

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



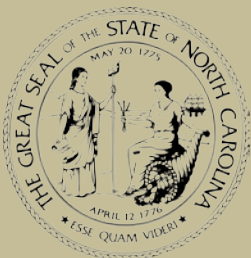
NORTH CAROLINA DEPARTMENT OF PUBLIC INSTRUCTION

RALEIGH, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

A DEPARTMENT OF THE STATE OF NORTH CAROLINA



NCOSA
The Taxpayers' Watchdog

STATE OF NORTH CAROLINA
Office of the State Auditor



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AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
The General Assembly of North Carolina
The State Board of Education
Mark R. Johnson, State Superintendent
Department of Public Instruction

We have completed a financial statement audit of the North Carolina Department of Public Instruction for the year ended June 30, 2016, 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.

The results of our tests disclosed no deficiencies in internal control over financial reporting that we consider to be material weaknesses in relation to our audit scope or any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 cursive script 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 North Carolina Department of Public Instruction (Department) and is designed to provide the information at a summarized level in the beginning, with more details of the information further into the report. This report is made up of various components as listed in the Table of Contents.

The Department reports financial activities in two major funds: governmental and proprietary. The governmental fund is 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 Financial Statements".

The schedules/Notes will be referenced next to the line item caption.

Required Information: (Information required to be reported by state departments per Governmental Accounting Standards Board and *Government Auditing 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 that is prepared by the Department and has not been audited.

"A" Exhibits present the Balance Sheet (as of June 30, 2016 and 2015) and the Statement of Revenues, Expenditures, and Changes in Fund Balance (for fiscal years ended June 30, 2016 and 2015) for the Department's **governmental fund as a whole**.

"B" Exhibits present the Statement of Net Position (as of June 30, 2016 and 2015), the Statement of Revenues, Expenses, and Changes in Net Position (for fiscal years ended June 30, 2016 and 2015), and the Statement of Cash Flows (for the fiscal years ended June 30, 2016 and 2015) for the Department's **proprietary fund as a whole**.

"C" Schedules present a budget-to-actual comparison for the General Fund (for the fiscal year ended June 30, 2016) of the Department's **general fund as a whole**, a schedule of ten-year claims development information for the public school insurance fund, and schedules of net pension liability and contributions.

Supplementary Information: (This information is tabbed by topic in the report)

"D" Schedules present details of various revenues and/or expenditures of the governmental fund 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 - Schedule of Grants, State, and Federal Aid Paid to Schools (Agrees to Exhibit A-2)
- D-4 - Schedule of Grants and Aid Paid to School Districts (Alphabetically by County)
- D-5 - Schedule of Grants and Aid Paid to School Districts (Amount - Sorted Largest to Smallest)
- D-6 - Schedule of Grants and Aid Paid to Charter Schools (Alphabetically by County)
- D-7 - Schedule of Grants and Aid Paid to Charter Schools (Amount - Sorted 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.



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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INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
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INDEPENDENT AUDITOR'S REPORT

The State Board of Education
and Management of the North Carolina 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 and for the fiscal year ended June 30, 2016, 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.

Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the each major fund of the North Carolina Department of Public Instruction, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the North Carolina Department of Public Instruction are intended to present the financial position, changes in financial position and, where applicable, cash flows of only that portion of each major fund that is attributable to the transactions of the North Carolina Department of Public Instruction. They do not purport to, and do not, present fairly the financial position of the State of North Carolina as of June 30, 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Prior Period Information

We have previously audited the accompanying financial statements of the governmental and proprietary activities of the Department as of June 30, 2015 and the respective changes in financial position for the year then ended June 30, 2015, and expressed an unmodified audit opinion on those audited financial statements in our report dated May 19, 2016. The prior year supplementary schedules were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The supplementary schedules were not subjected to the auditing procedures applied in the audit of the basic financial statements of the prior year, and accordingly, we did not express an opinion or provide any assurance on them.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Department. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described previously, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2017 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

March 27, 2017



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, 2016 and 2015. This discussion and analysis should be read in conjunction with the financial statements and related notes to the financial statements 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 Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

General Fund:

- The Balance Sheet presents the governmental fund's assets, deferred outflows, liabilities, and deferred inflows that are considered relevant to an assessment of near-term liquidity. The difference between assets (plus deferred outflows) and liabilities (plus deferred inflows) 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, deferred outflows, liabilities, deferred inflows, 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, 2016 and 2015.

Balance Sheets			
Governmental Fund - General Fund			
	2016	2015	Change
Assets	\$ 253,639,957	\$ 304,614,951	\$ (50,974,994)
Deferred Outflows of Resources	0	0	0
Total Assets and Deferred Outflows	<u>\$ 253,639,957</u>	<u>\$ 304,614,951</u>	<u>\$ (50,974,994)</u>
Liabilities	\$ 265,678,133	\$ 254,777,367	\$ 10,900,766
Deferred Inflows of Resources	0	0	0
Fund Balance			
Nonspendable	1,836,434	2,825,693	(989,259)
Restricted	1,842,382	2,645,577	(803,195)
Committed	212,176,430	258,100,788	(45,924,358)
Unassigned	(227,893,422)	(213,734,474)	(14,158,948)
Total Fund Balance (Deficit)	<u>(12,038,176)</u>	<u>49,837,584</u>	<u>(61,875,760)</u>
Total Liabilities, Deferred Inflows, and Fund Bal	<u>\$ 253,639,957</u>	<u>\$ 304,614,951</u>	<u>\$ (50,974,994)</u>

Total assets decreased by \$50.97 million compared to prior year. Cash and cash equivalents decreased \$48.12 million due to a change in the accounting procedures used to report cash carryforward amounts. Cash carryforward amounts are no longer treated as pooled cash and instead, the amounts are reported as a transfer out to a State Reserve Fund held at the Office of the State Controller.

Total liabilities increased by \$10.90 million during the year due to a \$8.32 million increase in accounts payable and a \$4.18 million increase in intergovernmental payables related to paying more teachers over a 12-month period instead of the 10-month school year. This is offset by \$1.63 million decrease in unearned revenue relating to federal contract and grant expenditures in excess of federal drawdowns. This situation is the result of a timing difference between when funds are spent and requested at year-end.

Overall fund balance decreased by \$61.88 million with the largest decrease in committed fund balance (\$45.92 million) due to the Department remitting its cash carryforward amounts back to the State Reserve Fund. This policy change was prescribed by Session Law 2014-100. The remaining decrease in the fund balance of \$15.96 million is due to a general increase in liability accounts.

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

The following condensed statements show the governmental fund's resource flows at June 30, 2016 and 2015.

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

	2016	2015	Change
Revenues			
Federal Funds	\$ 1,521,176,110	\$ 1,538,735,525	\$ (17,559,415)
Revenues from Other State Agencies	638,214,202	713,460,240	(75,246,038)
Other Revenues	39,735,448	35,297,700	4,437,748
Total Revenues	<u>2,199,125,760</u>	<u>2,287,493,465</u>	<u>(88,367,705)</u>
Expenditures			
Grants, State and Federal Aid	10,172,393,913	9,980,860,533	191,533,380
Contracted Services	104,250,046	92,966,726	11,283,320
Personal Services	133,418,813	155,110,847	(21,692,034)
Supplies and Materials	4,105,663	3,310,054	795,609
Purchases for Resale	1,206,427		1,206,427
Travel	4,063,884	5,421,231	(1,357,347)
Communication	731,799	791,465	(59,666)
Utilities	1,146,377	1,103,358	43,019
Data Processing Services	23,333,800	13,221,593	10,112,207
Claims and Benefits	3,866,216	5,208,199	(1,341,983)
Other Services	2,808,684	2,605,751	202,933
Other Fixed Charges	11,003,996	11,526,601	(522,605)
Expenditures to Other State Agencies	16,105,341	26,952,849	(10,847,508)
Capital Outlay	55,635,912	55,535,314	100,598
Scholarships		3,375,794	(3,375,794)
Insurance	2,447,385	2,649,109	(201,724)
Other Expenditures	1,762,517	7,033,875	(5,271,358)
Total Expenditures	<u>10,538,280,773</u>	<u>10,367,673,299</u>	<u>170,607,474</u>
Excess Expenditures over Revenues	<u>(8,339,155,013)</u>	<u>(8,080,179,834)</u>	<u>(258,975,179)</u>
Other Financing Sources (Uses)			
State Appropriations	8,347,365,885	8,048,284,803	299,081,082
Sale of Capital Assets	1,885,282	1,672,325	212,957
Insurance Recoveries	180,055	202,673	(22,618)
Transfer to State Reserve Fund	(72,151,969)		(72,151,969)
Total Other Financing Sources	<u>8,277,279,253</u>	<u>8,050,159,801</u>	<u>227,119,452</u>
Decrease in Fund Balance	<u>(61,875,760)</u>	<u>(30,020,033)</u>	<u>(31,855,727)</u>
Fund Balance - Beginning of Year	<u>49,837,584</u>	<u>79,857,617</u>	<u>(30,020,033)</u>
Fund Balance (Deficit) - End of Year	<u>\$ (12,038,176)</u>	<u>\$ 49,837,584</u>	<u>\$ (61,875,760)</u>

Total revenues were \$2.20 billion at June 30, 2016, a decrease of \$88.37 million from prior year. In September 2015, the Race to the Top federal grant ended causing a decrease in federal funding of \$17.56 million. Revenues from other state agencies also decreased by \$75.25 million which is all attributed to a reduction in lottery funds passed on to the State school systems.

Total expenditures increased by \$170.61 million compared to prior year due to a \$191.53 million increase in grants, state, and federal aid paid to local school systems. This was offset by a decrease of \$21.69 million for personal services contracts.

Other financing sources increased \$227.12 million primarily due to increased state appropriations of \$299.08 million. This was offset by \$72.15 million of cash carryforward funds transferred to a reserve fund at the Office of the State Controller.

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 – Original and Final Budget:

The final budgeted revenues and expenditures were \$1.74 billion and \$1.69 billion, respectively, less than the original budget. The decreases are primarily comprised of the \$1.76 billion decrease in federal funds. Generally, the variances between original and final budget are attributable to the timing and length of the budget preparation process and the budgeting of federal funds for the fiscal year. Federal funds are budgeted in total for the grant to start the year and reduced to reflect actual at year end. While the original and final budget shows a wide variance in the federal funds from original to final, the final budget and actual numbers are comparable to the numbers reported last year. Also the original budget for fiscal year 2015-16 was prepared approximately 18 months prior to the final budget. The final 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 original budget is compared to the final budget, it would be expected that significant variances can occur.

Variances – Final Budget and Actual Results:

Actual total revenues were \$395.26 million less than budgeted revenue amounts. Likewise, actual total expenditures were \$615.43 million less than budgeted expenditures. Budgeted revenues and expenditures were unrealized mostly due to a \$407.62 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, 2016 and 2015.

Statements of Net Position
Proprietary Fund - Public School Insurance Fund

	2016	2015	Change
Assets			
Current Assets	\$ 114,263,570	\$ 102,236,911	\$ 12,026,659
Deferred Outflows of Resources	44,322	48,193	(3,871)
Liabilities			
Current Liabilities	12,544,528	14,711,548	(2,167,020)
Noncurrent Liabilities	182,904	124,748	58,156
Total Liabilities	12,727,432	14,836,296	(2,108,864)
Deferred Inflows of Resources	26,450	132,084	(105,634)
Net Position			
Unrestricted	\$ 101,554,010	\$ 87,316,724	\$ 14,237,286

Total assets were \$114.26 million at June 30, 2016, an increase of \$12.03 million compared to prior year. The increase was mainly due to the increase in cash flows used to purchase additional investments for the Long-Term Investment Portfolio. Investments increased \$12.31 million compared to the prior year due to purchases and unrealized gains.

Total liabilities decreased \$2.11 million from prior year due primarily to a decrease in claims payable offset by an increase in unearned revenue. Claims payable decreased \$4.38 million from prior year due to decreased claims activity. Unearned revenue increased \$2.23 million during the same period due to an increase in recorded policy premiums.

Net position increased \$14.24 million from the prior year primarily as the result of investment returns and less claims paid in relation to the premiums collected. The remaining change in net position was generated by a net decrease of \$2.11 million in total liabilities (claims payable and unearned revenue; see above.) 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 condensed statements of net position show the financial position of the proprietary fund, the following condensed statements of revenues, expenses, and changes in net position provide answers to the nature and source of changes in net position for the years ended June 30, 2016 and 2015:

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

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Operating Revenues			
Insurance Premiums	<u>\$ 12,640,351</u>	<u>\$ 12,645,298</u>	<u>\$ (4,947)</u>
Operating Expenses			
Personal Services	537,450	571,963	(34,513)
Contracted Personal Services	712	460	252
Supplies and Materials	2,141	1,068	1,073
Capital Outlay	961	889	72
Travel	51,784	52,885	(1,101)
Communication	2,145	1,938	207
Claims	606,455	8,624,757	(8,018,302)
Insurance	3,665,274	3,544,901	120,373
Other	<u>3,887</u>	<u>5,883</u>	<u>(1,996)</u>
Total Operating Expenses	<u>4,870,809</u>	<u>12,804,744</u>	<u>(7,933,935)</u>
Operating Income (Loss)	7,769,542	(159,446)	7,928,988
Nonoperating Revenues			
Investment Earnings	<u>6,467,744</u>	<u>1,918,034</u>	<u>4,549,710</u>
Increase in Net Position	14,237,286	1,758,588	12,478,698
Net Position - Beginning of Year	<u>87,316,724</u>	<u>85,558,136</u>	<u>1,758,588</u>
Net Position - End of Year	<u>\$ 101,554,010</u>	<u>\$ 87,316,724</u>	<u>\$ 14,237,286</u>

Operating revenues decreased \$5 thousand due to lower premium receipts. Total operating expenses decreased \$7.93 million compared to prior year primarily due to an \$8.02 million decrease in claims expense for losses incurred during fiscal year 2016. The large drop in claims expense occurred due to the small number and amount of claims received in fiscal year 2016. The fund paid off 88% of all fiscal year 2016 claims received. In addition, insurance expense increased \$120 thousand due to an increase in the reinsurance policy premium.

The Department experienced investment earnings of \$6.47 million, which is an increase of \$4.55 million over the prior year due to the increased performance of the Long-Term Investment portfolio.

Future Outlook

General Assembly declared Compensation bonus of one-half percent of annual salaries in effect September 1, 2016 and a one-time merit-based bonus for eligible employees employed in state funded positions. The bonuses will be paid in September and October of next fiscal year. The retirement rates will be 16.33% for the fiscal year 2016-17, compared to prior fiscal year of 15.32%. Hospitalization rate under North Carolina Health Plan will go up to \$5,659 compared to prior fiscal year \$5,471. In fiscal year 2016-17, besides four existing pass through grants, the department will receive three more (www.ncgrants.gov), namely Communities in Schools of Cape Fear \$50,000, Muddy Sneakers \$500,000, and Triangle Literacy Grant \$690,000.

