

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



NORTH CAROLINA DEPARTMENT OF PUBLIC INSTRUCTION

RALEIGH, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

AS OF JUNE 30, 2014 AND 2013 AND

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

A DEPARTMENT OF THE STATE OF NORTH CAROLINA



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The Taxpayers' Watchdog

STATE OF NORTH CAROLINA
Office of the State Auditor



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AUDITOR'S TRANSMITTAL

The Honorable Pat McCrory, Governor
The General Assembly of North Carolina
The State Board of Education
Dr. June St. Clair Atkinson, State Superintendent
Department of Public Instruction

We have completed a financial statement audit of the North Carolina Department of Public Instruction as of June 30, 2014 and 2013 and for the year ended June 30, 2014, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

Our consideration of internal control over financial reporting and compliance and other matters based on an audit of the financial statements disclosed a deficiency that is detailed in the Findings, Recommendations, and Responses section of this report. The Department's response is included following the finding.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

A handwritten signature in black ink that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor

AN OVERVIEW OF HOW TO USE THIS REPORT

This report provides audited financial information on the Department of Public Instruction (DPI) and is designed to provide the information at a summarized level in the beginning and more details of the information further in to the report. This report is made up of various components as listed in the Table of Contents.

The Department of Public Instruction reports financial activities in two major funds; governmental and proprietary. The governmental funds are used to report most of the activity of the Department. The proprietary fund is used to report the activity of the Public School Insurance Fund.

The financial information in the report is presented at a summarized, departmental level initially. Where some numbers need further explanation, additional detail is provided in schedules or "Notes to the Financials" and the schedules/Notes will be referenced next to the line item caption.

Required Information (Information required to be reported by a state agency per Governmental Reporting Standards):

The **Independent Auditor's Report** presents the auditor's opinion on the financial statements, which is that the financial statements, as presented, are materially correct.

The **Management's Discussion and Analysis** presents a discussion of the reasons for significant financial changes between years, is prepared by DPI and has not been audited.

"A" Exhibits present the balance sheets (for fiscal years ended June 30, 2014 and 2013) and the operating statement (for fiscal year ending June 30, 2014) for the DPI **governmental fund**.

"B" Exhibits present the balance sheets (for fiscal years ended June 30, 2014 and 2013), the operating statement (for fiscal year ending June 30, 2014), and the statement of cash flows (for the fiscal year ending June 30, 2014) for the DPI **proprietary fund**.

Notes to the Financial Statements are designed to give the reader additional information concerning DPI and further support the financial statements.

"C" Exhibits present a budget-to-actual comparison for the General Fund (for the fiscal year ending June 30, 2014) of the DPI **general fund** and a schedule of ten years' claims information for the public school insurance fund.

Supplementary Information:

"D" Schedules present details of various revenues and/or expenditures of the governmental funds as follows:

- D-1 – Revenues by Source (agrees to total revenues on Exhibit A-2)
- D-2 – Expenditures by Purpose (agrees to total expenditures on Exhibit A-2 which are presented by natural classification)

- D-3 – Further details of grants, state, and federal aid paid to LEAs/Charter Schools¹ (Agrees to Exhibit A-2)
- D-4 – Totals of grants and aid paid to LEAs (Alphabetically)
- D-5 – Totals of grants and aid paid to LEAs (Amount – largest to smallest)
- D-6 – Totals of grants and aid paid to Charter Schools (Alphabetically by County)
- D-7 – Totals of grants and aid paid to Charter Schools (Amount by County – largest to smallest)

Required Information:

The Independent Auditor's Report on Internal Control and Compliance – this report is not an opinion on internal control or compliance but rather a report on the matters related to internal control and compliance that were noted as a part of the audit of the financial statements.

¹ Local Education Agencies (LEAs) are the school districts across North Carolina. The terms are used interchangeably in this document.



Beth A. Wood, CPA
State Auditor

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

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STATE OF NORTH CAROLINA
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INDEPENDENT AUDITOR'S REPORT

The State Board of Education
and Management of the Department of Public Instruction

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the North Carolina Department of Public Instruction (Department) as of June 30, 2014 and 2013, and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental fund and proprietary fund of the North Carolina Department of Public Instruction, as of June 30, 2014 and 2013, and the respective changes in financial position for the year ended June 30, 2014 and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the major funds of the Department of Public Instruction and are not intended to present fairly the financial position of the State of North Carolina, and the results of its operations and cash flows in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements for major funds. The accompanying supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2015 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

June 19, 2015



MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis section of the North Carolina Department of Public Instruction's (Department) financial report is provided as an overview of the financial performance of the governmental fund and proprietary fund for the fiscal years ended June 30, 2014 and 2013. This discussion and analysis should be read in conjunction with the financial statements and related notes which follow this section.

Overview of the Financial Statements

The Department's financial statements are comprised of the governmental fund (General Fund) and the proprietary fund (Public School Insurance Fund). The General Fund's basic financial statements consist of the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance whereas the Public School Insurance Fund's basic financial statements consist of the Statement of Net Position; Statement of Revenue, Expenses, and Changes in Net Position; and Statement of Cash Flows.

General Fund:

- The Balance Sheet presents the governmental fund's assets and liabilities that are considered relevant to an assessment of near-term liquidity. The difference between assets and liabilities is reported as fund balance.
- The Statement of Revenues, Expenditures, and Changes in Fund Balance reports the resource flow (revenues and expenditures) of the governmental fund.

Public School Insurance Fund:

- The Statement of Net Position shows the financial position of the proprietary fund and includes all of the fund's assets, liabilities, and net position. The Statement of Net Position also provides the basis for evaluating the liquidity and financial flexibility of the fund.
- The Statement of Revenues, Expenses, and Changes in Net Position displays revenue and expense activities of the proprietary fund. The net effect of revenues and expenses rolls into net position which reflects the current year activities.
- The Statement of Cash Flows is prepared using the direct method. This statement shows the net changes in cash resulting from operating and investing activities.

Notes to the financial statements are designed to give the reader additional information concerning the Department and further supports the statements noted above.

Required Supplementary Information (RSI) follows the basic financial statements and notes to the financial statements. The RSI is mandated by the Governmental Accounting Standards Board (GASB) and includes General Fund budgetary comparison schedules reconciling the statutory to the generally accepted accounting principles fund balances at fiscal year-end and Public School Insurance Fund trend information related to funding progress and contributions.

Governmental Fund – General Fund

Condensed Balance Sheets

The following condensed balance sheets show the governmental fund's financial position at June 30, 2014 and 2013.

Balance Sheets
Governmental Fund - General Fund

| | 2014 | 2013 | Change |
|---|-----------------------|-----------------------|-----------------------|
| Assets | \$ 318,668,844 | \$ 320,631,825 | \$ (1,962,981) |
| Deferred Outflows of Resources | 0 | 0 | 0 |
| Total Assets and Deferred Outflows | <u>\$ 318,668,844</u> | <u>\$ 320,631,825</u> | <u>\$ (1,962,981)</u> |
| Liabilities | \$ 238,811,227 | \$ 219,720,882 | \$ 19,090,345 |
| Deferred Inflows of Resources | 0 | 0 | 0 |
| Fund Balance | | | |
| Nonspendable | 2,596,256 | 3,924,898 | (1,328,642) |
| Restricted | 1,710,851 | 9,014,216 | (7,303,365) |
| Committed | 278,222,510 | 272,208,629 | 6,013,881 |
| Unassigned | (202,672,000) | (184,236,800) | (18,435,200) |
| Total Fund Balance | <u>79,857,617</u> | <u>100,910,943</u> | <u>(21,053,326)</u> |
| Total Liabilities, Deferred Inflows, and Fund Balance | <u>\$ 318,668,844</u> | <u>\$ 320,631,825</u> | <u>\$ (1,962,981)</u> |

Total assets decreased by \$1.96 million compared to prior year. Cash and cash equivalents decreased \$5.13 million resulting primarily from an increase in spending for IT projects and the expiration of the federal Education Jobs grant provided through the American Recovery and Reinvestment Act. Inventories also decreased \$1.33 million over prior year. These decreases were offset by a \$5.72 million increase in intergovernmental receivables primarily relating to the Child Nutrition Program for reimbursements earned by the public school districts during the fiscal year but not received at yearend.

Total liabilities increased by \$19.09 million during the year due to an \$11.05 million increase in intergovernmental payables primarily relating to the Child Nutrition Program as explained above. Unearned revenue also increased by \$6.51 million relating to federal contract and grant funding in excess of expenditures relating to the contracts and grants.

Overall fund balance decreased by \$21.05 million with the largest decrease in unassigned fund balance (\$18.44 million) attributable to the overall current year activity – see further details on the following statement of revenues, expenditures, and changes in fund balance. Restricted fund balance decreased \$7.30 million due to the expiration of the federal Education Jobs Grant and reductions in private scholarships. Committed fund balance increased \$6.01 million relating to the receipt of \$3.71 million for repair and renovations of the residential schools and \$2.21 million in Indian Gaming Education Revenue.

Condensed Statements of Revenues, Expenditures, and Changes in Fund Balance

The following condensed statements show the governmental fund's resource flows at June 30, 2014 and 2013.

Statements of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund - General Fund

| | 2014 | 2013 | Change |
|---|------------------------|------------------------|------------------------|
| Revenues | | | |
| Federal Funds | \$ 1,501,333,277 | \$ 1,558,049,818 | \$ (56,716,541) |
| Revenues from Other State Agencies | 607,973,973 | 566,646,856 | 41,327,117 |
| Other Revenues | 26,182,329 | 24,648,637 | 1,533,692 |
| Total Revenues | <u>2,135,489,579</u> | <u>2,149,345,311</u> | <u>(13,855,732)</u> |
| Expenditures | | | |
| Grants, State and Federal Aid | 9,545,917,390 | 9,549,513,418 | (3,596,028) |
| Contracted Services | 92,765,085 | 77,851,423 | 14,913,662 |
| Personal Services | 166,422,934 | 158,754,142 | 7,668,792 |
| Supplies and Materials | 3,500,138 | 3,258,814 | 241,324 |
| Purchases for Resale | 1,558,303 | 301,529 | 1,256,774 |
| Travel | 5,510,092 | 5,301,514 | 208,578 |
| Communication | 775,037 | 845,741 | (70,704) |
| Utilities | 1,068,728 | 1,111,581 | (42,853) |
| Data Processing Services | 17,280,463 | 13,988,883 | 3,291,580 |
| Claims and Benefits | 8,153,531 | 16,708,658 | (8,555,127) |
| Other Services | 1,799,857 | 1,600,285 | 199,572 |
| Other Fixed Charges | 13,029,405 | 11,416,127 | 1,613,278 |
| Expenditures to Other State Agencies | 17,052,459 | 15,985,468 | 1,066,991 |
| Capital Outlay | 48,965,626 | 88,410,988 | (39,445,362) |
| Scholarships | 910,023 | 707,079 | 202,944 |
| Insurance | 2,634,561 | 3,132,799 | (498,238) |
| Other Expenditures | 2,446,869 | 4,712,828 | (2,265,959) |
| Total Expenditures | <u>9,929,790,501</u> | <u>9,953,601,277</u> | <u>(23,810,776)</u> |
| Excess Expenditures over Revenues | <u>(7,794,300,922)</u> | <u>(7,804,255,966)</u> | <u>9,955,044</u> |
| Other Financing Sources | | | |
| State Appropriations | 7,771,435,673 | 7,740,033,167 | 31,402,506 |
| Sale of Capital Assets | 1,459,074 | 2,968,074 | (1,509,000) |
| Insurance Recoveries | 352,849 | 134,151 | 218,698 |
| Total Other Financing Sources | <u>7,773,247,596</u> | <u>7,743,135,392</u> | <u>30,112,204</u> |
| Decrease in Fund Balance | <u>(21,053,326)</u> | <u>(61,120,574)</u> | <u>40,067,248</u> |
| Fund Balance - Beginning of Year | <u>100,910,943</u> | <u>162,031,517</u> | <u>(61,120,574)</u> |
| Fund Balance - End of Year | <u>\$ 79,857,617</u> | <u>\$ 100,910,943</u> | <u>\$ (21,053,326)</u> |

Total revenues were \$2.14 billion at June 30, 2014, a decrease of \$13.86 million from prior year. Federal funding decreased \$56.72 million relating to the expiration of certain American Recovery and Reinvestment Act grants. The decrease in federal funding was offset by a \$41.33 million increase in revenues from other state agencies primarily due to increased funding from the Civil Fines and Penalties Fund. Other revenues increased slightly over prior year primarily due to increased funding for the telecommunications and internet access

program as more public school districts and charter schools obtained bundled internet access including additional bandwidth capacity through the Department's contract with Information Technology Services.

Expenditures decreased \$23.81 million compared to prior year. Capital outlay expenditures decreased \$39.45 million due to a reduction in the purchase of new school buses for the public school districts. Expenditures for claims and benefits decreased \$8.56 million resulting from a reduction of unemployment compensation payments in 2014. Contracted services increased \$14.91 million due to the development of the Instructional Improvement System along with the student information system (PowerSchool). Personal services increased \$7.67 million due to increased workers' compensation claims and staffing needs related to the Race to the Top initiatives.

Other financing sources increased \$30.11 million primarily due to increased state appropriations of \$31.40 million.

Budget Variations

Data for the budget variances is presented in Schedule C-1: Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Budgetary Basis – Non-GAAP) of this report.

Variances – Certified and Authorized Budget:

The final authorized budgeted revenues and expenditures were \$587.29 million and \$743.88 million, respectively, less than the original certified budget. The decreases are primarily comprised of the \$602.02 million decrease in federal funds. Generally, the variances between certified and authorized budget are attributable to the timing and length of the budget preparation process and the budgeting of federal funds for the fiscal year. The certified budget for fiscal year 2013-14 was prepared approximately 18 months prior to the authorized budget. The authorized budget reflects all budget revisions made throughout the fiscal year to adjust for known facts as well as supplemental adjustments approved by the General Assembly. Consequently, when the certified budget is compared to the authorized budget, it would be expected that significant variances can occur.

Additional factors leading to variances between the original certified and final authorized budget in fiscal year 2014 include: unanticipated decreased funding in state aid for schools, transferring funds for communication services, and allocating capital outlay for textbooks and school buses.

Variances – Authorized Budget and Actual Results:

Actual total revenues were \$519.15 million less than budgeted revenue amounts. Likewise, actual total expenditures were \$742.29 million less than budgeted expenditures. Budgeted revenues and expenditures were unrealized mostly due to a \$516.97 million decrease in federal funds received. Variances occur between the budget and actual federal funds because actual federal fund receipts are reflective of the actual expenditures. Therefore, if qualifying federal costs are not incurred, the actual receipt of federal funds could be significantly less than the budget.

Other factors leading to unrealized budgeted expenditures include: less contracted services needed for the public school kindergarten assessment testing, vacant personnel positions, and reduced capital outlay for textbooks and school buses.

Proprietary Fund – Public School Insurance Fund

Condensed Statements of Net Position

The following condensed statements of net position show the proprietary fund's financial position at June 30, 2014 and 2013.

Statements of Net Position
Proprietary Fund - Public School Insurance Fund

| | 2014 | 2013 | Change |
|--------------------------------|----------------------|----------------------|---------------------|
| Assets | | | |
| Current Assets | \$ 95,264,409 | \$ 90,005,639 | \$ 5,258,770 |
| Deferred Outflows of Resources | 0 | 0 | 0 |
| Liabilities | | | |
| Current Liabilities | 9,473,698 | 10,496,876 | (1,023,178) |
| Noncurrent Liabilities | 89,414 | 92,767 | (3,353) |
| Total Liabilities | 9,563,112 | 10,589,643 | (1,026,531) |
| Deferred Inflows of Resources | 0 | 0 | 0 |
| Net Position | | | |
| Unrestricted | <u>\$ 85,701,297</u> | <u>\$ 79,415,996</u> | <u>\$ 6,285,301</u> |

Total assets were \$95.26 million at June 30, 2014, an increase of \$5.26 million compared to prior year. Cash and cash equivalents increased \$6.38 million due to the collection of reinsurance recoveries from previous year tornado losses. Investments increased \$3.99 million as the result of increased market conditions. These increases were offset by a \$4.43 million decrease in receivables relating primarily to reinsurance recoveries received during the year. Total liabilities decreased slightly from prior year. Claims payable increased \$1.01 million due to increased claims during the year while unearned revenue decreased \$2.04 million relating to the reduction of total insured values held by the Fund.

Net position increased \$6.29 million from the prior year primarily as the result of \$4.07 million investment earnings. For further information on the changes, see the following statement of revenues, expenses, and changes in net position.

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

While the combined statements of net position show the financial position of the proprietary fund, the following condensed statements of revenues, expenses, and changes in net position provides answers to the nature and source of changes in net position for the years ended June 30, 2014 and 2013:

 Statements of Revenues, Expenses, and Changes in Net Position
 Proprietary Fund - Public School Insurance Fund

| | 2014 | 2013 | Change |
|--|----------------------|----------------------|---------------------|
| Operating Revenues | | | |
| Insurance Premiums | \$ 13,513,503 | \$ 14,506,868 | \$ (993,365) |
| Adjustment to Estimated Claims Liability | | 2,557,670 | (2,557,670) |
| Total Operating Revenues | 13,513,503 | 17,064,538 | (3,551,035) |
| Operating Expenses | | | |
| Personal Services | 633,114 | 644,011 | (10,897) |
| Supplies and Materials | 1,150 | 2,081 | (931) |
| Capital Outlay | | 7,268 | (7,268) |
| Travel | 54,389 | 55,157 | (768) |
| Communication | 1,908 | 1,985 | (77) |
| Claims | 6,289,573 | | 6,289,573 |
| Insurance | 4,313,313 | 4,502,426 | (189,113) |
| Other | 4,695 | 3,474 | 1,221 |
| Total Operating Expenses | 11,298,142 | 5,216,402 | 6,081,740 |
| Operating Income | 2,215,361 | 11,848,136 | (9,632,775) |
| Nonoperating Revenues (Expenses) | | | |
| Investment Earnings (Loss) | 4,069,940 | (684,890) | 4,754,830 |
| Increase in Net Position | 6,285,301 | 11,163,246 | (4,877,945) |
| Net Position - Beginning of Year | 79,415,996 | 68,252,750 | 11,163,246 |
| Net Position - End of Year | \$ 85,701,297 | \$ 79,415,996 | \$ 6,285,301 |

Operating revenues decreased \$3.55 million primarily due to a favorable development in the provisions for insured events that was recognized in the prior year. Insurance premiums decreased slightly due to a decrease in insured values.

Total operating expenses increased \$6.08 million compared to prior year primarily due to a \$6.29 million increase in claims expense for losses incurred during fiscal year 2014. The increase was primarily due to wind storm and fire losses in Carteret County (\$3.78 million) and other fire and water damage losses in Alamance, Harnett, and Moore Counties (\$1.33 million).

With increased market conditions, the Department experienced investment earnings of \$4.07 million compared to investment losses of \$685 thousand in the prior year.

Future Outlook

In 2014 the General Assembly made adjustments to the second year of the General Fund biennial budget (i.e., fiscal year 2014-15). The initial biennial budget was enacted during the previous legislative session.

Changes over the last few years within the Department of Public Instruction have rendered it with fewer staff and resources to provide services and ensure compliance with all applicable requirements. Going forward, the Department will continue to work diligently and efficiently to meet expectations in all areas of its work.



