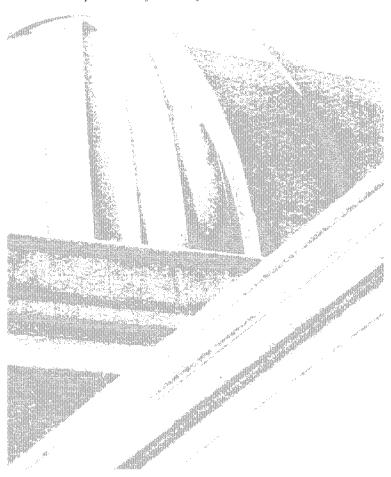
The University of North Carolina at Chapel Hill

A Constituent Institution of The University of North Carolina System and a component unit of the State of North Carolina



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Chapel Hill, North Carolina Fiscal Year Ended June 30, 1999

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University Mission

The University of North Carolina at Chapel Hill has been built by the people of the State and has existed for two centuries as the nation's first state university.

Through its excellent undergraduate programs, it has provided higher education to ten generations of students, many of whom have become leaders of the State and nation. Since the nineteenth century, it has offered distinguished graduate and professional programs.

The University is a research university. Fundamental to this designation is a faculty actively involved in research, scholarship, and creative work, whose teaching is transformed by discovery and whose service is informed by current knowledge.

The mission of the University is to serve all the people of the State, and indeed the nation, as a center for scholarship and creative endeavor. The University exists to teach students at all levels in an environment of research, free inquiry, and personal responsibility; to expand the body of knowledge; to improve the condition of human life through service and publication; and to enrich our culture.

To fulfill this mission, the University must: (1) acquire, discover, preserve, synthesize, and transmit knowledge; (2) provide high quality undergraduate instruction to students within a community engaged in original inquiry and creative expression, while committed to intellectual freedom, to personal integrity and justice and to those values that foster enlightened leadership for the State and nation; (3) provide graduate and professional programs of national distinction at the doctoral and other advanced levels to future generations of research scholars, educators, professional, and informed citizens; (4) extend knowledge-based services and other resources of the University to the citizens of North Carolina and their institutions to enhance the quality of life for all people in the State; and (5) address, as appropriate, regional, national, and international needs.

This mission imposes special responsibilities upon the faculty, students, staff, administration, trustees, and other governance structures and constituencies of the University in their service and decision-making on behalf of the University.



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A Constituent Institution of The University of North Carolina System and a component unit of the State of North Carolina

COMPREHENSIVE ANNUAL **FINANCIAL REPORT**

Office of the Vice Chancellor for Finance and Administration Fiscal Year Ended June 30, 1999

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MESSAGE from the Chancellor



Naturalist Charles Darwin concluded that species which fail to adapt to change eventually cease to exist. That same theory can be applied to universities as we prepare to enter the 21st century: those that fail to evolve are destined to become the dinosaurs of academia. As this Comprehensive Annual Financial Report indicates, 1998-99 was a time for The University of North Carolina at Chapel Hill, the nation's oldest public university, to assess change and plan for the future.

Faculty and administrators gave particular attention to improving the

campus intellectual climate, especially the freshman experience. Exhaustive planning helped the University prepare for the fall 1999 introduction of a new series of First Year Seminars, designed to introduce freshmen to some of our top faculty in a small class setting. Efforts also focused on a new living-learning program to help first-year students with their transition to college and a summer reading program to provide intellectual common ground and a basis for discussion among our new students.

An anticipated increase in the number of North Carolina's collegebound high school graduates over the next decade prompted the University to undertake a major planning initiative to explore how it could accommodate some 3,000 additional undergraduates by 2008. In anticipation of potential growth, architects began designing new residence halls and administrators began examining instructional and facility needs.

Long-term physical planning also topped Carolina's agenda. Work continued on a comprehensive master plan for the main campus to provide a blueprint for future growth, while a task force began studying possible uses for the University's more than 900 acres of undeveloped property surrounding its Horace Williams airport.

The University continued to see record levels of construction, with more than \$500 million in major capital projects in design or under construction at the end of the fiscal year. Among the projects completed were the new Center for Dramatic Art, the renovated Lenoir Hall dining facility, and a new campus and hospital day-care center. Work also began on a number of additions and renovation projects.

While campus construction progressed at a healthy pace, the University's growing need for new facilities and renovations to old ones was documented as part of a UNC systemwide study. At Carolina alone, the study estimated \$1.2 billion in capital needs. Although a proposed bond package to meet the capital needs of the UNC system and the state's community colleges failed to garner support in the legislature, Carolina - in coordination with UNC General Administration will continue working for these important needs.

The 1999 fiscal year was another record-setter for fund raising at Carolina, positioning the University well for an upcoming \$1 billionplus capital campaign. Extensive groundwork was laid and priorities were set for the campaign, which is expected to publicly kick off in about two years.

As a public university, accountability has always been at the core of Carolina's institutional values. When a \$6.8 million budget shortfall (less than 0.6 percent of the University's total budget) was identified during planning for the 1999-2000 budget, we immediately addressed the issue by adjusting commitments while working hard to maintain the institution's academic integrity. To avoid future shortfalls, top administrators began reviewing and revising the campus budget process, and the University continues to stand on firm financial ground.

The year ended tragically with the death of Chancellor Michael Hooker after a brief but courageous battle with non-Hodgkins lymphoma. During his four years as chancellor, Michael Hooker proved himself to be a visionary educator and administrator. Under his guidance. Carolina made tremendous strides in enhancing its intellectual climate, leapfrogged ahead in the arena of educational technology, and made dramatic increases in private fund raising and federal research support.

Chancellor Hooker reconnected the University with the people of North Carolina, securing not only grassroots advocacy for Carolina, but also increased legislative support. He brought together a top-notch leadership team - including eight new deans - to take Carolina into the 21st century. His legacy included a well-defined map of where the University is headed - a map that is serving us well now as we search for a permanent chancellor and will continue to do so when that successor takes office by the beginning of the 2000 academic year.

Indeed, 1998-99 was a challenging yet bittersweet year for Carolina. In the face of tragedy, however, the University demonstrated once again that its roots are sunk deeply in the Tar Heel soil. UNC-Chapel Hill persevered and has emerged stronger than ever, ready to embrace the changes of the future while remaining dedicated to its centuries' old mission of providing outstanding teaching, research and public service to the citizens of North Carolina and beyond.

William O. McCoy

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Interim Chancellor



THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL

Office of the Vice Chancellor for Finance and Administration

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LETTER of Transmittal

November 10, 1999

To Interim Chancellor McCoy, Members of The Board of Trustees, and Friends of The University of North Carolina at Chapel Hill:

Introduction

This Comprehensive Annual Financial Report includes the financial statements for the year ended June 30, 1999, in addition to other information useful to those we serve and to those to whom we are accountable. Responsibility for the accuracy of the information and for the completeness and fairness of its presentation, including all disclosures, rests with the management of the University. We believe the information is accurate in all material respects and fairly presents the University's financial position, as well as revenues, expenditures, transfers, and other changes in fund balances. The Comprehensive Annual Financial Report includes all disclosures necessary for the reader of this report to gain a broad understanding of the University's operations for the year ended June 30, 1999. The report is organized into three sections.

The **Introductory Section** includes a message from the Chancellor, the transmittal letter, a listing of the University Board of Trustees, a listing of executive and academic officers, and an organization chart. Also included is information on major University initiatives, as well as financial and economic data. This section is intended to acquaint the reader with the organization and structure of the University, the scope of its operations, its financial activities, the significant factors contributing to the current fiscal environment, and anticipated factors influencing our future.

The **Financial Section** presents the basic financial statements and a report of the Office of the State Auditor. The basic financial statements are prepared in accordance with generally accepted accounting principles for public colleges and universities, as defined by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants.

The **Statistical Section** contains selected financial, statistical, and demographic information. This information is intended to present to readers a broad overview of trends in the financial affairs of the University.

The financial statements in the Financial Section present all funds belonging to the University and its component units. While the Board of Governors of the University of North Carolina System has ultimate responsibility, the Chancellor, the Board of Trustees, and the Board of Trustees of the Endowment Fund have delegated responsibilities for financial accountability of the University's funds. Although legally separate, The University of North Carolina at Chapel Hill Foundation, Inc. (Foundation) and The University of North Carolina at Chapel Hill Foundation Investment Fund, Inc. (Investment Fund) are reported as if they are part of the University based on Governmental Accounting Standards Board Statement 14. The Foundation's purpose is to aid, support, and promote teaching, research and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the University while 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 financial statements of the Foundation and the Investment Fund have been blended with those of the University. Other related foundations and similar non-profit corporations for which the University is not financially accountable are not part of the accompanying financial statements. The University of North Carolina at Chapel Hill is a constituent institution of the sixteen campus University of North Carolina System, which is a component unit of the State of North Carolina and an integral part of the State's Comprehensive Annual Financial Report.

Economic Condition and Outlook

During the 1998-1999 fiscal year, the North Carolina economy continued both to outperform the overall U.S. economy and to shatter many previous records of its own performance as well. The total population of the state hit a record 7,546,000 people on July 1, 1998; a gain of 115,000 people, up 1.5 percent over 1997.

Total personal income was \$186.0 billion in fiscal 1998. By the second quarter of 1999, total personal income was running at a seasonally adjusted annual rate of \$188.3 billion, up \$7.4 billion or 4.1 percent from the same quarter in 1998.

Given these gains in income, it should come as no surprise that the State ran a healthy budget surplus during the year. Continued strong economic gains should continue to provide the legislature with a steady flow of increasing funds for at least the next two years, although the

costs from repairing the extensive damage from Hurricane Floyd will hold down the surplus in the 1999-2000 fiscal year.

Personal income per capita was \$26,412 for the entire United States in 1998. For North Carolina, the comparable figure was \$24,036 or 91 percent of the national average. This was up 3.7 percent from 1997, a little below the national average increase of 4.4 percent. This level of income was enough to put North Carolina in 31st place, just behind Vermont (\$24,175) and just ahead of Iowa (\$23,925). These numbers can only be expected to improve in the next year or two. In September 1999, when the national unemployment rate was 4.1 percent, the unemployment rate in North Carolina was only 2.8 percent. There were only 106,400 people in the entire state in September who were unemployed and looking for work. By contrast, there were 3,747,700 people who were employed in North Carolina in September, up 66,500 people or 1.8 percent from a year earlier.

The unemployment rates in the state's three largest metropolitan statistical areas (MSA) were even lower than the state average in September. The Charlotte-Gastonia-Rock Hill (SC) MSA had 2.4 percent unemployment, while the Greensboro-Winston-Salem-High Point MSA had 2.3 percent and the Raleigh-Durham-Chapel Hill MSA had one of the lowest unemployment rates of any MSA in the country at 1.4 percent. The Asheville MSA had a 1.8 percent unemployment rate in September. Nationally, college graduates age 25 and over had an unemployment rate of only 1.6 percent in September.

The current economic expansion in the United States will enter its 107th month on January 16, 2000. This will move it past the 106 month 1961-1969 expansion into first place on the all time list.

The University of North Carolina at Chapel Hill is in the forefront of the process of helping the U.S. economy move from old industries and old ways of doing business to new knowledge-based technologies and methods. The contributions of this university to the economic health and the growth of North Carolina are legion and have expanded considerably in the last few years.

Major Initiatives

The University continually strives for excellence in fulfilling its teaching, research, and public service missions. Certain successes and planned improvements are described herein.

College of Arts and Sciences

In fall 1999, the College launched one of the country's most comprehensive efforts aimed at enhancing the undergraduate experience. Much of 1998-99 was devoted to preparing for this initiative. It includes:

First Year Seminars. The 37 inaugural First Year Seminars accommodate more than 700 students and have been favorably publicized in area media. The College will phase in 160 First Year Seminars over four years. Senior faculty teach the seminars, designed to develop critical thinking, writing and oral skills. The College has added new faculty to free senior faculty for seminars.

Advising. A new advising system offers eight new full-time advisers and 23 faculty members serving part-time as advisers, contrasting with last year's total of 50 faculty advising students part-time.

Undergraduate research. All students will benefit from the new Office of Undergraduate Research, which will increase student-faculty interaction through a central clearinghouse to enhance and expand undergraduate research opportunities. The new office will replace what has been a patchwork of research opportunities for undergraduates with a plan to reach all interested students.

Other College accomplishments are:

The new Science and Technology Center (STC) for Environmentally Responsible Carbon Dioxide Processes. The center's main goal is to lead the environmental revolution in significantly reducing the amount of organic and water wastes generated in the manufacture of polymers and chemicals, in painting, cleaning and coating operations and in producing textiles and paper products. The National Science Board approved the center to be led by North Carolina and Texas scientists conducting groundbreaking research into environmentally safe solvents. The new center will be the world's leading facility dedicated to discovering environmentally friendly processes using alternative solvents.

New degrees. The College approved a BA in Environmental Studies and a BS in Environmental Sciences. The Ph.D. Curriculum in Human Movement Science was approved and is interdisciplinary with Physical Therapy, and Physical Exercise and Sport Science. Four students have been admitted for the 1999-2000 academic year.

Celebrations. Dramatic Art moved into the new Center for Dramatic Art. More than 500 people attended an open house, which was preceded by a gala celebration for major contributors. The Southern Oral History Program celebrated its 25th anniversary in 1999.

The College of Arts and Sciences is rich in public service initiatives including African and Afro-American Studies, American Studies, Chemistry, Classics, Computer Science, Folklore, Geography, History, Learning Disabilities Services, Music, Political Science, Public Policy Analysis, Religious Studies, Research Laboratories of Archaeology, and Slavic Languages and Literatures

The College's goals for the next year include:

- Implementing the undergraduate advising/undergraduate research/first-year seminar programs.
- Continuing work to obtain funds for new buildings and renovations of existing buildings.
- Completing work on capital campaign plans and beginning the silent phase of the campaign.
- Continuing to invest in the strongest departments and making strategic investments in departments to help move to the next level of excellence.

School of Education

The major initiative of The School of Education for 1999-2000 is the development of the Carolina Teaching Network offering off-campus courses in education to graduate students. Practicing teachers, lateral entry teaching candidates, students enrolled in the master's degree in school administration, and teachers seeking coursework for licensureonly programs in English as a Second Language, Special Education, and Birth-Kindergarten Education will be the participants in these programs. In many of these programs the School will work with cohorts of practicing teachers drawn from the same school or school district. By situating the programs so that they address students who share the same workplace, the School has the opportunity to not only credential individual students, but to work with school communities to improve curriculum and instruction. Instruction in the off-campus program will be extended to sites through distance education, through visits of instructors to schools and at centers in surrounding counties. The Center of the Carolina Teaching Network will be located in a new middle school, the R.D. and Euzelle Smith Middle School, presently being constructed by the Chapel Hill/Carrboro School District.

A second focus is the MAT program for prospective secondary school teachers. The School is working to study the culture and

structure of high schools as well as to prepare teachers gifted in the instruction of the academic disciplines. The School will be holding a year-long seminar series, "Growing up in America: Schooling and Adolescence" and collaborating with colleagues across campus in presenting research that addresses the development of high school students and their school communities. In addition the School will continue work with Chapel Hill High School; Jordan Matthews High School; (Chatham County); Jordan High School (Durham); and Orange High School (Orange County) to study the literacy practices, expectations, and culture in their high schools.

A third focus is the development of educational research. With support from the Spencer Foundation, the School of Education is working to focus and support faculty research on the ways that economic development and desegregation policies have influenced the education of African American children in the state of North Carolina. The work will be multi-disciplinary, involving educational evaluation, economic analysis, oral history and sociology.

Finally, the School of Education will be working to develop its new Teaching Fellows Curriculum. This curriculum designed for the fellows, but open to all education students, will provide placements in community-based organizations and cultural institutions as well as area schools in a four-year program that augments the education programs with community experiences.

Institute of Government

The Institute continues to be a leader in the North Carolina Civic Education Consortium, a group of more than 200 organizations focused on improving citizenship among North Carolina's children and youth. In 1998-99, the Consortium conducted a workshop to help high school teachers learn new approaches to teaching government, awarded grants to experiential civic education programs in the state, and conducted community-based projects to help students learn more about how to participate in their community' civic issues.



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STUDENTS WILL BENEFIT FROM THE NEW OFFICE OF UNDERGRADUATE RESEARCH, WHICH WILL INCREASE STUDENT-FACULTY INTERACTION THROUGH A CENTRAL CLEARINGHOUSE TO ENHANCE AND EXPAND UNDERGRADUATE RESEARCH OPPORTUNITIES.

THE NORTH CAROLINA CIVIC EDUCATION CONSORTIUM CONDUCTED A WORKSHOP TO HELP HIGH SCHOOL TEACHERS LEARN NEW APPROACHES TO TEACHING GOVERNMENT AND CONDUCTED COMMUNITY-BASED PROJECTS TO HELP STUDENTS LEARN MORE ABOUT HOW TO PARTICIPATE IN THEIR COMMUNITY'S CIVIC ISSUES.

The Institute continues to find innovative ways to use technology in its mission. The Institute created a criminal law web page that maintains more than thirty documents of interest to criminal justice practitioners in North Carolina.

School of Social Work

Significant further growth and development characterized the School of Social Work during 1998-1999.

The School was able to enroll an exceptionally strong group of students both in the M.S.W. and Ph.D. programs. The first student to complete requirements for the Ph.D. in Social Work graduated in August of 1997. Thirteen more students completed their doctoral degrees by May 1998.

Throughout the 1998-99 year, the School's faculty continued to be very successful in their teaching, scholarship, and service activities. Student evaluations of classroom instruction indicated that the faculty did an excellent job. There was another significant increase in the numbers of scholarly publications by our faculty. Faculty and staff continued to experience a great deal of success in generating external support for research, training and technical assistance activities. Funding in excess of \$7,500,000 was awarded for these activities. Our training and technical assistance programs involved public and nonprofit agency personnel from every one of North Carolina's one hundred counties, as well as personnel from many other states and nations.

During the year, the School was involved in several new efforts to work with other departments to offer course credits. The course, Aging and Health, was begun by one of the School's instructors and two instructors with joint appointments with the Schools of Medicine and Public Health. This course will become the anchor course for a proposed certificate in gerontology, which will be interdisciplinary as well but housed in the School. The School also collaborated with the Department of Public Administration in offering the course, Financial Management of Nonprofit Organizations. This course will serve to support the Nonprofit Leadership Certificate housed in the School. The interdisciplinary course, Social Welfare Policy Analysis, was planned and will be offered in the spring of 2000. It will be cross-listed with Public Policy.

The School strengthened its ties with the undergraduate programs on campus through three course initiatives. The School participated with the APPLES Program to offer the course, Public Service and Social Change. Plans were made to offer a second such course in spring 2000 on social advocacy. Also, the development of a Family Behavior course to be offered in the fall of 1999 was approved.

Faculty and staff continued the development of part-time distance education M.S.W. programs and began work on making distance learning opportunities available in Web-based instructional formats.

The School has had part-time programs for a number of years in Asheville, Charlotte, and here in the Triangle. Because UNC-Charlotte is in the process of developing a Master of Social Work program, the School began plans to phase out the Charlotte program and begin a part-time program in the Fayetteville area. Work also was begun to develop part-time distance education M.S.W. programs in Fayetteville and in the Triangle.

Twelve workshops and three thirty-hour clinical supervision courses were sponsored or co/sponsored by the School and offered through the School's Continuing Education Program.

The School was able to recruit some excellent faculty members. Dr. Richard Barth joined the School as the Frank A. Daniels Professor for Human Services Policy Information and Dr. Nancy Dickinson joined the

School as the Executive Director of the Jordan Institute for Families. The School also conducted and successfully completed searches for three tenure track positions. Dr. Kimberly Stom-Gottfried will join the School from the University of Minnesota as Associate Professor and will assume the position of Associate Dean. The remaining positions are at the rank of assistant professor, one in health and the other in mental health. Dr. Elizabeth Arnold, a recent graduate from Florida State University, will fill the health position, and Dr. Paul Smokowski, a recent graduate from the University of Wisconsin-Madison, will fill the mental health position.

Over the course of this year, the School was fortunate to have two international visitors at the School. Dr. Elena Smirnova, Head of the Social Work Program at Saratov State Technic University in Saratov, Russia, spent six months as a Fulbright Scholar. In addition, Dr. Livia Popescu, Head of the Social Work Program at Babes-Bolyai University in Cluj, Romania, spent two weeks as a Visiting Research Scholar. Both had opportunities to learn about social work education in the United States and to share with information about social issues and the development of social work education in their respective countries.

During the 1999-2000 year, the School will begin preparation for the self-study process leading up to consideration of reaccredidation by the Council on Social Work Education. The self-study is due at the Council in September of 2001.

Kenan-Flagler School of Business

The Kenan-Flagler School of Business joined forces with Mexico's leading technology university to create a Center for Innovation in Learning, a living laboratory for pushing the technology envelope to revolutionize the learning process. UNC System President Molly Broad and Rafael Rangel Sostman, president of the Monterrey Institute of Technology and Higher Education (ITESM) system, signed a memorandum of understanding in January 1999. The intent is to leverage the expertise of faculty and staff from both systems to design innovative courses and cutting-edge teaching tools.

Kenan-Flagler teamed up with the School of Public Health to win a \$2.8 million grant and launch a management academy for public health professionals in four states. The academy's goal is to improve how health departments nationwide serve citizens.

Forty-nine students from six states began classes in Kenan-Flagler's inaugural Executive MBA Weekend Program. The School expanded its top-ranked Executive MBA Evening Program for working professionals to include a weekend format. The program addresses a pressing need in our marketplace for top-quality executive education that extends beyond the geographic reach of our successful EMBA Evening Program.

Kenan-Flagler continued to capitalize on its No. 1 ranking in customized executive programs worldwide (Business Week, October 1997) by attracting new clients and deepening relations with existing ones.

Meanwhile, the School made substantial progress in both the construction of and fund raising for its new state-of-art executive education complex, the Paul J. Rizzo Conference Center at Meadowmont. The \$23 million, technologically advanced Rizzo Center arguably will provide the finest executive education center in the world when it opens in spring 2000. The Rizzo Center is designed to provide business executives an ideal setting to learn, reflect and plan for the strategic challenges of the 21st century.

A proposed International Financial Services Institute took a step toward reality with a flagship gift of \$300,000 from High Point businessman Earl N. "Phil" Phillips Jr. Phillips donated \$100,000 each to Kenan-Flagler, University of North Carolina at Charlotte's Belk College



THE KENAN-FLAGLER SCHOOL OF BUSINESS JOINED FORCES WITH MEXICO'S LEADING TECHNOLOGY UNIVERSITY TO CREATE A CENTER FOR INNOVATION IN LEARNING, A LIVING LABORATORY FOR PUSHING THE TECHNOLOGY ENVELOPE TO REVOLUTIONIZE THE LEARNING PROCESS.

KENAN-FLAGLER ALSO TEAMED UP.

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DEPARTMENTS SERVE CLIENTS.

of Business Administration and the McColl School of Business at Queens College in Charlotte to help the three schools collaborate to create the institute.

Plans for the institute's mission and scope are under development by Kenan-Flagler and its corporate and university partners. The planners envision a focal point of the center will be developing ways to use advanced technology to enhance the competitiveness of the financial services industry

Kenan-Flagler won a coveted grant from the U.S. Department of Education to establish a Center for International Business Education and Research (CIBER). The CIBER will focus on five key components: expanding global learning opportunities in the university, the state and the region; experiential programs for global learning; integrating information technology into management education and global business; supporting U.S. competitiveness through global supply-chain management; and incorporating environmental and sustainable development into business strategies for competitive advantage.

Kenan-Flagler embarked on an intensive journey of self-examination with an eye toward charting a course to remain competitive, effective and cutting edge in the new millenium. School leadership launched a three-part initiative that continues this year to develop a strategic plan for programmatic direction, a brand and image management plan and a capital campaign — all of which will combine to guide, support and propel the School to top-tier status in the next decade.

School of Journalism and Mass Communication

Raising money to renovate Carroll Hall, the new home of the School of Journalism and Mass Communication, was the major focus for 1998-99. A long list of supporters helped raise more than \$4.2 million and realize a longtime dream when the School moved into the new building. Carroll Hall, with three times the space of the School's former home in Howell Hall, answers the only criticism of the School in recent years - lack of space. Carroll Hall finally gives the School the facilities to match the excellent minds of its students and faculty and staff members.

Journalism and Mass Communication continues to be one of the largest majors on the campus. One reason for the high enrollment is that the School has been called the best in the nation. The last national accreditation report in May 1997 declared that the School is "arguably the best all-around program in the country."

The first class of Park Fellows was graduated in May 1999. It was a milestone for the program, the premier graduate student program in the country. The Park Fellows have improved the quality of journalism and mass communication education in the classrooms by bringing better students. The School used to lose some top students in recruiting battles with other universities. The fellowships make it possible for top professionals to bring their experience and knowledge back to the classroom, where they in turn have improved the academic offerings at the University.

The John S. and James L. Knight Foundation awarded \$500,000 to the School to increase the endowment for its Knight Chair in Journalism. Virginia Pou Doughton of Raleigh gave \$40,000 to establish the James Davis Scholarship. The annual award is named for Davis, who accomplished many firsts in North Carolina - first printer, first newspaper publisher, first book publisher.

There was a separate fund-raising drive for the Charles Kuralt Learning Center within Carroll Hall. The Center was made possible by the generous gift of the contents of Kuralt's penthouse office in Manhattan by Suzanna Kuralt, his widow. That gift was enhanced and made accessible by the donation of \$20,000 in equipment from Sony Corporation of America and company president Howard Stringer. In the Kuralt Learning Center in the School, students will be able to sit in Kuralt's office surrounded by his mementos and ponder important issues in journalism. Kuralt's work can be used to teach students to research, write and present a full, fair and accurate report, not just about statesmen and the elite but about down-home folks too.

The School's Continuing Education Program began offering workshops to help the state's working journalists and mass communication professionals stay current in their fields. Workshops during 1998-99 focused on newspaper design, media law, photojournalism, political coverage and integrated marketing communication.

School of Information and Library Science

In March 1999, the School of Information and Library Science (SILS) was ranked first in the nation among schools of information and library science by U.S. News & World Report. SILS tied for first place in the rankings with the University of Illinois at Urbana-Champaign. In the earlier 1996 rankings, the School tied for second place with the University of Michigan.

There is a growing recognition that skills in gathering, organizing and providing access to information are needed in many different knowledge-based organizations, thus enlarging the scope of practice for SILS graduates. Simultaneously, the Internet is providing access to a library without walls that is growing exponentially. Meeting the challenge of the Internet, as well as dealing with information in its multiple forms, is providing ongoing challenges for librarians, archivists, records managers and information systems professionals. At SILS it is recognized that this team of information professionals will be needed to ensure effective information management. The goal is to educate leaders in information and library science who connect local communities with global information and knowledge. The focus is on bringing together people and information with the help of technology.

SILS was visited by Dr. Vinton Cerf, often called the "father of the Internet" on August 31, 1998. Cerf is the co-designer of TCP/IP, the protocol that allows communication on the Internet and which is still used today. Cerf and his partner Robert E. Kahn received the U.S. National Medical of Technology for founding and developing the Internet.

The second annual Susan Steinfirst Memorial Lecture was presented on May 1, 1999 by inspiring children's author Deborah Hopkinson from the state of Washington. In addition to her public lecture, Deborah generously met with students in the children's literature area and conducted a special event for local area families at the Chapel Hill Public Library.

SILS international efforts continued to grow, with the School's program with the Bodleian Library at Oxford University attracting 20 students and practitioners from across the nation.

School of Law

The Law School continued to develop its curriculum in areas of increasing importance to society. In the international field, it launched a new summer school program in conjunction with the University of Sydney, Australia, School of Law. The School received a curriculum development grant to enhance its coverage of the courts of the European Union as part of its course in international litigation. The course will also incorporate a study tour that will allow participants to observe first hand legal institutions such as the Inns of Court, European Court of Justice, and European Parliament. The School also added advanced courses in health care organizations, disability law, law of the political process, and constitutional theory. A growing number of faculty members incorporated advanced technology to aid their teaching and created websites to foster interaction with their classes.

The School of Law implemented a new externship program that allows third-year students to integrate theoretical and practical insights while placed in selected government, non-profit, and corporate counsel settings. With the addition of the externship program, the continuation of civil and criminal clinics, and the inclusion of a variety of advanced seminars, and ten or more sections of trial advocacy offered each year, every third-year student can now enroll in one or more courses with an emphasis on applied learning.

