



The University of North Carolina at Chapel Hill

COST ACCOUNTING STANDARDS BOARD

DISCLOSURE STATEMENT

Revision Number 2

Effective July 1, 2003

Submitted April 22, 2008

<http://research.unc.edu/osr/>

Office of Sponsored Research
Cost Analysis & Compliance

**COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS**

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**COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS**

GENERAL INSTRUCTIONS

1. This Disclosure Statement has been designed to meet the requirements of Public Law 100-679, and persons completing it are to describe the Educational institution and its cost accounting practices. For complete regulations, instructions and timing requirements concerning submission of the Disclosure Statement, refer to Section 9903.202 of Chapter 99 of Title 48 CFR (48 CFR 9903).
2. Part I of the Statement provides general information concerning each reporting unit (e.g., segments, business units, and central system or group (intermediate administration) offices). Parts II through VI pertain to the types of costs generally incurred by the segment or business unit directly performing under Federally sponsored agreements (e.g., contracts, grants and cooperative agreements). Part VII pertains to the types of costs that are generally incurred by a Central or Group office and are allocated to one or more segments performing under Federally sponsored agreements.
3. Each segment or business unit required to disclose its cost accounting practices should complete the Cover Sheet, the Certification, and Parts I through VI.
4. Each central or group office required to disclose its cost accounting practices for measuring, assigning and allocating its costs to segments performing under Federally sponsored agreements should complete the Cover Sheet, the Certification, Part I and Part VII of the Disclosure Statement. Where a central or group office incurs the types of cost covered by Parts IV, V and VI, and the cost amounts allocated to segments performing under Federally sponsored agreements are material, such office(s) should complete Parts IV, V, or VI for such material elements of cost. While a central or group office may have more than one reporting unit submitting Disclosure Statements, only one Statement needs to be submitted to cover the central or group office operations.
5. The Statement must be signed by an authorized signatory of the reporting unit.
6. The Disclosure Statement should be answered by marking the appropriate line or inserting the applicable letter code which describes the segment's (reporting unit's) cost accounting practices.
7. A number of questions in this Statement may need narrative answers requiring more space than is provided. In such instances, the reporting unit should use the attached continuation sheet provided. The continuation sheet may be reproduced locally as needed. The number of the question involved should be indicated and the same coding required to answer the questions in the Statement should be used in presenting the answer on the continuation sheet. Continuation sheets should be inserted at the end of the pertinent Part of the Statement. On each continuation sheet, the reporting unit should enter the next sequential page number for that Part and, on the last continuation sheet used, the words "End of Part" should be inserted after the last entry.

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GENERAL INSTRUCTIONS

8. Where the cost accounting practice being disclosed is clearly set forth in the institution's existing written accounting policies and procedures, such documents may be cited on a continuation sheet and incorporated by reference to the pertinent Disclosure Statement Part. In such cases, the reporting unit should provide the date of issuance and effective date for each accounting policy and/or procedures document cited. Any supplementary comments needed to fully describe the cost accounting practice being disclosed should also be provided.

9. Disclosure Statements must be amended when disclosed practices are changed to comply with a new CAS or when practices are changed with or without agreement to the Government (Also see 48 CFR 9903.202-3).

10. Amendments shall be submitted to the same offices to which submission would have to be made were an original Disclosure Statement being filed.

11. Each amendment should be accompanied by an amended cover sheet (indicating revision number and effective date of the change) and a signed certification. For all resubmissions, on each page, insert "Revision Number ____" and "Effective Date ____" in the Item Description block; and, insert "Revised" under each Item Number amended. Resubmitted Disclosure Statements must be accompanied by similar notations identifying the items which have been changed.

**COST ACCOUNTING STANDARDS BOARD
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EDUCATIONAL INSTITUTIONS**

COVER SHEET AND CERTIFICATION

0.1 Educational Institution
(a) **Name:** **The University of North Carolina at Chapel Hill**
(b) **Street Address:** **104 Airport Drive, CB 1350**
(c) **City, State and ZIP Code:** **Chapel Hill, NC 27599-1350**
(d) **Division or Campus of (if applicable)**

0.2 Reporting Unit is: (Mark one.)
A. _____ **Independently Administered Public Institution**
B. _____ **Independently Administered Nonprofit Institution**
C. X **Administered as Part of a Public System**
D. _____ **Administered as Part of a Nonprofit System**
E. _____ **Other (Specify)** _____

0.3 Official to Contact Concerning this Statement:
(a) **Name and Title:** E. Kevin Maynor; Director, Cost Analysis and Compliance
(b) **Phone Number:** 919-962-4453

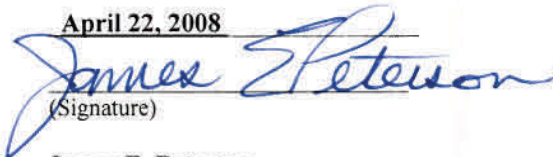
0.4 Statement Type and Effective Date:
A. (Mark type of submission. If a revision, enter number)
(a) _____ **Original Statement**
(b) X **Amended Statement; Revision No.** 2
Effective Date of this Statement: (Specify) July 1, 2003

0.5 Statement Submitted To (Provide office name, location and telephone number, include area code and extension):
A. **Cognizant Federal Agency:** **Department of Health and Human Services
Division of Cost Allocation
330 Independence Ave., S.W.
Cohen Building, Room 1067
Washington, DC 20201-0003
Tel. 202-401-2808**
B. **Cognizant Federal Auditor:** **Regional Inspector General for Audit Services
Department of Health and Human Services
Region IV
Sam Nunn Atlanta Federal Center
61 Forsyth Street, S.W.
Atlanta, GA 30303-8909**

CERTIFICATION

I certify that to the best of my knowledge and belief this Statement, as amended in the case of a Revision, is the complete and accurate disclosure as of the date of certification shown below by the above-named organization of its cost accounting practices, as required by the Disclosure Regulations (48 CFR 9903.202) of the Cost Accounting Standards Board under 41 U.S.C. § 422.

Date of Certification: April 22, 2008


(Signature)

James E. Peterson
(Print or Type Name)

Associate Vice Chancellor for Research
(Title)

**THE PENALTY FOR MAKING A FALSE STATEMENT IN THIS DISCLOSURE
IS PRESCRIBED IN
18 U.S.C. § 1001**

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		PART I- GENERAL INFORMATION
		THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL
Item No.	Item description-Revision Number 2, Effective Date July 1, 2003	
	Part I	
1.1.0 Revised	Description of Your Cost Accounting System for recording expenses charged to Federally sponsored agreements (e.g., contracts, grants and cooperative agreements). (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.) <ul style="list-style-type: none"> A. <input checked="" type="checkbox"/> Accrual B. <input type="checkbox"/> Modified Accrual Basis¹ C. <input type="checkbox"/> Cash Basis Y. <input type="checkbox"/> Other¹ 	
1.2.0	Integration of Cost Accounting with Financial Accounting. The cost accounting system is: (Mark one. If B or C is marked, describe on a continuation sheet the costs which are accumulated on memorandum records.) <ul style="list-style-type: none"> A. <input type="checkbox"/> Integrated with financial accounting records (Subsidiary cost accounts are all controlled by general ledger control accounts.) B. <input type="checkbox"/> Not integrated with financial accounting records (Cost data are accumulated on memorandum records.) C. <input checked="" type="checkbox"/> Combination of A and B 	
1.3.0	Unallowable Costs. Costs that are not reimbursable as allowable costs under the terms and conditions of Federally sponsored agreements are: (Mark one) <ul style="list-style-type: none"> A. <input type="checkbox"/> Specifically identified and recorded separately in the formal financial accounting records.¹ B. <input type="checkbox"/> Identified in separately maintained accounting records or workpapers.¹ C. <input type="checkbox"/> Identifiable through use of less formal accounting techniques that permit audit verification.¹ D. <input checked="" type="checkbox"/> Combination of A, B or C¹ E. <input type="checkbox"/> Determinable by other means.¹ 	
	¹ /Describe on a Continuation Sheet	

**COST ACCOUNTING STANDARDS BOARD
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PART I- GENERAL INFORMATION

**THE UNIVERSITY OF NORTH CAROLINA
AT CHAPEL HILL**

**Item
No.**

Item description-Revision Number 2, Effective Date July 1, 2003

1.3.1

Treatment of Unallowable Costs. (Explain on a continuation sheet how unallowable costs and directly associated costs are treated in each allocation base and indirect expense pool, e.g., when allocating costs to a major function or activity; when determining indirect cost rates; or, when a central office or group office allocates costs to a segment.)

1.4.0

Cost Accounting Period: 7/1 to 6/30 (Specify the twelve month period used for the accumulation and reporting of costs under Federally sponsored agreements, e.g., 7/1 to 6/30. If the cost accounting period is other than the Institution's fiscal year used for financial accounting and reporting purposes, explain circumstances on a continuation sheet.)

1.5.0

State Laws or Regulations. Identify on a continuation sheet any State laws or regulations which influence the institution's cost accounting practices, e.g., State administered pension plans, and any applicable statutory limitations or special agreements on allowance of costs.

1/Describe on a Continuation Sheet

<p align="center">COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS</p>	<p align="center">CONTINUATION SHEET PART I- GENERAL INFORMATION</p>
	<p align="center">THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL</p>
<p>Item No.</p>	<p align="center">Item description-Revision Number 2, Effective Date July 1, 2003</p>
<p>1.2.0 Revised</p>	<p><u>Integration of Cost Accounting System with Financial Accounting</u></p> <p>The cost accounting system is integrated with the financial accounting system except for:</p> <p><u>Building depreciation:</u> Building depreciation is determined from componentization studies. Component detail is supported by binary form project and construction accounting information.</p> <p><u>Building interest:</u> Building interest incurred by the institution is derived from separate construction management and debt service records. Building interest incurred by the State of North Carolina or the University of North Carolina General Administration Office on behalf of the University, is provided from the respective organization's approved cost allocation agreements.</p> <p><u>Equipment depreciation:</u> A separate asset management system is used to calculate equipment depreciation and maintain related information.</p> <p><u>Departmental administration:</u> The Direct Charge Equivalent (DCE) is a standard formula driven methodology used to calculate a portion of the Departmental Administration cost pool.</p> <p><u>State of North Carolina and the University of North Carolina System General Administration Cost Allocation Agreements:</u> The cost accounting system includes adjustments for expenditures incurred on behalf of the institution set forth in an approved cost allocation agreement .</p> <p><u>Financial statement reclassifications:</u> Adjustments and reclassifications to the financial accounting system are needed to present financial statement information per the cost pool and direct base format prescribed by OMB Circular A-21. Specific adjustments are discussed in the institution's F&A proposal.</p> <p><u>Software and data processing systems operating outside of the financial accounting system:</u> Several software packages, data processing hardware, and manual systems are used to derive and process non-financial information used in the cost accounting system. For example, personnel information, accounting and fixed asset attributes, as well as space and utilities statistics are binary data integrated with the cost accounting system from other sources. The data are then incorporated into the F&A rate development process. All data used in the cost accounting system are provided from the official University repository for the particular data source and reconciled to the formal University record.</p>

<p align="center">COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS</p>	<p align="center">CONTINUATION SHEET PART I- GENERAL INFORMATION</p>
	<p align="center">THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL</p>
<p>Item No.</p>	<p align="center">Item description-Revision Number 2, Effective Date July 1, 2003</p>
<p>1.3.0 Revised</p>	<p><u>Unallowable Costs: Response Item D – Combination of A, B, or C</u></p> <p>Costs that are not reimbursable as allowable costs under the terms and conditions of federally sponsored agreements are:</p> <ul style="list-style-type: none"> A. Specifically identified and recorded separately in the formal financial accounting records. B. Identified in separately maintained accounting records or work papers, and C. Identifiable through use of less formal accounting techniques that permit audit verification. <p>The OMB Circular A-21, specific sponsor terms and conditions, and/or policies as well as procedures promulgated by both the State of North Carolina and the Institution deem certain activities and expenditures unallowable.</p> <p><u>A. Specifically Identified in Formal Financial Accounting Records</u></p> <p>The financial activities of the institution are budgeted, accumulated, and grouped by organizational unit (department), project (account), and natural expenditure classification (object code). The grouping structure facilitates identification of most unallowable costs directly from formal departmental financial records.</p> <p>For example, certain organizational units such as University Relations, the Office of Development, the bookstore and student union, auxiliaries such as food services, and athletic departments by their nature represent unallowable activities. Unallowable units are identified from formal financial.</p> <p>Object codes are used to group transactions at the account level by their natural expenditure classification. Examples of object codes include salary sub-groupings, legal fees, court judgments, dues and periodicals, research supplies, cost of goods sold, and various forms of travel.</p> <p>Depending upon the nature of the unit or project activities, object codes are used in combination with a unit or project classification to identify unallowable costs in the formal financial accounting records.</p> <p><u>B. Separately Maintained Accounting Records and Work-papers</u></p> <p>In addition to formal financial accounting records, separately maintained accounting records and work-papers supplement the tracking of unallowable costs. First, the University participates in annual A-133 audits conducted by the Office of the State Auditor. As a result, auditors annually review the allowability of sponsored project charges.</p> <p>Secondly, University policies and procedures in various formats ensure that unallowable costs are treated properly. Specific guidance on allowable and unallowable costs can be found in the third part of the Research section in the business manual, titled Expenditure Guidelines. Additionally, policies and training materials regarding unallowable costs are linked to the overall Research at Carolina website to ensure accessibility.</p> <p>Finally, central as well as academic departmental training materials and certifications ensure uniform training of staff, contributing to proper handling of unallowable costs. The Office of Sponsored Research offers formal training courses on a regular basis to ensure proper understanding and implementation of accounting policies, including the handling of unallowable costs. Such programs include the Tar Heel Certificate Program in Research Administration and workshops on proposal budgeting.</p> <p><u>C. Less Formal Accounting Techniques That Permit Audit Verification</u></p> <p>Research Administration staff regularly attends training and professional conferences throughout the country. Attendance helps University staff stay current on proper applications of policies and methods dealing with unallowable costs. Additionally, interaction with research administration staff from other universities keeps staff aware of any unallowable costs and other research compliance concerns.</p>