FINANCIAL STATEMENTS

**North Carolina Department of Public Instruction
Balance Sheet
Governmental Fund - General Fund
As of June 30, 2014 and 2013**

Exhibit A-1

| | <u>2014</u> | <u>2013</u> |
|---|-----------------------|-----------------------|
| ASSETS | | |
| Cash and Cash Equivalents (Note 2) | \$ 279,428,749 | \$ 284,558,117 |
| Receivables: | | |
| Accounts Receivable | 127,976 | 127,199 |
| Intergovernmental Receivables (Note 3) | 29,242,684 | 23,520,615 |
| Interest Receivable | 2,498,078 | 3,158,095 |
| Other Receivables | 129,567 | 118,386 |
| Inventories | 2,596,256 | 3,924,898 |
| Notes Receivable, Net (Note 4) | 4,645,534 | 5,224,515 |
| | <u>318,668,844</u> | <u>320,631,825</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Total Deferred Outflows of Resources | <u>0</u> | <u>0</u> |
| Total Assets and Deferred Outflows | <u>\$ 318,668,844</u> | <u>\$ 320,631,825</u> |
| LIABILITIES | | |
| Accounts Payable and Accrued Liabilities: | | |
| Accounts Payable | \$ 6,830,154 | \$ 5,098,752 |
| Accrued Payroll | 109,160 | 327,704 |
| Intergovernmental Payables (Note 6) | 209,032,312 | 197,977,514 |
| Funds Held for Others | 34,184 | 23,330 |
| Unearned Revenue | 22,805,417 | 16,293,582 |
| | <u>238,811,227</u> | <u>219,720,882</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Total Deferred Inflows of Resources | <u>0</u> | <u>0</u> |
| FUND BALANCE (Note 9) | | |
| Nonspendable | 2,596,256 | 3,924,898 |
| Restricted | 1,710,851 | 9,014,216 |
| Committed | 278,222,510 | 272,208,629 |
| Unassigned | <u>(202,672,000)</u> | <u>(184,236,800)</u> |
| Total Fund Balance | <u>79,857,617</u> | <u>100,910,943</u> |
| Total Liabilities, Deferred Inflows, and Fund Balance | <u>\$ 318,668,844</u> | <u>\$ 320,631,825</u> |

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

**North Carolina Department of Public Instruction
Statement of Revenues, Expenditures, and
Changes in Fund Balance
Governmental Fund - General Fund
For the Fiscal Year Ended June 30, 2014**

Exhibit A-2

| | 2014 | (Unaudited) 2013 |
|--|------------------------|-----------------------------|
| REVENUES | | |
| Federal Funds | \$ 1,501,333,277 | \$ 1,558,049,818 |
| Revenues from Other State Agencies (Note 10) | 607,973,973 | 566,646,856 |
| Contributions, Gifts, and Grants | 8,285,648 | 4,837,093 |
| E Rate Telecommunication and Internet Access Program Funds | 7,954,999 | 4,172,241 |
| Sales and Services | 3,359,059 | 5,629,193 |
| Licensure Certification and Registration Fees | 2,997,376 | 3,111,849 |
| Property and Equipment Rental | 1,848,550 | 2,212,199 |
| Investment Earnings | 899,311 | 2,380,859 |
| Student Tuition and Fees | 374,625 | 319,323 |
| Miscellaneous | 462,761 | 1,985,880 |
| | <u>2,135,489,579</u> | <u>2,149,345,311</u> |
| EXPENDITURES | | |
| Grants, State and Federal Aid (See Schedule D-3) | 9,545,917,390 | 9,549,513,418 |
| Contracted Services | 92,765,085 | 77,851,423 |
| Personal Services | 166,422,934 | 158,754,142 |
| Supplies and Materials | 3,500,138 | 3,258,814 |
| Purchases for Resale | 1,558,303 | 301,529 |
| Travel | 5,510,092 | 5,301,514 |
| Communication | 775,037 | 845,741 |
| Utilities | 1,068,728 | 1,111,581 |
| Data Processing Services | 17,280,463 | 13,988,883 |
| Claims and Benefits | 8,153,531 | 16,708,658 |
| Other Services | 1,799,857 | 1,600,285 |
| Other Fixed Charges | 13,029,405 | 11,416,127 |
| Expenditures to Other State Agencies (Note 10) | 17,052,459 | 15,985,468 |
| Capital Outlay | 48,965,626 | 88,410,988 |
| Scholarships | 910,023 | 707,079 |
| Insurance | 2,634,561 | 3,132,799 |
| Other Expenditures | 2,446,869 | 4,712,828 |
| | <u>9,929,790,501</u> | <u>9,953,601,277</u> |
| Total Expenditures (See Schedule D-2) | <u>9,929,790,501</u> | <u>9,953,601,277</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(7,794,300,922)</u> | <u>(7,804,255,966)</u> |
| OTHER FINANCING SOURCES | | |
| State Appropriations | 7,771,435,673 | 7,740,033,167 |
| Sale of Capital Assets | 1,459,074 | 2,968,074 |
| Insurance Recoveries | 352,849 | 134,151 |
| | <u>7,773,247,596</u> | <u>7,743,135,392</u> |
| Total Other Financing Sources | <u>7,773,247,596</u> | <u>7,743,135,392</u> |
| Net Change in Fund Balance | (21,053,326) | (61,120,574) |
| Fund Balance - Beginning of Year | <u>100,910,943</u> | <u>162,031,517</u> |
| Fund Balance - End of Year | <u>\$ 79,857,617</u> | <u>100,910,943</u> |

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

**North Carolina Department of Public Instruction
Statement of Net Position
Proprietary Fund - Public School Insurance Fund
As of June 30, 2014 and 2013**

Exhibit B-1

| | <u>2014</u> | <u>2013</u> |
|---|----------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents (Note 2) | \$ 19,259,360 | \$ 12,879,752 |
| Pooled Investments (Note 2) | 69,833,908 | 65,847,820 |
| Receivables: | | |
| Reinsurance Receivable | 1,717,305 | 4,654,011 |
| Premiums Receivable | 1,530,553 | 3,026,162 |
| Interest Receivable | 6,810 | 3,983 |
| Prepaid Reinsurance | 2,916,473 | 3,593,911 |
| Total Assets | <u>95,264,409</u> | <u>90,005,639</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Total Deferred Outflows of Resources | <u>0</u> | <u>0</u> |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable and Accrued Liabilities: | | |
| Accounts Payable | 745 | 3,419 |
| Intergovernmental Payables (Note 6) | 6,599 | 1,250 |
| Claims Payable (Note 13) | 5,496,213 | 4,487,583 |
| Accrued Payroll | 1,177 | 1,313 |
| Unearned Revenue | 3,960,700 | 5,996,819 |
| Compensated Absences (Note 7) | 8,264 | 6,492 |
| Total Current Liabilities | <u>9,473,698</u> | <u>10,496,876</u> |
| Noncurrent Liabilities: | | |
| Compensated Absences (Note 7) | <u>89,414</u> | <u>92,767</u> |
| Total Liabilities | <u>9,563,112</u> | <u>10,589,643</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Total Deferred Inflows of Resources | <u>0</u> | <u>0</u> |
| NET POSITION | | |
| Unrestricted | <u>\$ 85,701,297</u> | <u>\$ 79,415,996</u> |

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

**North Carolina Department of Public Instruction
Statement of Revenues, Expenses, and
Changes in Net Position
Proprietary Fund - Public School Insurance Fund
For the Fiscal Year Ended June 30, 2014**

Exhibit B-2

| | 2014 | (Unaudited) 2013 |
|---|----------------------|-----------------------------|
| REVENUES | | |
| Operating Revenues: | | |
| Insurance Premiums | \$ 13,513,503 | \$ 14,506,868 |
| Adjustment to Estimated Claims Liability | | 2,557,670 |
| Total Operating Revenues | <u>13,513,503</u> | <u>17,064,538</u> |
| EXPENSES | | |
| Operating Expenses: | | |
| Personal Services | 633,114 | 644,011 |
| Supplies and Materials | 1,150 | 2,081 |
| Capital Outlay | | 7,268 |
| Travel | 54,389 | 55,157 |
| Communication | 1,908 | 1,985 |
| Claims | 6,289,573 | |
| Insurance | 4,313,313 | 4,502,426 |
| Other | 4,695 | 3,474 |
| Total Operating Expenses | <u>11,298,142</u> | <u>5,216,402</u> |
| Operating Income | 2,215,361 | 11,848,136 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Investment Earnings (Loss) | <u>4,069,940</u> | <u>(684,890)</u> |
| Increase in Net Position | 6,285,301 | 11,163,246 |
| Net Position - Beginning of Year, as Restated (Note 15) | <u>79,415,996</u> | <u>68,252,750</u> |
| Net Position - End of Year | <u>\$ 85,701,297</u> | <u>\$ 79,415,996</u> |

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

**North Carolina Department of Public Instruction
Statement of Cash Flows
Proprietary Fund - Public School Insurance Fund
For the Fiscal Year Ended June 30, 2014**

Exhibit B-3

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|------------------|
| Received from Customers | \$ 12,972,993 |
| Payments to Employees and Fringe Benefits | (634,831) |
| Payments to Suppliers | (3,695,342) |
| Payments for Claims | (2,344,237) |
| | <u>6,298,583</u> |
| Net Cash Provided by Operating Activities | <u>6,298,583</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|---------------|
| Investment Income | 3,183,754 |
| Purchase of Investments and Related Fees | (3,102,729) |
| | <u>81,025</u> |
| Net Cash Provided by Investing Activities | <u>81,025</u> |

| | |
|---|----------------------|
| Net Increase in Cash and Cash Equivalents | 6,379,608 |
| Cash and Cash Equivalents, July 1, 2013 | <u>12,879,752</u> |
| Cash and Cash Equivalents, June 30, 2014 | <u>\$ 19,259,360</u> |

**RECONCILIATION OF OPERATING INCOME
TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

| | |
|---|---------------------|
| Operating Income | \$ 2,215,361 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | |
| Changes in Assets and Liabilities: | |
| Reinsurance Receivable | 2,936,706 |
| Premiums Receivable | 1,495,609 |
| Prepaid Reinsurance | 677,438 |
| Accounts Payable | (2,674) |
| Intergovernmental Payable | 5,349 |
| Claims Payable | 1,008,630 |
| Accrued Payroll | (136) |
| Unearned Revenue | (2,036,119) |
| Compensated Absences | (1,581) |
| | <u>6,298,583</u> |
| Net Cash Provided by Operating Activities | <u>\$ 6,298,583</u> |

NONCASH INVESTING ACTIVITIES

| | |
|-------------------------------------|------------|
| Change in Fair Value of Investments | \$ 883,359 |
|-------------------------------------|------------|

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



NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization** – The North Carolina Department of Public Instruction (Department) is a part of the State of North Carolina and is not a separate legal or reporting entity. The Department is charged with implementing the state's public school laws and the State Board of Education's policies and procedures governing pre-kindergarten through 12th grade public education. The Department provides leadership and service to the 115 local public school districts, 130 charter schools, and the three residential schools for students with hearing and visual impairments. The areas of support include curriculum and instruction, accountability, finance, teacher and administrator preparation and licensing, professional development and school business support and operations.

The Department is governed by the State Board of Education which consists of the Lieutenant Governor, the State Treasurer, and 11 members appointed by the Governor. The elected State Superintendent of Public Instruction leads the Department and functions under the policy direction of the Board.

- B. Financial Reporting Entity** – The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The Department is a part of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

The accompanying financial statements present all funds belonging to the Department. The Department's accounts and transactions are included in the State's *Comprehensive Annual Financial Report* as part of the State's governmental funds and proprietary funds.

- C. Basis of Presentation** - The Department's records are maintained on a cash basis throughout the year, but adjustments are made at the end of the fiscal year to convert to GAAP for government entities. The financial statements are prepared according to GAAP as follows:

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Boards (GASB). GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* requires the presentation of both government-wide and fund level financial statements. The financial statements presented are

governmental fund and proprietary fund financial statements of the Department. Because the Department is not a separate entity, government-wide financial statements are not prepared.

The fund financial statements provide information about the Department's funds. The emphasis of fund financial statements is on major governmental funds and proprietary funds, each displayed in a separate exhibit.

The Department's financial statements consist of the following major funds:

General Fund – This is the Department's primary operating fund. It accounts for all financial resources of the Department, except those that are required to be accounted for in another fund.

Public School Insurance Fund – This proprietary fund accounts for the activities of the Public School Insurance Fund (the Fund). The purpose of the Fund is to manage and operate an insurance fund for public school property. The Fund insures the property assets of North Carolina public schools and those North Carolina community colleges that elect to participate. The Fund is financed by premiums collected from the public school districts and community colleges. The Fund currently insures 88 out of 115 public school districts and 31 out of 58 community colleges.

D. Measurement Focus and Basis of Accounting

Governmental Fund – Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The operating statement presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of general long-term debt are reported as other financing sources.

Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within 31 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, except for compensated absences, workers' compensation, and financing agreements, which are recognized as expenditures when payment is due.

Since capital asset and long-term liability accounts relating to the governmental fund are reported only at the statewide level, these

amounts are not included in the Department's governmental fund financial statements. However, these amounts are reported in the Notes to the Financial Statements.

Proprietary Fund – Proprietary fund financial statements are prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the Department receives (or gives) value without directly giving (or receiving) equal value in exchange, include investment earnings (or losses). Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

The preparation of financial statements, in conformity with GAAP, requires management of the Department to make estimates and judgments that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and the disclosures and contingencies at the date of the financial statements and revenues and expenditures recognized during the reporting period. Actual results could differ from those estimates. Should actual results differ from those estimates, changes will be flown through the financial statements during the year of change and will be disclosed, if material.

- E. Cash and Cash Equivalents** - This classification includes deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.
- F. Investments** – Investments generally are reported at fair value, as determined by quoted market prices or estimated amounts determined by management if quoted market prices are not available. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.
- G. Receivables** – Receivables consist of amounts that have arisen in the ordinary course of business. Receivables are reported at book value with no provision for doubtful accounts considered necessary.

Receivables for the governmental fund also include amounts due from the federal government in connection with the reimbursement of allowable expenditures for qualified meals under the child nutrition program, local school districts for purchases of instructional materials, and the North Carolina Lottery Fund for the digital learning initiative.

Receivables for the proprietary fund also include insurance premiums due from insured schools and reinsurance due from third party providers. The Department purchases reinsurance for claims paid in excess of \$10,000,000 per occurrence (see Note 13 for further information).

- H. **Notes Receivable** – Notes receivable consist of the Teaching Fellows Loan Program which is administered by the North Carolina State Education Assistance Authority. Loans are forgiven if program borrowers teach in North Carolina schools for four years. Notes receivable are reported net of the amount that is expected to be forgiven upon the fulfillment of the borrowers' teaching obligation.
- I. **Inventories and Prepaid Items** – Inventories, consisting of general supplies and materials, are valued at cost using the first-in, first-out (FIFO) method. Inventories of the governmental fund are recorded as expenditures when consumed rather than when purchased.

Prepaid reinsurance for the proprietary fund represents the portion of reinsurance coverage related to future periods.

- J. **Intergovernmental Payables** – Intergovernmental payables for the governmental fund represent accrued payroll for state-funded school teachers and amounts due to the schools in connection with the federal child nutrition program for qualified meals. Intergovernmental payables for the proprietary fund represent amounts due to other state agencies for services provided.
- K. **Unearned Revenue** – Unearned revenue for the governmental fund represents the cumulative excess of cash received from the federal government over expenditures paid in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Unearned revenue for the proprietary fund represents insurance premiums paid by schools for coverage relating to future periods.
- L. **Long-Term Liabilities** – Long-term liabilities reported in the proprietary fund include compensated absences. The noncurrent portion represents amounts that will not be paid within the next fiscal year.
- M. **Compensated Absences** - Employees of the Department are permitted to accumulate earned but unused vacation pay benefits. All vacation pay is accrued when incurred in the propriety fund. In the governmental fund, a liability for these amounts is reported only as payments come due each period upon the occurrence of relevant events such as employee resignations and retirements. Consequently, compensated absence balances are not reported on the face of the governmental fund financial statements but are reported in the Notes to the Financial Statements. When determining the vacation pay liability due within one year, leave is considered taken on a last in, first out (LIFO) basis. The Department's policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. Also, any

accumulated vacation leave in excess of 30 days at calendar year end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on December 31 is retained by employees and transferred into the next calendar year. It is not part of the 30 day maximum applicable to regular vacation leave and is not subject to conversion to sick leave.

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

N. Net Position / Fund Balance

Net Position – Net position for the proprietary fund is classified as unrestricted and includes resources derived from insurance premiums and investment earnings.

Fund Balance – Fund balance for the governmental fund is reported in the following classifications depicting the relative strength of the constraints that control how specific amounts can be spent.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balances have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions.

Committed fund balances can only be used for specific purposes pursuant to constraints imposed by formal action of the N.C. General Assembly, the state's highest level of decision-making authority. The N.C. General Assembly establishes commitments through the passage of legislation that becomes State law. Commitments may be changed or lifted only by taking the same formal action that imposed the constraint originally.

Assigned fund balances are constrained by an intent to be used for specific purposes, but are neither restricted nor committed. The Office of State Budget and Management (OSBM) is authorized to assign unexpended funds at year-end as a carryforward of budget authority to

the subsequent fiscal year. The North Carolina Constitution (Article III, Sec. 5(3)) provides that the "budget as enacted by the General Assembly shall be administered by the Governor." The Governor has delegated the authority to perform certain powers and duties of this role as the Director of the Budget to OSBM.

Unassigned fund balance is the residual classification for the General Fund. Other governmental funds cannot report positive unassigned fund balance but can report negative unassigned fund balance if expenditures incurred for specific purposes exceeded the amounts restricted or committed to those purposes.

Expenditures are considered to be made from the most restrictive resource (i.e., restricted, committed, assigned, and unassigned in that order) when more than one fund balance classification is available for use.

O. Revenues and Expenditures from/ to Other State Agencies – Revenues and Expenditures from/ to Other State Agencies for the governmental fund represent funds that the Department obtains from or transfers to other agencies, institutions, or entities within the State of North Carolina. These transfers are not considered other financing sources or uses per GAAP, nor are they considered interfund transfers. These revenues and expenditures are eliminated at the statewide reporting level in the State's *Comprehensive Annual Financial Report*.

P. Revenues and Expenses – The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing insurance coverage as the proprietary fund's principal ongoing operation. Operating revenues result from an exchange transaction, the receipt of insurance premiums in exchange for insuring covered property. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues, such as investment earnings, result from nonexchange transactions.

Q. Claims Expense – The Public School Insurance Fund establishes provisions for insured events based on estimates of the ultimate cost of claims. Provisions for insured events ordinarily result in expense. On occasion, developments in the provisions for insured events may require an adjustment to the previously recorded estimated liability. In any year where the amount of these developments results in negative expense, those amounts will be reclassified to income as Adjustment to Estimated Claims Liability for presentation purposes.

NOTE 2 - DEPOSITS AND INVESTMENTS

Unless specifically exempt, the Department is required by *North Carolina General Statute 147-77* to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. General Statute 147-69.1, applicable to the General Fund and General Statute 147-69.2, applicable to the Public School Insurance Fund, authorize the State Treasurer to invest all deposits in the following: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; specified repurchase agreements; obligations of the State of North Carolina; certificates of deposit and other deposit accounts of specified financial institutions; prime quality commercial paper; asset-backed securities with specified ratings, specified bills of exchange or time drafts, and corporate bonds/notes with specified ratings; general obligations of other states; general obligations of North Carolina local governments; and obligations of certain entities with specified ratings.

The North Carolina Administrative Code (20 NCAC 7) requires all depositories to collateralize public deposits in excess of federal depository insurance coverage by using one of two methods, dedicated or pooled. Under the dedicated method, a separate escrow account is established by each depository in the name of each local governmental unit and the responsibility of monitoring collateralization rests with the local unit. Under the pooling method, each depository establishes an escrow account in the name of the State Treasurer to secure all of its public deposits. This method shifts the monitoring responsibility from the local unit to the State Treasurer.

Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be returned to it. As of June 30, 2014 and 2013, the Department's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

At June 30, 2014 and 2013, the governmental fund's Balance Sheet reported cash and cash equivalents of \$279,428,749 and \$284,558,117, respectively. The proprietary fund's Statement of Net Position reported cash and cash equivalents of \$19,259,360 and \$12,879,752, respectively, for the same dates. These amounts represent the Department's equity position in the State Treasurer's Short-Term Investment portfolio (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 1.3 years and 1.6 years as of June 30, 2014 and 2013, respectively. Assets and shares of the STIF are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

At June 30, 2014 and 2013, the amounts shown on the proprietary fund's Statement of Net Position as pooled investments, \$69,833,908 and \$65,847,820, respectively, represent the Department's equity position in the State Treasurer's Long-Term Investment Portfolio (LTIP). The LTIP (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 16.3 years and 15.9 years at June 30, 2014 and 2013, respectively. Assets and shares of the LTIP are valued at fair market value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's LTIP) are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables for the governmental fund at June 30, 2014 and 2013 were as follows:

| | <u>2014</u> | <u>2013</u> |
|-------------------------------------|----------------------|----------------------|
| Intergovernmental Receivables: | | |
| Child Nutrition Program | \$ 23,581,923 | \$ 14,516,955 |
| Local School Districts | 5,660,761 | 6,021,476 |
| NC Lottery Fund | | <u>2,982,184</u> |
| Total Intergovernmental Receivables | <u>\$ 29,242,684</u> | <u>\$ 23,520,615</u> |

NOTE 4 - NOTES RECEIVABLE

Notes receivable for the governmental fund at June 30, 2014 and 2013 were as follows:

| | <u>2014</u> | <u>2013</u> |
|-------------------------------------|---------------------|---------------------|
| Notes Receivable: | | |
| Teaching Fellows Loan Program | \$ 51,010,374 | \$ 57,140,162 |
| Less Allowance for Loan Forgiveness | <u>46,364,840</u> | <u>51,915,647</u> |
| Notes Receivable, Net | <u>\$ 4,645,534</u> | <u>\$ 5,224,515</u> |

NOTE 5 - CAPITAL ASSETS

Capital assets, which include property, plant, and equipment, are reported as expenditures in the governmental fund. Consequently, capital asset balances are not reported on the face of the governmental fund financial statements.