The University was commended for its emphasis on public interest law as a central part of its mission; its exceptional curriculum in related fields; the leadership of its student program coordinators; program design; strong working relationships with the state, local legal services providers, bar representatives, and other law schools; and administrative support. Many students contributed public service through involvement in student groups such as the Immigrant Outreach Program, Community Legal Services Project, Domestic Violence Project, Guardian Ad Litem Program, Death Penalty Project, Carolina AIDS Project, and Habitat for Humanity.

The Law School continued to offer a series of successful continuing legal education programs, providing nearly 1000 lawyers and judges with opportunities to enroll in classes relating to dispute resolution, ethics, depositions and trial advocacy, banking law, tax, and a variety of other topics. The School continued to involve students and faculty leaders in such efforts, for example, incorporating a half-day program on environmental law issues facing North Carolina as part of its annual "Festival of Legal Learning."

Law librarians presented a workshop on computer-assisted research for adjunct faculty teaching in the first year research and writing program, and continued to enhance the library's website to provide access to electronic resources for members of the law school community, the legal profession, and members of the public.

The School of Law completed its new building addition and renovations. The addition and renovations will provide significant additional space for small and medium classrooms, the library, clinical education, study, and student services. The school size will continue to retain a student body of approximately 700 but will be better able to accommodate student needs. The School began plans to dedicate the new and renovated facilities on October 22, 1999. United States Supreme Court Justice Sandra Day O'Connor will be the keynote speaker.

The Kathrine R. Everett Charitable Trust announced that the value of the bequest to benefit the University's School of Law and Duke Law School had grown significantly in the years since Kathrine Everett's death. The current value of the Everett estate, which will ultimately be dispersed through the Trust for the benefit of the two schools, is approximately \$14 million, making this gift the largest ever to legal education in North Carolina. Pursuant to Board of Governors guidelines, and with substantial student support, the Law School submitted a proposal for an incremental tuition increase that would be retained by the school in order to enhance its academic program and provide student support services while maintaining access to an affordable education.

Frank Porter Graham Child Development Center

The Frank Porter Graham (FPG) Child Development Center launched a major strategic planning initiative this year to consider new ways to meet the needs of North Carolina and the parents, policy makers, and practitioners who work with children and families. The Center has engaged in a number of activities to learn how people both within and outside the Center view FPG and where they think it should be going. Findings from focus groups, interviews, and surveys with constituents across the state suggested that the Center consider three goals:

Create mechanisms for collaborating with constituent groups to identify issues of current and emerging importance, and to develop strategies for addressing those issues. To address this strategy, the Center needs to develop teams that would include several investigators and staff from the Center, but also key individuals from the field, including parents and practitioners.

Expand outreach efforts to more systematically disseminate the Center's work to a wider audience. This likely would involve activities such as hiring an outreach director, conducting staff training on media relations, and working more directly with key constituent groups to learn about desired information and preferred ways of getting that information.

Create a mechanism for generating funds to support these initiatives. This goal likely will involve the establishment of a development office and a plan for fundraising from foundations and private donors. Several grant proposals to secure external funds to expand strategic planning efforts currently are pending.

School of Dentistry

During 1998-99 the School of Dentistry introduced several new and significant initiatives within the School's mission areas of teaching/learning, research, patient care and service.

Teaching/Learning. In teaching, 1998-99 saw the successful introduction of an intra-net based electronic syllabus for the first-year dental class. This cutting edge approach to technology driven, student oriented learning systems also required Dentistry to introduce mandatory notebook computers for first-year students.

Research. In research, three recent developments underscore one of the great strengths of the University and its School of Dentistry. First,

\$6.1 million in competitive research acquisitions from the National Institute of Dental and Craniofacial Research (NIDCR) were procured, an increase of 29.8%. The School of Dentistry, ranked 4th among all institutions, has moved up from 6th position in the prior year, and demonstrated by far the largest percentage increase in NIDCR research awards compared to any of the other top ten institutions. Second, the School of Dentistry ranked in the top 12 institutions that competed this spring for Comprehensive Research Centers of Discovery awards from the National Institute of Dental and Craniofacial Research. The top six Centers, including the School of Dentistry, were awarded \$1.5 million per year for a period of 5 years. This illustrates well the research and scholarly competitiveness of the School of Dentistry in the broader biomedical research milieu. Third, while federal government research support is key to the School of Dentistry, the School's research partnerships with the private industrial sector increased 27% to \$8.8 million. It is anticipated that the next fiscal year will see the School do even better, though percentage growth may be more modest.

Patient Care. In the patient care area, development of an Electronic Patient Record progressed with the successful integration of a proprietary digital imaging system and a pilot project for use of digital radiology. An electronic Patient Registration module was implemented in the student clinics.

Public Service. Through the introduction of newly-developed software, the Dentistry AHEC program can better track and analyze essential participation and management data related to the courses and programs that the Dental School offers for professional development in North Carolina. In a further initiative, the School's and the University's public image continued to be strengthened through Dentistry's energetic participation in hosting the Special Olympics Healthy Athlete Program. The School of Dentistry also played a special role in hosting the Icelandic delegation to the Special Olympics, and was very proud to be the lead institution in welcoming the President of Iceland at a special reception.

North Carolina AHEC Program

The North Carolina AHEC (Area Health Education Centers) Program continues to serve as a major source for the off-campus education of medical and other health science students. The continued expansion of ambulatory, community-based experiences for medical, nurse practitioner, physician assistant, and PharmD training now involves 1,810 preceptors in nearly all of the state's 100 counties.

The N.C. AHEC Spanish Language and Cultural Training Initiative is a unique opportunity to increase access and improve quality of health-care services to Spanish-speaking families in North Carolina. Through a three-year grant from the Duke Endowment, the N.C. AHEC Program is collaborating with the N.C. Department of Health and Human Services' Office of Minority Health, the University's School of Public Health, the Duke AHEC office, and the University's Health Sciences Library to provide interpreter training, several levels of language classes for healthcare workers, instructor training for basic medical Spanish, and Spanish materials for AHECs' on-site libraries.

School of Medicine

New projects in the medical education program included expansion of the use of standardized patients to teach clinical skills and to evaluate clinical performance; expansion of the Medical Education Development Program to include not only minority students, but also non-traditional and majority disadvantaged students; electronic student course evaluation; and Internet faculty development for community preceptors.



THE FRANK PORTER GRAHAM CHILD DEVELOPMENT CENTER LAUNCHED A MAJOR STRATEGIC PLANNING INITIATIVE THIS YEAR TO CONSIDER NEW WAYS TO MEET THE NEEDS OF NORTH CAROLINA AND THE PARENTS, POLICY MAKERS, AND PRACTITIONERS WHO WORK WITH CHILDREN AND FAMILIES.

THE N.C. AHEC SPANISH LANGUAGE
AND CULTURAL TRAINING INITIATIVE IS
A UNIQUE OPPORTUNITY TO INCREASE
ACCESS AND IMPROVE QUALITY OF
HEALTHCARE SERVICES TO SPANISHSPEAKING FAMILIES IN NORTH CAROLINA

The School continues to develop and implement a strategic plan for science through its Research Advisory Committee which recommended that the School initially focus its research priorities on the areas of bioinformatics, development biology, genetics, infectious diseases and vascular biology. Efforts in these new priorities will build on our current strengths in such areas as cancer, cystic fibrosis and neurosciences research.

The establishment of the UNC Health Care System in November 1998 represented a fundamental change in the organizational structure and governance of the clinical enterprise of the School of Medicine.

The N.C. General Assembly approved legislation establishing the UNC Health Care System (HCS) effective November 1, 1998. Dr. Jeffrey L. Houpt, Dean of the School of Medicine and Vice Chancellor for Medical Affairs was appointed Chief Executive Officer. Governed by a Board of Directors appointed by the President of University of North Carolina System, the HCS brings together under one umbrella UNC Hospitals and the clinical patient care programs of the University's School of Medicine, including the physician practice plan, UNC Physicians and Associates. The HCS is a not-for-profit integrated health care system, owned by the State of North Carolina and based in Chapel Hill. It exists to further the teaching mission of the University of North Carolina at Chapel Hill and to provide state of the art patient care. The HCS has been granted broad powers by the N.C. General Assembly to assure its management flexibility and competitiveness in a rapidly changing health care business environment.

The Center for Development and Learning has been planning and implementing a multifaceted initiative to provide School Based Health Centers with direct services, continuing education course modules, teleconferencing, and a web page. The goal is to provide school nurses and teachers with specialized knowledge about health and education issues that may affect their students with neurodevelopmental disabilities (both low prevalence/high severity and high prevalence/low severity). This initiative is local, state, and nationally focused.

School of Nursing

The School of Nursing continued to expand its instructional technology this year. State of the art technology is now a standard feature of classrooms, clinical practice laboratories, computer laboratories, and faculty and staff work environments, and innovative application of the latest technological advances has greatly enhanced the School's distance learning initiatives. Currently, the School offers its baccalaureate program to nurses in Johnston, Montgomery, and Nash counties, and a master's program is being planned for Wake County. Teleconferencing is the primary mode of delivery for each program. The School's success with distance education has resulted in additional requests for programs in other areas of the state.

This year, the School attained a number four ranking among all nursing programs in the country receiving federal funding (NIH) for research endeavors, and the School's top ten ranking generated a significant increase in the number of visits by international and other visiting scholars. At any one time, approximately 40 studies are being conducted by nursing faculty members and their interdisciplinary teams. The School received an additional five years of funding from NIH for the Center for Research on the Prevention and Management of Chronic Illness in Vulnerable People. Although all of the studies include cross sections of North Carolina residents, the Center emphasizes those who are most vulnerable-minority individuals, the poor, the elderly, and those with limited access to care. The Center promotes interdisciplinary research, funds pilot studies, and provides research training to faculty, students and fellows. NIH-funded minority supplements to the Center have enabled us to provide intensive research experiences to nine minority fellows from historically Black universities and other institutions. Post-doctoral fellows and visiting scholars from the USA and other nations come to Chapel Hill to study with our faculty.

School of Pharmacy

The explosion in biomedical sciences, along with the emergence of modern drugs as the most cost-effective health care component, today form a solid foundation for the School of Pharmacy. The School offers internationally-recognized programs in drug discovery and development and is a leader in professional and graduate education.

At present, the State of North Carolina is experiencing a very serious shortage of pharmacists, and the School of Pharmacy is under pressure to increase enrollment. In an effort to accommodate this increase and ensure continued excellence in both teaching and research, the School of Pharmacy is undertaking a much-needed expansion.

Kerr Hall will provide the physical capacity to increase enrollment by approximately 20%. In addition, the highly rated research and graduate programs of the School of Pharmacy are magnets to private enterprise relocation in North Carolina. Completion of Kerr Hall would simultaneously remove the most difficult barrier to graduation of more pharmacists for North Carolina, and it would stimulate growth of new research partnerships with the State's biomedical and pharmaceutical industries.

The School of Pharmacy also promotes productive collaborations with other health affairs units on campus, seeking to maximize the opportunities for innovative research throughout the University as well as within the confines of the School. One of our most exciting new projects is the Program on Health Outcomes' efforts to become a Center for Education and Research in Therapeutics (CERT). The UNC Program on Health Outcomes Center for Education and Research in Therapeutics

(UNC PHO CERT) brings together a diverse clinical, research, and education community around the needs of children and adolescents in achieving optimum outcomes of drug and device therapy. In addition to an academic medical center environment with schools of dentistry, medicine, nursing, pharmacy and public health, the UNC CERT builds upon strategic alliances with research-based pharmaceutical firms, contract research organizations, integrated health care delivery systems, nonprofit health care organizations, and other academic medical centers with a strong emphasis on interdisciplinary effort, synergy between projects and cores, and regional/national dissemination activities.

The School of Pharmacy continually strives to provide the best training possible for our state's pharmacists, and to be a leader in innovative pharmaceutical research. The construction of Kerr Hall and the creation of the Center for Education and Research in Therapeutics illustrate the commitment to these goals, and will continue to help accomplish them.

School of Public Health

The School of Public Health has been actively engaged in continuing and expanding a tradition of excellence, as demonstrated in the latest *U.S. News and World Report* ranking, in which the School was determined to be the best publicly-supported school of public health in the nation, and second overall.

Planning for the new laboratory building, dedicated to state-of-theart research facilities, began in earnest during this academic year. Faculty and administrators have been working with the architectural consultants through the programming, schematic, and design development phases of the planning process. The original estimation of 90,000 square feet was increased to 123,000 square feet in order to meet the demands of a growing, dynamic research enterprise. Although the cost of this facility will be more than originally anticipated, the opportunity to provide the required laboratory support for improving the public's health will be worth the additional efforts in fund raising and development.

Significant strides were made in better supporting students and faculty, and in further developing the School's commitment to outreach in



highlight

THE SCHOOL OF PUBLIC HEALTH
LAUNCHED THE N.C. INSTITUTE FOR
PUBLIC HEALTH, A NEW PROGRAM TO
CREATE A BRIDGE BETWEEN HEALTH
KNOWLEDGE AND PRACTICE — PROVIDING
CONSULTATION, TECHNICAL ASSISTANCE,
RESEARCH, TRAINING AND INFORMATION
TO A BROAD ARRAY OF ORGANIZATIONS
AND INDIVIDUALS WHO DEAL WITH THE
HEALTH OF NORTH CAROLINIANS.

THE LIBRARY SYSTEM WAS AWARDED FUNDS FOR A MUCH-NEEDED RENOVATION OF THE ROBERT B. HOUSE UNDERGRADUATE LIBRARY.

the public health community and to public health practice. This year marked the inauguration of the Management Academy for Public Health, a joint effort with the Kenan-Flagler School of Business to train public health practitioners from five states in the management issues that are critical to maintaining a successful public health infrastructure. The planning phase of the UNC Program on Health Outcomes was completed, and a proposal submitted to the Glaxo Wellcome Foundation for full-scale operational support. This program is a University-wide program, developed to translate multidisciplinary research and education into usable tools for bringing about better health outcomes and superior quality of care.

The Public Health Grand Rounds, a series of electronically-convened programs which focus on contemporary, strategic public health issues was initiated. This series is sponsored by the School of Public Health, Centers for Disease Control and Prevention (CDC), Association of Schools of Public Health, and the Public Health Training Network. It is estimated that more than 4,200 viewers at 389 sites in the 50 states and Canada attended the first satellite broadcast on bioterrorism.

Finally, it was with great pride that the School launched the North Carolina Institute for Public Health, a newly developed program to create a bridge between health knowledge and practice — providing consultation, technical assistance, research, training and information to a broad array of organizations and individuals across the state who deal with the health of North Carolinians. It will focus on developing practical applications — products and services — to improve health-related decision-making at personal, professional, institutional and public-policy levels. The School is actively seeking funding to support this initiative.

Another exciting activity that will extend educational capabilities and provide increased opportunities, has been the commitment to distance learning. Distance and web-based learning are being increased dramatically, with all five core courses for the master's in public health degree available online in fall 1999. These methods allow the School to reach people across North Carolina and beyond with top-notch educational opportunities that would otherwise not have been available.

University Libraries

The Health Sciences Library was involved in the following activities: Expanding Access and Utility of Information. With funding from the National Library of Medicine, the Health Sciences Library (HSL) and AHEC established Internet access in 104 primary care offices and clinics throughout North Carolina. With AHEC librarians, HSL staff provides ongoing educational and technical support for faculty preceptors, all of who can use the electronic resources in the UNCLE digital health information library. Funds were awarded to the campus libraries this year from a new distance education allocation from the state. These funds supported creation of a new distance education specialist position to coordinate existing and emerging library support services; the addition of digital resources; and software to support online document ordering. The Health Sciences Library supplied 1,329 documents from its collection to off-campus students.

Providing Statewide Support for Health Care Educators. The HSL led the development of ThinCnet, the new AHEC Digital Library and Resource System that will open later in 1999 with statewide Web-based information services for 1,200 physician preceptors in communities throughout North Carolina. Ultimately, ThinCnet will be a powerful information resource for North Carolina's community-based preceptors, students, residents, and other health care providers. This is a collabora-

tive project with all nine regional AHECs and the four academic medical center libraries in the state. In its prototype stage, it will allow preceptors to create personal online libraries drawing on resources located in AHEC libraries, academic medical libraries, and other selected clinically relevant information resources and services.

Upgrading Health Sciences Library Facilities. HSL began Phase One of a full-scale building renovation project this year. Planning funds were available to begin programming and schematic design. A major fundraising campaign is underway to raise funds to support the renovation. The library remodeled most of its first floor to create a User Services Center. The Center replaced three separate service desks and is supported by a staff that has been cross-trained to perform multiple information support roles. The library increased the number of networked library computers and network ports for personal laptops.

The Academic Affairs Library maintained its position of 17th in the Association of Research Libraries Index during 1997-98, the latest year for which compilations are available. Ranking in the category of Volumes Held also remained stable at 20th, but the Library decreased from 13th to 20th in Volumes Added. This decline actually represents a return to the Library's historic position in this category after an exceptionally productive 1996-97, which saw both the reduction of substantial cataloging backlogs and increased purchasing with special funding.

Undergraduate Library. Funding for the much-needed renovation of the Robert B. House Undergraduate Library was awarded by the North Carolina Legislature as part of the 1998 budget. Appropriations for the renovation total \$9.3 million. This represents the full amount requested by the University and will cover all construction costs. A volunteer fundraising committee, led by Ed Pleasants of Winston-Salem, is working to raise an additional \$5 million, of which \$1 million has been earmarked for furnishings and state-of-the-art equipment, and the remainder for an endowment in support of undergraduate library services. Approximately \$1.2 million has been given or promised to date. The Library wishes to recognize the many individuals who helped to secure funding for this important project, including local legislators, members of the fundraising committee and the Friends of the Library, student and campus leaders, and early contributors to the fundraising campaign.

Planned closure of the Undergraduate Library has been moved from the end of the summer 1999 term to the end of the fall term because of delays in the bidding process. The Library is currently undertaking renovations in Davis and Wilson Libraries in areas that will house the collections and services of the Undergraduate Library during the eighteenmonth construction period. Alternative locations have been designated for all Undergraduate Library services and a Library Communications Team has developed plans to keep the campus community informed of changes. During the renovation period, the Library is committed to transferring the Undergraduate Library's popular 24-hour service to Davis.

When the renovated Undergraduate Library opens in 2001, it will feature fully-equipped spaces for hands-on instruction, specially configured group and individual study areas, a redesigned reference area, and state-of-the-art facilities where faculty and librarians will be able to consult and to work cooperatively. Existing services will move into spaces correctly configured to account for the changes that have affected libraries since the Undergrad opened in 1968. The result will be a teaching library that will support student learning and will prepare undergraduates for today's information-rich academic and work environment.

Library Support for Teaching and Learning: In conjunction with

the facilities improvements that will promote services to undergraduates, the Library has been actively formulating programmatic initiatives in this area during 1998-99. The Library is well aware that undergraduate students are particularly apt to feel overwhelmed by the vast array of information options available to them in the University libraries, through the many electronic indexes and databases which the Library purchases and makes available, and through the expanding universe of the Internet. As part of its mission, the Library has historically provided instruction and interpretation in the use of tools and materials to support the research, teaching, and learning goals of patrons, and the commitment to this mission has only intensified in the face of the challenges of the digital age.

To study these and related issues, a Library Task Force on Information Literacy was convened in 1998 and charged with developing recommendations for the Library's Administration. As part of its explorations, Task Force members spoke extensively with faculty and students through a series of focused roundtables. The final report of the Task Force, "Enhancing Library Support for Teaching and Learning," outlines an ambitious agenda to help students learn to navigate the library and information universe which UNC-CH makes available to them. It calls on the one hand for making use of information technologies in order to deliver timely, personalized assistance, guides and gateways to students through an online student library and information "Toolkit." At the same time, the Task Force recommended preserving the Library's traditional emphasis on the "human touch" through broadened instruction and outreach initiatives and through an emphasis on partnerships, networking, and seeking of opportunities to support classroom goals which faculty have for their students. The introduction of the Carolina Computing Initiative in 2000 will make coordinated programming all the more important as it will place tremendous information power directly in the hands of students who will need to acquire sophisticated skills to locate, evaluate, and effectively use the potential available to them. Implementation of the full range of recommendations developed by the Task Force will require substantial support, particularly in terms of personnel.

Documenting the American South. The Library continues to expand its own efforts to produce and publish high-quality content via the World Wide Web through the Documenting the American South project. This project provides access to digitized primary materials offering Southern perspectives on American history and culture. The continued success of the project in recent years helped the Library leverage two major grants in FY 1998-99 to support its continued development. The Institute for Museum and Library Services awarded \$138,938 to support "The Southern Homefront, 1851-1865," which documents Southern life during the Civil War through digitized and encoded printed works and manuscripts, and accompanying images of currency, letters, maps, broadsides, illustrations, and photographs. The Library additionally received \$74,513 from the Library of Congress/Ameritech competition to fund "The Church in the Southern Black Community," making UNC-CH one of the few institutions to win two awards over the course of this now completed three-year program.

Friends of the Library. The Friends of the Library sponsored eleven programs this year. Highlights included a celebration of the General Assembly funding of the renovation of the R. B. House Library; the talk by Taylor Branch '68, Pulitzer prize winner and author of Parting the Wall at Waters and Pillar of Fire on October 9, 1998 at the annual Friends of the Library dinner which was attended by members of the University's Board of Visitors; a program on North Carolina currency

co-sponsored with the North Carolina Collection on November 4, 1998 and the opening of the Charles Kuralt papers in the Manuscripts Department on February 25, 1999. The Friends published two editions of Windows, its annual newsletter. The Friends book sale raised more than \$11,000 for the Library's endowment.

Public Service. The Academic Affairs Library is one of North Carolina's richest educational and cultural resources. With few exceptions, its extensive collections of books, periodicals, databases, manuscripts, government documents, microforms, recordings, photographs, and other items are available to the public. In addition, any North Carolina citizen with valid identification is eligible for a library card, and in FY 1998-99, Davis Library checked out 376,632 books (one fourth of its total circulation) to community residents, North Carolina citizens, and others not directly affiliated with the University. An additional 17,690 books were lent and 7,236 articles were copied and sent to other libraries requesting them on behalf of their users.

Reference assistance is also available and is provided in person, by telephone, mail, telefacsimile, and electronic mail by staff in the Davis Library Reference Department, House Undergraduate Library, Wilson Library, and the departmental libraries. In 1998-99, such assistance included helping community residents identify area employment opportunities, providing legal and government information to organizations in Research Triangle Park, consulting with scholars at the National Humanities Center, providing stock split information to a tax attorney, and trademark information to a Raleigh businesswoman.

Documenting the American South, the Academic Affairs Library's prototype program that provides access via the World Wide Web to the Library's magnificent collections of materials on the American South, continues to be well received by students, teachers, and other researchers. Comments about the site attest to its widespread appeal and usefulness.

Graduate Studies and Research

Graduate Studies and Research is comprised of the Graduate School, the Institute for Research in Social Science, the Office of Research Services, the Proposal Development Initiative, the Office of Technology Development, the Office of Information and Communications, and the Office of Economic Development. Overseeing the departments is the Office of the Vice Provost for Graduate Studies and Research.

During 1998-99, the University received a record \$344.5 million in grants and contracts, an increase of almost \$40 million dollars over the previous year and the largest single-year increase in the University's history. This increase included external funding for two major new research initiatives:

With support from the National Science Foundation, chemists and engineers from the University, N.C. State University, N.C. A&T State University, and the University of Texas at Austin, have established the Science and Technology Center (STC) for Environmentally Responsible Carbon Dioxide Processes. Dr. Joseph M. DeSimone, William R. Kenan Jr. distinguished professor of chemistry at the University, will direct the center, which has the potential to attract a total of \$35 million from NSF during the next 10 years.

With \$12.7 million in support from the National Institute of Dental and Craniofacial Research and several private companies, the School of Dentistry will establish a new Comprehensive Center for Inflammatory Disorders. The center will conduct research and education programs focused on the link between gum disorders and life-threatening illnesses including heart disease and stroke.



THE UNIVERSITY RECEIVED A RECORD \$244.5 MILLION IN GRANTS AND CONTRACTS, THE LARGEST SINGLE-YEAR INCREASE IN THE UNIVERSITY'S HISTORY

THE CAROLINA COMPUTING INITIATIVE ROLLED OUT STATE-OF-THE-ART COMPUTING PLATFORMS TO MOST DEPARTMENTS IN THE COLLEGE OF ARTS AND SCIENCES

THE UNIVERSITY RECEIVED THE 1999 CIRCLE OF EXCELLENCE AWARD FOR EDUCATIONAL FUND RAISING FOR THE FIFTH TIME IN SEVEN YEARS AND IS THE ONLY PUBLIC UNIVERSITY TO HAVE WON THE AWARD FIVE TIMES.

Support for grant-seeking also expanded. In the Office of Research Services (ORS), the University Research Council increased its maximum award from \$3000 to \$4000 for seed funding to faculty members. Awards totaled \$226,609, with an average award size of slightly more than \$2500. The Proposal Development Initiative helped more than 40 projects develop proposals totaling more than \$60 million. The Office of Information and Communications installed a new server to improve the performance of the GrantSourceÆ Service. By May 1, 1999, users had conducted 18,595 searches of GrantSourceÆ databases and had examined 13,527 files of funding opportunities.

The Office of Technology Development received 116 invention disclosures, a 30 percent increase over the previous year. This increase is expected to lead to more licenses completed in the future. Sixty-nine inventions were licensed or optioned to companies, representing a wealth of economic potential. In further support of business, the Office of Economic Development (OED) was established July 1, 1998 to foster economic development in North Carolina by mobilizing the resources of the University. Michael I. Luger became its first director. So far, OED has received almost \$350,000 in grants and contracts.

To promote a diverse student body, the Graduate School emphasized the recruitment of outstanding minority students. The number of minority graduate students increased from 561 in 1997-98 to 610 in 1998-99, and the quality of newly admitted minority students was extremely high. At the same time, the Graduate School continued to use computer technology to streamline the applications process. Online applications increased to 41 percent (compared to 30 percent last year) of the 9316 applications for admission during the academic year.

The Institute for Research in Social Science (IRSS) became the Howard W. Odum Institute for Research in Social Science, named for its founder. IRSS made 190 gigabytes of social and health data available to researchers, who now download about 600 files per month. IRSS also sponsored 15 interdisciplinary faculty working groups, which involved approximately 300 faculty members during the 1998-99 year.

Endeavors, Carolina's research magazine produced by the Office of Information and Communications, won a Special Merit Award from the

Council for Advancement and Support of Education (CASE). The *Endeavors* web site was selected as the "Cool Site of the Day" by The Learning Kingdom, an educational web site that attracts 65,000 readers per day.

Office of Scholarships and Student Aid

The Office of Scholarships and Student Aid concentrated its efforts to improve systems and operations, delivery of aid and client services. As part of the Carolina Computing Initiative, the office successfully negotiated a 6.32% interest loan for all students for computer purchases with College Foundation, Inc.

First year of participation in the National Merit Scholarship Program was noteworthy. The Office awarded 61 National Merit Scholarships to incoming freshmen, and enrolled twice as many National Merit Scholarship Finalists as the previous year.

The Office continued its efforts to become part of the National Achievement Scholarship Program, and also worked with the Undergraduate Admissions Office to develop the Early Decision admissions program by agreeing to give students an early assessment of their eligibility for financial aid.

Efforts were also made to do more outreach programs and provide information to local high school communities about the financial aid process. The Office continued streamlining the financial aid process for students through electronic transfer of funds to the cashier's office.

The Office provided information and encouraged students to research financial aid opportunities on the internet and encouraged electronic submission of federal financial aid forms.

Successful development efforts resulted in the availability of more academic scholarships. The addition of these academic scholarships enhances the University's ability to recruit and enroll the most talented students in the state and nation. Development efforts continue for academic scholarships, with the expectation that the number of available academic scholarships will continue to increase each year.

Commitment to providing access to education for students who need financial assistance continues to be a priority, and development efforts continue for need-based scholarships. The University currently maintains over 650 need-based scholarship funds from which to award deserving students.