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<p>Item No.</p>	<p align="center">Item description-Revision Number 2, Effective Date July 1, 2003</p>
<p>1.3.0 Cont'd</p>	<p><u>Unallowable Costs: Response Item D – Combination of A, B, or C: CONTINUED</u></p> <p>Research Administration has specific staff devoted to a pre-audit function. Check requests, travel requests, and other non-personnel costs pass through the department. Staff monitors these transactions for compliance in terms of the federal government's definition of allowability, as well as with each sponsored agreement's terms and conditions.</p> <p>If a cost appears to be unallowable, staff will consult with the department ensuring that the cost's context is thoroughly understood on both ends. Based on this discussion, staff will then determine if the cost is unallowable. If this is the case, the cost request will be turned down.</p> <p>During the preparation process of the F&A proposal, the Office of Sponsored Research holds in depth discussions with departments across campus to thoroughly understand departmental accounting practices. This helps ensure that proper techniques are being uniformly applied to exclude unallowable costs.</p> <p>Following departmental discussions, oversight continues in the form of further discussions with top level offices such as the legal office, chancellor's office, and deans' offices. Discussions with the executive offices and senior level officials further ensure that no unallowable costs are being overlooked and inappropriately classified in the F&A proposal.</p> <p>The Office of Sponsored Research is also available to consult with all personnel regarding allowability or unallowability of costs.</p>
<p>1.3.1 Revised</p>	<p><u>Treatment of Unallowable Costs</u></p> <p>The concepts of allowability and the direct charge rules are recurring elements in formal departmental and central research administration training programs. Web-based training materials, award and reporting management processing and decision tools, discussion about and links to government regulations, as well as institutional policies and procedures all incorporate the concepts of allowability.</p> <p>Financial accounting system internal controls and training programs are designed to prohibit charging unallowable costs to sponsored agreements. System controls are used to reject the use of certain object codes that are prohibited for use on sponsored agreements.</p> <p>Research Administration pre-audit staff perform ongoing reviews of non-personnel charges. Concurrently, other staff dedicated to payroll compliance oversight review personnel charges against sponsored agreements for consistency with federal regulations as well as sponsor terms and conditions.</p> <p>Internal cost accounting system controls are observed, while additional procedures are conducted to ensure unallowable costs are reclassified to other institutional activities and removed from non-sponsored allocation bases and indirect cost pools. Certain units by their nature represent unallowable activities and are easily identifiable at the department level for reclassification to other institutional activities. Object codes are used in combination with a unit or project classification to identify unallowable costs in the financial accounting records, and reclassify them.</p> <p>In addition to reference materials for faculty and formal training programs for central and departmental research administrators, there are other less formal practices followed to ensure unallowable costs are appropriately reclassified. As part of the F&A proposal development process, in depth discussions are conducted with academic, central operating, and executive management personnel to ensure proper techniques are applied to exclude unallowable costs.</p>

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		<p align="center">THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL</p>
<p>Item No.</p>	<p align="center">Item description-Revision Number 2, Effective Date July 1, 2003</p>	
<p>1.4.0</p>	<p><u>Cost Accounting Period</u></p>	
	<p>The University accumulates expenditures for individual sponsored agreements according to the award periods specified in each award. However, for financial accounting and F&A proposal purposes, expenditures are accumulated on the University fiscal year, 7/1 to 6/30.</p>	
<p>1.5.0 Revised</p>	<p><u>State Laws or Regulations</u></p>	
	<p>The cost accounting practices of the University of North Carolina at Chapel Hill are influenced by State regulations. The University is subject to the policies and procedures of the North Carolina Office of the State Controller, the North Carolina Department of the State Treasurer, and the North Carolina Office of State Personnel. The <u>Budget Manual</u> of the Office of State Budget and Management contains regulations for certain categories of expenditures. The Division of Purchase and Contract provides regulations pertaining to University purchases. The University's revenues and expenditures are classified by object codes that are defined by the University of North Carolina General Administration in coordination with the Office of the State Controller.</p> <p>The University is also subject to state laws and regulations set by the North Carolina General Assembly, such as participation in pensions, health, death and disability, workers compensation, unemployment benefit plans, self-insurance, leave policies, longevity pay, purchasing and travel policies, sales and use tax regulations, and bond issuance regulations.</p>	
	<p align="center">END OF PART</p>	

<p align="center"> COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS </p>	<p align="center"> PART II-DIRECT COSTS </p>
	<p align="center"> THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL </p>
<p>Item No.</p>	<p align="center">Item description-Revision Number 2, Effective Date July 1, 2003</p>
	<p align="center">Instructions for Part II</p> <p>Institutions should disclose what costs are, or will be, charged directly to Federally sponsored agreements or similar cost objectives as Direct Costs. It is expected that the disclosed cost accounting practices (as defined at 48 CFR 9903.302-1) for classifying costs either as direct costs or indirect costs will be consistently applied to all costs incurred by the reporting unit.</p> <p>2.1.0 <u>Criteria for Determining How Costs are Charged to Federally Sponsored Agreements or Similar Cost Objectives.</u> (For all major categories of cost under each major function or activity such, as instruction, organized research, other sponsored activities and other institutional activities, describe on a continuation sheet, your criteria for determining when costs incurred for the same purpose, in like circumstances, are treated either as direct costs only or as indirect costs only with respect to final cost objectives. Particular emphasis should be placed on items of cost that may be treated as either direct or indirect costs (e.g., Supplies, Materials, Salaries and Wages, Fringe Benefits, etc.) depending upon the purpose of the activity involved. Separate explanations on the criteria governing each direct cost category identified in this Part II are required. Also, list and explain if there are any deviations from the specified criteria.)</p> <p>2.2.0 <u>Description of Direct Materials.</u> All materials and supplies directly identified with Federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet the principal classes of materials which are charged as direct materials and supplies.)</p> <p>2.3.0 <u>Method of Charging Direct Materials and Supplies.</u> (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)</p> <p>2.3.1 Direct Purchases for Projects are Charged to Projects at:</p> <p>A. _____ Actual Invoiced Costs B. <u> X </u> Actual Invoiced Costs Net of Discounts Taken Y. _____ Other(s)¹ Z. _____ Not Applicable</p> <p>2.3.2 Inventory Requisitions from Central or Common, Institution-owned Inventory. (Identify the inventory valuation method used to charge projects):</p> <p>A. _____ First In, First Out B. _____ Last In, First Out C. <u> X </u> Average Costs¹ D. _____ Predetermined Costs¹ Y. _____ Other(s)¹ Z. _____ Not Applicable</p> <p>¹/Describe on a Continuation Sheet</p>

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		PART II-DIRECT COSTS			
		THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL			
Item No.	Item description-Revision Number 2, Effective Date July 1, 2003				
2.4.0	Description of Direct Personal Services. All personal services directly identified with Federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet the personal services costs within each major institutional function or activity that are charged as direct personal services.)				
2.5.0 Revised	Method of Charging Direct Salaries and Wages. (Mark the appropriate line(s) for each Direct Personal Services Category to identify the method(s) used to charge direct salary and wage costs to Federally sponsored agreements or similar cost objectives. If more than one line is marked in a column, fully describe on a continuation sheet, the applicable methods used.)				
		<u>Direct Personal Services Category</u>			
		<u>Faculty</u> (1)	<u>Staff</u> (2)	<u>Students</u> (3)	<u>Other¹</u> (4)
A.	Payroll Distribution Method (Individual time card/actual hours and rates)	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
B.	Plan - Confirmation (Budgeted, Planned or assigned work activity, updated to reflect significant changes)	<u> </u>	<u> </u>	<u> </u>	<u> </u>
C.	After-the-fact Activity Records (Percentage Distribution of employee activity)	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
D.	Multiple Confirmation Records (Employee Reports prepared each academic term, to account for employee's activities, direct and indirect charges are certified separately.)	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Y.	Other(s)¹	<u> </u>	<u> </u>	<u> </u>	<u> </u>
		<u>1/Describe on a Continuation Sheet</u>			

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		PART II-DIRECT COSTS
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2.5.1	Salary and Wage Cost Distribution Systems. Within each major function or activity, are the methods marked in Item 2.5.0 used by all employees compensated by the reporting unit? (If "NO", describe on a continuation sheet, the types of employees not included and describe the methods used to identify and distribute their salary and wage costs to direct and indirect cost objectives.) <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
2.5.2	Salary and Wage Cost Accumulation System. (Within each major function or activity, describe, on a continuation sheet, the specific accounting records or memorandum records used to accumulate and record the share of the total salary and wage costs attributable to each employee's direct (Federally sponsored projects, non-sponsored projects or similar cost objectives) and indirect activities. Indicate how the salary and the wage cost distributions are reconciled with the payroll data recorded in the institution's financial accounting records.)	
2.6.0	<u>Description of Direct Fringe Benefits Costs.</u> All fringe benefits that are attributable to direct salaries and wages and are charged directly to Federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet <u>all</u> of the different types of fringe benefits which are classified and charged as direct costs, e.g., actual or accrued costs of vacation, holidays, sick leave, sabbatical leave, premium pay, social security, pension plans, post-retirement benefits other than pensions, health insurance, training, tuition, tuition remission, etc.)	
2.6.1	Method of Charging Direct Fringe Benefits. (Describe on a continuation sheet, how each type of fringe benefit cost identified in item 2.6.0. is measured, assigned and allocated (for definitions, See 9903.302-1); first, to the major functions (e.g., instruction, research); and, then to individual projects or direct cost objectives within each function.)	
2.7.0	<u>Description of Other Direct Costs.</u> All other items of cost directly identified with Federally sponsored agreements or similar cost objectives. (List on a continuation sheet the principal classes of other costs which are charged directly, e.g., travel, consultants, services, subgrants, subcontracts, malpractice insurance, etc.)	

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART II-DIRECT COSTS
	THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL

Item No.	Item description-Revision Number 2, Effective Date July 1, 2003
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2.8.0 Cost Transfers. When Federally sponsored agreements or similar cost objectives are credited for cost transfers to other projects, grants or contracts, is the credit amount for direct personal services, materials, other direct charges and applicable indirect costs always based on the same amount(s) or rate(s) (e.g., direct labor rate, indirect costs) originally used to charge or allocate costs to the project (Consider transactions where the original charge and the credit occur in different cost accounting periods). (Mark one, if "No", explain on a continuation sheet how the credit differs from original charge.)

Yes
 No

2.9.0 Interorganizational Transfers. This item is directed only to those materials, supplies, and services which are, or will be transferred to you from other segments of the educational institution. (Mark the appropriate line(s) in each column to indicate the basis used by you as transferee to charge the cost or price of interorganizational transfers or materials, supplies, and services to Federally sponsored agreements or similar cost objectives. If more than one line is marked in a column, explain on a continuation sheet.)