Purchased or constructed capital assets are reported at cost or estimated historical cost. The value of assets constructed includes all material direct and indirect construction costs that are incurred as a result of the construction. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful are not capitalized. Donated capital assets are recorded at their estimated fair value at the date of donation.

Generally, capital assets are defined by the Department as assets with an initial value or cost greater than or equal to \$5,000 and an estimated useful life of two or more years.

Depreciation, which is recorded at the statewide level, is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 75 years for general infrastructure, 10 to 100 years for buildings, 2 to 30 years for equipment, and 2 to 30 years for computer software.

A summary of changes in the governmental fund's capital asset balances is presented as follows:

| | Balance July 1, 2013 | Increases | Decreases | Balance June 30, 2014 |
|---|-------------------------|-----------------------|-------------------|--------------------------|
| Capital Assets, Nondepreciable: | | | | |
| Land | \$ 52,253 | \$ 0 | \$ 0 | \$ 52,253 |
| Art, Literature, and Artifacts | 419,300 | | | 419,300 |
| Total Capital Assets, Nondepreciable | 471,553 | | | 471,553 |
| Capital Assets, Depreciable: | | | | |
| Buildings | 46,991,650 | | | 46,991,650 |
| Machinery and Equipment | 11,080,394 | 151,321 | 1,372,997 | 9,858,718 |
| General Infrastructure | 558,126 | | | 558,126 |
| Computer Software | 2,352,831 | | | 2,352,831 |
| Total Capital Assets, Depreciable | 60,983,001 | 151,321 | 1,372,997 | 59,761,325 |
| Less Accumulated Depreciation for: | | | | |
| Buildings | 20,552,127 | 762,936 | | 21,315,063 |
| Machinery and Equipment | 5,975,574 | 514,772 | 1,044,428 | 5,445,918 |
| General Infrastructure | 399,448 | 12,403 | | 411,851 |
| Computer Software | 141,170 | 94,113 | | 235,283 |
| Total Accumulated Depreciation | 27,068,319 | 1,384,224 | 1,044,428 | 27,408,115 |
| Total Capital Assets, Depreciable, Net | 33,914,682 | (1,232,903) | 328,569 | 32,353,210 |
| Capital Assets, Net | \$ 34,386,235 | \$ (1,232,903) | \$ 328,569 | \$ 32,824,763 |

NOTE 6 - INTERGOVERNMENTAL PAYABLES

Intergovernmental payables at June 30, 2014 and 2013 were as follows:

| | <u>2014</u> | <u>2013</u> |
|--|-----------------------|-----------------------|
| Governmental Fund - General Fund | | |
| Intergovernmental Payables: | | |
| Accrued Payroll for Schools | \$ 187,329,800 | \$ 185,545,181 |
| Child Nutrition Program | 21,256,213 | 12,252,978 |
| Other | 446,299 | 179,355 |
| | <u>446,299</u> | <u>179,355</u> |
| Total Intergovernmental Payables | <u>\$ 209,032,312</u> | <u>\$ 197,977,514</u> |
| Proprietary Fund - Public School Insurance Fund | | |
| Intergovernmental Payables: | | |
| State Agency Services | \$ 6,599 | \$ 1,250 |
| | <u>6,599</u> | <u>1,250</u> |

NOTE 7 - LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities - A summary of changes in long-term liabilities is presented as follows:

| Governmental Fund - General Fund | Balance July 1, 2013 | Additions | Reductions | Balance June 30, 2014 | Due Within One Year |
|------------------------------------|-------------------------|-----------------------|----------------------|--------------------------|------------------------|
| Compensated Absences | \$ 9,940,190 | \$ 6,257,580 | \$ 6,498,291 | \$ 9,699,479 | \$ 820,568 |
| Workers' Compensation | 138,637,807 | 86,642,960 | 60,097,884 | 165,182,883 | 51,506,697 |
| Financing Agreements | 51,392,715 | 32,728,937 | 26,188,105 | 57,933,547 | 33,386,844 |
| | <u>51,392,715</u> | <u>32,728,937</u> | <u>26,188,105</u> | <u>57,933,547</u> | <u>33,386,844</u> |
| Total Long-Term Liabilities | <u>\$ 199,970,712</u> | <u>\$ 125,629,477</u> | <u>\$ 92,784,280</u> | <u>\$ 232,815,909</u> | <u>\$ 85,714,109</u> |

Additional information regarding workers' compensation is included in Note 13

| Proprietary Fund - Public School Insurance Fund | Balance July 1, 2013 | Additions | Reductions | Balance June 30, 2014 | Due Within One Year |
|---|-------------------------|---------------|---------------|--------------------------|------------------------|
| Compensated Absences | \$ 99,259 | \$ 40,700 | \$ 42,281 | \$ 97,678 | \$ 8,264 |
| | <u>99,259</u> | <u>40,700</u> | <u>42,281</u> | <u>97,678</u> | <u>8,264</u> |

B. Financing Agreements – The Department entered into financing agreements with financial institutions on behalf of the school districts to fund the replacement of school buses. Pursuant to the annual master facilitator agreements between the Department and the respective financial institutions, the Department has agreed to collect the installment payments from the school districts as they become due under their individual financing agreements and to remit the collective payments to the respective financial institution. However, upon request by the school districts, the Department agreed to make the scheduled payments under

these financing agreements on behalf of the school districts using funds appropriated by the General Assembly for the acquisition of the school buses.

The financing agreements for each applicable fiscal year are scheduled for four equal annual installments, with the first installment due upon delivery of the school buses. The financing agreements are as follows:

| Governmental Fund - General Fund | | Final | Original | Installments | Installments |
|---|--|-------------|-----------------------|----------------------|----------------------|
| Financing Agreement | Financial Institution | Installment | Installment | Paid Through | Outstanding |
| | | Date | Amount | June 30, 2014 | June 30, 2014 |
| 2010 - 2011 Replacement of School Buses | Mercedes-Benz Financial Services USA LLC | 11/15/2013 | \$ 3,933,980 | \$ 3,933,980 | \$ 0 |
| 2011 - 2012 Replacement of School Buses | Mercedes-Benz Financial Services USA LLC | 11/15/2014 | 100,818,440 | 75,613,830 | 25,204,610 |
| 2013 - 2014 Replacement of School Buses | Banc of America Public Capital Corporation | 11/15/2016 | 32,728,937 | | 32,728,937 |
| Total Financing Agreements | | | <u>\$ 137,481,357</u> | <u>\$ 79,547,810</u> | <u>\$ 57,933,547</u> |

NOTE 8 - OPERATING LEASE OBLIGATIONS

The Department entered into operating leases for copiers, equipment, and facilities. Future minimum lease payments under noncancellable operating leases consist of the following at June 30, 2014:

| Fiscal Year | Amount |
|-------------------------------------|-------------------|
| 2015 | \$ 252,013 |
| 2016 | 141,753 |
| 2017 | 137,602 |
| 2018 | 128,058 |
| 2019 | 10,672 |
| Total Minimum Lease Payments | <u>\$ 670,098</u> |

Rental expense for all operating leases during the year ended June 30, 2014, was \$640,042.

NOTE 9 - FUND BALANCE

The details of the fund balance classifications for the governmental fund at June 30, 2014 and 2013 are as follows:

| | <u>2014</u> | <u>2013</u> |
|---------------------------------|-----------------------------|------------------------------|
| Fund Balance: | | |
| Nonspendable: | | |
| Inventory | \$ 2,596,256 | \$ 3,924,898 |
| Restricted for: | | |
| Primary and Secondary Education | 1,710,851 | 9,014,216 |
| Committed to: | | |
| Primary and Secondary Education | 153,897,893 | 126,852,085 |
| Public School Capital Projects | 124,324,617 | 145,356,544 |
| Unassigned | <u>(202,672,000)</u> | <u>(184,236,800)</u> |
| Total Fund Balance | <u><u>\$ 79,857,617</u></u> | <u><u>\$ 100,910,943</u></u> |

NOTE 10 - REVENUES AND EXPENDITURES FROM/ TO OTHER STATE AGENCIES

The governmental fund's revenues and expenditures from/ to other state agencies by entity and purpose at June 30, 2014 are as follows:

| | <u>Purpose</u> | <u>Amount</u> |
|---|---|------------------------------|
| Revenues from Other State Agencies: | | |
| Office of State Budget and Management | General Educational Support | \$ 510,982,660 |
| Department of Revenue | General Educational Support | 53,953,363 |
| Department of Transportation | Driver's Education Program | 25,795,164 |
| Department of Health and Human Services | Medicaid Funds for Services to Exceptional Children | 16,572,286 |
| North Carolina University System | Special Education Scholarships/ Grants for Children | <u>670,500</u> |
| Total Revenues from Other State Agencies | | <u><u>\$ 607,973,973</u></u> |

| | <u>Purpose</u> | <u>Amount</u> |
|---|--|-----------------------------|
| Expenditures to Other State Agencies: | | |
| Community College System Office | Title IV Perkins Funds | \$ 10,888,050 |
| North Carolina University System | Title IV Perkins Funds | 90,500 |
| Department of Public Safety | Title IV Perkins Funds - Juvenile/ Delinquent Services | 50,000 |
| Office of the State Controller | Reversion of Special Education Funds to State of NC General Fund | <u>6,023,909</u> |
| Total Expenditures to Other State Agencies | | <u><u>\$ 17,052,459</u></u> |

NOTE 11 - PENSION PLANS

Retirement Plans - Each permanent full-time employee, as a condition of employment, is a member of the Teachers' and State Employees' Retirement System. The Teachers' and State Employees' Retirement System (TSERS) is a cost-sharing multiple-employer defined benefit pension plan established by the State to provide pension benefits for employees of the State, its

component units and local boards of education. The Plan is administered by a 14-member Board of Trustees, with the State Treasurer serving as Chairman of the Board.

Benefit and contribution provisions for the TSERS are established by *North Carolina General Statutes* 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. For the year ended June 30, 2014, these rates were set at 8.69% of covered payroll for employers and 6% of covered payroll for members.

For the fiscal year ended June 30, 2014, the Department had total payroll of \$89,226,412, of which \$69,742,084 was covered under TSERS. Total employer and employee contributions for pension benefits for the year were \$6,060,587 and \$4,184,525, respectively.

Required employer contribution rates for the years ended June 30, 2013, and 2012, were 8.33% and 7.44%, respectively, while employee contributions were 6% each year. The Department made 100% of its annual required contributions for the years ended June 30, 2014, 2013, and 2012, which were \$6,060,587, \$5,699,543, and \$5,061,645, respectively.

The TSERS financial information is included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

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

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

By General Statute, a Retiree Health Benefit Fund (the Fund) has been established as a fund in which accumulated contributions from employers and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and applicable beneficiaries.

By statute, the Fund is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System and contributions to the Fund are irrevocable. Also by law, Fund assets are dedicated to providing benefits to retired and disabled employees and applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to the Fund. Contribution rates to the Fund, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are established by the General Assembly.

For the current fiscal year the Department contributed 5.40% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2013, and 2012, were 5.30% and 5.0%, respectively. The Department made 100% of its annual required contributions to the Plan for the years ended June 30, 2014, 2013, and 2012, which were \$3,766,073, \$3,626,360, and \$3,401,643, respectively. The Department assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

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

- B. Disability Income** - The Department participates in the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to provide short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes, and may be amended only by the North Carolina General Assembly. The Plan does not provide for automatic post-retirement benefit increases.

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2014, the Department made a statutory contribution of .44% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. Required contribution rates for the years ended June 30, 2013, and 2012, were .44% and .52%, respectively. The Department made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2014, 2013, and 2012, which were \$306,865, \$301,056, and \$353,771, respectively. The Department assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

NOTE 13 - RISK MANAGEMENT

A. Public Entity Risk Pool - The Public School Insurance Fund (the Fund) is a public entity risk pool reported within the State’s proprietary fund. In accordance with Chapter 115C, Article 38, of the General Statutes, the purpose of the Fund is to insure the schools, in order to safeguard the property investments made in the public schools of North Carolina. North Carolina community colleges, which are related parties, can also acquire insurance through the Fund as stated in General Statute 115D-58.11(c). The board of each school district and the board of trustees of each community college are required to insure their buildings and contents on a replacement cost basis, as suggested by the Fund. The Fund is financed by premiums collected from the schools and the community colleges and interest is earned on the Fund's cash balance. Each board has to give notice of its election to insure in the Fund at least 30 days prior to such insurance becoming effective and shall furnish to the Fund a detailed list of all school buildings, contents and other insurable school property. While policies remain in effect, the Fund shall act as insurer of the properties covered by such insurance. The Fund currently insures 88 out of 115 schools and 31 out of 58 community colleges.

Claim liabilities are based on estimates of the ultimate cost of losses that have been reported but not settled. There are no salvage claims since any salvage is adjusted in the claim settlement. There are no subrogation claims pending. Since claims are reviewed by adjusters and the actual loss projection is computed in a short time after the claim is reported, the claim adjustment expense associated with the unpaid claim liability will be reflected in the current period.

The only acquisition costs are related to proposal costs and inspection costs for insured members. Since the Fund can only insure the schools and the community colleges, new contracts are immaterial. Since existing contracts are renewed once a year, the Fund's costs are for policy maintenance. Therefore, acquisition costs do not need to be amortized.

The following schedule shows the changes in the reported liability as of June 30, 2014 and 2013:

| | 2014 | 2013 |
|---|--------------|---------------|
| Unpaid Claims at Beginning of Year | \$ 4,487,583 | \$ 23,842,442 |
| Incurred Claims: | | |
| Provision for Insured Events of the Current Year | 6,491,994 | 4,365,856 |
| Decreases in Provision for Insured Events of Prior Years | (202,421) | (6,923,526) |
| Total Incurred Claims | 6,289,573 | (2,557,670) |
| Payments: | | |
| Claims Attributable to Insured Events of the Current Year | 1,844,987 | 1,975,349 |
| Claims Attributable to Insured Events of the Prior Years | 3,435,956 | 14,821,840 |
| Total Payments | 5,280,943 | 16,797,189 |
| Total Unpaid Claims at End of the Year | \$ 5,496,213 | \$ 4,487,583 |

With the collection of premiums from the insured educational units, payment of valid claims becomes the responsibility of the Fund. All claims greater than \$10,000,000 per occurrence are covered by reinsurance contracts. Maximum recoverable from reinsurance for any one catastrophic event is \$45,500,000 per occurrence. Losses in excess of the reinsurance limit would be paid by the Fund from long-term investments, subject to the maximum amount of available funds. Annual aggregate limits of \$15,000,000 apply separately with respect to flood and earthquake. Coverage applies to "all risk" perils. Boiler and machinery coverage is provided under separate contract underwritten by the Fund. Incurred losses are reduced by estimated amounts recoverable under the Fund's reinsurance policies.

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

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

The Department is required to maintain fire and lightning coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Such coverage is provided at no cost to the Department for operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the coverage. Losses covered by the Fund are subject to a \$5,000 per occurrence deductible. However, some agencies have chosen a higher deductible for a reduction in premium.

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

The Department is protected for losses from employee dishonesty and computer fraud. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. The Department is charged a premium by the private insurance company.

Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$75,000 deductible.

Department employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan has contracted with third parties to process claims.

The North Carolina Workers' Compensation Program provides benefits to workers injured on the job. All employees of the State and its component units are included in the program. The program also includes employees of the public schools whose salaries are paid with state funds. On behalf of the State Board of Education, the Department administers the program for the state-funded public school employees. When an employee is injured, the Department's primary responsibility is to arrange for and provide the necessary treatment for work related injury. The Department is responsible for paying medical benefits and compensation in accordance with the North Carolina Workers' Compensation Act. The Department retains the risk for workers' compensation.

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

Additional details on the state-administered risk management programs are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports," or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

A. Pending Litigation and Claims

Hoke County, et al. v. State of North Carolina and State Board of Education — Right to a Sound Basic Education (formerly Leandro). In 1994, students and boards of education in five counties in the State filed suit in Superior Court requesting a declaration that the public education system of North Carolina, including its system of funding, violates the state Constitution by failing to provide adequate or substantially equal educational opportunities, by denying due process of law, and by violating various statutes relating to public education. Five other school boards and students therein intervened, alleging claims for relief on the basis of the high proportion of at-risk and high-cost students in their counties' systems.

The suit is similar to a number of suits in other states, some of which resulted in holdings that the respective systems of public education funding were unconstitutional under the applicable state law. The State filed a motion to dismiss, which was denied. On appeal, the North Carolina Supreme Court upheld the present funding system against the claim that it unlawfully discriminated against low wealth counties, but remanded the case for trial on the claim for relief based on the Court's conclusion that the Constitution guarantees every child the opportunity to obtain a sound basic education. Trial on the claim of one plaintiff-county was held in the fall of 1999. On October 26, 2000, the trial court, in Section Two of a projected three-part ruling, concluded that at-risk children in North Carolina are constitutionally entitled to such pre-kindergarten educational programs as may be necessary to prepare them for higher levels of education and the "sound basic education" mandated by the Supreme Court. On March 26, 2001, the Court issued Section Three of the three-part ruling, in which the judge ordered all parties to investigate certain school systems to determine why they are succeeding without additional funding. The State filed a Notice of Appeal to the Court of Appeals, which resulted in the Court's decision to re-open the trial and call additional witnesses. That proceeding took place in the fall of 2001. On April 4, 2002, the Court entered Section Four of the ruling, ordering the State to take such actions as may be necessary to remedy the constitutional deficiency for those children who are not being provided with access to a sound basic education and to report to the Court at 90-day intervals remedial actions being implemented. On July 30, 2004, the North Carolina Supreme Court affirmed the majority of the trial court's orders, thereby directing the executive and legislative branches to take corrective action necessary to ensure that every child has the opportunity to obtain a sound, basic education. The Supreme Court did agree with the State that the trial court exceeded its authority in ordering pre-kindergarten programs for at-risk children. The State is now undertaking measures to respond to the trial court's directives. The magnitude of state resources which may ultimately be required cannot be determined at this time; however, the total cost could exceed \$100 million.

On June 15, 2011, the General Assembly enacted legislation which placed certain restrictions on the North Carolina Pre-Kindergarten Program (N.C. Pre-K) which had been established by the General Assembly in 2001. Following a hearing requested by the plaintiffs, the trial court entered an order prohibiting the enforcement of legislation having the effect of restricting participation in the N.C. Pre-K program. On appeal, the North Carolina Court of Appeals affirmed the trial court's order prohibiting the State from denying any eligible "at risk" children admission to the N.C. Pre-K program. The State has appealed this decision and the North Carolina Supreme Court, in November 2013, held that amendments to the 2011 legislation had rendered the appeal moot. The case will now be remanded to Superior Court.

- B. Federal Grants** - The Department receives significant financial assistance from the federal government in the form of grants and entitlements, which are generally conditioned upon compliance with

terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Under the terms of the grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures. Any disallowance as a result of questioned costs could become a liability of the Department. As of June 30, 2014 and 2013, the Department is unable to estimate what liabilities may result from such audits.