Changes over 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 the 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, 2016 (With Comparative Totals for June 30, 2015)

Exhibit A-1

	2016	2015
ASSETS		
Cash and Cash Equivalents (Note 2)	\$ 226,406,616	\$ 274,529,172
Receivables:		
Accounts Receivable	29,933	149,834
Intergovernmental Receivables (Note 4)	25,239,970	27,000,869
Interest Receivable	127,004	79,384
Inventories	1,836,434	2,825,692
Notes Receivable, Net		30,000
	<u>253,639,957</u>	<u>304,614,951</u>
Total Assets		
	<u>0</u>	<u>0</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total Assets and Deferred Outflows	<u>\$ 253,639,957</u>	<u>\$ 304,614,951</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities:		
Accounts Payable	\$ 12,205,112	3,886,980
Accrued Payroll	292	12,729
Intergovernmental Payables (Note 6)	242,023,077	237,843,113
Funds Held for Others	63,460	17,364
Unearned Revenue	<u>11,386,192</u>	<u>13,017,181</u>
Total Liabilities	<u>265,678,133</u>	<u>254,777,367</u>
	<u>0</u>	<u>0</u>
DEFERRED INFLOWS OF RESOURCES		
FUND BALANCE (Note 9)		
Nonspendable	1,836,434	2,825,693
Restricted	1,842,382	2,645,577
Committed	212,176,430	258,100,788
Unassigned	<u>(227,893,422)</u>	<u>(213,734,474)</u>
Total Fund Balance (Deficit)	<u>(12,038,176)</u>	<u>49,837,584</u>
Total Liabilities, Deferred Inflows, and Fund Balance (Deficit)	<u>\$ 253,639,957</u>	<u>\$ 304,614,951</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, 2016
(With Comparative Totals for June 30, 2015)

Exhibit A-2

	2016	2015
REVENUES		
Federal Funds	\$ 1,521,176,110	\$ 1,538,735,525
Revenues from Other State Agencies (Note 10)	638,214,202	713,460,240
Contributions, Gifts, and Grants	11,022,099	9,126,487
E Rate Telecommunication and Internet Access Program Funds	11,926,105	11,296,151
Sales and Services	1,811,343	2,532,849
Licensure Certification and Registration Fees	2,968,013	2,884,804
Property and Equipment Rental	1,932,316	1,992,804
Investment Earnings	1,260,060	2,127,157
Student Tuition and Fees	542,685	444,294
Miscellaneous	8,272,827	4,893,154
Total Revenues (See Schedule D-1)	<u>2,199,125,760</u>	<u>2,287,493,465</u>
EXPENDITURES		
Grants, State, and Federal Aid (See Schedule D-3)	10,172,393,913	9,980,860,533
Contracted Services	104,250,046	92,966,726
Personal Services	133,418,813	155,110,847
Supplies and Materials	4,105,663	3,310,054
Purchases for Resale	1,206,427	
Travel	4,063,884	5,421,231
Communication	731,799	791,465
Utilities	1,146,377	1,103,358
Data Processing Services	23,333,800	13,221,593
Claims and Benefits	3,866,216	5,208,199
Other Services	2,808,684	2,605,751
Other Fixed Charges	11,003,996	11,526,601
Expenditures to Other State Agencies (Note 10)	16,105,341	26,952,849
Capital Outlay	55,635,912	55,535,314
Scholarships		3,375,794
Insurance	2,447,385	2,649,109
Other Expenditures	1,762,517	7,033,875
Total Expenditures (See Schedule D-2)	<u>10,538,280,773</u>	<u>10,367,673,299</u>
Excess of Revenues Over (Under) Expenditures	<u>(8,339,155,013)</u>	<u>(8,080,179,834)</u>
OTHER FINANCING SOURCES (USES)		
State Appropriations	8,347,365,885	8,048,284,803
Sale of Capital Assets	1,885,285	1,672,325
Insurance Recoveries	180,052	202,673
Transfers to State Reserve Fund	(72,151,969)	
Total Other Financing Sources	<u>8,277,279,253</u>	<u>8,050,159,801</u>
Net Change in Fund Balance	(61,875,760)	(30,020,033)
Fund Balance - Beginning of Year	<u>49,837,584</u>	<u>79,857,617</u>
Fund Balance (Deficit) - End of Year	<u>\$ (12,038,176)</u>	<u>\$ 49,837,584</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, 2016 (With Comparative Totals for June 30, 2015)

Exhibit B-1

	2016	2015
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 2)	\$ 18,878,542	\$ 20,464,761
Pooled Investments (Note 2)	88,965,964	76,654,943
Receivables:		
Premiums Receivable	3,894,349	2,417,329
Interest Receivable	11,968	8,963
Prepaid Reinsurance	2,512,747	2,690,915
Total Assets	<u>114,263,570</u>	<u>102,236,911</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions	<u>44,322</u>	<u>48,193</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities:		
Accounts Payable		11,709
Intergovernmental Payables (Note 6)	2,498	4,995
Claims Payable (Note 13)	5,794,482	10,176,077
Accrued Payroll	1,366	1,870
Unearned Revenue	6,739,735	4,505,999
Compensated Absences (Note 7)	6,447	10,898
Total Current Liabilities	<u>12,544,528</u>	<u>14,711,548</u>
Noncurrent Liabilities:		
Compensated Absences (Note 7)	82,353	88,177
Net Pension Liability (Note 7)	100,551	36,571
Total Noncurrent Liabilities	<u>182,904</u>	<u>124,748</u>
Total Liabilities	<u>12,727,432</u>	<u>14,836,296</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions	<u>26,450</u>	<u>132,084</u>
NET POSITION		
Unrestricted	<u>\$ 101,554,010</u>	<u>\$ 87,316,724</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, 2016
(With Comparative Totals for June 30, 2015)

Exhibit B-2

	2016	2015
REVENUES		
Operating Revenues:		
Insurance Premiums	\$ 12,640,351	\$ 12,645,298
EXPENSES		
Operating Expenses:		
Personal Services	537,450	571,963
Contracted Personal Services	712	460
Supplies and Materials	2,141	1,068
Capital Outlay	961	889
Travel	51,784	52,885
Communication	2,145	1,938
Claims	606,455	8,624,757
Insurance	3,665,274	3,544,901
Other	3,887	5,883
Total Operating Expenses	4,870,809	12,804,744
Operating Income (Loss)	7,769,542	(159,446)
NONOPERATING REVENUES		
Investment Earnings	6,467,744	1,918,034
Increase in Net Position	14,237,286	1,758,588
Net Position - Beginning of Year	87,316,724	85,558,136
Net Position - End of Year	\$ 101,554,010	\$ 87,316,724

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, 2016
(With Comparative Totals for June 30, 2015)

Exhibit B-3

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers	\$ 13,397,067	\$ 12,303,821
Payments to Employees and Fringe Benefits	(576,554)	(592,572)
Payments to Suppliers	(3,562,942)	(3,373,106)
Payments for Claims	(4,988,050)	(2,227,588)
Net Cash Provided by Operating Activities	<u>4,269,521</u>	<u>6,110,555</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	3,223,964	3,420,135
Purchase of Investments and Related Fees	(9,079,704)	(8,325,289)
Net Cash Used In Investing Activities	<u>(5,855,740)</u>	<u>(4,905,154)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,586,219)	1,205,401
Cash and Cash Equivalents, July 1	<u>20,464,761</u>	<u>19,259,360</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 18,878,542</u></u>	<u><u>\$ 20,464,761</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 7,769,542	\$ (159,446)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Pension Expense	10,593	17,709
Changes in Assets, Liabilities, and Deferred Outflows of Resources:		
Reinsurance Receivable		1,717,305
Premiums Receivable	(1,477,020)	(886,776)
Prepaid Reinsurance	178,168	225,558
Deferred Outflows for Contributions Subsequent to the Measurement Date	(38,918)	(40,407)
Accounts Payable	(11,709)	10,964
Intergovernmental Payable	(2,497)	(1,604)
Claims Payable	(4,381,595)	4,679,864
Accrued Payroll	(504)	692
Unearned Revenue	2,233,736	545,299
Compensated Absences	(10,275)	1,397
Net Cash Provided by Operating Activities	<u><u>\$ 4,269,521</u></u>	<u><u>\$ 6,110,555</u></u>
NONCASH INVESTING ACTIVITIES		
Change in Fair Value of Investments	<u><u>\$ 3,240,775</u></u>	<u><u>\$ 1,504,254</u></u>

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, 162 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 legal or reporting 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 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 87 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. Pension contributions to cost-sharing plans are recognized as expenditures in the period to which the payment relates, even if payment is not due until the subsequent period.

Since capital asset and long-term liability accounts relating to governmental funds are reported only at the statewide level, these amounts are not included in the Department's governmental fund financial statements. However, those 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** – To the extent available, investments are recorded at fair value based on quoted market prices in active markets on a trade-date basis. Additional information regarding the fair value measurement of investments is disclosed in Note 3. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net 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 and local school districts for purchases of instructional materials.

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. Administrative responsibility of this program was transferred during fiscal year 2015. The remaining notes receivable for fiscal year 2015 consisted of a Literary Loan to Hyde County that was collected during the fiscal year 2016.

I. Inventories and Prepaid Items – Inventories, consisting of general supplies and materials, are valued at cost using the first-in, first-out 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 mainly 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 – General long-term liabilities for the governmental fund are not recognized in the governmental fund until they become due. Consequently, general long-term liabilities not yet due are not reported on the face of the governmental fund financial statements. For the proprietary fund, long-term liabilities, which include compensated absences and net pension liability, are reported as liabilities on the face of the proprietary fund financial statements. The noncurrent portion represents amounts that will not be paid within the next fiscal year.

The net pension liability represents the Department's proportionate share of the collective net pension liability reported in the State of North Carolina's 2015 *Comprehensive Annual Financial Report*. This liability represents the Department's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 11 for further information regarding the Department's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

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. 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. Net position also includes consideration of deferred outflows and inflows of resources.

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 represent inventories that are not available for appropriation and are not expendable available financial resources.

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 an 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 under the Department's name and the responsibility of monitoring collateralization rests with each depository. 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 Department 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, 2016, the Department's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

At June 30, 2016, the governmental fund's Balance Sheet reported cash and cash equivalents of \$226,406,616. The proprietary fund's Statement of Net Position reported cash and cash equivalents of \$18,878,542, for the same date. 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 1.5 years as of June 30, 2016. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the State of North

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

At June 30, 2016, the proprietary fund's Statement of Net Position reported pooled investments of \$88,965,964 which 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 or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 17.9 years as of June 30, 2016. 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 on the North Carolina Office of the State Controller's website at <http://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

NOTE 3 - FAIR VALUE MEASUREMENTS

To the extent available, the Department's investments are recorded at fair value as of June 30, 2016. GASB Statement No. 72 - *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- | | |
|---------|---|
| Level 1 | Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date. |
| Level 2 | Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly. |

Level 3 Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment.

At June 30, 2016, the Department had the following investments:

Short-Term Investment Fund – At year-end, all of the Department's cash and cash equivalents valued at \$245,285,158 were held in the STIF which is a Level 2 investment. Ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian.

Long-Term Investment Portfolio – At year-end, the investments of the Department, valued at \$88,965,964, were held in the LTIP which is a Level 2 investment. Ownership interest in the LTIP is determined monthly at fair market value based upon units of participation. Units of participation are calculated monthly based upon inflows and outflows as well as allocations of net earnings.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables for the governmental fund at June 30, 2016 were as follows:

	Amount
Intergovernmental Receivables:	
Child Nutrition Program	\$ 23,473,990
Local School Districts	1,765,980
Total Intergovernmental Receivables	<u>\$ 25,239,970</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.

Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

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 in the following manner:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	10--100 years
Machinery & Equipment	2-30 years
General Infrastructure	10-75 years
Computer Software	2-30 years

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

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
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	9,825,990	165,789	969,346	9,022,433
General Infrastructure	558,126			558,126
Computer Software	2,352,831			2,352,831
Total Capital Assets, Depreciable	59,728,597	165,789	969,346	58,925,040
Less Accumulated Depreciation for:				
Buildings	22,074,154	758,727		22,832,881
Machinery and Equipment	5,682,404	445,693	730,360	5,397,737
General Infrastructure	424,254	12,403		436,657
Computer Software	329,396	94,113		423,509
Total Accumulated Depreciation	28,510,208	1,310,936	730,360	29,090,784
Total Capital Assets, Depreciable, Net	31,218,389	(1,145,147)	238,986	29,834,256
Capital Assets, Net	\$ 31,689,942	\$ (1,145,147)	\$ 238,986	\$ 30,305,809

NOTE 6 - INTERGOVERNMENTAL PAYABLES

Intergovernmental payables at June 30, 2016 were as follows:

	<u>Amount</u>
Governmental Fund - General Fund	
Intergovernmental Payables:	
Accrued Payroll for Schools	\$ 223,864,849
Child Nutrition Program	17,910,671
Other	247,557
Total Intergovernmental Payables	\$ 242,023,077
Proprietary Fund - Public School Insurance Fund	
Intergovernmental Payables:	
State Agency Services	\$ 2,498

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, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Compensated Absences	\$ 10,015,582	\$ 5,745,186	\$ 6,557,761	\$ 9,203,007	\$ 739,922
Workers' Compensation	179,485,587	51,648,709	54,470,554	176,663,742	53,617,446
Financing Agreements	59,952,573	60,775,204	41,527,365	79,200,412	37,850,395
Net Pension Liability	5,187,854	9,946,572		15,134,426	
Total Long-Term Liabilities	\$ 254,641,596	\$ 128,115,671	\$ 102,555,680	\$ 280,201,587	\$ 92,207,763

Additional information regarding workers' compensation is included in Note 13

Additional information regarding net pension liability is included in Note 11

Proprietary Fund - Public School Insurance Fund

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Compensated Absences	\$ 99,075	\$ 40,550	\$ 50,825	\$ 88,800	\$ 6,447
Net Pension Liability	36,571	63,980		100,551	
Total Long-Term Liabilities	\$ 135,646	\$ 104,530	\$ 50,825	\$ 189,351	\$ 6,447

Additional information regarding net pension liability is included in Note 11

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

Financing Agreement	Financial Institution	Final Installment Date	Original Installment Amount	Installments Paid Through June 30, 2016	Installments Outstanding June 30, 2016
2013 - 2014 Replacement of School Buses	Banc of America Public Capital Corporation	11/15/2016	\$ 32,728,937	\$ 24,546,702	\$ 8,182,235
2014 - 2015 Replacement of School Buses	Banc of America Public Capital Corporation	11/15/2017	43,849,656	21,924,828	21,924,828
2015 - 2016 Replacement of School Buses	Banc of America Public Capital Corporation	11/15/2018	60,775,204	11,681,855	49,093,349
Total Financing Agreements			\$ 137,353,797	\$ 58,153,385	\$ 79,200,412

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, 2016:

<u>Fiscal Year</u>	<u>Amount</u>
2017	\$ 209,695
2018	187,969
2019	49,268
2020	29,443
2021	14,722
Total Minimum Lease Payments	<u>\$ 491,097</u>

Rental expense for all operating leases during the year ended June 30, 2016, was \$303,971.