		<u>Materials</u> (1)	<u>Supplies</u> (2)	<u>Services</u> (3)
A.	At full cost <u>excluding</u> indirect costs attributable to group or central office expenses.	_____	_____	_____
B.	At full cost <u>including</u> indirect costs attributable to group or central office expenses.	_____	_____	_____
C.	At established catalog or market price or prices based on adequate competition.	_____	_____	_____
Y.	Other(s) ¹ .	_____	_____	_____
Z.	Interorganizational transfers are not applicable.	<u> X </u>	<u> X </u>	<u> X </u>

¹/Describe on a Continuation Sheet

<p align="center">COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS</p>	<p align="center">CONTINUATION SHEET PART II-DIRECT COSTS</p>
	<p align="center">THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL</p>
<p>Item No.</p>	<p align="center">Item description-Revision Number 2, Effective Date July 1, 2003</p>
<p>2.1.0 Revised</p>	<p><u>Criteria for Determining How Costs are Charged to Federally Sponsored Agreements or Similar Cost Objectives</u></p> <p>The University follows the general guidelines in sections D and E of OMB Circular A-21 in determining the treatment of costs as direct or F&A (indirect). Accordingly, costs that can be identified specifically with a particular sponsored project, instructional activity, or other cost objective, or can be directly assigned to such an objective relatively easily with a high degree of accuracy, are treated as direct costs. Direct charges to sponsored projects must be in accordance with sponsor terms and conditions associated with the award. The primary direct cost functions at the University of North Carolina at Chapel Hill are Instruction, Organized Research, Other Sponsored Activities, and Other Institutional Activities.</p> <p>Costs incurred for common or joint objectives, which cannot be identified readily and specifically with a particular sponsored project, instructional activity, or other cost objective, are treated as F&A costs. The University's F&A cost categories are consistent with the definitions of the specific F&A cost categories in section F of OMB Circular A-21.</p> <p>The University follows the guidelines in section F.6.b of OMB Circular A-21, which specify the normal treatment of certain costs commonly incurred by academic departments and organized research units. Costs incurred for the same purpose, in like circumstances, are classified consistently as either direct or F&A costs.</p> <p>Section F.6.b of OMB Circular A-21 also discusses appropriate cost treatment when unlike or exceptional circumstances exist. Exceptional circumstances are present when the technical requirements of the specific project in relation to the nature and circumstances under which the normal indirect cost is incurred, are such that the cost meets the OMB Circular A-21 direct charge criteria. Accordingly, exceptional circumstances relate to a specific project or sponsored agreement and are characterized by all of the following conditions:</p> <ol style="list-style-type: none"> 1. The costs are necessary in order to meet the technical objectives of the project. 2. The nature of the work performed under a particular project requires an extensive amount of administrative or clerical support, or service and supply costs. 3. The costs meet the general criteria for direct charging because the associated individuals or service and supply costs are easily identifiable to the project with a high degree of accuracy. 4. The nature of the circumstance and justification for exceptional treatment are communicated to the sponsor. 5. The costs are included in the project budget and are approved by the sponsor as a direct charge to the project. <p>The University provides guidance related to the standard direct charge rules and the concept of exceptional circumstances through policies and decision tools readily available and accessible to the campus research community. Guidance is also available through web based research policies and procedures as well as ongoing training certification programs in best research administration and compliance practices, as well as budgeting workshops. Furthermore, award notices and funding authorities that clearly establish sponsor terms and conditions are formally communicated to the academic unit receiving the award.</p> <p>When costs normally considered F&A meet the criteria for exceptional circumstances, they are fully justified to the sponsoring agency following approval by the Office of Sponsored Research. If the sponsoring agency accepts the cost as part of the direct project budget, the University will consider the cost an appropriate direct charge to the specific project. If the sponsoring agency disapproves the proposed or requested cost item as a direct charge, the University accepts the sponsoring agency's decision, and the cost is considered unallowable.</p>

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<p>2.1.0 Cont'd</p>	<p><u>Criteria for Determining How Costs are Charged to Federally Sponsored Agreements or Similar Cost Objectives: CONTINUED</u></p> <p>Specific guidance is established, and other initiatives undertaken by the University to ensure consistency. Within academic departments and organized research units, major cost categories are treated as follows:</p> <ul style="list-style-type: none"> • Salaries and fringe benefits of faculty, professional staff, support staff (e.g. technicians, lab assistants, research associates, research assistants, program coordinators) and graduate students associated with effort on sponsored projects and other direct cost objectives are treated as direct costs. Salaries and fringe benefits of faculty, professional and support staff associated with administrative activities are treated as F&A costs. • Salaries and fringe benefits of administrative and clerical staff are normally treated as F&A costs, as set forth in section F.6.b of OMB Circular A-21. However, in accordance with that section, clerical and administrative salaries may be treated as direct cost in exceptional circumstances. • Costs of laboratory and research supplies, instructional supplies, and other specifically identifiable costs required to fulfill technical project objectives are treated as direct costs. • Office supplies, fixed charges, as well as other service and supply costs providing general support are F&A costs. Cost providing general support include postage and freight, print reproduction, dues, memberships, subscriptions, telecommunications and data processing, the general use of computer software, personal, desktop, and laptop computers as well as related computer hardware, and other non-capitalized general use equipment and devices. These items may be treated as direct costs when a particular project involves exceptional circumstances • Advertising and public relations costs are not allowable as a direct or F&A charge to federal sponsored projects except as set forth in section J.1 of OMB Circular A-21, and in all cases must be necessary to meet the requirements of the specific sponsored project. • Travel by specifically identifiable personnel to fulfill technical project objectives are treated as direct costs. Travel costs incurred on behalf of administrative or support staff are F&A expense when the travel occurs in the absence of exceptional circumstances. • Contracted services and fixed charges specifically identifiable to a sponsored project are treated as direct costs. Contracted services and fixed charges supporting administrative and clerical functions are F&A costs in the absence of exceptional circumstances. • Specifically identifiable repairs and maintenance involving building operations and equipment necessary to fulfill the technical objectives of the project may be direct charged if exceptional circumstances exist. These costs are identified, measured, and classified under a work order system and excluded from the Operations and Maintenance F&A cost pool. • Rent and other facility costs of off-campus or vicinity facilities used to conduct sponsored projects or other direct cost objectives may be treated as direct costs when specifically identifiable to the project or activity. • Non-expendable capitalized equipment and building costs are generally treated as F&A outlays except where approved in advance as a direct cost by the sponsor in accordance with applicable award terms and conditions. A pro-rata portion of sponsor financed capital equipment and buildings is excluded from the Depreciation F&A cost pools. • Scholarships and student aid costs are normally treated as direct costs and classified in accordance with the functional activity associated with the sponsored project. These charges follow the guidelines set forth in section J.45 of OMB Circular A-21 and may contain excluded student support costs such as stipends. • Subcontract costs are payments to sub-grantees performing a portion of the work associated with a sponsored project and are treated as direct costs.

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<p>2.2.0</p>	<p><u>Description of Direct Materials</u></p> <p>All transactions for commodities that are consumable within one year are recorded within the object class entitled Supplies & Materials. The principal classifications are as follows:</p> <p><u>Educational Supplies:</u> Payments for supplies and materials normally used in a classroom or laboratory for examination, instructional, and research purposes. It also includes the cost of scientific, medical, hospital, infirmary, and laboratory supplies and materials and demurrage charges for gas cylinders.</p> <p><u>Motor Vehicle Supplies:</u> Expenditures for supplies and materials that are normally used in the operation of state-owned motor vehicles. It includes the cost of fuels, oils, lubricants, fluids, tires, batteries and minor accessories.</p> <p><u>Office Supplies:</u> This class includes payments for supplies and material normally used in the operation of University offices and in the performance of administrative and clerical duties. It includes the cost of readily expendable items, such as paper, pencils, folders, and ink, as well as the cost of printing institutional forms, memoranda, letterheads and envelopes. It also includes document reproduction services for office use, such as microfilm and microfiche, and office copying when transacted by a copy center.</p> <p><u>Other Supplies:</u> Outlays for supplies and materials that are not separately identified by other objects.</p> <p><u>Software Supplies:</u> This class includes payments for the purchase of computer software, including usage rights and license agreements costing less than \$50,000.</p>
<p>2.3.2 Revised</p>	<p><u>Inventory Requisitions from Central or Common, Institution-Owned Inventory</u></p> <p>The inventory in storerooms of the Materials Management and Distribution Division is valued on an average cost basis. The total inventory value for each stock item is the sum of the costs for each item on hand. The cost of a single unit is computed by dividing the total cost for that item by the number of units that are on hand. The average cost is recomputed whenever there is a change in the number of units on hand or a change in the total cost of an item.</p>

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<p>2.4.0 Revised</p>	<p><u>Description of Direct Personal Services</u></p> <p><u>EPA Faculty employees</u> are instructional and research personnel whose salaries are fixed under the authority vested in the Board of Governors according to General Statute 116-11(5) and whose principal appointments are faculty appointments as defined in the <u>Trustee Policies and Regulations Governing Academic Tenure in the University of North Carolina at Chapel Hill</u>. The terms and conditions of appointments are specified in contractual letters between the University and the faculty member.</p> <p>EPA Faculty employees with 12-month appointments accrue 24 days of leave each year. No leave accrues to EPA Faculty employees with 9-month appointments. EPA Faculty employees are compensated through the monthly payroll system. Permanent employees in this category hired for 50% or greater are eligible to purchase some benefits. Employees hired for 75% or more with continuous service for one year or more are eligible for fringe benefits.</p> <p>To cover different faculty types, the School of Medicine administers a Basic Science Faculty Compensation Plan as well as a Clinical Faculty Compensation Plan. Both plans require total salary for each faculty member to be determined annually for the subsequent fiscal year based on individual fulfillment of his/her prescribed duties and responsibilities in teaching, research, public service, clinical service and administrative activities. In addition to the total annual base salary, School of Medicine clinical faculty may earn and receive supplemental payment. To the extent supplemental compensation costs are incurred, such costs and related benefits are allocable solely to the patient care function classified in other institutional activities.</p> <p><u>EPA Non-Faculty employees</u>, by North Carolina statute, are instructional and research personnel, as well as senior academic and administrative officers whose salaries are fixed under the authority vested in the Board of Governors according to General Statute 116-11(5) and whose principal appointments are not faculty appointments. These positions are covered under the EPA Non-Faculty Employment Policies and are not subject to most provisions of the State Personnel Act. EPA Non-Faculty employees generally have term appointments specified in contractual letters between the University and the employee. Leave is earned based on a time-in-service schedule. These employees are compensated through the monthly payroll system. Permanent part-time EPA Non-Faculty employees who work 20 to 29 hours per week are eligible for benefits coverage, but are not eligible for the University contribution and pay 100 percent of the coverage cost. Permanent full-time employees who work 30 or more hours per week are eligible for benefits coverage.</p> <p><u>SPA employees</u>, by North Carolina statute, are staff employees covered under the provisions of the State Personnel Act under authority of the North Carolina General Assembly. Leave accrues to SPA employees based on a time-in-service schedule. SPA employees are compensated through the bi-weekly payroll system. Permanent part-time SPA employees working at least 50 % may participate in University benefits with varying levels of contributions.</p> <p><u>Temporary employees</u> are SPA staff members and EPA employees who work for a limited time and do not receive benefits available to permanent full-time or permanent part-time employees. Temporary employee appointments are generally for a term of not more than one year.</p> <p><u>Student employees</u> are classified as EPA or SPA depending on the type of work performed. EPA student appointments include Teaching or Research Assistants paid at a semester or academic rate. Teaching and research assistants are eligible for the Graduate Student Health Insurance Program. SPA positions are non-teaching positions paid an hourly rate. Benefits are not available for SPA student employees.</p> <p><u>Full-time temporary Ph.D. Postdoctoral EPA employees</u> receive payment at a semester or academic rate and receive medical coverage under the UNC Student Health Service and the supplemental UNC Postdoctoral Preferred Care Medical Insurance Plan.</p>

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<p>2.5.0 Revised</p>	<p><u>Method of Charging Direct Salaries and Wages</u></p> <p><u>A. Payroll Distribution Method</u></p> <p>Payroll is processed by an automated system that is interfaced with the financial accounting system. Payroll has three different frequency schedules - biweekly, monthly, and summer school.</p> <p>Biweekly payroll calculates the payroll distribution and prepares compensation payment for the following employees:</p> <ul style="list-style-type: none"> • All individuals holding SPA appointments, including permanent, temporary, full-time or part-time. • All undergraduate student employees. • Part-time academic service appointees (graduate assistants, teaching assistants, etc.) whose appointments coincide with an academic year or semester. <p>Biweekly payrolls are processed in accordance with the biweekly pay schedule for each year, and posts results to the financial accounting system.</p> <p>Monthly payroll calculates the payroll distribution and prepares compensation payment for the following employees:</p> <ul style="list-style-type: none"> • All payments made to individuals holding EPA appointments, with two exceptions: <ul style="list-style-type: none"> • Part-time academic service appointees (graduate assistant, teaching assistants, etc.) whose appointments coincide with an academic year or semester • Summer school faculty, including visiting summer school appointments • All supplemental payments made to persons holding EPA appointments who are regularly paid on a monthly basis. • All one-time payments made to visiting persons for services rendered on a temporary basis where it is determined an employer-employee relationship exists. <p>Monthly payrolls are processed in accordance with the monthly pay schedule for each year, and posts results to the financial accounting system.</p> <p>Summer payroll includes:</p> <ul style="list-style-type: none"> • All summer school faculty, including visiting faculty. Summer school faculty are paid twice each session on a separate payroll run at the end of each summer session. Payroll checks for summer school are released by the Payroll Department to the Summer Session Office for distribution to the instructors and teachers upon completion of requirements. • Payrolls for teaching assistants employed in the summer session are produced twice each session and released to the Summer School Office. <p>All payrolls are initiated according to individual employee attributes such as annual salary, employment status, specific deductions, and salary account sources, which are maintained in the Human Resources Information System (HRIS) for SPA employees and in the EPA Web System for EPA employees. Both systems interface with payroll and are accessible by designated departmental managers, who maintain accurate and timely compensation-related attributes and salary account sources for their employees.</p> <p>Procedures required to administer salary account sources within human resource data repository are referred to as personnel actions. Individual personnel actions are processed by departmental management as required to comply with the University's fiduciary responsibility as employer, state agency, and federal contractor. Thus, the payroll distribution for each employee is based upon the individual's employment attributes in effect for each payroll cycle.</p>