NOTE 15 - NET POSITION RESTATEMENTS

As of July 1, 2012 and 2013, the proprietary fund's net position as previously reported was restated as follows:

| | <u>2014</u> | <u>2013</u> |
|--|-----------------------------|-----------------------------|
| Beginning Net Position as Previously Reported | \$ 71,289,541 | \$ 57,655,987 |
| Restatements: | | |
| To Correct Prior Year Claims Payable and Expense | 3,472,444 | |
| To Record Prior Year Reinsurance Receivable | <u>4,654,011</u> | <u>10,596,763</u> |
| Beginning Net Position as Restated | <u><u>\$ 79,415,996</u></u> | <u><u>\$ 68,252,750</u></u> |



REQUIRED SUPPLEMENTARY INFORMATION

**North Carolina Department of Public Instruction
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis-Non-GAAP)
General Fund
For the Fiscal Year Ended June 30, 2014**

Schedule C-1

| | Budgeted Amounts | | Actual (Cash Basis) | Favorable (Unfavorable) |
|---|------------------|------------------|------------------------|----------------------------|
| | Certified | Authorized | | |
| REVENUES | | | | |
| Federal Funds | \$ 2,617,883,898 | \$ 2,015,862,922 | \$ 1,498,888,871 | \$ (516,974,051) |
| Revenues from Other State Agencies | 644,649,527 | 649,734,897 | 649,333,449 | (401,448) |
| Contributions, Gifts, and Grants | 7,918,500 | 9,239,159 | 8,176,919 | (1,062,240) |
| E Rate Telecommunication/ Internet Access Program Funds | | 7,954,999 | 7,954,999 | |
| Sales and Services | 1,888,136 | 2,165,038 | 3,074,733 | 909,695 |
| Licensure Certification and Registration Fees | 2,022,222 | 3,350,638 | 2,997,676 | (352,962) |
| Property and Equipment Rental | 1,600,000 | 2,004,686 | 1,848,550 | (156,136) |
| Investment Earnings | 5,616,564 | 3,366,740 | 877,766 | (2,488,974) |
| Student Tuition and Fees | 325,000 | 393,095 | 376,095 | (17,000) |
| Miscellaneous | 925,823 | 1,472,023 | 2,864,804 | 1,392,781 |
| Total Revenues | 3,282,829,670 | 2,695,544,197 | 2,176,393,862 | (519,150,335) |
| EXPENDITURES | | | | |
| Grants, State and Federal Aid | 10,797,391,967 | 10,048,949,389 | 9,540,913,300 | 508,036,089 |
| Contracted Services | 156,511,928 | 155,328,026 | 93,328,545 | 61,999,481 |
| Personal Services | 176,431,963 | 182,136,691 | 166,154,023 | 15,982,668 |
| Supplies and Materials and Purchases for Resale | 5,645,848 | 6,710,868 | 3,704,459 | 3,006,409 |
| Travel | 7,857,535 | 7,763,387 | 5,428,866 | 2,334,521 |
| Communication and Data Processing Services | 8,547,102 | 22,832,514 | 19,193,011 | 3,639,503 |
| Utilities | 676,593 | 1,142,645 | 1,062,459 | 80,186 |
| Claims and Benefits | 18,652,164 | 8,370,908 | 8,153,531 | 217,377 |
| Other Services | 40,990,590 | 20,188,102 | 2,332,875 | 17,855,227 |
| Other Fixed Charges | 9,268,314 | 12,064,313 | 10,836,838 | 1,227,475 |
| Expenditures to Other State Agencies | 71,057,399 | 68,279,280 | 62,076,243 | 6,203,037 |
| Capital Outlay | 85,693,989 | 111,805,488 | 46,256,692 | 65,548,796 |
| Scholarships | 2,435,212 | 1,024,423 | 910,023 | 114,400 |
| Insurance and Bonding | 4,025,509 | 4,164,535 | 3,278,227 | 886,308 |
| Other Expenditures | 5,943,744 | 6,743,560 | 1,960,177 | 4,783,383 |
| Reserves | 60,630,726 | 50,375,545 | | 50,375,545 |
| Total Expenditures | 11,451,760,583 | 10,707,879,674 | 9,965,589,269 | 742,290,405 |
| Excess of Revenues Over (Under) Expenditures | (8,168,930,913) | (8,012,335,477) | (7,789,195,407) | 223,140,070 |
| OTHER FINANCING SOURCES | | | | |
| State Appropriations | 7,923,853,015 | 7,923,894,015 | 7,771,435,673 | (152,458,342) |
| Sale of Capital Assets | 1,509,000 | 1,509,000 | 1,459,074 | (49,926) |
| Insurance Recoveries | | | 352,849 | 352,849 |
| Total Other Financing Sources | 7,925,362,015 | 7,925,403,015 | 7,773,247,596 | (152,155,419) |
| Net Change in Fund Balance | (243,568,898) | (86,932,462) | (15,947,811) | 70,984,651 |
| Fund Balance - July 1, 2013 | 246,157,497 | 246,157,497 | 246,157,497 | |
| Fund Balance - June 30, 2014 | \$ 2,588,599 | \$ 159,225,035 | \$ 230,209,686 | \$ 70,984,651 |

The accompanying notes to the required supplementary information are an integral part of this schedule.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL (BUDGETARY BASIS-NON-GAAP) – GENERAL FUND**A. BUDGETARY PROCESS**

The State's annual budget is prepared principally on the cash basis. The 1985 General Assembly enacted certain special provisions which state that the budget as certified in the appropriations act is the legal budget for all agencies. These special provisions also state that agencies may spend more than was certified in various line items provided the over-expenditure meets certain criteria and is authorized by the Director of the Budget. The process of approving these over-expenditures results in the authorized budget amounts.

B. RECONCILIATION OF BUDGET/GAAP REPORTING DIFFERENCES

The Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Budgetary Basis – Non-GAAP) – General Fund, presents comparisons of legally adopted budget with actual data on a budgetary basis. Accounting principles applied to develop data on a budgetary basis differ significantly from those principles used to present financial statements in conformity with generally accepted accounting principles (GAAP). The following describes the major differences between budgetary financial data and GAAP financial data.

Basis differences: Budgetary fund balance is accounted for on the cash basis of accounting while GAAP fund balance is accounted for on the modified accrual basis of accounting. Accrued revenues and expenditures are recognized in the GAAP financial statements.

Timing differences: A significant variance between budgetary practices and GAAP is the authorized carry forward of appropriated funds.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

The following table presents a reconciliation of resulting basis and timing differences in the fund balances (budgetary basis) to the fund balance on a modified accrual basis (GAAP) at June 30, 2014.

| | <u>General Fund</u> |
|---|----------------------|
| Fund Balance (Budgetary Basis) June 30, 2014 | \$ 230,209,686 |
| <u>Reconciling Adjustments:</u> | |
| Basis Differences: | |
| Accrued Revenues: | |
| Accounts Receivable | 127,976 |
| Intergovernmental Receivables | 29,242,684 |
| Interest Receivable | 2,498,078 |
| Other Receivables | 129,567 |
| Less: | |
| Unearned revenue | <u>(22,805,417)</u> |
| Total Accrued Revenues | <u>9,192,888</u> |
| Accrued Expenditures: | |
| Accounts Payable | (6,830,154) |
| Accrued Payroll | (109,160) |
| Intergovernmental Payables | <u>(209,032,312)</u> |
| Total Accrued Expenditures | <u>(215,971,626)</u> |
| Other Adjustments: | |
| Inventories | 2,596,256 |
| Notes Receivable | 4,645,534 |
| Timing Differences: | |
| Authorized Carryforward for Specific Encumbrances | <u>49,184,879</u> |
| Fund Balance (GAAP Basis) June 30, 2014 | <u>\$ 79,857,617</u> |

**North Carolina Department of Public Instruction
 Required Supplementary Information
 Ten-Year Claims Development Information
 Public School Insurance Fund
 For the Fiscal Years Ended June 30, 2005-2014**

Schedule C-2

The columns in the table present data for successive policy years. Amounts are expressed in thousands.

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| 1) Required Contribution and Investment Revenue: | | | | | | | | | | |
| Earned | \$ 16,219 | \$ 12,538 | \$ 14,509 | \$ 18,430 | \$ 18,054 | \$ 20,337 | \$ 16,257 | \$ 20,699 | \$ 16,380 | \$ 17,583 |
| Ceded | 2,380 | 2,489 | 3,077 | 2,371 | 3,642 | 3,852 | 3,576 | 3,717 | 4,502 | 4,313 |
| Net Earned | 13,839 | 10,049 | 11,432 | 16,059 | 14,412 | 16,485 | 12,681 | 16,982 | 11,878 | 13,270 |
| 2) Unallocated Expenses | 2,951 | 3,092 | 3,672 | 664 | 680 | 659 | 666 | 701 | 714 | 695 |
| 3) Estimated Claims and Expenses, End of Policy Year: | | | | | | | | | | |
| Incurred | 2,093 | 3,096 | 14,915 | 1,718 | 2,253 | 1,783 | 20,340 | 19,304 | 4,366 | 6,492 |
| Ceded | | | | | | | | | | |
| Net Incurred | 2,093 | 3,096 | 14,915 | 1,718 | 2,253 | 1,783 | 20,340 | 19,304 | 4,366 | 6,492 |
| 4) Paid (Cumulative) As of: | | | | | | | | | | |
| End of Policy Year | 3,129 | 3,130 | 15,174 | 1,426 | 1,746 | 1,502 | 5,505 | 6,992 | 1,975 | 1,845 |
| One Year Later | 3,536 | 4,005 | 19,270 | 2,016 | 2,149 | 2,082 | 13,090 | 9,389 | 3,465 | |
| Two Years Later | 3,536 | 4,005 | 19,270 | 2,016 | 2,149 | 2,082 | 13,090 | 9,389 | | |
| Three Years Later | 3,536 | 4,005 | 19,270 | 2,016 | 2,149 | 2,082 | 13,090 | | | |
| Four Years Later | 3,536 | 4,005 | 19,270 | 2,016 | 2,149 | 2,082 | | | | |
| Five Years Later | 3,536 | 4,005 | 19,270 | 2,016 | 2,149 | | | | | |
| Six Years Later | 3,536 | 4,005 | 19,270 | 2,016 | | | | | | |
| Seven Years Later | 3,536 | 4,005 | 19,270 | | | | | | | |
| Eight Years Later | 3,536 | 4,005 | | | | | | | | |
| Nine Years Later | 3,536 | | | | | | | | | |
| 5) Reestimated Ceded Claims and Expenses | | | | | | | | | | |
| 6) Reestimated Net Incurred Claims and Expenses: | | | | | | | | | | |
| End of Policy Year | 2,093 | 3,096 | 14,915 | 1,718 | 2,253 | 1,783 | 20,340 | 19,304 | 4,366 | 6,492 |
| One Year Later | 2,093 | 3,096 | 11,348 | 1,653 | 2,276 | 1,846 | 27,242 | 13,159 | 2,965 | |
| Two Years Later | 2,093 | 3,096 | 11,348 | 1,979 | 2,269 | 1,846 | 27,242 | 13,159 | | |
| Three Years Later | 2,093 | 3,096 | 11,348 | 1,979 | 2,269 | 1,846 | 27,242 | | | |
| Four Years Later | 2,093 | 3,096 | 11,348 | 1,979 | 2,269 | 1,846 | | | | |
| Five Years Later | 2,093 | 3,096 | 11,348 | 1,979 | 2,269 | | | | | |
| Six Years Later | 2,093 | 3,096 | 11,348 | 1,979 | | | | | | |
| Seven Years Later | 2,093 | 3,096 | 11,348 | | | | | | | |
| Eight Years Later | 2,093 | 3,096 | | | | | | | | |
| Nine Years Later | 2,093 | | | | | | | | | |
| 7) Increase (Decrease) in Estimated Net Incurred Claims and Expenses From End of Policy Year | | | (3,567) | 261 | 16 | 63 | 6,902 | (6,145) | (1,401) | |

The accompanying notes to the required supplementary information are an integral part of this schedule. As explained in the notes, this schedule can be used to evaluate the accuracy of estimated claims.

TEN-YEAR CLAIMS DEVELOPMENT INFORMATION – PUBLIC SCHOOL INSURANCE FUND

The Public School Insurance Fund (the Fund) is a public entity risk pool within the State’s proprietary fund. All valid claims are the responsibility of the Fund, and are supported by premiums collected from the insured educational units. The Fund does not receive any state appropriations.

The Ten-Year Claims Development Information shows the correlation between original estimated claim amounts and reestimated claim amounts. This can be used to evaluate the accuracy of the Department’s estimated claims and its ability to estimate the ultimate value of the claims.

The Ten-Year Claims Development Information schedule illustrates how earned revenues (net of reinsurance) and investment income of the Fund compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Fund for the last ten fiscal years ended June 30. The rows of the table are defined as follows:

- (1) Total of each fiscal year's earned contribution revenues, investment revenues, contribution revenues ceded to excess insurers or reinsurers, and amount of reported revenues net of excess insurance or reinsurance.
- (2) Each fiscal year's other operating costs of the Fund, including overhead and claims expense not allocable to individual claims.
- (3) The Fund's incurred claims (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (before the effect of loss assumed by excess insurers or reinsurers), the loss assumed by excess insurers or reinsurers, and total net amount of incurred claims and allocated claim adjustment expenses.
- (4) Cumulative amounts paid as of the end of successive years for each policy year.
- (5) The most current reestimated amount of losses assumed by reinsurers for each accident year. The amount can and will be changed as claims and expenses are reevaluated.
- (6) The reestimated net incurred claims and expenses based on the information available as of the end of the year. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
- (7) Comparison of the latest reestimated net incurred claims amount to the amount originally established (line 3) and indication of whether this latest estimate of claims cost is greater or less than originally thought.



SUPPLEMENTARY INFORMATION

**North Carolina Department of Public Instruction
 Supplementary Information
 Revenues by Source
 General Fund
 For the Fiscal Year Ended June 30, 2014**

Schedule D-1

| | 2014 | (Unaudited) 2013 |
|--|-------------------------|-----------------------------|
| REVENUES | | |
| Federal Funds: | | |
| Child Nutrition | \$ 494,218,051 | \$ 495,583,181 |
| Title I - No Child Left Behind | 397,166,339 | 393,298,436 |
| Title VI - Handicapped Programs | 333,082,503 | 343,645,539 |
| Race to the Top | 104,671,563 | 103,666,713 |
| School Performance Improvement and Assessment | 95,246,859 | 98,864,572 |
| Title II - Vocational Education | 36,527,508 | 41,405,524 |
| Education Jobs | | 40,068,176 |
| Language Acquisition | 13,109,683 | 12,417,637 |
| Pre-school Handicapped | 10,764,696 | 11,180,713 |
| Rural and Low Income Schools | 5,985,979 | 6,319,159 |
| Other | 10,560,096 | 11,600,168 |
| Total Federal Funds | <u>1,501,333,277</u> | <u>1,558,049,818</u> |
| Revenues from Other State Agencies: | | |
| Office of State Budget and Management | 510,982,660 | 478,373,933 |
| Department of Revenue | 53,953,363 | 53,600,990 |
| Department of Transportation | 25,795,164 | 26,330,000 |
| Department of Health and Human Services | 16,572,286 | 8,320,575 |
| North Carolina University System | 670,500 | |
| Other | | 21,358 |
| Total Revenues from Other State Agencies | <u>607,973,973</u> | <u>566,646,856</u> |
| Contributions, Gifts, and Grants | 8,285,648 | 4,837,093 |
| E Rate Telecommunication and Internet Access Program Funds | 7,954,999 | 4,172,241 |
| Sales and Services | 3,359,059 | 5,629,193 |
| Licensure Certification and Registration Fees | 2,997,376 | 3,111,849 |
| Property and Equipment Rental | 1,848,550 | 2,212,199 |
| Investment Earnings | 899,311 | 2,380,859 |
| Student Tuition and Fees | 374,625 | 319,323 |
| Miscellaneous | 462,761 | 1,985,880 |
| Total Revenues (See Exhibit A-2) | <u>\$ 2,135,489,579</u> | <u>\$ 2,149,345,311</u> |

**North Carolina Department of Public Instruction
Supplementary Information
Expenditures by Purpose
General Fund
For the Fiscal Year Ended June 30, 2014**

**Schedule D-2
Page 1 of 2**

| | 2014 | (Unaudited) 2013 |
|---|------------------|-----------------------------|
| EXPENDITURES | | |
| EXPENDITURES PAID BY THE DEPARTMENT TO SCHOOLS OR ON THEIR BEHALF: | | |
| Grants, State and Federal Aid to Schools (See Schedule D-3) | \$ 9,545,917,390 | \$ 9,549,513,418 |
| Supplemental Benefits for Schools: | | |
| Workers' Compensation Payments for School Employees | 52,973,608 | 49,921,046 |
| Claims and Benefits, Primarily School Unemployment Payments | 8,153,531 | 16,708,658 |
| Excess Professional Liability Insurance for School Employees | 2,513,224 | 3,054,629 |
| Total Supplemental Benefits for Schools | 63,640,363 | 69,684,333 |
| School Buses, Textbooks, and Other Costs Paid for Schools: | | |
| School Bus Replacement, Financing Payments | 30,513,069 | 74,135,679 |
| Textbooks | 8,308,534 | 10,105,095 |
| Payment of Tort Claim Settlements | 3,867,274 | 4,584,998 |
| Return of Prior Year Payments to Schools | (4,089,150) | (4,375,594) |
| Total School Buses Textbooks and Other Costs Paid for Schools | 38,599,727 | 84,450,178 |
| Residential School Operating Costs: | | |
| North Carolina School for the Deaf | 7,775,927 | 7,261,907 |
| Eastern North Carolina School for the Deaf | 7,343,141 | 7,620,560 |
| Governor Morehead School | 5,473,185 | 5,011,504 |
| Total Residential School Operating Costs | 20,592,253 | 19,893,971 |
| North Carolina Center for Advancement of Teaching | 3,409,697 | 3,316,604 |
| Total Expenditures Paid by the Department to Schools Or On Their Behalf | 9,672,159,430 | 9,726,858,504 |
| EXPENDITURES PAID FOR DEPARTMENT OPERATIONS AND ADMINISTRATION: | | |
| Contracted Services: | | |
| Academic Services | 31,625,117 | 28,393,318 |
| Other Information Tech Services | 24,794,026 | 17,582,361 |
| Other Contractual Services | 34,959,041 | 30,782,007 |
| Total Contracted Services | 91,378,184 | 76,757,686 |
| Salaries and Wages: | | |
| Salaries Subject to State Personnel Act | 51,259,583 | 49,167,108 |
| Contract Employees | 16,349,052 | 14,966,297 |
| Salaries Exempt Under State Personnel Act | 3,568,867 | 4,077,216 |
| Longevity Pay | 1,195,323 | 1,170,302 |
| Temporary Wages | 1,710,710 | 1,804,778 |
| Other Contractual Services | 1,009,747 | 1,044,827 |
| Total Salaries and Wages | 75,093,282 | 72,230,528 |
| Employee Benefits: | | |
| Medical Insurance Contributions | 4,144,832 | 3,940,441 |
| Other Medical Insurance | 1,317,830 | 904,869 |
| Regular Retirement Contributions | 8,314,118 | 7,803,860 |
| Social Security Contributions | 5,537,825 | 5,353,704 |
| Total Employee Benefits | 19,314,605 | 18,002,874 |

**North Carolina Department of Public Instruction
 Supplementary Information
 Expenditures by Purpose
 General Fund
 For the Fiscal Year Ended June 30, 2014**

**Schedule D-2
 Page 2 of 2**

| | 2014 | (Unaudited) 2013 |
|--|-------------------------|-----------------------------|
| Supplies and Materials: | | |
| Educational Supplies | 1,993,982 | 1,796,232 |
| Other Supplies and Materials | 482,072 | 394,493 |
| Total Supplies and Materials | <u>2,476,054</u> | <u>2,190,725</u> |
| Purchases for Resale | 1,558,303 | 301,529 |
| Travel: | | |
| Ground Transportation In-State | 2,530,185 | 2,383,115 |
| Ground Transportation Out-of-State | 48,382 | 47,268 |
| Lodging | 743,275 | 703,418 |
| Workshops | 868,617 | 796,987 |
| Other Travel | 938,560 | 986,800 |
| Total Travel | <u>5,129,019</u> | <u>4,917,588</u> |
| Communication | 531,174 | 578,853 |
| Utilities | 10,629 | 68,247 |
| Data Processing Services: | | |
| Managed Local Network Service Charge | 15,477,803 | 12,438,748 |
| Managed Server Services | 1,259,899 | |
| Other Server Services | 542,761 | 1,550,135 |
| Total Data Processing Services | <u>17,280,463</u> | <u>13,988,883</u> |
| Other Services | 1,520,876 | 1,333,597 |
| Other Fixed Charges: | | |
| Network Software Maintenance Agreement | 4,537,390 | 3,062,040 |
| Server Software Maintenance Agreement | 2,311,696 | 1,790,522 |
| Membership Dues and Subscriptions | 1,982,908 | 1,645,860 |
| Other Fixed Charges | 279,359 | 250,692 |
| Total Other Fixed Charges | <u>9,111,353</u> | <u>6,749,114</u> |
| Expenditures to Other State Agencies: | | |
| Community College | 10,888,050 | 11,769,484 |
| Other Expenditures | 6,164,409 | 4,215,984 |
| Total Expenditures to Other State Agencies | <u>17,052,459</u> | <u>15,985,468</u> |
| Capital Outlay: | | |
| Server Software | 8,183,207 | 2,896,382 |
| Other Capital Outlays | 1,596,319 | 1,028,729 |
| Total Capital Outlay | <u>9,779,526</u> | <u>3,925,111</u> |
| Scholarships | 910,023 | 707,079 |
| Other Expenditures: | | |
| Forgiven Loans Under Teaching Fellows Loan Program | 4,581,349 | 7,151,866 |
| Workshop Expenses | 1,476,935 | 1,397,031 |
| Other Expenditures | 426,837 | 456,594 |
| Total Other Expenditures | <u>6,485,121</u> | <u>9,005,491</u> |
| Total Expenditures Paid for Department Operations and Administration | <u>257,631,071</u> | <u>226,742,773</u> |
| Total Expenditures (See Exhibit A-2) | <u>\$ 9,929,790,501</u> | <u>\$ 9,953,601,277</u> |

**North Carolina Department of Public Instruction
 Supplementary Information
 Schedule of Grants, State and Federal Aid Paid to LEAs/Charter Schools
 General Fund
 For the Year Ended June 30, 2014**