NOTE 9 - FUND BALANCE

The details of the fund balance classifications for the governmental fund at June 30, 2016 are as follows:

	<u>2016</u>
Fund Balance:	
Nonspendable:	
Inventory	\$ 1,836,434
Restricted for:	
Primary and Secondary Education	1,842,382
Committed to:	
Primary and Secondary Education	94,951,849
Public School Capital Projects	117,224,581
Unassigned	<u>(227,893,422)</u>
Total Fund Balance (Deficit)	<u>\$ (12,038,176)</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, 2016 are as follows:

	<u>Purpose</u>	<u>Amount</u>
Revenues from Other State Agencies:		
Office of State Budget and Management		
Civil Penalty Fund	General Educational Support	\$ 150,807,602
Lottery Funds	General Educational Support	410,455,157
Department of Revenue	General Educational Support	61,254,275
Department of Health and Human Services	Medicaid Funds for Services to Exceptional Children	15,697,168
Total Revenues from Other State Agencies		<u>\$ 638,214,202</u>

	<u>Purpose</u>	<u>Amount</u>
Expenditures to Other State Agencies:		
Community College System Office	Title IV Perkins Funds	\$ 12,643,457
North Carolina University System	Title IV Perkins Funds	90,500
Department of Public Safety	Title IV Perkins Funds - Juvenile/ Delinquent Services	368,875
Department of Health and Human Services	Psychiatric Residential Treatment Facility Services	3,002,509
Total Expenditures to Other State Agencies		\$ 16,105,341

NOTE 11 - PENSION PLANS**Defined Benefit Plan**

Pension contributions to cost sharing plans are recognized as expenditures in the period to which the payment relates, even if payment is not due until the subsequent period. Consequently, the net pension liability, discussed in Note 7 to the financial statements, is not reported on the face of the governmental fund financial statements. However, the net pension liability for the proprietary fund is reported on the face of the proprietary fund financial statements.

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

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the NC General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The Department's contractually-required contribution rate for the year ended June 30, 2016 was 9.15% of covered payroll. The Department's contributions to the pension plan were \$5,804,959, and employee contributions were \$3,806,530 for the year ended June 30, 2016.

The TSERS plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2015 *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <http://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

TSERS Basis of Accounting: The financial statements of the TSERS plan were prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The plan's fiduciary net position was determined on the same basis used by the pension plan.

Methods Used to Value TSERS Investment: Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its Investment Pool. The pension trust funds are the primary participants in the Long-term Investment portfolio and the sole participants in the External Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Credit Investment, and Inflation Protection Investment portfolios. The investment balance of each pension trust fund represents its share of the fair market value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2015 *Comprehensive Annual Financial Report*.

Net Pension Liability: At June 30, 2016, the Department's proportionate share of the collective net pension liability was \$15,234,977. Of this amount, the governmental fund's share was \$15,134,426, and the proprietary fund's share was \$100,551. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014, and update procedures were used to roll forward the total pension liability to June 30, 2015. The Department's proportion of the net pension liability was based on the present value of future salaries for the Department relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2015, the Department's proportion was 0.41341%, which was a decrease of 0.0322 from its proportion measured as of June 30, 2014.

Actuarial Assumptions: The following table presents the actuarial assumptions used to determine the total pension liability for the TSERS plan at the actuarial valuation date:

Valuation Date	12/31/2014
Inflation	3%
Salary Increases*	4.25% - 9.10%
Investment Rate of Return**	7.25%

* Salary increases include 3.5% inflation and productivity factor.

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

TSERS currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

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

Future ad hoc Cost of Living Adjustment (COLA) amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (the valuation date) are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2014 asset, liability and investment policy study for the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

Discount Rate: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the plan calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Net Pension Liability (Asset)		
1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 45,853,077	\$ 15,234,977	\$ (10,748,011)

Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions: For the year ended June 30, 2016, the governmental fund's proportionate share of the collective pension expense was \$1,594,360, and the proprietary fund recognized pension expense of \$10,593. At June 30, 2016, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Employer Balances of Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions by Classification:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 0	\$ 1,732,217
Changes of Assumptions		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		1,650,581
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions	818,834	624,633
Contributions Subsequent to the Measurement Date	5,804,959	
Total	\$ 6,623,793	\$ 4,007,431

The governmental fund's deferred outflows of resources related to pensions of \$5,766,041 will represent a reduction of the net pension liability in the fiscal year ended June 30, 2017, and \$38,918 reported as deferred outflows for proprietary funds will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year Ended June 30:	Amount
2017	\$ (1,863,234)
2018	(1,863,234)
2019	(1,862,255)
2020	2,400,126
Total	<u>\$ (3,188,597)</u>

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 (TSERS). Coverage eligibility varies depending on years of contributory membership service in their retirement system prior to disability or retirement.

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

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

For the current fiscal year the Department contributed 5.60% of the covered payroll under TSERS to the Fund. Required contribution rates for the years ended June 30, 2015, and 2014, were 5.49% and 5.40%,

respectively. The Department made 100% of its annual required contributions to the Plan for the years ended June 30, 2016, 2015, and 2014, which were \$3,552,762, \$3,700,680, and \$3,766,073, 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 on the North Carolina Office of the State Controller's website at <http://www.osc.nc.gov/> 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 TSERS and ORP. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes, and may be amended only by the North Carolina General Assembly. The Plan does not provide for automatic post-retirement benefit increases.

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2016, the Department made a statutory contribution of .41% of covered payroll under the TSERS to the DIPNC. Required contribution rates for the years ended June 30, 2015, and 2014, were .41% and .44%, respectively. The Department made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2016, 2015, and 2014, which were \$260,113, \$276,371, and \$306,865, 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 87 out of 115 public school districts 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 for the years ended June 30, 2016 and 2015:

	2016	2015
Unpaid Claims at Beginning of Year	\$ 10,176,077	\$ 5,496,213
Incurred Claims:		
Provision for Insured Events of the Current Year	943,000	10,524,422
Decreases in Provision for Insured Events of Prior Years	(336,545)	(1,899,665)
Total Incurred Claims	606,455	8,624,757
Payments:		
Claims Attributable to Insured Events of the Current Year	872,000	1,447,660
Claims Attributable to Insured Events of the Prior Years	4,116,050	2,497,233
Total Payments	4,988,050	3,944,893
Total Unpaid Claims at End of the Year	\$ 5,794,482	\$ 10,176,077

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.

C. Employee Benefit Plans

1. State Health Plan

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.

2. Death Benefit Plan of North Carolina

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

D. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

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.

2. Public Officers' and Employees' Liability Insurance

The risk of tort claims of up to \$1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up

to \$10,000,000 via contract with a private insurance company. The Department pays the premium, based on a composite rate, directly to the private insurer.

3. Employee Dishonesty and Computer Fraud

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 \$100,000 deductible.

4. Statewide Workers' Compensation Program

The North Carolina Workers' Compensation Program provides benefits to workers injured on the job. All employees of the State and its component units are included in the program. 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.

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

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, 2016, the Department is unable to estimate what liabilities may result from such audits.

- C. Hurricane Matthew** – On October 8, 2016, Hurricane Matthew made landfall in the southeast United States. Twenty-five Local Education Agencies (LEA's) across North Carolina suffered damages from flooding and high winds associated with the storm. Twenty-four of these LEA's participate in the Public School Insurance Fund. The Department estimates losses of \$13,167,607 to participant LEA's. Of this amount, the Public School Insurance Fund is liable for \$10,000,000 in claims payable to participant LEA's. The remaining \$3,167,607 will be covered by reinsurance contracts. The Department has set up a reserve for \$13 million to cover insurance claims payable to the LEA's.

NOTE 15 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

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

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

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

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*

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

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

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.



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, 2016

Schedule C-1

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Funds	\$ 3,689,276,989	\$ 1,928,316,164	\$ 1,520,696,929	\$ (407,619,235)
Revenues from Other State Agencies	670,631,361	685,154,843	685,154,843	
Contributions, Gifts, and Grants	9,568,847	12,525,162	11,155,218	(1,369,944)
E Rate Telecommunication/Internet Access Program Funds		2,014,614	11,926,106	9,911,492
Sales and Services	1,858,014	1,866,878	2,009,388	142,510
Licensure Certification and Registration Fees	2,442,573	3,818,016	2,969,149	(848,867)
Property and Equipment Rental	1,600,000	2,025,173	1,932,316	(92,857)
Investment Earnings	5,579,654	3,521,145	1,242,440	(2,278,705)
Student Tuition and Fees	325,000	543,929	543,945	16
Miscellaneous	7,360	1,519,411	8,414,818	6,895,407
Total Revenues	4,381,289,798	2,641,305,335	2,246,045,152	(395,260,183)
EXPENDITURES				
Grants, State, and Federal Aid	12,346,276,334	10,610,456,143	10,163,530,194	446,925,949
Contracted Services	129,242,443	139,925,884	102,058,904	37,866,980
Personal Services	156,104,894	140,700,972	132,080,953	8,620,019
Supplies and Materials and Purchases for Resale	5,546,646	8,840,045	4,148,917	4,691,128
Travel	6,574,813	6,319,780	4,085,299	2,234,481
Communication and Data Processing Services	17,744,175	26,965,314	24,859,223	2,106,091
Utilities	857,731	1,106,585	1,077,896	28,689
Claims and Benefits	18,360,959	9,187,222	3,866,216	5,321,006
Other Services	3,919,916	3,927,744	3,725,024	202,720
Other Fixed Charges	5,362,185	8,991,311	8,807,034	184,277
Expenditures to Other State Agencies	25,177,291	17,236,599	16,085,265	1,151,334
Capital Outlay	65,044,533	107,472,039	55,138,199	52,333,840
Scholarships	760,498	2,771		2,771
Insurance and Bonding	3,919,916	3,927,744	2,968,857	958,887
Other Expenditures	2,062,489	2,866,021	2,138,176	727,845
Reserves	43,377,831	52,069,991		52,069,991
Total Expenditures	12,830,332,654	11,139,996,165	10,524,570,157	615,426,008
Excess of Revenues Over (Under) Expenditures	(8,449,042,856)	(8,498,690,830)	(8,278,525,005)	220,165,825
OTHER FINANCING SOURCES				
State Appropriations	8,520,749,087	8,520,749,087	8,347,365,885	(173,383,202)
Sale of Capital Assets	1,509,000	1,509,000	1,885,282	376,282
Insurance Recoveries			197,794	197,794
Transfer to State Reserve Fund	(69,411,254)	(72,151,969)	(72,151,969)	
Total Other Financing Sources	8,452,846,833	8,450,106,118	8,277,296,992	(172,809,126)
Net Change in Fund Balance	3,803,977	(48,584,712)	(1,228,013)	47,356,699
Fund Balance - July 1, 2015	(248,243,619)	88,865,311	227,571,168	138,705,857
Fund Balance - June 30, 2016	\$ (244,439,642)	\$ 40,280,599	\$ 226,343,155	\$ 186,062,556

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 original 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 final 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.

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, 2016.

	<u>General Fund</u>
Fund Balance (Budgetary Basis) June 30, 2016	\$ 226,343,155
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Accrued Revenues:	
Accounts Receivable	29,933
Intergovernmental Receivables	25,239,970
Interest Receivable	127,004
Less:	
Unearned revenue	(11,386,192)
Total Accrued Revenues	<u>14,010,715</u>
Accrued Expenditures:	
Accounts Payable	(12,205,112)
Accrued Payroll	(291)
Intergovernmental Payables	(242,023,077)
Total Accrued Expenditures	<u>(254,228,480)</u>
Other Adjustments:	
Inventories	<u>1,836,434</u>
Fund Balance (GAAP Basis) June 30, 2016	<u>\$ (12,038,176)</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, 2007-2016**

Schedule C-2

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1) Required Contribution and Investment Revenue:										
Earned	\$ 14,509	\$ 18,430	\$ 18,054	\$ 20,337	\$ 16,257	\$ 20,699	\$ 16,380	\$ 17,583	\$ 14,563	\$ 19,099
Ceded	3,077	2,371	3,642	3,852	3,576	3,717	4,502	4,313	3,545	3,665
Net Earned	11,432	16,059	14,412	16,485	12,681	16,982	11,878	13,270	11,018	15,434
2) Unallocated Expenses	3,672	664	680	659	666	701	714	695	635	600
3) Estimated Claims and Expenses, End of Policy Year:										
Incurred	14,915	1,718	2,253	1,783	20,340	19,304	4,366	6,492	10,524	943
Ceded	7,450				6,761					
Net Incurred	7,465	1,718	2,253	1,783	13,579	19,304	4,366	6,492	10,524	943
4) Paid (Cumulative) As of:										
End of Policy Year	15,174	1,426	1,746	1,502	5,505	6,992	1,975	1,845	1,448	872
One Year Later	19,270	2,016	2,149	2,082	13,090	9,389	3,465	4,053	5,389	
Two Years Later	19,270	2,016	2,149	2,082	13,090	9,389	3,465	4,053		
Three Years Later	19,270	2,016	2,149	2,082	13,090	9,389	3,465			
Four Years Later	19,270	2,016	2,149	2,082	13,090	9,389				
Five Years Later	19,270	2,016	2,149	2,082	13,090					
Six Years Later	19,270	2,016	2,149	2,082						
Seven Years Later	19,270	2,016	2,149							
Eight Years Later	19,270	2,016								
Nine Years Later	19,270									
5) Reestimated Ceded Claims and Expenses										
6) Reestimated Net Incurred Claims and Expenses:										
End of Policy Year	14,915	1,718	2,253	1,783	20,340	19,304	4,366	6,492	10,524	943
One Year Later	11,348	1,653	2,276	1,846	27,242	13,159	2,965	5,189	10,669	
Two Years Later	11,348	1,979	2,269	1,846	27,242	13,159	2,965	5,189		
Three Years Later	11,348	1,979	2,269	1,846	27,242	13,159	2,965			
Four Years Later	11,348	1,979	2,269	1,846	27,242	13,159				
Five Years Later	11,348	1,979	2,269	1,846	20,481					
Six Years Later	11,348	1,979	2,269	1,846						
Seven Years Later	11,348	1,979	2,269							
Eight Years Later	11,348	1,979								
Nine Years Later	3,898									
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)	(1,303)	145	

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 schedule shows the correlation between original estimated claim amounts and reestimated claims 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.