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<p>2.5.0 Cont'd</p>	<p><u>Method of Charging Direct Salaries and Wages: CONTINUED</u></p> <p><u>1. Faculty</u> The method of charging direct salaries for faculty and all other personnel are governed and administered under the same general rules described above in section 2.5.0.A. All faculty fall within the EPA classification, and are not subject to the overtime, minimum wage, and time record provisions established in IRS Circular E. Depending upon the nature of employment, there are various faculty appointments including permanent 12-month or permanent 9-month appointments, permanent part-time, or temporary. Faculty in the 12-month category accrue leave and maintain a time record solely for purposes of tracking leave.</p> <p><u>2. Staff</u> Staff employees have an additional classification as either Non-Exempt or Exempt employees. All non-exempt employees fall within the SPA classification. Non-exempt employees are covered by the overtime, minimum wage, and time record provisions set forth in IRS Circular E. Non-exempt employees are required to maintain a daily Employee Time Record to account for all of the individual employee's scheduled hours, including hours worked as well as hours on leave.</p> <p>Exempt employees can be either SPA or EPA non-faculty, depending on the nature of employment as described in section 2.4.0. Exempt classifications are not covered by the overtime, minimum wage, and time record provisions in IRS Circular E. Exempt employees maintain a time record each pay period solely for purposes of tracking leave.</p> <p><u>3. Students</u> Student SPA employees are required to maintain a daily time record of all hours worked.</p> <p><u>4. Other</u> Temporary SPA employees are required to follow the same procedure as student employees.</p> <p><u>C. After-the-fact Activity Records</u> The University employs the "after- the- fact confirmation" method of effort certification in compliance with OMB Circular A-21, section J.10.c(2). The purpose of the effort certification system is to attest to a reasonable approximation of the actual activity an individual expends on sponsored agreements. The overall methodology is comprised of manual and automated processes collectively referred to as the Personnel Activity Reporting System, or PARS. The PARS system was approved by the Federal Department of Health and Human Services in the fall of 1980. See section 2.5.2 for a more detailed description of the University effort certification system.</p> <p>For all employees required to certify effort, the certification process entails a review to ensure the pay distribution is a reasonable reflection of the actual work conducted for the period to be certified. This review may warrant a change to the actual pay distribution in order to certify to that which is a reasonable approximation of actual activity during the certification period. PARS personnel make adjusting accounting entries to the financial accounting system for any cyclical variances in certified effort and the historical pay distribution. Permanent changes in certified effort and funding sources require a new personnel action to be processed by unit management of the unit to which the certifying party is assigned.</p> <p><u>1. Faculty</u> EPA faculty employees required to certify effort do so "after-the-fact" via the University effort certification system based upon their monthly pay cycle. An appropriate accounting adjustment is required whenever the effort that is certified differs from the employee's actual payroll distribution.</p>

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<p>2.5.0 Cont'd</p>	<p><u>Method of Charging Direct Salaries and Wages: CONTINUED</u></p> <p>2. <u>Staff</u> SPA employees required to certify effort do so “after-the-fact” via the University effort certification system based upon their biweekly pay cycle. All EPA non-faculty employees required to certify effort do so “after-the-fact” via the University effort certification system based upon their monthly pay cycle. An appropriate accounting adjustment is required whenever the effort that is certified differs from the employee’s actual payroll distribution.</p> <p>3. <u>Students</u> Student employees certify their effort “after-the-fact” through the PARS on the basis of which they are paid, either biweekly or monthly in accordance with employment classification.</p> <p>4. <u>Other</u> Temporary/Part-time employees are required to follow the same procedures as student employees for “after-the-fact” certification.</p>
<p>2.5.2 Revised</p>	<p><u>Reconciliation to Payroll Data</u></p> <p>At the close of each payroll cycle, a check register is distributed to each home department for certification that all employees were compensated correctly for time worked and from the appropriate sources. In addition to the check register, a Budget and Expenditure Report is generated at the close of each month for all University accounts. The reports reflect budget expenditures for current month, fiscal year and project-to-date as well as budget balances available by object code. Reports are distributed to the Department Business Office for each Principal Investigator for reconciling against departmental records. PARS personnel make adjusting accounting entries to the financial accounting system for any cyclical variances in certified effort and the historical pay distribution. Permanent changes in certified effort and funding sources require a new personnel action to be processed by unit management of the unit to which the certifying party is assigned.</p> <p><u>The Personnel Activity Reporting System (PARS)</u></p> <p>The Personnel Activity Reporting System (PARS) is an after-the-fact confirmation of an employee’s activities and operates as a subsystem of the payroll system. The Office of Sponsored Research performs the central administrative functions of preparing, distributing, collecting, reviewing, and maintaining the official repository of time and effort certification reports. Academic units are responsible for obtaining appropriate certifications from departmental personnel for which a certification is required, and returning the certifications on a timely basis.</p> <p>The effort reporting process begins by communicating the actual payroll project salary source distribution to individuals required to certify. Individuals are paid based on their planned and budgeted activities, with the payroll action distribution maintained accordingly. However, actual work expended in relation to all salary sources compensating the employee for the certification period may occur differently than planned.</p> <p>Effort certification reports, referred to as PAR (Personnel Activity Reports), are preprinted displaying the salary distribution (specific pay sources and charge ratios during the certification period) for each employee compensated under a sponsored project. A percentage of a total, including all salary sources both direct and F&A, expresses each salary pay source. Total effort for an individual across all salary sources is always 100%. The certifying individual examines the salary distribution, evaluates the actual activities of the employee for the certification period, and verifies that the printed report reasonably estimates actual effort worked. Alternatively, the certifying individual adjusts the PAR by making changes to account sources and/or percentages as circumstances dictate. The changes reflect a reasonable approximation of actual activity for the certification period. A signature then certifies the report’s accuracy. Academic units then forward reports to the Office of Sponsored Research via the certifying departmental PAR Coordinator.</p>

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<p>2.5.2 Cont'd</p>	<p><u>Reconciliation to Payroll Data: CONTINUED</u></p> <p>Total effort must match the individual's total University work activity under the employee's University appointment, as compensated in the employee's institutional base salary. Institutional base salary includes the total of the employee's annual compensation received from the University for all of the employee's activity pursuant to his or her University employment. Examples of employee activities include all research, teaching, clinical practice, service and administration.</p> <p>EPA employees are paid monthly and certify effort each quarter. The printed report presents the employee's actual payroll distribution for each month on the quarterly PAR. EPA employees have four certifications per year.</p> <p>SPA employees are paid every two weeks, or 26 times per year. SPA employees certify effort every two pay periods, or 13 cycles per year. The SPA printed PAR presents the employee's actual payroll distribution for each biweekly pay period in the certification cycle.</p>
<p>2.6.0</p>	<p><u>Description of Direct Fringe Benefits Costs</u></p> <p>The benefits for which employees may be entitled are as follows:</p> <ul style="list-style-type: none"> • Retirement Programs • Insurance Programs • Miscellaneous Programs <p><u>A. Retirement Programs</u></p> <ol style="list-style-type: none"> 1. <u>The Teachers and State Employees Retirement System (TSERS)</u>, a defined benefit plan, was established and is managed under the general statutes of the State of North Carolina. Participation is mandatory for permanent SPA employees. Permanent EPA employees, consisting primarily of administrators and faculty, may elect to participate in either TSERS or the Optional Retirement Program (ORP) at the time of their appointment. 2. <u>The Law Enforcement Officers Retirement</u> is a defined benefit plan retirement program for permanent full-time law enforcement officers employed by the State of North Carolina. 3. <u>The Optional Retirement Program</u> is an alternative to the Teachers and State Employees Retirement System (TSERS) for faculty and designated senior administrators. The Optional Retirement Program includes the following providers: Fidelity Investments, the Lincoln Life Insurance Company, the Teachers Insurance Annuity Association and College Retirement Equities Fund (TIAA-CREF), and the Variable Annuity Life Insurance Company (AIG VALIC). 4. <u>Social Security and Medicare Taxes</u> are payroll-related taxes that are required to be paid by any United States or foreign entity for United States or foreign equivalents.

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<p>2.6.0 Cont'd</p>	<p><u>Description of Direct Fringe Benefits Costs: CONTINUED</u> <u>B. Insurance Programs</u></p> <ol style="list-style-type: none"> <u>State Health Plan</u> - The State Health Plan of North Carolina oversees the health benefit plans that are available to teachers, state employees, retirees and their dependents. Instituted by the State Health Plan, the Comprehensive Major Medical Plan (indemnity plan) is a self-insured program designed to provide health insurance protection for state employees. As an alternative to the Comprehensive Major Medical Plan and at no additional cost to the University, state employees were eligible to join a Preferred Provider Organization (PPO), North Carolina SmartChoice Blue Options. <u>Disability Insurance</u> - The State of North Carolina makes available the Disability Income Plan (DIP) of North Carolina for employees who participate in either the Teachers and State Employees Retirement System or the Optional Retirement Program. <u>Workers Compensation</u> - This is a self-insured program that provides salary replacement as well as medical and rehabilitation expenses associated with work-related injuries. <u>Unemployment Compensation</u> - This is a self-insured program that compensates terminated employees. <u>Severance Pay</u> - This is a program required by state statute that compensates SPA employees that are laid off after defined creditable service. <u>Postdoctoral Health Insurance</u> - This program provides coverage for full-time temporary Ph.D. postdoctoral employees. <u>House Staff Insurance Program</u> - This program provides insurance for clinical fellows and medical residents. <u>Graduate Student Health Insurance Program</u> - This program provides coverage for Research Assistants, Teaching Assistants, and Pre-Doctoral Fellow trainees. <u>Physicians & Associates Practice Plan Supplemental Benefits</u> - This program provides supplemental benefits coverage to eligible clinical faculty. Members in the plan receive benefits in addition to the standard options available to SPA, EPA non-faculty, and other EPA faculty employees. The program includes supplemental health insurance, dental insurance, retirement, life insurance, long term disability, and accidental death and dismemberment. <p><u>C. Miscellaneous Programs</u></p> <p>There are other self-supporting entities that have other benefit options and other employee-funded opportunities for voluntary participation; however, these are not charged to sponsored projects.</p>
<p>2.6.1 Revised</p>	<p><u>Method of Charging Direct Fringe Benefits</u></p> <p>For proposal budgeting purposes, the University applies a combined fringe benefit rate to cover Social Security, retirement, severance pay and other fringe benefits. This rate is applied to salaries and wages and, then, hospitalization is added to determine the fringe benefits budget. The University charges to sponsored programs based on actual costs. Experience has shown that the use of the combined rate for proposal purposes reasonably approximates actual fringe benefits costs. Health benefits are budgeted and charged based on actual costs.</p>

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<p>2.6.1 Cont'd</p>	<p><u>Method of Charging Direct Fringe Benefits: CONTINUED</u></p> <p>Sponsored project accounts are charged the applicable amount for fringe benefits that apply to the salary charged to the sponsored project. The method of charging benefits is as follows:</p> <p>A. <u>Retirement Programs</u></p> <p>1. <u>Teachers and State Employees Retirement System (TSERS), the Law Enforcement Officers Supplemental Retirement, and the Optional Retirement Program (ORP)</u></p> <p>Employer contributions for this program are assigned to the fund source in proportion to the percent effort and amount charged to that fund source. The appropriate amount is charged to the fund source and the employer contribution is deposited in a central clearing account. These amounts are then transferred to the appropriate retirement system on a monthly basis. Employer contributions are actuarially determined by the State of North Carolina.</p> <p>2. <u>Social Security Taxes</u></p> <p>Employer contributions are assigned to the fund source in proportion to the percent effort and amount charged to that fund source. The funds are remitted to the federal government each pay cycle.</p> <p>B. <u>Insurance Programs</u></p> <p>1. <u>State Health Plan and Preferred Provider Organizations</u></p> <p>The State Health Plan of North Carolina is a self-insured program designed to provide medical insurance protection for state employees. Blue Cross and Blue Shield is the claims processing contractor for the Comprehensive Major Medical Plan. The employer-provided cost of this plan is assigned to the fund source in proportion to the percent effort and amount charged to that fund source. The revenue is accumulated in a central clearing account and transferred to the contractor for coverage of the plan for the employer. The employer contribution amount is set by the State of North Carolina.</p> <p>The employer contribution for employees choosing the PPO option works the same as the State Health Plan, except that the employer contributions were recorded in a separate clearing account for each PPO.</p> <p>2. <u>Unemployment Compensation, Workers' Compensation and Short Term Disability (Composite Benefit Fund)</u></p> <p>These statutory costs have been combined into a single benefits reserve account and are charged to the fund source in proportion to the percent effort and amount charged to that fund source. The percentage is determined by an annual review of the reserve and the payout experience that the University experiences. Contributions to this reserve are only for non-state funded accounts because the State of North Carolina covers this cost for employees paid from State funds. The status of the fund is reviewed on an annual basis and carry-forward adjustments are incorporated into future rate calculations.</p> <p>3. <u>Severance Pay</u></p> <p>This requirement of the North Carolina General Assembly is also administered as a small reserve funded program. The percentage is assigned to each fund source in proportion to the percent effort and amount charged to that fund source. The percentage charged is determined by an annual review of the reserve account and the payout experience. The State of North Carolina covers this cost for employees paid from State funds, contributions to this</p>

<p align="center">COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS</p>	<p align="center">CONTINUATION SHEET PART II-DIRECT COSTS</p>
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<p>2.6.1 Cont'd</p>	<p><u>Method of Charging Direct Fringe Benefits: CONTINUED</u> reserve are required for all non-state funded accounts. The status of the fund is renewed on an annual basis and carry-forward adjustments are incorporated into future rate calculations.</p> <p><u>4. Post Doctoral Health Insurance</u></p> <p>There are two amounts charged for full-time temporary Ph.D. post-doctorates. These individuals are required to pay the Student Health Service fee (a fee that also applies to undergraduate and graduate students). In addition, the fund sources for student salaries are charged the employer contribution for the cost of the health insurance program. The amount is transferred to a central clearing account and the funds are appropriately remitted.</p> <p><u>6. Graduate Student Health Insurance</u></p> <p>Teaching Assistants, Research Assistants and Pre-Doctoral Fellow trainees that are paid more than a specified annual amount are eligible for the Graduate Student Health Insurance program. The fund sources for student salaries are charged for the cost of the health insurance program in proportion to the percent effort and amount charged to that fund source. The amount is transferred to a central account and the funds are remitted appropriately. These individuals are also required to pay the Student Health Services fee.</p>