**Schedule D-3
 Page 1 of 2**

| | 2014 | (Unaudited) 2013 |
|--|----------------------|----------------------|
| LEA Expenditures Funded by State Aid: | | |
| Salaries: | | |
| Administrative Personnel | | |
| Superintendents or Directors | \$ 58,769,010 | \$ 56,132,655 |
| Associate or Assistant Superintendents | 15,347,115 | 15,940,186 |
| Principals | 149,708,732 | 149,742,741 |
| Assistant Principals | 91,847,767 | 90,903,845 |
| Finance Officers | 7,355,844 | 7,539,369 |
| Total Administrative Personnel | <u>323,028,468</u> | <u>320,258,796</u> |
| Teachers | 3,350,869,579 | 3,400,192,553 |
| Instructional Support Personnel - Certified | 437,677,525 | 435,823,153 |
| Psychologists | 30,718,097 | 31,063,422 |
| Teacher Assistants | 337,715,721 | 370,747,529 |
| Tutors and Non-Certified Instructors | 18,032,102 | 19,355,161 |
| Interpreters, Therapists and Specialists | 55,807,539 | 53,198,868 |
| School Resource Officers and Monitors | 18,686,003 | 17,958,292 |
| Technical and Administrative Support Personnel | 162,607,411 | 153,003,461 |
| Substitute Pay | 53,616,864 | 57,168,101 |
| Drivers | 160,291,064 | 159,150,252 |
| Custodians | 168,685,942 | 156,855,784 |
| Skilled Tradesmen and Managers | 59,047,707 | 57,863,174 |
| Longevity Pay | 83,747,447 | 83,651,875 |
| Annual Leave Pay | 41,791,596 | 37,738,693 |
| Supplementary Pay | 28,626,662 | 32,474,670 |
| Short Term Disability Pay | 5,545,967 | 5,933,842 |
| Extra Duty Pay | 18,435,739 | 17,877,278 |
| Total Salaries | <u>5,354,931,433</u> | <u>5,410,314,904</u> |
| Employer-Provided Benefits: | | |
| Employer's Social Security Cost - Regular | 388,318,187 | 392,846,519 |
| Retirement Benefits | 755,966,625 | 739,699,917 |
| Insurance Benefits | 705,843,308 | 664,763,516 |
| Total Employer-Provided Benefits | <u>1,850,128,120</u> | <u>1,797,309,952</u> |
| Purchased Services: | | |
| Professional and Technical Services | 148,901,883 | 143,817,354 |
| Property Services | 4,039,260 | 3,854,115 |
| Transportation Services | 25,651,497 | 25,771,291 |
| Communications | 6,171,444 | 6,766,925 |
| Tuition | 1,211,319 | 726,545 |
| Dues and Fees | 75,481 | 124,261 |
| Insurance and Judgments | 685,066 | 657,373 |
| Total Purchased Services | <u>186,735,950</u> | <u>181,717,864</u> |
| Supplies and Materials: | | |
| School and Office Supplies | 132,221,392 | 125,451,912 |
| Operational Supplies | 100,893,545 | 100,122,105 |
| Food Supplies | 118,181 | 118,827 |
| Noncapitalized Equipment | 49,305,210 | 53,371,488 |
| Sales and Use Tax Refunds | | 55,957 |
| Total Supplies and Materials | <u>282,538,328</u> | <u>279,120,289</u> |
| Capital Outlays: | | |
| Miscellaneous Contracts and Other Charges | 12,868 | 3,004 |
| Equipment and Computer Hardware | 8,746,727 | 11,366,506 |
| Vehicles | 1,079,377 | 2,243,598 |
| Total Capital Outlay | <u>9,838,972</u> | <u>13,613,108</u> |
| Expenditures to Other State Agencies | 550,740 | 408,482 |
| Total LEA Expenditures Funded by State Aid (See Schedules D-4 and D-5) | <u>7,684,723,543</u> | <u>7,682,484,599</u> |

**North Carolina Department of Public Instruction
 Supplementary Information
 Schedule of Grants, State and Federal Aid Paid to LEAs/Charter Schools
 General Fund
 For the Year Ended June 30, 2014**

**Schedule D-3
 Page 2 of 2**

| | <u>2014</u> | <u>(Unaudited) 2013</u> |
|---|-------------------------|-----------------------------|
| Federal Grants and Aid to LEAs: | | |
| Payments Under Federal Grant Programs (See Schedules D-4 and D-5) | 892,714,499 | 954,038,640 |
| Reimbursements for Meals Provided Under Federal Child Nutrition Program (See Schedules D-4 and D-5) | 458,554,612 | 451,971,544 |
| Reimbursements from Medicaid (See Schedules D-4 and D-5) | 17,204,779 | 6,818,525 |
| | <u>1,368,473,890</u> | <u>1,412,828,709</u> |
| Construction Projects Paid through Building Capital Fund (See Schedules D-4 and D-5) | <u>124,051,132</u> | <u>129,650,735</u> |
| Technology Support Paid through School Technology Fund (See Schedules D-4 and D-5) | <u>21,068,273</u> | <u>20,158,853</u> |
| Total Grants, State and Federal Aid to LEAs (See Schedules D-4 and D-5) | <u>9,198,316,838</u> | <u>9,245,122,896</u> |
| Grants and Aid to Charter Schools: | | |
| Charter School Expenditures Funded by State Aid (See Schedules D-6 and D-7) | 304,198,994 | 258,068,310 |
| Payments Under Federal Grant Programs (See Schedules D-6 and D-7) | 18,046,832 | 17,310,687 |
| Reimbursements for Meals Provided Under Federal Child Nutrition Program (See Schedules D-6 and D-7) | 5,584,716 | 5,219,235 |
| | <u>327,830,542</u> | <u>280,598,232</u> |
| Aid to Other Nonprofit Organizations for Programming | <u>19,770,010</u> | <u>23,792,290</u> |
| Total Grants, State and Federal Aid Expenditures (See Exhibit A-2) | <u>\$ 9,545,917,390</u> | <u>\$ 9,549,513,418</u> |

**North Carolina Department of Public Instruction
 Supplementary Information
 Schedule of Grants and Aid Paid to School Districts (Alphabetically)
 General Fund
 For the Fiscal Year Ended June 30, 2014 with Comparative Totals for 2013**

**Schedule D-4
 Page 1 of 3**

| | State Funds | Federal Grant Funds | Federal Child Nutrition Funds | Federal Medicaid Reimbursements | State Building Capital Funds | State Technology Funds | 2014 Total | (Unaudited) 2013 Total |
|--|----------------|---------------------|-------------------------------|---------------------------------|------------------------------|------------------------|----------------|------------------------|
| Alamance-Burlington Schools | \$ 115,876,366 | \$ 13,705,471 | \$ 7,317,390 | \$ 0 | \$ 2,451,609 | \$ 443,524 | \$ 139,794,360 | \$ 139,033,330 |
| Alexander County Schools | 29,271,213 | 3,470,154 | 1,688,753 | | | 228,587 | 34,658,707 | 35,204,945 |
| Alleghany County Schools | 10,120,199 | 1,205,292 | 577,832 | 27,346 | 99,943 | 19,382 | 12,049,994 | 11,853,750 |
| Anson County Schools | 24,910,445 | 4,437,876 | 1,648,055 | | 294,128 | 13,523 | 31,304,027 | 33,996,843 |
| Ashe County Schools | 20,269,134 | 2,214,044 | 1,306,848 | | 340,180 | 49,388 | 24,179,594 | 24,293,250 |
| Asheboro City Schools | 26,029,682 | 4,523,673 | 2,184,127 | | 400,000 | 130,394 | 33,267,876 | 33,004,175 |
| Asheville City Schools | 22,461,548 | 3,588,837 | 994,267 | 39,406 | 190,000 | 36,464 | 27,310,522 | 27,876,616 |
| Avery County Schools | 14,619,799 | 1,906,151 | 751,317 | | (3,743) | 2,341 | 17,275,865 | 17,254,092 |
| Beaufort County Schools | 38,652,919 | 5,584,764 | 2,538,802 | | 468,937 | 97,535 | 47,342,957 | 47,601,224 |
| Bertie County Schools | 19,948,593 | 3,302,658 | 1,775,813 | | | 41,356 | 25,068,420 | 23,387,086 |
| Bladen County Schools | 29,124,447 | 4,829,181 | 2,279,633 | | 560,384 | 70,114 | 36,863,759 | 39,741,827 |
| Brunswick County Schools | 64,565,527 | 7,571,244 | 4,300,281 | | 1,016,810 | 106,311 | 77,560,173 | 78,181,291 |
| Buncombe County Schools | 132,719,278 | 13,574,514 | 8,830,351 | 295,157 | 9,800,000 | 550,491 | 165,769,791 | 162,911,626 |
| Burke County Schools | 70,356,479 | 9,374,022 | 4,512,122 | 167,567 | 1,167,134 | 272,871 | 85,850,195 | 86,693,488 |
| Cabarrus County Schools | 148,475,541 | 10,747,006 | 7,181,085 | | 4,273,257 | 426,138 | 171,103,027 | 174,650,039 |
| Caldwell County Schools | 71,246,246 | 6,442,922 | 4,219,115 | | 1,299,206 | 320,695 | 83,528,184 | 83,279,814 |
| Camden County Schools | 12,676,725 | 542,632 | 312,067 | | 317,235 | 22,993 | 13,871,652 | 14,015,974 |
| Carteret County Schools | 45,348,155 | 5,038,914 | 1,966,446 | | 700,000 | 80,795 | 53,134,310 | 53,431,903 |
| Caswell County Schools | 18,402,519 | 2,277,358 | 1,102,905 | | 56,501 | 75,764 | 21,915,047 | 22,929,769 |
| Catawba County Schools | 87,014,209 | 8,581,757 | 5,124,637 | | 1,268,770 | 219,240 | 102,208,613 | 102,491,445 |
| Chapel-Hill/Carrboro City Schools | 58,340,068 | 3,967,457 | 1,918,630 | | 1,078,663 | 169,845 | 65,474,663 | 65,439,181 |
| Charlotte-Mecklenburg County Schools | 696,681,576 | 81,602,071 | 43,962,590 | 1,066,030 | 9,945,360 | 2,379,989 | 835,637,616 | 823,821,362 |
| Chatham County Schools | 43,572,968 | 4,187,691 | 2,537,397 | | 573,328 | 115,427 | 50,986,811 | 51,319,360 |
| Cherokee County Schools | 19,610,784 | 2,477,895 | 1,435,270 | | 499,883 | 37,065 | 24,060,897 | 24,487,716 |
| Clay County Schools | 9,648,032 | 823,315 | 414,662 | | 46,362 | 17,391 | 10,949,762 | 11,259,204 |
| Cleveland County Schools | 85,940,690 | 9,651,382 | 6,044,936 | | 1,462,777 | 214,480 | 103,314,265 | 114,184,375 |
| Clinton City Schools | 16,692,001 | 2,182,234 | 1,462,477 | | | 1,811 | 20,338,523 | 20,739,655 |
| Columbus County Schools | 37,975,507 | 5,329,079 | 3,018,002 | | 498,798 | 23,188 | 46,844,574 | 48,762,196 |
| Craven County Schools | 74,093,795 | 9,165,892 | 4,372,873 | | 1,030,840 | 202,030 | 88,865,430 | 91,057,565 |
| Cumberland County Schools | 256,942,773 | 31,918,635 | 17,841,887 | 11,968,338 | 3,863,323 | 742,336 | 323,277,292 | 322,963,907 |
| Currituck County Schools | 20,901,363 | 1,502,547 | 780,545 | | 270,000 | 53,327 | 23,507,782 | 23,530,308 |
| Dare County Schools | 27,484,350 | 2,352,305 | 1,121,692 | | 345,000 | 68,426 | 31,371,773 | 31,806,869 |
| Davidson County Schools | 101,166,038 | 8,994,282 | 4,837,306 | 122,889 | 4,649,460 | 284,126 | 120,054,101 | 119,519,723 |
| Davie County Schools | 34,603,805 | 3,100,880 | 1,828,098 | | 400,516 | 90,146 | 40,023,445 | 40,855,973 |
| Duplin County Schools | 54,593,191 | 6,535,486 | 4,337,645 | | 3,684 | 255,144 | 65,725,150 | 67,004,708 |
| Durham County Schools | 178,690,657 | 24,511,595 | 11,572,880 | | 2,377,795 | 628,133 | 217,781,060 | 213,141,194 |
| Edenton-Chowan County Schools | 14,775,859 | 2,131,666 | 872,917 | | 141,063 | 38,982 | 17,960,487 | 18,494,448 |
| Edgecombe County Schools | 39,117,348 | 5,402,053 | 2,998,798 | | 741,455 | 850,664 | 49,110,318 | 51,200,719 |
| Elizabeth City/Pasquotank County Schools | 33,252,921 | 3,439,298 | 2,111,815 | | 402,130 | 79,105 | 39,285,269 | 40,775,993 |
| Elkin City Schools | 7,612,921 | 620,958 | 308,846 | | 54,780 | 17,119 | 8,614,624 | 8,287,083 |
| Franklin County Schools | 49,189,013 | 4,242,871 | 2,917,759 | 54,819 | 900,000 | 120,305 | 57,424,767 | 57,057,695 |
| Gaston County Schools | 155,455,046 | 19,177,630 | 11,094,199 | 377,961 | 2,093,005 | 530,638 | 188,728,479 | 189,389,592 |
| Gates County Schools | 12,726,156 | 925,586 | 533,642 | | 121,221 | 24,150 | 14,330,755 | 15,171,741 |
| Graham County Schools | 9,009,070 | 1,101,888 | 453,223 | | | 20,406 | 10,584,587 | 11,134,058 |
| Granville County Schools | 46,081,083 | 3,739,813 | 2,440,369 | | 1,000,000 | 118,405 | 53,379,670 | 55,829,242 |
| Greene County Schools | 22,002,542 | 3,749,069 | 1,490,069 | | 222,692 | 44,198 | 27,509,063 | 29,109,221 |
| Guilford County Schools | 373,718,670 | 51,361,289 | 26,501,856 | | 5,086,493 | 1,024,857 | 457,693,165 | 456,983,591 |
| Halifax County Schools | 22,025,000 | 7,807,377 | 2,063,217 | | 313,379 | 80,604 | 32,289,577 | 36,371,345 |
| Harnett County Schools | 109,141,037 | 11,381,664 | 6,811,387 | | 2,517,724 | 367,291 | 130,219,103 | 131,531,516 |
| Haywood County Schools | 39,838,187 | 3,890,559 | 2,569,679 | | 826,031 | 90,538 | 47,214,994 | 48,301,486 |

**North Carolina Department of Public Instruction
Supplementary Information
Schedule of Grants and Aid Paid to School Districts (Alphabetically)
General Fund
For the Fiscal Year Ended June 30, 2014 with Comparative Totals for 2013**

**Schedule D-4
Page 2 of 3**

| | State Funds | Federal Grant Funds | Federal Child Nutrition Funds | Federal Medicaid Reimbursements | State Building Capital Funds | State Technology Funds | 2014 Total | (Unaudited) 2013 Total |
|--------------------------------|-------------|---------------------|-------------------------------|---------------------------------|------------------------------|------------------------|-------------|------------------------|
| Henderson County Schools | 70,331,538 | 8,032,182 | 4,520,251 | 127,032 | 954,977 | 935 | 83,966,915 | 84,452,206 |
| Hertford County Schools | 21,584,132 | 2,936,295 | 1,522,179 | | | 35,699 | 26,078,305 | 26,450,366 |
| Hickory City Schools | 22,814,613 | 3,283,502 | 1,597,676 | | 713,738 | 67,558 | 28,477,087 | 29,471,963 |
| Hoke County Schools | 48,267,303 | 5,009,610 | 3,167,453 | | 574,000 | 114,274 | 57,132,640 | 56,705,533 |
| Hyde County Schools | 7,346,509 | 626,255 | 227,520 | | 167,453 | 35,095 | 8,402,832 | 8,469,582 |
| Iredell-Statesville Schools | 102,288,792 | 9,708,169 | 4,918,170 | | 1,448,243 | 297,382 | 118,660,756 | 122,339,789 |
| Jackson County Schools | 20,538,599 | 2,279,523 | 1,189,409 | | 261,656 | 50,533 | 24,319,720 | 25,052,116 |
| Johnston County Schools | 176,185,142 | 19,836,664 | 7,992,168 | | 2,331,632 | 463,156 | 206,808,762 | 207,772,341 |
| Jones County Schools | 9,905,191 | 940,202 | 631,669 | | 218,068 | 78,664 | 11,773,794 | 11,568,079 |
| Kannapolis City Schools | 27,287,753 | 4,055,972 | 2,312,059 | | 638,533 | 73,741 | 34,368,058 | 36,514,242 |
| Lee County Schools | 52,214,653 | 5,399,529 | 3,542,790 | | (54,298) | 133,258 | 61,235,932 | 63,124,533 |
| Lenoir County Schools | 51,539,332 | 7,161,768 | 3,821,675 | | 855,113 | 125,569 | 63,503,457 | 65,709,616 |
| Lexington City Schools | 18,286,485 | 2,684,429 | 1,876,480 | | | 43,766 | 22,998,140 | 22,998,144 |
| Lincoln County Schools | 59,090,840 | 5,204,172 | 3,371,852 | | 1,036,450 | 168,864 | 68,872,178 | 69,650,520 |
| Macon County Schools | 25,377,695 | 2,715,853 | 1,637,927 | | 311,051 | 61,151 | 30,103,677 | 30,608,319 |
| Madison County Schools | 17,049,235 | 1,790,508 | 801,839 | | 263,018 | 96,177 | 20,000,777 | 19,717,148 |
| Martin County Schools | 23,281,692 | 3,100,254 | 1,542,068 | | 299,431 | 66,594 | 28,290,039 | 31,050,361 |
| McDowell County Schools | 37,154,088 | 4,034,465 | 2,203,431 | 70,871 | | 89,178 | 43,552,033 | 48,203,022 |
| Mitchell County Schools | 14,326,075 | 1,319,081 | 572,234 | 15,772 | 118,450 | 18,448 | 16,370,060 | 16,529,089 |
| Montgomery County Schools | 25,376,529 | 3,307,081 | 2,048,356 | 61,069 | 300,000 | 57,637 | 31,150,672 | 30,927,788 |
| Moore County Schools | 65,128,143 | 8,826,853 | 3,011,817 | | 468,710 | 178,241 | 77,613,764 | 79,896,824 |
| Mooresville City Schools | 28,354,866 | 1,794,016 | 1,228,390 | | 504,578 | 120,362 | 32,002,212 | 33,071,743 |
| Mount Airy City Schools | 9,824,249 | 1,654,206 | 695,389 | | 100,000 | 32,855 | 12,306,699 | 12,278,587 |
| Nash-Rocky Mount Schools | 89,924,541 | 9,961,014 | 6,195,486 | | 1,186,000 | 227,443 | 107,494,484 | 113,623,841 |
| New Hanover County Schools | 130,203,703 | 15,515,164 | 6,731,526 | 378,633 | 2,937,165 | 315,833 | 156,082,024 | 152,894,994 |
| Newton-Conover City Schools | 15,491,952 | 1,710,756 | 1,139,486 | | 207,610 | 41,635 | 18,591,439 | 19,878,399 |
| Northampton County Schools | 15,708,928 | 2,769,817 | 1,181,914 | | 222,800 | 22,233 | 19,905,692 | 20,081,163 |
| Onslow County Schools | 124,014,564 | 12,348,931 | 6,181,956 | | 1,646,000 | 323,727 | 144,515,178 | 150,233,375 |
| Orange County Schools | 41,233,122 | 3,714,962 | 1,568,936 | | 805,749 | 156,103 | 47,478,872 | 46,136,924 |
| Pamlico County Schools | 10,148,782 | 1,141,943 | 468,771 | | 119,814 | 19,892 | 11,899,202 | 12,047,227 |
| Pender County Schools | 44,704,017 | 4,506,501 | 2,824,878 | | 108,660 | 47,036 | 52,191,092 | 52,462,252 |
| Perquimans County Schools | 12,174,038 | 1,337,729 | 665,121 | | 409,334 | 36,081 | 14,622,303 | 14,139,508 |
| Person County Schools | 26,241,182 | 2,740,335 | 1,825,790 | | (394,735) | 52,257 | 30,464,829 | 31,468,518 |
| Pitt County Schools | 123,106,447 | 16,989,058 | 7,758,018 | | 1,520,868 | 303,968 | 149,678,359 | 153,058,470 |
| Polk County Schools | 15,136,649 | 1,585,237 | 755,771 | | | 31,079 | 17,508,736 | 18,312,663 |
| Randolph County Schools | 96,679,996 | 9,285,663 | 5,905,375 | | 1,500,000 | 249,479 | 113,620,513 | 118,524,728 |
| Richmond County Schools | 44,578,801 | 6,072,891 | 3,482,011 | | 779,825 | 106,338 | 55,019,866 | 55,846,636 |
| Roanoke Rapids City Schools | 17,365,297 | 1,769,003 | 1,030,232 | | 15,000 | 43,178 | 20,222,710 | 20,566,276 |
| Robeson County Schools | 145,886,981 | 30,629,170 | 12,699,501 | | 4,526,773 | 335,410 | 194,077,835 | 185,385,519 |
| Rockingham County Schools | 74,900,020 | 8,247,093 | 4,147,952 | 235,342 | 1,113,459 | 92,203 | 88,736,069 | 92,721,531 |
| Rowan-Salisbury County Schools | 105,404,856 | 14,873,570 | 7,519,311 | 193,928 | | | 127,991,665 | 130,063,393 |
| Rutherford County Schools | 48,894,884 | 7,217,980 | 3,193,915 | 72,952 | 447,650 | 119,462 | 59,946,843 | 61,503,584 |
| Sampson County Schools | 50,440,674 | 6,293,955 | 3,978,692 | | 1,355,324 | 120,154 | 62,188,799 | 60,969,925 |
| Scotland County Schools | 38,767,902 | 5,323,382 | 2,691,887 | | 365,795 | 84,974 | 47,233,940 | 49,195,591 |
| Stanly County Schools | 49,066,135 | 5,403,626 | 2,768,079 | | 623,000 | 121,470 | 57,982,310 | 58,532,720 |
| Stokes County Schools | 39,518,460 | 3,606,691 | 1,916,998 | 65,571 | 1,505,798 | 2,445 | 46,615,963 | 48,416,491 |
| Surry County Schools | 47,509,457 | 5,334,919 | 3,559,371 | | 365,000 | 88,592 | 56,857,339 | 57,113,680 |
| Swain County Schools | 13,459,521 | 1,552,733 | 745,142 | | 139,890 | 27,529 | 15,924,815 | 16,114,099 |

