,075</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	8,378,983
Assets Acquired through a Gift	82,077
Change in Fair Value of Investments	34,295,981
Loss on Disposal of Capital Assets	(1,019,782)
Bond Issuance Cost Withheld	(168,422)
Amortization of Bond Premiums/Discounts	(1,322,866)
Change in Receivables Related to Nonoperating Income	3,799,028
Change in Payables Related to Nonoperating Income	8,758,116

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

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COMPONENT UNIT FINANCIAL STATEMENTS

NORTH CAROLINA
STATE UNIVERSITY

2018 ANNUAL
FINANCIAL REPORT

**NORTH CAROLINA STATE UNIVERSITY
FOUNDATIONS**
Statement of Financial Position
June 30, 2018

Exhibit B-1

	North Carolina State University Foundation, Inc.	NC State Student Aid Association, Inc.	The North Carolina Agricultural Foundation, Inc.
ASSETS			
Cash and Cash Equivalents	\$ 24,164,604	\$ 9,741,375	\$ 22,750,106
Current Investments		5,422,408	
Intermediate Investments	6,911,708		18,586,619
Long-Term Investments	365,226,093	29,533,984	98,964,370
Closely Held Stock			4,890
Cash Surrender Value of Life Insurance		134,885	
Assets Held in Charitable Trusts and Annuities	3,912,461	1,236,842	
Donated Property and Land	3,611,350		32,735,980
Land and Property Held for Others	1,000,000		
Receivables, Net	124,966	63,557	1,797,551
Pledges Receivable/Promises	32,875,426	14,668,112	4,718,760
Land Held for Investment		710,750	
Prepaid Expenses		25,975	
Cash Restricted for Long-Term Purposes		9,991,209	
Property and Equipment, Net	6,495,459	27,776,581	56,195
Other Assets	260,418		12,652
Total Assets	444,582,485	99,305,678	179,627,123
LIABILITIES			
Accounts Payable and Accrued Expenses	516,209	1,245,542	355,213
Due to University			1,546,825
Due to Others	1,265,394	1,419,114	111,467
Life Income Funds Payable	5,599,807		6,171,845
Deferred Revenue	9,593	3,410,247	90,410
Interest Payable		35,052	
Funds Held for Others	832,343		
Long-Term Debt		12,470,244	
Total Liabilities	8,223,346	18,580,199	8,275,760
NET ASSETS			
Unrestricted	15,069,111	22,236,364	2,689,462
Temporarily Restricted	152,009,385	21,084,289	82,004,919
Permanently Restricted	269,280,643	37,404,826	86,656,982
Total Net Assets	436,359,139	80,725,479	171,351,363
Total Liabilities and Net Assets	\$ 444,582,485	\$ 99,305,678	\$ 179,627,123

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

NORTH CAROLINA STATE UNIVERSITY FOUNDATIONS
Statement of Activities
For the Fiscal Year Ended June 30, 2018

Exhibit B-2

	North Carolina State University Foundation, Inc.	NC State Student Aid Association, Inc.	The North Carolina Agricultural Foundation, Inc.
CHANGES IN UNRESTRICTED NET ASSETS			
Revenues and Gains:			
Contributions	\$ 33,640	\$ 13,192,052	\$ 2,240,368
Clubs Income		188,331	
Donated Services and Salaries	1,534,000		1,375,000
Net Investment Income	1,203,029	2,114,300	4,490
Advertising Income		762,944	
Special Events		246,793	
Interest and Dividends	394,925		523,826
Other Income	1,847,275	112,871	
Gain on Sale of Asset		500	
Net Assets Released from Restrictions: Program or Time Restrictions	19,923,728		13,518,696
Net Assets Released from Restrictions: Facility Improvements		5,704,976	
Total Unrestricted Revenues, Gains and Other Support	24,936,597	22,322,767	17,662,380
Expenses and Losses:			
Scholarships and Fellowships	6,918,213		3,958,220
University Support	6,175,153	13,570,300	6,862,930
University Facilities Support	828,755	7,658,982	1,726,291
Other Contracted Services	1,632,403		
Other Current Services	1,288,679		
Administrative	572,302	881,705	308,000
Fund Raising	4,327,368	2,851,835	2,252,056
Other	1,933,039		2,987,173
Total Expenses	23,675,912	24,962,822	18,094,670
Increase (Decrease) in Unrestricted Net Assets	1,260,685	(2,640,055)	(432,290)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS			
Contributions	17,257,053	3,325,199	9,263,234
Grant Revenue			669,927
Change in Pledges Receivables	(1,493,313)		(315,509)
Donated Property	2,025,000		130,000
Disposal of Other Assets			(779,723)
Vaughn Towers		3,529,730	
Net Investment Income	31,175,173	31,542	8,601,645
Royalties			351,633
Interest and Dividends	236,458		282,948
Other Income	3,622,970		1,346,944
Gain on Sale of Asset		347,821	
Net Assets Released from Restrictions: Program or Time Restrictions	(19,923,728)		(13,518,696)
Net Assets Released from Restrictions: Facility Improvements		(5,704,976)	
Increase in Temporarily Restricted Net Assets	32,899,613	1,529,316	6,032,403
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS			
Contributions	45,709,458	638,824	3,392,867
Change in Pledges Receivable	(29,387,621)		(469,771)
Disposal of Other Assets	43,677		(7,835)
Net Investment Income	3,483,529		379,908
Change in Value of Split Interest Agreements and Trusts	(873,432)	61,280	(134,063)
Interest and Dividends	147,481		77,138
Other Income	287,836		913,803
Increase in Permanently Restricted Net Assets	19,410,928	700,104	4,152,047
Increase (Decrease) in Net Assets	53,571,226	(410,635)	9,752,160
Net Assets at Beginning of Year	382,787,913	81,136,114	161,599,203
Net Assets at End of Year	\$ 436,359,139	\$ 80,725,479	\$ 171,351,363

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



INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS

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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. North Carolina State University (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 either blended or discretely presented in the University's financial statements. See below for further discussion of the University's component units. Other related foundations and similar nonprofit corporations for which the University is not financially accountable are not part of the accompanying financial statements.

Blended Component Units - Although legally separate, the NC State Investment Fund, Inc. (Investment Fund) and the NC State University Partnership Corporation (Corporation), component units of the University, are reported as if they were part of the University.

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

The Corporation is governed by a five member Board of Directors appointed based on their positions held with North Carolina State University. Additional members of the board may be appointed by the Chancellor of North Carolina State University. The Corporation's purpose is to support and benefit the University with the aims of creating new knowledge and improving the lives of the

people of North Carolina. The Corporation formed NC State University Centennial Development, LLC on January 25, 2002 to construct, own and operate a golf course located on the North Carolina State University Centennial Campus. In addition, the Corporation formed NC State Upfit, LLC on October 27, 2006 to develop, construct, own, finance, manage and otherwise upfit facilities and other infrastructure on Centennial Campus. Also, the Corporation formed NC State CBC Land I, LLC on June 1, 2007 to acquire, develop, own, lease, hold, manage, sell, and otherwise exercise all right of ownership of land and flex lab facilities on Centennial Biomedical Campus. Additionally, the Corporation formed NC State American Home, LLC on August 8, 2007 and changed its name to Bell Tower Holdings LLC on December 14, 2009. The purposes of Bell Tower Holdings LLC are to acquire, develop, own, lease, hold, manage, sell and otherwise exercise all right of ownership of real property and enter into any related agreements for assisting with the acquisition, development, financing, construction, management and operation of real property. On March 31, 2008 the Corporation formed NC State CC Holdings I, LLC to acquire, develop, own, lease, hold, manage, sell and otherwise exercise all right of ownership of land and facilities on Centennial Campus. Leaders in Innovation and Nonwovens Commercialization, LLC (LINC), was established on July 9, 2012 to foster economic development and creation of new knowledge by facilitating commercialization of technologies developed at the Nonwovens Institute at NC State University. On September 27, 2016 the Corporation established the Wolfpack Investor Network, LLC (WIN) to connect the NC State alumni network with the NC State entrepreneurial community. Because the Corporation's Board consists of University employees and members appointed by the Chancellor and its sole purpose is to support and benefit the University, the Corporation and the LLCs are considered part of the University for financial reporting purposes.

Separate financial statements for the Investment Fund and for the Corporation may be obtained from the Foundations Accounting and Investments Office, Campus Box 7207, Raleigh, NC 27695, or by calling (919) 513-7149. Other related foundations and similar non-profit 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 19.

Discretely Presented Component Units - The North Carolina State University Foundation, Inc. (Foundation), NC State Student Aid Association, Inc. (Athletic Club) and The North Carolina Agricultural Foundation, Inc. (Agricultural Foundation) are legally separate nonprofit corporations and are reported as discretely presented component units based on the nature and significance of their relationship to the University.

The Foundation, Athletic Club and Agricultural Foundation are legally separate, tax-exempt component units of the

University. These entities act primarily as fund-raising organizations to supplement the resources that are available to the University in support of its programs. Separate Boards of Directors govern these entities independent of the University's Board of Trustees. Although the University does not control the timing or amount of receipts from these entities, the majority of resources, or income thereon that these entities hold and invest are restricted to the activities of the University by the donors. Because these restricted resources held by these entities can only be used by, or for the benefit of the University, these entities are considered component units of the University and are reported in separate financial statements because of the difference in their reporting model, as described below.

The Foundation, Athletic Club and Agricultural Foundation are private nonprofit organizations that report their financial results under Financial Accounting Standards Board (FASB) Codifications. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to their financial information in the University's financial reporting entity for these differences.

During the year ended June 30, 2018, the Foundation distributed \$18,035,298 to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Foundations Accounting and Investments Office, Campus Box 7207, Raleigh, NC 27695, or by calling (919) 513-7149.

During the year ended June 30, 2018, the Athletic Club distributed \$15,329,676 to the University for both restricted and unrestricted purposes. Complete financial statements for the Athletic Club can be obtained from the NC State Student Aid Association, P.O. Box 37100, Raleigh, NC 27627, or by calling (919) 865-1500.

During the year ended June 30, 2018, the Agricultural Foundation distributed \$15,569,571 to the University for both restricted and unrestricted purposes. Complete financial statements for the Agricultural Foundation can be obtained from the Foundations Accounting and Investments Office, Campus Box 7207, Raleigh, NC 27695, or by calling (919) 513-7149.

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, money market accounts, cash on deposit with fiscal agents, and deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

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

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

Restricted investments include funds of affiliated entities that are neither part of the University's reporting entity nor reported discretely but invested through the Investment Fund.

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

to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.

G. Inventories - Inventories, consisting of expendable supplies and merchandise for resale, are valued at cost using the first-in, first-out method. Exceptions are the bookstore, which uses the retail inventory method, and physical plant, which uses the moving weighted average 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 except for internally generated software which is capitalized when the value or cost is \$1,000,000 or greater and other intangible assets which are capitalized when the value or cost is \$100,000 or greater.

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

Asset Class	Estimated Useful Life
Buildings	10 - 50 years
Machinery & Equipment	4 - 22 years
General Infrastructure	15 - 75 years
Computer Software	2 - 15 years

The University does not capitalize its Arts and Design or Historic collections. These collections adhere to the University's policy to maintain for public exhibition, education, or research; protect, keep unencumbered, care for, and preserve; and requires proceeds from their sale to be used to acquire other collection items. Accounting principles generally accepted in the United States of America permit collections maintained in this manner to be charged to operations at time of purchase rather than be capitalized.

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 long-term debt and other long-term liabilities that will not be paid within the next fiscal year. Long-term debt includes: revenue bonds payable, notes payable, capital leases payable and pollution remediation payable. Other long-term liabilities include: compensated absences, net pension liability, net other postemployment benefits (OPEB) liability, and worker's compensation.

Revenue bonds payable are reported net of unamortized premiums or discounts. The University amortizes bond premiums/discounts over the life of the bonds using the straight-line method. Losses on refunding and issuance costs on bonds payable are not material to the accompanying financial statements and are expensed in the year incurred.

The net pension liability represents the University's proportionate share of the collective net pension liability reported in the State of North Carolina's 2017 *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 14 for further information regarding the University's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

The net OPEB liability represents the University's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2017 *Comprehensive Annual Financial Report*. This liability represents the University's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund. See Note 15 for further information regarding the University's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

L. Compensated Absences - The University's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused

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

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

M. Deferred Outflows/Inflows of Resources - In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The University has the following items that qualify for reporting in this category: deferred outflows related to pensions and deferred outflows related to other postemployment benefits.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The University has the following items that qualify for reporting in this category: deferred inflows related to pensions and deferred inflows related to other postemployment benefits.

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

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

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

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

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

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the University. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are always used first. Both restricted and unrestricted net position include consideration of deferred outflows of resources and deferred inflows of resources. See Note 11 for further information regarding deferred outflows of resources and deferred inflows of resources that had a significant effect on unrestricted net position.

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

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

Nonoperating revenues include activities that have the

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

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

NOTE 2

Deposits and Investments

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

At June 30, 2018, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$476,983,998, which represents the University's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.4 years as of June 30, 2018. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the North Carolina Department of State Treasurer Investment Programs' separately issued audit report. This separately issued report

can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at <https://www.nctreasurer.com/> in the Audited Financial Statements section.