**Department of Public Instruction
Required Supplementary Information
Schedule of the Proportionate Net Pension Liability
Teachers' and State Employees' Retirement System
Last Three Fiscal Years**

Schedule C-3

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportionate Share Percentage of Collective Net Pension Liability	0.41341%	0.44561%	0.43670%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 15,234,977	\$ 5,224,425	\$ 26,512,140
Covered-Employee Payroll	\$ 67,407,650	\$ 69,742,084	\$ 68,421,885
Net Pension Liability as a Percentage of Covered-Employee Payroll	22.60%	7.49%	38.01%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.64%	98.24%	90.60%

Note: Amounts presented are for the Department as a whole. The net pension liability associated with the Public School Insurance Fund was \$100,551 as of June 30, 2016.

Department of Public Instruction
Required Supplementary Information
Schedule of Department Contributions
Teachers' and State Employees' Retirement System
Last Three Fiscal Years

Schedule C-4

	2016	2015	2014
Contractually Required Contribution	\$ 5,804,959	\$ 6,167,800	\$ 6,060,587
Contributions in Relation to the Contractually Determined Contribution	5,804,959	6,167,800	6,060,587
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered-Employee Payroll	\$ 63,442,170	\$ 67,407,650	\$ 69,742,084
Contributions as a Percentage of Covered-Employee Payroll	9.15%	9.15%	8.69%

Note: Amounts presented are for the Department as a whole.

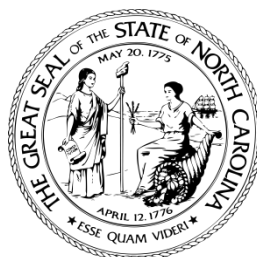
Department of Public Instruction
Notes to Required Supplementary Information
Schedule of Department Contributions
Teachers' and State Employees' Retirement System
Last Ten Fiscal Years

Changes of Benefit Terms:

<u>Cost of Living Increase</u>									
<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
1.00%	N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%	3.00%	2.00%

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

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



SUPPLEMENTARY INFORMATION

North Carolina Department of Public Instruction
Supplementary Information
Revenues by Source
General Fund
For the Fiscal Year Ended June 30, 2016
(With Comparative Totals for June 30, 2015)

Schedule D-1

	2016	2015
REVENUES		
Federal Funds:		
Child Nutrition Cluster	\$ 538,193,025	\$ 509,337,538
Title I Grants to School Districts	420,272,528	428,848,155
Special Education: Preschool Grants & Grants to States	342,746,681	347,556,450
School Improvement Grants Cluster	10,590,592	18,461,209
Career and Technical Education -- Basic Grants to States	35,285,983	35,888,171
English Language Acquisition State Grants	15,017,610	15,789,318
Improving Teacher Quality State Grants	48,053,939	52,182,361
Twenty-First Century Community Learning Centers	34,657,763	31,496,519
(SFSF) Race-to-the-Top Incentive Grants	24,878,412	56,017,204
Other Federal Funds	51,479,577	43,158,600
Total Federal Funds	1,521,176,110	1,538,735,525
Revenues from Other State Agencies:		
Office of State Budget and Management:		
Civil Penalty Fund	150,807,602	149,935,020
Lottery Funds	410,455,157	467,905,065
Department of Revenue	61,254,275	53,434,053
Department of Transportation		26,203,321
Department of Health and Human Services	15,697,168	15,914,163
Other		68,618
Total Revenues from Other State Agencies	638,214,202	713,460,240
Contributions, Gifts, and Grants	11,022,099	9,126,487
E Rate Telecommunication and Internet Access Program Funds	11,926,105	11,296,151
Sales and Services	1,811,343	2,532,849
Licensure Certification and Registration Fees	2,968,013	2,884,804
Property and Equipment Rental	1,932,316	1,992,804
Investment Earnings	1,260,060	2,127,157
Student Tuition and Fees	542,685	444,294
Miscellaneous	8,272,827	4,893,154
Total Revenues (See Exhibit A-2)	\$ 2,199,125,760	\$ 2,287,493,465

North Carolina Department of Public Instruction
Supplementary Information
Expenditures by Purpose
General Fund
For the Fiscal Year Ended June 30, 2016
(With Comparative Totals for June 30, 2015)

Schedule D-2
Page 1 of 2

	2016	2015
EXPENDITURES		
Expenditures Paid by the Department to Schools Or On Their Behalf:		
Grants, State, and Federal Aid to Schools (See Schedule D-3)	\$ 10,172,393,913	\$ 9,980,860,533
Supplemental Benefits for Schools:		
Workers' Compensation Payments for School Employees	48,480,698	58,449,569
Claims and Benefits, Primarily School Unemployment Payments	3,866,216	5,208,199
Excess Professional Liability Insurance for School Employees	2,370,178	2,520,203
Total Supplemental Benefits for Schools	54,717,092	66,177,971
School Buses, Textbooks, and Other Costs Paid for Schools:		
School Bus Replacement, Financing Payments	43,708,516	46,204,041
Textbooks	4,501,105	4,302,213
Payment of Tort Claim Settlements	6,899,785	4,393,869
Total School Buses Textbooks and Other Costs Paid for Schools	55,109,406	54,900,123
Residential School Operating Costs:		
North Carolina School for the Deaf	8,590,839	8,423,408
Eastern North Carolina School for the Deaf	7,661,918	7,568,125
Governor Morehead School	6,737,337	6,384,382
Total Residential School Operating Costs	22,990,094	22,375,915
North Carolina Center for Advancement of Teaching	3,365,942	3,464,453
Total Expenditures Paid by the Department to Schools Or On Their Behalf	10,308,576,447	10,127,778,995
Expenditures Paid for Department Operations and Administration:		
Contracted Services:		
Academic Services	23,902,722	21,893,244
Other Information Tech Services	14,451,659	19,454,625
Other Contractual Services	62,992,208	48,798,517
Total Contracted Services	101,346,589	90,146,386
Salaries and Wages:		
Salaries Subject to State Personnel Act	43,809,330	48,306,304
Contract Employees		5,692,750
Salaries Exempt Under State Personnel Act	3,790,939	3,682,197
Longevity Pay	1,548,879	1,184,443
Temporary Wages	8,787	306,772
Other Contractual Services	758,355	1,262,670
Total Salaries and Wages	49,916,290	60,435,136
Employee Benefits:		
Medical Insurance Contributions	3,660,899	3,919,500
Other Medical Insurance	770,454	820,739
Regular Retirement Contributions	7,546,468	8,163,549
Social Security Contributions	3,649,122	4,430,399
Other Employee Benefits	(2,790)	
Total Employee Benefits	15,624,153	17,334,187

North Carolina Department of Public Instruction
Supplementary Information
Expenditures by Purpose
General Fund
For the Fiscal Year Ended June 30, 2016
(With Comparative Totals for June 30, 2015)

Schedule D-2
Page 2 of 2

	2016	2015
Supplies and Materials:		
Educational Supplies	2,556,276	1,947,754
Other Supplies and Materials	537,430	320,899
Total Supplies and Materials	3,093,706	2,268,653
Purchases for Resale	1,206,427	(57,768)
Travel:		
Ground Transportation In-State	1,591,823	2,157,746
Ground Transportation Out-of-State	41,855	43,942
Lodging	598,856	724,674
Workshops	733,062	1,230,392
Other Travel	723,565	820,248
Total Travel	3,689,161	4,977,002
Communication	555,871	538,057
Utilities	69,814	26,061
Data Processing Services:		
Managed Local Network Service Charge	22,094,625	12,215,525
Managed Server Services	872,358	642,823
Other Server Services	366,817	363,245
Total Data Processing Services	23,333,800	13,221,593
Other Services	1,968,101	2,100,985
Other Fixed Charges:		
Network Software Maintenance Agreement	877,446	2,555,370
Server Software Maintenance Agreement	800,265	2,564,725
Membership Dues and Subscriptions	1,970,174	1,577,140
Other Fixed Charges	338,977	275,939
Total Other Fixed Charges	3,986,862	6,973,174
Expenditures to Other State Agencies:		
Community College	12,643,457	12,403,372
Other Expenditures	3,461,884	14,549,477
Total Expenditures to Other State Agencies	16,105,341	26,952,849
Capital Outlay:		
Server Software	4,943,917	2,252,221
Other Capital Outlays	2,105,632	2,378,199
Total Capital Outlay	7,049,549	4,630,420
Scholarships		3,375,794
Other Expenditures:		
Forgiven Loans Under Teaching Fellows Loan Program	125,455	4,879,293
Workshop Expenses	1,409,277	1,619,747
Other Expenditures	223,930	472,735
Total Other Expenditures	1,758,662	6,971,775
Total Expenditures Paid for Department Operations and Administration	229,704,326	239,894,304
Total Expenditures (See Exhibit A-2)	<u>\$ 10,538,280,773</u>	<u>\$ 10,367,673,299</u>

North Carolina Department of Public Instruction
Supplementary Information
Schedule of Grants, State, and Federal Aid Paid to Schools
General Fund
For the Fiscal Year Ended June 30, 2016
(With Comparative Totals for June 30, 2015)

Schedule D-3
Page 1 of 2

	2016	2015
School District Expenditures Funded by State Aid:		
Salaries:		
Administrative Personnel		
Superintendents or Directors	\$ 60,838,179	\$ 59,835,965
Associate or Assistant Superintendents	15,748,806	15,479,670
Principals	149,204,582	148,921,982
Assistant Principals	104,068,265	99,196,848
Finance Officers	7,238,624	7,486,225
Total Administrative Personnel	337,098,456	330,920,690
Teachers	3,610,918,550	3,604,031,558
Instructional Support Personnel - Certified	473,860,136	467,600,049
Psychologists	31,519,909	30,659,078
Teacher Assistants	334,807,421	321,492,725
Tutors and Non-Certified Instructors	16,817,299	18,167,449
Interpreters, Therapists and Specialists	61,034,350	55,116,472
School Resource Officers and Monitors	20,099,921	19,957,553
Technical and Administrative Support Personnel	181,993,144	173,525,925
Substitute Pay	55,919,241	56,908,759
Drivers	161,589,869	160,400,951
Custodians	171,463,579	170,413,380
Skilled Tradesmen and Managers	62,034,805	60,614,956
Longevity Pay	23,130,894	65,079,588
Annual Leave Pay	39,625,025	43,104,062
Supplementary Pay	128,222,970	30,671,800
Short Term Disability Pay	6,008,661	6,018,387
Extra Duty Pay	25,205,669	19,632,633
Total Salaries	5,741,349,899	5,634,316,015
Employer-Provided Benefits:		
Employer's Social Security Cost - Regular	415,960,081	408,862,181
Retirement Benefits	830,775,859	824,999,249
Insurance Benefits	689,071,388	682,571,200
Total Employer-Provided Benefits	1,935,807,328	1,916,432,630
Purchased Services:		
Professional and Technical Services	165,069,162	161,646,329
Property Services	4,621,590	4,369,962
Transportation Services	30,542,814	29,518,360
Communications	6,796,438	7,115,979
Tuition	2,418,041	1,352,483
Dues and Fees	265,743	482,096
Insurance and Judgments	713,776	633,650
Total Purchased Services	210,427,564	205,118,859
Supplies and Materials:		
School and Office Supplies	115,538,607	123,289,002
Operational Supplies	68,461,703	97,157,050
Food Supplies	236,577	115,963
Noncapitalized Equipment	41,755,746	43,365,511
Sales and Use Tax Refunds	58,018	(154,029)
Total Supplies and Materials	226,050,651	263,773,497
Capital Outlay:		
Equipment and Computer Hardware	10,580,857	10,538,040
Vehicles	2,291,188	1,195,797
Total Capital Outlay	12,872,045	11,733,837
Expenditures to Other State Agencies	473,167	460,643
Total School District Expenditures Funded by State Aid (See Schedules D-4 and D-5)	8,126,980,654	8,031,835,481

North Carolina Department of Public Instruction
Supplementary Information
Schedule of Grants, State, and Federal Aid Paid to Schools
General Fund
For the Fiscal Year Ended June 30, 2016
(With Comparative Totals for June 30, 2015)

Schedule D-3
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	2016	2015
Federal Grants and Aid to School Districts:		
Payments Under Federal Grant Programs (See Schedules D-4 and D-5)	847,649,386	886,353,083
Reimbursements for Meals Provided Under Federal Child Nutrition Program (See Schedules D-4 and D-5)	517,428,157	491,687,241
Reimbursements from Medicaid (See Schedules D-4 and D-5)	16,590,611	17,288,353
Total Federal Grants and Aid Paid to School Districts	1,381,668,154	1,395,328,677
Construction Projects Paid through Building Capital Fund (See Schedules D-4 and D-5)	106,654,488	102,743,208
Technology Support Paid through School Technology Fund (See Schedules D-4 and D-5)	20,583,936	22,768,009
Total Grants, State, and Federal Aid to School Districts (See Schedules D-4 and D-5)	9,635,887,232	9,552,675,375
Grants and Aid to Charter Schools:		
Charter School Expenditures Funded by State Aid (See Schedules D-6 and D-7)	452,326,036	372,465,594
Payments Under Federal Grant Programs (See Schedules D-6 and D-7)	23,396,589	20,472,389
Reimbursements for Meals Provided Under Federal Child Nutrition Program (See Schedules D-6 and D-7)	9,279,719	7,450,822
Total Grants and Aid to Charter Schools (See Schedules D-6 and D-7)	485,002,344	400,388,805
Aid to Other Nonprofit Organizations for Programming	51,504,337	27,796,353
Total Grants, State, and Federal Aid Expenditures (See Exhibit A-2)	<u>\$ 10,172,393,913</u>	<u>\$ 9,980,860,533</u>