**North Carolina Department of Public Instruction
 Supplementary Information
 Schedule of Grants and Aid Paid to School Districts (Alphabetically)
 General Fund
 For the Fiscal Year Ended June 30, 2014 with Comparative Totals for 2013**

**Schedule D-4
 Page 3 of 3**

| | State Funds | Federal Grant Funds | Federal Child Nutrition Funds | Federal Medicaid Reimbursements | State Building Capital Funds | State Technology Funds | 2014 Total | (Unaudited) 2013 Total |
|---|-------------------------|-----------------------|-------------------------------|---------------------------------|------------------------------|------------------------|-------------------------|-------------------------|
| Thomasville City Schools | 13,797,228 | 3,253,074 | 1,706,919 | | | 24,124 | 18,781,345 | 18,874,129 |
| Transylvania County Schools | 19,609,895 | 2,701,678 | 1,353,294 | | 600,000 | 49,738 | 24,314,605 | 24,238,398 |
| Tyrrell County Schools | 6,455,359 | 622,511 | 315,111 | | 221,812 | 3,017 | 7,617,810 | 7,494,185 |
| Union County Schools | 200,072,209 | 15,189,121 | 8,108,097 | 204,263 | 3,616,399 | 564,580 | 227,754,669 | 223,188,169 |
| Vance County Schools | 42,656,256 | 6,876,903 | 3,253,416 | | 495,955 | 153,519 | 53,436,049 | 54,483,369 |
| Wake County Schools | 765,898,868 | 65,044,031 | 29,083,313 | 841,448 | 10,734,351 | 1,500,528 | 873,102,539 | 850,108,771 |
| Warren County Schools | 16,874,498 | 3,576,461 | 1,135,685 | | 170,497 | 35,005 | 21,792,146 | 21,171,855 |
| Washington County Schools | 12,597,227 | 2,702,234 | 960,685 | | 61,793 | 24,099 | 16,346,038 | 16,298,242 |
| Watauga County Schools | 24,403,965 | 2,221,448 | 959,145 | | 179,826 | 62,062 | 27,826,446 | 28,259,418 |
| Wayne County Schools | 106,595,573 | 13,573,543 | 6,385,299 | | 1,281,428 | (4,803) | 127,831,040 | 127,787,076 |
| Weldon City Schools | 7,266,547 | 1,173,723 | 605,738 | | 133,990 | 13,559 | 9,193,557 | 9,698,144 |
| Whiteville City Schools | 14,064,539 | 2,977,712 | 1,157,221 | | 307,275 | 21,162 | 18,527,909 | 18,015,928 |
| Wilkes County Schools | 54,118,859 | 6,540,269 | 3,621,218 | 138,519 | 726,000 | 129,316 | 65,274,181 | 65,892,178 |
| Wilson County Schools | 65,830,427 | 7,029,399 | 4,638,805 | | 1,589,541 | 212,308 | 79,300,480 | 80,704,567 |
| Winston-Salem/Forsyth County Schools | 279,406,820 | 38,413,554 | 16,289,700 | 643,148 | 3,720,254 | 762,538 | 339,236,014 | 336,878,156 |
| Yadkin County Schools | 33,044,623 | 2,957,718 | 1,618,057 | | 750,000 | 194,450 | 38,564,848 | 39,989,998 |
| Yancey County Schools | 14,944,812 | 2,034,978 | 727,476 | 36,718 | 278,316 | 47,381 | 18,069,681 | 18,823,382 |
| Total Grants and Aid to School Districts | \$ 7,684,723,543 | \$ 892,714,499 | \$ 458,554,612 | \$ 17,204,779 | \$ 124,051,132 | \$ 21,068,273 | \$ 9,198,316,838 | \$ 9,245,122,896 |

**North Carolina Department of Public Instruction
 Supplementary Information
 Schedule of Grants and Aid Paid to School Districts (Amount - Sorted Largest to Smallest)
 General Fund
 For the Fiscal Year Ended June 30, 2014 with Comparative Totals for 2013**

**Schedule D-5
 Page 1 of 3**

| | State Funds | Federal Grant Funds | Federal Child Nutrition Funds | Federal Medicaid Reimbursements | State Building Capital Funds | State Technology Funds | 2014 Total | (Unaudited) 2013 Total |
|--------------------------------------|----------------|---------------------|-------------------------------|---------------------------------|------------------------------|------------------------|----------------|------------------------|
| Wake County Schools | \$ 765,898,868 | \$ 65,044,031 | \$ 29,083,313 | \$ 841,448 | \$ 10,734,351 | \$ 1,500,528 | \$ 873,102,539 | \$ 850,108,771 |
| Charlotte-Mecklenburg County Schools | 696,681,576 | 81,602,071 | 43,962,590 | 1,066,030 | 9,945,360 | 2,379,989 | 835,637,616 | 823,821,362 |
| Guilford County Schools | 373,718,670 | 51,361,289 | 26,501,856 | | 5,086,493 | 1,024,857 | 457,693,165 | 456,983,591 |
| Winston-Salem/Forsyth County Schools | 279,406,820 | 38,413,554 | 16,289,700 | 643,148 | 3,720,254 | 762,538 | 339,236,014 | 336,878,156 |
| Cumberland County Schools | 256,942,773 | 31,918,635 | 17,841,887 | 11,968,338 | 3,863,323 | 742,336 | 323,277,292 | 322,963,907 |
| Union County Schools | 200,072,209 | 15,189,121 | 8,108,097 | 204,263 | 3,616,399 | 564,580 | 227,754,669 | 223,188,169 |
| Durham County Schools | 178,690,657 | 24,511,595 | 11,572,880 | | 2,377,795 | 628,133 | 217,781,060 | 213,141,194 |
| Johnston County Schools | 176,185,142 | 19,836,664 | 7,992,168 | | 2,331,632 | 463,156 | 206,808,762 | 207,772,341 |
| Robeson County Schools | 145,886,981 | 30,629,170 | 12,699,501 | | 4,526,773 | 335,410 | 194,077,835 | 185,385,519 |
| Gaston County Schools | 155,455,046 | 19,177,630 | 11,094,199 | 377,961 | 2,093,005 | 530,638 | 188,728,479 | 189,389,592 |
| Cabarrus County Schools | 148,475,541 | 10,747,006 | 7,181,085 | | 4,273,257 | 426,138 | 171,103,027 | 174,650,039 |
| Buncombe County Schools | 132,719,278 | 13,574,514 | 8,830,351 | 295,157 | 9,800,000 | 550,491 | 165,769,791 | 162,911,626 |
| New Hanover County Schools | 130,203,703 | 15,515,164 | 6,731,526 | 378,633 | 2,937,165 | 315,833 | 156,082,024 | 152,894,994 |
| Pitt County Schools | 123,106,447 | 16,989,058 | 7,758,018 | | 1,520,868 | 303,968 | 149,678,359 | 153,058,470 |
| Onslow County Schools | 124,014,564 | 12,348,931 | 6,181,956 | | 1,646,000 | 323,727 | 144,515,178 | 150,233,375 |
| Alamance-Burlington Schools | 115,876,366 | 13,705,471 | 7,317,390 | | 2,451,609 | 443,524 | 139,794,360 | 139,033,330 |
| Harnett County Schools | 109,141,037 | 11,381,664 | 6,811,387 | | 2,517,724 | 367,291 | 130,219,103 | 131,531,516 |
| Rowan-Salisbury County Schools | 105,404,856 | 14,873,570 | 7,519,311 | 193,928 | | | 127,991,665 | 130,063,393 |
| Wayne County Schools | 106,595,573 | 13,573,543 | 6,385,299 | | 1,281,428 | (4,803) | 127,831,040 | 127,787,076 |
| Davidson County Schools | 101,166,038 | 8,994,282 | 4,837,306 | 122,889 | 4,649,460 | 284,126 | 120,054,101 | 119,519,723 |
| Iredell-Statesville Schools | 102,288,792 | 9,708,169 | 4,918,170 | | 1,448,243 | 297,382 | 118,660,756 | 122,339,789 |
| Randolph County Schools | 96,679,996 | 9,285,663 | 5,905,375 | | 1,500,000 | 249,479 | 113,620,513 | 118,524,728 |
| Nash-Rocky Mount Schools | 89,924,541 | 9,961,014 | 6,195,486 | | 1,186,000 | 227,443 | 107,494,484 | 113,623,841 |
| Cleveland County Schools | 85,940,690 | 9,651,382 | 6,044,936 | | 1,462,777 | 214,480 | 103,314,265 | 114,184,375 |
| Catawba County Schools | 87,014,209 | 8,581,757 | 5,124,637 | | 1,268,770 | 219,240 | 102,208,613 | 102,491,445 |
| Craven County Schools | 74,093,795 | 9,165,892 | 4,372,873 | | 1,030,840 | 202,030 | 88,865,430 | 91,057,565 |
| Rockingham County Schools | 74,900,020 | 8,247,093 | 4,147,952 | 235,342 | 1,113,459 | 92,203 | 88,736,069 | 92,721,531 |
| Burke County Schools | 70,356,479 | 9,374,022 | 4,512,122 | 167,567 | 1,167,134 | 272,871 | 85,850,195 | 86,693,488 |
| Henderson County Schools | 70,331,538 | 8,032,182 | 4,520,251 | 127,032 | 954,977 | 935 | 83,966,915 | 84,452,206 |
| Caldwell County Schools | 71,246,246 | 6,442,922 | 4,219,115 | | 1,299,206 | 320,695 | 83,528,184 | 83,279,814 |
| Wilson County Schools | 65,830,427 | 7,029,399 | 4,638,805 | | 1,589,541 | 212,308 | 79,300,480 | 80,704,567 |
| Moore County Schools | 65,128,143 | 8,826,853 | 3,011,817 | | 468,710 | 178,241 | 77,613,764 | 79,896,824 |
| Brunswick County Schools | 64,565,527 | 7,571,244 | 4,300,281 | | 1,016,810 | 106,311 | 77,560,173 | 78,181,291 |
| Lincoln County Schools | 59,090,840 | 5,204,172 | 3,371,852 | | 1,036,450 | 168,864 | 68,872,178 | 69,650,520 |
| Duplin County Schools | 54,593,191 | 6,535,486 | 4,337,645 | | 3,684 | 255,144 | 65,725,150 | 67,004,708 |
| Chapel-Hill/Carrboro City Schools | 58,340,068 | 3,967,457 | 1,918,630 | | 1,078,663 | 169,845 | 65,474,663 | 65,439,181 |
| Wilkes County Schools | 54,118,859 | 6,540,269 | 3,621,218 | 138,519 | 726,000 | 129,316 | 65,274,181 | 65,892,178 |
| Lenoir County Schools | 51,539,332 | 7,161,768 | 3,821,675 | | 855,113 | 125,569 | 63,503,457 | 65,709,616 |
| Sampson County Schools | 50,440,674 | 6,293,955 | 3,978,692 | | 1,355,324 | 120,154 | 62,188,799 | 60,969,925 |
| Lee County Schools | 52,214,653 | 5,399,529 | 3,542,790 | | (54,298) | 133,258 | 61,235,932 | 63,124,533 |
| Rutherford County Schools | 48,894,884 | 7,217,980 | 3,193,915 | 72,952 | 447,650 | 119,462 | 59,946,843 | 61,503,584 |
| Stanly County Schools | 49,066,135 | 5,403,626 | 2,768,079 | | 623,000 | 121,470 | 57,982,310 | 58,532,720 |
| Franklin County Schools | 49,189,013 | 4,242,871 | 2,917,759 | 54,819 | 900,000 | 120,305 | 57,424,767 | 57,057,695 |
| Hoke County Schools | 48,267,303 | 5,009,610 | 3,167,453 | | 574,000 | 114,274 | 57,132,640 | 56,705,533 |
| Surry County Schools | 47,509,457 | 5,334,919 | 3,559,371 | | 365,000 | 88,592 | 56,857,339 | 57,113,680 |
| Richmond County Schools | 44,578,801 | 6,072,891 | 3,482,011 | | 779,825 | 106,338 | 55,019,866 | 55,846,636 |
| Vance County Schools | 42,656,256 | 6,876,903 | 3,253,416 | | 495,955 | 153,519 | 53,436,049 | 54,483,369 |
| Granville County Schools | 46,081,083 | 3,739,813 | 2,440,369 | | 1,000,000 | 118,405 | 53,379,670 | 55,829,242 |
| Carteret County Schools | 45,348,155 | 5,038,914 | 1,966,446 | | 700,000 | 80,795 | 53,134,310 | 53,431,903 |
| Pender County Schools | 44,704,017 | 4,506,501 | 2,824,878 | | 108,660 | 47,036 | 52,191,092 | 52,462,252 |

**North Carolina Department of Public Instruction
 Supplementary Information
 Schedule of Grants and Aid Paid to School Districts (Amount - Sorted Largest to Smallest)
 General Fund
 For the Fiscal Year Ended June 30, 2014 with Comparative Totals for 2013**

**Schedule D-5
 Page 2 of 3**

| | State Funds | Federal Grant Funds | Federal Child Nutrition Funds | Federal Medicaid Reimbursements | State Building Capital Funds | State Technology Funds | 2014 Total | (Unaudited) 2013 Total |
|--|-------------|---------------------|-------------------------------|---------------------------------|------------------------------|------------------------|------------|------------------------|
| Chatham County Schools | 43,572,968 | 4,187,691 | 2,537,397 | | 573,328 | 115,427 | 50,986,811 | 51,319,360 |
| Edgecombe County Schools | 39,117,348 | 5,402,053 | 2,998,798 | | 741,455 | 850,664 | 49,110,318 | 51,200,719 |
| Orange County Schools | 41,233,122 | 3,714,962 | 1,568,936 | | 805,749 | 156,103 | 47,478,872 | 46,136,924 |
| Beaufort County Schools | 38,652,919 | 5,584,764 | 2,538,802 | | 468,937 | 97,535 | 47,342,957 | 47,601,224 |
| Scotland County Schools | 38,767,902 | 5,323,382 | 2,691,887 | | 365,795 | 84,974 | 47,233,940 | 49,195,591 |
| Haywood County Schools | 39,838,187 | 3,890,559 | 2,569,679 | | 826,031 | 90,538 | 47,214,994 | 48,301,486 |
| Columbus County Schools | 37,975,507 | 5,329,079 | 3,018,002 | | 498,798 | 23,188 | 46,844,574 | 48,762,196 |
| Stokes County Schools | 39,518,460 | 3,606,691 | 1,916,998 | 65,571 | 1,505,798 | 2,445 | 46,615,963 | 48,416,491 |
| McDowell County Schools | 37,154,088 | 4,034,465 | 2,203,431 | 70,871 | | 89,178 | 43,552,033 | 48,203,022 |
| Davie County Schools | 34,603,805 | 3,100,880 | 1,828,098 | | 400,516 | 90,146 | 40,023,445 | 40,855,973 |
| Elizabeth City/Pasquotank County Schools | 33,252,921 | 3,439,298 | 2,111,815 | | 402,130 | 79,105 | 39,285,269 | 40,775,993 |
| Yadkin County Schools | 33,044,623 | 2,957,718 | 1,618,057 | | 750,000 | 194,450 | 38,564,848 | 39,989,998 |
| Bladen County Schools | 29,124,447 | 4,829,181 | 2,279,633 | | 560,384 | 70,114 | 38,863,759 | 39,741,827 |
| Alexander County Schools | 29,271,213 | 3,470,154 | 1,688,753 | | | 228,587 | 34,658,707 | 35,204,945 |
| Kannapolis City Schools | 27,287,753 | 4,055,972 | 2,312,059 | | 638,533 | 73,741 | 34,368,058 | 36,514,242 |
| Asheboro City Schools | 26,029,682 | 4,523,673 | 2,184,127 | | 400,000 | 130,394 | 33,267,876 | 33,004,175 |
| Halifax County Schools | 22,025,000 | 7,807,377 | 2,063,217 | | 313,379 | 80,604 | 32,289,577 | 36,371,345 |
| Mooresville City Schools | 28,354,866 | 1,794,016 | 1,228,390 | | 504,578 | 120,362 | 32,002,212 | 33,071,743 |
| Dare County Schools | 27,484,350 | 2,352,305 | 1,121,692 | | 345,000 | 68,426 | 31,371,773 | 31,806,869 |
| Anson County Schools | 24,910,445 | 4,437,876 | 1,648,055 | | 294,128 | 13,523 | 31,304,027 | 33,996,843 |
| Montgomery County Schools | 25,376,529 | 3,307,081 | 2,048,356 | 61,069 | 300,000 | 57,637 | 31,150,672 | 30,927,788 |
| Person County Schools | 26,241,182 | 2,740,335 | 1,825,790 | | (394,735) | 52,257 | 30,464,829 | 31,468,518 |
| Macon County Schools | 25,377,695 | 2,715,853 | 1,637,927 | | 311,051 | 61,151 | 30,103,677 | 30,608,319 |
| Hickory City Schools | 22,814,613 | 3,283,502 | 1,597,676 | | 713,738 | 67,558 | 28,477,087 | 29,471,963 |
| Martin County Schools | 23,281,692 | 3,100,254 | 1,542,068 | | 299,431 | 66,594 | 28,290,039 | 31,050,361 |
| Watauga County Schools | 24,403,965 | 2,221,448 | 959,145 | | 179,826 | 62,062 | 27,826,446 | 28,259,418 |
| Greene County Schools | 22,002,542 | 3,749,562 | 1,490,069 | | 222,692 | 44,198 | 27,509,063 | 29,109,221 |
| Asheville City Schools | 22,461,548 | 3,588,837 | 994,267 | 39,406 | 190,000 | 36,464 | 27,310,522 | 27,876,616 |
| Hertford County Schools | 21,584,132 | 2,936,295 | 1,522,179 | | | 35,699 | 26,078,305 | 26,450,366 |
| Bertie County Schools | 19,948,593 | 3,302,658 | 1,775,813 | | | 41,356 | 25,068,420 | 23,387,086 |
| Jackson County Schools | 20,538,599 | 2,279,523 | 1,189,409 | | 261,656 | 50,533 | 24,319,720 | 25,052,116 |
| Transylvania County Schools | 19,609,895 | 2,701,678 | 1,353,294 | | 600,000 | 49,738 | 24,314,605 | 24,238,398 |
| Ashe County Schools | 20,269,134 | 2,214,044 | 1,306,848 | | 340,180 | 49,388 | 24,179,594 | 24,293,250 |
| Cherokee County Schools | 19,610,784 | 2,477,895 | 1,435,270 | | 499,883 | 37,065 | 24,060,897 | 24,487,716 |
| Currituck County Schools | 20,901,363 | 1,502,547 | 780,545 | | 270,000 | 53,327 | 23,507,782 | 23,530,308 |
| Lexington City Schools | 18,286,485 | 2,684,429 | 1,876,480 | | | 43,766 | 22,891,160 | 22,998,144 |
| Caswell County Schools | 18,402,519 | 2,277,358 | 1,102,905 | | 56,501 | 75,764 | 21,915,047 | 22,929,769 |
| Warren County Schools | 16,874,498 | 3,576,461 | 1,135,685 | | 170,497 | 35,005 | 21,792,146 | 21,171,855 |
| Clinton City Schools | 16,692,001 | 2,182,234 | 1,462,477 | | | 1,811 | 20,338,523 | 20,739,655 |
| Roanoke Rapids City Schools | 17,365,297 | 1,769,003 | 1,030,232 | | 15,000 | 43,178 | 20,222,710 | 20,566,276 |
| Madison County Schools | 17,049,235 | 1,790,508 | 801,839 | | 263,018 | 96,177 | 20,000,777 | 19,717,148 |
| Northampton County Schools | 15,708,928 | 2,769,817 | 1,181,914 | | 222,800 | 22,233 | 19,905,692 | 20,081,163 |
| Thomasville City Schools | 13,797,228 | 3,253,074 | 1,706,919 | | | 24,124 | 18,781,345 | 18,874,129 |
| Newton-Conover City Schools | 15,491,952 | 1,710,756 | 1,139,486 | | 207,610 | 41,635 | 18,591,439 | 19,878,399 |
| Whiteville City Schools | 14,064,539 | 2,977,712 | 1,157,221 | | 307,275 | 21,162 | 18,527,909 | 18,015,928 |
| Yancey County Schools | 14,944,812 | 2,034,978 | 727,476 | 36,718 | 78,316 | 47,381 | 18,069,681 | 18,823,382 |
| Edenton-Chowan County Schools | 14,775,859 | 2,131,666 | 872,917 | | 141,063 | 38,982 | 17,960,487 | 18,494,448 |
| Polk County Schools | 15,136,649 | 1,585,237 | 755,771 | | | 31,079 | 17,508,736 | 18,312,663 |
| Avery County Schools | 14,619,799 | 1,906,151 | 751,317 | | (3,743) | 2,341 | 17,275,865 | 17,254,092 |