Cash on hand at June 30, 2018 was \$447,694. The carrying amount of the University's deposits not with the State Treasurer was \$2,874,383, and the bank balance was \$3,006,509. 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 follows the Cash Management Plan (Plan) approved by the North Carolina Office of the State Controller. As provided by the Plan, imprest checking accounts are established with outside banks when considered effective in meeting management objectives. All imprest checking accounts are authorized by the University Treasurer and are limited to the minimum amount needed for sanctioned purposes. In addition, pursuant to G.S. 116-36(e), the University invests certain endowment funds with outside bank accounts. The University does not have a deposit policy for custodial credit risk. As of June 30, 2018, the University's bank balance exposed to custodial credit risk (amounts that are uninsured and uncollateralized) was \$2,048,818.

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 Endowment Fund, including those invested in the Investment Fund, a University component unit, 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 as defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosures – An Amendment of GASB Statement No. 3*.

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

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

Investment Fund – The Investment Fund began operations in April 1999 and is classified as a non-rated 2a7-like governmental external investment pool that is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The Endowment Fund of North Carolina State University, The North Carolina Agriculture Foundation, Inc., and the North Carolina State University Foundation, Inc. represent the Investment Fund's internal participants. The North Carolina Agricultural Foundation, Inc. and the North Carolina State University Foundation, Inc. are discretely presented component

units in the accompanying financial statements. Other affiliated organizations not included in the University's reporting entity represent the Investment Fund's external participants. The external portion of the Investment Fund is presented in the accompanying financial statements as "Funds Held in Trust for Pool Participants." The Investment Fund includes the Long-Term Investment Pool (LTIP) and the Intermediate Term Fund (ITF) which was established on July 3, 2014 for the collective investment of the participants' excess operating funds.

The Investment Fund is not subject to any formal oversight other than that provided by the Investment Fund Members Board or its Board of Directors. The Members Board is responsible for adopting investment objectives and policies and for monitoring policy implementation and investment performance. The Members Board has chosen not to make individual security selection decisions. The Board of Directors has the responsibility to oversee the allocation of the Investment Fund's portfolio among the asset classes, investment vehicles, and investment managers. Authority to manage the ITF in accordance with the investment policy has been granted jointly to the University's Vice Chancellor and Associate Vice Chancellor for Finance and Administration.

Bank of New York Mellon is the custodian for the Investment Fund and provides the University with quarterly statements defining income and fair value information, which is then allocated among the fund's participants. Each participant holds Master Trust Units of the Investment Fund. The unit price fluctuates based on the investment experience of the investment pool. There are no involuntary participants in the Investment Fund. The University has not provided or obtained any legally binding guarantees during the period to support the value for the Investment Fund's investments. The annual financial report for the Investment Fund may be obtained from the Foundations Accounting and Investment Office, Campus Box 7207, Raleigh, NC 27695 or by calling (919) 513-7149 or at <http://foundationsaccounting.ofa.ncsu.edu/investment-fund>.

The following table presents investments by type and investments subject to interest rate risk at June 30, 2018, for the Investment Fund.

INVESTMENT FUND

Investment Type	Investment Maturities (in Years)			
	Amount	Less		
		Than 1	1 to 5	6 to 10
Debt Securities				
Collective Investment Funds	\$ 92,583,326	\$ 67,492,922	\$ 9,310,211	\$ 15,780,193
Debt Mutual Funds	184,100,714		111,417,010	72,683,704
Total Debt Securities	276,684,040	<u>\$ 67,492,922</u>	<u>\$ 120,727,221</u>	<u>\$ 88,463,897</u>
Other Securities				
UNC Investment Fund	\$ 881,375,007			
Private Equity Limited Partnerships	18,578,174			
Total Investment Fund	<u>\$ 1,176,637,221</u>			

At June 30, 2018, investments in the Investment Fund had the following credit quality distribution for securities with credit exposure (based on S&P rating):

		AAA	AA		BB/Ba and		
	Amount	Aaa	Aa	A	Below	Unrated	Exempt
Collective Investment Funds	\$ 92,583,326	\$ 8,846,846	\$ 15,780,193	\$ 0	\$ 463,365	\$ 0	\$ 67,492,922
Debt Mutual Funds	184,100,714			111,417,010	27,144,206	45,539,498	
Totals	\$ 276,684,040	\$ 8,846,846	\$ 15,780,193	111,417,010	\$ 27,607,571	\$ 45,539,498	\$ 67,492,922

UNC Investment Fund, LLC - At June 30, 2018, the University's investments include \$881,375,007, which represents the University's equity position in the UNC Investment Fund, LLC (UNC Investment Fund). The UNC Investment Fund is an external investment pool that is not registered with the Securities and Exchange Commission, does not have a credit rating, and is not subject to any regulatory oversight. Investment risks associated with the UNC Investment Fund are included in audited financial statements of the UNC Investment Fund, LLC which may be obtained from UNC Management Company, Inc., 1400 Environ Way, Chapel Hill, NC 27517.

Non-Pooled Investments - The following table presents investments by type and investments subject to interest rate risk at June 30, 2018, for the University's non-pooled investments.

NON-POOLED INVESTMENTS

Investment Type	Amount	Investment Maturities (in Years)
		Less Than 1
Debt Securities		
Money Market Mutual Funds	\$ 1,609	\$ 1,609
Other Securities		
Domestic Stocks	290,584	
Collections and Mineral Rights	65,134	
Total Non-Pooled Investments	\$ 357,327	

At June 30, 2018, the University's non-pooled investments had the following credit quality distribution for securities with credit exposure (based on Moody's and S&P ratings):

	Amount	AAA Aaa
Money Market Mutual Funds	\$ 1,609	\$ 1,609

Total Investments - The following table presents the total investments at June 30, 2018:

Investment Type	Amount
Debt Securities	
Collective Investment Funds	\$ 92,583,326
Debt Mutual Funds	184,100,714
Money Market Mutual Funds	1,609
Other Securities	
UNC Investment Fund	881,375,007
Private Equity Limited Partnerships	18,578,174
Domestic Stocks	290,584
Collections and Mineral Rights	65,134
Total Investments	\$ 1,176,994,548

Total investments include \$424,451,844 held in the Investment Fund for the North Carolina State University Foundation, Inc. and The North Carolina Agricultural Foundation, Inc. This amount is excluded from the University prepared financial statements and included in the accompanying component unit financial statements.

NOTE 3

Fair Value Measurements

To the extent available, the University's investments are recorded at fair value as of June 30, 2018. 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 or liabilities 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 or liability, either directly or indirectly.
Level 3	Investments classified as Level 3 have unobservable inputs for an asset or liability and may require a degree of professional judgment.

The following table summarizes the University's investments, including deposits in the Short-Term Investment Fund, within the fair value hierarchy at June 30, 2018:

		Fair Value Measurements Using		
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investment by Fair Value Level				
Debt Securities				
Collective Investment Funds	\$ 92,583,326	\$ 92,583,326	\$ 0	0
Debt Mutual Funds	184,100,714	184,100,714		
Money Market Mutual Funds	1,609	1,609		
Total Debt Securities	276,685,649	276,685,649		
Other Securities				
Domestic Stocks	290,584			290,584
Total Investments by Fair Value Level	276,976,233	\$ 276,685,649	\$ 0	290,584
Investments Measured at the Net Asset Value (NAV)				
Private Equity Limited Partnerships	18,578,174			
Collection and Mineral Rights	65,134			
Total Investments Measured at the NAV	18,643,308			
Investments as a Position in an External Investment Pool				
Short-Term Investment Fund	476,983,998			
UNC Investment Fund	881,375,007			
Total Investments by Fair Value Level	1,358,359,005			
Total Investments Measured at Fair Value	\$ 1,653,978,546			

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. Pool investments are measured at fair value in accordance with GASB 72. The University's position in the pool is measured and reported at fair value and the STIF is not required to be categorized within the fair value hierarchy.

UNC Investment Fund - Ownership interests of the UNC Investment Fund are determined on a market unit valuation basis each month and in accordance with the UNC Investment Fund's operating procedures. Valuation

of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB 72. The University's position in the pool is measured and reported at fair value and the UNC Investment Fund is not required to be categorized within the fair value hierarchy.

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

Domestic Stock - Domestic stock classified as Level 3 of the fair value hierarchy are valued at book value. There is no readily determinable fair value.

The following table presents the valuation of investments measured at the Net Asset Value (NAV) per share (or its equivalent) at June 30, 2018.

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private Equity Limited Partnerships ^A	\$ 18,578,174	\$ 39,378,275	n/a	n/a
Collection and Mineral Rights ^B	65,134	n/a	n/a	n/a
Total Investments Measured at the NAV	\$ 18,643,308			

A. Private Equity Limited Partnerships - Private equities include venture capital partnerships, buy-outs, and international funds. The valuation of the underlying private companies requires significant judgment and interpretation by the general partners of the underlying investment partnerships due to the absence of quoted market values, inherent lack of liquidity and the long-term nature of such investments. Private companies are initially valued based upon transaction price, with subsequent adjustments to values which reflect the consideration of available market data, including primarily observations of the trading multiples of public companies considered comparable to the private companies being valued. Valuations are also adjusted to give consideration to the financial condition and operating results specific to the issuer, the lack of liquidity inherent in a non-public investment, credit markets, and the fact that comparable public companies are not identical to the companies being valued.

B. Art Collection: The Kamphoefner art collection, with an estimated value of \$27,300, was gifted to the Endowment Fund in 1979. This collection is to be held for the use of the D. H. Hill Library at NC State University.

Mineral Rights: Virginia Rock and Mineral rights were gifted to the Endowment Fund in 1987. This was a gift for the use of the NC State Geology Department. There have been three sales of these mineral rights since the original receipt of the gift. The most recent sale from July 2016 was used to adjust the value per acre.

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, or applicable State of North Carolina law. 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 pooled

endowment funds are determined by applying 4% (the Board approved spending rate) to the average market value of the long term investment pool (for a twenty quarter period), divided by the number of investment units in the pool to determine the "average spending amount" per unit of investment. The individual endowment fund payout or spending budget is then determined by applying the "average spending amount" to the number of investment units held by the individual endowment fund. 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 and unrestricted, expendable net asset endowment balances to make up the difference. At June 30, 2018, net appreciation of \$194,568,287 was available to be spent, of which \$174,191,709 was classified in net position as Restricted, Expendable: Scholarships and Fellowships, Restricted Expendable: Endowed Professorships, and Restricted Expendable: Departmental Uses, as it is restricted to specific purposes. The remaining portion of net appreciation available to be spent is classified as unrestricted net assets.

NOTE 5

Receivables

Receivables at June 30, 2018, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 2,638,552	\$ 1,434,991	\$ 1,203,561
Student Sponsors	2,043,676		2,043,676
Accounts	30,005,996	1,200,321	28,805,675
Intergovernmental	40,716,669		40,716,669
Interest on Loans	521,878	476,267	45,611
Federal Interest Subsidy on Debt	305,671		305,671
Total Current Receivables	\$ 76,232,442	\$ 3,111,579	\$ 73,120,863
Notes Receivable:			
Notes Receivable - Current:			
Federal Loan Programs	\$ 2,624,365	\$ 10,592	\$ 2,613,773
Institutional Student Loan Programs	374,558	2,269	372,289
Total Notes Receivable - Current	\$ 2,998,923	\$ 12,861	\$ 2,986,062
Notes Receivable - Noncurrent:			
Federal Loan Programs	\$ 8,738,609	\$ 729,352	\$ 8,009,257
Institutional Student Loan Programs	219,730	156,434	63,296
Total Notes Receivable - Noncurrent	\$ 8,958,339	\$ 885,786	\$ 8,072,553

NOTE 6**Capital Assets**

A summary of changes in the capital assets for the year ended June 30, 2018, is presented as follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital Assets, Nondepreciable:				
Land	\$ 65,562,092	\$ 9,253,477	0	\$ 74,815,569
Construction in Progress	39,116,700	85,097,144	42,627,208	81,586,636
Computer Software in Development	889,234	2,645,882	3,535,116	-
Total Capital Assets, Nondepreciable	105,568,026	96,996,503	46,162,324	156,402,205
Capital Assets, Depreciable:				
Buildings	2,302,604,237	36,255,270	4,992,070	2,333,867,437
Machinery and Equipment	382,078,385	36,784,126	17,231,301	401,631,210
General Infrastructure	208,278,633	6,371,939		214,650,572
Computer Software	25,606,749	3,535,116		29,141,865
Total Capital Assets, Depreciable	2,918,568,004	82,946,451	22,223,371	2,979,291,084
Less Accumulated Depreciation/Amortization for:				
Buildings	689,997,600	65,848,824	4,051,796	751,794,628
Machinery and Equipment	228,801,749	23,714,112	15,954,928	236,560,933
General Infrastructure	68,702,885	5,193,703		73,896,588
Computer Software	14,969,976	4,164,749		19,134,725
Total Accumulated Depreciation/Amortization	1,002,472,210	98,921,388	20,006,724	1,081,386,874
Total Capital Assets, Depreciable, Net	1,916,095,794	(15,974,937)	2,216,647	1,897,904,210
Capital Assets, Net	<u>\$ 2,021,663,820</u>	<u>\$ 81,021,566</u>	<u>48,378,971</u>	<u>\$ 2,054,306,415</u>

During the year ended June 30, 2018, the University incurred \$22,305,359 in interest costs related to the acquisition and construction of capital assets. Of this total, \$21,027,176 was charged in interest expense, and \$1,278,183 was capitalized.