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Description of Other Direct Costs

The principal categories of other direct costs include:

- Printing and Binding
- Equipment Repair
- Freight and Express
- Maintenance Contracts
- Miscellaneous Services
- Equipment
- Periodicals and Subscriptions
- Rent
- Computer Charges
- Subcontracts
- Contracted Services
- Traineeships
- Participant Costs
- Patient Care
- Scholarships and Fellowships (Student Aid)
- Travel
- Communications
- Advertising
- Insurance and Bonding

END OF PART

<p align="center">COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS</p>	<p align="center">PART III-INDIRECT COSTS</p>
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	<p align="center">Instructions for Part III</p> <p>Institution should disclose how the segment’s total direct costs are identified and accumulated in specific indirect cost categories and allocated to applicable indirect cost pools and service centers within each major function or activity, how service center costs are accumulated and “billed” to users, and the specific indirect cost pools and allocation bases used to calculate the indirect cost rates that are used to allocate accumulated indirect costs to Federally sponsored agreements or similar final cost objectives. A continuation sheet should be used wherever additional space is required or when a response requires further explanation to ensure clarity and understanding.</p> <p>The following Allocation Base Codes are provided for use in connection with Items 3.1.0 and 3.3.0.</p> <ul style="list-style-type: none"> A. Direct Charge or Allocation B. Total Expenditures C. Modified Total Cost Basis D. Modified Total Direct Cost Basis E. Salaries and Wages F. Salaries, Wages and Fringe Benefits G. Number of Employees (head count) H. Number of Employees (full-time equivalent basis) I. Number of Students (head count) J. Number of Students (full-time equivalent basis) K. Student Hours—classroom and work performed L. Square Footage M. Usage N. Unit of Product O. Total Production P. More than one base (Separate Cost Groupings)¹ Y. Others¹ Z. Category or Pool not applicable <p>¹List on a continuation sheet, the category and subgrouping(s) of expense involved and the allocation base(s) used</p>

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PART III-INDIRECT COSTS

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Indirect Cost Categories - Accumulation and Allocation. This item is directed at the identification, accumulation and allocation of all indirect costs of the institution. (Under the column heading, "Accumulation Method," insert "Yes" or "No" to indicate if the cost elements included in each indirect cost category are identified, recorded and accumulated in the institution's formal accounting system. If "No," describe on a continuation sheet, how the cost elements included in the indirect cost category are identified and accumulated. Under the column heading "Allocation Base," enter one of the allocation base codes A through P, Y, or Z, to indicate the basis used for allocating the accumulated costs of each indirect cost category to applicable indirect cost categories, indirect cost pools, other institutional activities, specialized service facilities and other service centers. Under the column heading "Allocation Sequence," insert 1, 2, or 3 next to each of the first three indirect cost categories to indicate the sequence of the allocation process. If cross-allocation techniques are used, insert "CA." If an indirect cost category listed in this section is not used, insert "NA.")

<u>Indirect Cost Category</u>	<u>Accumulation Method</u>	<u>Allocation Base Code</u>	<u>Allocation Sequence</u>
(a) Depreciation/Use Allowance/Interest			<u>1</u>
Building	<u>NO</u>	<u>L</u>	
Equipment	<u>NO</u>	<u>L</u>	
Capital Improvements to Land ¹	<u>NO</u>	<u>L</u>	
Interest ¹	<u>NO</u>	<u>L</u>	
(b) Operation and Maintenance	<u>YES</u>	<u>P</u>	<u>2</u>
(c) General Administration and General Expense	<u>NO</u>	<u>C</u>	<u>3</u>
(d) Departmental Administration	<u>NO</u>	<u>D</u>	
(e) Sponsored Projects Administration	<u>NO</u>	<u>D</u>	
(f) Library	<u>YES</u>	<u>P</u>	
(g) Student Administration and Services	<u>NO</u>	<u>A</u>	
(h) Other ¹	<u>NA</u>	<u>Z</u>	

¹/Describe on a Continuation Sheet

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Service Centers. Service centers are departments or functional units which perform specific technical or administrative services primarily for the benefit of other units within a reporting unit. Service Centers include "recharge centers" and the "specialized service facilities" defined in Section J of Circular A-21. (The codes identified below should be inserted on the appropriate line for each service center listed. The column numbers correspond to the paragraphs listed below that provide the codes. Explain on a Continuation Sheet if any of the services are charged to users on a basis other than usage of the services. Enter "Z" in Column 1, if not applicable.)

	(1)	(2)	(3)	(4)	(5)	(6)
(a) Scientific Computer Operations	<u>A</u>	<u>A</u>	<u>C</u>	<u>A</u>	<u>A</u>	<u>B</u>
(b) Business Data Processing	---	---	---	---	---	---
(c) Animal Care Facilities	<u>A</u>	<u>A</u>	<u>C</u>	<u>A</u>	<u>A</u>	<u>B</u>

(d) Other Service Centers with Annual Operating Budgets exceeding \$1,000,000 or that generate significant charges to Federally sponsored agreements either as a direct or indirect cost. (Specify below; use a Continuation Sheet, if necessary)

See Continuation Sheet 3.2.0

- (1) **Category Code:** Use code "A" if the service center costs are billed only as direct costs of final cost objectives; code "B" if billed only to indirect cost categories or indirect cost pools; code "C" if billed to both direct and indirect cost objectives.
- (2) **Burden Code:** Code "A" - center receives an allocation of all applicable indirect costs; Code "B" - partial allocation of indirect costs; Code "C" - no allocation of indirect costs.
- (3) **Billing Rate Code:** Code "A" - billing rates are based on historical costs; Code "B" - rates are based on projected costs; Code "C" - rates are based on a combination of historical and projected costs; Code "D" - billings are based on the actual costs of the billing period; Code "Y" - other (explain on a Continuation Sheet).
- (4) **User Charges Code:** Code "A" - all users are charged at the same billing rates; Code "B" - some users are charged at different rates than other users (explain on a Continuation Sheet).
- (5) **Actual Costs vs. Revenues Code:** Code "A" - billings (revenues) are compared to actual costs (expenditures) at least annually; Code "B" - billings are compared to actual costs less frequently than annually.
- (6) **Variance Code:** Code "A" - Annual variance between billed and actual cost are prorated to users (as credits or charges); Code "B" - variances are carried forward as adjustments to billing rate of future periods; Code "C" - annual variances are charged or credited to indirect costs; Code "Y" - other (explain on a Continuation Sheet).

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Indirect Cost Pools and Allocation Bases

(Identify all of the indirect costs pools established for the accumulation of indirect costs, excluding service centers, and the allocation bases used to distribute accumulated indirect costs to Federally sponsored agreements or similar cost objectives within each major function or activity. For all applicable indirect cost pools, enter the applicable Allocation Base Code A through P, Y, or Z, to indicate the basis used for allocating accumulated pool costs to Federally sponsored agreements or similar cost objectives.)

<u>Indirect Cost Pools</u>	<u>Allocation Base Code</u>
A. Instruction	
<u> X </u> On-Campus	<u> D </u>
<u> X </u> Off-Campus	<u> D </u>
<u> X </u> Other ¹	<u> D </u>
B. Organized Research	
<u> X </u> On-Campus	<u> D </u>
<u> X </u> Off-Campus	<u> D </u>
<u> X </u> Other ¹	<u> D </u>
C. Other Sponsored Activities	
<u> X </u> On-Campus	<u> D </u>
<u> X </u> Off-Campus	<u> D </u>
<u> X </u> Other ¹	<u> D </u>
D. Other Institutional Activities¹	<u> Z </u>

3.4.0

Composition of Indirect Cost Pools. (For each pool identified under Items 3.1.0 and 3.2.0, describe on a continuation sheet the major organizational components, subgroupings of expenses, and elements of cost included.)

1/Describe on a Continuation Sheet

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3.5.0	<p><u>Composition of Allocation Bases.</u> (For each allocation base code used in Items 3.1.0 and 3.3.0, describe on a continuation sheet the makeup of the base. For example, if a modified total direct cost base is used, specify which of the elements of direct cost identified in Part II, Direct Costs, that are included, e.g., materials, salaries and wages, fringe benefits, travel costs, and excluded, e.g., subcontract costs over first \$25,000. Where applicable, explain if service centers are included or excluded. Specify the benefiting functions and activities included. If any cost objectives are excluded from the allocation base, such cost objectives and the alternate allocation method used should be identified. If an indirect cost allocation is based on Cost Analysis Studies, identify the study, and fully describe the study methods and techniques applied, the composition of the specific allocation base used, and the frequency of each recurring study.</p>	
3.6.0	<p><u>Allocation of Indirect Costs to Programs That Pay Less Than Full Indirect Costs.</u> Are appropriate direct costs of all programs and activities included in the indirect cost allocation bases, regardless of whether allocable indirect costs are fully reimbursed by the sponsoring organizations?</p> <p>A. <u> X </u> Yes</p> <p>B. <u> </u> No¹</p>	
	<p>¹/Describe on a Continuation Sheet</p>	

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Indirect Cost Categories-Accumulation and Allocation

1. Building and Capital Improvements to Land

The capitalized costs of buildings and capital improvements to land are recorded in the University's formal accounting system with individual items listed in a separate database. To calculate depreciation for buildings, the University conducts a fixed equipment/building componentization study. Buildings are categorized as "Research – Intensive" or "Non-Research Intensive."

The following components are examined for Research-Intensive Buildings:

<u>Component</u>	<u>Component</u>
Fixed Equipment	Infrastructure
Floor Covering	Construction-Exterior
Construction-Interior	Walls Exterior
Roof Cover	Floor Structure
Building Services	Foundations
Site Preparation	Steel Frame
Roof Structure	

Non-Research Building componentization is separated into components for new construction and renovations. Building costs, building fixed equipment depreciation, and capital improvements to land are allocated according to the functions performed in each building, on a building-by-building basis. Building depreciation allocated in the cost accounting system is reconciled with building depreciation reported in the financial statements.

2. Equipment

The capitalized costs of equipment are recorded in the University's formal accounting system at the time of purchase, with individual items and their accumulated depreciation maintained in a separate database. Equipment is categorized as: University-owned, government-funded, donated, and privately owned.

Equipment depreciation allocated for F&A proposal purposes is reconciled to equipment depreciation reported in the financial statements. Depreciation of equipment purchased with federal and other sponsored funds is excluded from the F&A cost proposal calculation.

Equipment costs are allocated to individual activities based on assignable square footage, as determined by a campus-wide space survey. Non-specific *room* equipment (unidentifiable to a particular room) is allocated based on *departmental square footage* statistics, while non-specific *departmental* equipment (unidentifiable with a specific department) is allocated based on *building square footage* statistics.

3. Capital Improvements to Land

Refer to Item 3.1.0(a)(1).

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<p>3.1.0 Cont'd</p>	<p><u>Indirect Cost Categories-Accumulation and Allocation: CONTINUED</u></p> <p>4. <u>Interest</u></p> <p>Interest on bonds issued by the University to fund construction projects are recorded in the University's formal accounting system according to the purpose of the bond. An off-line analysis is performed by the controller's office to determine the interest cost associated with each building or structure.</p> <p>Interest on bonds issued by the University to fund specific construction projects, incurred during the construction phase of the project (net of associated interest income) is capitalized as part of the buildings and building improvements costs. After the construction is completed, subsequent interest is expensed in the period in which it is incurred.</p> <p>Interest costs paid by the State of North Carolina on behalf of the University and itemized in the approved state-wide cost allocation plan are accumulated by the Office of the State Treasurer and reported to the University to be included in the F&A proposal.</p> <p>Interest costs are limited to interest on construction projects completed on or after July 1, 1982 and equipment purchased on or after that date, as required by section J.22 of OMB Circular A-21.</p> <p>Interest is assigned to the benefiting buildings then allocated based on building functional activity, as determined by a campus-wide space survey.</p> <p><u>(b) Operations and Maintenance</u></p> <p>Operations and maintenance (O&M) costs are identified in the University's formal accounting system and is comprised of expenses incurred to manage, operate, and maintain facilities. O&M cost pools include campus utilities, including maintenance of state supported academic and health affairs buildings, housing auxiliary operations buildings, and the Institute of Marine Sciences satellite campus, as well as repair costs incurred by academic units, maintenance costs benefiting the campus as a whole, hazardous waste removal, and rent of buildings.</p> <p>Costs to operate campus utilities, including administration, water, sewer, gas, electricity, cogeneration/steam, and chilled water are identified and grouped respectively. First, Utility Administration costs are cross-allocated to the other utilities cost pools based upon their relative value. The utility costs are then allocated to each building based upon consumption statistics provided by the department of Energy Services. Finally, within each benefiting building utility costs are further allocated according to building functional activity, as determined by a campus-wide space survey.</p> <p>The Academic and Health O&M cost pool is comprised of costs incurred by the Facilities Services Department to operate state supported buildings housing mission operations in academic affairs and health affairs units. This cost pool is allocated to academic and health affairs state supported buildings based on building functional activity, as determined by a campus-wide space survey.</p> <p>The Auxiliary O&M cost pool contains maintenance costs to support auxiliary operations that are separately charged. This cost pool is allocated 100% to Other Institutional Activities.</p> <p>The Institute of Marine Sciences cost pool contains the maintenance costs to operate the satellite campus located in Morehead City, NC. Costs are allocated based on composite building functional activity, as determined by a campus-wide space survey.</p>