Information Technology Services

Information technology continued to be a major focus for the campus. The Carolina Computing Initiative (CCI) moved closer to full implementation with major rollouts of state-of-the-art computing platforms to most departments of the College of Arts and Sciences. Overall, the project is well ahead of schedule with over 3,000 IBM personal computers distributed to over 50 departments on campus. The fall 2000 laptop computer requirement for entering freshmen was piloted extensively through voluntary purchases by over 1,100 freshmen entering in 1999. Broadly based CCI committees continued the important work of refining all facets of the program. Progress continued ahead of schedule, and campus reaction was overwhelmingly positive.

The Academic Technology and Networking (ATN) division provided significant support for the CCI, managing the departmental rollouts and the student orientation and deployment. Wiring to the student residence halls was completed with over 6,800 connections currently available. Student connections to the campus network rose from 576 to 5,242. The campus network currently has over 30,000 nodes connected.

Campus demand for programs supporting information technology grew substantially. ATN expanded its training and orientation programs for faculty and students and saw over 9,000 members of the University enroll in computer training classes offered on campus. The campus Information Technology Response Center, established last year, moved to 24x7 operations in the spring, and has received just under 60,000 requests for assistance. The operations of the Academic Computing Center were reorganized to implement a campus information technology Control Center, which now monitors and remotely manages over eighty-five core systems and over 2,000 network switches across campus. The campus response services division implemented a new problem tracking and resolution system that allows for greater coordination of services and expedites problem solving.

Demand for all academic systems grew substantially. The campus now hosts web pages for 252 departments and over 500 courses. E-mail delivery to campus exceeded 290,000 messages per day and the campus web servers delivered 500,000 web pages per day. Developing systems to keep pace with this exponential growth in demand is the most significant technical challenge facing ATN.

Administrative Information Services completed Year 2000 remediation for all centrally managed administrative computer information systems. This included extensive internal verification testing as well as further testing by outside contract agencies. All verification testing was completely successful. Work continued on contingency and disaster recovery plans.

Despite the substantial resource requirements for Year 2000 remediation, major new application system projects were scheduled. A new distributed Human Resources Information System, incorporating redesigned and streamlined processes, was piloted. A modern departmental accounting system that will be tightly integrated with the University's central financial systems was deployed for piloting. A comprehensive grants management system that will aid University researchers in all phases of grant application and management was installed for initial testing and integration.

Existing central systems were enhanced through the addition of new web-based interfaces and services. These included major offerings in the financial and student services areas. For students, key new components are an on-line degree progress "what if" analysis tool and the ability to accept web credit card payments. Web purchase of textbooks is under development. The web has rapidly become the information delivery vehicle of choice, and the University continues as a leader in this area.

Information Technology continues to grow in its importance to every area of the campus community.

University Advancement

Fiscal year 1998-99 set a new record for giving, with gifts and private grants totaling \$145 million, surpassing last year's total giving by 10 percent. These totals marked the seventh straight year in which the University has exceeded the previous year's record for private giving. In recognition of such consistently superior fund-raising performance, the University received the 1999 Circle of Excellence Award for Educational Fund Raising for the fifth time in seven years, given by the Council of Advancement and Support of Education (CASE). The University is the only public university to have won the award five times. This year also marked the third straight year in which private gifts and grants topped the \$100 million mark, sustaining the University's edge in the highly competitive world of academic fund raising and advancing it to 24th place among universities nationally.

The goodwill and loyalty of alumni and friends did not waver in 1999: 44,613 alumni, the largest number to date, made gifts to the University. Young alumni, defined as alumni who graduated within the last 15 years, gave more than \$1.3 million, 12 percent more than the year before and especially impressive considering the fact that the young alumni giving program just completed its fourth full year of operation. This group also increased its Chancellors' Club membership by 10 percent, to 410. Young alumni are important to the University as future volunteers and donors.

Also during the year, 2,816 people made Chancellors' Club-level gifts of \$2,000 or more, marking a seven percent increase from the previous year and the largest amount in history.

The University also frequently receives gifts from donors who are not necessarily alumni: in 1999, University employees gave almost \$2.8 million. Parents gave \$4.4 million, an 83 percent increase from the previous year.

Giving designated to undergraduate scholarships (\$7.1 million) and graduate fellowships (\$6.3 million) increased considerably, the latter category marking an increase of 37 percent over the prior year. Gifts channeled to professorships saw an increase of 40 percent from the previous year, with a total of \$8.1 million. State matching funds for new professorships serve to stimulate private giving in this arena.

From a total of \$145 million in private gifts and grants, \$131.7 million was directed to academics, with the remaining \$13.3 million going to athletics.

Corporations, foundations and organizations made gifts to the University totaling \$74.5 million for academic purposes, a 30 percent increase over the previous year. Private grants totaled \$43.1 million, up 51 percent from 1998 and far surpassing amounts for this category from any previous year.

Members of the Class of 1999 and their parents contributed enthusiastically to this year's Senior Class Gift, giving \$35,000 toward the renovation of the stone entryway to campus located on Cameron Avenue at South Columbia Street.

This year saw the University as recipient of generosity from various regions of North Carolina and from Tar Heels across the country. Five of 12 regions in the state recorded increases in giving: Chapel Hill, Eastern North Carolina, Wilmington, Burlington and the Fayetteville/Sandhills region. Nationally, eight of 12 regions gave more this year than last: California, Florida, Georgia, Texas, Chicago, New York City, Virginia and Washington D.C.

Bequests and life-income gifts were substantial in 1998-99, with \$21.3 million received from 41 estates and \$3.1 million in fair market value received from life-income gifts. Life income gifts include gift annuities and charitable remainder trusts, arrangements by which donors give assets now but receive income based on the asset's value for the remainder of their lives. When the beneficiary dies, the University uses the gift for the purpose the donor has specified.

The number of stock gifts in this fiscal year stayed about the same, 548 gifts with a total value of \$14.8 million, up 66 percent from the previous year. The median stock gift was \$3,153, a number that may indicate that many Chancellors' Club donors make their annual gifts in stock. Stock gifts are also often used to make major gifts or installments on major-gift pledges.

Gifts made to campus buildings and established equipment, known as capital gifts, were up 38 percent this year and totaled \$13.7 million. Traditionally, primary funding for new buildings and renovations comes from the state, but notable exceptions exist. For example, the renovation of Graham Memorial, which will house the James M. Johnston Center

for Undergraduate Excellence, is being funded entirely by private gifts. The School of Journalism and Mass Communication's new home in Carroll Hall was made possible by a multi-million-dollar private gift component combined with state funds.

Student Affairs

Under the direction of Vice Chancellor Susan Kitchen, the Division of Student Affairs did much in the last year to enhance student life at Carolina, especially the residential climate. Besides planning for the residential component of the First Year Initiative, the Division began design work on four new residential complexes to accommodate an anticipated enrollment increase. The Division's Department of University Housing and Residential Education broadened its living-learning options with the creation of a new women's perspective floor and the expansion of our substance-free living arrangements. The Division also finished wiring of the residence halls and now has a campus network port for every pillow. A student-led initiative helped clear the way for Old East and Old West, two historic residence halls that have been all-male, to become co-ed by fall 2001.

Alcohol education efforts continued to be a primary focus. A survey by the Core Institute at Southern Illinois University showed changes in our students' perceptions about alcohol and drug use among their peers and how the University is handling this societal problem. Some 86 percent of our students said they believe the campus is concerned about preventing alcohol and drug use, up from 73 percent in 1996-97. In addition, 56 percent reported they are aware of the University's alcohol and drug prevention programs, up from 39 percent.

Some of the increased awareness may be related to an educational campaigns. Working with the Center for Science in the Public Interest as part of a \$570,000 grant from the Park Foundation, the University in spring 1999 unveiled an advertising campaign to combat binge drinking among college students. We anticipate that it ultimately will become a national model.

Finally, *Mother Jones* magazine again named the University to its list of "Top 10 Activist Schools," a well-earned title as demonstrated by the April student sit-in in South Building to protest working conditions in Third-World companies that manufacture collegiate apparel. Senior Marion Traub-Werner, who led the sit-in, won a national Howard R. Swearer Student Humanitarian Award in recognition for her ongoing awareness efforts on this issue.

Auxiliary Services

The Materials Support Department debuted a Purchasing Card — a First Union Visa Card — in November 1998. This card, which provides automated billing and payment for purchases under \$2,500, is expected to significantly reduce the number of payment transactions processed through the check disbursement cycle once fully implemented.

The Health and Safety Department implemented a new Hazards Management Program for industrial, maintenance, construction, and other support work environments. This program, which requires work unit-specific safety plans, combines OSHA and EPA requirements into one program and provides increased emphasis on environmental regulatory compliance for areas that historically have been more focused on personnel safety.

The Department of Public Safety implemented community policing, and deployed officers to four new substations across the campus. This reorganization is expected to provide increased visibility for police officers and increased interaction between officers and the community they serve.



THE MATERIALS SUPPORT DEPARTMENT DEBUTED A PURCHASING CARD IN NOVEMBER 1998. THIS CARD, WHICH PROVIDES AUTOMATED BILLING AND PAYMENT FOR PURCHASES UNDER \$2,500, IS EXPECTED TO SIGNIFICANTLY REDUCE THE NUMBER OF PAYMENT TRANSACTIONS.

THE DEPARTMENT OF PUBLIC SAFETY IMPLEMENTED COMMUNITY POLICING, AND DEPLOYED OFICERS TO FOUR NEW SUBSTATIONS ACROSS THE CAMPUS, THIS REORGANIZATION IS EXPECTED TO PROVIDE INCREASED INTERACTION BETWEEN OFFICERS AND THE COMMUNITY THEY SERVE.

The UNC One Card entered into a partnership with Wachovia Bank to add Visa check card capability to the One Card, the University's all-purpose identification, access, and financial transaction card. This partnership will enable the One Card to be used off-campus for the first time.

Facilities Services

Facilities Management Enterprise: In September of 1998, the Facilities Services Division installed and implemented a new computerized maintenance management system to further improve service to the campus community and to provide enhanced reporting and tracking of work for the Facilities Services Division. The new system, Facilities Management Enterprise (FME), was purchased from Assetworks, Inc. of San Antonio, Texas, to replace three older internally developed systems with one comprehensive system. FME provides advanced features related to work and project management, preventative maintenance management, inventory and equipment management, and financial information for each of these modules. FME provides a much more flexible system than our previous mainframe-based systems.

Reorganization of Grounds into Zones: Several campuses within the UNC System were visited to formulate a plan to create a zone management system of organization at the UNC Chapel Hill campus. A plan to restructure the organization into 12 zones and six campus wide crews that focus on various specialty areas to support the zones was devised. The specialty crews include a landscape project crew, a Capital Improvement installation crew, an integrated pest management crew, an irrigation repair crew, a tree and forest management crew and a parking lot maintenance crew.

Another initiative taken in connection with the reorganization is the computer assisted mapping of the intensively managed campus land-scape areas. Currently, this endeavor is 65% complete as far as being able to define the square footage of the landscape zones into three categories: mowable lawn, landscape beds and natural areas.

Reorganization of Housekeeping into Zones: In the spring of

1999, the Housekeeping Services Department re-engineered its organization to the housekeeping zone management concept. The reasons for the reorganization were to help the housekeeping department and its customers by providing cleaner, more healthful and safe facilities; improving the quality of services provided; decreasing costs to become more competitive with private firms, improving customer support and satisfaction, preserving the facilities for future use, and enhancing the morale and job security of housekeeping employees. This reorganization into management zones was based upon geographical locations and similar shifts and has resulted in fewer levels of management, and a revised job description that established 14 zone manager positions.

Housing Support: The University consolidated four zone shops into two and implemented an alternate work schedule with longer working hours to provide improved response time and customer service for the 7,000 residents of campus residence halls and residents of Odum Village married student family housing. The University expedited work order procedures by receiving calls directly from residents and transmitting directly by radio to mechanics. Work reception desk also serves as "onestop shopping" for housing residents by handling customer requests for housekeeping and moving crew issues and forwarding them to the appropriate entity for accomplishment.

Sustainability Coalition: A University Sustainability Coalition was formed with faculty, student, and staff representation in support of Governor Hunt's Executive Order No. 156 of July 20, 1999. Its mission is to promote a strong, positive environmental ethic and to cultivate proactive sustainable practices with regard to all University activities.

Human Resources

Implementation of the University's new automated Human Resources Information System continued with training and parallel testing by a number of pilot departments. Full implementation of the first phase of the project is expected by June 30, 2000.

In addition, the Office of Human Resources has assisted in the transition of a number of former University employees to the newly created UNC Health Care System. This transition has involved a review of policies and procedures and communication with employees. Approximately 600 University employees are expected to be transferred to the Health Care System payroll.

Finance

Working with Graduate Studies and Research, Administrative Information Services, and campus representatives, Finance began implementation of a new grants management system that will significantly enhance service to researchers and research administrators. While negotiations are still under way, Finance spent considerable time preparing the required cost data and began the negotiation process with the Department of Health and Human Services on the Facilities and Administrative cost rate (formerly know as the indirect cost rate). Finance also implemented a new student service whereby student refunds are provided by way of an electronic deposit.

The University contracted with an external firm to conduct a review of accounts payable disbursements. The purpose of the review was to identify disbursement errors, control weaknesses, and opportunities for operational efficiencies. The review provided very favorable results concerning the disbursement processes. Progress was made regarding the planning and implementation of statistical sampling for post audit of travel and other non-personnel disbursements. Post audit will improve

the efficiency of the review process and speed the disbursement cycle.

Increased use of an electronic records management system provided a more efficient records storage and retrieval system for non-personnel disbursements of the University. In conjunction with other campus units. progress on the design and programming of a central airfare billing system was made. The system will automate and improve the airfare billing process used by University travelers.

The Comprehensive Annual Financial Report for 1997-98 earned the Certificate of Achievement award from the Government Finance Officers Association. It was the fourth consecutive year that the award was earned.

Athletics

Athletics tied for 17th place in the Sears Directors Cup in 1998-99, the sixth consecutive year that the University finished in the top 20 of this collegiate all-sports points competition. Four Atlantic Coast Conference championships and several outstanding NCAA finishes helped cement the University's position. For the 12th year in a row, the University led or tied for the lead in the number of ACC championships won during the school year as top honors were captured in wrestling, men's outdoor track, and women's soccer and indoor track.

In NCAA tournament competition, the women's soccer team was runner-up for the national championship. Other top-10 NCAA tournament finishers included the field hockey, women's lacrosse. men's golf, and women's indoor track teams.

Tar Heel athletes excelled on an individual level, too. Senior Nicole Gamble won the NCAA indoor track championship in the triple jump, and for the second year in a row senior Cindy Parlow was the women's winner of both the Herrmann Trophy and the Missouri Athletic Club Sports Foundation Award, the two top awards for national college soccer player of the year.

The Athletic Department completed several major capital projects. The final phase of renovations to Kenan Stadium was finished shortly before the 1998 football season, and the University began a massive renovation of Finley Golf Course. Two new facilities were dedicated: the McCaskill Soccer Center and the Francis E. Henry Stadium for field hockey and lacrosse.

Financial Information

Internal Control Structure

The Business and Finance Division of the University is responsible for establishing and maintaining an effective system of internal control. The objectives of an internal control structure are to provide management with reasonable, although not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with appropriate authorization and recorded properly in the financial records to permit the preparation of financial statements in accordance with generally accepted accounting principles. Accordingly, organizational structure, policies, and procedures have been established to safeguard assets, ensure the reliability of accounting data, promote efficient operations, and ensure compliance with established governmental laws, regulations and policies, University policies, and other requirements of sponsors to whom the University is accountable.

As a recipient of federal financial awards, the University is responsible for ensuring compliance with all applicable laws and regulations relating to such assistance. A combination of State and University policies and procedures, integrated with the University's system of internal controls, provides for this compliance. As an integral part of the State of North Carolina's Single Audit, the University undergoes an annual examination by the Office of the State Auditor of its federal financial assistance programs in accordance with U. S. Office of Management and Budget Circular A-133, Audits of State and Local Governments.

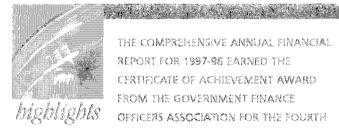
Budgetary Controls

The University is responsible for controlling its budget and using the funds to fulfill its educational and other missions and also for planning, developing, and controlling budgets and expenditures within authorized allocations and in accordance with University, State, and federal policies and procedures. The University maintains budgetary controls to ensure compliance with provisions embodied in the annual appropriated budget approved by the North Carolina General Assembly. Project-length financial plans are adopted for capital projects.

After the budget has been approved by the Chancellor and the Board of Governors, the University follows an established system of budgetary controls. Business and Finance issues periodic interim budget statements to department heads to guide them in managing their budget allocations. Monthly financial reports are provided on each fund to individual managers responsible for the fund. Financial reports are also provided at the State level. When actual conditions require changes to the budget. revisions are prepared, and these revisions are appropriately approved and communicated to those affected. Changes to the budget are approved at the University level and/or the State level as required. Based on the State's management flexibility legislation, the University has received delegated authority for designated budget changes.

The University maintains an encumbrance accounting system as another method to ensure that imposed expenditure constraints are observed.

The University Priorities and Budget Committee (UPBC) focuses on significant, campus-wide priorities and related funding decisions.



THE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR 1997-98 EARNED THE CERTIFICATE OF ACHIEVEMENT AWARD FROM THE GOVERNMENT FINANCE OFFICERS ASSOCIATION FOR THE FOURTH CONSECUTIVE YEAR.

UNC-CH ATHLETICS FINISHED IN THE TOP 20 OF THE SEARS DIRECTORS CUP POINTS COMPETITION FOR THE SIXTH CONSECUTIVE YEAR. FOUR ATLANTIC COAST CONFERENCE CHAMPIONSHIPS AND SEVERAL OUTSTANDING NOAA FINISHES HELPED CEMENT THE UNIVERSITY'S POSITION.

The UPBC helps formulate the campus program priorities that lead to the achievement of vision, develops financial plans that can be used to obtain funds to address critical needs that support the priorities, and develops allocation strategies to guide how funds from all unrestricted sources will be allocated to meet campus needs.

Current Funds Revenues and Expenditures

In fiscal 1999, the University expended over \$1.192 billion fulfilling its mission of instruction, research, and public service. The \$1.192 billion consists of \$1.188 billion in expenditures and mandatory transfers and \$3.6 million in other transfers and refunds to grantors. Approximately 55.4% of the total expenditures supported the instruction and research missions of the University including the academic and student support functions. Expenditures for the professional clinical services which are self-supporting operations providing medical, dental, and other health care were 11.1% of the total.

Other uses of operating resources were for public service (7.2%); institutional support (4.9%); physical plant operations (5.5%); student financial aid (3.7%); and self-supporting auxiliary and related operations (10.2%). Mandatory and other transfers, and refunds to grantors accounted for the remainder (2.0%).

Total expenditures of \$1.192 billion represent an increase of 6.4% over the prior year. Instruction, academic support, and student services increased 7.2% over the prior year while organized research increased 8.6%. Other increases included student financial aid (6.3% increase over prior year), public service (9.4% increase over prior year), institutional support (17.8% increase over prior year), and auxiliary enterprises / internal service (7.4%). Physical plant operations increased 3.4% from the prior year while professional clinical services expenditures decreased by 1.5%.

Resources of more than \$1.22 billion supporting these expenditures increased 8.3% over the prior year which, when combined with restricted receipts of \$9.6 million not transferred to revenues, resulted in a \$38.2 million increase to the Current Funds balances. The University has a diversified revenue base as the largest single source comprises less than one-third of the resources generated. State appropriations were the largest single revenue source for fiscal year 1999 (31.3% of total, 8.5% increase over prior year). Remaining revenue sources were tuition and fees (9.0% of total, 4.4% increase), governmental contracts and grants (24.3% of total, 12.8% increase), sales and services and other sources (24.1% of total, 5.6% increase), private gifts, grants, and contracts (8.0% of total, 9.8% increase), and investment and endowment earnings (3.3% of total, 1.8% increase).

Current Funds for the year ended June 30, 1999 (in thousands)

Sources...\$1,220,681

\$382,372			State Appropriations (31.3%)
		\$110,400	Tuition and Fees (9.0%)
	\$296,722		Governmental Contracts and Grants (24.3%)
		\$97,785	Private Gifts, Contracts and Grants (8.0%)
\$2	93,511		Sales and Services & Other Sources (24.1%)
		\$39,891	Investment and Endowment Income (3.3%)

Uses...\$1,192,168

```
Instruction, Academic Support, and Student Services (40.7%)
                                       $485,338
                    Organized Research (14.7%)
                                       $174,973
                        Public Service (7.2%)
                                       $86,062
                    Institutional Support (4.9%)
                                        $58,078
                 Physical Plant Operations (5.5%)
                                        $65,501
                    Student Financial Aid (3.7%)
                                       $44,305
                                        $121,148
       Auxiliary Enterprises and Internal Service (10.2%)
               Professional Clinical Services (11.1%
                                        $133,057
             Transfers and Other Deductions (2.0%)
                                       $23,706
```

Resources of proprietary funds, which include auxiliary enterprise, internal service, and professional clinical service activities, totaled \$296.7 million. The remaining current funds resources of \$923.9 million support the educational and general activities of the University and are summarized as follows (in thousands):

Educational and General	Amount	% of Total
State Appropriations	\$382,372	41.4 %
Tuition and Fees	110,400	11.9 %
Governmental Contracts and Grants	296,722	32.1 %
Private Gifts, Contracts and Grants	96,420	10.4 %
Sales and Services and Other Sources	8,767	1.0 %
Investment and Endowment Income	29,265	3.2 %
Total	\$923,946	100.0%

The student headcount of the University was 24,238 for the Fall semester of fiscal 1999. Student enrollment has remained stable over the last five years, increasing 1.0%. Student enrollment for fiscal 1999 was composed of the following categories:

Women	59.3%
Men	40.7%
White	79.7%
African American	9.9%
Other	10.4%
Undergraduate	63.1%
Graduate	28.1%
Professional	8.8%
Resident	75.9%
Nonresident	24.1%

Fund Accounting

In order to ensure observance of limitations and restrictions placed on the resources available to the University, the accounts of the university are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with the activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying comprehensive annual financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group. The University's self-balancing fund groups are as follows:

Current Funds — include all unrestricted and restricted resources which are available for the operating purposes of performing the primary missions of the University. Current Funds are considered unrestricted unless restrictions imposed by the donor or other external agency are so specific that they substantially reduce the University's flexibility in their utilization. Proprietary Funds reflecting the operations of the student stores, dormitories, and other auxiliary enterprises and internal service funds are shown separately from other Unrestricted Funds. Receipts that are restricted are recorded as additions to Restricted Fund balances and recognized as revenue to the extent that such funds are expended for restricted purposes during the current fiscal year.

Fiduciary Funds - include Loan Funds, Endowment and Similar Funds, and Agency Funds. Loan Funds include resources received from donors, governmental agencies, and mandatory institutional matching grants which are restricted for use in making student loans. Endowment and Similar Funds are further categorized as Endowment Funds, Term Endowment Funds, Quasi-endowment Funds, and Annuity and Life Income Funds. Endowment Funds are subject to restrictions of gift instruments whereby principal is invested and only income is utilized. Term Endowment Funds are similar to Endowment Funds, except that all or part of the principal may be used after a stated period of time or on the occurrence of a certain event. Quasi-endowment Funds have been established by the governing board for the same purposes as Endowment Funds, and any portions of Quasi-endowment funds may be expended. Annuity and Life Income Funds are received by the University under deferred-giving agreement contracts that provide income to the donor and/or the donor's designee for life or for a fixed period of time. At the termination of the contracts, the funds become available for general institutional purposes or for any restricted purpose designated by the donor in the contract. Agency Funds are those funds of students and organizations held by the University as custodian. The transactions of the Agency Funds do not result in any revenue or expenditures for the University; therefore, these funds are not shown in the statement of changes in fund equity.

Plant Funds — include Unexpended Plant Funds, Debt Service Funds, and Investment in Plant Funds. Unexpended Plant Funds account for the resources utilized to finance the acquisition of long-life assets and to provide for routine renewal and replacement of existing plant assets. Debt Service Funds account for resources specifically accumulated for interest and principal payments, debt service reserve funds, and other debt related charges. Investment in Plant Funds account for all long-life assets of the University, construction in progress, and related debt for funds borrowed and expended for the acquisition of Plant Fund assets.

Debt Administration

The University of North Carolina at Chapel Hill has \$286 million of revenue bonds outstanding at June 30, 1999. The bonds were issued to finance the construction and/or renovation of student housing facilities, student union facilities, parking facilities, football stadium expansion, dining facilities, student recreation facilities, utilities systems, ambulatory patient care facilities, hotel facilities, dental clinic facilities and a facility leased to the United States Environmental Protection Agency. The bonds are payable both as to principal and interest from the net revenue generated by the operations of the aforementioned facilities and are consistently rated in the AA and AAA categories by Standard and Poor's Corporation.

Cash Management

The cash management plan of the University addresses control of receipts, management of disbursements, and investment of funds to maximize earnings on the investment of cash. State law requires that State appropriated funds be deposited with the State Treasurer with investment earnings accruing to the State. Many other current funds, loan funds, and unexpended plant funds are not appropriated by the State but must be deposited with the State Treasurer with investment earnings accruing to the University. Endowment, debt service, and designated other funds are invested by the University in accordance with its investment policies.

The University administers a short-term investment pool for funds not required to be on deposit with the State Treasurer. The investment pool is administered in conjunction with cash receipts and disbursing requirements to minimize idle cash and to generate current income without loss of capital at a rate of return comparable to the North Carolina State Treasurer. The University uses the State's cash management control system to improve cash flow by electronically recording cash receipts and disbursements for funds deposited with the State Treasurer.

Risk Management

The University is exposed to various risks of loss related to property and employees. These risks are addressed in several ways, including participation in various State-administered risk pools, purchase of commercial insurance, and self retention of certain risks. Refer to Note 13 of the Notes to the Financial Statements for more detailed information concerning the University's risk management program.

Other Information

Audits

State law, federal guidelines, and certain bond covenants require that the University's accounting and financial records be audited by the Office of the State Auditor each year. Additionally, the University's Internal Auditors perform fiscal, compliance and performance audits. The reports resulting from these audits are shared with University management.

The audit of the University's federal financial assistance programs is performed by the Office of the State Auditor in conjunction with the statewide Single Audit. The accounting and financial records of The University of North Carolina at Chapel Hill Foundation, Inc. and of the Athletic Department are each audited by a public accounting firm in addition to the State Auditor review.

All of the audit reports are available for public inspection.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to The University of North Carolina at Chapel Hill for its comprehensive annual financial report for the fiscal year ended June 30, 1998. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement a government unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. Such a CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

Acknowledgments

Preparation of this Comprehensive Annual Financial Report in a timely manner would not have been possible without the coordinated efforts of the University community, with special assistance from the Chancellor's Office, the Provost's Office, Academic Affairs, Health Affairs, Graduate Studies and Research, Student Affairs, Information Technology Services, University Advancement, Public Relations, the Office of Scholarships and Student Aid, the Department of Athletics, and Dr. James F. Smith, Professor of Finance in the Kenan-Flagler Business School. In addition, the Office of the State Auditor provided invaluable assistance.

John P. Evans

Interim Vice Chancellor for Finance and Administration

hu P. Evans

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Vice Chancellor and General Counsel

Jeffrey L. Houpt

Vice Chancellor for Medical Affairs

Susan T. Kitchen

Vice Chancellor for Student Affairs

Matthew G. Kupec

Vice Chancellor for University Advancement

* Interim appointment effective July 9, 1999 following the death of Chancellor Michael Hooker on June 29, 1999.