NOTE 7

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2018, were as follows:

	Amount
Current Accounts Payable and Accrued Liabilities	
Accounts Payable	\$ 21,565,531
Accounts Payable-Capital Assets	16,259,058
Accrued Payroll	6,401,317
Contract Retainage	2,314,079
Other	10,096,162
Total Current Accounts Payable and Accrued Liabilities	\$ 56,636,147

NOTE 8

Short-Term Debt - Commercial Paper Program And Line of Credit

The University has available Commercial Paper Program financing for short-term debt credit up to \$100,000,000 to finance capital construction projects. The University's available funds are pledged to the Commercial Paper Program financing with the anticipation of converting to general revenue bond financing in the future. As of June 30, 2018, \$20,000,000 in Taxable Commercial Paper was outstanding.

The NC State University Partnership Corporation, through the NC State University Centennial Development LLC has available a Line of Credit, from SunTrust Bank, up to \$250,000 for operations at the Lonnie Poole Golf Course. The line is unsecured and must maintain a zero balance for at least 30 consecutive days during each twelve months. As of June 30, 2018, \$130,000 was outstanding.

Short-term debt activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Draws	Repayments	Balance June 30, 2018
Commercial Paper Program	\$ 5,000,000	\$ 65,000,000	\$ 50,000,000	\$ 20,000,000
Partnership Corporation - Line of Credit	145,000	180,000	195,000	130,000
Total Short-Term Debt	\$ 5,145,000	\$ 65,180,000	\$ 50,195,000	\$ 20,130,000

NOTE 9

Long-Term Liabilities

A. Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities for the year ended June 30, 2018, is presented as follows:

	Balance July 1, 2017 (As restated)	Additions	Reductions	Balance June 30, 2018	Current Portion
Long-Term Debt					
Revenue Bonds Payable	\$ 498,543,952	\$ 87,165,000	\$ 117,630,636	\$ 468,078,316	\$ 18,326,019
Plus: Unamortized Premium	20,842,545	12,279,814	1,322,865	31,799,494	
Total Revenue Bonds Payable, Net	519,386,497	99,444,814	118,953,501	499,877,810	18,326,019
Notes Payable	68,783,161		3,558,786	65,224,375	4,012,877
Capital Leases Payable	730,815	31,400	205,978	556,237	211,592
Pollution Remediation Payable	4,787,228		141,255	4,645,973	102,711
Total Long-Term Debt	593,687,701	99,476,214	122,859,520	570,304,395	22,653,199
Other Long-Term Liabilities					
Compensated Absences	68,832,460	43,488,399	40,846,781	71,474,078	3,403,898
Net Pension Liability	202,388,385		25,770,902	176,617,483	
Net Other Postemployment Benefit Liability	1,730,004,018		568,604,246	1,161,399,772	
Workers' Compensation	12,058,037	3,771,214	3,800,884	12,028,367	2,016,796
Total Other Long-Term Liabilities	2,013,282,900	47,259,613	639,022,813	1,421,519,700	5,420,694
Total Long-Term Liabilities, Net	\$ 2,606,970,601	\$ 146,735,827	\$ 761,882,333	\$ 1,991,824,095	\$ 28,073,893

Additional information regarding capital lease obligations is included in Note 10.

Additional information regarding the net pension liability is included in Note 14.

Additional information regarding the net other postemployment benefits is included in Note 15.

B. Revenue Bonds Payable and Special Indebtedness - 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, 2018	Principal Outstanding June 30, 2018
GENERAL REVENUE						
Various Construction Projects	2008B	4% - 4.25%	10/01/2020	\$ 26,955,000	\$ 26,035,000	\$ 920,000
Various Construction Projects	2010A	4% - 5%	10/01/2022	18,065,000	9,780,000	8,285,000
Various Construction Projects	2010B	5.079% - 6.027% **	10/01/2035	59,565,000		59,565,000
Advance Refund Series 2003A	2012	4% - 5%	10/01/2018	16,265,000	12,705,000	3,560,000
Adv Refund 2005A/Wolf Ridge Housing	2013A	2% - 5%	10/01/2042	132,440,000	4,640,000	127,800,000
Adv Refund 2005A/Talley Student Union	2013B	1.164% - 4%	10/01/2041	141,650,000	7,210,000	134,440,000
Various Construction Projects	2017	2.58%	10/01/2031	50,438,952	4,095,636	46,343,316
Refund 2013B and 2015	2018	2% - 5%	10/01/2028	87,165,000		87,165,000
Total Revenue Bonds Payable (principal only)				\$ 532,543,952	\$ 64,465,636	\$ 468,078,316
Plus: Unamortized Premium						31,799,494
Total Revenue Bonds Payable, Net						\$ 499,877,810

*The University has elected to treat these bonds as federally taxable "Build America Bonds" for the purposes of the American Recovery and Reinvestment Act and to receive a cash subsidy from the U.S. Treasury equal to 32% of the interest payable on these bonds. For these bonds, the interest rate included is the taxable rate, which does not factor in the cash subsidy from the U.S. Treasury.

C. Annual Requirements - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2018, are as follows:

Fiscal Year	Annual Requirements			
	Revenue Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2019	\$ 18,326,019	\$ 19,155,577	\$ 4,012,877	\$ 2,458,647
2020	17,923,469	19,574,794	4,505,104	2,296,412
2021	18,406,318	18,880,716	4,987,707	2,114,936
2022	18,823,612	18,126,036	5,500,029	1,913,907
2023	19,583,840	17,353,080	6,085,066	1,691,346
2024-2028	103,147,826	73,807,919	39,068,554	4,341,238
2029-2033	104,457,232	47,112,599	1,065,038	5,117
2034-2038	74,930,000	27,977,693		
2039-2043	92,480,000	10,438,050		
Total Requirements	\$ 468,078,316	\$ 252,426,464	\$ 65,224,375	\$ 14,821,603

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

On June 28, 2018, the University issued \$87,165,000 in North Carolina State University at Raleigh, General Revenue Refunding Bonds, Series 2018 bonds with a true interest cost of 2.31%. The bonds were issued for a current refunding of \$41,985,000 of outstanding North Carolina State University at Raleigh Variable Rate General Revenue Bonds, Series 2003B and \$57,040,000 of outstanding North Carolina State University at Raleigh Variable Rate General Revenue Refunding Bonds, Series 2015, both with a variable interest rate. The refunding was undertaken to eliminate variable rate risk from the debt portfolio, and resulted in a book loss of \$419,814.

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

Purpose	Financial Institution	Interest Rate/ Ranges	Final Maturity Date	Amount of Issue	Principal Paid Through June 30, 2018	Compounded Interest	Principal Outstanding June 30, 2018
Energy Conservation Loan	BB&T	3.245%	09/01/2028	\$ 19,700,703	\$ 4,698,690	\$ 707,470	\$ 15,709,483
Energy Conservation Loan	Bank of America	4.07%	08/17/2028	56,060,010	10,068,056	3,522,938	49,514,892
Total Notes Payable				\$ 75,760,713	\$ 14,766,746	\$ 4,230,408	\$ 65,224,375

F. Pollution Remediation Payable - The University has recognized a pollution remediation liability for remediation of Lot 86 which the University used as a burial site for hazardous chemical and low level radioactive waste generated in the University's laboratories. The amount of the estimated liability is \$4,645,973. This estimate was calculated at its expected amount, using the expected cash flow technique. This liability could change over time due to changes in cost of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation effort.

NOTE 10**Lease Obligations**

A. Capital Lease Obligations - Capital lease obligations relating to equipment are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2018:

<u>Fiscal Year</u>	<u>Amount</u>
2019	\$ 247,201
2020	222,709
2021	133,853
2022	<u>20,112</u>
Total Minimum Lease Payments	623,875
Amount Representing Interest (10.84% Rate of Interest)	<u>67,638</u>
Present Value of Future Lease Payments	<u>\$ 556,237</u>

Machinery and equipment acquired under capital lease amounted to \$978,676 at June 30, 2018.

Depreciation for the capital assets associated with capital leases is included in depreciation expense, and accumulated depreciation for assets acquired under capital lease totaled \$468,320 at June 30, 2018.

B. Operating Lease Obligations - The University entered into operating leases for equipment and property rental. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2018:

<u>Fiscal Year</u>	<u>Amount</u>
2019	\$ 11,368,346
2020	10,433,127
2021	8,744,476
2022	8,412,008
2023	7,469,877
2024-2028	27,700,087
2029-2033	<u>4,350,486</u>
Total Minimum Lease Payments	<u>\$ 78,478,407</u>

Rental expense for all operating leases during the year was \$14,262,674.

NOTE 11**Net Position**

The deficit in unrestricted net position of \$(1,465,833,681) has been significantly affected by transactions that resulted in the recognition of deferred outflows of resources and deferred inflows of resources. A summary of the balances reported within unrestricted net position relating to the reporting of net pension liability and net other postemployment benefits (OPEB) liability, and the related deferred outflows of resources and deferred inflows of resources is presented as follows:

	<u>TSERS</u>	<u>Retiree Health Benefit Fund</u>	<u>Total</u>
Deferred Outflows Related to Pensions	\$ 95,716,440	\$	\$ 95,716,440
Deferred Outflows Related to OPEB		38,751,588	38,751,588
Noncurrent Liabilities:			
Long-Term Liabilities:			
Net Pension Liability	176,617,483		176,617,483
Net OPEB Liability		1,161,399,772	1,161,399,772
Deferred Inflows Related to Pensions	5,778,080		5,778,080
Deferred Inflows Related to OPEB		558,853,321	558,853,321
Effect on Unrestricted Net Position	<u>\$ (86,679,123)</u>	<u>\$ (1,681,501,505)</u>	<u>\$ (1,768,180,628)</u>

See Notes 14 and 15 for detailed information regarding the amortization of the deferred outflows of resources and deferred inflows of resources relating to pensions and OPEB, respectively.

NOTE 12

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	\$ 432,312,275	\$ 450,827	\$ 101,220,322	\$ 288,913	\$ 330,352,213
Sales and Services, Net	\$ 364,130,606	\$ 77,609,230	\$ 22,663,384	\$ 249,089	\$ 263,608,903
Other Operating Revenues, Net	\$ 21,923,399	\$ 5,263,342	\$ 0	\$ 0	\$ 16,660,057

NOTE 13

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/ Amortization	Total
Instruction	\$ 398,034,617	\$ 27,494,173	\$ 48,666,240	\$ 0	\$ 5,129	\$ 0	\$ 474,200,159
Research	181,988,584	23,198,114	77,807,388		905,236		283,899,322
Public Service	87,947,552	12,916,236	29,638,440		499,762		131,001,990
Academic Support	48,459,936	19,742,322	23,564,621		152,475		91,919,354
Student Services	22,008,377	2,201,406	8,047,270		423,619		32,680,672
Institutional Support	79,814,760	3,467,670	19,407,729		2,696		102,692,855
Operations and Maintenance of Plant	39,332,877	8,385,329	9,783,284		24,111,147		81,612,637
Student Financial Aid	1,341,970	19,035	1,191,139	45,026,871			47,579,015
Auxiliary Enterprises	90,446,086	35,566,277	54,014,393		7,244,797		187,271,553
Depreciation/Amortization						98,921,388	98,921,388
Total Operating Expenses	\$ 949,374,759	\$ 132,990,562	\$ 272,120,504	\$ 45,026,871	\$ 33,344,861	\$ 98,921,388	\$ 1,531,778,945

Pension Plans

A. Defined Benefit Plan

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

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with 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 North Carolina 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, 2018 was 10.78% of covered payroll. Employee contributions to the pension

plan were \$19,895,698, and the University's contributions were \$35,745,937 for the year ended June 30, 2018.

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 2017 *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

TSERS Basis of Accounting: The financial statements of the TSERS plan 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 External Investment Pool. TSERS and other pension plans of the State of North Carolina are the sole participants in the Long-Term Investment, Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Opportunistic Fixed Income Investment, and Inflation Sensitive Investment Portfolios. The Fixed Income Asset Class includes the Long-Term Investment and Fixed Income Investment Portfolios. The Global Equity Asset Class includes the Equity Investment Portfolio. The investment balance of each pension trust fund represents its share of the fair market value of the net position of the various portfolios within the External Investment Pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2017 *Comprehensive Annual Financial Report*.

Net Pension Liability: At June 30, 2018, the University reported a liability of \$176,617,483 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, and update procedures were used to roll forward the total pension liability to June 30, 2017. 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, 2017, the University's proportion was 2.22596%, which

was an increase of 0.02394 from its proportion measured as of June 30, 2016, which was 2.20202%.

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	12/31/2016
Inflation	3%
Salary Increases*	3.50% - 8.10%
Investment Rate of Return**	7.20%

* 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 mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2016 valuations were based on the results of an actuarial experience review for the period January 1, 2010 through December 31, 2014.

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 tar-

get asset allocation as of June 30, 2017 (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	1.4%
Global Equity	5.3%
Real Estate	4.3%
Alternatives	8.9%
Opportunistic Fixed Income	6.0%
Inflation Sensitive	4.0%

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2017 is 1.3%.

Discount Rate: The discount rate used to measure the total pension liability was lowered from 7.25% to 7.20% for the December 31, 2016 valuation. The discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the plan at

June 30, 2017 calculated using the discount rate of 7.20%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.20%) or 1-percentage point higher (8.20%) than the current rate:

Net Pension Liability			
1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)	
\$ 363,551,890	\$ 176,617,483	\$ 19,990,278	

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2018, the University recognized pension expense of \$49,783,358. At June 30, 2018, 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	\$ 3,828,740	\$ 5,778,080
Changes of Assumptions	27,902,898	
Net Difference Between Projected and Actual Earnings on Plan Investments	23,902,336	
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	4,336,529	
Contributions Subsequent to the Measurement Date	35,745,937	
Total	<u>\$ 95,716,440</u>	<u>\$ 5,778,080</u>

The amount of \$35,745,937 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

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

Year Ended June 30:	Amount
2019	\$ 11,768,656
2020	34,980,140
2021	17,009,602
2022	(9,565,975)
Total	<u>\$ 54,192,423</u>

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

Participants in ORP are immediately vested in the value of employee contributions. The value of employer contributions is vested after five years of participation in ORP. 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. Member and employer contribution rates are set each year by the North Carolina General Assembly. For the year ended June 30, 2018, these rates were set at 6% of covered payroll for members and 6.84% of covered payroll for employers. The University assumes no liability other than its contribution.