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<p>3.1.0 Cont'd</p>	<p><u>Indirect Cost Categories-Accumulation and Allocation: CONTINUED</u></p> <p>The Department Paid O&M cost pool groups maintenance costs specifically identified to and paid directly by academic departmental units. This cost pool is allocated to each department based on departmental functional activity, as determined by a campus-wide space survey.</p> <p>Campus-wide O&M contains maintenance costs that provide University wide support, primarily security and public safety for campus. This cost pool is allocated on campus-wide composite functional activity, as determined by a campus-wide space survey.</p> <p>Hazardous Waste and Remedial O&M costs are identified through Environmental Health and Safety (EH&S) departmental charges. These costs are first allocated to buildings on the basis of hazardous waste removed, then to composite functional activity within each building as determined by a campus-wide space survey.</p> <p>Rental cost pools contain rental costs for specific locations paid by the University. These costs are allocated to benefiting departments on the basis of departmental functional activity as determined by a campus-wide space survey.</p> <p>(c) <u>General Administration and General Expense</u></p> <p>Costs for the General Administration and General Expense pool are primarily identified through the formal accounting system. The approved Statewide and UNC General Administration Office Cost Allocation Plans contain additional costs allocated as General Administration and General Expense.</p> <p>General Administration expenses are allocated to the benefiting functions on the basis of modified total direct costs (MTDC) of all University activity. Costs in the Academic Affairs sub-pool are allocated to the benefiting functions on the basis of MTDC of Academic Affairs related cost groups. Costs in the Health Affairs sub-pool are allocated to the benefiting functions on the basis of MTDC for the School of Medicine and related health affairs colleges such as the School of Public Health.</p> <p>(d) <u>Departmental Administration</u></p> <p>Departmental administration expenses required to operate deans' offices are identified by the accounting system. The costs associated with administrative activities of department heads, faculty and other professional academic staff are covered by a standard allowance of 3.6 percent of modified total direct costs as specified in paragraph F.6.a (2) of OMB Circular A-21.</p> <p>This cost pool is sub-grouped based on academic departments in accordance with OMB Circular A-21 Departmental Administration documentation requirements. The methodology for allocating costs to each sub-group is outlined below:</p> <p>1. <u>Description of Direct Charge Methodology</u></p> <p>A formula driven methodology is used to calculate a portion of the Departmental Administration rate component. A unique Departmental Administration cost pool is established for each academic department. Within each of these cost pools, five separate components are calculated: 100 percent Administrative salaries and wages, direct charge equivalent (DCE) for General Support salaries and wages, 3.6 percent Faculty and Professional salaries and wages, a pro-rated share of employee benefits, and DCE for other operating supplies and expense.</p>

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<p>3.1.0 Cont'd</p>	<p><u>Indirect Cost Categories-Accumulation and Allocation: CONTINUED</u></p> <p>2. <u>Administrative and General Support Salaries and Wages</u></p> <p>The first two components, Administrative and General Support salaries and wages, are determined through a review of the institution's payroll system. Job positions for each academic department defined as professional administrative are categorized as 100 percent departmental administration.</p> <p>For each department, job positions defined as General Support (e.g. secretaries, office clerks, etc.), Faculty and Professional (e.g. professors, scientists, and researchers), and Technical are used to calculate a Direct Charge Equivalent (DCE). Professional technical positions are treated as part of the Faculty and Professional classification.</p> <p>The DCE ratio is defined as General Support salaries and wages charged to sponsored agreements divided by Faculty and Professional salaries and wages charged to sponsored agreements. The DCE ratio is computed on a department-by-department basis.</p> <p>The DCE ratio is then compared against the actual General Support salaries and wages and the actual Faculty and Professional salaries and wages (less the 3.6 percent Faculty Administrative Allowance) that have been charged to each department's general operating fund.</p> <p>When the DCE ratio is less than the ratio calculated for the general operating fund for a given department, an excess or residual of General Support salaries and wages exists within the general operating fund. This excess is treated as Departmental Administration and is transferred to the Departmental Administration cost pool. When the DCE ratio is greater than the ratio calculated for the general operating fund, no excess General Support salaries and wages exists and no transfer is made to the Departmental Administration cost pool.</p> <p>The important assumption underlying this methodology is that the General Support salaries that support the Faculty and Professional salaries within the general operating fund be in the same proportion as the General Support salaries that support the Faculty and Professional salaries for sponsored agreements.</p> <p>3. <u>Faculty and Professional Salaries and Wages</u></p> <p>The next component, Faculty and Professional (F&P) salaries and wages, is determined by taking the modified total direct costs (MTDC) less the Administrative salaries and wages, General Support salaries and wages, and all other Departmental Administration items and multiplying the result by the 3.6 percent Faculty Administrative Allowance (FAA). The salary and wage portion of F&P is then calculated by dividing the FAA by one plus the academic employee benefit rate. The resulting amount of Faculty and Professional salaries and wages is then transferred from the general operating fund to the Departmental Administration pool.</p> <p>4. <u>Employee Benefits and Other Operating Supplies and Expense</u></p> <p>The final two components, Employee Benefits and Other Operating Supplies and Expense, are determined by taking a pro-rated share of each. Employee Benefits are determined by applying the departmental benefit rate to salaries that were reclassified to the Departmental Administration pool. Other Operating Supplies and Expense are determined by using a separate DCE ratio equal to supplies and expense charged to sponsored agreements divided by all salaries and wages charged to sponsored agreements. The DCE ratio is computed on a department-by-department basis.</p>

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<p>3.1.0 Cont'd</p>	<p><u>Indirect Cost Categories-Accumulation and Allocation: CONTINUED</u></p> <p>(e) <u>Sponsored Projects Administration</u></p> <p>The expenses under this heading are limited to those incurred by units established to administer sponsored projects, including contract and grant administration, compliance, and animal and human subject review. Some costs for Sponsored Projects Administration are reclassified from other functions within the financial system in order to present cost information in the pool format prescribed by OMB Circular A-21. The approved UNC General Administration Office Cost Allocation Plan contains additional costs allocated as Sponsored Projects Administration.</p> <p>(f) <u>Library</u></p> <p>Costs to operate the University library system are identified, recorded and accumulated in the financial accounting system. A usage study is conducted to appropriately determine how total library costs are expended to support University mission objectives, including instruction and departmental research, sponsored activities, patient care, and other institutional activities.</p> <p>The usage study methodology is based upon the agreement reached between KPMG and the Department of Health and Human Services, Office of Grant and Contract Financial Management in 1986, in accordance with the cost principles for educational institutions set by the U.S. Government's Office of Management and Budget (OMB) Circular A-21, Section E.2 (d). Library usage surveys are the primary determinant of the extent to which the library system supports University objectives. Library managerial and administrative support costs are allocated to other library system operational cost centers on the basis of cost center MTDC. Library operational costs are allocated on the basis of statistically valid usage statistics as determined from the library usage study.</p> <p>(g) <u>Student Administration and Services</u></p> <p>Costs incurred to administer student affairs and services to students are identified, recorded and accumulated in the financial accounting system. Additional student services costs are contained in the approved UNC General Administration Office Cost Allocation Plan. The Student Administrative Services cost pool is allocated 100 percent to the Instruction function, as specified in OMB Circular A-21, section F.9.</p>

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**CONTINUATION SHEET
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Revised**

Service Centers

(d) Other Service Centers with Annual Operating Budgets exceeding \$1,000,000 or that generate significant charges to Federally sponsored agreements either as a direct or indirect cost.

<u>Service Center</u>	(1)	(2)	(3)	(4)	(5)	(6)
1. Tar Heel Temporary	A	A	C	A	A	B
2. Telecommunications	A	A	C	A	A	B
3. Tissue Culture Facility	A	A	C	B	A	B
4. Mail Service	A	A	C	A	A	B
5. Service and Repair	A	A	C	A	A	B
6. Electric Distribution	A	A	Y	B	A	B
7. Cogeneration	A	A	Y	A	A	B
8. Chilled Water	A	A	Y	A	A	B
9. Water and Sewer	A	A	Y	A	A	B
10. Gas	A	A	C	A	A	B
11. Utilities Storeroom	A	A	C	A	A	B
12. Materials Management	A	A	C	A	A	B
13. Printing and Duplicating	A	A	C	B	A	B
14. Department of Chemistry	A	A	C	B	A	B
15. Retrovirology Laboratory	A	A	C	B	A	B
16. DNA Sequencing Center	A	A	C	B	A	B
17. Proteomics Core Facility	A	A	C	B	A	B
18. Survey Research Unit	A	A	C	B	A	B

<p align="center">COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS</p>	<p align="center">CONTINUATION SHEET PART III-INDIRECT COSTS</p>
	<p align="center">THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL</p>
<p>Item No.</p>	<p align="center">Item description-Revision Number 2, Effective Date July 1, 2003</p>
<p>3.2.0 Cont'd</p>	<p><u>Service Centers: CONTINUED</u></p> <p>(3) Billing Rate Code: Y – Explanation</p> <p>Billing rates for utilities are based on a combination of actual, historical, and projected costs. The utility provider rate schedule is used to determine the base rate per KWH. Service rates for electricity, cogeneration (steam), chilled water, and water and sewer include a debt service portion for the recovery of principal and interest costs for bond debt based on repayment schedules. Debt service costs are eliminated before the cost of utilities are allocated based upon user consumption statistics.</p> <p>(4) User Charges Code: B - Explanation</p> <p>Commercial contractors performing services on campus pay the electric utility provider commercial rate, which is higher than the rate for all other users. Excess electricity is sold back to the utility provider based on a contracted rate. Other variance code B activities indicate that industry may be charged a higher rate than internal users. Federally sponsored agreements are treated equally to all other internal users.</p>
<p>3.3.0</p>	<p><u>Indirect Cost Pools and Allocation Bases</u></p> <p>A. Instruction</p> <p>Other – An adjacent or vicinity rate applies to activities performed within the commuting area of Chapel Hill, North Carolina, where the direct activity is supported by University administrative and library costs.</p> <p>B. Organized Research</p> <p>Other – An adjacent or vicinity rate applies to activities performed within the commuting area of Chapel Hill, North Carolina, where the direct activity is supported by University administrative and library costs.</p> <p>C. Other Sponsored Activities</p> <p>Other – An adjacent or vicinity rate applies to activities performed within the commuting area of Chapel Hill, North Carolina, where the direct activity is supported by University administrative and library costs.</p>
<p>3.4.0 Revised</p>	<p><u>Composition of Indirect Cost Pools</u></p> <p>(a) <u>Depreciation/Use Allowance/Interest</u></p> <p>1. Buildings, Fixed Equipment and Capital Improvements to Land</p> <p>The expenses under this heading are the portion of the costs of the institution’s building, capital improvements to land and buildings, and equipment, which are reported on the University’s Comprehensive Annual Financial Report (CAFR) under the categories of Buildings and Fixed Equipment, Land and Improvements, Infrastructure, Other Structures and Improvements, and Furniture and Equipment. These assets are valued at acquisition cost. Donated assets are valued at fair market value at the time of donation. The portion of the cost of an asset borne by the federal government is excluded in the proposal calculation.</p> <p>2. Equipment</p> <p>The equipment depreciation cost group is comprised of movable equipment and vehicles. Depreciation of equipment purchased with federal and other sponsored funds is excluded.</p>

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<p>Item No.</p>	<p align="center">Item description-Revision Number 2, Effective Date July 1, 2003</p>
<p>3.4.0 Cont'd</p>	<p><u>Composition of Indirect Cost Pools: CONTINUED</u></p> <p>3. Interest</p> <p>This category includes interest costs associated with building, land and improvements, and infrastructure incurred by the University, or the State of North Carolina on behalf of the University.</p> <p>(b) <u>Operations and Maintenance</u></p> <p>The Operations and Maintenance cost group consists of expenditures incurred for the administration, supervision, operation, maintenance, preservation, and protection of facilities. Expenses include housekeeping, utilities, repairs and ordinary or normal alterations, grounds keeping, maintenance and operation of buildings and other plant facilities, space and property management, security, environmental safety, and facility planning and development. The O&M cost group contains its allocable share of fringe benefits, depreciation, and interest costs.</p> <p>(c) <u>General Administration and General Expenses</u></p> <p>Expenses in this category include costs for general executive and administrative offices such as the chancellor, provost, financial administration, risk management, human resources, information technology, general council, equal opportunity and institutional research. In addition, costs incurred on behalf of the University by the State of North Carolina and the University of North Carolina General Administration Office derived from DHHS approved cost allocation agreements are included in this category. General Administration and General Expenses includes its allocable share of Operations and Maintenance, building depreciation and interest, and movable equipment.</p> <p>(d) <u>Departmental Administration</u></p> <p>This cost pool consists of the administrative costs for the deans' offices, the administrative costs for department heads, faculty, and other professional research and academic staff, and the costs for other departmental support services. The costs for departmental support services include the salaries and applicable fringe benefits of administrative and clerical staff (excluding direct charges for administrative and clerical services under the conditions discussed in Item 2.1.0 for departmental business managers, office supplies, postage, travel associated with administrative activities, etc.).</p> <p>This category also includes cross allocations from the Depreciation, Building Interest, Operations and Maintenance, and General Administration and General Expenses cost categories.</p> <p>(e) <u>Sponsored Projects Administration</u></p> <p>Sponsored Projects Administration consists of costs incurred to administer sponsored agreements and includes the costs of supervisory, managerial, and administrative activities of separate organizational or identifiable administrative units established to administer sponsored projects including the Office of Sponsored Research, the School of Medicine Sponsored Programs Office, the Office of Research Development, the Research Compliance Office and related activities, and other units reporting to the Office of the Vice Chancellor for Research. The SPA cost pool contains its allocable portion of fringe benefits, depreciation, interest, O&M, and General Administration and General Expense.</p>