Thomas J. Meyer

Vice Provost for Graduate Studies and Research

Marian G. Moore

Vice Chancellor for Information Technology

Risa I. Palm

Dean of the College of Arts and Sciences

James R. Ramsey

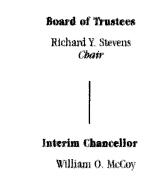
Vice Chancellor for Finance and Administration

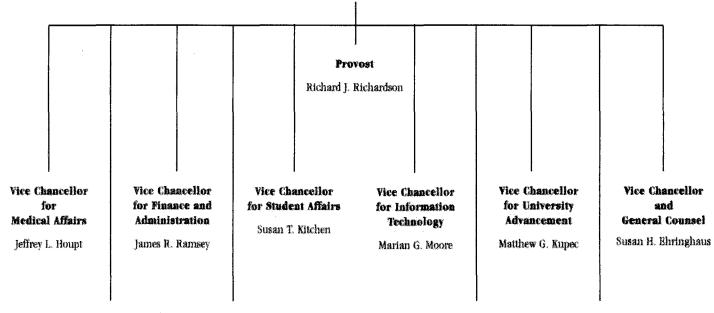
Richard J. Richardson

Provost

ORGANIZATION Chart

The University of North Carolina at Chapel Hill





Director of Athletics

Richard A. Baddour

Chief Investment Officer

Mark W. Yusko

Equal Opportunity Officer

Robert J. Cannon

Internal Auditor

Phyllis C. Petree

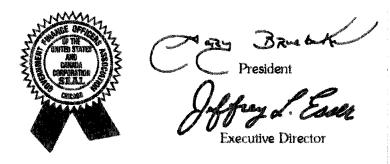
Certificate of Achievement for Excellence in Financial Reporting

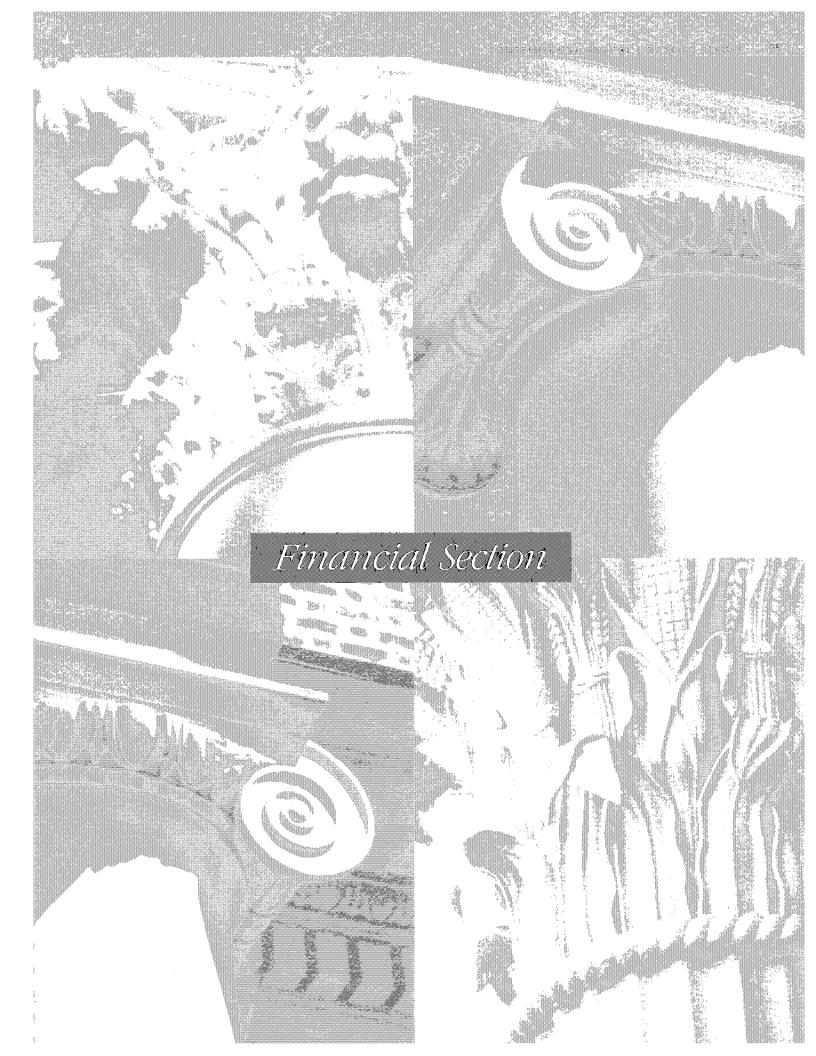
Presented to

The University of North Carolina at Chapel Hill

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1998

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.







STATE OF NORTH CAROLINA Office of the State Auditor

300 N. SALISBURY STREET RALEIGH, N. C. 27603-5903 TELEPHONE: (919) 733-3217 FAX: (919) 733-8443

INDEPENDENT AUDITOR'S REPORT

Board of Trustees The University of North Carolina at Chapel Hill Chapel Hill, North Carolina

We have audited the accompanying Balance Sheet of The University of North Carolina at Chapel Hill, a component unit of the State of North Carolina, as of June 30, 1999, and the related Statement of Changes in Fund Equity and Statement of Current Funds Revenues, Expenditures, and Other Changes for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The University of North Carolina at Chapel Hill as of June 30, 1999, and the changes in fund equity and the current funds revenues, expenditures, and other changes for the year then ended in conformity with generally accepted accounting principles.

As discussed in note 18A to the financial statements, the University changed its accounting for payments made to the Liability Insurance Trust Fund, a claims servicing public entity risk pool, and associated claims liability to comply with the requirements of paragraph 71 of GASB Statement #10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues. As discussed in note 18B to the financial statements, the University changed its method of accounting for its temporary investment pool assets as of June 30, 1999.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

The required supplementary information on year 2000 issues listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because we could not evaluate the information using the criteria in Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures About Year 2000 Issues*, as amended. In addition, we do not provide assurance that the University is or will become year 2000 compliant, that the University's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the University does business are or will become year 2000 compliant.

The introductory and statistical sections, identified in the table of contents, were not audited by us, and accordingly, we do not express an opinion thereon.

Ralph Campbell, Jr.

State Auditor

November 10, 1999

BALANCE SHEET June 30, 1999

	CURRENT FUNDS			
	Unre	stricted		
	General	Proprietary	Restricted	
Assets	* C+ +D+	***	****	
Cash and Cash Equivalents (Note 1E and 2)	\$51,434	\$88,823	\$113,198	
Investments (Note 1F and 2)	47,141	138,593	92,692	
Accounts Receivable-Students	2,412	904		
Accounts Receivable-Patients (Net)(Note 1G)		26,471		
Due from Federal Government			24,014	
Accrued Interest Receivable	2,331	720	267	
Other Receivables	6,292	7,196	17,742	
Due from Other Funds	21,923			
Due from State Agencies	1,752	554	273	
Student Loans Receivable (Net) (Note 1G)				
Inventories (Note 1H)	1,404	13,399	92	
Prepaid Expenses	166	80	5	
Land and Improvements	100	•	AP	
•				
Furniture and Equipment				
Buildings and Fixed Equipment				
Other Structures and Improvements				
Artworks and Literature				
Construction-In-Progress				
Total Assets	\$134,855	\$ 276,740	\$248,283	
Stabilitation and Provide				
Liabilities and Fund Equity Liabilities				
	** **	46.045	45.220	
Accounts Payable	\$1,919	\$6,245	\$5,220	
Accrued Payroll	13,018	7,153	6,175	
Claims Payable		49		
Other Payables	496	and the second second		
Contracts Payable-Retainage				
Due to State Agencies	156	620	109	
Due to Other Funds		19,166	20,870	
Deposits Payable	6,620	1,384		
Accrued Interest Payable	• • • • • • • • • • • • • • • • • • • •	*		
Accrued Vacation Leave	20,351	10,322	10,674	
Deferred Revenue	2,907	5,969	23	
Bonds Payable (Note 9)	2,507	3,505	25	
		34 570	0.505	
Obligations Under Reverse Repurchase Agreements	6,281	21,579	9,695	
Obligations Under Securities Lending Transactions	22,279	39,163	58,080	
Arbitrage Liability				
Unamortized Bond Discount	ran in the state of the same		The second second	
Funds Held in Trust for Pool Participants				
Funds Held for Others				
Total Liabilities	74,027	111,650	110,846	
Pour di Provincia				
Fund Equity				
Net investment in Plant				
U.S. Government Grants Refundable				
Endowment				
Quasi Endowment - Unrestricted				
Quasi Endowment - Restricted				
Annuity and Life Income Funds				
Renewal and Replacement		4		
Retirement of Indebtedness				
Restricted			137,437	
Unrestricted	60,828	165,090	, ты	
Total Fund Equity	60,828	165,090	137,437	
				·
Total Liabilities & Fund Equity	\$134,855	\$276,740	\$248,283	

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

The University of North Carolina at Chapel Hill

June 30, 1999 (in thousands)

	FIDUCIARY FUNDS			PLANT FUNDS		
	Endowment &			Debt	Investmen	
 Loan	Similar Funds	Agency	Unexpended	Service	in Plant	
\$6,816	\$26,434	\$35,982	\$93,146	\$1,274		
5,785	606,832	281,537	18,342	28,025		
		·				
29	271		66			
				18,564		
32,030						
				937	4	
					\$8,512	
					173,793	
					828,090	
					61,848	
					219,162	
 					107,426	
 \$44,660	\$ 633,537	\$ 317,519	\$111,554	\$48,800	\$1,398,831	
	\$4,569		\$ 4,969			
	3,344	. "				
	eye-r-v		5,225			
			451			
				\$ 3,360	*	
			5,401	18,737	\$262,228	
£2.045	24,219	\$25,117	0.445	674		
\$3,815	13,459	13,675	8,415 423	671		
			423	(2,596)		
		276,583		. (e.tana)		
		2,144				
3,815	45,591	317,519	24,884	20,172	262,228	
					1,136,603	
28,683					1,130,003	
	404,811		* •			
	98,556					
	63,428					
	21,151			7 a 26		
				7 ,078 15,140		
11,726			84,833	1,199		
436			1,837	5,211		
 40,845	587,946	0	86,670	28,628	1,136,603	
 \$44,660	\$633,537	\$317,519	\$111,554	\$48,800	\$1,398,831	

STATEMENT of Changes in Fund Equity

		CURRENT FUNDS		
	Unre	stricted		
	General	Proprietary	Restricted	
Revenues and Other Additions				
State Appropriations	\$382,372			
Tuition and Fees	110,400			
Federal Contracts and Grants	55,919		\$264,734	
State Contracts and Grants	1,559		43,139	
Private Gifts, Contracts and Grants	7,182	\$1,365	89,175	
Sales and Services	5,886	274,598		
Endowment Income	5,918		9,101	
Investment and Interest income	8,640	10,626	4,124	
Expended for Plant Facilities				
Retirement of Indebtedness				
Other Revenues and Additions	2,881	10,146	6,169	
Total Revenues and Other Additions	580,757	296,735	416,442	
Expenditures and Other Deductions				
Educational and General	569,518	1,550	343,189	
Auxiliary Enterprises		115,280		
Internal Service Funds		5,868		
Professional Clinical Services		133,057		
Indirect Costs Recovered			63,606	
Refunded to Grantors			1,206	
Administrative and Collection Costs,				
Loan Cancellations and Bad Debts				
Expended for Plant Facilities				
Retirement of Indebtedness				
Interest on Indebtedness				
Disposal of Plant Facilities				
Other Expenditures and Deductions				
otal Expenditures and Other Deductions	569,518	255,755	408,001	
Excess of Revenues Over (Under) Expenditures	11,239	40,980	8,441	
Fransfers – Additions (Deductions)		(00.000)		
Mandatory Transfers for Debt Service Requirements		(20,042)		
Mandatory Transfers for Matching Requirements	(37)			
Non-Mandatory Transfers	(5,017)	(13,545)	16,141	
Net Transfers	(5,054)	(33,587)	16,141	
Net Increase in Fund Equity	6,185	7,393	24,582	
und Equity July 1, 1998 as Restated (Note 16)	54,643	157,697	112,855	
Fund Equity June 30, 1999	\$60,828	\$ 165,090	\$137,437	

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

The University of North Carolina at Chapel Hill Year Ended June 30, 1999 (in thousands)

FIDUCIARY FUNDS				
	Endowment &		Debt	Investment
 Loan	Similar Funds	Unexpended	Service	in Plant
		\$40,117		
\$3	\$27,114	12,048	\$1,100	\$1, 571
64	1,158			
1,330	27,059	2,050	932	81,864
113	2.140	191		9,884
 1,510	3,140 58,471	54,406	2,032	93,319

1,105				
		55,293		
			9,884	
			14,056	
				12,461
184	4,091	525		
1,289	4,091	55,818	23,940	12,461
221	54,380	(1,412)	(21,908)	80,858
		()		
		(682)	20,724	
37				
185	(14,184)	16,432	(12)	
222	(14,184)	15,750	20,712	0
443	40,196	14,338	(1,196)	80,858
40,402	547,750	72,332	29,824	1,055,745
\$40,845	\$587,946	\$86,670	\$28,628	\$1,136,603

STATEMENT of Current Funds Revenues, Expenditures and Other Changes

The University of North Carolina at Chapel Hill Year Ended June 30, 1999 (in thousands)

	Unrestricted		Total Current			
	General	Proprietary	Total	Restricted	Funds	
Revenues						
State Appropriations	\$382,372		\$382,372		\$382,372	
Tuition and Fees	110,400		110,400		110,400	
Federal Contracts and Grants	55,919		55,919	\$203,233	259,152	
State Contracts and Grants	1,559	•	1,559	36,011	37,570	
Private Gifts, Contracts and Grants	7,182	\$1,365	8,547	89,238	97,785	
Sales and Services	5,886	274,598	280,484		280,484	
Endowment Income	5,918		5,918	13,638	19,556	
Investment and Interest Income	8,640	10,626	19,266	1,069	20,335	
Other Revenues	2,881	10,146	13,027		13,027	
Total Current Revenues	580,757	296,735	877,492	343,189	1,220,681	
Expenditures						
Educational and General						
Instruction	278,871		278,871	132,421	411,292	
Organized Research	27,615		27,615	147,358	174,973	
Public Service	50,288		50,288	35,774	86,062	
Academic Support	56,866		56,866	3,518	60,384	
Student Services	13,218		13,218	444	13,662	
Institutional Support	53,465	1,550	55,015	3,063	58,078	
Physical Plant Operations	64,835		64,835	666	65,501	
Student Financial Aid	24,360		24,360	19,945	44,305	
Total Educational and General	569,518	1,550	571,068	343,189	914,257	
Auxiliary Enterprises		115,280	115,280		115,280	
Internal Service		5,868	5,868		5,868	
Professional Clinical Services		133,057	133,057		133,057	
Total Expenditures	569,518	255,755	825,273	343,189	1,168,462	
Transfers and Additions/(Deductions)						
Excess of Restricted Receipts over						
Transfers to Revenues				9,647	9,647	
Refunded to Grantors				(1,206)	(1,206)	
Mandatory Transfers for Debt Service Requirements		(20,042)	(20,042)		(20,042)	
Mandatory Transfers for Matching Requirements	(37)	,	(37)		(37)	
Non-Mandatory Transfers	(5,017)	(13,545)	(18,562)	16,141	(2,421)	
Net Increase in Fund Equity	\$6,185	\$7,393	\$13,578	\$24,582	\$38,160	

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

34 Note 1 Significant Accounting Policies Financial Reporting Entity В. Basis of Presentation C. Fund Structure D. Basis of Accounting E. Cash and Cash Equivalents F. Investments G. Receivables and Allowance for Doubtful Accounts H. Inventories I. Fixed Assets and Depreciation J. Vacation and Sick Leave K. Revenue Recognition Endowment Investment Return 36 Note 2 Deposits and Investments Deposits A. Investments B. C. Non-Current Funds Investment Income D. **Endowment Fund Investments** E. Reverse Repurchase Agreements F. Securities Lending Transactions Derivatives and Similar Transactions Note 3 Interfund Receivables and Payables 41 42 Note 4 Pension Plans A. Retirement Plans В. Deferred Compensation and Supplemental Retirement Income Plans 43 Note 5 Other Postemployment Benefits Health Care В. Disability Income Changes in Fixed Assets Note 6 43 Note 7 Changes in Long-Term Obligations 43 43 Note 8 Commitments and Contingencies A. **Construction Commitments** B. Contingencies Note 9 Long-term Debt A. Demand Bonds B. Capital Appreciation Bonds C. Bond Defeasance 47 Construction Costs Paid From Debt Proceeds 47 Note 11 Leases A. Lease Obligations Other Lease Agreements B. Note 12 Budgeting and Budgetary Control Note 13 Risk Management and Insurance 47 49 Note 14 Related Parties 49 Note 15 Pledges Receivable Note 16 Prior Period Adjustment 49 49 Note 17 Subsequent Event

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Note 18 Accounting Changes

NOTES to the Financial Statements

Note 1: Significant Accounting Policies:

A. Financial Reporting Entity

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

The accompanying financial statements present all funds belonging to the University and its component units. While the Board of Governors of the University of North Carolina System has ultimate responsibility, the Chancellor, the Board of Trustees, and the Board of Trustees of the Endowment Fund have delegated responsibilities for financial accountability of the University's funds. Although legally separate, The University of North Carolina at Chapel Hill Foundation, Inc. (Foundation) and The University of North Carolina at Chapel Hill Foundation Investment Fund, Inc. (Investment Fund) are reported as if they were part of the University. The Foundation's purpose is to aid, support, and promote teaching, research and service in the various educational, scientific, scholarly, professional, artistic and creative endeavors of the University while 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 Foundation is governed by a 17-member board consisting of nine ex officio directors and eight elected directors. Ex officio directors include the Chairman of the Board of Trustees of the University of North Carolina at Chapel Hill, the Chancellor, the Vice Chancellor for Finance and Administration, and the Vice Chancellor for University Advancement (nonvoting). In addition, two ex officio directors are elected by the Board of Trustees from the membership of that board and three ex officio directors are elected by the Board of Trustees from the membership of the Board of Trustees of the Endowment Fund of the University of North Carolina at Chapel Hill who have not otherwise been selected. The eight remaining directors are elected to membership on the Foundation Board of Directors by action of the ex officio directors. Because the members of the Board of Directors of the Foundation are officials or appointed by officials of the University and the Foundation's sole purpose is to benefit the University of North Carolina at Chapel Hill, its financial statements have been blended with those of the University.

The Investment Fund is governed by a board consisting of nine ex officio directors and one or two elected directors. The ex officio directors include the Chairman of the Board of Trustees of the University of North Carolina at Chapel Hill, the Chancellor, the Vice Chancellor for Finance and Administration, and the Vice Chancellor for University Advancement, in addition to five members of the Board of Trustees of the Endowment Fund of the University of North Carolina at Chapel Hill. The Foundation

Board may, in its discretion, elect one or two of its at-large members to the Investment Fund Board. Because the members of the Board of Directors of the Investment Fund are officials or appointed by officials of the University and the Investment Fund's primary purpose is to benefit the University of North Carolina at Chapel Hill and other organizations operated primarily to support the University, its financial statements have been blended with those of the University.

The financial statements of the Foundation and the Investment Fund, a governmental external investment pool, have been blended with those of the University. Separate financial statements for the Foundation and Investment Fund may be obtained from the University Controller's Office, Campus Box 1270, Chapel Hill, NC 27599-1270, or by calling (919) 962-1370. Other related foundations and similar non-profit corporations for which the University is not financially accountable are not part of the accompanying financial statements.

B. Basis of Presentation

The accompanying financial statements are presented in accordance with generally accepted accounting principles applicable to the governmental colleges and universities as promulgated by the Governmental Accounting Standards Board (GASB). In accordance with GASB standards, the University has elected to follow the fund accounting and reporting guidelines set forth by the American Institute of Certified Public Accountants in its Industry Audit Guide, Audits of Colleges and Universities.

C. Fund Structure

The accompanying financial statements are structured into three categories of funds: Current, Fiduciary, and Plant Funds.

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

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

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

D. Basis of Accounting

The financial statements of the University have been prepared on the accrual basis except that, in accordance with accounting practices customarily followed by public educational institutions, no provision is made for depreciation of fixed assets, interest on loans to students is recorded when collected, and revenue from tuition and student fees for summer sessions is reported totally within the fiscal year in which the session is primarily conducted. Otherwise, revenues are reported in the accounting period when they are earned and become measurable and expenditures are reported in the accounting period when materials or services are received or when incurred, if measurable.

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

E. Cash and Cash Equivalents

In addition to cash on deposit with private bank accounts, petty cash, and undeposited receipts, this classification includes savings accounts, cash on deposit with fiscal agents, and short-term investments with the State Treasurer's Cash and Investment Pool (a governmental external investment pool). All other short-term investments are reported as investments.

F. Investments

This classification includes long-term fixed income investments, repurchase agreements, equity investments, mutual funds, money market funds, certificates of deposit, limited partnerships, real estate investment trusts, and other asset holdings by the University. Except for money market funds, certificates of deposit, real estate not held by a governmental external investment pool, and other asset holdings, these investments are reported at fair value for year-end financial reporting purposes. Fair value is the amount at which an investment could be exchanged between two willing parties. Fair value for financial reporting purposes is based on quoted market prices. The net increase (decrease) in the fair value of investments is recognized as a part of investment income.

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

In addition, the University reports securities lending transactions as part of its investments. These transactions occur when government entities loan their securities to broker-dealers and other entities (borrowers) in exchange for collateral and simultaneously agree to return the collateral for the securities in the future. While the University does not directly engage in securities lending transactions; it deposits certain funds with the State Treasurer's Cash and Investment Pool which participates in securities lending activities. Based on the State Treasurer's allocation of these transactions, the University recognizes its allocable share of the State Treasurer's "Securities Lending Collateral Investment Pool" as part of its investments and an equal amount as "Obligations Under Securities Lending Transactions." The allocable share of the income and costs arising from pooled securities lending transactions is reported as part of investment income and as institutional expenditures for current funds and other expenditures for fiduciary and plant funds, respectively.

G. Receivables and Allowance for Doubtful Accounts

The receivables for the UNC Physicians & Associates, the Dental Faculty Practice (both included in the current proprietary fund group) and the Loan Funds are shown in the accompanying financial statements net of the allowance for doubtful accounts of \$35,264,000, \$288,000, and \$2,051,000 respectively. The accounts and notes receivable for other funds are shown at book value with no provision for doubtful accounts considered necessary.

H. Inventories

Inventories held by the University are priced at cost or average cost except for the Student Stores inventory, which is valued at the lower of cost or market.

I. Fixed Assets and Depreciation

Fixed assets are stated at cost at date of acquisition or fair market value at date of donation in the case of gifts. The University capitalizes equipment that has a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of one or more years. Library books acquired prior to June 30, 1983 are valued on the basis of industry statistics and expert judgments. Depreciation is not recorded.

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

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

Public domain ("infrastructure") fixed assets consisting of roads, parking lots, and sidewalks are capitalized as other structures and improvements.

J. Vacation and Sick Leave

The University's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which may be carried forward each January 1st or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 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.

The University has the policy of recording the cost of sick leave when taken and paid rather than when the leave is earned. The policy provides for unlimited accumulation of sick leave, but the employee cannot be compensated for any unused sick leave upon termination of employment.

K. Revenue Recognition

Current Funds revenues, as reflected on Exhibit C, include (1) all unrestricted gifts, grants, and other resources earned during the reporting period and (2) restricted resources to the extent that such funds were expended. Current funds revenues do not include restricted current funds

received but not expended or resources that are restricted by external persons or agencies to funds other than current funds.

Certain Unrestricted Proprietary Fund auxiliary operations provide goods and services to activities reported in the Unrestricted General Fund. These auxiliary operations include utilities, telecommunications, materials management, service and repairs, laboratory services, and other inter-departmental type operations. For purposes of financial statement presentation, the University eliminates the associated Proprietary Fund revenue and expenditures for these activities.

L. Endowment Investment Return

Investments of the University's endowment funds are pooled in the Investment Fund, unless required to be separately invested by the donor. Investment return of the University's pooled endowment funds is predicated on the total return concept (yield plus appreciation). Annual payouts from the University's pooled endowment funds, which can vary between 4% and 7% of market value, are determined by increasing the prior year payout per share by the inflation rate. 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 to make up the difference

Endowments are classified as either "true" or "quasi." True endowments are funds that the donor has specified, as a condition of the gift, that the principal be maintained indefinitely. Quasi endowments are funds on which there is no such restriction placed by the donor. For classification purposes, the net change in fair value of investments is classified as quasi endowment, unless the donor has stipulated otherwise.

Note 2: Deposits and Investments:

A. Deposits

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

Deposits include cash and cash equivalents, and certificates of deposit totaling \$420,249,000. At year-end, cash on hand was \$59,000. The University's portion of the State Treasurer's Cash and Investment Pool was \$377,464,000. It is the State Treasurer's policy and practice for the deposits not covered by federal depository insurance to be covered by collateral held by the State of North Carolina's agent in the name of the State and for investments to be held by the State's agent in the State's name. The carrying amount of the University's deposits not with the State Treasurer consists of cash and cash equivalents totaling \$39,584,000 and certificates of deposit of \$3,142,000. The bank balance of these deposits was \$11,199,000 of which \$1,853,000 was covered by federal depository insurance or by collateral held by the University's agent in the University's name, and \$9,346,000 was uninsured and uncollateralized.

North Carolina General Statutes 147-69.1(c) and 147-69.2 authorize the State Treasurer to invest in the following: Obligations of or fully guaranteed by the United States; obligations of certain federal agencies; repurchase agreements; obligations of the State of North Carolina; certificates of deposit of specified institutions; prime quality commercial paper; specified bills of exchange; asset-backed securities; corporate bonds and notes with specified ratings; general obligations of other states; general obligations of North Carolina local governments; certain venture capital limited partnerships; and the obligations or securities of the North Carolina Enterprise Corporation.

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

B. Investments

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

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

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

Investments of the University's component units, the Foundation and the Investment Fund, are restricted only by the requirements placed on them by pool participants and contracted 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. The University utilizes the following investment pools:

Temporary Investment Pool (Temporary Pool) - This is a fixed income portfolio managed by the University's Investment Office and Wachovia Bank, N.A. It operates in conjunction with the University's Nations Bank disbursing account for all special funds, funds received for services rendered by health care professionals and endowment revenue funds (internal portion), and funds of affiliated foundations (external portion). Because of the participation in the Temporary Pool by affiliated foundations, it is considered a governmental external investment pool. The external portion of the Temporary Pool is presented in the accompanying financial statements as Funds Held in Trust for Pool Participants in the University's Agency Funds. The Temporary Pool is not registered with the SEC and the University has not provided legally binding guarantees during the period to support the value of the pool's investments. There are no involuntary participants in the Temporary Pool.

Wachovia Bank, N.A. is the custodian for the Temporary Pool and provides the University's Director of Accounting (Accounting Services) with monthly statements defining income and market value informa-

tion. Through written request to Accounting Services, participants may purchase and sell shares in the Temporary Pool at a fixed value of \$1 per share. Investments of the Temporary Pool are highly liquid and generally include U.S. government securities, collateralized mortgage obligations, corporate bonds, mutual funds and money market funds. Generally, the purchase and sell of participation shares occur only at the beginning of the month. Income distribution is determined each quarter by multiplying the distribution rate by the average of the invested fund balance. Statements are sent to each participating account or group of accounts on a quarterly basis reflecting the participants' balance and income distribution. The rate earned by an account is dependent upon its account classification and investable fund balance. The rates are set in coordination between the University Investment Office and the Vice Chancellor for Finance and Administration.

UNC-CH Foundation Investment Fund Inc. Investment Pool (Investment Fund) - This is a 501(c)3 corporation established in January, 1997 by the University and is classified as a governmental external investment pool. The pool is utilized to manage the investments for charitable, nonprofit foundations, associations, trusts, endowments and funds that are organized and operated primarily to support the University. The University's Endowment funds and the UNC-CH Foundation funds are component units included in the University's reporting entity (internal portion). Other affiliated organizations (external portion) in the Investment Fund are not included in the University's reporting entity. Fund ownership of the University's Investment Fund is measured using the unit value method. Under this method, each participant's investment balance is determined on a market value basis. The external portion of the Investment Fund is presented in the accompanying financial statements as Funds Held in Trust for Pool Participants in the University's Agency Funds.

The Investment Fund, is not registered with the SEC and is not subject to any formal oversight other than that provided by the Investment Fund Board of Directors (See Note 1 A). The Investment Board is responsible for adopting investment objectives and policies, for hiring investment advisors, and for monitoring policy implementation and investment performance. The Board has chosen not to make individual security selection decisions. The Board's primary role is to oversee the allocation of the Investment Fund Portfolio among asset classes, investment vehicles, and investment managers. The Board will continually review, monitor, and adjust its allocation decisions based on a variety of factors.

Wachovia Bank, N.A. is the custodian for the Investment Fund and provides the University with monthly statements defining income and market value information which is then allocated among the fund's participants. The Investment Fund uses a unit basis to determine each participant's market value and to distribute the Fund's spending policy. There are no involuntary participants in the Investment Fund pool. The University has not provided or obtained any legally binding guarantees during the period to support the value for the pool's investments. The audited financial statements for the Investment Fund pool may be obtained from the University Controller's Office, Campus Box 1270, Chapel Hill, NC 27599-1270, or by calling (919) 962-1370.