North Carolina Department of Public Instruction
Supplementary Information
Schedule of Grants and Aid Paid to School Districts (Alphabetically by County)
General Fund
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Schedule D-4
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	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	Federal Medicaid Reimbursements	State Building Capital Funds	State Technology Funds	2016 Total	2015 Total
Alamance-Burlington Schools	\$ 123,845,825	\$ 14,788,240	\$ 8,510,003	\$ 0	\$ 2,241,130	\$ 762,728	\$ 150,147,926	\$ 143,999,198
Alexander County Schools	29,607,917	2,512,973	1,835,800			52,328	34,009,018	34,885,677
Alleghany County Schools	10,818,977	1,358,319	589,440	12,954	95,273	15,442	12,890,405	12,893,394
Anson County Schools	24,745,200	2,766,879	2,057,685		238,677	78,887	29,887,328	31,353,451
Ashe County Schools	21,188,004	2,255,331	1,276,194		274,030	20,892	25,014,451	24,657,870
Asheboro City Schools	27,061,271	1,479,996	2,427,423		290,000	111,950	31,370,640	33,340,423
Asheville City Schools	23,879,668	5,158,294	1,061,309	24,420	1,367,000	62,683	31,553,374	27,990,035
Avery County Schools	15,278,574	3,216,470	844,738			50,355	19,390,137	18,126,947
Beaufort County Schools	40,271,675	4,271,539	2,643,628		450,000	73,270	47,710,112	48,547,110
Bertie County Schools	18,712,384	7,807,556	1,923,365		510,000	28,034	28,981,339	24,337,373
Bladen County Schools	29,147,820	13,219,511	2,975,540		611,764	53,327	46,007,962	36,350,405
Brunswick County Schools	67,660,916	2,941,559	4,589,030		1,032,232	135,241	76,358,978	82,195,063
Buncombe County Schools	136,523,458	7,478,578	8,828,620	111,790	1,573,000	277,664	154,793,110	160,796,636
Burke County Schools	74,813,605	11,361,704	4,467,042	95,115	1,069,626	(76,052)	91,731,040	87,238,242
Cabarrus County Schools	162,578,498	3,402,203	8,001,711		1,754,000	366,961	176,103,373	180,547,796
Caldwell County Schools	72,930,529	6,678,937	4,668,968		1,397,100	199,532	85,875,066	85,035,104
Camden County Schools	13,177,268	465,271	268,566		44,840	21,258	13,977,203	13,946,279
Carteret County Schools	45,869,187	4,745,926	2,071,487		600,000	113,888	53,400,488	54,192,871
Caswell County Schools	18,657,642	1,964,043	1,331,467		559,434	113,152	22,625,738	22,187,277
Catawba County Schools	90,309,732	8,760,274	5,364,666		1,125,925	263,601	105,824,198	107,247,469
Chapel-Hill/Carrboro City Schools	61,782,641	2,565,529	2,077,777		603,916	133,864	67,163,727	69,127,965
Charlotte-Mecklenburg County Schools	754,235,943	1,871,719	51,194,692	444,594	9,974,280	2,241,504	819,962,732	881,078,232
Chatham County Schools	47,681,752	4,478,067	2,724,133		62,240	99,136	55,045,328	53,554,681
Cherokee County Schools	20,390,261	3,024,963	1,888,994		204,455	45,233	25,553,906	25,710,526
Clay County Schools	9,994,234	1,474,699	442,817			15,504	11,927,254	11,264,137
Cleveland County Schools	87,788,103	777,763	6,050,875		1,600,000	177,488	96,394,229	107,048,329
Clinton City Schools	17,671,507	11,559,063	1,627,541				30,858,111	21,976,256
Columbus County Schools	38,859,370	5,929,577	3,864,135			115,467	48,768,549	49,512,830
Craven County Schools	76,470,217	2,115,765	4,517,260		966,710	155,560	84,225,512	89,549,686
Cumberland County Schools	266,800,404	7,530,551	21,142,923	14,306,423	3,724,973	570,747	314,076,021	333,792,855
Currituck County Schools	22,779,343	27,541,613	781,191		289,999	45,960	51,438,106	24,815,810
Dare County Schools	28,831,079	1,635,036	1,143,209		360,000	56,972	32,026,296	32,597,480
Davidson County Schools	105,834,226	1,892,026	4,973,860	97,707	1,949,460	209,633	114,956,912	120,566,220
Davie County Schools	35,542,437	9,531,729	1,925,213		500,000	74,302	47,573,681	41,454,602
Duplin County Schools	59,222,841	2,666,068	4,611,327		996,441	116,536	67,613,213	70,688,935
Durham County Schools	191,998,954	2,758,496	13,028,028		3,046,000	1,383,403	212,214,881	230,772,197
Edenton-Chowan County Schools	14,979,774	2,717,403	833,425		103,573	23,635	18,657,810	17,294,126
Edgecombe County Schools	38,371,801	6,777,182	4,030,953		520,776	76,018	49,776,730	48,408,215
Elkin City Schools	8,021,994	5,016,228	316,883		390,655	13,435	13,759,195	8,892,805
Elizabeth City/Pasquotank County Schools	35,106,058	23,653,702	2,223,663		304,635	10,859	61,298,917	40,876,821
Franklin County Schools	52,070,451	38,539,563	3,461,429	35,524	600,000	131,031	94,837,998	60,737,773
Gaston County Schools	168,578,525	4,868,542	12,822,593	134,647	2,385,330	384,772	189,174,409	199,712,628

North Carolina Department of Public Instruction
Supplementary Information
Schedule of Grants and Aid Paid to School Districts (Alphabetically by County)
General Fund
For the Fiscal Year Ended June 30, 2016 (With Comparative Totals for 2015)

Schedule D-4
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	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	Federal Medicaid Reimbursements	State Building Capital Funds	State Technology Funds	2016 Total	2015 Total
Gates County Schools	13,019,619	17,454,452	580,855		111,480	19,452	31,185,858	14,665,722
Graham County Schools	9,326,513	923,233	474,786			3,968	10,728,500	11,064,742
Granville County Schools	47,366,633	1,311,070	2,642,553		397,280	94,676	51,812,212	54,725,420
Greene County Schools	23,200,208	4,377,755	1,606,707		211,700	37,629	29,433,999	27,559,204
Guilford County Schools	385,534,793	2,624,046	32,770,388		5,098,664	801,394	426,829,285	471,989,913
Halifax County Schools	20,614,873	42,765,563	2,324,185		657,978	39,800	66,402,399	32,609,521
Harnett County Schools	114,904,783	5,465,420	7,317,204		1,900,000	218,857	129,806,264	132,352,389
Haywood County Schools	40,252,145	1,979,974	2,621,753		61,509	75,326	44,990,707	48,895,950
Henderson County Schools	75,409,635	1,177,471	4,832,267	68,065	439,404	475,824	82,402,666	87,334,081
Hertford County Schools	21,843,079	11,365,474	1,924,330			79,576	35,212,459	27,504,417
Hickory City Schools	24,318,653	5,383,119	1,680,592		302,010	87,101	31,771,475	28,481,304
Hoke County Schools	53,314,451	8,183,185	3,630,182			100,423	65,228,241	60,933,479
Hyde County Schools	7,378,233	3,067,419	278,778			4,960	10,729,390	8,395,856
Iredell-Statesville Schools	107,532,705	5,728,000	5,026,155		1,750,857	244,180	120,281,897	123,225,856
Jackson County Schools	22,629,853	922,918	1,437,979		252,126	40,373	25,283,249	25,620,261
Johnston County Schools	192,854,805	9,151,897	8,735,129		2,606,212	59,983	213,408,026	216,303,234
Jones County Schools	9,887,001	1,993,315	731,333			12,065	12,623,714	11,811,956
Kannapolis City Schools	29,475,505	2,422,012	2,804,293		246,000	63,592	35,011,402	36,025,310
Lee County Schools	55,433,313	16,799,332	4,027,472		983,150	118,824	77,362,091	65,802,309
Lenoir County Schools	54,413,405	1,137,276	4,886,402		600,000	104,287	61,141,370	66,998,793
Lexington City Schools	18,945,397	5,787,695	2,054,964		100,000	35,587	26,923,643	23,417,549
Lincoln County Schools	62,011,408	6,600,205	3,602,473		783,400	151,020	73,148,506	71,921,199
Macon County Schools	26,588,062	6,001,660	1,780,483		290,049	52,144	34,712,398	30,610,531
Madison County Schools	17,511,786	2,981,485	695,799		30,000	31,835	21,250,905	20,537,173
Martin County Schools	23,106,526	1,378,803	1,781,581		289,957	82,226	26,639,093	27,472,110
McDowell County Schools	38,757,528	2,501,884	3,088,912	40,237	737,932	74,159	45,200,652	44,869,156
Mitchell County Schools	14,673,656	3,773,187	554,428	7,901	193,874	29,452	19,232,498	16,564,006
Montgomery County Schools	26,366,950	81,877,582	2,107,106	32,304	250,000	47,922	110,681,864	32,396,807
Moore County Schools	69,191,017	1,148,244	3,061,168		3,172,904	153,045	76,726,378	79,389,522
Mooresville City Schools	30,910,705	3,298,338	1,320,160			69,982	35,599,185	33,907,487
Mount Airy City Schools	10,210,237	7,884,951	684,659		(102,596)	16,187	18,693,438	12,274,676
Nash-Rocky Mount Schools	91,515,799	12,542,596	6,967,122		1,336,000	186,427	112,547,944	110,584,962
New Hanover County Schools	140,683,779	13,141,408	8,182,561	148,842	2,162,257	506,652	164,825,499	162,975,701
Newton-Conover City Schools	17,360,419	2,310,216	1,168,683		216,900	37,702	21,093,920	20,354,102
Northampton County Schools	16,041,518	10,859,747	1,288,521		75,000	23,957	28,288,743	20,225,419
Onslow County Schools	134,147,156	3,146,066	6,291,445		3,171,574	98,214	146,854,455	152,253,170
Orange County Schools	42,585,725	4,426,141	1,758,694		522,219	121,427	49,414,206	48,667,253
Pamlico County Schools	10,585,486	1,214,248	555,343		62,469	14,837	12,432,383	12,174,604
Pender County Schools	49,984,659	4,471,737	2,753,541		1,020,607	208,654	58,439,198	56,515,451
Perquimans County Schools	12,365,932	5,236,312	634,809			21,599	18,258,652	14,604,976
Person County Schools	26,775,292	1,406,397	2,075,242		241,500	10,130	30,508,561	31,479,015
Pitt County Schools	130,494,969	2,730,362	8,789,920		1,600,000	548,818	144,164,069	156,648,232

North Carolina Department of Public Instruction
Supplementary Information
Schedule of Grants and Aid Paid to School Districts (Alphabetically by County)
General Fund
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	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	Federal Medicaid Reimbursements	State Building Capital Funds	State Technology Funds	2016 Total	2015 Total
Polk County Schools	15,668,868	16,940,037	865,169		227,718	23,702	33,725,494	18,586,272
Randolph County Schools	98,952,183	1,676,006	6,499,229		1,000,000	253,539	108,380,957	117,823,393
Residential Schools			107,358				107,358	
Richmond County Schools	46,854,191	11,220,774	4,063,644		679,075	55,409	62,873,093	57,236,488
Roanoke Rapids City Schools	17,403,639	2,878,051	1,211,551		199,183	34,182	21,726,606	20,956,043
Robeson County Schools	149,200,132	5,733,295	14,740,640		1,227,290	351,221	171,252,578	191,744,359
Rockingham County Schools	76,092,193	21,808,781	4,909,278	123,746	862,644	115,434	103,912,076	91,801,414
Rowan-Salisbury County Schools	110,468,487	8,105,807	8,545,345	82,933	1,833,000	332	129,035,904	131,647,288
Rutherford County Schools	51,431,696	11,290,663	3,912,276	44,242	575,000	133,133	67,387,010	61,984,808
Sampson County Schools	52,867,758	4,789,471	4,069,215			101,468	61,827,912	63,494,145
Scotland County Schools	39,407,093	5,869,619	3,400,471		401,574	70,265	49,149,022	48,752,456
Stanly County Schools	51,179,006	2,218,980	2,715,889		570,000	101,191	56,785,066	58,789,028
Stokes County Schools	39,623,333	5,467,268	1,954,338	40,712	400,000	224,826	47,710,477	45,859,259
Surry County Schools	50,077,328	4,785,783	3,675,294		(4,406)	103,458	58,637,457	58,487,179
Swain County Schools	14,396,925	3,204,030	878,055		172,808	24,122	18,675,940	16,425,267
Thomasville City Schools	14,293,184	4,753,000	2,055,413		100,000	31,485	21,233,082	18,831,615
Transylvania County Schools	20,035,420	585,094	1,281,356			25,865	21,927,735	25,307,364
Tyrrell County Schools	6,670,017	1,606,009	342,011		90,000	36,246	8,744,283	7,677,114
Union County Schools	217,064,393	1,333,058	8,409,492	121,344	2,040,338	489,708	229,458,333	238,601,039
Vance County Schools	43,696,660	2,820,468	3,816,463		1,356,424	14,207	51,704,222	54,228,577
Wake County Schools	837,690,432	703,832	31,618,839	397,384	10,354,194	2,846,856	883,611,537	919,708,374
Warren County Schools	16,924,623	12,464,935	1,507,214			27,317	30,924,089	21,090,434
Washington County Schools	12,325,012	6,337,864	1,209,891		332,800	19,286	20,224,853	16,757,278
Watauga County Schools	25,471,420	64,932,967	1,031,762		193,633	50,780	91,680,562	29,968,544
Wayne County Schools	112,641,200	2,112,173	7,335,384		1,465,160	387,892	123,941,809	140,322,526
Weldon City Schools	7,713,295	2,327,591	660,148			11,059	10,712,093	9,766,189
Whiteville City Schools	14,762,950	2,158,172	1,529,952		260,697	28,538	18,740,309	18,449,767
Wilkes County Schools	57,171,196	14,345,261	5,070,773	55,129	450,278	115,773	77,208,410	69,702,113
Wilson County Schools	67,423,717	6,799,123	5,388,455		1,866,793	(1,100)	81,476,988	82,063,810
Winston-Salem/Forsyth County Schools	300,412,328	8,343,430	18,959,831	150,156	3,660,395	790,022	332,316,162	356,714,314
Yadkin County Schools	34,079,078	3,587,849	1,991,083		750,000	78,708	40,486,718	39,602,661
Yancey County Schools	15,368,621	1,938,913	721,778	14,442		28,546	18,072,300	18,851,710
Total Grants and Aid to School Districts	<u>\$ 8,126,980,654</u>	<u>\$ 847,649,386</u>	<u>\$ 517,428,157</u>	<u>\$ 16,590,611</u>	<u>\$ 106,654,488</u>	<u>\$ 20,583,936</u>	<u>\$ 9,635,887,232</u>	<u>\$ 9,552,675,375</u>

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, 2016 (With Comparative Totals for 2015)