<p align="center">COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS</p>	<p align="center">CONTINUATION SHEET PART III-INDIRECT COSTS</p>
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<p>Item No.</p>	<p align="center">Item description-Revision Number 2, Effective Date July 1, 2003</p>
<p>3.4.0 Cont'd</p>	<p><u>Composition of Indirect Cost Pools: CONTINUED</u></p> <p>(f) <u>Library</u></p> <p>The Library cost pool consists of expenses incurred for the operation of University libraries (Academic Affairs Libraries, Health Sciences Library and Law Library). Expenses included in this category are the costs of books, materials, and salaries and benefits. Excluded from this category are rare books and historic properties.</p> <p>The library cost group contains its allocable portion of depreciation, interest, operations and maintenance, and General Administration and General Expenses are also included in this category.</p> <p>(g) <u>Student Administration and Services</u></p> <p>The Student Administration and Services cost pool consists of costs related to the administration of student affairs and for services to students. These costs include activities for deans of students, admissions, counseling and placement, the registrar, student health, other related services, and applicable costs from the University of North Carolina General Administration cost allocation agreement.</p> <p>Cross allocations from Depreciation, Operations and Maintenance, General Administration and General Expense are included in this cost pool.</p>

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	CONTINUATION SHEET PART III-INDIRECT COSTS
	THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL
Item No.	Item description-Revision Number 2, Effective Date July 1, 2003
3.5.0 Revised	<p><u>Composition of Allocation Bases</u></p> <p>(a) <u>Depreciation Costs</u></p> <p>1. <u>Building and Capital Improvements to Land</u></p> <p>Allocation Base Code: L – Square Footage</p> <p>Building depreciation, building fixed equipment depreciation, and depreciation associated with capital improvements to land are allocated on a building by building basis to the functional activity performed in each building based upon the amount of net assignable square feet used by each function.</p> <p>Functional use for research intensive academic departments is determined on a room by room basis by conducting a space functional use survey. Academic units conducting this survey assign a usage percentage to each function performed in every room. Building depreciation associated with meeting areas, such as conference and assembly rooms, and all other departmental units where no material sponsored agreement activity is conducted, is allocated based upon the functional distribution of salaries and wages.</p> <p>2. <u>Equipment</u></p> <p>Allocation Base Code: L – Square Footage</p> <p>Moveable equipment depreciation is allocated to benefiting functions based on the functional use of space. Space usage is determined in the same manner as described in the allocation of building depreciation in item [1] of this section. Depreciation for equipment identifiable to a room is allocated on the functional use of the room. Depreciation for equipment matched at the departmental level is allocated based on departmental assignable square footage. Depreciation for equipment used in common areas is allocated on building net assignable square footage. Depreciation for vehicles is allocated on campus-wide functional space usage.</p> <p>3. <u>Capital Improvements to Land</u></p> <p>Refer to Item 3.5.0(a)(1).</p> <p>4. <u>Interest</u></p> <p>Allocation Base Code: L – Square Footage</p> <p>Interest costs are assigned to the benefiting buildings then allocated based on building functional activity, as described in the allocation of building depreciation in item [1] of this section.</p> <p>(b) <u>Operations and Maintenance</u></p> <p>Allocation Base Code: P – More Than One Base</p> <p>Operations and Maintenance (O&M) cost pools are allocated on the functional space usage of the location benefiting from the cost. For example, utilities costs are first allocated to buildings based upon building utility consumption, and second based upon space functional usage in each respective building. O&M cost pools are grouped to separately identify rented locations, centrally maintained academic affairs and health affairs buildings, buildings housing auxiliary operations directly charged for maintenance services, the Institute of Marine Sciences satellite campus located in Morehead City, NC, campus-wide maintenance and maintenance services directly charged to academic units, are allocated in a similar fashion - first to the identified location, and secondly to</p>

<p align="center">COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS</p>	<p align="center">CONTINUATION SHEET PART III-INDIRECT COSTS</p>
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<p>Item No.</p>	<p align="center">Item description-Revision Number 2, Effective Date July 1, 2003</p>
<p>3.5.0 Cont'd</p>	<p><u>Composition of Allocation Bases: CONTINUED</u></p> <p>usage within the respective location. Costs to manage and dispose of hazardous wastes are allocated based on the amount of hazardous material generated by each building.</p> <p>(c) <u>General Administration and General Expense</u></p> <p>Allocation Base Code: C – Modified Total Costs</p> <p>General Administration (GA) expenses are allocated to the benefiting functions on the basis of modified total direct costs (MTDC). MTDC consist of all salaries and wages, fringe benefits, materials and supplies, services, travel, and the first \$25,000 of each sub-grant or sub-contract. Equipment, capital expenditures, charges for patient care and tuition remission, rental costs, scholarships and fellowships, and the portion of each sub-grant or sub-contract in excess of \$25,000 are excluded from the MTDC base.</p> <p>University-wide general administrative costs are allocated on the basis of MTDC of all University activity. The academic general administration sub-pool is allocated on the basis of MTDC of academic-related cost groups. The GA cost group is allocated using the same MTDC conceptual basis as the Departmental Administration cost group, except that GA is allocated to both direct bases and the indirect cost activities of departmental administration, sponsored projects administration, student administrative services, and library, per the step-down fashion specified in OMB Circular A-21.</p> <p>(d) <u>Departmental Administration</u></p> <p>Allocation Base Code: D – Modified Total Direct Costs</p> <p>A unique Departmental Administration (DA) cost pool is established for each academic department using the Direct Charge Methodology as described in section 3.1.0(d). Each DA cost pool is allocated to the direct functions within the academic department based on the department's MTDC.</p> <p>(e) <u>Sponsored Projects Administration</u></p> <p>Allocation Base Code: D – Modified Total Direct Costs</p> <p>Sponsored Projects Administration (SPA) is allocated based upon MTDC of each sponsored base (instruction, organized research, other sponsored activity).</p> <p>(f) <u>Library</u></p> <p>Allocation Base Code: P – More Than One Base</p> <p>A library usage study is conducted to determine the extent to which the library system supports University objectives. Library managerial and administrative support costs are allocated to other library system operational cost centers on the basis of cost center MTDC. Library operational costs are allocated on the basis of statistically valid usage statistics as determined from the library usage study.</p>

<p align="center">COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS</p>	<p align="center">CONTINUATION SHEET PART III-INDIRECT COSTS</p>
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<p>Item No.</p>	<p align="center">Item description-Revision Number 2, Effective Date July 1, 2003</p>
<p>3.5.0 Cont'd</p>	<p><u>Composition of Allocation Bases: CONTINUED</u></p> <p>(g) <u>Student Administration and Services</u></p> <p>Allocation Base Code: A – Direct Charge or Allocation</p> <p>The Student Administrative Services cost pool is allocated 100 percent to the Instruction function, as specified in OMB Circular A-21, section F.9.</p> <p>(h) <u>Student Administration and Services</u></p> <p>Allocation Base Code: Z – Category or Pool Not Applicable</p> <p align="center">END OF PART</p>

**COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS**

PART IV-DEPRECIATION AND USE ALLOWANCES

**THE UNIVERSITY OF NORTH CAROLINA
AT CHAPEL HILL**

**Item
No.**

Item description-Revision Number 2, Effective Date July 1, 2003

**4.1.0
Revised**

Part IV

Depreciation Charged to Federally Sponsored Agreements or Similar Cost Objectives. (For each asset category listed below, enter a code from A through C in Column (1) describing the method of depreciation; a code from A through D in Column (2) describing the basis for determining useful life; a code from A through C in Column (3) describing how depreciation methods or use allowances are applied to property units; and Code A or B in Column (4) indicating whether or not the estimated residual value is deducted from the total cost of depreciable assets. Enter Code Y in each column of an asset category where another or more than one method applies. Enter Code Z in Column (1) only, if an asset category is not applicable)

Asset Category	Depreciation Method (1)	Useful Life (2)	Property Unit (3)	Residual Value (4)
(a) Land Improvements	<u>A</u>	<u>C</u>	<u>A</u>	<u>B</u>
(b) Buildings	<u>A</u>	<u>C</u>	<u>A</u>	<u>B</u>
(c) Building Improvements	<u>A</u>	<u>C</u>	<u>A</u>	<u>B</u>
(d) Leasehold Improvements	<u>B</u>	<u>Y</u>	<u>Y</u>	<u>Y</u>
(e) Equipment	<u>A</u>	<u>C</u>	<u>A</u>	<u>A</u>
(f) Furniture and Fixtures	<u>A</u>	<u>C</u>	<u>A</u>	<u>A</u>
(g) Automobiles and Trucks	<u>A</u>	<u>C</u>	<u>A</u>	<u>A</u>
(h) Tools	<u>A</u>	<u>C</u>	<u>A</u>	<u>A</u>
(i) Enter Code Y on this line if other asset categories are used and enumerate on a continuation sheet each such asset category and the applicable codes. Otherwise enter Code Z.)	<u>Z</u>	<u> </u>	<u> </u>	<u> </u>

Column (1) - Depreciation Method Code

- A. Straight Line
- B. Expensed at Acquisition
- C. Use Allowance
- Y. Other or more than one method¹

Column (3) - Property Unit Code

- A. Individual units are accounted for separately
- B. Applied to groups of assets with similar service lives
- C. Applied to groups of assets with varying service lives
- Y. Other or more than one method¹

Column (2) - Useful Life Code

- A. Replacement Experience
- B. Term of Lease
- C. Estimated service life
- D. As prescribed for use allowance by Office of Management and Budget Circular No. A-21
- Y. Other or more than one method¹

Column (4) - Residual Value Code

- A. Residual value is deducted
- B. Residual value is not deducted
- Y. Other or more than one method¹

¹/Describe on a Continuation Sheet

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		PART IV-DEPRECIATION AND USE ALLOWANCES
		THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL
Item No.	Item description-Revision Number 2, Effective Date July 1, 2003	
4.1.1	<u>Asset Valuations and Useful Lives.</u> Are the asset valuations and useful lives used in your indirect cost proposal consistent with those used in the institution's financial statements? (Mark one.) A. <input checked="" type="checkbox"/> Yes B. <input type="checkbox"/> No ¹	
4.2.0	<u>Fully Depreciated Assets.</u> Is a usage charge for fully depreciated assets charged to Federally sponsored agreements or similar cost objectives? (Mark one. If yes, describe the basis for the charge on a continuation sheet.) A. <input type="checkbox"/> Yes B. <input checked="" type="checkbox"/> No	
4.3.0 Revised	<u>Treatment of Gains and Losses on Disposition of Depreciable Property.</u> Gains and losses are: (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.) A. <input type="checkbox"/> Excluded from determination of sponsored agreements costs B. <input checked="" type="checkbox"/> Credited or charged currently to the same pools to which the depreciation of the assets was originally charged C. <input type="checkbox"/> Taken into consideration in the depreciation cost basis of the new items, where trade-in is involved D. <input type="checkbox"/> Not accounted for separately, but reflected in the depreciation reserve account Y. <input type="checkbox"/> Others ¹ Z. <input type="checkbox"/> Not applicable	
4.4.0	<u>Criteria for Capitalization.</u> (Enter (a) the minimum dollar amount of expenditures which are capitalized for acquisition, addition, alteration, donation and improvement of capital assets, and (b) the minimum number of expected life years of assets which are capitalized. If more than one dollar amount or number applies, show the information for the majority of your capitalized assets, and enumerate on a continuation sheet the dollar amounts and/or number of years for each category or subcategory of assets involved which differs from those for the majority of assets.) A. Minimum Dollar Amount <u>\$5,000</u> B. Minimum Life Years <u>More than one year service life</u>	
4.5.0 Revised	<u>Group or Mass Purchase.</u> Are group or mass purchases (initial complement) of similar items, which individually are less than the capitalization amount indicated above, capitalized? (Mark one.) A. <input checked="" type="checkbox"/> Yes ¹ B. <input type="checkbox"/> No	
	¹ /Describe on a Continuation Sheet	

**COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS**

**CONTINUATION SHEET
PART IV-DEPRECIATION AND USE ALLOWANCES**

**THE UNIVERSITY OF NORTH CAROLINA
AT CHAPEL HILL**

Item No.	Item description-Revision Number 2, Effective Date July 1, 2003
4.1.0	<p><u>Depreciation Charged to Federally Sponsored Agreements or Similar Cost Objectives</u></p> <p>(d) Leasehold Improvements: columns 2,3, and 4</p> <p>Leasehold improvements are expensed at acquisition. Accordingly useful life, property unit identification, and residual values for depreciation purposes are not applicable.</p>
4.4.0	<p><u>Criteria for Capitalization</u></p> <p>As the result of a mandate from the Office of the State Controller of the State of North Carolina, the University of North Carolina at Chapel Hill increased the fixed asset capitalization threshold to \$5,000 for financial statement purposes, effective June 30, 1996.</p> <p>The University increased the threshold for charging federally sponsored programs on July 1, 1998 to \$5,000.</p>
4.5.0	<p><u>Group or Mass Purchase</u></p> <p>The cost of moveable equipment is capitalized and assigned to the construction-interior component when included in overall project budgets for new construction.</p> <p style="text-align: center;">END OF PART</p>

<p align="center"> COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS </p>	<p align="center"> PART V-OTHER COSTS AND CREDITS </p>
	<p align="center"> THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL </p>
<p>Item No.</p>	<p align="center">Item description-Revision Number 2, Effective Date July 1, 2003</p>
<p>5.1.0</p>	<p><u>Method of Charging Leave Costs.</u> Do you charge vacation, sick, holiday and sabbatical leave costs to sponsored agreements on the cash basis of accounting (i.e., when the leave is taken or paid), or on the accrual basis of accounting (when the leave is earned)? (Mark applicable line(s))</p> <p>A. <u> X </u> Cash B. <u> </u> Accrual¹</p>
<p>5.2.0</p>	<p><u>Applicable Credits.</u> This item is directed at the treatment of “applicable credits” as defined in Section C of Circular A-21 and other incidental receipts (e.g., purchase discounts, insurance refunds, library fees and fines, parking fees, etc.). (Indicate how the principal types of credits and incidental receipts the institution receives are usually handled.)</p> <p>A. <u> X </u> The credits/receipts are offset against the specific direct or indirect costs to which they relate. B. <u> </u> The credits/receipts are handled as a general adjustment to the indirect pool. C. <u> </u> The credits/receipts are treated as income and are not offset against costs. D. <u> </u> Combination of methods¹ Y. <u> </u> Other¹</p>
	<p>¹/Describe on a Continuation Sheet</p>

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART VI-DEFERRED COMPENSATION AND INSURANCE COSTS
	THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL

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This part covers the measurement and assignment of costs for employee pensions, post retirement benefits other than pensions (including post retirement health benefits) and insurance. Some organizations may incur all of these costs at the main campus level or, for public institutions, at the governmental unit level, while others may incur them at subordinate organization levels. Still, others may incur a portion of these costs at the main campus level and the balance at subordinate organization levels.