Credit Risk Categories - The University's investments (pooled and non-pooled) are categorized below to give an indication of the level of risk assumed by the entity at year-end. The credit risk categories are concerned with custodial credit risk, which is the risk that a government

will not be able to recover the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment transaction fails. There are three categories of credit risk. Category 1 includes investments that are insured or registered or for which the securities are held by the University or its agent in the University's name. Category 2 includes uninsured and unregistered investments for which the securities are held by a counterparty's trust department or agent in the University's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by a counterparty's trust department or agent but not in the University's name.

A summary of the University's investments at June 30, 1999 is presented below.

Temporary Pool Investments		Fair Value	(îr	thousands)
	Risk	Category	***************************************	
	1	2	3	Total
Categorized Investments:		****************		
U. S. Government Securities	\$ 39,227	\$ 0	\$ 0	\$ 39,227
Collateralized Mortgage Obligations	30,826			30,82 6
Corporate Bonds	27,047			27,047
Corporate Stocks	30			30
Total Categorized Investments	\$ 97,130	\$ 0	\$ 0	\$ 97,130
Investments Held by Broker-Dealers Under Reverse Repurchase Agreem U.S. Government Securities	ents			26,671
Collateralized Mortgage Obligat		17.305		
Corporate Bonds				13,155
Money Market Funds				6,010
Mutual Funds				31,058
Securities Lending Collateral Investme	ent Pool			31,553
Other Investments				680
Total Investments Not Categorized				126,432
Total Temporary Pool Investments			~~~~~	\$ 223,562

Investment Fund Pool Investmen			(ÎI	n thousands)
	F	air Value		
	Risk C	ategory	estate de transferior	
	1	2	3	Total
Categorized Investments:				
U.S. Government Securities	\$ 6,266	\$ 0	\$ 0	\$ 6,2 6 6
Collateralized Mortgage Obligations	12,078			12,078
State and Municipal Securities	4,612			4,612
Corporate Bonds	14,234			14,234
Corporate Stocks	159,026			159,026
International Stocks	160,610			160,610
Total Categorized Investments	\$ 356,826	\$ 0	\$ 0	\$ 356,826
Investments Held by Broker-Dealers Under Reverse Repurchase Agreer	nents			
U. S. Government Securities	1061175			26,306
Corporate Bonds				7.583
Money Market Funds				25.886
Mutual Funds				106,663
Limited Partnerships				208.390
Real Estate Investment Trusts				30,265
Securities Lending Collateral Investm	ent Pool			18,932
Other Investments		4.510		
Total Investments Not Categorized		***************		428,535
Total investment Fund Pool investment				\$ 785,361
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Other Pooled Investments	(in thousands)
Investments Not Categorized:	Total
Securities Lending Collateral Investment Pool Related to Involunt	ary Pool
Deposits in the State Treasurer's Cash and Investment Pool	\$ 107,281

Non Pooled investments		(in	(in thousands)	
	Risk	Fair Value Category		
	1	2	3	Total
Categorized Investments:				W- ee u /e
U. S. Government Securities	\$ 7,542	\$ 993	\$ 0	\$ 8,535
State and Municipal Securities	1,240			1,240
Corporate Bonds	3,754			3,754
Corporate Stocks	10,830	1,002		11,832
International Stocks	23			23
Total Categorized Investments	\$ 23,389	\$ 1,995	\$ 0	\$ 25,384
investments Not Categorized:				
Money Market Funds				49,775
Mutual Funds				4,772
Real Estate				14,944
Certificates of Deposit				3,142
Securities Lending Collateral Investme	ent Pool			1,792
Other Investments				2,934
Total Investments Not Categorized	I			77,359
Total Non Pooled Investments	**********************			\$ 102,743

Total Investments				û	n thousands)
		Fa	ir Value	,	
	Risk	(Çê	ategory		
	1	********	2	3	Total
Total Categorized Investments	\$ 477,345	\$	1,995	\$ 0	\$ 479,340
Total Investments Not Categorized					739,607
Total Investments	······		×1100000000000000000000000000000000000		\$ 1,218,947

Certificates of deposit reported as investments are also a component of the deposit totals reported in the deposits section of this note.

Since a separate annual financial report of the Temporary Investment Pool, a governmental external investment pool, has not and is not planned to be issued, the following additional disclosures are being provided in the University's financial statements.

The Temporary Investment Pool's Statement of Net Assets and Statement of Operations and Changes in Net Assets as of and for the period ended June 30, 1999 are as follows:

Temporary Pool Statement of Net Assets, June 30, 1999	
Academistatic di tien Linnered aquie nal inne	(in thousands)
Assets:	
Cash in Bank	\$ 52
State Treasurer Investment Fund	55,520
Accrued Investment Income	1,841
Investments	223,562
Total Assets	\$ 280,975
Liabilities:	
Obligations Under Securities Lending Transactions	\$ 31,553
Obligations Under Reverse Repurchase Agreements	53,820
Total Liabilities	\$ 8 5,373
Net Assets:	
Internal	\$ 129,097
External	66,505
Total Net Assets Available to Participants	\$ 195,602
Total Liabilities and Net Assets	\$ 280.975

Temporary Pool Statement of Operations and Changes in Net Assets For the Fiscal Year Ended June 30, 1999	(in thousands)
Increase in Net Assets From Operations:	(III UKASSHUS)
Revenues:	
Investment income	\$ 11,933
Expenditures:	
Investment Management	561
Net Increase in Net Assets Resulting from Operations	\$ 12,494
Distributions to Participants:	
Distributions Paid and Payable	\$ 12,494
Share Transactions:	
Net Share Purchases (Liquidations)	\$ (8,974)
Total Increase (Decrease) in Net Assets	\$ (8,974)
Net Assets:	
Beginning of Year	\$ 204,576
End of Year	\$ 195,602

The major investment classifications of the Temporary Pool had the following attributes as of June 30, 1999:

- 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1			(i	n thousands)
Investment Classification	Fair Value	Principal Amount	Range of interest Rates	Range of Maturities
U.S. Government Securities	\$ 39,227	\$ 40,109	5.4%-11.5%	2000-2029
Collateralized Mortgage Obligations	30,826	32,139	5.5%-12.0%	2005-2028
Corporate Bonds	27,047	27,558	5.1%-9.4%	2001-2010
Corporate Stocks	30	30	N/a	N/a
Reverse Repurchase Agreements	57,131	57,675	3.6%-8.5%	2001-2026
Money Market	6,010	6,010	4.7%-5.5%	45-82 days
Mutual Funds	31,058	29,715	₩a	N⁄a
Securities Lending Collateral Investment Pool	31,553	31,553	N/a	N/a
Other Investments	680	680	N/a	Na
Total Temporary Pool Investments	\$223,562	\$225,469	a a a a a a 1 1 1 1 1 1 1 1 1 1 1 1 1 1	e sononomonide sononomor energiamente finilità que que fine

C. Non-Current Funds Investment Income

The additions and deductions in the non-current fund's fund equity balances as a result of investment income were as follows:

				(in t	housands)
~~		Additions .		Deductions	
Dividend	Interest and Lending Income	Securities Unrealized Income	Realized and Unrealized Gains	Realized and Investment Losses	Total Income
Loan Fund	\$ 1,011	\$ 184	\$ 135	\$ 0	\$ 1,330
Endowment Fund	1	1,033	28,266	(2,241)	27,059
Unexpended Plant Fund	1,523	525	2	0	2,050
Debt Service Fund	219	0	713	0	932

D. Endowment Fund Investments

The Board of Trustees of the Endowment Fund of The University of North Carolina at Chapel Hill and the Board of Directors of the Foundation (included in the University's reporting entity) have established a policy that emphasizes growth orientation in the investment of endowment funds. The fair value of the Endowment Fund Investments pooled and non-pooled as of June 30, 1999 as compared to the prior year was as follows:

	June 30, 1999	(in thousands) June 30, 1998
turnador anda bor Errado	June 30, 1999	June 50, 1996
Investments by Fund:	* ***	6 403 004
Endowment	\$ 409,103	\$ 402,801
Quasi Endowment Unrestricted	89,170	81,098
Quasi Endowment Restricted	79,218	76,400
Annuity and Life Income Funds	29,341	26,200
Total	\$ 606,832	\$ 586,499
Investment by Type:		
Debt Securities	\$ 24,574	\$ 18,153
Equity Securities	240,417	251,259
Collateralized Mortgage Obligations	8,767	8,352
Money Market Funds	21,036	7,341
Mutual Funds	82,201	92,242
Real Estate	14,937	9,384
Limited Partnerships	151,275	82,978
Real Estate Investment Trusts	21,970	12,421
Investments Held by Broker-Dealers	24,601	66,886
Under Reverse Repurchase Agreements		
Securities Lending Collateral	13,459	32,470
Investment Pool	· ·	,
Other investments	3,595	5,013
Total	\$ 606,832	\$586,499

E. Reverse Repurchase Agreements

Under the University's authority to purchase and sell securities, it has entered into fixed coupon reverse repurchase (reverse repurchase) agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The market value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in market value of the securities. If the dealers default on their obligations to resell these securities to the University or provide securities or cash of equal value, the University would suffer an economic loss equal to the difference between the market value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. This credit exposure at year-end was \$5,487,000.

The University's investments in the underlying securities and those purchased with proceeds from the reverse repurchase agreements are in accordance with the statutory requirements as noted. The University invests the majority of the proceeds of reverse repurchase agreements in the investment pool managed by the State Treasurer. These deposits are available on demand. The interest earnings and interest cost arising from reverse repurchase agreement transactions are reported at gross amounts on the accompanying financial statements.

F. Securities Lending Transactions

Based on the authority provided in G.S. 147-69.3(e), the State Treasurer lends securities from its investment pools to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The Treasurer's securities custodian man-

ages the securities lending program. During the year, the custodian lent U.S. government securities, corporate bonds, notes, and common stock for collateral. The custodian is permitted to receive cash, U.S. government securities, or irrevocable letters of credit as collateral for the securities lent. The collateral is initially pledged at 102 percent of the market value of the securities lent, and additional collateral is required if its value falls to less than 100 percent of the market value of the securities lent. There are no restrictions on the amount of loans that can be made. Substantially all security loans can be terminated on demand by either the State Treasurer or the borrower.

The University's portion of securities lent at year-end for cash collateral is presented as unclassified in the preceding schedule of custodial credit risk. Securities received as collateral are not recorded in either the Treasurer's or the University's financial statements because the State Treasurer cannot pledge or sell the collateral securities unless the borrower defaults.

The cash collateral received is invested by the custodian agent and held in a separate account in the name of the State Treasurer. The average maturities of the cash collateral investments do not differ materially from the average maturity of the securities lent. While cash can be invested in securities ranging from overnight up to two years, the custodian agent is not permitted to make investments where the weighted average maturity of all investments exceeds 90 days. At June 30, 1999, the weighted average maturity of unmatched investments was less than one month.

At year-end, the State Treasurer has no credit risk exposure to borrowers and incurred no losses during the year ended June 30, 1999 related to these transactions. The securities custodian is contractually obligated to the Treasurer for certain conditions, including indemnity on a default by the borrowers to return securities and on a failure by the borrowers to maintain collateral with the securities custodian agent equal to 100% of the market value of the securities lent.

G. Derivative and Similar Transactions

A derivative is a financial instrument created from, or whose value depends on (is derived from), the value of one or more underlying assets, reference rates, or indexes of asset values. These instruments may include forwards, futures, currency and interest rate swaps, options, floaters/inverse floaters and caps/floors/collars. Investment transactions similar to a derivative may include securitized assets, such as mortgage-backed securities and other asset backed securities. As required by generally accepted accounting principles, the nature of the derivative or similar transactions entered into by the University, and the reasons for entering into those transactions follow:

Mortgage-Backed Securities – The University invests in mortgage-backed securities issued by the Government National Mortgage Association (GNMA), an agency of the United States government, government sponsored enterprises including the Federal Home Loan Mortgage Corporation (FHLMC) or the Federal National Mortgage Association (FNMA), and private trusts or corporations. The University invests in these securities to increase the yield and return on its investment portfolio given the available alternative investment opportunities.

The values of mortgage backed securities are generally based on the cash flows from principal and interest receipts on the underlying mortgage pools. These securities may include mortgage pass-through securities and collateralized mortgage obligations (CMOs). Mortgage pass-through securities pay the holder of the security the principal and interest amounts received from the underlying pool of mortgages as these

amounts are collected from the mortgage holders. In a CMO, cash flows from principal and interest payments from one or more mortgage pass-through securities or a pool of mortgages may be reallocated to multiple classes with different priority claims and payment streams (commonly referred to as tranches.) A holder of the CMO security thus chooses the class of security that best meets its risk and return objectives. Both pass-through securities and CMOs are subject to significant market risk due to fluctuations in interest rates, prepayment rates and various liquidity factors related to their specific markets.

The mortgage pass-through securities issued by GNMA, FNMA, FHLMC are classified by the University as U.S. government securities. The mortgage pools underlying the GNMA pass-through securities are backed by the full faith and credit of the U.S. government by the Federal Housing Administration (FHA), Veterans Administration (VA), and the Farmers Home Administration (FHA). The FNMA and FHLMC securities are collarterized by underlying pools of mortgages primarily issued by GNMA, FNMA or FHLMC which guarantee full and timely payment of principal and interest.

The CMOs held by the University include mortgage-backed securities issued by FNMA, FHLMC, certain trusts and private corporations (including REMIC issuers). In addition, non-traditional mortgage pass-through securities, such "interest-only strips" and "principal-only strips", if held by the University, are classified as CMOs. The University held non-traditional pass-through securities during the year.

As of June 30, 1999, the University was holding \$98,281,000 in mort-gage-backed securities valued at fair (market) value representing approximately 8.1% of its total investments. Of this amount \$60,209,000 represent investments in CMOs.

Other Asset-Backed Securities — The University invests in various asset backed securities. As of June 30, 1999, these securities include mortgage servicing rights issued through the United States Small Business Administration (SBA). The University also invests in securities issued through the SBA which pay monthly interest at a rate equal to the prime rate minus 2% and the par value of the security at maturity.

The University invests in the various asset backed securities to increase the yield and return on its investment portfolio given the available alternative investment opportunities. The SBA floating rate securities are used as a hedge against a rise in the level of interest rates.

The values of these other asset backed securities are generally based on the cash flows to be received from the underlying pools of assets. Accordingly, these securities are subject to significant market risk due to fluctuations in interest rates, prepayment rates and various liquidity factors related to their specific markets. For the SBA floating rate securities, the coupon income from holding these securities varies with the level of interest rates. As interest rates rise, these securities pay higher levels of coupon income, and as rates fall, the interest income declines.

These security holdings are subject to credit related losses in the event of non-performance by the issuers or counterparties to these instruments. However, the University does not expect any issuers or counterparties to fail to meet their obligations given their high credit ratings. The credit risk is reduced by the assets that collateralize these securities which could be liquidated at market values at the time of non-performance. The SBA floating rate securities are backed by the full faith and credit of the U.S. government.

As of June 30, 1999, the University is holding \$7,156,000 in asset-backed securities valued at fair (market) value representing approximately 0.59% of its total investments..

Futures — The University purchases and sells equity index futures and futures on domestic and foreign securities and currencies. The University uses the futures market to securitize excess cash holdings, to gain exposure to non-U.S. markets, to exploit foreign interest rate yield opportunities, to diversify its overall investment portfolio, to lower its transaction costs and to improve its liquidity.

Futures contracts are traded on margin on various futures and options exchanges. Since there is no direct cost in establishing any given futures position, the book value of these securities is recorded at \$0. The margin amounts remitted by the University to the brokerage houses are reflected in the University's cash and cash equivalent or government securities holdings. Gains or losses from trading the futures are recognized in income when the futures positions are closed or liquidated. Unlike most securities investments, the losses on futures contracts can exceed their cost (of \$0).

The market value of a futures contract is dependent on the value of its underlying cash market security or securities. Accordingly, the futures contracts held by the University are sensitive to changes in their respective foreign currency rates or security values. They are also sensitive to changes in the level of interest rates. The University trades futures on organized exchanges which mitigates its credit risk of default by a counterparty.

As of June 30, 1999, the futures contracts held by the University had expiration dates not exceeding September 1999.

Options – The University purchases and sells options on futures of U.S. and foreign securities. All options are traded through domestic and foreign exchanges.

The University uses the options to hedge certain of its futures positions, to gain exposure to non-U.S. markets, to exploit foreign interest rate yield opportunities, and to further diversify its overall investment portfolio.

The University records the book values of long and short call and put option contracts at the option premium paid (if the option is purchased) or collected (if the option is written.) The University records the book value of the options in an investment account at an amount equal to the quantity of contracts purchased (sold) at the respective option premium price paid (collected.) When the option contract expires, or is repurchased or is exercised, the University records any resulting gain or loss in related income accounts. Unlike purchased options and most securities investments, losses on written options can exceed their cost.

During the year ending June 30, 1999, the option contracts held by the University vary with changes in the market price of their underlying futures contracts and accordingly also fluctuate with changes in their respective foreign currency rates or security values. The University's option contracts are traded on organized exchanges which mitigates its credit risk of default by a counterparty.

As of June 30, 1999, the University had no outstanding option transactions.

Indirect Derivative Holdings — The University identifies various external investment funds (mutual funds, external investment pools, and limited partnerships) that meet asset allocation and investment management objectives. The University invests in these funds and partnerships to increase the yield and return on its investment portfolio given the available alternative investment opportunities and to diversify its asset holdings. These investments generally include equity and bond funds. Certain investment funds and partnerships expose the University to significant amounts of market risk by trading or holding derivative securities and by leveraging the securities in the fund.

The University limits the amount of funds managed by any single asset manager and also limits the amount of funds to be invested in particular security classes. The investment funds which utilize derivative securities for the fiscal year ending June 30, 1999, are summarized in the chart below. The amounts shown in the chart represent the market value of the University's (including affiliated external foundations) investment in a fund, group of funds or limited partnership, and are not the market values of the derivatives each fund or partnership is holding. The chart also defines the market value and percent of holdings held in derivatives. The University's reporting entity comprises 72.59% of these totals.

The University of North Carolina at Chapel Hill Foundation Investment Fund, Inc. Indirect Derivative Analysis For Fiscal Year Ending 6/30/99

		(in thousands)		
	Total	%		
	Market	Invested	Amount	
Investment Manager/Fund	Value	Derivatives		
Domestic Equity				
Feirstein Cap Management Co.	\$ 19,695	0.00%	499	
Raptor Global Fund	22,268	0.07%	\$ 15	
Peak Investment LP	4,386	0.00%	,	
International Equity				
Nicholas-Applegate Capital Mgmt.	39,991	0.00%	9994	
Oechsle International Advisors	34,484	0.00%	***	
Marathon Asset Management	18,599	0.00%	****	
City of London Investment Mgmt. Co.	45,491	0.00%	~~	
Opportunistic Equity				
Maverick Fund	24,219	1.80%	436	
The Jaguar Fund, N.V. (a)	35,210	33.00%	11,619	
No-Margin, L.P.	10,776	49.60%	5,345	
Absolute Return				
Highfields Capital, Ltd.	12,540	2.00%	251	
OZ Overseas Fund, Ltd.	10,328	6.29%	650	
AQR Capital Management, LLC	7,915	100.00%	7,915	
Citadel Investment Group, LLC	10,342	33.93%	3,509	
BBT Overseas Partners, L.P.	10,108	76.65%	7,748	
Contrarian Capital Management	27,447	0.00%	****	
Fixed Income				
GMO - Global Fixed Income	46,890	19.76%	9,266	
Total	\$ 380,689		\$ 46,754	
Total Investment Fund Market Value	\$ 766,429			

Total % of Market Value for Indirect Derivative Exposure 6.10%

(a) Investment manager was unable to provide this information. The Investment Office estimated 33% based on investment manager's past history. The market risk associated with these indirect derivative holdings by fund type follows:

Domestic Equity — From time-to-time domestic equity managers will utilize equity index futures, options on equity index futures, and specific stock options. These are used mainly to hedge their portfolio or to take advantage of an options mispricing on a security they own.

International Equity — International equity managers will utilize foreign equity index futures and options to hedge their exposure to their respective markets.

Opportunistic Equity also AQR Citadel and BBT — Opportunistic equity managers will utilize a wide range of currency, equity, and fixed income futures and options. These are used to gain exposure to specific markets in the most cost-effective and liquid manner possible.

Absolute Return — Absolute Return managers utilize fixed income and equity futures both as a hedging tool and to gain exposure to specific markets.

Fixed Income — GMO Fixed Income Funds utilize futures and options on global fixed income and currency markets. These vehicles are used purely to hedge exposure to a given market or to gain exposure to an illiquid market.

The Fund's holdings in indirect derivatives (i.e., derivatives held by our external investment managers) are primarily used to decrease risk. This is because the indirect derivatives are used by the fund's hedge fund managers primarily to hedge underlying positions, or to gain exposure to specific markets in an efficient, inexpensive, liquid, and diversified manner. In the former case, risk is actually reduced by the use of derivatives because the derivative is directly offsetting market exposure. In the latter case, the derivatives are merely substituting for what would otherwise be a more traditional (individual security) array. Hence there would be no greater risk and often less risk than the traditional array that would exist in place of such derivatives. In limited cases, select managers are allowed to use derivatives to lever specific holdings or market positions. In aggregate, the Fund's 6.10% exposure to indirect derivative holdings reflects a smaller degree of risk than there would be without such derivatives in the portfolio. The University considers the risk associated with these holdings to be prudent and within acceptable bounds.

Note 3: Interfund Receivables and Payables

Due From/To Other Funds as of June 30, 1999 are summarized below (in thousands):

	Due To				
	Unrestricted	Debt Service	Total		
Due From	General	Funds	Due From		
Proprietary Funds	\$602	\$18,564	\$ 19,166		
Restricted Funds	20,870		20,870		
Unexpended Plant Funds	451		451		
Total Due To	\$21,923	\$18,564	\$40,487		

The amounts due to Debt Service Funds from Proprietary Funds related to capital appreciation bonds are not payable currently.

Note 4: Pension Plans

A. Retirement Plans

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

After five years of creditable service, employees qualify for a vested deferred benefit. Employees who retire on or after age 65 and complete 5 years of membership service (age 55 and 5 years of creditable service for law enforcement officers), reach age 60 with 25 years of membership service, or complete 30 years of creditable service receive a retirement allowance of 1.80% of an average final compensation (based on the 4 consecutive years that produce the highest average) multiplied by the number of years of creditable service. Employees may retire with reduced benefits if they reach age 50 with 20 years of creditable service or reach age 60 with 5 years of creditable service (age 50 with 15 years creditable service for law enforcement officers).

The funding policy for the Teachers' and State Employees' Retirement System provides for periodic employer and member contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets needed to pay benefits when due. The system is funded by member contributions of 6% of compensation and by employer contributions, for pension benefits, of 7.42% of covered payroll for the year ended June 30, 1999. Benefit and contribution provisions are established by North Carolina General Statute 135-5 and 135-8 and may be amended only by the North Carolina General Assembly.

For the year ended June 30, 1999, the University had a total payroll of \$611,513,000 of which \$290,257,000 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$17,415,000 and \$21,537,000, respectively. The University has no pension plan obligations beyond the required matching contributions already paid into the System. The University made one hundred percent of its required contributions for the years ended June 30, 1999, 1998, and 1997, which were \$21,537,000, \$21,258,000, and \$21,227,000, respectively.

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

The Optional Retirement Program (Program) is a defined contribution retirement plan, which provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. Administrators and eligible faculty of the University may join the Program instead of the Teachers' and State Employees' Retirement System. The Program offers plans administered by the Teachers' Insurance Annuity Association and College Retirement Equities Fund (TIAA-CREF), as well as Lincoln National Life Insurance Company, and the Variable Annuity Life Insurance Company (VALIC). Participant eligibility and contributory requirements are established by General Statute

135-5.1. Participants contribute 6% of their salary and the University matches with a 6.84% contribution for pension benefits. The University assumes no liability other than its contribution.

Participants in the Program are vested after five years of service, but plan administrators must return the value of the participant's and University's contribution to both the participant and the University if termination occurs prior to five years of service. Participants may direct their contributions to TIAA-CREF, Lincoln National, VALIC or combinations of the aforementioned. Participants in all three plans may choose to invest among several alternatives, including fixed and variable accounts.

For the year ended June 30, 1999, the University had a total payroll of \$611,513,000 of which \$203,765,000 was covered under the Optional Retirement Program. Total employee and employer contributions for pension benefits for the year were \$12,226,000 and \$13,938,000, respectively, for the Program.

B. Deferred Compensation and Supplemental Retirement Income Plans

IRC Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the Plan). The Plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, the North Carolina Public Employee Deferred Compensation Trust Fund. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the University. The voluntary contributions by employees amounted to \$264,000 for the year ended June 30, 1999.

IRC Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System and the Optional Retirement Program are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the plan are the responsibility of the plan participants. No costs are incurred by the University except for a 5% employer contribution for the University's law enforcement officers, which is mandated under General Statute 143-163.30(e). Total employer contributions on behalf of University law enforcement officers for the year ended June 30, 1999 were \$59,000. The voluntary contributions by employees amounted to \$1,564,000 for the year ended June 30, 1999.

IRC Section 403(b) Plans - University employees may participate in tax sheltered annuity plans created under Internal Revenue Code (IRC) Section 403(b). The employees' eligible contributions, made through salary reduction agreements, are exempt from federal and state income taxes until the accumulated balances are received or the contributions are withdrawn. These plans are exclusively for employees of public educational organizations and certain charitable and other non-profit institutions as defined by the IRC. All costs of administering and funding

these plans are the responsibility of the plans. No costs are incurred by the University. The voluntary contributions by employees amounted to \$16,407,000 for the year ended June 30, 1999.

Note 5: Other Postemployment Benefits

A. Health Care

The University participates in State administered programs which provide postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina, and retirees of the Teachers' and State Employees' Retirement System or the Optional Retirement Program. These benefits are established by Chapter 135, Article 3, Part 3, of the General Statutes and may be amended only by the North Carolina General Assembly. Funding for the health care benefit for long-term disability beneficiaries and retirees is financed on a pay-as-you-go basis. The University contributes 2.00% of covered payroll under the Teachers' and State Employees' Retirement System and the Optional Retirement Program for retiree health care benefits. For the fiscal year ended June 30, 1999, the University's total contribution for postemployment health care benefits was \$9,880,000. The University assumes no liability for retiree health care benefits provided by the programs other than its contribution. Additional detailed information about these programs can be located in the State of North Carolina Comprehensive Annual Financial Report.

B. Disability Income

The University participates in the Disability Income Plan of North Carolina (DIPNC). Established by Chapter 135, Article 6, of the General Statutes, DIPNC provides short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System or the Optional Retirement Program. Long-term disability income benefits are advance funded on an actuarially determined basis using the one-year term cost method. The University contributes .52% of covered payroll under the Teachers' and State Employees' Retirement System and the Optional Retirement Program to the Plan. For the fiscal year ended June 30, 1999, the University's total contribution to the Plan was \$2,569,000. The University assumes no liability for long-term disability benefits under the Plan other than its contribution. Additional detailed information about the Plan can be located in the State of North Carolina Comprehensive Annual Financial Report.

Note 6: Changes in Fixed Assets

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

	Balance July 1, 1998	Additions	Deletions	(in thousands) Balance June 30, 1999
Land and Improvements	\$ 7,015	\$ 1,497		\$8,512
Furniture and Equipment	163,987	19,712	\$9,906	173,793
Buildings and Fixed				
Equipment	743,061	85,029		828,090
Other Structures and				
Improvements	42,744	19,104		61,848
Artworks and Literature	211,490	10,227	2,555	219,162
Construction In Progress	136,815		29,389	107,426
Total Fixed Assets	\$1,305,112	\$ 135,569	\$ 41,850	\$ 1,39 8, 831

Note 7: Changes in Long-Term Obligations

A summary of changes in long-term obligations is presented as follows:

				(in thousands)
	Balance July 1, 1998	Additions	Deletions	Balance June 30, 1999
Bonds Payable	\$279,096	\$17,398	\$10,128	\$286,366

Note 8: Commitments and Contingencies

A. Construction Commitments

The University had commitments of \$26,858,000 for various capital improvement projects that include construction of a new parking deck, construction and completion of new buildings, and renovations of existing buildings.