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	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	Federal Medicaid Reimbursements	State Building Capital Funds	State Technology Funds	2016 Total	2015 Total
Wake County Schools	\$ 837,690,432	\$ 703,832	\$ 31,618,839	\$ 397,384	\$ 10,354,194	\$ 2,846,856	\$ 883,611,537	\$ 919,708,374
Charlotte-Mecklenburg County Schools	754,235,943	1,871,719	51,194,692	444,594	9,974,280	2,241,504	819,962,732	881,078,232
Guilford County Schools	385,534,793	2,624,046	32,770,388		5,098,664	801,394	426,829,285	471,989,913
Winston-Salem/Forsyth County Schools	300,412,328	8,343,430	18,959,831	150,156	3,660,395	790,022	332,316,162	356,714,314
Cumberland County Schools	266,800,404	7,530,551	21,142,923	14,306,423	3,724,973	570,747	314,076,021	333,792,855
Union County Schools	217,064,393	1,333,058	8,409,492	121,344	2,040,338	489,708	229,458,333	238,601,039
Johnston County Schools	192,854,805	9,151,897	8,735,129		2,606,212	59,983	213,408,026	216,303,234
Durham County Schools	191,998,954	2,758,496	13,028,028		3,046,000	1,383,403	212,214,881	230,772,197
Gaston County Schools	168,578,525	4,868,542	12,822,593	134,647	2,385,330	384,772	189,174,409	199,712,628
Cabarrus County Schools	162,578,498	3,402,203	8,001,711		1,754,000	366,961	176,103,373	180,547,796
Robeson County Schools	149,200,132	5,733,295	14,740,640		1,227,290	351,221	171,252,578	191,744,359
New Hanover County Schools	140,683,779	13,141,408	8,182,561	148,842	2,162,257	506,652	164,825,499	162,975,701
Buncombe County Schools	136,523,458	7,478,578	8,828,620	111,790	1,573,000	277,664	154,793,110	160,796,636
Onslow County Schools	134,147,156	3,146,066	6,291,445		3,171,574	98,214	146,854,455	152,253,170
Pitt County Schools	130,494,969	2,730,362	8,789,920		1,600,000	548,818	144,164,069	156,648,232
Alamance-Burlington Schools	123,845,825	14,788,240	8,510,003		2,241,130	762,728	150,147,926	143,999,198
Harnett County Schools	114,904,783	5,465,420	7,317,204		1,900,000	218,857	129,806,264	132,352,389
Wayne County Schools	112,641,200	2,112,173	7,335,384		1,465,160	387,892	123,941,809	140,322,526
Rowan-Salisbury County Schools	110,468,487	8,105,807	8,545,345	82,933	1,833,000	332	129,035,904	131,647,288
Iredell-Statesville Schools	107,532,705	5,728,000	5,026,155		1,750,857	244,180	120,281,897	123,225,856
Davidson County Schools	105,834,226	1,892,026	4,973,860	97,707	1,949,460	209,633	114,956,912	120,566,220
Randolph County Schools	98,952,183	1,676,006	6,499,229		1,000,000	253,539	108,380,957	117,823,393
Nash-Rocky Mount Schools	91,515,799	12,542,596	6,967,122		1,336,000	186,427	112,547,944	110,584,962
Catawba County Schools	90,309,732	8,760,274	5,364,666		1,125,925	263,601	105,824,198	107,247,469
Cleveland County Schools	87,788,103	777,763	6,050,875		1,600,000	177,488	96,394,229	107,048,329
Craven County Schools	76,470,217	2,115,765	4,517,260		966,710	155,560	84,225,512	89,549,686
Rockingham County Schools	76,092,193	21,808,781	4,909,278	123,746	862,644	115,434	103,912,076	91,801,414
Henderson County Schools	75,409,635	1,177,471	4,832,267	68,065	439,404	475,824	82,402,666	87,334,081
Burke County Schools	74,813,605	11,361,704	4,467,042	95,115	1,069,626	(76,052)	91,731,040	87,238,242
Caldwell County Schools	72,930,529	6,678,937	4,668,968		1,397,100	199,532	85,875,066	85,035,104
Moore County Schools	69,191,017	1,148,244	3,061,168		3,172,904	153,045	76,726,378	79,389,522
Brunswick County Schools	67,660,916	2,941,559	4,589,030		1,032,232	135,241	76,358,978	82,195,063
Wilson County Schools	67,423,717	6,799,123	5,388,455		1,866,793	(1,100)	81,476,988	82,063,810
Lincoln County Schools	62,011,408	6,600,205	3,602,473		783,400	151,020	73,148,506	71,921,199
Chapel-Hill/Carrboro City Schools	61,782,641	2,565,529	2,077,777		603,916	133,864	67,163,727	69,127,965
Duplin County Schools	59,222,841	2,666,068	4,611,327		996,441	116,536	67,613,213	70,688,935
Wilkes County Schools	57,171,196	14,345,261	5,070,773	55,129	450,278	115,773	77,208,410	69,702,113
Lee County Schools	55,433,313	16,799,332	4,027,472		983,150	118,824	77,362,091	65,802,309
Lenoir County Schools	54,413,405	1,137,276	4,886,402		600,000	104,287	61,141,370	66,998,793
Hoke County Schools	53,314,451	8,183,185	3,630,182			100,423	65,228,241	60,933,479

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	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	Federal Medicaid Reimbursements	State Building Capital Funds	State Technology Funds	2016 Total	2015 Total
Sampson County Schools	52,867,758	4,789,471	4,069,215			101,468	61,827,912	63,494,145
Franklin County Schools	52,070,451	38,539,563	3,461,429	35,524	600,000	131,031	94,837,998	60,737,773
Rutherford County Schools	51,431,696	11,290,663	3,912,276	44,242	575,000	133,133	67,387,010	61,984,808
Stanly County Schools	51,179,006	2,218,980	2,715,889		570,000	101,191	56,785,066	58,789,028
Surry County Schools	50,077,328	4,785,783	3,675,294		(4,406)	103,458	58,637,457	58,487,179
Pender County Schools	49,984,659	4,471,737	2,753,541		1,020,607	208,654	58,439,198	56,515,451
Chatham County Schools	47,681,752	4,478,067	2,724,133		62,240	99,136	55,045,328	53,554,681
Granville County Schools	47,366,633	1,311,070	2,642,553		397,280	94,676	51,812,212	54,725,420
Richmond County Schools	46,854,191	11,220,774	4,063,644		679,075	55,409	62,873,093	57,236,488
Carteret County Schools	45,869,187	4,745,926	2,071,487		600,000	113,888	53,400,488	54,192,871
Vance County Schools	43,696,660	2,820,468	3,816,463		1,356,424	14,207	51,704,222	54,228,577
Orange County Schools	42,585,725	4,426,141	1,758,694		522,219	121,427	49,414,206	48,667,253
Beaufort County Schools	40,271,675	4,271,539	2,643,628		450,000	73,270	47,710,112	48,547,110
Haywood County Schools	40,252,145	1,979,974	2,621,753		61,509	75,326	44,990,707	48,895,950
Stokes County Schools	39,623,333	5,467,268	1,954,338	40,712	400,000	224,826	47,710,477	45,859,259
Scotland County Schools	39,407,093	5,869,619	3,400,471		401,574	70,265	49,149,022	48,752,456
Columbus County Schools	38,859,370	5,929,577	3,864,135			115,467	48,768,549	49,512,830
McDowell County Schools	38,757,528	2,501,884	3,088,912	40,237	737,932	74,159	45,200,652	44,869,156
Edgecombe County Schools	38,371,801	6,777,182	4,030,953		520,776	76,018	49,776,730	48,408,215
Davie County Schools	35,542,437	9,531,729	1,925,213		500,000	74,302	47,573,681	41,454,602
Elizabeth City/Pasquotank County Schools	35,106,058	23,653,702	2,223,663		304,635	10,859	61,298,917	40,876,821
Yadkin County Schools	34,079,078	3,587,849	1,991,083		750,000	78,708	40,486,718	39,602,661
Mooreville City Schools	30,910,705	3,298,338	1,320,160			69,982	35,599,185	33,907,487
Alexander County Schools	29,607,917	2,512,973	1,835,800			52,328	34,009,018	34,885,677
Kannapolis City Schools	29,475,505	2,422,012	2,804,293		246,000	63,592	35,011,402	36,025,310
Bladen County Schools	29,147,820	13,219,511	2,975,540		611,764	53,327	46,007,962	36,350,405
Dare County Schools	28,831,079	1,635,036	1,143,209		360,000	56,972	32,026,296	32,597,480
Asheboro City Schools	27,061,271	1,479,996	2,427,423		290,000	111,950	31,370,640	33,340,423
Person County Schools	26,775,292	1,406,397	2,075,242		241,500	10,130	30,508,561	31,479,015
Macon County Schools	26,588,062	6,001,660	1,780,483		290,049	52,144	34,712,398	30,610,531
Montgomery County Schools	26,366,950	81,877,582	2,107,106	32,304	250,000	47,922	110,681,864	32,396,807
Watauga County Schools	25,471,420	64,932,967	1,031,762		193,633	50,780	91,680,562	29,968,544
Anson County Schools	24,745,200	2,766,879	2,057,685		238,677	78,887	29,887,328	31,353,451
Hickory City Schools	24,318,653	5,383,119	1,680,592		302,010	87,101	31,771,475	28,481,304
Asheville City Schools	23,879,668	5,158,294	1,061,309	24,420	1,367,000	62,683	31,553,374	27,990,035
Greene County Schools	23,200,208	4,377,755	1,606,707		211,700	37,629	29,433,999	27,559,204
Martin County Schools	23,106,526	1,378,803	1,781,581		289,957	82,226	26,639,093	27,472,110
Currituck County Schools	22,779,343	27,541,613	781,191		289,999	45,960	51,438,106	24,815,810
Jackson County Schools	22,629,853	922,918	1,437,979		252,126	40,373	25,283,249	25,620,261

North Carolina Department of Public Instruction
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	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	Federal Medicaid Reimbursements	State Building Capital Funds	State Technology Funds	2016 Total	2015 Total
Hertford County Schools	21,843,079	11,365,474	1,924,330			79,576	35,212,459	27,504,417
Ashe County Schools	21,188,004	2,255,331	1,276,194		274,030	20,892	25,014,451	24,657,870
Halifax County Schools	20,614,873	42,765,563	2,324,185		657,978	39,800	66,402,399	32,609,521
Cherokee County Schools	20,390,261	3,024,963	1,888,994		204,455	45,233	25,553,906	25,710,526
Transylvania County Schools	20,035,420	585,094	1,281,356			25,865	21,927,735	25,307,364
Lexington City Schools	18,945,397	5,787,695	2,054,964		100,000	35,587	26,923,643	23,417,549
Bertie County Schools	18,712,384	7,807,556	1,923,365		510,000	28,034	28,981,339	24,337,373
Caswell County Schools	18,657,642	1,964,043	1,331,467		559,434	113,152	22,625,738	22,187,277
Clinton City Schools	17,671,507	11,559,063	1,627,541				30,858,111	21,976,256
Madison County Schools	17,511,786	2,981,485	695,799		30,000	31,835	21,250,905	20,537,173
Roanoke Rapids City Schools	17,403,639	2,878,051	1,211,551		199,183	34,182	21,726,606	20,956,043
Newton-Conover City Schools	17,360,419	2,310,216	1,168,683		216,900	37,702	21,093,920	20,354,102
Warren County Schools	16,924,623	12,464,935	1,507,214			27,317	30,924,089	21,090,434
Northampton County Schools	16,041,518	10,859,747	1,288,521		75,000	23,957	28,288,743	20,225,419
Polk County Schools	15,668,868	16,940,037	865,169		227,718	23,702	33,725,494	18,586,272
Yancey County Schools	15,368,621	1,938,913	721,778	14,442		28,546	18,072,300	18,851,710
Avery County Schools	15,278,574	3,216,470	844,738			50,355	19,390,137	18,126,947
Edenton-Chowan County Schools	14,979,774	2,717,403	833,425		103,573	23,635	18,657,810	17,294,126
Whiteville City Schools	14,762,950	2,158,172	1,529,952		260,697	28,538	18,740,309	18,449,767
Mitchell County Schools	14,673,656	3,773,187	554,428	7,901	193,874	29,452	19,232,498	16,564,006
Swain County Schools	14,396,925	3,204,030	878,055		172,808	24,122	18,675,940	16,425,267
Thomasville City Schools	14,293,184	4,753,000	2,055,413		100,000	31,485	21,233,082	18,831,615
Camden County Schools	13,177,268	465,271	268,566		44,840	21,258	13,977,203	13,946,279
Gates County Schools	13,019,619	17,454,452	580,855		111,480	19,452	31,185,858	14,665,722
Perquimans County Schools	12,365,932	5,236,312	634,809			21,599	18,258,652	14,604,976
Washington County Schools	12,325,012	6,337,864	1,209,891		332,800	19,286	20,224,853	16,757,278
Alleghany County Schools	10,818,977	1,358,319	589,440	12,954	95,273	15,442	12,890,405	12,893,394
Pamlico County Schools	10,585,486	1,214,248	555,343		62,469	14,837	12,432,383	12,174,604
Mount Airy City Schools	10,210,237	7,884,951	684,659		(102,596)	16,187	18,693,438	12,274,676
Clay County Schools	9,994,234	1,474,699	442,817			15,504	11,927,254	11,264,137
Jones County Schools	9,887,001	1,993,315	731,333			12,065	12,623,714	11,811,956
Graham County Schools	9,326,513	923,233	474,786			3,968	10,728,500	11,064,742
Elkin City Schools	8,021,994	5,016,228	316,883		390,655	13,435	13,759,195	8,892,805
Weldon City Schools	7,713,295	2,327,591	660,148			11,059	10,712,093	9,766,189
Hyde County Schools	7,378,233	3,067,419	278,778			4,960	10,729,390	8,395,856
Tyrrell County Schools	6,670,017	1,606,009	342,011		90,000	36,246	8,744,283	7,677,114
Residential Schools			107,358				107,358	
Total Grants and Aid to School Districts	\$ 8,126,980,654	\$ 847,649,386	\$ 517,428,157	\$ 16,590,611	\$ 106,654,488	\$ 20,583,936	\$ 9,635,887,232	\$ 9,552,675,375