For the current fiscal year, the University had a total payroll of \$795,965,868, of which \$308,927,150 was covered under ORP. Total employee and employer contributions for pension

benefits for the year were \$18,535,629 and \$21,130,617, respectively. The amount of expense recognized in the current year related to ORP is equal to the employer contributions. The University had forfeitures reflected in pension expense for the current fiscal year of \$849,003.

NOTE 15

Other Postemployment Benefits

The University participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2017 *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

A. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: The financial statements of these plans were prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan. The fiduciary net position of each plan was determined using the same basis as the other postemployment benefit (OPEB) plans.

Methods Used to Value Plan Investments: Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the other postemployment benefits funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan of North Carolina is invested in the Short-Term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool. The investment balance of each other employee benefit trust fund represents its share of the fair 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 2017 *Comprehensive Annual Financial Report*.

B. Plan Descriptions

1. Health Benefits

Plan Administration: The State of North Carolina administers the North Carolina State Health Plan for Teachers and State Employees, referred to as the State Health Plan (the Plan), a healthcare plan exclusively for the benefit of employees of the State, the University of

North Carolina System, community colleges, and certain other component units. In addition, Local Education Agencies (LEAs), charter schools, and some select local governments that are not part of the State's financial reporting entity also participate. Health benefit programs and premium rates are determined by the State Treasurer upon approval of the Plan Board of Trustees. The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135-7, Article 1. RHBF is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of eligible former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments that are not part of the State's financial reporting entity also participate.

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

Benefits Provided: Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 16. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan options or the self-funded Traditional 70/30 Preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of TSERS, the Consolidated Judicial Retirement System, the Legislative Retirement System, the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the Gen-

eral Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a non-contributory basis. Employees first hired on or after October 1, 2006 and members of the General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium.

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

Contributions: Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. The University's contractually-required contribution rate for the year ended June 30, 2018 was 6.05% of covered payroll. The University's contributions to the RHBF were \$38,751,588 for the year ended June 30, 2018.

2. Disability Income

Plan Administration: As discussed in Note 16, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units, LEAs which are not part of the reporting entity, and the University Employees' ORP. By statute, DIPNC is administered by the Department of State Treasurer and the Board of Trustees of TSERS.

Benefits Provided: Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or the University Employees' ORP, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the

employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing five years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

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

For employees who had less than five years of membership service as of July 31, 2007, and meet the requirements for long-term disability on or after August 1, 2007, during the first 36 months of the long-term disability period, the monthly long-term benefit shall be reduced by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee become age 62 during the first 36 months. This reduction becomes effective as of the first day of the month following the month of initial entitlement to Social Security benefits. After the first 36 months of the long-term disability, no further benefits are payable under the terms of this section unless the employee has been approved and is in receipt of primary Social Security disability benefits.

Contributions: Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State's fiscal year. The University's contractually-required contribution rate for the year ended June 30, 2018 was 0.14% of covered payroll. The University's contributions to DIPNC were \$896,731 for the year ended June 30, 2018.

C. Net OPEB Liability (Asset)

Net OPEB Liability: At June 30, 2018, the University reported a liability of \$1,161,399,772 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016, and update procedures were used to roll forward the total OPEB liability to June 30, 2017. The University's proportion of the net OPEB 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, 2017, the University's proportion was 3.54230%, which was a decrease of 0.43441 from its proportion measured as of June 30, 2016, which was 3.97671%.

Net OPEB Asset: At June 30, 2018, the University reported an asset of \$2,354,190 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2017. The total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2016, and update procedures were used to roll forward the total OPEB asset to June 30, 2017. The University's proportion of the net OPEB asset 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, 2017, the University's proportion was 3.85175%, which was an increase of 0.13293 from its proportion measured as of June 30, 2016, which was 3.71882%.

Actuarial Assumptions: The total OPEB liabilities (assets) for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities (assets) were then rolled forward to June 30, 2017 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/2016	12/31/2016
Inflation	2.75%	3.00%
Salary Increases*	3.50% - 8.10%	3.50% - 8.10%
Investment Rate of Return**	7.20%	3.75%
Healthcare Cost Trend Rate - Medical	5.00% - 6.50%	N/A
Healthcare Cost Trend Rate - Prescription Drug	5.00% - 7.25%	N/A
Healthcare Cost Trend Rate - Medicare Advantage	4.00% - 5.00%	N/A
Healthcare Cost Trend Rate - Administrative	3.00%	N/A

* Salary increases include 3.5% inflation and productivity factor

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

N/A - Not Applicable

The OPEB plans currently use 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 studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The projected long-term investment returns and inflation assumptions are developed through a 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 projects are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2017.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2017 (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	1.4%
Global Equity	5.3%
Real Estate	4.3%
Alternatives	8.9%
Opportunistic Fixed Income	6.0%
Inflation Sensitive	4.0%

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2017 was 1.3%.

Actuarial valuations of the plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

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

Projections of benefits for financial reporting purposes of the plans are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and plan members to that point. Historically, the benefits funded solely by employer contributions applied equally to all retirees. Currently, as described earlier in the note, benefits are dependent on membership requirements.

The actuarial methods and assumptions used for DIPNC include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial assumptions used in the December 31, 2016 valuations were based on the results of an actuarial experience study prepared as of December 31, 2014.

Discount Rate: The discount rate used to measure the total OPEB liability for RHBF was 3.58%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.58% was used as the discount rate used to measure the total OPEB liability. The 3.58% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2017.

The discount rate used to measure the total OPEB asset for DIPNC was 3.75%. 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 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 plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset.

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

Net OPEB Liability (Asset)					
1% Decrease (2.58%)		Current Discount Rate (3.58%)		1% Increase (4.58%)	
RHBF	\$ 1,385,484,213	\$	1,161,399,772	\$	983,670,497
1% Decrease (2.75%)		Current Discount Rate (3.75%)		1% Increase (4.75%)	
DIPNC	\$ (2,001,408)	\$	(2,354,190)	\$	(2,707,780)

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

	1% Decrease		Current Healthcare Cost Trend Rates		1% Increase	
	(Medical - 4.00 - 5.50%, Pharmacy - 4.00 - 6.25%, Med. Advantage - 3.00 - 4.00%, Administrative - 2.00%)		(Medical - 5.00 - 6.50%, Pharmacy - 5.00 - 7.25%, Med. Advantage - 4.00 - 5.00%, Administrative - 3.00%)		(Medical - 6.00 - 7.50%, Pharmacy - 6.00 - 8.25%, Med. Advantage - 5.00 - 6.00%, Administrative - 4.00%)	
RHBF Net OPEB Liability	\$	948,757,340	\$	1,161,399,772	\$	1,444,030,674
DIPNC Net OPEB Asset		N/A		N/A		N/A

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2018, the University recognized OPEB expense of \$26,519,735 for RHBF and \$1,229,257 for DIPNC. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

	RHBF		DIPNC		Total	
Difference Between Actual and Expected Experience	\$	0	\$	645,476	\$	645,476
Changes of Assumptions						
Net Difference Between Projected and Actual Earnings on Plan Investments				516,019		516,019
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions						
Contributions Subsequent to the Measurement Date		38,751,588		896,731		39,648,319
Total	\$	38,751,588	\$	2,058,226	\$	40,809,814

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

	RHBF	DIPNC	Total
Difference Between Actual and Expected Experience	\$ 83,274,500	\$ 0	\$ 83,274,500
Changes of Assumptions	319,844,195		319,844,195
Net Difference Between Projected and Actual Earnings on Plan Investments	431,626		431,626
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	155,303,000	64,567	155,367,567
Total	<u>\$ 558,853,321</u>	<u>\$ 64,567</u>	<u>\$ 558,917,888</u>

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability related to RHBF and an increase of the net OPEB asset related to DIPNC in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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

Year Ended June 30:	RHBF	DIPNC
2019	\$ (111,792,246)	\$ 322,709
2020	(111,792,246)	322,709
2021	(111,792,246)	322,593
2022	(111,792,246)	128,917
2023	(111,684,337)	
Total	<u>\$ (558,853,321)</u>	<u>\$ 1,096,928</u>

cretely presented component unit of the State of North Carolina. The Plan is funded by employer contributions. Certain plans also require contributions from employees. The Plan has contracted with third parties to process claims. See Note 15, Other Postemployment Benefits, for additional information regarding retiree health benefits.

2. Death Benefit Plan of North Carolina

Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers. 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.

3. Disability Income Plan

Short-term and long-term disability benefits are provided to University employees through the Disability Income Plan of North Carolina (DIPNC), part of the State's Pension and Other Employee Benefit Trust Funds. Short-term benefits are paid by the University up to the first six months of benefits and reimbursed by DIPNC for any additional short-term benefits. As discussed in Note 15, long-term disability benefits are payable as other postemployment benefits from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

NOTE 16

Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in state-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

A. Employee Benefit Plans

1. State Health Plan

University employees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a dis-

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. University departments, as an individual business decision, may also purchase through the Fund primary

extended coverage for buildings and contents. Coverage may also be purchased through the Fund for theft, vandalism, sprinkler leakage, or all-risk perils. University departments also have the option to purchase all-risk coverage for computers and “miscellaneous equipment” on a scheduled basis. Flood insurance may also be purchased through the Fund for qualifying assets. Receipts-supported auxiliary units insure assets for additional perils coverage, as per the options noted above, in addition to the fire and lightning perils. General-funded departments and units insure for the perils of fire and lightning with the exception of certain coastal properties which are also insured for extended coverage perils and the peril of flood.

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 \$1,000,000 per occurrence. The applicable deductible is \$25,000 per occurrence.

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 and the State’s Agent of Record. The types of insurance policies purchased include: medical professional liability, veterinary professional liability, fine arts property, master crime, inland marine property for musical instruments, campers accident and sickness, athletic accident, boiler and machinery, watercraft, oceanographic equipment, cyber and data breach, and nuclear energy liability.



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 \$146,498,677 at June 30, 2018.

The University has amended the Use Agreement for the PNC Arena with the Centennial Authority (a related party) and therein agreed to make scheduled capital contributions totaling \$6,000,000 to the Authority's Building Enhancement Fund over a 15 year period. The total outstanding commitment on this agreement was \$2,250,000 as of June 30, 2018.

B. Pending Litigation and Claims - As previously reported, the NC School Boards Association, et. al. filed a civil action against various state officials in their official capacity seeking a judicial determination as to whether the state constitution requires certain monetary payments collected by state agencies to be paid to the local county school funds. On July 1, 2005, the NC Supreme Court held in favor of the school boards with regard to parking fines. The matter was remanded back to the trial court for disposition in accordance with the Superior Court's decision. On August 8, 2008, the Wake County Superior Court issued judgment that the estimated amounts collected from January 1, 1996, to June 30, 2005, by UNC Campuses belong and should have been paid to the public schools of the State by payment to the State's Civil Penalty and Forfeiture Fund. The manner in which the judgment will be settled is uncertain and is to be determined by the North Carolina General Assembly. At issue for NC State University is approximately \$6,749,207 in transportation fines collected since January 1, 1996, to June 30, 2005. Of this amount, the university has transferred \$2,273,817 to the Office of State Budget and Management leaving approximately \$4,475,390 still outstanding. Since July 2005, the University has been forwarding transportation fine collections, less collection costs, to the Office of State Budget and Management on a monthly basis.

The University is a party to other litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. University management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the University.

Related Parties

Foundations - There are 7 separately incorporated nonprofit foundations associated with the University. These foundations are North Carolina Tobacco Foundation, Inc., North Carolina State University College of Sciences Foundation, Inc., NC State Engineering Foundation, Inc., North Carolina Veterinary Medical Foundation, Inc., NC State Natural Resources Foundation, Inc., North Carolina Textile Foundation, Inc., and the North Carolina State Alumni Association, Inc.

These organizations serve, in conjunction with the University's component units (See Note 1A), as the primary fundraising arm of the University through which individuals, corporations, and other organizations support University programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific colleges and the University's overall academic environment. The University's financial statements do not include the assets, liabilities, net position, or operational transactions of these organizations, except for support from each organization to the University. This support approximated \$21,072,250 for the year ended June 30, 2018.

Nonprofit Corporation - The Centennial Authority (Authority) was created by the 1995 General Assembly (Senate Bill 606) for the purpose of studying, designing, planning, constructing, owning, promoting, financing and operating a regional facility on land owned by the State. Prior to this act, the General Assembly authorized the construction by the University of a facility to be known as the "Entertainment and Sports Arena" (ESA). This facility serves as a regional sports entertainment center and is available for cultural performances, sporting events and other activities of the University or of other entities (the Centennial Center project). With the 1995 legislation, the Centennial Center project was transferred to the Authority.

The Authority entered into a Ground Lease with the State of North Carolina to lease land for the ESA for a period of 99 years at an annual rent of \$1. The University entered into a Use Agreement with the Authority. Both parties agreed that the University shall be the primary and preferred user of all areas of the ESA. The University is required to pay the greater of 10% of gross ticket revenues or \$53,115 for each men's and \$23,241 for each women's basketball game to compensate the Authority for facility rental and operating expenses for games held during fiscal year 2018. Rent and expense payments for miscellaneous events will be negotiated on an event by event basis based on the availability of the ESA and the anticipated attendance. In fiscal year 2012, the name of the ESA was changed to "PNC Arena."