B. Contingencies

The University is undertaking environmental remediation efforts at three sites on University property. The amount of the liability associated with these sites cannot reasonably be estimated at this time.

The University is presently engaged in resolving findings in connection with an Internal Revenue Service Coordinated Examination Program audit initiated three years ago. It is management's opinion that the resolution of this matter will not have a material effect on the financial statements.

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.

Note 9: Long-term Debt

The University was indebted for bonds payable in the amount of \$286,366,000 at June 30, 1999 for the purposes shown in the following table.

Student Family Housing	22.72	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~					o	(in thousands)	
Primpose						Principal	Accretion on		
Purpose Series Rate Maturity Date Amount 620/99 8 8 8 8 8 8 8 8 8					Original		Capital	Principal	
Student Family Housing			Interest	Final	Princip al		• • •	Outstanding	
Domitiory System	Purpose	Series	Rate	Maturity Date	Amount	6/30/99	Bonds	6/30/99	
Part 1,000% 1,0	Student Family Housing	*A*	3.500 %	Sept. 1, 2002	\$995	\$824		\$171	
1978 3,000% 1,2005 3,000 1,2005 3,000 1,2005 3,000 1,2005 3,000 1,2005 3,000 1,2005 3,000 1,2005 3,000 1,2005 3,000 1,2005 3,000 1,2005 3,000 1,2005 3,000 1,2005 3,000 1,2005 3,000 1,2005 3,000 1,2005 3,000 1,2005	Dormitory System	* £ *	2.875%	Nov. 1, 2000	985				
1971 3.000 1987 3.000 1987 3.000 1987		*F*	3.000%-						
1991 5.400% 1997 3.900% 1997 3.000% 1998 1			3.750%	Nov. 1, 2003	2,544				
1997A 1500% 100%		~G~	3.000%	Nov. 1, 2005	3,000				
1997A 4 500% 1997B 1,000% 1,0		1991	5.400%						
1997A 4 500% 1997B 4 500% 15			5.900%	Nov. 1, 2002	3,200				
1978 1978 1978 1979 1970		1997A							
1997B				Nov 1 2017	9.170				
Total Dormitory System		1997R		,	4,				
Total Parking System 1997 5.250% 1997 199		- 		Nov 1 2011	7.21n				
Chility System	Sotal Dormitory System		7-36W 76		e en e 11.11.11 de semanal de Andreadonnes estandonnemente acua esta desa mente	6 966		19,143	
1993 4,000% 1993 4,000% 108,455 108,455 1992 3,000% 1992 3,000% 142,324 25,160 32,835 104 104,100 104,10				········		···		\$5,000	
1993 4,000% 1993 4,000% 1994 1,000% 108,455 1992 1,000%	Utility System	1997	5.250%→						
1993 4,000% Aug. 1, 2011 108,455 1992 3,000% Aug. 1, 2007 3,490 142,524 25,160 \$1,835 142,524 25,160 \$1,835 142,524 25,160 \$1,835 142,524 25,160 \$1,835 142,524 25,160 \$1,835 142,524 25,160 \$1,835 142,524 25,160 \$1,835 142,524 25,160 \$1,835 142,524 25,160 \$1,835 142,524 11,750 142,524 11,750 142,524 11,750 142,524 11,750 142,524 11,750 142,524 11,750 142,524 11,750 142,524 11,750 142,524 11,750 142,524 11,750 142,524 11,750 142,524 11,750 142,524 11,750 142,524 11,750 142,524 11,750 142,524 11,750 11,7				Aug. 1. 2021	30.379				
1992 3,00% 1,2011 108,455 108,455 142,324 25,160 12,835 142,324 25,160 12,835 142,324 142,324 142,324 142,324 142,324 142,325 142,		1993		, , , , , , , , , , , , , , , , , , ,	arazar a				
1992 3 000% Aug. 1, 2007 3,490		100		Aug. 1 2011	108.455				
Farking System 1997A		1007		Aug. 1, 2011	100,43,5				
Parking System		1797.		Aug. 1 2007	2 400				
Parking System 1997A 4.350%- 5.700% May 15, 2027 11,750 1997B 3.900%- 1997C Variable May 15, 2027 10,750 Total Parking System 1997 1997 1997 1997 1997 1997 1997 1997 1997 1997 1997 1997 1997 1997 1997 1998 19	Total Utility System		O.aog xe	rog. 1, 2003		25,160	\$2,835	119,999	
19978 3.900%- 11,750 1	^***			VA. AND			······································	**************************************	
1997B 3,900%- 5,150% May 15, 2009 8,245 10,750	Parking System	1997A	4.350%-						
1997C Variable May 15, 2009 8,245 10,750 10,7			5.700%	May 15, 2027	11,750				
Total Parking System 1997 Variable May 15, 2027 10,750		19978	3.900%-						
Student Union 1967 3 000% Nov. 1, 2007 2,000 1,310 Kenan Memorial Stadium 1996 Variable Nov. 1, 2016 13,800 500 Ambulatory Care Facility 1990 Variable July 1, 2012 20,000 3,700 Amb. Care Fac. Equipment 1992 Variable Oct. 1, 2002 3,000 2,300 Student Recreation Center 1997 3,900%- June 1, 2011 3,545 140 Student Recreation Center 1991 5,300%- June 1, 2001 1,525 1,110 U.S. EPA Project, Series 1991 1991 8,250%- 9,050% Feb. 15, 2015 36,679 5,855 3,979 U.S. EPA Project, Series 1996 1996 6,720% Feb. 15, 2006 2,400 435 Carolina Inn 1994 Variable Nov. 15, 2019 13,475 350 School of Dentistry 1995 Variable Sept. 1, 2010 4,000 Dining System 1997 5,200%- 5,400% May 15, 2017 13,695			5.150%	May 15, 2009	8,245				
Student Union 1967 3 000% Nov. 1, 2007 2,000 1,310 Kenan Memorial Stadium 1996 Variable Nov. 1, 2016 13,800 500 Ambulatory Care Facility 1990 Variable July 1, 2012 20,000 3,700 Amb. Care Fac. Equipment 1992 Variable Oct. 1, 2002 3,000 2,300 Student Recreation Center 1997 3,900%-		1 99 7C	Variable	May 15, 2027	10,750				
Kenan Memorial Stadium 1996 Variable Nov. 1, 2016 13,800 500 Ambulatory Care Facility 1990 Variable July 1, 2012 20,000 3,700 Amb, Care Fac Equipment 1992 Variable Oct. 1, 2002 3,000 2,300 Student Recreation Center 1997 3,900%- June 1, 2011 3,545 140 Student Recreation Center 1991 5,300%- June 1, 2001 1,525 1,110 U.S. EPA Project, Series 1991 1991 8,250%- 9,050% Feb. 15, 2015 36,679 5,855 3,979 U.S. EPA Project, Series 1996 1996 6,720% Feb. 15, 2016 2,400 438 Carolina Inn 1994 Variable Nov. 15, 2019 13,475 350 School of Dentistry 1995 Variable Sept. 1, 2010 4,000 4,000 Dring System 1997 5,200%- May 15, 2017 13,695 4	Total Parking System			www.com.on.on.on.on.on.on.on.on.on.on.on.on.on.	30,745	1,085		29,660	
Kenan Memorial Stadium 1996 Variable Nov. 1, 2016 13,800 500 Ambulatory Care Facility 1990 Variable July 1, 2012 20,000 3,700 Amb, Care Fac Equipment 1992 Variable Oct. 1, 2002 3,000 2,300 Student Recreation Center 1997 3,900%- June 1, 2011 3,545 140 Student Recreation Center 1991 5,300%- June 1, 2001 1,525 1,110 U.S. EPA Project, Series 1991 1991 8,250%- 9,050% Feb. 15, 2015 36,679 5,855 3,979 U.S. EPA Project, Series 1996 1996 6,720% Feb. 15, 2016 2,400 438 Carolina Inn 1994 Variable Nov. 15, 2019 13,475 350 School of Dentistry 1995 Variable Sept. 1, 2010 4,000 4,000 Dring System 1997 5,200%- May 15, 2017 13,695 4	Student Union	1967	3 000%	New 1 2007	2.000	1 310		690	
Ambulatory Care Facility Ambulatory Care Facility 1990 Variable 1992 Variable Oct. 1, 2002 3,000 2,300								13,300	
Amb, Cane Fac. Equipment 1992 Variable Oct. 1, 2002 3,000 2,300 Student Recreation Center 1997 3,900%- 5.000% June 1, 2011 3,545 140 Student Recreation Center 1991 5,300%- 6,300% June 1, 2001 1,525 1,110 U.S. EPA Project, Series 1991 1991 8,250%- 9.050% Feb. 15, 2015 36,679 5,855 3,979 U.S. EPA Project, Series 1996 1996 6,720% Feb. 15, 2016 2,400 435 Carolina Inn 1994 Variable Nov. 15, 2019 13,475 350 School of Dentistry 1997 5,200%- 1997 5,200%- 5,400% May 15, 2017 13,695								16,300	
Student Recreation Center 1997 3.900%- June 1, 2011 3,545 140 Student Recreation Center 1991 5.300%- 6.300% June 1, 2001 1,525 1,110 U.S. EPA Project, Series 1991 1991 8.250%- 9.050% Feb. 15, 2015 36,679 5,855 3,979 U.S. EPA Project, Series 1996 1996 6.720% Feb. 15, 2006 2,400 435 Carolina Inn 1994 Variable Nov. 15, 2019 13,475 350 School of Dentistry 1995 Variable Sept. 1, 2010 4,000 Dining System 1997 5,200%- 5,400% May 15, 2017 13,695								700	
Student Recreation Center	, ,			Oct. 1, 2002	>,000	2.,300		700	
Student Recreation Center 1991 5.300%- June 1, 2001 1,525 1,110 U.S. EPA Project, Series 1991 1991 8.250%- Pob. 15, 2015 36,679 5,855 3,979 U.S. EPA Project, Series 1996 1996 6,720% Feb. 15, 2006 2,400 438 Carolina Inn 1994 Variable Nov. 15, 2019 13,475 350 School of Dentistry 1995 Variable Sept. 1, 2010 4,000 Dining System 1997 5,200%- 5,400% May 15, 2017 13,695	and the second content	3 3931 8		ture 1 3011	3 E AE	1.60		3 405	
1991 8.250%- 1991 8.250%- 1995 Feb. 15, 2015 36,679 5,855 3,979 3,500 3,	The short Bergardian Canada	*An*		June 1, 2011	3,040	140		3,405	
U.S. EPA Project, Series 1991 1991 8.250%- 9.050% Feb. 15, 2015 36,679 5,855 3,979 U.S. EPA Project, Series 1996 1996 6.720% Feb. 15, 2006 2,400 43S Carolina Inn 1994 Variable Nov. 15, 2019 13,475 350 School of Dentistry 1995 Variable Sept. 1, 2010 4,000 Dining System 1997 5.200%- 5.400% May 15, 2017 13,695	Mindeut Veriesmon Center	1991			4 # 9#	* * * * *		***	
9.050% Feb. 15, 2015 36,679 5,885 3,979 U.S. EPA Project, Series 1996 1996 6.720% Feb. 15, 2006 2,400 435 Carolina Inn 1994 Variable Nov. 15, 2019 13,475 350 School of Dentistry 1995 Variable Sept. 1, 2010 4,000 Dining System 1997 5,200%- 1,400% May 15, 2017 13,695		4.004		June 1, 2001	1,525	1,110		415	
U.S. EPA Project, Series 1996 1996 6.720% Feb. 15, 2006 2,400 435 Carolina Inn 1994 Variable Nov. 15, 2019 13,475 350 School of Dentistry 1995 Variable Sept. 1, 2010 4,000 Dining System 1997 5,200%- 5,400% May 15, 2017 13,695	U.S. EPA Project, Series 1991	1991							
Carolina Inn 1994 Variable Nov. 15, 2019 13,475 350 School of Dentistry 1995 Variable Sept. 1, 2010 4,000 Dining System 1997 5,200% Hay 15, 2017 13,695							3,979	34,803	
School of Dentistry 1995 Variable Sept. 1, 2010 4,000 Dining System 1997 5,200%- 5,400% May 15, 2017 13,695	•							1,965	
Duning System 1997 5.200%- 5.400% May 15, 2017 13,695						350		13,125	
5.400% May 15, 2017 13,695	•			Sept. 1, 2010	4,000			4,000	
	Dining System	1997							
								13,695	
Athletic Facilities 1998 Variable Nov. 1, 2018 14,995	Athletic facilities	1998	Vari a ble	Nov. 1, 2018	14,995			14,995	
Total Bonds Payable \$329,287 \$49,735 \$6,814	Total Bonds Pavable				\$ 770.787	\$40.735	4 6 R 13	\$286,366	

The schedule below shows the annual requirements to pay principal and interest on the long-term obligations at June 30, 1999.

Fiscal Year	(in thousands) Annual Requirements (Principal and Interest) Revenue Bonds
2000 2001	\$24,822
2002	25,383 25,010
2003	25,048
2004	25,024
2005-2009	122,990
2010-2014	109,698
2015-2019	74,360
2020-2024	34,053
2025-2029	4,673
Total Requirements	\$471,061

A. Demand Bonds

Included in bonds payable are several variable rate demand bond issues. Demand bonds are securities that contain a "put" feature that allows bondholders to demand payment before the maturity of the debt upon proper notice of the University's remarketing or paying agents. With regards to the following demand bonds, the University has not entered into take out agreements, which would convert the demand bonds not successfully remarketed into another form of long-term debt.

Ambulatory Care Clinic, Series 1990 — In 1990 the University issued money market municipal demand bonds in the amount of \$20,000,000 that have a final maturity date of July 1, 2012. The bonds are subject to mandatory sinking fund redemption that began on July 1, 1993. The proceeds of this issuance were used for financing the acquisition, construction and equipping of clinical facilities at the University's School of Medicine and for paying the issuance costs of the 1990 bonds. The bonds were converted from money market municipal bonds to weekly rate bonds effective May 31, 1995. The bonds are subject to purchase on demand with seven days' notice and delivery to the University's paying agent, Bankers Trust Company. Lehman Brothers Inc. is the remarketing agent.

The University has arranged a standby bond purchase agreement with NationsBank of North Carolina, N.A., whereby the bank will purchase bonds on a purchase date at the purchase price when remarketing proceeds or other funds are not available. This liquidity facility pays only the principal portion of the purchase price and does not secure payment of the principal of or interest on the bonds. The University is required to pay an annual commitment fee for the liquidity facility of .10% of the amount of bonds then currently outstanding.

The University has agreed to pay interest on each liquidity bond at LIBOR (London Interbank Offering Rate) plus .40% on each scheduled bond interest payment date. At June 30, 1999, no bonds had been purchased under the liquidity facility.

The University is required to purchase or cause to be purchased any liquidity bonds purchased under the agreement upon expiration or termination of the agreement. The term of the agreement is automatically extended for successive 364-day periods from the closing date, unless a notice of non-extension by NationsBank is received 365 days prior to the expiration date. As of June 30, 1999, the earliest such termination date is June 30, 2000.

Ambulatory Care Clinic, Series 1992 – In 1992 the University issued tax-exempt adjustable mode demand notes in the amount of \$3,000,000 that have a final maturity date of October 1, 2002. The bonds are subject to mandatory sinking fund redemption that began on

October 1, 1994. The proceeds of this issuance were used to provide equipment for the ambulatory care building used by UNC Physicians and Associates and to pay the issuance costs of the notes. The notes are subject to purchase on demand with seven days' notice and delivery to the University's remarketing agent, Wachovia Bank, N.A.

The University has arranged a standby note purchase agreement with Wachovia Bank, N.A., whereby Wachovia will purchase notes tendered or deemed tendered for purchase on any purchase date at the purchase price plus accrued interest when remarketing proceeds or other funds are not available. The University is required to pay an annual commitment fee for the liquidity facility of .30% of the amount of notes then currently outstanding plus an amount for accrued interest.

Notes held by Wachovia under this liquidity facility are subject to mandatory redemption 180 days after the date of purchase by Wachovia at an amount equal to the principal plus accrued interest at the Adjusted Euro-Dollar rate. At June 30, 1999, no notes had been purchased under the liquidity facility.

The liquidity facility terminates not earlier than 180 days following delivery of a termination notice by Wachovia. As of June 30, 1999, the earliest such termination date is December 27, 1999.

Athletic Facilities, Series 1998 — In 1998 the University issued variable rate demand bonds in the amount of \$14,995,000 that have a final maturity date of November 1, 2018. The bonds are subject to mandatory sinking fund redemption that begins on November 1, 2000. The proceeds of this issuance were used for certain additions and renovations to Kenan Memorial Stadium and constructing new facilities serving the Field Hockey and Soccer teams. While bearing interest at a weekly rate, the bonds are subject to purchase on demand with seven days' notice and delivery to the University's remarketing agent, NationsBank, N.A.

Under an irrevocable letter of credit issued by Wachovia Bank, N.A., the trustee is entitled to draw amounts sufficient to pay principal and interest on the bonds and amounts sufficient to pay the purchase price and accrued interest on bonds delivered for purchase. The University is required to pay an annual commitment fee for the letter of credit of .26% of the amount of bonds then currently outstanding plus an amount for accrued interest.

The University has entered into a reimbursement agreement with Wachovia in which it has agreed that upon the earlier of termination of the letter of credit or one year from a purchase draw date to repay amounts that represent purchase drawings under the letter of credit. Interest at the rate of prime is payable quarterly and upon draw repayment. At June 30, 1999, no purchase drawings had been made under the letter of credit.

The letter of credit automatically extends so that termination will not occur until 364 days after notice is received from Wachovia that the letter of credit will not be extended. As of June 30, 1999, the earliest such termination date is June 29, 2000.

Carolina Inn, Series 1994 – In 1994 the University issued taxable flexible term demand bonds in the amount of \$13,475,000 that have a final maturity date of November 15, 2019. The bonds are subject to mandatory sinking fund redemption that began on November 15, 1998. The proceeds of this issuance were used to renovate and expand the Carolina Inn and to pay the costs incurred in connection with the issuance of the bonds. The bonds are subject to purchase on each interest payment date and on delivery to the University's paying agent, The Bank of New York.

The University has arranged a standby bond purchase agreement with NationsBank, N.A., whereby NationsBank will purchase bonds on a

The University has agreed to pay interest on each liquidity bond at LIBOR plus .50% on each scheduled bond interest payment date. At June 30, 1999, no bonds had been purchased under the liquidity facility.

The University is required to purchase or cause to be purchased any liquidity bonds purchased under the agreement upon expiration or termination of the agreement. The term of the agreement is automatically extended for successive 364-day periods from the closing date, unless a notice of non-extension by NationsBank is received 365 days prior to the expiration date. As of June 30, 1999, the earliest such termination date is June 30, 2000.

School of Dentistry, Series 1995 — On June 28, 1995 the University issued tax-exempt adjustable mode demand bonds in the amount of \$4,000,000 that have a final maturity date of September 1, 2010. The bonds are subject to mandatory sinking fund redemption that begins on September 1, 1999. The proceeds of this issuance are for the construction of Tarrson Hall which will house the majority of the School of Dentistry's patient care and clinical teaching facilities. The bonds are subject to purchase on demand with seven days' notice and delivery to the University's remarketing agent, Wachovia Bank, N.A.

Under an irrevocable letter of credit issued by Wachovia Bank, N.A., the trustee is entitled to draw amounts sufficient to pay principal and interest on the bonds and amounts sufficient to pay the purchase price and accrued interest on bonds delivered for purchase. The University is required to pay an annual commitment fee of .35% of the amount of the bonds then currently outstanding plus an amount for accrued interest.

The University has entered into a reimbursement agreement with Wachovia in which it has agreed upon termination of the letter of credit to repay all amounts that are drawn under the letter of credit. Interest at the rate of prime for the first 90 days and prime plus 1.5% thereafter is payable quarterly and upon termination. At June 30, 1999, no drawings had been made under the letter of credit.

The letter of credit automatically extends every month so that termination will not occur until 13 months after notice is received from Wachovia that the letter of credit will not be extended. As of June 30, 1999, the earliest such termination date is July 5, 2000.

Kenan Stadium, Series 1996 — In 1996 the University issued variable rate demand bonds in the amount of \$13,800,000 that have a final maturity date of November 1, 2016. The bonds are subject to mandatory sinking fund redemption that began on November 1, 1998. The proceeds of this issuance were used for certain additions and renovations to Kenan Memorial Stadium. While bearing interest at a weekly rate, the bonds are subject to purchase on demand with seven days' notice and delivery to the University's remarketing agent, NationsBank, N.A.

Under an irrevocable letter of credit issued by Wachovia Bank, N.A., the trustee is entitled to draw amounts sufficient to pay principal and interest on the bonds and amounts sufficient to pay the purchase price and accrued interest on bonds delivered for purchase. The University is required to pay an annual commitment fee for the letter of credit of .30% of the amount of bonds then currently outstanding plus an amount for accrued interest.

The University has entered into a reimbursement agreement with Wachovia in which it has agreed that upon the earlier of termination of the letter of credit or one year from a purchase draw date to repay amounts that represent purchase drawings under the letter of credit. Interest at the rate of prime is payable quarterly and upon draw repayment. At June 30, 1999, no purchase drawings had been made under the letter of credit.

The letter of credit automatically extends so that termination will not occur until 364 days after notice is received from Wachovia that the letter of credit will not be extended. As of June 30, 1999, the earliest such termination date is June 29, 2000.

Parking System, Series 1997C — In 1997 the University issued variable rate demand bonds in the amount of \$10,750,000 that have a final maturity date of May 15, 2027. The bonds are subject to mandatory sinking fund redemption that begins on May 15, 2000. The proceeds of this issuance are to be used for the construction of the Health Affairs parking deck adjacent to UNC Hospitals on the campus of the University. The bonds are subject to purchase on demand with seven days notice and delivery to the University's paying agent, The Bank of New York. Salomon Smith Barney, Inc. is the remarketing agent.

The University has arranged for a standby bond purchase agreement with NationsBank, N.A., whereby the bank agrees to purchase 1997C bonds when remarketing proceeds are not available. This liquidity facility provides moneys only with respect to the purchase price of the bonds and does not otherwise secure payment of the bonds. The University is required to pay an annual commitment fee for the liquidity facility of .10% of the amount of bonds then currently outstanding.

The University has agreed to pay interest on each liquidity bond at LIBOR plus .50% on each scheduled bond interest payment date. At June 30, 1999, no bonds had been purchased under the liquidity facility.

The University is required to purchase or cause to be purchased any liquidity bonds purchased under the agreement upon expiration or termination of the agreement. The term of the agreement is automatically extended for successive 364-day periods from the closing date, unless a notice of non-extension by NationsBank is received 365 days prior to the expiration date. As of June 30, 1999, the earliest such termination date is June 30, 2000.

B. Capital Appreciation Bonds

The Series 1997 Utility System and the Series 1991 U. S. Environmental Protection Agency Project bond issues include capital appreciation bonds ("zero coupon") with an ultimate maturity value of \$84,135,000 and \$25,275,000 respectively. These bonds are recorded in the amounts of \$33,214,000 and \$7,808,000, respectively, which is the accreted value at June 30, 1999. These bonds mature in the years from 2010 to 2021.

C. Bond Defeasance

Parking System — On June 19, 1997 the University defeased \$9,100,000 of outstanding Parking System Revenue Bonds, Series B (1989). Securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds through June 1, 1999, at which time all the outstanding bonds were redeemed. At June 30, 1999 the outstanding balance for the defeased Parking System bonds was \$0.

Housing System — On October 30, 1997 the University defeased \$6,630,000 of outstanding Housing System Revenue Bonds, Series 1991. Securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. The trust assets and the liability for the defeased bonds are not included

in the University's balance sheet. At June 30, 1999 the outstanding balance of the defeased Housing System bonds was \$6,630,000.

Student Recreation Center — On October 30, 1997 the University defeased \$3,140,000 of outstanding Student Fee Revenue Bonds, Series 1991. Securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. The trust assets and the liability for the defeased bonds are not included in the University's balance sheet. At June 30, 1999 the outstanding balance of the defeased Student Fee bonds was \$3,140,000.

Utility System — On October 30, 1997 the University defeased \$19,337,000 of outstanding Utility System Revenue Bonds, Series 1992. Securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. The trust assets and the liability for the defeased bonds are not included in the University's balance sheet. At June 30, 1999 the outstanding balance of the defeased Utility System bonds was \$19,337,000.

Note 10: Construction Costs Paid From Debt Proceeds

Construction costs paid from debt proceeds are not reflected as additions to fund equity in the Investment In Plant Fund but rather as an increase to Investment In Plant assets (such as Buildings and Fixed Equipment) and liabilities (Bonds Payable). During the year, \$21,929,000 was added to Investment In Plant assets and liabilities for assets purchased from debt proceeds.

Note 11: Leases

A. Lease Obligations

The University had future minimum lease commitments for noncancelable operating leases consisting of the following at June 30, 1999:

	(in thousands)		
	Fiscal Year	Operating Leases	
***************************************	2000	\$4,874	
	2001	3,600	
	2002	2,459	
	2003	1,659	
	2004	825	
	Thereafter	11,753	
Minimum Lease Payments		\$ 25.170	

Total rental expense for operating leases for the year ended June 30, 1999 was \$8,353,000.

B. Other Lease Agreements

The University of North Carolina at Chapel Hill Foundation, Inc. (Foundation) issued certificates of participation to provide for construction of Alumni Facilities. The University constructed the facilities as an agent for the Foundation. In October 1989, the University entered into a 20 year lease agreement with the Foundation and simultaneously entered into a sublease agreement with the General Alumni Association, an affiliated organization, for the same time period for the use of the Alumni facilities.

Payments under the terms of the lease are a limited obligation of the University, payable solely from and secured by the annual rental income derived from the sublease of the Alumni facilities. The University has no other obligations for repayment of the certificates of participation; therefore, the certificates are not reported as a liability in the accompanying financial statements. As of June 30, 1999, the aggregate principal amount of the certificates was \$9,950,000.

If the University complies with all of the terms of the lease agreement, title to the Alumni facilities will be conveyed to the University.

Note 12: Budgeting and Budgetary Control

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

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

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

Note 13: Risk Management and Insurance

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

Public Officers' and Employees' Liability Insurance — Tort claims of up to \$150,000 are self-insured under the authority of the State Tort Claims Act. In addition, the State provides an additional \$11,000,000 public officers' and employees' liability insurance via contract with a private insurance company. The premium, based on a composite rate, is paid by the University directly to the insurer.

Fire and Other Property Loss — The State Property Fire Insurance Fund (Fund), an internal service fund of the State, insures all State owned buildings and contents for fire, extended coverage, and other property losses. Coverage for fire losses for all operations supported by

the State's General Fund is provided at no cost to the University. Other operations not supported by the State's General Fund are charged for fire coverage. The Fund generally insures fire losses up to \$1.1 million and extended coverage losses up to \$100,000 per building and \$500,000 per occurrence. All losses covered by the Fund are subject to a \$500 per occurrence deductible except for theft that carries a \$1,000 per occurrence deductible. The Fund purchases excess insurance from a private insurer to cover losses over the amounts insured by the Fund. The University also purchased through the Fund extended coverage and other property coverage such as sprinkler leakage, business interruption, vandalism, theft and "all risks" for buildings and contents. Wind coverage is provided by the Fund and its reinsurer but the University has a \$100,000 deductible per building or \$500,000 deductible per occurrence. However, for losses involving a named storm, such as a hurricane, the University's deductible is increased to 1% of the total value of a building and its contents up to a maximum of \$3 million per occurrence, but not less than \$100,000 per occurrence. 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.

Other coverage not handled by the State Department of Insurance is purchased through the State's insurance agent of record.

Employee and Computer Fraud — The University is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from State funds. The blanket honesty bond is handled by the State Department of Insurance with coverage of \$5 million per occurrence and a \$10,000 deductible.

Workers' Compensation Program — The North Carolina Workers' Compensation Program provides benefits to workers injured on the job. All employees of the State 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 to pay medical benefits and compensation in accordance with the North Carolina Workers' Compensation Act. The University is self-insured for workers' compensation.

Automobile Liability Insurance — State-owned vehicles are covered by liability insurance handled by the State Department of Insurance. The State is self-insured for the first \$250,000 of any loss through a retrospective rated plan. Excess insurance coverage is purchased through a private insurer to cover losses greater than \$250,000. The liability limits for losses incurring in-state are \$150,000 per claimant and \$5 million per occurrence. The University is charged premiums to cover the cost of excess insurance and to pay for those losses falling under the self-insured retention.