North Carolina Department of Public Instruction
Supplementary Information
Schedule of Grants and Aid Paid to Charter Schools (Alphabetically by County)
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County of Location	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2016 Total	2015 Total
Alamance	Clover Garden	\$ 3,387,345	\$ 114,059	\$ 0	\$ 3,501,404	\$ 3,319,143
Alamance	River Mill Academy	3,624,069	138,091	70,690	3,832,850	3,500,420
Alamance	The Hawbridge School	1,691,868	43,504		1,735,372	1,376,937
Avery	Grandfather Academy	217,908	73,683		291,591	328,819
Avery	Marjorie Williams Academy	700,388	414,655	88,506	1,203,549	1,324,449
Beaufort	Washington Montessori	1,949,532	74,848		2,024,380	1,884,827
Bertie	Heritage Collegiate Leadership	1,980,295	144,286	209,667	2,334,248	1,522,653
Bladen	Paul R. Brown Leadership Academy	737,444	37,558		775,002	649,585
Brunswick	Charter Day School	5,019,875	188,071		5,207,946	4,910,694
Brunswick	South Brunswick Charter	1,017,385	27,140		1,044,525	437,077
Buncombe	Evergreen Community Charter	2,383,424	134,201		2,517,625	2,537,635
Buncombe	Francine Delany New School for Children	930,544	58,107		988,651	973,759
Buncombe	Invest Collegiate - Imagine	3,599,449	99,796		3,699,245	1,756,102
Buncombe	ArtSpace Charter	2,252,277	135,626		2,387,903	2,316,818
Buncombe	The Franklin School of Innovation	1,924,712	118,964		2,043,676	1,539,021
Burke	The New Dimensions School	1,570,469	74,873		1,645,342	1,501,070
Cabarrus	A.C.E. Academy	1,612,493	78,895		1,691,388	766,980
Cabarrus	Cabarrus Charter Academy	5,815,907	203,004	85,164	6,104,075	4,595,748
Cabarrus	Carolina International School	4,252,196	109,338		4,361,534	3,465,405
Carteret	Tiller School	1,156,879	35,168		1,192,047	1,113,197
Chatham	Chatham Charter School	2,785,145	142,345		2,927,490	2,515,304
Chatham	The Woods Charter School	2,818,389	70,279		2,888,668	2,787,477
Chatham	Willow Oak Montessori	792,239	21,878	3,402	817,519	623,203
Cherokee	The Learning Center	1,321,049	84,615	62,092	1,467,756	1,267,561
Cleveland	Pinnacle Classical Academy	2,556,909	52,094		2,609,003	2,059,353
Columbus	Columbus Charter School	5,571,161	193,824		5,764,985	5,811,900
Columbus	Flemington Academy	564,861	50,367		615,228	513,441
Columbus	STEM Education for a Global Society Academy					621,789
Cumberland	Alpha Academy	3,960,863	320,000		4,280,863	3,461,163
Cumberland	The Capitol Encore Academy	1,558,557	90,713	61,232	1,710,502	1,098,350
Currituck	Water's Edge Village School	150,792	4,806		155,598	113,253
Durham	Carter Community Charter	1,545,717	204,315	92,583	1,842,615	1,972,870
Durham	The Central Park School For Children	2,627,149	65,650	4,979	2,697,778	2,210,903
Durham	Excelsior Classical Academy	1,327,841	34,530		1,362,371	
Durham	Global Scholars Academy	1,184,372	388,224	148,053	1,720,649	1,382,525
Durham	Healthy Start Academy	2,058,246	398,709	211,672	2,668,627	2,536,559
Durham	Kestrel Heights School	5,872,350	213,328		6,085,678	5,616,983
Durham	Kipp Durham College Prep	519,694	53,537	64,208	637,439	
Durham	Maureen Joy Charter	3,499,970	401,191	311,771	4,212,932	3,567,165
Durham	NC Connections	7,650,416	368,917		8,019,333	
Durham	NC Virtual Academy	7,543,164	362,080		7,905,244	
Durham	Reaching All Minds Academy	943,693	25,057		968,750	627,742
Durham	Research Triangle Charter Academy	3,973,392	223,904	202,145	4,399,441	4,209,554
Durham	Research Triangle High School	2,502,988	65,246		2,568,234	1,954,342
Durham	The Institute for the Development of Young Leaders	873,546	25,374		898,920	748,919
Durham	Voyager Academy	7,500,845	296,431		7,797,276	7,527,175
Edgecombe	North East Carolina Preparatory School	6,787,902	515,858	292,099	7,595,859	8,446,949
Forsyth	Arts Based School	2,850,725	103,701		2,954,426	2,863,813
Forsyth	The Carter G. Woodson School	2,717,176	403,316	187,932	3,308,424	3,004,201
Forsyth	Forsyth Academy	4,021,108	370,879	273,684	4,665,671	4,680,924
Forsyth	Quality Education Academy	2,656,857	291,706	290,241	3,238,804	3,202,437
Forsyth	The North Carolina Leadership Academy	3,357,524	88,882		3,446,406	2,773,405
Franklin	Crosscreek Charter School	1,153,911	60,839		1,214,750	1,207,488
Gaston	Mountain Island Charter	6,752,405	302,888	76,081	7,131,374	6,039,566
Gaston	Piedmont Community Charter	6,462,535	189,780		6,652,315	6,406,711
Granville	Falls Lake Academy	3,233,003	83,598		3,316,601	2,347,565
Granville	Oxford Preparatory High School	1,263,970	30,645		1,294,615	663,206
Granville	Youngsville Academy	741,534			741,534	
Guilford	Cornerstone Charter Academy	4,253,295	113,498		4,366,793	3,781,706
Guilford	Greensboro Academy	3,906,758	100,908		4,007,666	3,935,666
Guilford	Guilford Preparatory Academy	1,368,629	157,894	131,356	1,657,879	1,611,092
Guilford	Phoenix Academy	5,529,507	82,050	5,315	5,616,872	4,665,859
Guilford	Piedmont Classical High School	675,886	18,758		694,644	
Guilford	Summerfield Charter Academy	3,843,846	194,532	36,853	4,075,231	3,368,036
Guilford	The College Prep. and Leadership Academy of High Point	2,525,016	200,529	275,286	3,000,831	2,035,385
Guilford	Triad Math and Science Academy	6,250,648	387,388	224,384	6,862,420	5,607,680
Halifax	KIPP Halifax College Preparatory	1,118,821	115,199	135,168	1,369,188	556,158
Harnett	Anderson Creek Club	1,213,000	28,499		1,241,499	971,521
Havwood	Shining Rock Classical Academy	1,252,070	34,407		1,286,477	
Henderson	The Mountain Community School	1,124,811	62,990		1,187,801	1,043,813
Iredell	American Renaissance School	2,950,119	148,594		3,098,713	3,002,101
Iredell	Langtree Charter Academy	5,819,413	211,698	34,794	6,065,905	4,725,472
Iredell	Pine Lake Preparatory	8,921,654	269,025		9,190,679	8,787,553
Iredell	Success Institute	522,166	149,892	75,466	747,524	701,760
Jackson	Summit Charter	1,165,871	30,156		1,196,027	1,172,722
Johnston	Neuse Charter School	4,700,307	176,992		4,877,299	4,088,741
Lenoir	The Children's Village Academy	1,089,992	497,839	168,550	1,756,381	1,796,749
Lincoln	Lincoln Charter	9,991,793	275,075		10,266,868	9,214,600
Martin	Bear Grass Charter School	2,291,006	71,765		2,362,771	2,171,114
Martin	Northeast Regional School - Biotech/Agr	1,686,862	16,413		1,703,275	1,144,580
Mecklenburg	Aristotle Preparatory Academy	913,403	43,513	101,507	1,058,423	816,475

North Carolina Department of Public Instruction
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County of Location	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2016 Total	2015 Total
Mecklenburg	Bradford Preparatory	3,577,905	101,808		3,679,713	2,135,168
Mecklenburg	Charlotte Choice Charter	1,684,668	210,419	123,819	2,018,906	1,514,021
Mecklenburg	Charlotte Lab School	1,389,634	37,508		1,427,142	
Mecklenburg	Charlotte Learning Academy	1,255,626	100,295	60,450	1,416,371	895,764
Mecklenburg	Charlotte Secondary School	2,721,637	75,902		2,797,539	2,256,364
Mecklenburg	Commonwealth High	1,219,386			1,219,386	1,099,058
Mecklenburg	Community School of Davidson	7,187,924	218,272		7,406,196	7,249,001
Mecklenburg	Corvian Community School	3,250,115	100,744		3,350,859	2,791,539
Mecklenburg	Crossroads Charter High	864,951	224,712		1,089,663	1,268,779
Mecklenburg	Invest Collegiate Transform	3,893,570	109,740		4,003,310	2,683,345
Mecklenburg	Kennedy Charter	1,872,988	590,156	229,578	2,692,722	2,721,883
Mecklenburg	KIPP: Charlotte	2,275,117	191,714	86,324	2,553,155	2,215,200
Mecklenburg	Lake Norman Charter	8,037,296	220,483		8,257,779	7,975,111
Mecklenburg	Metrolina Regional Scholars' Academy	1,825,689	57,552		1,883,241	1,818,780
Mecklenburg	Pioneer Springs Community	1,133,162	38,245		1,171,407	1,058,186
Mecklenburg	Queen City STEM School	1,424,575	900		1,425,475	
Mecklenburg	Queen's Grant Community School	6,400,604	245,717	48,757	6,695,078	6,363,047
Mecklenburg	Socrates Academy	3,414,427	127,117		3,541,544	3,438,913
Mecklenburg	Stewart Creek High School	924,425			924,425	
Mecklenburg	Sugar Creek Charter	7,123,846	632,546	757,939	8,514,331	6,902,676
Mecklenburg	The Community Charter School	588,831	46,393		635,224	716,937
Mecklenburg	Thunderbird Preparatory	2,540,847	340		2,541,187	1,540,869
Mecklenburg	United Community School	900,855	24,496		925,351	686,511
Mecklenburg	Veritas Community School	544,849	14,779		559,628	
Moore	Sandhills Theatre Arts Renaissance School	2,170,577	82,892		2,253,469	2,154,608
Moore	The Academy of Moore County	1,278,161	59,546		1,337,707	1,158,649
Nash	Rocky Mount Preparatory	7,113,221	587,709	535,551	8,236,481	8,016,038
New Hanover	Cape Fear Center for Inquiry	2,284,918	54,504		2,339,422	2,294,602
New Hanover	Douglass Academy	699,993	55,199	50,430	805,622	424,744
New Hanover	Island Montessori Charter	1,029,201	45,991		1,075,192	915,825
New Hanover	Wilmington Preparatory Academy	745,103	50,637		795,740	723,645
Northhampton	Gaston College Preparatory	9,331,146	406,300	764,621	10,502,067	8,689,969
Onslow	Z.E.C.A. School of Arts and Technology	721,323	151,216	83,199	955,738	815,353
Orange	Orange Charter	1,388,764	58,576		1,447,340	1,407,179
Orange	PACE Academy					750,248
Orange	The Expedition School	1,652,903	55,563		1,708,466	1,342,742
Pamlico	Arapahoe Charter School	3,845,400	211,193	148,491	4,205,084	3,967,950
Pasquotank	NE Academy of Aerospace	730,225	29,993		760,218	
Person	Bethel Hill Charter	2,226,279	109,262	80,285	2,415,826	2,373,301
Person	Roxboro Community School	3,794,336	124,793		3,919,129	3,773,534
Pitt	Winterville Charter Academy	2,616,352	90,012	83,111	2,789,475	
Randolph	Uwharrie Charter Academy	4,078,575	146,028		4,224,603	1,668,241
Robeson	CIS Academy	831,741	73,805	26,502	932,048	910,905
Robeson	Southeastern Academy	1,266,534	21,237		1,287,771	1,237,949
Rockingham	Bethany Community Middle	1,479,804	89,331		1,569,135	1,566,301
Rutherford	Lake Lure Classical Academy	2,490,588	61,162		2,551,750	2,147,065
Rutherford	Thomas Jefferson Classical Academy	7,260,298	162,855		7,423,153	7,244,879
Stanly	Gray Stone Day School	2,431,595	52,853		2,484,448	2,201,132
Surry	Millennium Charter Academy	4,141,868	99,148		4,241,016	3,847,990
Swain	Mountain Discovery Charter School	1,308,647	81,349		1,389,996	1,413,701
Transylvania	Brevard Academy	1,662,552	35,376		1,697,928	1,387,000
Union	Union Academy	7,417,986	166,930	3,488	7,588,404	7,415,140
Vance	Henderson Collegiate	4,072,133	385,612	401,955	4,859,700	3,830,819
Vance	Vance Charter School	3,584,910	103,937		3,688,847	3,625,088
Wake	Cardinal Charter	4,611,640	153,250	39,319	4,804,209	3,374,228
Wake	Casa Esperanza Montessori	2,423,105	72,743		2,495,848	2,346,451
Wake	Dynamic Community Charter					678,173
Wake	East Wake Academy	6,015,703	184,678		6,200,381	6,017,927
Wake	Endeavor Charter	2,655,042	69,606		2,724,648	2,632,115
Wake	Envision Science Academy	2,088,060	56,948		2,145,008	1,322,803
Wake	Exploris Middle School	2,270,526	80,737		2,351,263	2,123,756
Wake	Franklin Academy	8,157,781	150,982		8,308,763	8,223,807
Wake	Hope Charter Leadership Academy	678,073	82,041	73,259	833,373	817,345
Wake	Longleaf School of the Arts	1,592,570	51,546		1,644,116	1,176,967
Wake	Magellan Charter	2,160,933	79,780		2,240,713	2,127,035
Wake	PAVE Southeast Raleigh Charter	573,396	48,314	69,655	691,365	
Wake	PreEminent Charter School	3,491,192	325,139	262,747	4,079,078	3,558,655
Wake	Quest Academy	765,120	19,477		784,597	747,686
Wake	Raleigh Charter High School	2,785,981	79,268		2,865,249	2,770,222
Wake	Southern Wake Academy	2,147,831	94,374		2,242,205	1,833,156
Wake	Sterling Montessori Academy	3,153,032	92,885		3,245,917	3,073,125
Wake	Torchlight Academy	2,767,329	368,010	402,539	3,537,878	3,005,155
Wake	Triangle Math and Science Academy	3,183,489	77,524		3,261,013	2,173,229
Wake	Wake Forest Charter Academy	3,035,137	135,742	37,377	3,208,256	2,508,266
Warren	Haliwa-Saponi Tribal School	1,326,954	106,696	74,986	1,508,636	1,511,556
Watauga	Two Rivers Community School	1,036,441	55,593		1,092,034	1,112,053
Wayne	Dillard Academy	1,456,449	673,626	214,598	2,344,673	2,301,208
Wayne	Wayne Preparatory	3,127,210	93,532		3,220,742	1,660,821
Wilkes	Bridges Academy	1,259,155	124,834	85,966	1,469,955	1,324,944
Wilson	Sallie B. Howard School	4,888,623	711,983	538,902	6,139,508	5,500,518
Wilson	Wilson Preparatory Academy	2,325,874	93,447	70,991	2,490,312	1,948,937
Total Grants and Aid to Charter Schools		\$ 452,326,036	\$ 23,396,589	\$ 9,279,719	\$ 485,002,344	\$ 400,388,805

North Carolina Department of Public Instruction
Supplementary Information
Schedule of Grants and Aid Paid to Charter Schools (Amount - Sorted Largest to Smallest)
General Fund
For the Fiscal Year Ended June 30, 2016 (With Comparative Totals for 2015)