In fiscal year 2008, the University entered a Capital Improvement Plan Agreement with the Authority to pay \$6,000,000 in quarterly installments over 15 years.

NOTE 19**Blended Component Units**

Condensed combining information for the University's blended component units for the year ended June 30, 2018, is presented as follows:

Condensed Statement of Net Position
June 30, 2018

	North Carolina State University	NC State Investment Fund, Inc	NC State University Partnership Corporation	Eliminations	Total
ASSETS					
Current Assets	\$ 416,735,028	\$ 16,950,253	\$ 3,016,259	\$ 0	\$ 436,701,540
Capital Assets, Net	2,033,750,223		20,556,192		2,054,306,415
Other Noncurrent Assets	185,864,296	752,185,377	1	(33,815,789)	904,233,884
Primary Government Receivable from Component Unit	2,785,750			(2,785,750)	
Total Assets	2,639,135,297	769,135,630	23,572,451	(36,601,539)	3,395,241,839
Total Deferred Outflows of Resources	136,526,254				136,526,254
LIABILITIES					
Current Liabilities	173,806,267	567,385	1,583,536		175,957,188
Long-Term Liabilities, Net	1,963,750,202				1,963,750,202
Other Noncurrent Liabilities	416,220,810		344,645	(33,815,789)	382,749,666
Component Unit Payable to Primary Government			2,785,750	(2,785,750)	
Total Liabilities	2,553,777,279	567,385	4,713,931	(36,601,539)	2,522,457,056
Total Deferred Inflows of Resources	564,695,968				564,695,968
NET POSITION					
Net Investment in Capital Assets	1,424,019,502		17,207,401		1,441,226,903
Restricted - Nonexpendable	(624,782,474)	768,568,245	2		143,785,771
Restricted - Expendable	325,267,789		168,287		325,436,076
Unrestricted	(1,467,316,513)		1,482,832		(1,465,833,681)
Total Net Position	\$ (342,811,696)	\$ 768,568,245	\$ 18,858,520	\$ 0	\$ 444,615,069

1. Total investments in the NC State Investment Fund, Inc. audit report included \$424,451,844 held in the Investment Fund for the North Carolina State University Foundation, Inc. and The North Carolina Agricultural Foundation, Inc. This amount is excluded from the University prepared financial statements and included in the accompanying component unit financial statements. See Note 2 to the financial statements. It will therefore be excluded from the Condensed Statement of Net Position and the Condensed Statement of Revenues, Expenses, and Changes in Net Position.

2. Restricted Nonexpendable assets are held in the NC State Investment Fund, Inc. while the associated liabilities are held in North Carolina State University statements resulting in a negative net position before blending.

**Condensed Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2018**

	North Carolina State University	NC State Investment Fund, Inc.	NC State University Partnership Corporation	Elimination	Total
OPERATING REVENUES					
Operating Revenue	\$ 927,983,309	\$ 0	\$ 3,563,927	\$(4,857,180)	\$ 926,690,056
Total Operating Revenues	927,983,309	0	3,563,927	\$(4,857,180)	926,690,056
OPERATING EXPENSES					
Operating Expenses	1,427,736,834	2,773,653	7,204,250	\$(4,857,180)	1,432,857,557
Depreciation/Amortization	98,409,348		512,040		98,921,388
Total Operating Expenses	1,526,146,182	2,773,653	7,716,290	\$(4,857,180)	1,531,778,945
Operating Loss	\$(598,162,873)	\$(2,773,653)	\$(4,152,363)	0	\$(605,088,889)
NONOPERATING REVENUES (EXPENSES)					
State Appropriations	515,352,773				515,352,773
Noncapital Grants	49,435,617				49,435,617
Noncapital Gifts	76,584,756				76,584,756
Investment Income	\$(27,118,018)	68,392,063			41,274,045
Other Nonoperating Expenses	\$(24,170,202)		\$(48,004)		\$(24,218,206)
Net Nonoperating Revenues (Expenses)	590,084,926	68,392,063	\$(48,004)		658,428,985
Capital Appropriations	8,456,800				8,456,800
Capital Grants	15,345,199				15,345,199
Capital Gifts	6,716,037				6,716,037
Additions to Endowments	11,690,484				11,690,484
Increase (Decrease) in Net Position	34,130,573	65,618,410	\$(4,200,367)		95,548,616
NET POSITION					
Net Position, July 1, 2017	\$(376,942,269)	702,949,835	23,058,887		349,066,453
Net Position, June 30, 2018	\$ (342,811,696)	\$ 768,568,245	\$ 18,858,520	\$ 0	\$ 444,615,069

Condensed Statement of Cash Flows

June 30, 2018

	North Carolina State University	NC State Investment Fund, Inc.	NC State University Partnership Corporation	Total
Net Cash Used by Operating Activities	\$ (485,841,121)	\$ 0	\$ (3,086,934)	\$ (488,928,145)
Net Cash Provided by Noncapital Financing Activities	694,763,827			694,763,827
Net Cash Used by Capital and Related Financing Activities	(129,155,080)		(322,677)	(129,477,757)
Net Cash Provided (Used) by Investing Activities	(25,700,594)	11,742,598		(13,957,996)
Net Increase (Decrease) in Cash and Cash Equivalents	54,066,942	11,742,598	(3,409,611)	62,399,929
Cash and Cash Equivalents, July 1, 2017	406,662,610	5,207,655	6,035,881	417,906,146
Cash and Cash Equivalents, June 30, 2018	\$ 460,729,552	\$ 16,950,253	\$ 2,626,270	\$ 480,306,075

The condensed combining financial statements include the elimination of a note payable between the University and the NC State University Partnership Corporation for land purchased by Bell Tower Holdings, LLC.

NOTE 20

Changes in Financial Accounting and Reporting

For the fiscal year ended June 30, 2018, the University implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

GASB Statement No. 85, *Omnibus 2017*

GASB Statement No. 86, *Certain Debt Extinguishment Issues*

GASB Statement No. 75 improves accounting and financial reporting requirements by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a

variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB).

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

NOTE 21

Net Position Restatements

As of July 1, 2017, net position as previously reported was restated as follows:

	Amount
July 1, 2017 Net Position as Previously Reported	\$ 2,050,177,473
Restatements:	
Record the University's Net OPEB Asset and Liability and OPEB Related Deferred Outflows and Inflows of Resources Per GASB 75 Requirements	(1,689,052,983)
Record the University's Workers Compensation Liability	(12,058,037)
July 1, 2017 Net Position as Restated	<u>\$ 349,066,453</u>

NOTE 22

Discretely Presented Component Units

The University's discretely presented component units use the accounting and reporting standards promulgated by FASB. Selected disclosures from the discretely presented component units' audited financial statements follow:

NORTH CAROLINA STATE UNIVERSITY FOUNDATION, INC.

Long-Term Investments

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Investments at June 30, 2018 consisted of:

	Cost	Fair Value
STIF	\$ 0	0
NC State Investment Fund, Inc.		
Long Term Investment Pool (LTIP)	218,794,093	320,174,970
SRI Fund	33,911,801	37,467,567
Life Income Funds	7,225,821	7,583,556
Total	<u>\$ 259,931,715</u>	<u>\$ 365,226,093</u>

As of June 30, 2018, approximately 87.4% of the LTIP was invested with the UNC Management Company, 9.2% in the LPP, 1.8% in other managers in private equity funds, and 1.6% in the STIF. The LTIP's net assets were valued at approximately \$1,008,370,000 at June 30, 2018.

The Foundation's investment in the LTIP represents approximately 31.8% of the member equity of the LTIP at June 30, 2018.

The SRI Fund assets are invested in a socially responsible manner through a diversified portfolio of managers that consider environmental, social, and governance issues. As of June 30, 2018, approximately 66.6% of total assets were invested in the STIF, 19.4% with Generation IM Global Equity A Fund, 9.5% with RBC SRI Wealth Management Group (RBC), 3% with Goldman Sachs Private Equity Fund, and 1.5% in the Vanguard Social Index Fund.

The Foundation's investments held by Life Income Funds consist of a diversified portfolio of bond and equity mutual funds.

Life Income Funds

The consolidated financial statements include assets and liabilities of charitable gift annuities and unitrust agreements for which the Foundation is trustee. The grantors and/or beneficiaries retain future income interests in these assets until their death. These life income funds are recorded at fair value at the date of gift. Life income funds at June 30, 2018 have asset balances of \$7,583,556.

The liabilities for distributions to grantors and/or beneficiaries are computed using Internal Revenue Code annuity valuation tables, the distribution terms of the agreements, and the life expectancy of the beneficiaries, and totaled \$5,599,807 at June 30, 2018. Payments from these funds were \$726,884 during the year ended June 30, 2018. An unrestricted reserve account has been established in the Foundation's Charitable Gift Annuity ("CGA") pool to receive 10% from all new CGAs established in order to offset the liabilities for any annuities that reach exhaustion. The goal is to build the unrestricted reserve fund to equal 10% of the total value of the Foundation's CGA pool. As of June 30, 2018, the CGA reserve balance was \$123,142.

In addition to the above life income funds, the Foundation was named the recipient of an externally managed trust in 2011 which represented irrevocable life income funds with a market value totaling \$20,247,044 and life income funds payable of \$13,405,810 as of June 30, 2017. The Foundation did not serve as trustee for these funds. During fiscal year 2018 this trust was terminated and cash was received.

Pledges Receivable

Pledges receivable consisted of the following at June 30:

Receivable in Less than One Year	\$ 22,476,461
Receivable in One to Five Years	12,823,400
Receivable in Greater Than Five Years	1,133
Total Gross Pledges Receivable	35,300,994
Less Allowance for Uncollectible Pledges	947,000
Less Unamortized Discount (Discount Rate of 2.33% to 2.78%)	1,478,568
Net Pledges Receivable	<u>\$ 32,875,426</u>

An allowance for doubtful accounts has been established and is updated annually to reflect 5% of the Foundation's outstanding pledge balance, excluding large pledges for which signed memorandums of understanding exist and therefore the Foundation is reasonably assured of collecting. These two large pledges represented approximately \$19.4 million of total undiscounted pledges receivable at June 30, 2018. Active past due pledges receivable are reviewed twice yearly by the Advancement Services office in order to determine if it is appropriate to write off such pledges.

NC STATE STUDENT AID ASSOCIATION, INC.

Pledges Receivable

Pledges receivable at June 30, 2018 are as follows:

Pledges Receivable	\$ 19,693,659
Less Allowance for Uncollectible Pledges	984,683
Less Discount on Pledges	4,040,864
	14,668,112
Less Current Portion	3,003,874
Pledges Due After One Year	<u>\$ 11,664,238</u>

Pledges receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 6%.

Receivable in Less than One Year	\$ 3,161,972
Receivable in One to Five Years	6,648,702
Receivable in Greater Than Five Years	9,882,985
	19,693,659
Less Allowance for Uncollectible Pledges	984,683
Less Discount on Pledges	4,040,864
Net Pledges Receivable	<u>\$ 14,668,112</u>

INVESTMENTS

The Association held the following investments at June 30, 2018:

	Historical Cost	Market Value
Marketable Equity Securities	\$ 16,390,753	\$ 17,181,635
Other Marketable Debt Securities	4,318,716	4,249,643
U.S. Government Obligations	1,883,713	1,864,571
Unit Investment Trusts	552,487	538,040
Alternative Investments	5,589,619	6,459,954
Mutual Funds	4,462,424	4,662,549
Total	<u>\$ 33,197,712</u>	<u>\$ 34,956,392</u>

Investment income net, consists of the following for the year ended June 30, 2018:

Interest	\$ 448,216
Dividends	877,373
Realized Gain on Sale of Investments	1,444,675
Unrealized Gain on Investments	(342,372)
Investment Expenses	(282,050)
Total	<u>\$ 2,145,842</u>

Long-Term Debt

Bond Indentures - Vaughn Towers:

In March 2013, the Association refinanced bonds originally issued in 2004 to finance the construction of the Vaughn Towers press box at Carter-Finley Stadium. The refinancing was with a financial institution through a \$12,660,000 Series 2013 bond, issued through the North Carolina Capital Facilities Finance Agency. Principal payments of \$1,055,000 are due annually until the bond matures in September 2024. The bond payable at June 30, 2017 totaled \$8,440,000. During 2018, the bond was refinanced as noted below.

Note Payable - Wolves Den:

In June 2015, the Association entered into a note agreement in the amount of \$450,000 with a financial institution in order to finance the renovation of a portion of Vaughn Towers into a new premium seating option at Carter-Finley Stadium, referred to as the Wolves Den. Annual principal payments of \$112,500 began in January 2016, and the note was paid in full as of June 30, 2018.

Notes Payable - Indoor Practice Facility:

In May 2014, the Association entered into multiple note agreements with BB&T in order to finance the construction of a new Indoor Practice Facility for the football program at NCSU. The total financing available through the notes payable was \$14,000,000. The Association had to maintain a debt service coverage ratio of 1.00 to 1.00, maintain unrestricted liquid assets of \$4,000,000 until such point that the total credit available and outstanding was less than

\$10,000,000, and meet certain-pledge targets. The notes payable are collateralized by pledges receivable and cash received from the related capital campaign. The notes were paid in full as of June 30, 2018.