Employees and retirees are provided health care coverage by the Comprehensive Major Medical Plan, an internal service fund of the State. The Plan is funded by employer and employee contributions and is administered by a third party contractor. Health care coverage is optionally available through contractual agreements with several HMO plans.

Liability Insurance Trust Fund — The University participates in the Liability Insurance Trust Fund (the Fund), a claims-servicing public entity risk pool for professional liability protection. The Fund acts as a servicer of professional liability claims, managing separate accounts for each participant from which the losses of that participant are paid. Although participant assessments are determined on an actuarial basis, ultimate liability for claims remains with the participants and, accordingly, the insurance risks are not transferred to the Fund.

The Fund was created by Chapter 116, Article 26, of the General Statutes and The University of North Carolina Board of Governors

Resolution of June 9, 1978 to provide professional liability protection for program participants and individual health care practitioners working as employees, agents, or officers of The University of North Carolina Hospitals at Chapel Hill (the Hospitals) and The University of North Carolina at Chapel Hill Physicians and Associates (University Physicians and Associates). The Fund is exempt from federal and state income taxes, and is not subject to regulation by the North Carolina Department of Insurance.

Participation in the Fund is open to the University of North Carolina, any constituent institution of the University of North Carolina, the Hospitals, and any health care institution, agency or entity which has an affiliation agreement with the University of North Carolina, with a constituent institution of the University of North Carolina, or with the Hospitals. Only the University Physicians and Associates and the Hospitals have participated in the Fund to date. Management and administrative services are provided to the Fund at no cost by participants.

The Fund is governed by the Liability Insurance Trust Fund Council (the Council). The Council consists of thirteen members as follows: one member each appointed by the State Attorney General, the State Auditor, the State Insurance Commissioner, the Director of the Office of State Budget and Management, the State Treasurer, (each serving at the pleasure of the appointer); and eight members appointed to three year terms (with no limit on the number of terms) by the Board of Governors of the University of North Carolina.

The Fund establishes claim liabilities based on estimates of the ultimate cost of claims (including future expenses and claim adjustment expenses) that have been reported but not settled and of claims incurred but not reported. Claim liabilities are recomputed annually based on an independent actuary's study to produce current estimates that reflect recent settlements, claims frequency, inflation and other factors. Participant assessments are determined at a level to fund claim liabilities, discounted for future investment earnings. Each participant is required by statute to maintain a fund balance of \$100,000 at all times. Participants are subject to additional premium assessments in the event of deficiencies.

The Fund provides occurrence coverage for participants as a corporate entity, as well as for the employees and professional staff of the participants. The Fund provides coverage of \$3,000,000 per occurrence/\$8,000,000 annual aggregate for the negligence of individual employees of the participants within the course and scope of their employment. Commercial excess insurance of \$25,000,000 per occurrence/\$50,000,000 annual aggregate is provided above the self-insurance retention limits. The Fund provides coverage of \$150,000 per occurrence, in accordance with the limited waiver of sovereign immunity afforded by the State Tort Claims Act, for any recovery against the participants for the negligence of its employees. To assure that both existing and future claims will be paid, the Board of Governors of the University of North Carolina is authorized by law to borrow up to \$30 million to replenish the Trust Fund. No borrowings have been made under this line of credit to date. The Council believes adequate funds are on deposit in the Fund to meet estimated losses based upon the results of the independent actuary's report.

The Fund has purchased annuity contracts to settle claims for which the claimant has signed an agreement releasing the Fund from further obligation. The related claim liabilities have been removed from estimated malpractice costs. The likelihood that the Fund will be required to make future payments on these claims is considered remote.

The Council may choose to terminate the Fund, or the respective participants may choose to terminate their participation. In the event of such termination by either the Council or a participant, an updated actuarial study will be performed to determine amounts due to or from the participants based on loss experience up to the date of termination.

At June 30, 1999, University assets in the Fund totaled \$19,061,000 while University liabilities totaled \$19,110,000, resulting in a net liability of \$49,000.

Additional disclosures relative to the funding status and obligations of the Trust Fund are set forth in the Audited Financial Statements of the Liability Insurance Trust Fund for the years ended June 30, 1999 and 1998. Copies of this report may be obtained from The University of North Carolina Liability Insurance Trust Fund, 6001 East Wing, University of North Carolina Hospitals, 101 Manning Drive, Chapel Hill, North Carolina 27514, or by calling (919) 966-3041.

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

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

Note 14: Related Parties

Foundations — There are 14 separately incorporated non-profit foundations associated with the University. These foundations are The Botanical Garden Foundation, Inc., The Dental Foundation of North Carolina, Inc., The Educational Foundation, Inc., The Institute of Government Foundation, Inc., The Kenan Flagler Business School Foundation, Inc., The Medical Foundation of North Carolina, Inc., The Pharmacy Foundation of North Carolina, Inc., The School of Education Foundation, Inc., The School of Journalism and Mass Communication Foundation of North Carolina, Inc., The School of Social Work Foundation, Inc., The UNC Law Foundation of North Carolina, Inc., The University of North Carolina at Chapel Hill Arts and Sciences Foundation, Inc., The University of North Carolina at Chapel Hill Public Health Foundation, Inc., and The University of North Carolina at Chapel Hill School of Nursing Foundation, Inc.

These foundations were established to assist and provide support to University programs by funding scholarships, fellowships, professorships, and other needs of specific schools as well as the University's overall academic endeavors. The University's financial statements do not include the assets, liabilities, net assets or operational transactions of these foundations, except for support from each organization to the University. This support approximated \$35,780,000 for the year ended June 30, 1999.

Carolina Student Legal Services, Inc. — Carolina Student Legal Services, Inc. is an incorporated entity created as a function of the Student Government at the University of North Carolina at Chapel Hill. Its purpose is to provide legal consultation and workshops for student groups and students enrolled at the University. Carolina Student Legal Services is funded from student fees from University of North Carolina Student Government that are a predetermined amount per student as established by a student referendum.

Note 15: Piedges Receivable

Pledges for gifts which will benefit the University are made to The University of North Carolina at Chapel Hill Foundation, Inc., a blended component unit, and directly to the University. Foundation pledges are recorded as received and allowances are provided for the amounts estimated to be uncollectible. Foundation pledges receivable in the amount of \$594,000 at June 30, 1999 are receivable annually over varying time periods ranging from one to five years. University pledges receivable at June 30, 1999 were not recorded because the net realizable amount was not measurable and, while promised, were not legally enforceable to the University. These pledges totaled approximately \$19,151,000 and are due in varying amounts generally over the next five years.

Note 16: Prior Period Adjustment

As of July 1, 1998, the fund equity balance of the Debt Service funds as previously reported was restated for the correction of errors in the reported balance of the fiscal year ended June 30, 1998 as follows:

			(in thousands)
	June 30, 1998	To Correct	July 1, 1998
Fund	Fund Equity as	Errors in	Fund Equity
Group	Previously Reported	Reported Balances	as Restated
Debt Service	\$32,329	(\$2,505)	\$29,824

Note 17: Subsequent Event

On August 31, 1999 the University entered into a loan agreement with First Union National Bank. Loan proceeds in the amount of \$9,374,000 will provide a portion of the funds necessary for the acquisition and construction of a Neuroscience building on campus. The total loan amount increased to \$12,000,000 on October 5, 1999, when an additional \$2,626,000 was received for the project. Principal and interest will be paid from non-appropriated funds.

Note 18: Accounting Changes

A. Reporting of Transactions with the Liability Insurance Trust Fund (LITF), a Claims Servicing Public Entity Risk Pool, in the Proprietary Fund

Prior to this year, the University recorded payments on deposit with the LITF as investments and associated claims payable as liabilities. In accordance with paragraph 71 of GASB Statement #10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, the University changed its accounting for transactions with the LITF by reducing investments and the associated claims liability by the amount deposited to and invested by the LITF for those liabilities. This accounting change resulted in a reduction to amounts reported at year end as investments and claims payable by \$19,061,000. There was no effect on the beginning or ending fund equity balances.

B. Accounting for Fund Group Participation in the Temporary Investment Pool

During the year, the University modified its method for determining participation by fund group in the temporary investment pool. This significantly affected the year end distribution of investments and offsetting adjustments to cash equivalents for the participating funds. This change did not affect total cash equivalents or total investments, or affect beginning or ending fund equity balances.

C. Changes in Legislation Affecting the Management of the University's Clinical Patient Care Programs

The North Carolina General Assembly enacted legislation effective November 1, 1998 which requires that the University of North Carolina Hospitals at Chapel Hill and the clinical patient care programs established or maintained by the School of Medicine of the University of North Carolina at Chapel Hill be governed by the board of directors of the University of North Carolina Health Care System. This legislation creates the University of North Carolina Health Care System which is governed and administered as an affiliated enterprise of The University of North Carolina to provide patient care, facilitate the education of physicians and other health care providers, conduct research collaboratively with the health sciences schools of the University of North Carolina at Chapel Hill, and render other services designed to promote the health and well-being of the citizens of North Carolina. As of June 30, 1999, the effect of this change on the accounting treatment of account balances and transactions of the University's clinical patient care programs has not been finalized. While the ultimate outcome of this matter is uncertain, it may have a significant effect on the future reporting of revenue and expenditures in the University's Proprietary Fund.

Required Supplementary Information

Year 2000 Issues

Governmental Accounting Standards Board Technical Bulletin 98-1 (TB 98-1), Disclosures about Year 2000 Issues, dated October 1998 and amended on March 29, 1999 by Technical Bulletin 99-1, states in part that (a) the year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect a government's operations as early as fiscal year 1999, and (b) problems affecting a wide range of government activities will likely result if computers and other electronic equipment that are dependent upon date-sensitive coding are not corrected. TB 98-1 further states that these problems have a potential for causing a disruption to some government operations and may temporarily increase the cost of those operations. In accordance with the requirements of TB 98-1, as amended, the University makes the following disclosures about Year 2000 issues.

Year 2000 Issues and the Stages of Work Necessary to Make Systems Compliant: The University recognized the urgency in dealing with the Year 2000 dilemma and established a Year 2000 Project Team (project team) during fiscal year 1996. The project team's roles and responsibilities include: conducting awareness sessions with department/technical contacts; determining the business impact of system failures; identifying date sensitive systems, electronic equipment, and equipment with embedded chips; determining contingency plans; determining source of funds; determining conversion approaches and schedules; analyzing third-party compliance; working with application analysts and programmers to test acceptance and production readiness, convert applications and equipment, and test applications; and work with a special year 2000 test resource team to perform quality assurance reviews.

The University has completed an inventory of its electronic data processing systems and other electronic equipment that may be affected by the Year 2000 issue and that are necessary to conducting the University's operations. The University is subjecting those systems and equipment to the following stages of work to address year 2000 issues:

Awareness Stage — Establishing a budget and project plan for dealing with the year 2000 issue.

- Assessment Stage Identifying the systems and components for which year 2000 compliance work is needed.
- Remediation Stage Making changes to systems and equipment.
- Validation/Testing Stage Validating and testing the changes that
 were made during the remediation stage.

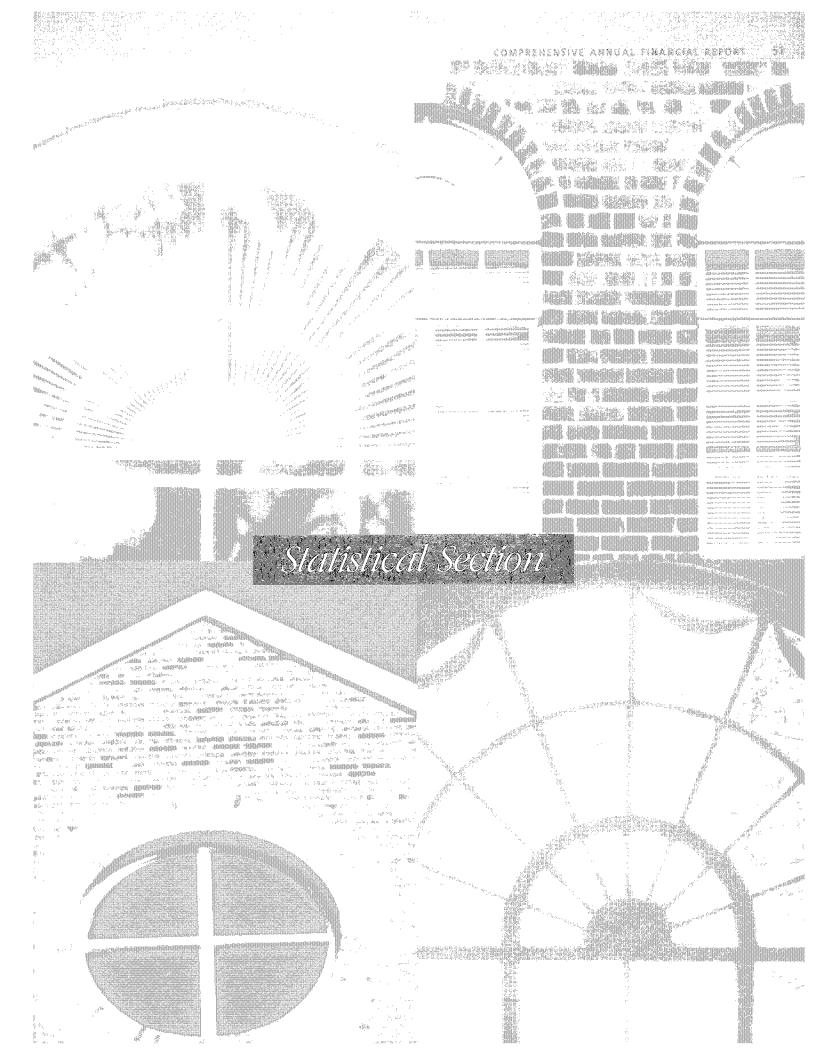
The University's year 2000 remedation work for its mission critical systems and electronic equipment are in the following stages of work as of June 30, 1999:

A - needs to be addressed, P - in process, C - completed

Description of Mission Critical System	Awareness Stage	Assessment Stage	Remediation Stage	Validation /Testing Stage
Student Admissions, Student Records, Student Billing Systems, Student Housing, Payroll, Specialized Clinical Systems	C	Č	C	C
Financial Records, Contract Billing Systems, Student Financial Aid, Student Loans, Human Resource Systems	C	<u> </u>	C	P
Communication Systems, Data Storage Systems (including resear databases), LAN and Distributive Network Systems, Library and Academic Resource Systems, Cogeneration and Electric Distribution Systems	C ch	<u> </u>	P	P

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until year 2000 and thereafter. As a result of this uncertainty, management cannot assure that the University is or will be Year 2000 ready, that the University's remediation efforts will be successful in whole or in part, or that parties with whom the University does business will be year 2000 ready. Consequently, the completion of these stages is not a guarantee that systems and equipment will be year 2000 compliant.

Outstanding Contractual Commitments Related to Year 2000 Efforts: The University had no contractual commitments outstanding at June 30, 1999, related to Year 2000 remediation efforts.



CURRENT FUNDS Revenues by Source

(in thousands)

		For the Year Ended June 30						
_	1999	1998	1997	1996	1995			
Current Funds Revenues								
State Appropriations	\$382,372	\$352,283	\$331,650	\$308,245	\$302,337			
Tuition and Fees	110,400	105,745	102,277	88,478	81,465			
Federal Contracts and Grants	259,152	231,687	221,548	219,878	208,802			
State Contracts and Grants	37,570	31,269	26,402	24,607	26,394			
Private Gifts, Contracts and Grants	97,785	89,041	78,289	74,174	67,668			
Sales and Services	280,484	268,455	255,593	233,888	224,600			
Endowment Income	19,556	16,176	15,544	13,599	13,798			
investment and interest income	20,335	17,045	21,748	15,274	12,726			
Other Revenues	13,027	15,547	9,231	6,526	5,679			
Total Current Funds Revenues	\$1,220,681	\$1,127,248	\$1,062,282	\$984,669	\$943,469			

	For the Year Ended June 30						
	1999	1998	1997	1996	1995		
	%	%	%	%	%		
Current Funds Revenues							
State Appropriations	31.3	31.3	31.2	31.3	32.1		
Tuition and Fees	9.0	9.4	9.6	9.0	8.6		
Federal Contracts and Grants	21.2	20.5	20.8	22.3	22.1		
State Contracts and Grants	3.1	2.8	2.5	2.5	2.8		
Private Gifts, Contracts and Grants	8.0	7.9	7.4	7.5	7.2		
Sales and Services	23.0	23.8	24.1	23.8	23.8		
Endowment Income	1.6	1.4	1.5	1.4	1.5		
nvestment and Interest Income	1.7	1.5	2.0	1.5	1.3		
Other Revenues	1.1	1.4	0.9	0.7	0.6		
Total Current Funds Revenues	100.0	100.0	100.0	100.0	100.0		

(percent of total current funds revenues)

The University of North Carolina at Chapel Hill Last Ten Fiscal Years

(in thousands)

	For the Year Ended June 30						
	1994	1993	1992	1991	1990		
Current Funds Revenues							
State Appropriations	\$283,826	\$270,700	\$255,003	\$257,219	\$252,585		
Tuition and Fees	75,531	66,718	60,247	50,221	46,719		
Federal Contracts and Grants	190,534	172,288	147,556	136,059	123,352		
State Contracts and Grants	22,696	17,948	15,498	13,518	9,614		
Private Gifts, Contracts and Grants	64,146	60,820	58,892	53,685	49,754		
Sales and Services	210,767	187,390	176,297	166,182	152,114		
Endowment Income	11,895	9,212	8,040	6,851	7,307		
Investment and Interest Income	13,748	14,534	15,828	12,361	11,700		
Other Revenues	4,246	4,632	3,847	3,312	2,539		
 Total Current Funds Revenues	\$877,389	\$804,242	\$741,208	\$699,408	\$655,684		

	For the Year Ended June 30						
	1994	1993	1992	1991	1990		
	%	%	%	%	%		
Current Funds Revenues							
State Appropriations	32.3	33.7	34.4	36.8	38.5		
Tuition and Fees	8.6	8.3	8.1	7.2	7.1		
Federal Contracts and Grants	21.7	21.4	19.9	19.5	18.8		
State Contracts and Grants	2.6	2.2	2.1	1.9	1.5		
Private Gifts, Contracts and Grants	7.3	7.6	8.0	7.7	7.6		
Sales and Services	24.0	23.3	23.8	23.8	23.2		
Endowment Income	1.4	1.1	1.1	0.9	1.1		
Investment and Interest Income	1.6	1.8	2.1	1.7	1.8		
Other Revenues	0.5	0.6	0.5	0.5	0.4		
 Total Current Funds Revenues	100.0	100.0	100.0	100.0	100.0		

(percent of total current funds revenues)

Other Revenues

Total Current Funds Revenues

CURRENT FUNDS Revenues by Source Adjusted for Inflation (1990 Dollars)

					(in thousands)	
		For t	he Year Ended Jun	e 30	,	
	1999	1998	1997	1996	1995	
Current Funds Revenues						
State Appropriations	\$298,858	\$280,746	\$268,754	\$255,527	\$257,532	
Tuition and Fees	86,287	84,272	82,881	73,346	69,392	
Federal Contracts and Grants	202,550	184,639	179,533	182,273	177,858	
State Contracts and Grants	29,364	24,919	21,395	20,399	22,482	
Private Gifts, Contracts and Grants	76,428	70,960	63,442	61,488	57,640	
Sales and Services	219,223	213,941	207,121	193,887	191,315	
Endowment Income	15,285	12,891	12,596	11,273	11,753	
investment and Interest Income	15,894	13,584	17,624	12,662	10,840	
Other Revenues	10,182	12,390	7,480	5,410	4,837	
Total Current Funds Revenues	\$954,071	\$898,342	\$860,826	\$816,265	\$803,649	
		For t	the Year Ended Jun	ne 30		
	1999	1998	1997	1996	1995	
	%	%	%	%	%	
Current Funds Revenues						
State Appropriations	31.3	31.3	31.2	31.3	32.1	
Tuition and Fees	9.0	9.4	9.6	9.0	8.6	
Federal Contracts and Grants	21.2	20.5	20.8	22.3	22.1	
State Contracts and Grants	3.1	2.8	2.5	2.5	2.8	
Private Gifts, Contracts and Grants	8.0	7.9	7.4	7.5	7.2	
Sales and Services	23.0	23.8	24.1	23.8	23.8	
Endowment Income	1.6	1.4	1.5	1.4	1.5	
	1.7	1.5	2.0	1.5	1.3	

(percent of total current funds revenues)

0.6

0.7

100.0

Consumer Price Index 166.2 163.0 160.3 156.7 152.5

100.0

100.0

100.0

The University of North Carolina at Chapel Hill Last Ten Fiscal Years

(in thousands)

		For	the Year Ended Jur	ne 30,	
	1994	1993	1992	1991	1990
Current Funds Revenues					
State Appropriations	\$249,115	\$243,518	\$236,269	\$245,682	\$252,585
Tuition and Fees	66,294	60,018	55,821	47,968	46,719
Federal Contracts and Grants	167,232	154,988	136,716	129,956	123,352
State Contracts and Grants	19,920	16,146	14,359	12,912	9,614
Private Gifts, Contracts and Grants	56,301	54,713	54,565	51,277	49,754
Sales and Services	184,991	168,573	163,345	158,728	152,114
Endowment Income	10,440	8,287	7,449	6,544	7,307
Investment and Interest Income	12,067	13,075	14,665	11,807	11,700
Other Revenues	3,727	4,167	3,564	3,163	2,539
 Total Current Funds Revenues	\$770,087	\$723,485	\$686,753	\$668,037	\$655,684

	For the Year Ended June 30,				
	1994	1993	1992	1991	1990
	%	%	%	%	%
 Current Funds Revenues					
State Appropriations	32.3	33.7	34.4	36.8	38.5
Tuition and Fees	8.6	8.3	8.1	7.2	7.1
Federal Contracts and Grants	21.7	21.4	19.9	19.5	18.8
State Contracts and Grants	2.6	2.2	2.1	1.9	1.5
Private Gifts, Contracts and Grants	7.3	7.6	8.0	7.7	7.6
Sales and Services	24.0	23.3	23.8	23.8	23.2
Endowment Income	1.4	1.1	1.1	0.9	1.1
Investment and Interest Income	1.6	1.8	2.1	1.7	1.8
Other Revenues	0.5	0.6	0.5	0.5	0.4
 Total Current Funds Revenues	100.0	100.0	100.0	100.0	100.0

(percent of total current funds revenues)

Consumer Price Index 148.0 144.4 140.2 136.0 129.9

CURRENT FUNDS Expenditures and Mandatory Transfers by Function

(in thousands) For the Year Ended June 30 1999 1998 1997 1996 1995 **Current Funds Expenditures** \$383,759 \$352,711 \$326,546 \$301,323 Instruction \$411,292 Organized Research 174,973 161,128 152,478 156,034 154,817 Public Service 86,062 78,678 70,106 65,502 68,317 47,771 43,423 Academic Support 60,384 56,528 53,663 Student Services 13,662 12,661 11,763 10,986 9,998 58.078 49.309 44.105 41.500 37,698 Institutional Support 59,662 65,501 63,359 60,224 62,402 Physical Plant Operations Student Financial Aid 44,305 41,674 38,625 31,479 29,595 Auxiliary Enterprises and Internal Services 121,148 112,844 101,556 89,946 89,532 133,057 108,282 Professional and Clinical Services 135,099 116,394 99,140 Other Expenditures and Deductions 5,974 1,027 1,391 5,669 894,896 **Total Current Funds Expenditures** 1,101,013 941,475 1,168,462 1,007,294 **Current Funds Mandatory Transfers** 20,079 22,852 29,007 24,084 20,758 **Total Current Funds Expenditures** \$1,036,301 \$965,559 \$915,654 and Mandatory Transfers \$1,188,541 \$1,123,865 For the Year Ended June 30 1999 1998 1996 1995 % % % **Current Funds Expenditures** 34.1 34.0 33.8 32.9 Instruction 34.6 Organized Research 14.7 14.3 14.7 16.2 16.9 **Public Service** 7.2 7.0 6.8 6.8 7.5 5.2 4.9 4.7 Academic Support 5.1 5.0 Student Services 1.2 1.1 1.1 1.1 1.1

4.3 4.3 4.1 Institutional Support 4.9 4.4 Physical Plant Operations 5.5 5.7 5.8 6.5 6.5 Student Financial Aid 3.7 3.7 3.8 3.3 3.2 Auxiliary Enterprises and Internal Services 10.2 10.1 9.8 9.3 9.8 11.2 11.2 10.8 Professional and Clinical Services 11.2 12.0 Other Expenditures and Deductions 0.5 0.1 0.2 0.6 97.5 97.7 **Total Current Funds Expenditures** 97.2 98.3 98.0 **Current Funds Mandatory Transfers** 1.7 2.0 2.8 2.5 2.3 **Total Current Funds Expenditures** and Mandatory Transfers 100.0 100.0 100.0 100.0 100.0

(percent of total current funds expenditures and mandatory transfers)

For the Year Ended June 30

(in	thousands)

		FOL	the rear chided Jul	ie 30	
	1994	1993	1992	1991	1990
Current Funds Expenditures					
Instruction	\$278,587	\$253,662	\$241,956	\$241,058	\$233,975
Organized Research	140,586	130,570	115,014	103,139	94,499
Public Service	62,834	56,111	52,952	47,723	41,589
Academic Support	40,507	35,845	32,740	33,348	30,431
Student Services	9,191	8,585	7,624	7,345	7,288
Institutional Support	36,800	32,118	30,097	27,124	27,799
Physical Plant Operations	58,447	49,606	48,552	42,947	41,062
Student Financial Aid	28,030	26,997	23,715	20,123	19,390
Auxiliary Enterprises and Internal Services	80,587	85,774	73,199	75,882	72,033
Professional and Clinical Services	97,265	85,187	74,769	71,229	62,840
Other Expenditures and Deductions	4,125	1,197	345	401	143
Total Current Funds Expenditures	836,959	765,652	700,963	670,319	631,049
 Current Funds Mandatory Transfers	21,158	18,140	9,066	16,046	15,251
Total Current Funds Expenditures					
and Mandatory Transfers	\$858,117	\$783,792	\$710,029	\$686,365	\$646,300
	1994	1993	1992	1991	1990
 	1994	1993	1992	1991	1990
 Current Funds Expenditures		76	76	70	
Instruction	32.5	32.4	34.1	35.1	36.2
Organized Research	16.4	16.7	16.2	15.0	14.6
Public Service	7.3	7.2	7.5	7.0	6.4
Academic Support	4.7	4.6	4.6	4.8	4.7
Student Services	1.1	1,1	1.1	1.1	1.1
Institutional Support	4.3	4.1	4.2	3.9	4.3
Physical Plant Operations	6.8	6.3	6.8	6.3	6.4
Student Financial Aid	3.3	3.4	3.3	2.9	3.0
Auxiliary Enterprises and Internal Services	9.4	10.9	10.3	11.1	11.1
Professional and Clinical Services	11.3	10.9	10.5	10.4	9.7
Other Expenditures and Deductions	0.4	0.1	0.1	0.1	0.1
Total Current Funds Expenditures	97.5	97.7	98.7	97.7	97.6
 Current Funds Mandatory Transfers	2.5	2.3	1.3	2.3	2.4
Total Current Funds Expenditures					
and Mandatory Transfers	100.0	100.0	100.0	100.0	100.0

(percent of total current funds expenditures and mandatory transfers)

TEN YEAR Summary of Ratios

Ratio of Total Current Revenues to Total Current Expenditures

					(in thousands)	
	1999	1998	1997	1996	1995	
Total Current Revenues	\$1,220,681	\$1,127,248	\$1,062,282	\$984,669	\$943,469	
Total Current Expenditures and Mandatory Transfers	1,188,541	1,123,865	1,036,301	965,559	915,654	
Ratio	102.70%	100.30%	102.51%	101.98%	103.04%	

This ratio indicates the percentage of current funds revenues that remain after all current funds expenditures and mandatory transfers are applied. A percentage greater than 100% indicates a surplus for the year. The larger the surplus, the stronger the institution's financial position as a result of the year's operations. Large deficits are usually a bad sign, particularly if they occur in successive years. A pattern of large deficits can reduce an institution's financial strength. Such a pattern is a warning signal that corrective action should be taken.