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County	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2016 Total	2015 Total
Lincoln	Lincoln Charter	\$ 9,991,793	\$ 275,075	\$ 0	\$ 10,266,867	\$ 9,214,600
Northhampton	Gaston College Preparatory	9,331,146	406,300	764,621	10,502,067	8,689,969
Iredell	Pine Lake Preparatory	8,921,654	269,025		9,190,679	8,787,553
Wake	Franklin Academy	8,157,781	150,982		8,308,763	8,223,807
Mecklenburg	Lake Norman Charter	8,037,296	220,483		8,257,779	7,975,111
Durham	NC Connections	7,650,416	368,917		8,019,333	
Durham	NC Virtual Academy	7,543,164	362,080		7,905,244	
Durham	Voyager Academy	7,500,845	296,431		7,797,276	7,527,175
Union	Union Academy	7,417,986	166,930	3,488	7,588,404	7,415,140
Rutherford	Thomas Jefferson Classical Academy	7,260,298	162,855		7,423,153	7,244,879
Mecklenburg	Community School of Davidson	7,187,924	218,272		7,406,196	7,249,001
Mecklenburg	Sugar Creek Charter	7,123,846	632,546	757,939	8,514,331	6,902,676
Nash	Rocky Mount Preparatory	7,113,221	587,709	535,551	8,236,481	8,016,038
Edgecombe	North East Carolina Preparatory School	6,787,902	515,858	292,099	7,595,859	8,446,949
Gaston	Mountain Island Charter	6,752,405	302,888	76,081	7,131,374	6,039,566
Gaston	Piedmont Community Charter	6,462,535	189,780		6,652,315	6,406,711
Mecklenburg	Queen's Grant Community School	6,400,604	245,717	48,757	6,695,078	6,363,047
Guilford	Triad Math and Science Academy	6,250,648	387,388	224,384	6,862,420	5,607,680
Wake	East Wake Academy	6,015,703	184,678		6,200,381	6,017,927
Durham	Kestrel Heights School	5,872,350	213,328		6,085,678	5,616,983
Iredell	Langtree Charter Academy	5,819,413	211,698	34,794	6,065,905	4,725,471
Cabarrus	Cabarrus Charter Academy	5,815,907	203,004	85,164	6,104,075	4,595,748
Columbus	Columbus Charter School	5,571,161	193,824		5,764,985	5,811,900
Guilford	Phoenix Academy	5,529,507	82,050	5,315	5,616,872	4,665,859
Brunswick	Charter Day School	5,019,875	188,071		5,207,946	4,910,694
Wilson	Sallie B. Howard School	4,888,623	711,983	538,902	6,139,508	5,500,518
Johnston	Neuse Charter School	4,700,307	176,992		4,877,299	4,088,741
Wake	Cardinal Charter	4,611,640	153,250	39,319	4,804,209	3,374,228
Guilford	Cornerstone Charter Academy	4,253,295	113,498		4,366,793	3,781,706
Cabarrus	Carolina International School	4,252,196	109,338		4,361,534	3,465,405
Surry	Millennium Charter Academy	4,141,868	99,148		4,241,016	3,847,990
Randolph	Uwharrie Charter Academy	4,078,575	146,028		4,224,603	1,668,241
Vance	Henderson Collegiate	4,072,133	385,612	401,955	4,859,700	3,830,819
Forsyth	Forsyth Academy	4,021,108	370,879	273,684	4,665,671	4,680,924
Durham	Research Triangle Charter Academy	3,973,392	223,904	202,145	4,399,441	4,209,554
Cumberland	Alpha Academy	3,960,863	320,000		4,280,863	3,461,163
Guilford	Greensboro Academy	3,906,758	100,908		4,007,666	3,935,666
Mecklenburg	Invest Collegiate Transform	3,893,570	109,740		4,003,310	2,683,345
Pamlico	Arapahoe Charter School	3,845,400	211,193	148,491	4,205,084	3,967,950
Guilford	Summerfield Charter Academy	3,843,846	194,532	36,853	4,075,231	3,368,035
Person	Roxboro Community School	3,794,336	124,793		3,919,129	3,773,534
Alamance	River Mill Academy	3,624,069	138,091	70,690	3,832,850	3,500,420
Buncombe	Invest Collegiate - Imagine	3,599,449	99,796		3,699,245	1,756,102
Vance	Vance Charter School	3,584,910	103,937		3,688,847	3,625,088
Mecklenburg	Bradford Preparatory	3,577,905	101,808		3,679,713	2,135,168
Durham	Maureen Joy Charter	3,499,970	401,191	311,771	4,212,932	3,567,165
Wake	PreEminent Charter School	3,491,192	325,139	262,747	4,079,078	3,558,655
Mecklenburg	Socrates Academy	3,414,427	127,117		3,541,544	3,438,913
Alamance	Clover Garden	3,387,345	114,059		3,501,404	3,319,143
Forsyth	The North Carolina Leadership Academy	3,357,524	88,882		3,446,406	2,773,405
Mecklenburg	Corvian Community School	3,250,115	100,744		3,350,859	2,791,539
Granville	Falls Lake Academy	3,233,003	83,598		3,316,601	2,347,565
Wake	Triangle Math and Science Academy	3,183,489	77,524		3,261,013	2,173,229
Wake	Sterling Montessori Academy	3,153,032	92,885		3,245,917	3,073,125
Wayne	Wayne Preparatory	3,127,210	93,532		3,220,742	1,660,821
Wake	Wake Forest Charter Academy	3,035,137	135,742	37,377	3,208,256	2,508,266
Iredell	American Renaissance School	2,950,119	148,594		3,098,713	3,002,101
Forsyth	Arts Based School	2,850,725	103,701		2,954,426	2,863,813
Chatham	The Woods Charter School	2,818,389	70,279		2,888,668	2,787,477
Wake	Raleigh Charter High School	2,785,981	79,268		2,865,249	2,770,222
Chatham	Chatham Charter	2,785,145	142,345		2,927,490	2,515,304
Wake	Torchlight Academy	2,767,329	368,010	402,539	3,537,878	3,005,155
Mecklenburg	Charlotte Secondary School	2,721,637	75,902		2,797,539	2,256,364
Forsyth	The Carter G. Woodson School	2,717,176	403,316	187,932	3,308,424	3,004,201
Forsyth	Quality Education Academy	2,656,857	291,706	290,241	3,238,804	3,202,437
Wake	Endeavor Charter	2,655,042	69,606		2,724,648	2,632,116
Durham	The Central Park School For Children	2,627,149	65,650	4,979	2,697,778	2,210,903
Pitt	Winterville Charter Academy	2,616,352	90,012	83,111	2,789,475	
Cleveland	Pinnacle Classical Academy	2,556,909	52,094		2,609,003	2,059,353
Mecklenburg	Thunderbird Preparatory	2,540,847	340		2,541,187	1,540,869
Guilford	The College Prep. and Leadership Academy of High Point	2,525,016	200,529	275,286	3,000,831	2,035,385
Durham	Research Triangle High School	2,502,988	65,246		2,568,234	1,954,342
Rutherford	Lake Lure Classical Academy	2,490,588	61,162		2,551,750	2,147,065
Stanly	Gray Stone Day School	2,431,595	52,853		2,484,448	2,201,132
Wake	Casa Esperanza Montessori	2,423,105	72,743		2,495,848	2,346,451
Buncombe	Evergreen Community Charter	2,383,424	134,201		2,517,625	2,537,635
Wilson	Wilson Preparatory Academy	2,325,874	93,447	70,991	2,490,312	1,948,937
Martin	Bear Grass Charter School	2,291,006	71,765		2,362,771	2,171,114
New Hanover	Cape Fear Center for Inquiry	2,284,918	54,504		2,339,422	2,294,602
Mecklenburg	KIPP: Charlotte	2,275,117	191,714	86,324	2,553,155	2,215,201
Wake	Exploris Middle School	2,270,526	80,737		2,351,263	2,123,756

North Carolina Department of Public Instruction
Supplementary Information
Schedule of Grants and Aid Paid to Charter Schools (Amount - Sorted Largest to Smallest)
General Fund
For the Fiscal Year Ended June 30, 2016 (With Comparative Totals for 2015)

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County	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2016 Total	2015 Total
Buncombe	ArtSpace Charter	2,252,277	135,626		2,387,903	2,316,818
Person	Bethel Hill Charter	2,226,279	109,262	80,285	2,415,826	2,373,301
Moore	Sandhills Theatre Arts Renaissance School	2,170,577	82,892		2,253,469	2,154,608
Wake	Magellan Charter	2,160,933	79,780		2,240,713	2,127,035
Wake	Southern Wake Academy	2,147,831	94,374		2,242,205	1,833,156
Wake	Envision Science Academy	2,088,060	56,948		2,145,008	1,322,803
Durham	Healthy Start Academy	2,058,246	398,709	211,672	2,668,627	2,536,559
Bertie	Heritage Collegiate Leadership	1,980,295	144,286	209,667	2,334,248	1,522,653
Beaufort	Washington Montessori	1,949,532	74,848		2,024,380	1,884,827
Buncombe	The Franklin School of Innovation	1,924,712	118,964		2,043,676	1,539,021
Mecklenburg	Kennedy Charter	1,872,988	590,156	229,578	2,692,722	2,721,882
Mecklenburg	Metrolina Regional Scholars' Academy	1,825,689	57,552		1,883,241	1,818,780
Alamance	The Hawbridge School	1,691,868	43,504		1,735,372	1,376,937
Martin	Northeast Regional School - Biotech/Agri	1,686,862	16,413		1,703,275	1,144,580
Mecklenburg	Charlotte Choice Charter	1,684,668	210,419	123,819	2,018,906	1,514,021
Transylvania	Brevard Academy	1,662,552	35,376		1,697,928	1,387,000
Orange	The Expedition School	1,652,903	55,563		1,708,466	1,342,742
Cabarrus	A.C.E. Academy	1,612,493	78,895		1,691,388	766,980
Wake	Longleaf School of the Arts	1,592,570	51,546		1,644,116	1,176,967
Burke	The New Dimensions School	1,570,469	74,873		1,645,342	1,501,070
Cumberland	The Capitol Encore Academy	1,558,557	90,713	61,232	1,710,502	1,098,350
Durham	Carter Community Charter	1,545,717	204,315	92,583	1,842,615	1,972,870
Rockingham	Bethany Community Middle	1,479,804	89,331		1,569,135	1,566,301
Wayne	Dillard Academy	1,456,449	673,626	214,598	2,344,673	2,301,208
Mecklenburg	Queen City STEM School	1,424,575	900		1,425,475	
Mecklenburg	Charlotte Lab School	1,389,634	37,508		1,427,142	
Orange	Orange Charter	1,388,764	58,576		1,447,340	1,407,179
Guilford	Guilford Preparatory Academy	1,368,629	157,894	131,356	1,657,879	1,611,092
Durham	Excelsior Classical Academy	1,327,841	34,530		1,362,371	
Warren	Haliwa-Saponi Tribal School	1,326,954	106,696	74,986	1,508,636	1,511,556
Cherokee	The Learning Center	1,321,049	84,615	62,092	1,467,756	1,267,561
Swain	Mountain Discovery Charter School	1,308,647	81,349		1,389,996	1,413,701
Moore	The Academy of Moore County	1,278,161	59,546		1,337,707	1,158,649
Robeson	Southeastern Academy	1,266,534	21,237		1,287,771	1,237,949
Granville	Oxford Preparatory High School	1,263,970	30,645		1,294,615	663,206
Wilkes	Bridges Academy	1,259,155	124,834	85,966	1,469,955	1,324,944
Mecklenburg	Charlotte Learning Academy	1,255,626	100,295	60,450	1,416,371	895,764
Haywood	Shining Rock Classical Academy	1,252,070	34,407		1,286,477	
Mecklenburg	Commonwealth High	1,219,386			1,219,386	1,099,058
Harnett	Anderson Creek Club	1,213,000	28,499		1,241,499	971,521
Durham	Global Scholars Academy	1,184,372	388,224	148,053	1,720,649	1,382,525
Jackson	Summit Charter	1,165,871	30,156		1,196,027	1,172,722
Carteret	Tiller School	1,156,879	35,168		1,192,047	1,113,197
Franklin	Crosscreek Charter School	1,153,911	60,839		1,214,750	1,207,488
Mecklenburg	Pioneer Springs Community	1,133,162	38,245		1,171,407	1,058,186
Henderson	The Mountain Community School	1,124,811	62,990		1,187,801	1,043,813
Halifax	KIPP Halifax College Preparatory	1,118,821	115,199	135,168	1,369,188	556,158
Lenoir	The Children's Village Academy	1,089,992	497,839	168,550	1,756,381	1,796,749
Watauga	Two Rivers Community School	1,036,441	55,593		1,092,034	1,112,054
New Hanover	Island Montessori Charter	1,029,201	45,991		1,075,192	915,825
Brunswick	South Brunswick Charter	1,017,385	27,140		1,044,525	437,077
Durham	Reaching All Minds Academy	943,693	25,057		968,750	627,742
Buncombe	Francine Delany New School for Children	930,544	58,107		988,651	973,759
Mecklenburg	Stewart Creek High School	924,425			924,425	
Mecklenburg	Aristotle Preparatory Academy	913,403	43,513	101,507	1,058,423	816,475
Mecklenburg	United Community School	900,855	24,496		925,351	686,511
Durham	The Institute for the Development of Young Leaders	873,546	25,374		898,920	748,919
Mecklenburg	Crossroads Charter High	864,951	224,712		1,089,663	1,268,779
Robeson	CIS Academy	831,741	73,805	26,502	932,048	910,905
Chatham	Willow Oak Montessori	792,239	21,878	3,402	817,519	623,203
Wake	Quest Academy	765,120	19,477		784,597	747,686
New Hanover	Wilmington Preparatory Academy	745,103	50,637		795,740	723,645
Granville	Youngsville Academy	741,534			741,534	
Bladen	Paul R. Brown Leadership Academy	737,444	37,558		775,002	649,585
Pasquotank	NE Academy of Aerospace	730,225	29,993		760,218	
Onslow	Z.E.C.A. School of Arts and Technology	721,323	151,216	83,199	955,738	815,353
Avery	Marjorie Williams Academy	700,388	414,655	88,506	1,203,549	1,324,449
New Hanover	Douglass Academy	699,993	55,199	50,430	805,622	424,744
Wake	Hope Charter Leadership Academy	678,073	82,041	73,259	833,373	817,345
Guilford	Piedmont Classical High School	675,886	18,758		694,644	
Mecklenburg	The Community Charter School	588,831	46,393		635,224	716,937
Wake	PAVE Southeast Raleigh Charter	573,396	48,314	69,655	691,365	
Columbus	Flemington Academy	564,861	50,367		615,228	513,441
Mecklenburg	Veritas Community School	544,849	14,779		559,628	
Iredell	Success Institute	522,166	149,892	75,466	747,524	701,760
Durham	KIPP Durham College Prep	519,694	53,537	64,208	637,439	
Avery	Grandfather Academy	217,908	73,683		291,591	328,819
Currituck	Water's Edge Village School	150,792	4,806		155,598	113,253
Columbus	STEM Education for a Global Society Academy					621,789
Orange	PACE Academy					750,248
Wake	Dynamic Community Charter					678,173
Total Grants and Aid to Charter Schools		\$ 452,326,036	\$ 23,396,589	\$ 9,279,719	\$ 485,002,344	\$ 400,388,805



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
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 North Carolina 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 financial statements of the governmental fund and proprietary fund of the North Carolina Department of Public Instruction (Department), a department of the State of North Carolina, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated March 27, 2017.

As discussed in Note 1, the financial statements of the North Carolina Department of Public Instruction are intended to present the financial position, changes in financial position and, where applicable, cash flows of only that portion of each major fund that is attributable to the transactions of the North Carolina Department of Public Instruction. They do not purport to, and do not, present fairly the financial position of the State of North Carolina as of June 30, 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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

March 27, 2017

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This audit required 2,458 hours at an approximate cost of \$253,174.00.