Where the segment (reporting unit) does not directly incur such costs, the segment should, on a continuation sheet, identify the organizational entity that incurs and records such costs. When the costs allocated to Federally sponsored agreements are material, and the reporting unit does not have access to the information needed to complete an item, the reporting unit should require that entity to complete the applicable portions of this Part VI. (See item 4, page (i), General Instructions)

6.1.0

Pension Plans.

6.1.1

Defined-Contribution Pension Plans. Identify the types and number of pension plans whose costs are charged to Federally sponsored agreements. (Mark applicable line(s) and enter number of plans.)

<u>Type of Plan</u>	<u>Number of plans</u>
A. <input type="checkbox"/> Institution employees participate in State/Local Government Retirement Plan(s)	—
B. <input checked="" type="checkbox"/> Institution uses TIAA/CREF plan or other defined contribution plan that is managed by an organization not affiliated with the institution	<u>1</u>
C. <input type="checkbox"/> Institution has its own Defined-Contribution Plan(s) ^{1/}	—

6.1.2

Defined-Benefit Pension Plan. (For each defined-benefit plan (other than plans that are part of a State or Local government pension plan) describe on a continuation sheet the actuarial cost method, the asset valuation method, the criteria for changing actuarial assumptions and computations, the amortization periods for prior service costs, the amortization periods for actuarial gains and losses, and the funding policy.)

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		PART VI-DEFERRED COMPENSATION AND INSURANCE COSTS
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Item No.	Item description-Revision Number 2, Effective Date July 1, 2003	
6.2.0	<u>Post Retirement Benefits Other Than Pensions</u> (including post retirement health care benefits) (PRBs). (Identify on a continuation sheet all PRB plans whose costs are charged to Federally sponsored agreements. For each plan listed, state the plan name and indicate the approximate number and type of employees covered by each plan.) Z. <input type="checkbox"/> Not Applicable	
6.2.1	<u>Determination of Annual PRB Costs.</u> (On a continuation sheet, indicate whether PRB costs charged to Federally sponsored agreements are determined on the cash or accrual basis of accounting. If costs are accrued, describe the accounting practices uses, including actuarial cost method, the asset valuation method, the criteria for changing actuarial assumptions and computations, the amortization periods for prior service costs, the amortization periods for actuarial gains and losses, and the funding policy.)	
6.3.0	<u>Self-Insurance Programs (Employee Group Insurance).</u> Costs of the self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.) A. <input type="checkbox"/> When accrued (book accrual only) B. <input type="checkbox"/> When contributions are made to a nonforfeitable fund C. <input checked="" type="checkbox"/> When contributions are made to a forfeitable fund D. <input type="checkbox"/> When the benefits are paid to employee E. <input type="checkbox"/> When amounts are paid to an employee welfare plan Y. <input type="checkbox"/> Other or more than one method Z. <input type="checkbox"/> Not Applicable	
6.4.0	<u>Self-Insurance Programs (Worker's Compensation, Liability and Casualty Insurance.)</u>	
6.4.1	<u>Worker's Compensation and Liability.</u> Costs of such self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.) A. <input type="checkbox"/> When claims are paid or losses are incurred (no provision for reserves) B. <input type="checkbox"/> When provisions for reserves are recorded based on the present value of the liability C. <input type="checkbox"/> When provisions for reserves are recorded based on the full or undiscounted value, as contrasted with present value, of the liability D. <input checked="" type="checkbox"/> When funds are set aside or contributions are made to a fund Y. <input type="checkbox"/> Other or more than one method¹ Z. <input type="checkbox"/> Not Applicable	
	¹ /Describe on a Continuation Sheet	

COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS

PART VI-DEFERRED COMPENSATION AND
INSURANCE COSTS

THE UNIVERSITY OF NORTH CAROLINA
AT CHAPEL HILL

Item
No.

Item description-Revision Number 2, Effective Date July 1, 2003

6.4.2

Casualty Insurance. Costs of such self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.)

- A. When losses are incurred (no provision for reserves)
- B. When provisions for reserves are recorded based on replacement costs
- C. When provisions for reserves are recorded based on reproduction costs new less observed depreciation (market value) excluding the value of land and other indestructible.
- D. Losses are charged to fund balance with no charge to contracts and grants (no provision for reserves)
- Y. Other or more than one method¹
- Z. Not Applicable

¹/Describe on a Continuation Sheet

<p align="center">COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS</p>	<p align="center">PART VI-DEFERRED COMPENSATION AND INSURANCE COSTS: CONTINUATION SHEET</p>
	<p align="center">THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL</p>
<p>Item No.</p>	<p align="center">Item description-Revision Number 2, Effective Date July 1, 2003</p>
<p>6.1.1</p>	<p><u>Defined Contribution Plans</u></p> <p>A. <u>Supplemental retirement plans (403(b), 457, 401(k))</u> are available for any employee who is subject to Social Security (FICA) withholding. The employee authorizes the amount of paycheck reduction up to the IRS annual contribution limitation. There is no University match or expense related to these plans and, therefore, there is no charge to federally sponsored programs.</p> <p>B. <u>The Optional Retirement Program (ORP)</u> is a defined contribution plan which offers four options to the Teachers' and State Employees' Retirement System (TSERS), a defined benefit plan, for faculty and designated senior administrators. The ORP is available through four carriers- Fidelity Investments, the Lincoln Life Insurance Company, TIAA-CREF, and VALIC. The University contributions are charged to federally sponsored programs coincident with salaries.</p>
<p>6.1.2</p>	<p><u>Defined Benefit Pension Plan</u></p> <p>There are two defined benefit pension plans administered by the State of North Carolina that are available to employees:</p> <ol style="list-style-type: none"> <u>The Teachers' and State Employees' Retirement System (TSERS)</u> is mandatory for permanent employees regularly scheduled to work 30 or more hours each week (75 percent time), except for full-time law enforcement officers and employees eligible for the ORP. As set forth in Item 6.1.1.B, the TSERS is an option to the ORP for faculty and designated senior administrators and is part of the State of North Carolina government pension plan. <u>The Law Enforcement Officers Retirement</u> plan is a mandatory supplemental retirement program for permanent full-time law enforcement officers employed by the State of North Carolina.
<p>6.2.0</p>	<p><u>6.2.0 Post Retirement Benefits Other Than Pensions</u></p> <p>As part of the State of North Carolina retirement system, vested retirees receive health care through the state administered health insurance plan. Retirees and active employees share the same type of plan, except that the state plan becomes secondary for retirees once they are eligible for Medicare. Retirees have the option of the State of North Carolina Comprehensive Major Medical Plan or other approved health plans. Retiree costs are funded during their time of active employment. As such, no costs are incurred by the University during employee post-retirement. Administration at the state level controls the plan, and University employees are not segregated within the plan.</p>
<p>6.2.1</p>	<p><u>6.2.1 Determination of Annual PRB Costs</u></p> <p>The North Carolina General Assembly requires contributions from the University for the health insurance plan. The State of North Carolina receives these payments. The cash basis of accounting determines any health insurance costs charged to federally sponsored agreements. Throughout the process, no funds are retained by the University.</p>
<p>6.3.0 Revised</p>	<p><u>Self-Insurance Programs</u></p> <p><u>The Comprehensive Major Medical Plan</u> and PPO plans, available through the State of North Carolina, are voluntary for permanent employees regularly scheduled to work 20 or more hours each workweek (50 percent time). The University pays 100 percent of the cost of the Comprehensive Major Medical Plan for employees who are regularly scheduled to work 30 or more hours each workweek (75 percent time).</p>

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6.4.1	<p><u>Workers' Compensation and Liability</u></p> <p>The University is self-insured for Workers' Compensation and Liability through the State of North Carolina. There is a composite benefit rate of salary charged to all non-state fund sources to fund a reserve. Benefits such as unemployment compensation, medical expense, and short-term disability payments are charged at the time of payment.</p>	
6.4.2	<p><u>Casualty Insurance</u></p> <p>The cost of basic insurance coverage for buildings operated and maintained "solely" with State-appropriated funds and their contents is borne by the State Insurance department. The cost of insurance coverage for all other buildings and their contents is borne by the University or the specific auxiliary.</p> <p style="text-align: center;">END OF PART</p>	

<p align="center">COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS</p>	<p align="center">PART VII-CENTRAL SYSTEM OR GROUP EXPENSES</p>
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<p>Item No.</p>	<p align="center">Item description-Revision Number 2, Effective Date July 1, 2003</p>
	<p align="center">DISCLOSURE BY CENRAL SYSTEM OFFICE, OR GROUP (INTERMEDIATE ADMINISTRATION) OFFICE AS APPLICABLE</p> <p align="center">Instructions for Part VII</p> <p>This part should be completed only by the central system office or a group office of an educational system when that office is responsible for administering two or more segments, where it allocates its costs to such segments and where at least one of the segments is required to file Parts I through VI of the Disclosure Statement.</p> <p>The reporting unit (central system or group office) should disclose how costs of services provided by the reporting unit are, or will be, accumulated and allocated to applicable segments of the institution. For a central system office, disclosure should cover the entire institution. For a group office, disclosure should cover all of the subordinate organizations administered by that group office.</p> <p>7.1.0 <u>Organizational Structure</u></p> <p>On a continuation sheet, list all segments of the university or university system, including hospitals, Federally Funded Research and Development Centers (FFRDC), Government-owned Contractor-operated (GOCO) facilities, and lower-tier group offices serviced by the reporting unit.</p> <p>7.2.0 <u>Cost Accumulation and Allocation</u></p> <p>On a continuation sheet, provide a description of:</p> <ul style="list-style-type: none"> A. The services provided to segments of the university or university system (including hospitals, FFRDC'S, GOGO facilities, etc.), in brief. B. How the costs of the services are identified and accumulated. C. The basis used to allocate the accumulated costs to the benefiting segments. D. Any costs that are transferred from a segment to the central system office or the intermediate administrative office, and which are reallocated to another segment(s). If none, so state. E. Any fixed management fees that are charged to a segment(s) in lieu of a pro-rata or allocation basis and the basis of such charges. If none, so state.

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<p>7.1.0</p>	<p><u>Organizational Structure</u></p> <p>The University of North Carolina General Administration (UNC-GA) system governs the following constituent institutions:</p> <ol style="list-style-type: none"> 1. Appalachian State University 2. East Carolina University 3. Elizabeth City State University 4. Fayetteville State University 5. North Carolina A&T State University 6. North Carolina Central University 7. North Carolina School of the Arts 8. North Carolina State University 9. The University of North Carolina at Asheville 10. The University of North Carolina at Chapel Hill 11. The University of North Carolina at Charlotte 12. The University of North Carolina at Greensboro 13. The University of North Carolina at Pembroke 14. The University of North Carolina at Wilmington 15. Western Carolina University 16. Winston-Salem State University <p>The North Carolina School of Science and Mathematics located in Durham, NC is an affiliated school of the multi-campus University of North Carolina.</p> <p>The UNC-GA also appoints the governing board for UNC Health Care. The UNC Health Care system is a not-for profit integrated health care system, owned by the State of North Carolina and based in Chapel Hill, N.C..</p>
<p>7.2.0</p>	<p><u>Cost Accumulation and Allocation</u></p> <ol style="list-style-type: none"> A. The central administrative services provided include the management of the affairs and execution of the policies of the University system, including academic affairs administration, finance and budgeting, planning, student services and special programs, and research administration. B. Costs of services are identified and accumulated via a federally approved Cost Allocation Plan for Central Administrative Services. C. Allocation of accumulated costs to benefiting segments is based on direct current expenditures (net of transfers). D. None E. None <p align="center">END OF PART</p>