Ratio of Available Funds to Educational and General Expenditures and Mandatory Transfers

	1999	1998	1997	1996	1995	
Current Fund Balance – Educational and General	\$60,828	\$54,643	\$60,437	\$53,902	\$49,726	
Current Fund Balance – Proprietary	165,090	157,697	154,264	149,134	140,429	
Quasi Endowment Fund Balance – Unrestricted	98,556	85,787	48,704	35,640	34,988	
Total Availability	324,474	298,127	263,405	238,676	225,143	
Total Availability	324,474	298,127	263,405	238,676	225,143	
Educational and General Expenditures and Mandatory Transfers	934,336	869,948	812,682	766,304	725,591	
Ratio	34.73%	34.27%	32.41%	31.15%	31.03%	

This ratio measures the size of the institution's financial reserves. Increasing ratios indicate better preparation for financial disruptions. The University receives its state appropriations on a quarterly allotment basis and state appropriations are not accrued at year end to finance accrued expenses.

The University of North Carolina at Chapel Hill Last Ten Fiscal Years

Ratio	102.25%	102.61%	104.39%	101.90%	101.45%
Total Current Expenditures and Mandatory Transfers	858,117	783,792	710,029	686,365	646,300
Total Current Revenues	\$877,389	\$804,242	\$741,208	\$699,408	\$655,684
	1994	1993	1992	1991	1990
					(in thousands)

		1994	1993	1992	1991	1990
:	Current Fund Balance - Educational and General	\$44,104	\$37,536	\$29,681	\$25,784	\$18,906
	Current Fund Balance - Proprietary	127,098	116,643	111,371	93,950	89,168
1	Quasi Endowment Fund Balance - Unrestricted	36,656	36,066	33,761	31,931	33,482
	Total Availability	207,858	190,245	174,813	151,665	141,556
I						
	Total Availability	207,858	190,245	174,813	151,665	141,556
	Educational and General Expenditures					
	and Mandatory Transfers	676,140	611,634	561,716	538,853	511,284
!						
	Ratio	30.74%	31.10%	31.12%	28.15%	27.69%

TER YEAR Summary of Ratios (continued)

Ratio of Expendable Fund Balance to Total Expenditures and Mandatory Transfers

					(in thousands)	
	1999	1998	1997	1996	1995	
Current Fund Balance – Educational and General	\$60,828	\$54,643	\$60,437	\$53,902	\$49,726	
Current Fund Balance – Proprietary	165,090	157,697	154,264	149,134	140,429	
Current Fund Balance – Restricted	137,437	112,855	94,072	92,510	91,586	
Quasi Endowment Fund Balance	161,984	143,043	92,180	71,023	64,935	
Unexpended Plant Fund Balance	86,670	72,332	61,063	55,763	48,658	
Debt Service Fund Balance	28,628	32,329	26,454	10,833	17,073	
Total Expendable Fund Balance	640,637	572,899	488,470	433,165	412,407	
Total Expendable Fund Balance	640,637	572,899	488,470	433,165	412,407	
Total Current Expenditures and Mandatory Transfers	1,188,541	1,123,865	1,036,301	965,559	915,654	
Ratio	53.90%	50.98%	47.14%	44.86%	45.04%	

This ratio is an important measure of financial strength relative to institutional operating size. Expendable fund balances should increase at least proportionally as the rate of growth of operating size. If this is not the case, the same dollar amount of expendable fund balances will provide less margin of protection against adversity as the institution grows in dollar level of expenditure.

Ratio of Instruction and Academic Support to Total Educational and General Expenditures Less Restricted Scholarships

	1999	1998	1997	1996	1995	
Instruction	\$411,292	\$383,759	\$352,711	\$326,546	\$301,323	
Academic Support	60,384	56,528	53,663	47,771	43,423	
Total Instruction and Academic Support	471,676	440,287	406,374	374,317	344,746	
Educational and General Expenditures						
and Mandatory Transfers	914,294	847,139	784,364	742,277	705,323	
Less: Restricted Scholarships	19,945	21,489	20,705	19,021	17,713	
Total Educational and General Expenditures	1					
less Restricted Scholarships	894,349	825,650	763,659	723,256	687,610	
Total Instruction and Academic Support	471,676	440,287	406,374	374,317	344,746	
Total Educational and General Expenditures less Restricted Scholarships	894,349	825,650	763,659	723,256	687,610	
Ratio	52.74%	53.33%	53.21%	51.75%	50.14%	

This ratio indicates whether the institution has been maintaining the allocation of resources to the academic program. If financial resources are decreasing, the instruction and academic support proportion may also decrease due to greater demands for administrative expenditures, such as admissions or fund raising. A decrease in instruction and academic support expenditures as a proportion of the operating budget may not indicate an absolute decline, specifically when there is an alternative increase in quality; however, such a change in quality is difficult to measure.

ROWFRESCHE ARRIJET BRANCE REFERS

Last Ten Fiscal Years

i						(in thousands)
		1994	1993	1992	1991	1990
	Current Fund Balance - Educational and General	\$44,104	\$37,536	\$29,681	\$25,784	\$18,906
'	Current Fund Balance - Proprietary	127,098	116,643	111,371	93,950	89,168
ŀ	Current Fund Balance - Restricted	77,839	66,205	53,318	51,863	51,085
1	Quasi Endowment Fund Balance	66,525	63,364	56,024	50,917	50,246
ì	Unexpended Plant Fund Balance	34,830	20,573	9,657	25,909	20,354
,	Debt Service Fund Balance	16,421	16,244	18,300	9,297	9,802
	Total Expendable Fund Balance	366,817	320,565	278,351	257,720	239,561
i	Total Expendable Fund Balance	366,817	320,565	278,351	257,720	239,561
	Total Current Expenditures and Mandatory Transfers	858,117	783,792	710,029	686,365	646,300
ł	Ratio	42.75%	40.90%	39.20%	37.55%	37.07%

		1334	1333	1332	1331	1330
1	Instruction	\$278,587	\$253,662	\$241,956	\$241,058	\$233,975
	Academic Support	40,507	35,845	32,740	33,348	30,431
	Total Instruction and Academic Support	319,094	289,507	274,696	274,406	264,406
I	Educational and General Expenditures					
	and Mandatory Transfers	656,305	595,696	555,404	524,365	497,752
l	Less: Restricted Scholarships	17,439	17,116	14,940	13,126	12,156
	Total Educational and General Expenditures	5				
ł	less Restricted Scholarships	638,866	578,580	540,464	511,239	485,596
1	Total Instruction and Academic Support	319,094	289,507	274,696	274,406	264,406
	Total Educational and General Expenditures					
!	less Restricted Scholarships	638,866	578,580	540,464	511,239	485,596
:	Ratio	49.95%	50.04%	50.83%	53.67%	54.45%

TEN YEAR Summary of Ratios (continued)

Educational Expenditures per Student

					(in thousands)	
	1999	1998	1997	1996	1995	
Total Current Fund Expenditures	\$1,168,462	\$1,101,013	\$1,007,293	\$941,475	\$894,896	
Plus: Current Fund Mandatory Transfers	20,079	22,852	29,007	24,084	20,758	
Less: Student Financial Aid	44,305	41,674	38,625	31,479	29,595	
Less: Auxiliary Enterprises Expenditures	115,280	106,837	96,674	88,032	83,823	
Less: Professional Clinical Services	133,057	135,099	116,393	108,282	99,140	
Total Educational Expenditures	895,899	840,255	784,608	737,766	703,096	
Total Educational Expenditures	895,899	840,255	784,608	737,766	703,096	
Undergraduate, Graduate and Professional FTE	21,940	21,794	21,709	21,961	21,918	
Educational Expenditures per Student	\$40.8	\$38.6	\$36.1	\$33.6	\$32.1	
(in thousands)						

This ratio measures average educational expenditures incurred per student FTE.

Ratio of Net Gain in Endowment Assets

					(in thousands)	
	1999	1998	1997	1996	1995	
Year – End Endowment Assets (Market Value)	\$606,832	\$586,499	\$486,037	\$390,146	\$335,076	
Year – Begin Endowment Assets (Market Value)	586,499	486,037	390,146	335,076	293,214	
Yearly Change	20,333	100,462	95,891	55,070	41,862	
Yearly Change	20,333	100,462	95,891	55,070	41,862	
Year – Begin Endowment Assets (Market Value)	586,499	486,037	390,146	335,076	293,214	
Ratio	3.47%	20.67%	24.58%	16.44%	14.28%	

This ratio measures the growth of endowment assets resulting directly from investment policies and/or gifts. If the ratios are increasing, the endowment assets are growing through efficient investment of the endowment funds and/or additional gifts and transfers to the endowment funds.

The University of North Carolina at Chapel Hill Last Ten Fiscal Years

						(in thousands)
		1994	1993	1992	1991	1990
1	Total Current Fund Expenditures	\$836,959	\$765,652	\$700,963	\$670,319	\$631,049
	Plus: Current Fund Mandatory Transfers	21,158	18,140	9,066	16,046	15,251
I	Less: Student Financial Aid	28,030	26,997	23,715	20,123	19,390
ŀ	Less: Auxiliary Enterprises Expenditures	76,560	81,907	56,996	60,830	58,610
	Less: Professional Clinical Services	97,265	85,187	74,769	71,229	62,840
	Total Educational Expenditures	656,262	589,701	554,549	534,183	505,460
1	Total Educational Expenditures	656,262	589,701	554,549	534,183	505,460
1	Undergraduate, Graduate and Professional FTE	21,758	21,398	21,391	21,486	21,326
i	Educational Expenditures per Student	\$30.2	\$27.6	\$25.9	\$24.9	\$23.7
	(in thousands)					

						(in thousands)
į.		1994	1993	1992	1991	1990
	Year – End Endowment Assets (Market Value)	\$293,214	\$223,948	\$209,547	\$181,413	\$171,139
l .	Year – Begin Endowment Assets (Market Value)	223,948	209,547	181,413	171,139	152,334
	Yearly Change	69,266	14,401	28,134	10,274	18,805
i						
	Yearly Change	69,266	14,401	28,134	10,274	18,805
	Year – Begin Endowment Assets (Market Value)	223,948	209,547	181,413	171,139	152,334
	Ratio	30.93%	6.87%	15.51%	6.00%	12.34%

TEN YEAR Summary of Ratios (continued)

Ratio of Unrestricted Operating Resources to Debt

					(in thousands)	
	1999	1998	1997	1996	1995	
Current Fund Balance – Educational and General	60,828	54,643	60,437	53,902	49,726	
Current Fund Balance – Proprietary	165,090	157,697	154,264	149,134	140,429	
Unrestricted Quasi Endowment Fund Balance	98,556	85,787	48,704	35,640	34,988	
Unrestricted Unexpended Plant Fund Balance	1,837	6,291	3,112	3,645	4,658	
Unrestricted Debt Service Fund Balance	5,211	11,305	7,453	(6,238)	2,298	
Total Expendable Fund Balance	331,522	315,723	273,970	236,083	232,099	
Total Expendable Fund Balance	331,522	315,723	273,970	236,083	232,099	
Total Debt Outstanding	286,366	279,096	272,965	232,028	238,176	
Ratio	115.77%	113.12%	100.37%	101.75%	97.45%	

This ratio is a conservative measure of resources available to investors from unrestricted expendable reserves that excludes amounts designated for long-term investment.

Ratio of Total Resources to Debt

					(in thousands)	
	1999	1998	1997	1996	1995	
Current Fund Balance – Educational and General	\$60,828	\$54,643	\$60,437	\$53,902	\$49,726	
Current Fund Balance – Proprietary	\$165,090	\$157,697	\$154,264	\$149,134	\$140,429	
Current Fund Balance – Restricted	137,437	112,855	94,072	92,510	91,586	
Endowment Fund Balance	587,946	547,750	376,052	303,674	273,448	
Unexpended Plant Fund Balance	86,670	72,332	61,063	55,763	48,658	
Debt Service Fund Balance	28,628	32,329	26,454	10,833	17,073	
Total Expendable Fund Balance	1,066,599	977,606	772,342	665,816	620,920	
Total Expendable Fund Balance	1,066,599	977,606	772,342	665,816	620,920	
Total Debt Outstanding	286,366	279,096	272,965	232,028	238,176	
Ratio	372.46%	350.28%	282.95%	286.96%	260.70%	

This ratio is a broad measure of resources to debt that includes the corpus of endowed contributions.

The University of North Carolina at Chapel Hill Last Ten Fiscal Years

t						(in thousands)
		1994	1993	1992	1991	1990
	Current Fund Balance - Educational and General	44,104	37,536	29,681	25,784	18,906
	Current Fund Balance - Proprietary	127,098	116,643	111,371	93,950	89,168
	Unrestricted Quasi Endowment Fund Balance	36,656	36,066	33,761	31,931	33,482
	Unrestricted Unexpended Plant Fund Balance	4,366	5,178	1,872	1,046	2,207
	Unrestricted Debt Service Fund Balance	3,798	7,901	9,327	1,435	1,230
	Total Expendable Fund Balance	216,022	203,324	186,012	154,146	144,993
	Total Expendable Fund Balance	216,022	203,324	186,012	154,146	144,993
	Total Debt Outstanding	225,834	230,825	222,548	165,692	164,482
	Ratio	95.66%	88.09%	83.58%	93.03%	88.15%

						(in thousands)
!		1994	1993	1992	1991	1990
	Current Fund Balance - Educational and General	\$44,104	\$37,536	\$29,681	\$25,784	\$18,906
I	Current Fund Balance - Proprietary	\$127,098	\$116,643	\$111,371	\$93,950	\$89,168
ı	Current Fund Balance - Restricted	77,839	66,205	53,318	51,863	51,085
ı	Endowment Fund Balance	270,211	212,158	191,497	165,576	154,438
ŀ	Unexpended Plant Fund Balance	34,830	20,573	9,657	25,909	20,354
	Debt Service Fund Balance	16,421	16,244	18,300	9,297	9,802
	Total Expendable Fund Balance	570,503	469,359	413,824	372,379	343,753
F	Total Expendable Fund Balance	570,503	469,359	413,824	372,379	343,753
	Total Debt Outstanding	225,834	230,825	222,548	165,692	164,482
	Ratio	252.62%	203.34%	185.95%	224.74%	208.99%

REVENUE Bond Coverage

The University of North Carolina at Chapel Hill Last Ten Fiscal Years

(in t	housands	S
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Fiscal Year	Gross	Direct	Net Revenue				(III tilousarius)
Ended June 30,	Operating Revenues	Operating Expenses	Available for Debt Service	Principal	Interest	Total	Coverage
1999	246,610	208,753	37,857	10,128	11,008	21,136	1.79
1998	226,567	189,205	37,362	8,913	10,634	19,547	1.91
1997	228,228	177,793	50,435	8,279	11,063	19,342	2.61
1996	205,387	158,584	46,803	7,743	11,610	19,353	2.42
1995	189,346	147,847	41,499	6,217	13,937	20,154	2.06
1994	175,567	140,552	35,015	5,794	13,264	19,058	1.84
1993	147,086	125,555	21,531	3,450	12,192	15,642	1.38
1992	143,277	108,122	35,155	1,067	13,652	14,719	2.39
1991	130,230	105,308	24,922	1,250	9,979	11,229	2.22
1990	121,959	100,507	21,452	778	9,103	9,881	2.17

This ratio measures the margin of protection provided to investors by annual operations of debt secured facilities

GROSS Debt Service Coverage

The University of North Carolina at Chapel Hill Last Ten Fiscal Years

(in thousands)

Fiscal Year		Proprietary Fund			
Ended	Increase in	Mandatory		Debt	
June 30,	Fund Equity	Transfers	Total	Service	Coverage
1999	7,393	20,042	27,435	21,136	1.30
1998	2,699	22,809	25,508	19,547	1.30
1997	5,130	28,318	33,448	19,342	1.73
1996	8,705	24,027	32,732	19,353	1.69
1995	13,331	20,268	33,599	20,154	1.67
1994	10,455	19,835	30,290	19,058	1.59
1993	5,272	15,938	21,210	15,642	1.36
1992	17,421	6,312	23,733	14,719	1.61
1991	4,782	14,488	19,270	11,229	1.72
1990	2,758	13,532	16,290	9,881	1.65

This ratio measures the actual margin of protection provided to investors by annual operations.

RATIO of Debt Service to Current Funds Expenditures

The University of North Carolina at Chapel Hill Last Ten Fiscal Years

<i>t:</i> _	thousands

Fiscal Year			
Ended	Debt Service	Current Funds	Ratio
June 30,	Requirements	Expenditures	%
1999	21,136	1,168,462	1.81
1998	19,547	1,101,013	1.78
1997	19,342	1,007,293	1.92
1996	19,353	941,475	2.06
1995	20,154	894,896	2.25
1994	19,058	836,959	2.28
1993	15,642	765,652	2.04
1992	14,719	700,963	2.10
1991	11,229	670,319	1.68
1990	9,881	631,049	1.57
		•	

This ratio measures commitment of operating funds to annual credit obligations.

ADMISSIONS, Enrollment and Degree Statistics

Fali	Enrollma	nt of E	iccal Vear

				****	4004.05	
	1998-99	1997-98	1996-97	1995-96	1994-95	
Admissions – Freshmen						
N-altantana	16.007	45 554	45.270	15.150	45 43F	
Applications	16,827	15,554	15,370	15,159	15,125	
Accepted	6,041	6,050	5,826	5,571	6,145	
inrolled	3,437	3,417	3,278	3,239	3,498	
Accepted as a Percentage of Applications	35.9%	38.9%	37.9%	36.8%	40.6%	
nrolled as a Percentage of Accepted	56.9%	56.5%	56.3%	58.1%	56.9%	
verage SAT Scores – Total	1,230	1,220	1,222	1,142	1,128	
Verbal	613	609	611	539	529	*
Math	617	611	611	603	599	
Enrollment						
Undergraduate, Graduate and Professional FTE	21,940	21,794	21,709	21,961	21,918	
Undergraduate, Graduate and Professional Headcount	24,238	24,189	24,141	24,439	24,463	
Men (Headcount)	9,854	10,002	10,024	10,330	10,377	
Percentage of Total	40.7%	41.3%	41.5%	42.3%	42.4%	
Nomen (Headcount)	14,384	14,187	14,117	14,109	14,086	
Percentage of Total	59.3%	58.7%	58.5%	57.7%	57.6%	
African American (Headcount)	2,402	2,364	2,310	2,254	2,161	
Percentage of Total	9.9%	9.8%	9.6%	9.2%	8.8%	
Vhite (Headcount)	19,318	19,348	19,376	19,808	20,042	
Percentage of Total	79.7%	80.0%	80.2%	81.1%	82.0%	
other (Headcount)	2,518	2,477	2,455	2,377	2,260	
Percentage of Total	10.4%	10.2%	10.2%	9.7%	9.2%	
Degrees Granted						
	2.666	2.550	2.574	2542	2.622	
lachelor's	3,669	3,568	3,674	3,542	3,623	
Master's	1,464	1,489	1,361	1,465	1,511	
Poctoral	382	389	366	369	373	
Professional	584	476	484	480	464	

The University of North Carolina at Chapel Hill Łast Ten Fiscal Years

		Fall	Enrollment of Fis	ical Year	
	1993-94	1992-93	1991-92	1990-91	1989-90
 Admissions – Freshmen					
Applications	14,596	16,136	14,860	14,737	16,441
Accepted	5,985	5,735	5,460	5,630	5,436
Enrolled	3,331	3,211	3,142	3,252	3,191
Accepted as a Percentage of Applications	41.0%	35.5%	36.7%	38.2%	33.1%
Enrolled as a Percentage of Accepted	55.7%	56.0%	57.5%	57.8%	58.7%
Average SAT Scores - Total	1,126	1,122	1,120	1,112	1,110
Verbal	529	530	530	527	527
Math	597	592	590	585	583
 Enrollment					
Undergraduate, Graduate and Professional FTE	21,758	21,398	21,391	21,486	21,326
Undergraduate, Graduate and Professional Headcount	24,299	23,944	23,794	23,852	23,592
Men (Headcount)	10,298	10,211	10,161	10,340	10,282
Percentage of Total	42.4%	42.6%	42.7%	43.4%	43.6%
Women (Headcount)	14,001	13,733	13,633	13,512	13,310
Percentage of Total	57.6%	57.4%	57.3%	56.6%	56.4%
African American (Headcount)	2,082	2,078	2,023	2,060	1,921
Percentage of Total	8.6%	8.7%	8.5%	8.6%	8.1%
White (Headcount)	20,007	19,812	19,906	20,091	20,151
Percentage of Total	82.3%	82.7%	83.7%	84.2%	85.4%
Other (Headcount)	2,210	2,054	1,855	1,701	1,520
Percentage of Total	9.1%	8.6%	7.8%	7.1%	6.4%
Degrees Granted					
Bachelor's	3,497	3,655	3,538	3,591	3,529
Master's	1,451	1,478	1,375	1,391	1,269
Doctoral	388	388	336	337	299
	443	443			

FACULTY and Staff Statistics

The University of North Carolina at Chapel Hill Last Ten Fiscal Years

Fall Employment of Fiscal Year					
1998-99	1997-98	1996-97	1995-96	1994-95	
2 477	2 421	3 417	2 260	2,328	
		-		2,320	
2,/3/	2,000	2,040	2,565	2,538	
54.6%	56.2%	57.9%	58.3%	59.2%	
725	674	653	648	627	
56	53	56	57	51	
781	727	709	705	678	
5,790	5,587	5,236	5,519	5,468	
311	314	298	322	328	
6,101	5,901	5,534	5,841	5,796	
6 E1E	6 251	ς οοο	6 167	6,095	
				379	
				5/9 6,474	
	Eall	Employment of	Eircal Vaar		
1993-94				1989-90	
2,297	2,249	2,245	2,134	2,131	
204	186	185	161	165	
2,501	2,435	2,430	2,295	2,296	
59.6%	60.7%	61.1%	63.2%	60.1%	
596	570	572	646	640	
55	52	48	39	49	
651	622	620	685	689	
5,405	5,115	4,891	4,971	5,023	
360	*	314	298	285	
5,765	5,449	5,205	5,269	5,308	
6.001	E 60E	5 462	5 617	E 663	
0,001	2,082	2,403	/١٥,٥	5,663	
44 F	200	262	227	22.4	
415 6,416	386 6,071	362 5,825	337 5,954	334 5,997	
	2,477 260 2,737 54.6% 725 56 781 5,790 311 6,101 6,515 367 6,882 1993-94 2,297 204 2,501 59.6% 596 55 651 5,405 360	1998-99 1997-98 2,477 2,421 260 239 2,737 2,660 54.6% 56.2% 725 674 56 53 781 727 5,790 5,587 311 314 6,101 5,901 6,515 6,261 367 367 6,882 6,628 Fall 1993-94 1992-93 2,297 2,249 204 186 2,501 2,435 59.6% 60.7% 596 570 55 52 651 622 5,405 5,115 360 334 5,765 5,449	1998-99 1997-98 1996-97 2,477 2,421 2,417 260 239 223 2,737 2,660 2,640 54.6% 56.2% 57.9% 725 674 653 56 53 56 781 727 709 5,790 5,587 5,236 311 314 298 6,101 5,901 5,534 6,515 6,261 5,889 367 367 354 6,882 6,628 6,243 Fall Employment of 1993-94 1992-93 1991-92 2,297 2,249 2,245 204 186 185 2,501 2,435 2,430 59.6% 60.7% 61.1% 596 570 572 55 52 48 651 622 620 5,405 5,115 4,891 <tr< td=""><td>1998-99 1997-98 1996-97 1995-96 2,477 2,421 2,417 2,369 260 239 223 216 2,737 2,660 2,640 2,585 54.6% 56.2% 57.9% 58.3% 725 674 653 648 56 53 56 57 781 727 709 705 5,790 5,587 5,236 5,519 311 314 298 322 6,101 5,901 5,534 5,841 6,515 6,261 5,889 6,167 367 367 354 379 6,882 6,628 6,243 6,546 Fall Employment of Fiscal Year 1993-94 1992-93 1991-92 1990-91 2,297 2,249 2,245 2,134 2,04 186 185 161 2,501 2,435 2,430 2,295</td></tr<>	1998-99 1997-98 1996-97 1995-96 2,477 2,421 2,417 2,369 260 239 223 216 2,737 2,660 2,640 2,585 54.6% 56.2% 57.9% 58.3% 725 674 653 648 56 53 56 57 781 727 709 705 5,790 5,587 5,236 5,519 311 314 298 322 6,101 5,901 5,534 5,841 6,515 6,261 5,889 6,167 367 367 354 379 6,882 6,628 6,243 6,546 Fall Employment of Fiscal Year 1993-94 1992-93 1991-92 1990-91 2,297 2,249 2,245 2,134 2,04 186 185 161 2,501 2,435 2,430 2,295	

Note: SPA denotes employees subject to the State Personnel Act EPA denotes employees exempt from the State Personnel Act

Priorities for The University of North Carolina at Chapel Hill

Intensify the intellectual climate for undergraduates, graduate and professional students, faculty, and staff.

- Provide multiple mechanisms to engage students actively in thinking and learning, especially at the beginning of their Chapel Hill experience (e.g., first-year seminars, living/learning opportunities, summer readings, service learning, co-curricular activities, improved TA training, etc.).
- · Improve financial support for graduate students.
- · Foster opportunities for undergraduate research in collaboration with faculty.
- Improve physical settings for teaching, research, and learning in classrooms, laboratories, and informal spaces.
- Improve academic advising and mentoring for undergraduate and graduate students.
- · Sustain the quality of our libraries.
- Improve our communication of the University's intellectual life, both within and beyond the University.

Improve the University's capacity to recruit, develop, and retain a high quality and diverse faculty, student body, and staff.

- Provide salaries and benefits required and the administrative flexibility to attract an outstanding and diverse faculty and staff.
- Provide career development opportunities for faculty, staff, and graduate students (e.g., mentoring for junior faculty and graduate students, opportunities for staff to enhance job skills and career growth paths across units, and post-tenure
- Improve merit and need-based scholarships, together with graduate teaching and research assistant tuition relief.
- Provide appropriate spaces (e.g., faculty and staff workspaces, laboratories, graduate student domiciles, and master and regular classrooms).
- Provide an effective administrative infrastructure (e.g., staff and systems for successful grant seeking, as well as for teaching, research, and service activities).
- Increase the number and diversity of outstanding students who choose to enroll at Carolina.

Identify and build on selected areas of current or potential excellence.

- Strengthen the University's exceptional commitment to excellence in undergraduate liberal-arts education, to service to the citizens of North Carolina, and to comprehensive health-care education and research in this the "University of the people."
- Build on the University's research strengths, in a region rich in inter-institutional opportunities for collaboration.
- In collaboration with deans and unit heads, develop criteria for and identify
 areas of current and emerging excellence that should be chosen for emphasis.
 Develop strategies for implementation; and at the same time, also collaboratively,
 identify programs to de-emphasize.

Foster excellent interdisciplinary programs.

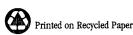
- Encourage entrepreneurial faculty efforts to identify and develop interdisciplinary research and teaching.
- Develop a systematic review process to assure the quality of existing and future interdisciplinary programs.
- · Enhance access to and majors in interdisciplinary programs.

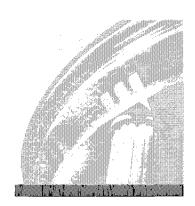
Enhance the use of innovative information technologies to strengthen core University activities.

- Improve access and availability of up-to-date information technologies to meet
 the needs of all campus constituencies faculty, staff, and students. These
 technologies include both the local and wide area network, personal and central
 computers, and educational and applications software. Provide the resources to
 renew and support these.
- Provide campuswide support (e.g., training, consultation, evaluation, etc.)
 to both faculty and students for an online distributed learning environment.
- Provide integrated access to knowledge resources in support of teaching, research, and service (e.g., digital library resources available from the desktop).
- Standardize, automate, and redesign core processes (administrative, student service, and other) to take advantage of the efficiencies of automation.
- Develop and implement policies and procedures that permit central support of critical Universitywide networks and appropriate large-scale computing systems with decentralized and distributed support for the desktop environment.

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The University of North Carolina at Chapel Hill is a constituent institution of The University of North Carolina System and a component unit of the State of North Carolina.





COMPREHENSIVE ANNUAL FINANCIAL REPORT

Chapel Hill, North Carolina Fiscal Year Ended June 30, 1999

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