**North Carolina Department of Public Instruction
Supplementary Information
Schedule of Grants and Aid Paid to School Districts (Amount - Sorted Largest to Smallest)
General Fund
For the Fiscal Year Ended June 30, 2014 with Comparative Totals for 2013**

**Schedule D-5
Page 3 of 3**

| | State Funds | Federal Grant Funds | Federal Child Nutrition Funds | Federal Medicaid Reimbursements | State Building Capital Funds | State Technology Funds | 2014 Total | (Unaudited) 2013 Total |
|---|-------------------------|-----------------------|-------------------------------|---------------------------------|------------------------------|------------------------|-------------------------|-------------------------|
| Mitchell County Schools | 14,326,075 | 1,319,081 | 572,234 | 15,772 | 118,450 | 18,448 | 16,370,060 | 16,529,089 |
| Washington County Schools | 12,597,227 | 2,702,234 | 960,685 | | 61,793 | 24,099 | 16,346,038 | 16,298,242 |
| Swain County Schools | 13,459,521 | 1,552,733 | 745,142 | | 139,890 | 27,529 | 15,924,815 | 16,114,099 |
| Perquimans County Schools | 12,174,038 | 1,337,729 | 665,121 | | 409,334 | 36,081 | 14,622,303 | 14,139,508 |
| Gates County Schools | 12,726,156 | 925,586 | 533,642 | | 121,221 | 24,150 | 14,330,755 | 15,171,741 |
| Camden County Schools | 12,676,725 | 542,632 | 312,067 | | 317,235 | 22,993 | 13,871,652 | 14,015,974 |
| Mount Airy City Schools | 9,824,249 | 1,654,206 | 695,389 | | 100,000 | 32,855 | 12,306,699 | 12,278,587 |
| Alleghany County Schools | 10,120,199 | 1,205,292 | 577,832 | 27,346 | 99,943 | 19,382 | 12,049,994 | 11,853,750 |
| Pamlico County Schools | 10,148,782 | 1,141,943 | 468,771 | | 119,814 | 19,892 | 11,899,202 | 12,047,227 |
| Jones County Schools | 9,905,191 | 940,202 | 631,669 | | 218,068 | 78,664 | 11,773,794 | 11,568,079 |
| Clay County Schools | 9,648,032 | 823,315 | 414,662 | | 46,362 | 17,391 | 10,949,762 | 11,259,204 |
| Graham County Schools | 9,009,070 | 1,101,888 | 453,223 | | | 20,406 | 10,584,587 | 11,134,058 |
| Weldon City Schools | 7,266,547 | 1,173,723 | 605,738 | | 133,990 | 13,559 | 9,193,557 | 9,698,144 |
| Elkin City Schools | 7,612,921 | 620,958 | 308,846 | | 54,780 | 17,119 | 8,614,624 | 8,287,083 |
| Hyde County Schools | 7,346,509 | 626,255 | 227,520 | | 167,453 | 35,095 | 8,402,832 | 8,469,582 |
| Tyrrell County Schools | 6,455,359 | 622,511 | 315,111 | | 221,812 | 3,017 | 7,617,810 | 7,494,185 |
| Total Grants and Aid to School Districts | \$ 7,684,723,543 | \$ 892,714,499 | \$ 458,554,612 | \$ 17,204,779 | \$ 124,051,132 | \$ 21,068,273 | \$ 9,198,316,838 | \$ 9,245,122,896 |

North Carolina Department of Public Instruction
Supplementary Information
Schedule of Grants and Aid Paid to Charter Schools (Alphabetically by County)
General Fund
For the Fiscal Year Ended June 30, 2014 with Comparative Totals for 2013

Schedule D-6
Page 1 of 2

| County | Charter School Name | State Funds | Federal Grant | | 2014 | | (Unaudited) |
|-------------|--|--------------|---------------|-----------------------|--------------|--------------|-------------|
| | | | Funds | Child Nutrition Funds | Total | 2013 Total | |
| Alamance | Clover Garden | \$ 2,809,453 | \$ 132,722 | \$ 96,235 | \$ 3,038,410 | \$ 2,725,149 | |
| Alamance | River Mill Academy | 2,868,929 | 128,688 | 54,864 | 3,052,481 | 3,103,587 | |
| Alamance | The Hawbridge School | 1,066,849 | 33,242 | | 1,100,091 | 1,004,134 | |
| Avery | Grandfather Academy | 245,715 | 82,548 | | 328,263 | 409,634 | |
| Avery | Marjorie Williams Academy | 601,019 | 637,303 | 66,563 | 1,304,885 | 1,076,654 | |
| Beaufort | Washington Montessori | 1,694,433 | 93,190 | | 1,787,623 | 1,798,368 | |
| Bladen | Paul R. Brown Leadership Academy | 484,694 | 44,269 | | 528,963 | | |
| Brunswick | Charter Day School | 4,694,602 | 173,694 | | 4,868,296 | 4,915,488 | |
| Buncombe | ArtSpace Charter | 2,083,381 | 118,436 | | 2,201,817 | 2,170,459 | |
| Buncombe | Evergreen Community Charter | 2,166,091 | 125,369 | | 2,291,460 | 2,320,918 | |
| Buncombe | Francine Delany New School for Children | 903,076 | 51,212 | | 954,288 | 946,390 | |
| Burke | The New Dimensions School | 1,204,751 | 52,700 | | 1,257,451 | 1,143,695 | |
| Cabarrus | Cabarrus Charter Academy | 3,112,952 | 72,122 | 34,930 | 3,220,004 | | |
| Cabarrus | Carolina International School | 2,842,916 | 85,626 | | 2,928,542 | 2,732,633 | |
| Carteret | Tiller School | 997,687 | 51,094 | | 1,048,781 | 1,042,314 | |
| Chatham | Chatham Charter | 2,173,422 | 48,938 | | 2,222,360 | 1,722,684 | |
| Chatham | The Woods Charter School | 2,722,222 | 76,647 | 3,302 | 2,802,171 | 2,728,474 | |
| Chatham | Willow Oak Montessori | 429,221 | 10,515 | | 439,736 | | |
| Cherokee | The Learning Center | 1,129,183 | 81,521 | 61,008 | 1,271,712 | 1,268,199 | |
| Cleveland | Pinnacle Classical Academy | 1,605,244 | 39,392 | | 1,644,636 | | |
| Columbus | Columbus Charter School | 4,913,019 | 154,260 | | 5,067,279 | 4,368,624 | |
| Columbus | Flemington Academy | 340,047 | 32,919 | | 372,966 | | |
| Columbus | STEM Education for a Global Society Academy | 424,725 | 46,006 | | 470,731 | | |
| Cumberland | Alpha Academy | 2,933,194 | 151,157 | | 3,084,351 | 1,948,661 | |
| Currituck | Water's Edge Village School | 140,255 | 2,962 | | 143,217 | 90,948 | |
| Durham | Carter Community Charter | 1,571,408 | 181,823 | 86,203 | 1,839,434 | 1,769,392 | |
| Durham | Global Scholars Academy | 698,871 | 37,892 | 76,063 | 812,826 | 736,446 | |
| Durham | Healthy Start Academy | 1,784,341 | 256,364 | 182,674 | 2,223,379 | 2,485,487 | |
| Durham | Kestrel Heights School | 5,417,126 | 141,933 | | 5,559,059 | 5,224,847 | |
| Durham | Maureen Joy Charter | 2,496,793 | 205,908 | 210,685 | 2,913,386 | 2,420,066 | |
| Durham | Research Triangle Charter Academy | 3,523,451 | 209,768 | 158,746 | 3,891,965 | 3,662,970 | |
| Durham | Research Triangle High School | 1,260,252 | 56,254 | | 1,316,506 | 787,497 | |
| Durham | The Central Park School For Children | 1,824,454 | 49,756 | | 1,874,210 | 1,643,409 | |
| Durham | The Institute for the Development of Young Leaders | 445,341 | 21,276 | | 466,617 | | |
| Durham | Voyager Academy | 6,932,980 | 181,127 | | 7,114,107 | 6,406,687 | |
| Edgecombe | North East Carolina Preparatory School | 5,080,613 | 443,420 | 14,378 | 5,538,411 | 2,327,763 | |
| Forsyth | Arts Based School | 2,315,338 | 70,886 | | 2,386,224 | 1,990,944 | |
| Forsyth | Forsyth Academy | 3,710,691 | 405,680 | 177,704 | 4,294,075 | 4,304,911 | |
| Forsyth | Quality Education Academy | 2,277,151 | 336,038 | 203,181 | 2,816,370 | 2,766,189 | |
| Forsyth | The Carter G. Woodson School | 2,614,506 | 280,426 | 184,290 | 3,079,222 | 3,146,196 | |
| Forsyth | The North Carolina Leadership Academy | 2,110,660 | 1,300 | | 2,111,960 | | |
| Forsyth | The STEAM Academy of Winston Salem | | | | | 689,985 | |
| Franklin | Crosscreek Charter School | 1,055,065 | 43,446 | | 1,098,511 | 1,210,146 | |
| Gaston | Mountain Island Charter | 4,572,514 | 116,832 | | 4,689,346 | 3,875,429 | |
| Gaston | Piedmont Community Charter | 5,666,954 | 211,882 | | 5,878,836 | 5,970,606 | |
| Granville | Falls Lake Academy | 1,730,990 | 51,537 | | 1,782,527 | | |
| Granville | Oxford Preparatory High School | 366,253 | 8,031 | | 374,284 | | |
| Guilford | Cornerstone Charter Academy | 3,095,696 | 132,001 | | 3,227,697 | 2,526,409 | |
| Guilford | Greensboro Academy | 3,651,861 | 126,878 | | 3,778,739 | 3,630,685 | |
| Guilford | Guilford Preparatory Academy | 1,282,569 | 152,869 | 82,793 | 1,518,231 | 1,464,143 | |
| Guilford | Phoenix Academy | 3,161,139 | 78,187 | 6,400 | 3,245,726 | 1,584,699 | |
| Guilford | Summerfield Charter Academy | 2,559,771 | 33,449 | 20,651 | 2,613,871 | | |
| Guilford | The College Prep. and Leadership Academy of High Point | 900,382 | 135,724 | 71,379 | 1,107,485 | 716,252 | |
| Guilford | Triad Math and Science Academy | 3,497,105 | 160,248 | 101,815 | 3,759,168 | 3,127,819 | |
| Henderson | The Mountain Community School | 918,365 | 24,264 | | 942,629 | 942,045 | |
| Iredell | American Renaissance School | 2,759,448 | 167,259 | | 2,926,707 | 2,989,454 | |
| Iredell | Langtree Charter Academy | 3,109,954 | 35,148 | 18,450 | 3,163,552 | | |
| Iredell | Pine Lake Preparatory | 8,182,829 | 223,892 | | 8,406,721 | 7,967,014 | |
| Iredell | Success Institute | 546,289 | 90,024 | 62,585 | 698,898 | 695,187 | |
| Jackson | Summit Charter | 1,120,953 | 45,205 | | 1,166,158 | 1,155,853 | |
| Johnston | Neuse Charter School | 3,833,801 | 76,528 | | 3,910,329 | 3,250,784 | |
| Lenoir | Kinston Charter Academy | | | 5,194 | 5,194 | 2,050,409 | |
| Lenoir | The Children's Village Academy | 1,364,614 | 144,179 | 160,099 | 1,668,892 | 1,411,354 | |
| Lincoln | Lincoln Charter | 8,061,348 | 208,370 | | 8,269,718 | 7,870,316 | |
| Martin | Bear Grass Charter School | 1,920,690 | 41,402 | | 1,962,092 | 1,591,820 | |
| Martin | Northeast Regional School - Biotech/Agri | 682,925 | 34,034 | | 716,959 | 454,298 | |
| Mecklenburg | Aristotle Preparatory Academy | 525,562 | 62,701 | 26,977 | 615,240 | | |
| Mecklenburg | Charlotte Choice Charter | 1,007,697 | 88,008 | 37,449 | 1,133,154 | | |
| Mecklenburg | Charlotte Secondary School | 1,675,633 | 70,606 | | 1,746,239 | 1,290,750 | |
| Mecklenburg | Community School of Davidson | 6,588,406 | 152,651 | | 6,741,057 | 6,204,141 | |
| Mecklenburg | Corvian Community School | 2,158,910 | 42,918 | | 2,201,828 | 427,334 | |
| Mecklenburg | Crossroads Charter High | 1,039,568 | 435,069 | | 1,474,637 | 1,701,551 | |
| Mecklenburg | Invest Collegiate Transform | 442,742 | 10,669 | | 453,411 | | |
| Mecklenburg | Kennedy Charter | 1,795,118 | 950,874 | 138,927 | 2,884,919 | 2,845,599 | |
| Mecklenburg | KIPP: Charlotte | 1,889,163 | 149,359 | 84,287 | 2,122,809 | 2,122,413 | |
| Mecklenburg | Lake Norman Charter | 7,602,294 | 205,497 | | 7,807,791 | 7,772,716 | |
| Mecklenburg | Metrolina Regional Scholars' Academy | 1,742,647 | 58,179 | | 1,800,826 | 1,757,779 | |
| Mecklenburg | Queen's Grant Community School | 6,099,718 | 195,521 | 34,708 | 6,329,947 | 6,589,872 | |
| Mecklenburg | Socrates Academy | 3,259,000 | 107,710 | | 3,366,710 | 3,088,663 | |
| Mecklenburg | StudentFirst Academy | 1,548,622 | 261,475 | | 1,810,097 | | |

**North Carolina Department of Public Instruction
 Supplementary Information
 Schedule of Grants and Aid Paid to Charter Schools (Alphabetically by County)
 General Fund
 For the Fiscal Year Ended June 30, 2014 with Comparative Totals for 2013**

**Schedule D-6
 Page 2 of 2**

| County of Location | Charter School Name | State Funds | Federal Grant Funds | Federal Child Nutrition Funds | 2014 Total | (Unaudited) 2013 Total |
|--|---|----------------|---------------------|-------------------------------|----------------|------------------------|
| Mecklenburg | Sugar Creek Charter | 4,589,390 | 821,665 | 497,720 | 5,908,775 | 5,519,167 |
| Mecklenburg | The Community Charter School | 805,145 | 55,303 | | 860,448 | 820,375 |
| Moore | Sandhills Theatre Arts Renaissance School | 1,750,333 | 91,068 | | 1,841,401 | 1,753,836 |
| Moore | The Academy of Moore County | 947,769 | 67,129 | | 1,014,898 | 1,108,962 |
| Nash | Rocky Mount Preparatory | 6,638,518 | 613,393 | 420,308 | 7,672,219 | 7,151,491 |
| New Hanover | Cape Fear Center for Inquiry | 1,965,792 | 47,501 | | 2,013,293 | 2,023,967 |
| New Hanover | Douglass Academy | 170,547 | | | 170,547 | |
| New Hanover | Island Montessori Charter | 690,778 | 19,430 | | 710,208 | |
| New Hanover | Wilmington Preparatory Academy | 602,401 | 74,236 | | 676,637 | 718,224 |
| New Hanover | Cape Lookout Marine Science High School | 271,367 | 49,773 | | 321,140 | 329,918 |
| Northhampton | Gaston College Preparatory | 6,532,903 | 297,379 | 500,053 | 7,330,335 | 6,238,968 |
| Onslow | Z.E.C.A. School of Arts and Technology | 445,311 | 32,420 | | 477,731 | |
| Orange | Orange Charter | 1,239,417 | 45,263 | | 1,284,680 | 1,378,563 |
| Orange | PACE Academy | 832,304 | 53,305 | | 885,609 | 864,298 |
| Pamlico | Arapahoe Charter School | 3,189,441 | 178,751 | 133,127 | 3,501,319 | 3,413,846 |
| Person | Bethel Hill Charter | 2,072,233 | 86,731 | 79,655 | 2,238,619 | 2,208,682 |
| Person | Roxboro Community School | 3,510,119 | 43,501 | | 3,553,620 | 3,370,970 |
| Randolph | Uwharrie Charter Academy | 955,527 | 30,433 | | 985,960 | |
| Robeson | CIS Academy | 711,258 | 94,168 | 34,337 | 839,763 | 905,046 |
| Robeson | Southeastern Academy | 1,010,948 | 13,007 | | 1,023,955 | |
| Rockingham | Bethany Community Middle | 1,420,124 | 61,377 | | 1,481,501 | 1,327,489 |
| Rutherford | Lake Lure Classical Academy | 1,776,201 | 49,820 | | 1,826,021 | 1,739,249 |
| Rutherford | Thomas Jefferson Classical Academy | 6,778,778 | 134,625 | | 6,913,403 | 6,530,242 |
| Stanly | Gray Stone Day School | 2,110,987 | 46,514 | | 2,157,501 | 2,043,983 |
| Surry | Millennium Charter Academy | 3,068,656 | 97,625 | | 3,166,281 | 2,952,269 |
| Swain | Mountain Discovery Charter School | 1,221,202 | 70,112 | | 1,291,314 | 1,223,062 |
| Transylvania | Brevard Academy | 1,228,333 | 31,263 | | 1,259,596 | 1,128,431 |
| Union | Union Academy | 6,379,767 | 203,201 | 5,761 | 6,588,729 | 6,137,034 |
| Vance | Henderson Collegiate | 2,483,596 | 141,191 | 294,296 | 2,919,083 | 2,118,840 |
| Vance | Vance Charter School | 3,346,915 | 174,499 | | 3,521,414 | 3,495,551 |
| Wake | Casa Esperanza Montessori | 2,011,285 | 69,105 | | 2,080,390 | 1,997,475 |
| Wake | East Wake Academy | 5,526,165 | 198,037 | | 5,724,202 | 5,785,137 |
| Wake | Endeavor Charter | 2,322,370 | 62,201 | | 2,384,571 | 2,408,914 |
| Wake | Exploris Middle School | 1,029,855 | 72,279 | | 1,102,134 | 1,084,734 |
| Wake | Franklin Academy | 7,675,125 | 189,127 | | 7,864,252 | 7,818,913 |
| Wake | Hope Charter Leadership Academy | 621,152 | 77,377 | 59,153 | 757,682 | 777,763 |
| Wake | Longleaf School of the Arts | 842,313 | 23,248 | | 865,561 | |
| Wake | Magellan Charter | 1,989,003 | 100,580 | | 2,089,583 | 2,109,503 |
| Wake | PreEminent Charter School | 3,039,022 | 305,184 | 193,814 | 3,538,020 | 3,385,691 |
| Wake | Quest Academy | 661,501 | 17,834 | | 679,335 | 709,907 |
| Wake | Raleigh Charter High School | 2,582,139 | 100,252 | | 2,682,391 | 2,639,386 |
| Wake | Southern Wake Academy | 1,363,764 | 80,464 | | 1,444,228 | 1,045,502 |
| Wake | Sterling Montessori Academy | 2,908,659 | 90,543 | | 2,999,202 | 2,948,930 |
| Wake | Torchlight Academy | 2,444,656 | 277,215 | 178,308 | 2,900,179 | 2,556,324 |
| Wake | Triangle Math and Science Academy | 1,673,531 | 52,216 | | 1,725,747 | 1,343,609 |
| Warren | Haliwa-Saponi Tribal School | 1,235,469 | 92,683 | 66,935 | 1,395,087 | 1,367,443 |
| Watauga | Two Rivers Community School | 1,005,054 | 80,936 | | 1,085,990 | 1,085,539 |
| Wayne | Dillard Academy | 1,210,943 | 1,086,924 | 164,712 | 2,462,579 | 2,264,472 |
| Wilkes | Bridges Academy | 979,710 | 113,460 | 49,888 | 1,143,058 | 1,029,454 |
| Wilson | Sallie B. Howard School | 4,263,567 | 693,475 | 444,109 | 5,401,151 | 5,571,731 |
| Total Grants and Aid to Charter School | | \$ 304,198,994 | \$ 18,046,832 | \$ 5,584,716 | \$ 327,830,542 | \$ 280,598,232 |