Bond Payable - Refunding Bond:

In October 2017, the Association entered into a bond agreement with BB&T in order to refinance the outstanding notes. The total financing available through the bond was \$12,585,000. Annual principal payments of \$839,000 are payable until the bond matures in 2032. Interest is payable monthly at the greater of prime rate plus 2% or 6%. The interest rate at June 30, 2018 was 3.34%. The outstanding bond balance was \$12,585,000 at June 30, 2018.

Long-term debt consists of the following at June 30, 2018:

Bond Payable – Refunding Bond	\$ 12,470,244
Less Amount Classified as Current Liability	830,947
Amount Due After One Year	<u>\$ 11,639,297</u>

Deferred bond issuance cost consists of the following as of June 30, 2018:

Deferred bond issuance cost	\$ 120,796
Less: accumulated amortization	6,040
Net deferred bond issuance cost	<u>\$ 114,756</u>

Maturities of long-term debt are as follows:

	Principal Payments	Minus Amortized Deferred Bond	Long-term debt, net
2019	\$ 839,000	8,053	830,947
2020	839,000	8,053	830,947
2021	839,000	8,053	830,947
2022	839,000	8,053	830,947
2023	839,000	8,053	830,947
Thereafter	8,390,000	74,491	8,315,509
Total	<u>\$ 12,585,000</u>	<u>114,756</u>	<u>12,470,244</u>

THE NORTH CAROLINA AGRICULTURAL FOUNDATION, INC.

Long-Term Investments

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Investments at June 30, 2018 consisted of:

	Cost	Fair Value
STIF	\$ 304	\$ 304
NC State Investment Fund, Inc.		
Long Term Investment (LTIP)	54,700,396	88,442,580
Life Income Funds	10,207,360	10,521,486
Total	<u>\$ 64,908,060</u>	<u>\$ 98,964,370</u>

As of June 30, 2018, approximately 87.4% of the LTIP was invested with the UNC Management Company ("UNCMC"), 9.2% in the LPP, 1.8% in other managers in private equity funds, and 1.6% in the STIF. The LTIP's net assets were valued at approximately \$1,008,370,000 at June 30, 2018. The Foundation's investment in LTIP represents approximately 8.77% of the member's equity of the LTIP at June 30, 2018.

The Foundation's investments at Life Income Funds consist of a diversified portfolio of bond and equity mutual funds.

Pledges Receivable

Pledges receivable consisted of the following at June 30:

Receivable in Less than One Year	\$ 1,831,579
Receivable in One to Five Years	3,428,773
Receivable in Greater Than Five Years	5,199
Total Gross Pledges Receivable	5,265,551
Less Allowance for Uncollectible Pledges	264,000
Less Unamortized Discount (Discount Rate of 2.33% to 2.87%)	282,791
Net Pledges Receivable	<u>\$ 4,718,760</u>

An allowance for doubtful accounts has been established and is updated annually to reflect 5% of the Foundation's outstanding pledge balance. Active past due pledges receivable are reviewed twice yearly by the Advancement Services office in order to determine if it is appropriate to write off such pledges.

Four donors represent approximately \$2.7 million of total undiscounted pledges receivable at June 30, 2018.



REQUIRED SUPPLEMENTARY INFORMATION

NORTH CAROLINA
STATE UNIVERSITY

2018 ANNUAL
FINANCIAL REPORT

NORTH CAROLINA STATE UNIVERSITY
Required Supplementary Information
Schedule of the Proportionate Net Pension Liability
Teachers' and State Employees' Reirement System
Last Five Fiscal Years

Exhibit C-1

	2017	2016	2015	2014	2013
Proportionate Share Percentage of Collective Net Pension Liability	2.22596%	2.20202%	2.13940%	2.14599%	2.11750%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 176,617,483	\$ 202,388,385	\$ 78,841,126	\$ 25,160,037	\$ 128,553,827
Covered Payroll	\$ 324,634,557	\$ 312,155,082	\$ 308,539,969	\$ 305,353,765	\$ 306,165,883
Net Pension Liability as a Percentage of Covered Payroll	54.41%	64.84%	25.55%	8.24%	41.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.51%	87.32%	94.64%	98.24%	90.60%

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

NORTH CAROLINA STATE UNIVERSITY
Required Supplementary Information
Schedule of University Contributions
Teachers' and State Employees' Reirement System
Last Ten Fiscal Years

Exhibit C-2

	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 35,745,937	\$ 32,398,529	\$ 28,562,190	\$ 28,231,407	\$ 26,535,242
Contributions in Relation to the Contractually Determined Contribution	\$ 35,745,937	\$ 32,398,529	\$ 28,562,190	\$ 28,231,407	\$ 26,535,242
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 331,594,965	\$ 324,634,557	\$ 312,155,082	\$ 308,539,969	\$ 305,353,765
Contributions as a Percentage of Covered Payroll	10.78%	9.98%	9.15%	9.15%	8.69%

	2013	2012	2011	2010	2009
Contractually Required Contribution	\$ 25,503,618	\$ 22,231,989	\$ 15,004,360	\$ 10,741,148	\$ 10,536,565
Contributions in Relation to the Contractually Determined Contribution	\$ 25,503,618	\$ 22,231,989	\$ 15,004,360	\$ 10,741,148	\$ 10,536,565
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 306,165,883	\$ 298,817,058	\$ 304,348,067	\$ 300,872,483	\$ 313,588,252
Contributions as a Percentage of Covered Payroll	8.33%	7.44%	4.93%	3.57%	3.36%

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

NORTH CAROLINA STATE UNIVERSITY
Notes to Required Supplementary Information
Schedule of University Contributions
Teachers' and State Employees' Retirement System

Last Ten Fiscal Years

Changes of Benefit Terms:

Cost of Living Increase

2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
N/A	N/A	N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%	3.00%

Changes of assumptions. In 2015, the actuarial assumptions were updated to more closely reflect actual experience. In 2015, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement systems' actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent Experience Review examined each plan's experience during the period between January 1, 2010, and December 31, 2014. Based on the findings, the Board of Trustees of the Teachers' and State Employees' Retirement System adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and the mortality improvement projection scales to reflect reduced rates of mortality and significant increases in mortality improvements. These assumptions were adjusted to reflect the mortality projection scale MP-2015, released by the Society of Actuaries in 2015. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were reduced to more closely reflect actual experience. The discount rate for Teachers' and State Employees' Retirement System was lowered from 7.25% to 7.20% for the December 31, 2016 valuation.

The Board of Trustees also adopted a new asset valuation method for the Teachers' and State Employees' Retirement System. For determining plan funding requirements, these plans now use a five-year smoothing method with a reset of the actuarial value of assets to market value as of December 31, 2014.

The Notes to Required Supplementary Information reflect the most recent available information included in the State of North Carolina's 2017 Comprehensive Annual Financial Report.

NORTH CAROLINA STATE UNIVERSITY
Required Supplementary Information
Schedule of the Proportionate Net OPEB Liability or Asset
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Last Two Fiscal Years

Exhibit C-3

	2017	2016
Retiree Health Benefit Fund		
Proportionate Share Percentage of Collective Net OPEB Liability	3.54230%	3.97671%
Proportionate Share of Collective Net OPEB Liability	\$ 1,161,399,772	\$ 1,730,004,018
Covered Payroll	\$ 622,217,834	\$ 593,161,610
Net OPEB Liability as a Percentage of Covered Payroll	186.65%	291.66%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	3.52%	2.41%
Disability Income Plan of North Carolina		
Proportionate Share Percentage of Collective Net OPEB Liability	3.85175%	3.71882%
Proportionate Share of Collective Net OPEB Liability	\$ 2,354,190	\$ 2,309,387
Covered Payroll	\$ 622,217,834	\$ 593,161,610
Net OPEB Liability as a Percentage of Covered Payroll	0.38%	0.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	116.23%	116.06%

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

NORTH CAROLINA STATE UNIVERSITY
Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Last Ten Fiscal Years

Exhibit C-4

	2018	2017	2016	2015	2014
Retiree Health Benefit Fund					
Contractually Required Contribution	\$ 38,751,588	\$ 36,150,856	\$ 33,217,050	\$ 31,585,734	\$ 29,986,156
Contributions in Relation to the Contractually Determined Contribution	38,751,588	36,150,856	33,217,050	31,585,734	29,986,156
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 640,522,115	\$ 622,217,834	\$ 593,161,610	\$ 575,332,134	\$ 555,299,176
Contributions as a Percentage of Covered Payroll	6.05%	5.81%	5.60%	5.49%	5.40%
	2013	2012	2011	2010	2009
Contractually Required Contribution	\$ 28,822,840	\$ 26,143,971	\$ 25,706,534	\$ 23,250,220	\$ 21,576,756
Contributions in Relation to the Contractually Determined Contribution	\$ 28,822,840	\$ 26,143,971	\$ 25,706,534	\$ 23,250,220	\$ 21,576,756
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 543,827,170	\$ 522,879,422	\$ 524,560,133	\$ 516,671,564	\$ 526,262,347
Contributions as a Percentage of Covered Payroll	5.30%	5.00%	4.90%	4.50%	4.10%
Disability Income Plan of North Carolina					
Contractually Required Contribution	\$ 896,731	\$ 2,364,428	\$ 2,431,963	\$ 2,358,862	\$ 2,443,316
Contributions in Relation to the Contractually Determined Contribution	\$ 896,731	\$ 2,364,428	\$ 2,431,963	\$ 2,358,862	\$ 2,443,316
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 640,522,115	\$ 622,217,834	\$ 593,161,610	\$ 575,332,134	\$ 555,299,176
Contributions as a Percentage of Covered Payroll	0.14%	0.38%	0.41%	0.41%	0.44%
	2013	2012	2011	2010	2009
Contractually Required Contribution	\$ 2,392,840	\$ 2,718,973	\$ 2,728,040	\$ 2,686,692	\$ 2,736,564
Contributions in Relation to the Contractually Determined Contribution	\$ 2,392,840	\$ 2,718,973	\$ 2,728,040	\$ 2,686,692	\$ 2,736,564
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 543,827,170	\$ 522,879,422	\$ 524,560,133	\$ 516,671,564	\$ 526,262,347
Contributions as a Percentage of Covered Payroll	0.44%	0.52%	0.52%	0.52%	0.52%

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

NORTH CAROLINA STATE UNIVERSITY
Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Last Ten Fiscal Years

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

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

Method and Assumptions Used in Calculations of Actuarially Determined Contributions: An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning six months following the date of the valuation results for the Retiree Health Benefit Fund. The actuarially determined contribution rates in the Schedule of employer Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results for the Disability Income Plan of North Carolina. See Note 15 for more information on the specific assumptions for each plan. The actuarially determined contributions for those items with covered payroll were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

Changes of assumptions: In 2015, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 2010, and December 31, 2014. Based on the findings, the Boards of Trustees of the Teachers' and State Employees' Retirement System and the State Health Plan adopted a number of new actuarial assumptions and methods for the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina. The most notable changes to the assumptions include updates to the mortality tables and the mortality improvement projection scales to reflect reduced rates of mortality and significant increases in mortality improvements. These assumptions were adjusted to reflect the mortality projection scale MP-2015, released by the Society of Actuaries in 2015. In addition, the assumed rates of retirement and rates of termination from active employment were reduced to more closely reflect actual experience.

In 2017, the medical and prescription health trend rates used in the December 31, 2016 actuarial valuation of the Retiree Health Benefit Fund were reduced based upon the plan's most recent experience.

The Notes to Required Supplementary Information reflect the most recent available information included in the State of North Carolina's 2017 Comprehensive Annual Financial Report.



SUPPLEMENTARY INFORMATION SECTION

NORTH CAROLINA
STATE UNIVERSITY

2018 ANNUAL
FINANCIAL REPORT

Ratio of Net Gain in Endowment Investments

Ten Year History

For the Year Ended June 30,

(in thousands)

University Endowment Investments - Market Value

Fiscal Year	End of Year	Beginning of Year	Yearly Change	Ratio
2008-2009	129,619	161,208	(31,589)	(19.60)
2009-2010	143,112	129,619	13,493	10.41
2010-2011	161,402	143,112	18,290	12.78
2011-2012	161,385	161,402	(17)	(0.01)
2012-2013	177,402	161,385	16,017	9.92
2013-2014	205,010	177,402	27,608	15.56
2014-2015	230,099	205,010	25,089	12.24
2015-2016	209,047	230,099	(21,052)	(9.15)
2016-2017	311,538	209,047	102,491	49.03
2017-2018	349,411	311,538	37,873	12.16

Available Funds

For the Year Ended June 30,
(in thousands)

	2014	2015*	2016	2017	2018**
Total Unrestricted Revenue	\$ 1,090,045	\$ 1,140,445	\$ 1,196,096	\$ 1,241,931	\$ 1,295,674
Less:					
State Appropriations	(473,005)	(481,548)	(502,534)	(506,419)	(515,353)
Tuition and Fees	(215,694)	(229,771)	(244,013)	(260,513)	(276,701)
Plus:					
Beginning Unrestricted Net Assets	230,802	165,234 *	217,106	240,433	(1,457,285)
Total	632,148	594,360	666,655	715,432	(953,664)
Adjustments for Pension and OPEB					
GASB 68 Pension	0	85,242	65,062	72,917	86,679
GASB 75 OPEB	0	0	0	0	1,681,502
Total Adjusted Available Funds	\$ 632,148	\$ 668,580	\$ 731,717	\$ 788,349	\$ 814,517

* GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, required the University to recognize its proportionate share of the State's overall net pension liability. Accordingly, Fiscal Year ended June 30, 2014 was restated to reflect a reduction of \$102.0 million in unrestricted net assets, which is reflected in the FY2015 beginning unrestricted net assets.

** GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, required the University to recognize its proportionate share of the State's overall net OPEB liability. Accordingly, Fiscal Year ended June 30, 2017 was restated to reflect reduction of \$1,693.7 million in unrestricted net assets, which is reflected in the FY2018 beginning unrestricted net assets.

More information on the effect of both Pension and OPEB on unrestricted net position is available in Note 11 - Net Position.

Admissions, Enrollment and Degree Statistics

Ten Year History of Fall
Enrollment

(Headcount)

Freshman Admissions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Applied	17,661	18,783	19,526	19,863	20,436	21,618	20,208	21,102	26,224	26,836
Accepted	10,371	10,253	10,542	10,395	10,138	10,136	10,390	10,582	12,353	13,691
Enrolled	4,669	4,638	4,558	4,564	4,225	4,165	4,374	4,212	4,229	4,656
SAT Total	1,176	1,184	1,186	1,191	1,218	1,243	1,248	1,250	1,263	1,309
SAT Verbal	569	572	575	579	591	604	607	610	617	647
SAT Math	607	612	611	612	627	639	641	640	646	662
Transfer Admissions										
Applied	3,766	3,869	4,294	3,810	3,749	3,928	3,635	4,166	4,184	4,381
Accepted	1,410	1,397	1,631	1,316	1,505	1,524	1,647	1,472	1,712	1,831
Enrolled	1,089	1,097	1,141	1,027	1,209	1,215	1,253	1,107	1,223	1,275
Graduate Admissions										
Applied	8,119	10,712	13,792	14,005	14,412	14,451	15,419	15,394	16,650	15,747
Accepted	3,533	2,411	4,002	3,866	3,550	3,519	3,612	3,583	3,429	3,791
Enrolled	2,284	2,362	2,514	2,613	2,599	2,609	2,839	2,892	3,097	3,147

(Percentage of Total Applications)

Freshman Admissions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Accepted	58.7%	54.6%	54.0%	52.3%	49.6%	46.9%	51.4%	50.1%	47.1%	51.0%
Enrolled	26.4%	24.7%	23.3%	23.2%	20.7%	19.3%	21.6%	20.0%	16.1%	17.3%
Transfer Admissions										
Accepted	37.4%	36.1%	38.0%	34.5%	40.1%	38.8%	45.3%	35.3%	40.9%	41.8%
Enrolled	28.9%	28.4%	26.6%	27.0%	32.2%	31.0%	34.5%	26.6%	29.2%	29.1%
Graduate Admissions										
Accepted	43.5%	22.5%	29.0%	27.6%	24.6%	24.4%	23.4%	23.3%	20.6%	24.1%
Enrolled	28.1%	22.1%	18.2%	18.7%	18.0%	18.1%	18.4%	18.8%	16.8%	20.0%

(Degrees Conferred)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Bachelors	4,571	4,611	4,910	5,296	5,710	5,584	5,622	5,660	5,766	5,761
Masters	1,507	1,666	1,884	2,220	2,494	2,475	2,660	2,535	2,716	3,003
Doctoral	328	456	423	398	449	488	507	514	523	546
First Professional (DVM)	74	73	77	77	79	72	81	79	97	96
Total	6,480	6,806	7,294	7,991	8,732	8,619	8,870	8,788	9,102	9,406

Admissions, Enrollment and Degree Statistics

Ten Year History of Fall Enrollment

(Headcount)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Undergraduate	22,874	23,365	23,500	23,514	23,291	22,977	22,925	22,462	22,346	22,755
Graduate	7,243	7,640	8,218	8,728	8,771	8,722	8,860	9,265	9,342	9,744
Lifelong Education	2,755	2,814	2,658	2,525	2,278	2,310	2,204	2,288	2,055	1,916
Full-time	25,940	26,736	27,287	27,438	27,108	26,770	26,965	26,767	26,776	27,415
Part-time	6,932	7,083	7,089	7,329	7,232	7,239	7,024	7,248	6,979	7,017
Male	18,344	18,777	19,077	19,441	19,176	18,913	18,945	18,769	18,561	18,691
Female	14,528	15,042	15,299	15,326	15,164	15,096	15,044	15,246	15,194	15,741
White	24,279	24,606	24,663	24,458	24,019	23,586	22,911	22,590	22,168	21,687
African-American	2,809	2,701	2,758	2,634	2,531	2,314	2,212	2,163	2,075	2,038
Asian	1,509	1,573	1,640	1,620	1,583	1,644	1,678	1,625	1,762	1,924
Hispanic	790	953	1,065	1,163	1,296	1,309	1,392	1,487	1,469	1,597
Other	3,485	3,986	4,250	4,892	4,911	5,156	5,796	6,150	6,281	7,186
In-state	27,850	28,484	28,611	28,336	27,739	27,185	26,699	26,440	26,277	26,931
Out-of-state	2,802	2,963	3,235	3,399	3,642	3,688	3,823	3,733	3,605	3,472
International	2,220	2,372	2,530	3,032	2,959	3,136	3,467	3,842	3,873	4,029
Total Enrollment	32,872	33,819	34,376	34,767	34,340	34,009	33,989	34,015	33,755	34,432

(Percentage of Total)

Undergraduate	69.6%	69.1%	68.4%	67.6%	67.8%	67.6%	67.4%	66.0%	66.8%	66.1%
Graduate	22.0%	22.6%	23.9%	25.1%	25.5%	25.6%	26.1%	27.2%	27.7%	28.3%
Lifelong Education	8.4%	8.3%	7.7%	7.3%	6.6%	6.8%	6.5%	6.7%	6.1%	5.6%
Full-time	78.9%	79.1%	79.4%	78.9%	78.9%	78.7%	79.3%	78.7%	79.3%	79.6%
Part-time	21.1%	20.9%	20.6%	21.1%	21.1%	21.3%	20.7%	21.3%	20.7%	20.4%
Male	55.8%	55.5%	55.5%	55.9%	55.8%	55.6%	55.7%	55.2%	55.0%	54.3%
Female	44.2%	44.5%	44.5%	44.1%	44.2%	44.4%	44.3%	44.8%	45.0%	45.7%
White	73.9%	72.8%	71.7%	70.3%	69.9%	69.4%	67.4%	66.4%	65.7%	63.0%
African-American	8.5%	8.0%	8.0%	7.6%	7.4%	6.8%	6.5%	6.4%	6.1%	5.9%
Asian	4.6%	4.7%	4.8%	4.7%	4.6%	4.8%	4.9%	4.8%	5.2%	5.6%
Hispanic	2.4%	2.8%	3.1%	3.3%	3.8%	3.8%	4.1%	4.4%	4.4%	4.6%
Other	10.6%	11.7%	12.4%	14.1%	14.3%	15.2%	17.1%	18.0%	18.6%	20.9%
In-state	84.7%	84.2%	83.2%	81.5%	80.8%	79.9%	78.6%	77.7%	77.8%	78.2%
Out-of-state	8.5%	8.8%	9.4%	9.8%	10.6%	10.9%	11.2%	11.0%	10.7%	10.1%
International	6.8%	7.0%	7.4%	8.7%	8.6%	9.2%	10.2%	11.3%	11.5%	11.7%

Admissions, Enrollment and
Degree Statistics

Enrollment by County
Student Enrollment, Fall
Semester 2017

Residence	Total	Residence	Total	Residence	Total	Residence	Total
Alamance	317	Cumberland	475	Johnston	691	Randolph	216
Alexander	43	Currituck	28	Jones	12	Richmond	27
Alleghany	15	Dare	76	Lee	138	Robeson	101
Anson	11	Davidson	244	Lenoir	77	Rockingham	91
Ashe	25	Davie	118	Lincoln	141	Rowan	163
Avery	24	Duplin	75	McDowell	33	Rutherford	72
Beaufort	74	Durham	995	Macon	25	Sampson	144
Bertie	16	Edgecombe	58	Madison	23	Scotland	34
Bladen	37	Forsyth	712	Martin	39	Stanly	70
Brunswick	137	Franklin	167	Mecklenburg	1,962	Stokes	54
Buncombe	529	Gaston	251	Mitchell	17	Surry	89
Burke	80	Gates	16	Montgomery	32	Swain	13
Cabarrus	399	Graham	5	Moore	240	Transylvania	25
Caldwell	109	Granville	128	Nash	246	Tyrrell	5
Camden	19	Greene	23	New Hanover	606	Union	694
Carteret	188	Guilford	1,403	Northhampton	15	Vance	60
Caswell	43	Halifax	69	Onslow	195	Wake	9,939
Catawba	262	Harnett	195	Orange	669	Warren	27
Chatham	237	Haywood	62	Pamlico	28	Washington	13
Cherokee	33	Henderson	147	Pasquotank	37	Watauga	98
Chowan	32	Hertford	14	Pender	110	Wayne	207
Clay	5	Hoke	38	Perquimans	15	Wilkes	60
Cleveland	119	Hyde	12	Person	68	Wilson	170
Columbus	54	Iredell	425	Pitt	289	Yadkin	38
Craven	183	Jackson	24	Polk	26	Yancey	19
						Total	26,914

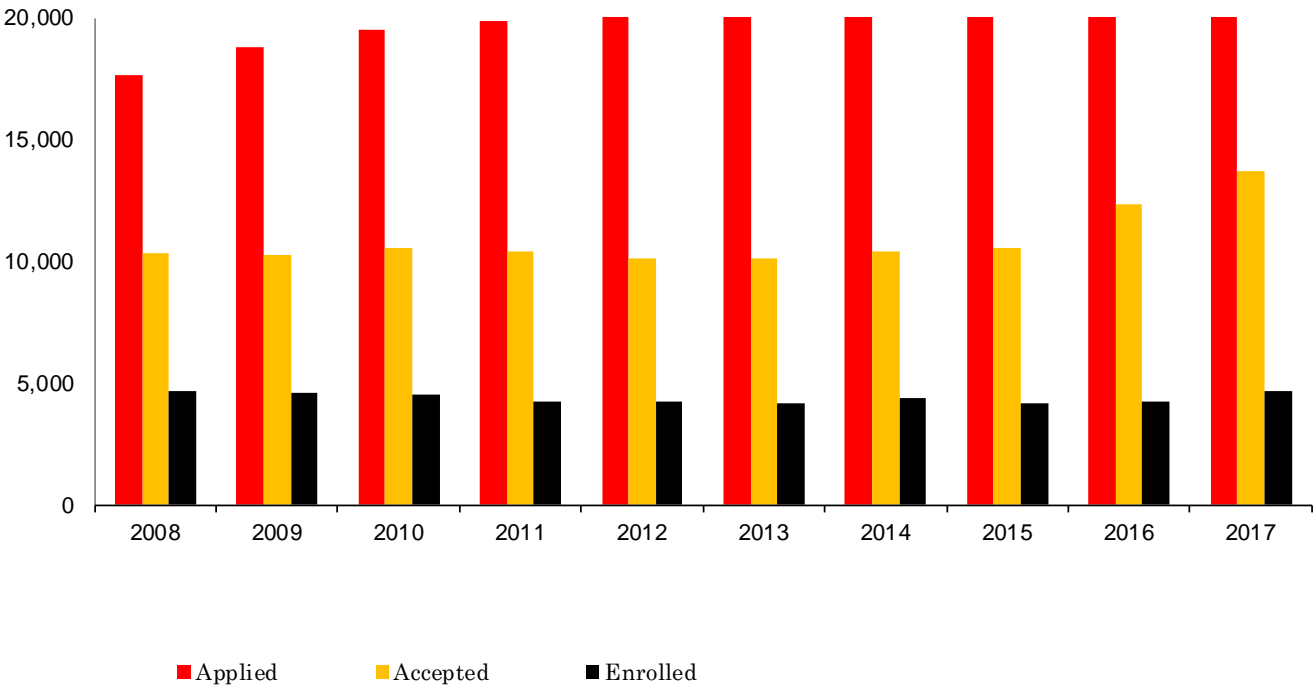
Admissions, Enrollment and Degree Statistics