North Carolina Department of Public Instruction
Supplementary Information
Schedule of Grants and Aid Paid to Charter Schools (Amount by County - Sorted Largest to Smallest)
General Fund
For the Fiscal Year Ended June 30, 2014 with Comparative Totals for 2013

Schedule D-7
Page 1 of 2

| County | Charter School Name | State Funds | Federal Grant Funds | Federal Child Nutrition Funds | 2014 Total | (Unaudited) |
|--------------|---|--------------|---------------------|-------------------------------|--------------|--------------|
| | | | | | | 2013 Total |
| Iredell | Pine Lake Preparatory | \$ 8,182,829 | \$ 223,892 | \$ 0 | \$ 8,406,721 | \$ 7,967,014 |
| Lincoln | Lincoln Charter | 8,061,348 | 208,370 | | 8,269,718 | 7,870,316 |
| Wake | Franklin Academy | 7,675,125 | 189,127 | | 7,864,252 | 7,818,913 |
| Mecklenburg | Lake Norman Charter | 7,602,294 | 205,497 | | 7,807,791 | 7,772,716 |
| Nash | Rocky Mount Preparatory | 6,638,518 | 613,393 | 420,308 | 7,672,219 | 7,151,491 |
| Northhampton | Gaston College Preparatory | 6,532,903 | 297,379 | 500,053 | 7,330,335 | 6,238,968 |
| Durham | Voyager Academy | 6,932,980 | 181,127 | | 7,114,107 | 6,406,687 |
| Rutherford | Thomas Jefferson Classical Academy | 6,778,778 | 134,625 | | 6,913,403 | 6,530,242 |
| Mecklenburg | Community School of Davidson | 6,588,406 | 152,651 | | 6,741,057 | 6,204,141 |
| Union | Union Academy | 6,379,767 | 203,201 | 5,761 | 6,588,729 | 6,137,034 |
| Mecklenburg | Queen's Grant Community School | 6,099,718 | 195,521 | 34,708 | 6,329,947 | 6,589,872 |
| Mecklenburg | Sugar Creek Charter | 4,589,390 | 821,665 | 497,720 | 5,908,775 | 5,519,167 |
| Gaston | Piedmont Community Charter | 5,666,954 | 211,882 | | 5,878,836 | 5,970,606 |
| Wake | East Wake Academy | 5,526,165 | 198,037 | | 5,724,202 | 5,785,137 |
| Durham | Kestrel Heights School | 5,417,126 | 141,933 | | 5,559,059 | 5,224,847 |
| Edgecombe | North East Carolina Preparatory School | 5,080,613 | 443,420 | 14,378 | 5,538,411 | 2,327,763 |
| Wilson | Sallie B. Howard School | 4,263,567 | 693,475 | 444,109 | 5,401,151 | 5,571,731 |
| Columbus | Columbus Charter School | 4,913,019 | 154,260 | | 5,067,279 | 4,368,624 |
| Brunswick | Charter Day School | 4,694,602 | 173,694 | | 4,868,296 | 4,915,488 |
| Gaston | Mountain Island Charter | 4,572,514 | 116,832 | | 4,689,346 | 3,875,429 |
| Forsyth | Forsyth Academy | 3,710,691 | 405,680 | 177,704 | 4,294,075 | 4,304,911 |
| Johnston | Neuse Charter School | 3,833,801 | 76,528 | | 3,910,329 | 3,250,784 |
| Durham | Research Triangle Charter Academy | 3,523,451 | 209,768 | 158,746 | 3,891,965 | 3,662,970 |
| Guilford | Greensboro Academy | 3,651,861 | 126,878 | | 3,778,739 | 3,630,685 |
| Guilford | Triad Math and Science Academy | 3,497,105 | 160,248 | 101,815 | 3,759,168 | 3,127,819 |
| Person | Roxboro Community School | 3,510,119 | 43,501 | | 3,553,620 | 3,370,970 |
| Wake | PreEminent Charter School | 3,039,022 | 305,184 | 193,814 | 3,538,020 | 3,385,691 |
| Vance | Vance Charter School | 3,346,915 | 174,499 | | 3,521,414 | 3,495,551 |
| Pamlico | Arapahoe Charter School | 3,189,441 | 178,751 | 133,127 | 3,501,319 | 3,413,846 |
| Mecklenburg | Socrates Academy | 3,259,000 | 107,710 | | 3,366,710 | 3,088,663 |
| Guilford | Phoenix Academy | 3,161,139 | 78,187 | 6,400 | 3,245,726 | 1,584,699 |
| Guilford | Cornerstone Charter Academy | 3,095,696 | 132,001 | | 3,227,697 | 2,526,409 |
| Cabarrus | Cabarrus Charter Academy | 3,112,952 | 72,122 | 34,930 | 3,220,004 | |
| Surry | Millennium Charter Academy | 3,068,656 | 97,625 | | 3,166,281 | 2,952,269 |
| Iredell | Langtree Charter Academy | 3,109,954 | 35,148 | 18,450 | 3,163,552 | |
| Cumberland | Alpha Academy | 2,933,194 | 151,157 | | 3,084,351 | 1,948,661 |
| Forsyth | The Carter G. Woodson School | 2,614,506 | 280,426 | 184,290 | 3,079,222 | 3,146,196 |
| Alamance | River Mill Academy | 2,868,929 | 128,688 | 54,864 | 3,052,481 | 3,103,587 |
| Alamance | Clover Garden | 2,809,453 | 132,722 | 96,235 | 3,038,410 | 2,725,149 |
| Wake | Sterling Montessori Academy | 2,908,659 | 90,543 | | 2,999,202 | 2,948,930 |
| Cabarrus | Carolina International School | 2,842,916 | 85,626 | | 2,928,542 | 2,732,633 |
| Iredell | American Renaissance School | 2,759,448 | 167,259 | | 2,926,707 | 2,989,454 |
| Vance | Henderson Collegiate | 2,483,596 | 141,191 | 294,296 | 2,919,083 | 2,118,840 |
| Durham | Maureen Joy Charter | 2,496,793 | 205,908 | 210,685 | 2,913,386 | 2,420,066 |
| Wake | Torchlight Academy | 2,444,656 | 277,215 | 178,308 | 2,900,179 | 2,556,324 |
| Mecklenburg | Kennedy Charter | 1,795,118 | 950,874 | 138,927 | 2,884,919 | 2,845,599 |
| Forsyth | Quality Education Academy | 2,277,151 | 336,038 | 203,181 | 2,816,370 | 2,766,189 |
| Chatham | The Woods Charter School | 2,722,222 | 76,647 | 3,302 | 2,802,171 | 2,728,474 |
| Wake | Raleigh Charter High School | 2,582,139 | 100,252 | | 2,682,391 | 2,639,386 |
| Guilford | Summerfield Charter Academy | 2,559,771 | 33,449 | 20,651 | 2,613,871 | |
| Wayne | Dillard Academy | 1,210,943 | 1,086,924 | 164,712 | 2,462,579 | 2,264,472 |
| Forsyth | Arts Based School | 2,315,338 | 70,886 | | 2,386,224 | 1,990,944 |
| Wake | Endeavor Charter | 2,322,370 | 62,201 | | 2,384,571 | 2,408,914 |
| Buncombe | Evergreen Community Charter | 2,166,091 | 125,369 | | 2,291,460 | 2,320,918 |
| Person | Bethel Hill Charter | 2,072,233 | 86,731 | 79,655 | 2,238,619 | 2,208,682 |
| Durham | Healthy Start Academy | 1,784,341 | 256,364 | 182,674 | 2,223,379 | 2,485,487 |
| Chatham | Chatham Charter | 2,173,422 | 48,938 | | 2,222,360 | 1,722,684 |
| Mecklenburg | Corvian Community School | 2,158,910 | 42,918 | | 2,201,828 | 427,334 |
| Buncombe | ArtSpace Charter | 2,083,381 | 118,436 | | 2,201,817 | 2,170,459 |
| Stanly | Gray Stone Day School | 2,110,987 | 46,514 | | 2,157,501 | 2,043,983 |
| Mecklenburg | KIPP: Charlotte | 1,889,163 | 149,359 | 84,287 | 2,122,809 | 2,122,413 |
| Forsyth | The North Carolina Leadership Academy | 2,110,660 | 1,300 | | 2,111,960 | |
| Wake | Magellan Charter | 1,989,003 | 100,580 | | 2,089,583 | 2,109,503 |
| Wake | Casa Esperanza Montessori | 2,011,285 | 69,105 | | 2,080,390 | 1,997,475 |
| New Hanover | Cape Fear Center for Inquiry | 1,965,792 | 47,501 | | 2,013,293 | 2,023,967 |
| Martin | Bear Grass Charter School | 1,920,690 | 41,402 | | 1,962,092 | 1,591,820 |
| Durham | The Central Park School For Children | 1,824,454 | 49,756 | | 1,874,210 | 1,643,409 |
| Moore | Sandhills Theatre Arts Renaissance School | 1,750,333 | 91,068 | | 1,841,401 | 1,753,836 |
| Durham | Carter Community Charter | 1,571,408 | 181,823 | 86,203 | 1,839,434 | 1,769,392 |
| Rutherford | Lake Lure Classical Academy | 1,776,201 | 49,820 | | 1,826,021 | 1,739,249 |
| Mecklenburg | StudentFirst Academy | 1,548,622 | 261,475 | | 1,810,097 | |
| Mecklenburg | Metrolina Regional Scholars' Academy | 1,742,647 | 58,179 | | 1,800,826 | 1,757,779 |
| Beaufort | Washington Montessori | 1,694,433 | 93,190 | | 1,787,623 | 1,798,368 |
| Granville | Falls Lake Academy | 1,730,990 | 51,537 | | 1,782,527 | |
| Mecklenburg | Charlotte Secondary School | 1,675,633 | 70,606 | | 1,746,239 | 1,290,750 |
| Wake | Triangle Math and Science Academy | 1,673,531 | 52,216 | | 1,725,747 | 1,343,609 |
| Lenoir | The Children's Village Academy | 1,364,614 | 144,179 | 160,099 | 1,668,892 | 1,411,354 |
| Cleveland | Pinnacle Classical Academy | 1,605,244 | 39,392 | | 1,644,636 | |
| Guilford | Guilford Preparatory Academy | 1,282,569 | 152,869 | 82,793 | 1,518,231 | 1,464,143 |
| Rockingham | Bethany Community Middle | 1,420,124 | 61,377 | | 1,481,501 | 1,327,489 |

**North Carolina Department of Public Instruction
 Supplementary Information
 Schedule of Grants and Aid Paid to Charter Schools (Amount by County)
 General Fund
 For the Fiscal Year Ended June 30, 2014 with Comparative Totals for 2013**

**Schedule D-7
 Page 2 of 2**

| County | Charter School Name | State Funds | Federal Grant Funds | Federal Child Nutrition Funds | 2014 Total | (Unaudited) 2013 Total |
|---|--|-----------------------|----------------------|-------------------------------|-----------------------|------------------------|
| Mecklenburg | Crossroads Charter High | 1,039,568 | 435,069 | | 1,474,637 | 1,701,551 |
| Wake | Southern Wake Academy | 1,363,764 | 80,464 | | 1,444,228 | 1,045,502 |
| Warren | Haliwa-Saponi Tribal School | 1,235,469 | 92,683 | 66,935 | 1,395,087 | 1,367,443 |
| Durham | Research Triangle High School | 1,260,252 | 56,254 | | 1,316,506 | 787,497 |
| Avery | Marjorie Williams Academy | 601,019 | 637,303 | 66,563 | 1,304,885 | 1,076,654 |
| Swain | Mountain Discovery Charter School | 1,221,202 | 70,112 | | 1,291,314 | 1,223,062 |
| Orange | Orange Charter | 1,239,417 | 45,263 | | 1,284,680 | 1,378,563 |
| Cherokee | The Learning Center | 1,129,183 | 81,521 | 61,008 | 1,271,712 | 1,268,199 |
| Transylvania | Brevard Academy | 1,228,333 | 31,263 | | 1,259,596 | 1,128,431 |
| Burke | The New Dimensions School | 1,204,751 | 52,700 | | 1,257,451 | 1,143,695 |
| Jackson | Summit Charter | 1,120,953 | 45,205 | | 1,166,158 | 1,155,853 |
| Wilkes | Bridges Academy | 979,710 | 113,460 | 49,888 | 1,143,058 | 1,029,454 |
| Mecklenburg | Charlotte Choice Charter | 1,007,697 | 88,008 | 37,449 | 1,133,154 | |
| Guilford | The College Prep. and Leadership Academy of High Point | 900,382 | 135,724 | 71,379 | 1,107,485 | 716,252 |
| Wake | Exploris Middle School | 1,029,855 | 72,279 | | 1,102,134 | 1,084,734 |
| Alamance | The Hawbridge School | 1,066,849 | 33,242 | | 1,100,091 | 1,004,134 |
| Franklin | Crosscreek Charter School | 1,055,065 | 43,446 | | 1,098,511 | 1,210,146 |
| Watauga | Two Rivers Community School | 1,005,054 | 80,936 | | 1,085,990 | 1,085,539 |
| Carteret | Tiller School | 997,687 | 51,094 | | 1,048,781 | 1,042,314 |
| Robeson | Southeastern Academy | 1,010,948 | 13,007 | | 1,023,955 | |
| Moore | The Academy of Moore County | 947,769 | 67,129 | | 1,014,898 | 1,108,962 |
| Randolph | Uwharrie Charter Academy | 955,527 | 30,433 | | 985,960 | |
| Buncombe | Francine Delany New School for Children | 903,076 | 51,212 | | 954,288 | 946,390 |
| Henderson | The Mountain Community School | 918,365 | 24,264 | | 942,629 | 942,045 |
| Orange | PACE Academy | 832,304 | 53,305 | | 885,609 | 864,298 |
| Wake | Longleaf School of the Arts | 842,313 | 23,248 | | 865,561 | |
| Mecklenburg | The Community Charter School | 805,145 | 55,303 | | 860,448 | 820,375 |
| Robeson | CIS Academy | 711,258 | 94,168 | 34,337 | 839,763 | 905,046 |
| Durham | Global Scholars Academy | 698,871 | 37,892 | 76,063 | 812,826 | 736,446 |
| Wake | Hope Charter Leadership Academy | 621,152 | 77,377 | 59,153 | 757,682 | 777,763 |
| Martin | Northeast Regional School - Biotech/Agri | 682,925 | 34,034 | | 716,959 | 454,298 |
| New Hanover | Island Montessori Charter | 690,778 | 19,430 | | 710,208 | |
| Iredell | Success Institute | 546,289 | 90,024 | 62,585 | 698,898 | 695,187 |
| Wake | Quest Academy | 661,501 | 17,834 | | 679,335 | 709,907 |
| New Hanover | Wilmington Preparatory Academy | 602,401 | 74,236 | | 676,637 | 718,224 |
| Mecklenburg | Aristotle Preparatory Academy | 525,562 | 62,701 | 26,977 | 615,240 | |
| Bladen | Paul R. Brown Leadership Academy | 484,694 | 44,269 | | 528,963 | |
| Onslow | Z.E.C.A. School of Arts and Technology | 445,311 | 32,420 | | 477,731 | |
| Columbus | STEM Education for a Global Society Academy | 424,725 | 46,006 | | 470,731 | |
| Durham | The Institute for the Development of Young Leaders | 445,341 | 21,276 | | 466,617 | |
| Mecklenburg | Invest Collegiate Transform | 442,742 | 10,669 | | 453,411 | |
| Chatham | Willow Oak Montessori | 429,221 | 10,515 | | 439,736 | |
| Granville | Oxford Preparatory High School | 366,253 | 8,031 | | 374,284 | |
| Columbus | Flemington Academy | 340,047 | 32,919 | | 372,966 | |
| Avery | Grandfather Academy | 245,715 | 82,548 | | 328,263 | 409,634 |
| New Hanover | Cape Lookout Marine Science High School | 271,367 | 49,773 | | 321,140 | 329,918 |
| New Hanover | Douglass Academy | 170,547 | | | 170,547 | |
| Currituck | Water's Edge Village School | 140,255 | 2,962 | | 143,217 | 90,948 |
| Lenoir | Kinston Charter Academy | | | 5,194 | 5,194 | 2,050,409 |
| Forsyth | The STEAM Academy of Winston Salem | | | | | 689,985 |
| Total Grants and Aid to Charter School | | \$ 304,198,994 | \$ 18,046,832 | \$ 5,584,716 | \$ 327,830,542 | \$ 280,598,232 |

STATE OF NORTH CAROLINA
Office of the State Auditor



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**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The State Board of Education
and Management of the Department of Public Instruction

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the governmental fund balance sheet and proprietary fund statement of net position of the North Carolina Department of Public Instruction, a department of the State of North Carolina, as of and for the year ended June 30, 2014 and 2013, and the governmental fund statement of revenues, expenditures, and changes in fund balance and the proprietary fund statement of revenues, expenses, and changes in net position for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated June 19, 2015.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Department's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Findings, Recommendations, and Responses section, we identified a deficiency in internal control that we consider to be a material weakness.

Compliance and Other Matters

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

Department's Response to Findings

The Department's response to the finding identified in our audit is described in the accompanying Findings, Recommendations, and Responses section. The Department's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

June 19, 2015



FINDINGS, RECOMMENDATIONS, AND RESPONSES

Matters Related to Financial Reporting

The following audit finding was identified during the current audit and describes a condition that represents a deficiency in internal control.

LACK OF FINANCIAL STATEMENT ANALYSIS AND REVIEW LEFT ERRORS UNDETECTED

The financial statements prepared by the Department of Public Instruction's (Department) management and submitted to the Office of State Controller (OSC) for inclusion in the State's *Comprehensive Annual Financial Report* contained errors and misclassifications that were corrected as a result of the audit.

Auditors' review of the Department's financial statements identified significant variances for the Public School Insurance Fund's (Fund) financial statement account balances between the year under audit and the previous year. Upon further review of the underlying financial information, auditors identified the following misstatements:

- The Department understated premium revenues and overstated unearned revenue by \$7.6 million (56% understatement and 195% overstatement). The error occurred as a result of an undetected error in calculating revenues that were earned during the fiscal year.
- The Department overstated accounts payable and claims expense by \$586,720. The error occurred as a result of recording an accounts payable liability for expenses that had already been correctly recorded as claims payable.

Without these corrections, users of the financial statements could be misinformed about the financial condition and results of operations of the Fund.

These errors occurred because management did not perform a complete and thorough review of the financial statements. Management did not put adequate emphasis on the financial reporting process and review that is necessary to ensure accurate information is presented in the financial reports.

The errors noted were material to the Fund's financial statements but were not material to the State's *CAFR*. However, without adequate review material errors could occur.

State law requires state agencies to ensure that financial information is accurate. Specifically, *North Carolina General Statute* 143D-7 states,

“The management of each State agency also bears the responsibility periodically to submit **accurate** and **complete** financial information to the State Controller for compilation into North Carolina State government's various financial reports and other related financial information disseminated to the public.” (*Emphasis added*)

Additionally, best practices require management to periodically review and analyze financial information. The Government Accountability Office (GAO) recommends that senior management should regularly review actual performance against prior period results.¹ The

¹ GAO, Internal Control Management and Evaluation Tool, 2001

GAO also recommends that “financial and program managers review and compare financial, budgetary, and operational performance to planned or expected results.”

Recommendation

Department management should perform a thorough review of the financial statements submitted to OSC to evaluate and assess the accuracy of the financial information reported.

Response

The Department of Public Instruction generally agrees with the finding. Historically, DPI has conducted a review of financial information prior to submission to the Office of the State Controller; however, the review procedures did not validate that the support documents totaled the accurate accrual amount. The Department recognizes that additional review steps must be included to ensure the accuracy of financial information reported. The process improvements will include comparative analyses, transaction verifications, operating systems, database, and worksheet updates and verifications. The Division of Financial Services personnel will be responsible for implementation of these procedures and maintenance of the related supporting documentation. The process improvements will be effective for the 2014-15 fiscal year end financial reporting.

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