Five Year Comparison of Enrollment by Level and College

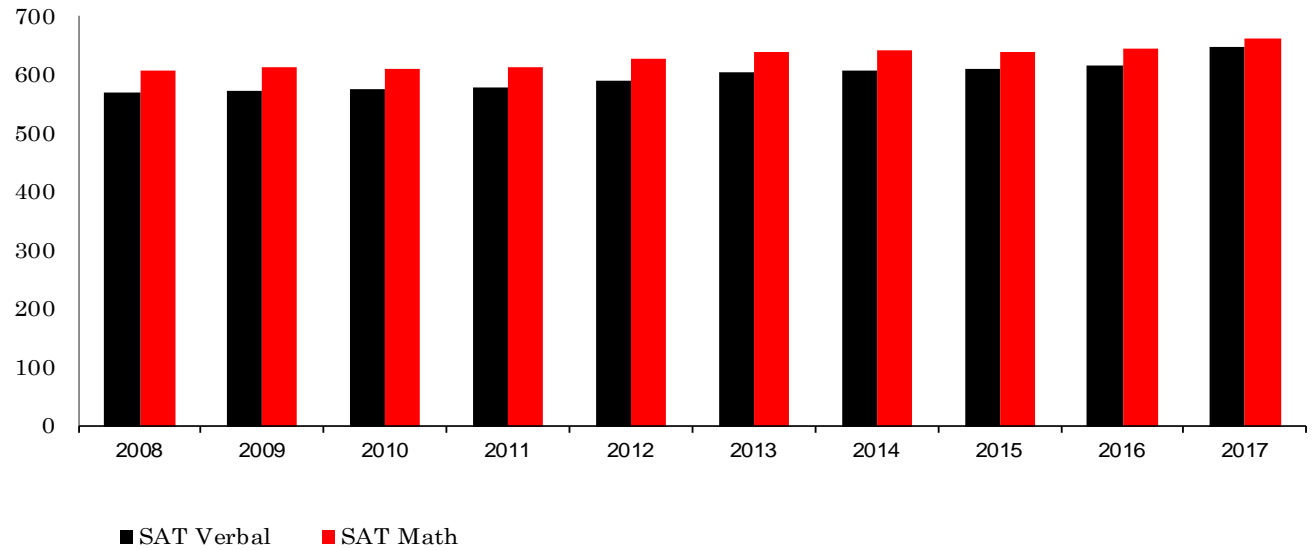
Student Enrollment, Fall Semester

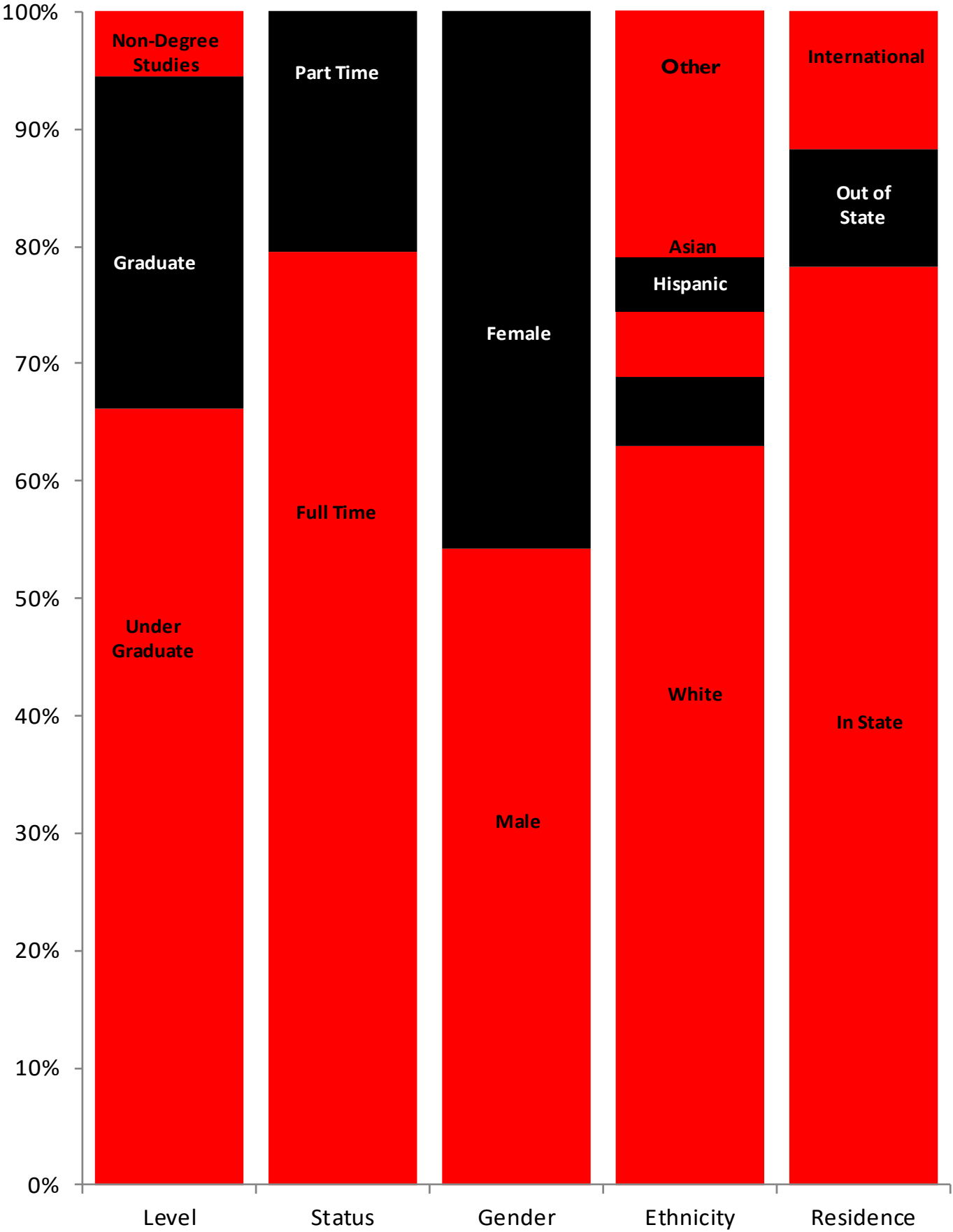
	2013	2014	2015	2016	2017
Undergraduate					
Agriculture and Life Sciences	2,371	2,418	2,447	2,405	2,443
Agriculture Institute	386	339	330	365	347
Design	595	577	555	553	550
Education	656	573	539	489	478
Engineering	5,960	6,171	6,231	6,191	6,370
Humanities and Social Sciences	3,632	3,433	3,326	3,462	3,465
Management	2,589	2,613	2,604	2,682	2,859
Natural Resources	1,357	1,329	1,266	1,453	1,466
Sciences	2,997	2,902	2,710	2,540	2,715
Textiles	985	993	988	949	882
Non Degree Studies	1,584	1,548	1,633	1,481	1,395
Units Outside Organized College	1,424	1,577	1,466	1,257	1,180
Total Undergraduate	24,536	24,473	24,115	23,827	24,150
Total FTE Undergraduate	22,706	22,647	22,273	22,157	22,560
Graduate					
Agriculture and Life Sciences	1,050	1,011	1,023	1,009	1,009
Design	259	246	231	238	254
Education	1,139	1,060	1,049	1,102	1,256
Engineering	2,843	3,065	3,263	3,165	3,199
Humanities and Social Sciences	821	801	808	811	847
Management	696	626	750	828	912
Natural Resources	488	459	423	415	428
Sciences	877	857	929	973	1,034
Textiles	185	202	212	232	232
Veterinary Medicine	422	445	462	462	479
Non Degree Studies	598	656	635	574	521
Units Outside Organized College	95	88	115	119	111
Total Graduate	9,473	9,516	9,900	9,928	10,282
Total FTE Graduate	7,579	7,713	8,020	8,074	8,394
Total Headcount	34,009	33,989	34,015	33,755	34,432
Total FTE Enrollment	30,285	30,360	30,293	30,231	30,954
Percentage of Students (FTE) from Outside State	20.1%	21.4%	22.3%	22.2%	21.8%

Fall Enrollment
Freshman Admissions by Year

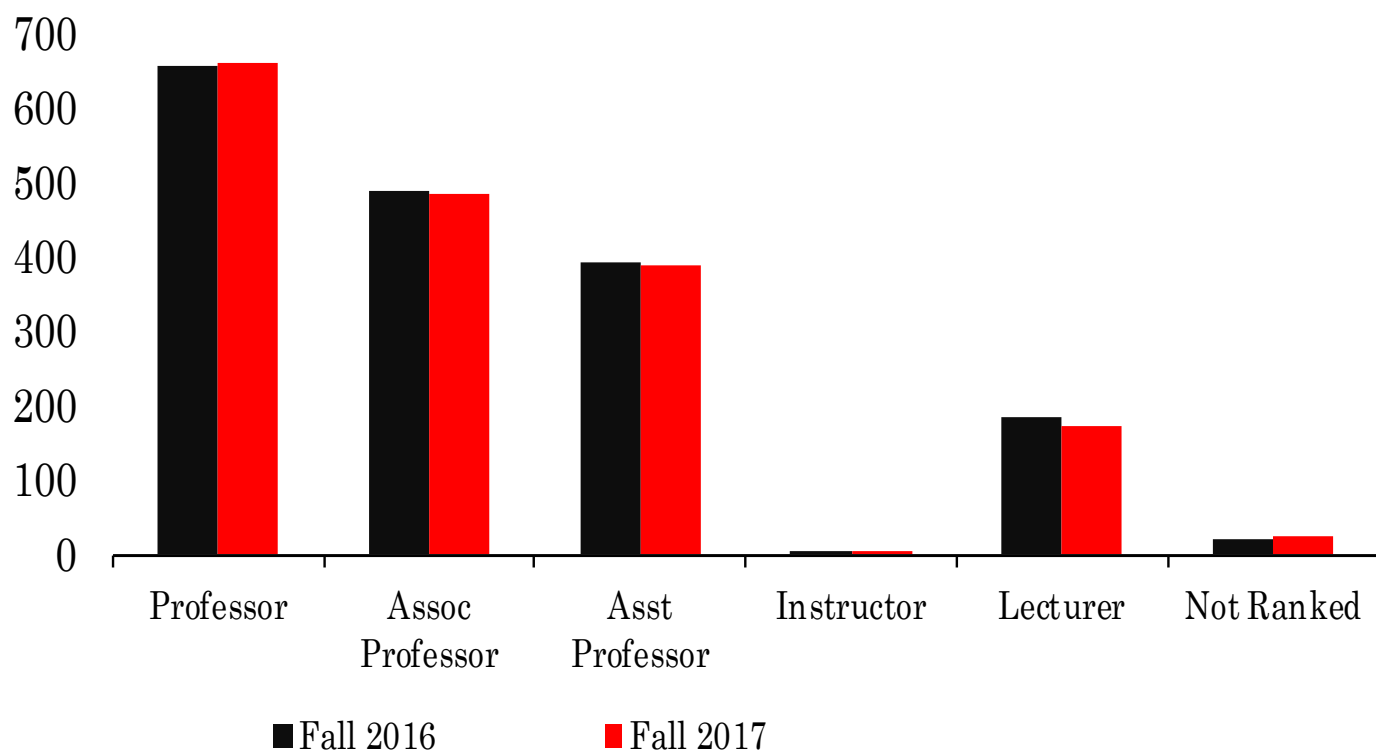


SAT Scores
Freshman Admissions by Year

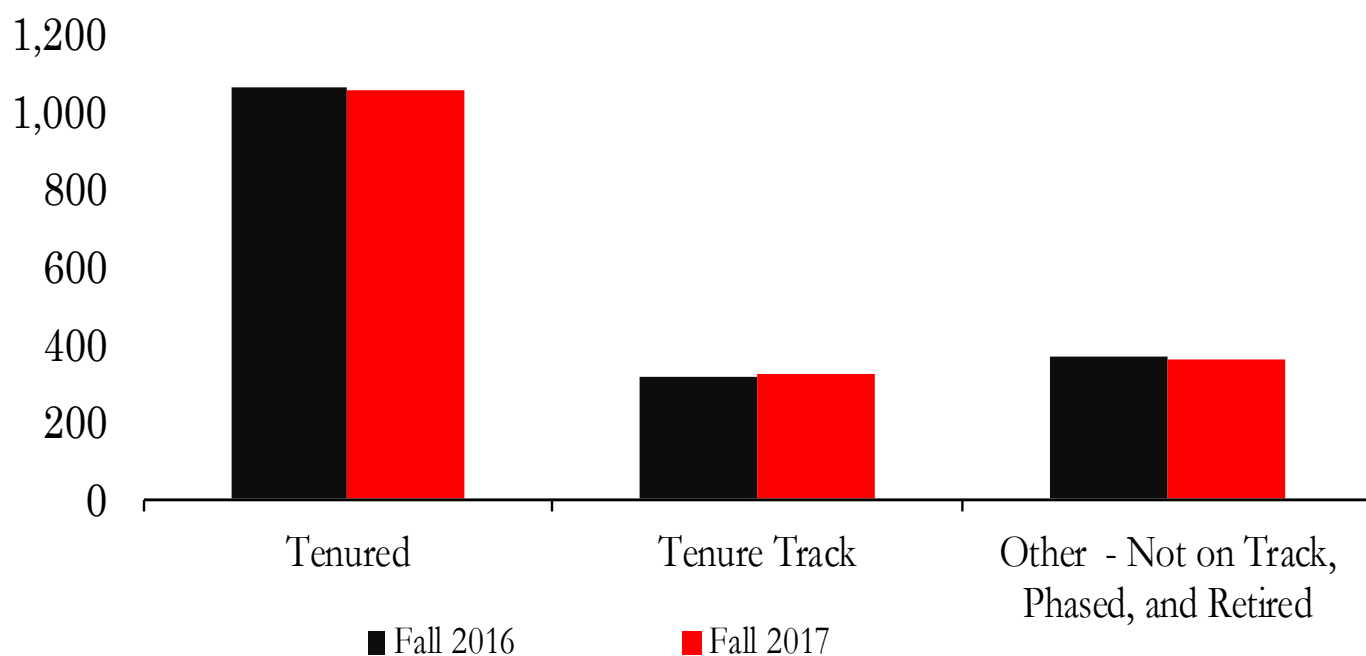




Faculty by Rank



Full Time Faculty by Tenure



An aerial photograph of the North Carolina State University campus. The map is overlaid with various green and brown colors to indicate planned developments. In the top left, there's a large green area with a brown circular feature, possibly a stadium or arena. To its right, there's a large green area with a brown rectangular feature, possibly a building or parking lot. In the top right, there's a large green area with a brown rectangular feature, possibly a building or parking lot. In the bottom right, there's a large green area with a brown rectangular feature, possibly a building or parking lot. The rest of the map shows the existing campus layout with roads, buildings, and green spaces.

Physical Master Plan

NC STATE UNIVERSITY



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