

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



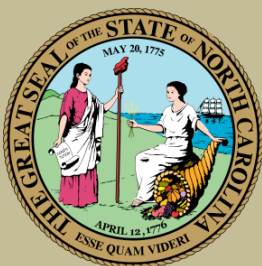
NORTH CAROLINA DEPARTMENT OF PUBLIC INSTRUCTION

RALEIGH, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

A DEPARTMENT OF THE STATE OF NORTH CAROLINA



NC OSA
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, 2017, 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 black ink that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor

AN OVERVIEW OF HOW TO USE THIS REPORT

This report provides audited financial information on the 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, 2017 and 2016) and the Statement of Revenues, Expenditures, and Changes in Fund Balance (for fiscal years ended June 30, 2017 and 2016) for the Department's **governmental fund as a whole (represented by the general fund)**.

"B" Exhibits present the Statement of Net Position (as of June 30, 2017 and 2016), the Statement of Revenues, Expenses, and Changes in Net Position (for fiscal years ended June 30, 2017 and 2016), and the Statement of Cash Flows (for the fiscal years ended June 30, 2017 and 2016) for the Department's **proprietary fund as a whole (represented by the Public School Insurance Fund)**.

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

"C" Schedules present a budget and actual comparison for the General Fund (for the fiscal year ended June 30, 2017) 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.



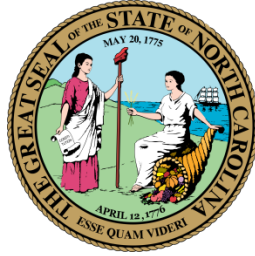
Beth A. Wood, CPA
State Auditor

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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, 2017, 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, 2017, 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, 2017, 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

Prior Period Information

We have previously audited the accompanying financial statements of the governmental and proprietary funds of the Department as of June 30, 2016 and the respective changes in financial position for the year then ended, and expressed an unmodified audit opinion on those audited financial statements in our report dated March 27, 2017. The prior year supplementary schedules were derived from and related to the underlying accounting and other records used to prepare the financial statements. The supplementary schedules were subjected to the auditing procedures applied in the audit of the basic financial statements of the prior year and accordingly, we expressed an opinion in relation to the basic financial statement of the governmental funds as a whole for the year ended June 30, 2016.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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

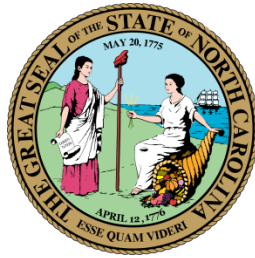
In accordance with *Government Auditing Standards*, we have also issued our report April 9, 2018 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other 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

April 9, 2018



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, 2017 and 2016. 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.

Other Supplementary Information includes schedule of revenues by source; schedule of expenditures by purpose; schedule of grants, state, and federal aid paid to schools; schedules of grants and aid paid to school districts; and schedules of grants and aid paid to charter schools.

Governmental Fund – General Fund

Condensed Balance Sheets

The following condensed balance sheets show the governmental fund's financial position at June 30, 2017 and 2016.

	2017	2016	Change
Assets	\$ 282,995,857	\$ 253,639,957	\$ 29,355,900
Deferred Outflows of Resources	0	0	0
Total Assets and Deferred Outflows	\$ 282,995,857	\$ 253,639,957	\$ 29,355,900
Liabilities	\$ 276,301,404	\$ 265,678,133	\$ 10,623,271
Deferred Inflows of Resources	0	0	0
Fund Balance			
Nonspendable	2,206,449	1,836,434	370,015
Restricted	2,544,527	1,842,382	702,145
Committed	240,686,201	212,176,430	28,509,771
Unassigned	(238,742,724)	(227,893,422)	(10,849,302)
Total Fund Balance (Deficit)	6,694,453	(12,038,176)	18,732,629
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 282,995,857	\$ 253,639,957	\$ 29,355,900

Total assets increased \$29.4 million compared to prior year mainly due to increases in cash and cash equivalents of \$29.6 million. The increase in cash and cash equivalents was driven by increases in licensure certification and registration fees, investment earnings, E Rate telecommunication, internet access program fees, and miscellaneous sources.

Total liabilities increased by \$10.6 million during the year due to a \$19.3 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 a \$4.1 million decrease in accounts payable and a \$4.5 million decrease in unearned revenue. The accounts payable decrease is related to fluctuation in the timing of payments. The unearned revenue drop is related to federal contract and grant expenditures exceeding federal drawdowns. This situation is the result of a timing difference between when funds are spent and requested at year-end.

Overall fund balance increased by \$18.7 million primarily due to a \$277.4 million increase in state appropriations, plus an increase of \$669 thousand from the sale of capital assets. The increase in state appropriations was directed by the state legislature to cover additional educational commitments of the Department. The increases are offset by a \$263.9 million difference between revenue exceeding expenditures compared to the prior year.

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

The following condensed statements show the governmental fund's resource flows at June 30, 2017 and 2016.

	2017	2016	Change
Revenues			
Federal Funds	\$ 1,502,105,658	\$ 1,521,176,110	\$ (19,070,452)
Revenues from Other State Agencies	755,402,847	638,214,202	117,188,645
Other Revenues	47,349,380	39,735,448	7,613,932
Total Revenues	2,304,857,885	2,199,125,760	105,732,125
Expenditures			
Grants, State and Federal Aid	10,528,127,137	10,172,393,913	355,733,224
Contracted Services	98,753,521	104,250,046	(5,496,525)
Personal Services	142,096,384	133,418,813	8,677,571
Supplies and Materials	4,121,179	4,105,663	15,516
Purchases for Resale	93,913	1,206,427	(1,112,514)
Travel	3,911,637	4,063,884	(152,247)
Communication	746,794	731,799	14,995
Utilities	1,159,434	1,146,377	13,057
Data Processing Services	22,795,346	23,333,800	(538,454)
Claims and Benefits	2,031,667	3,866,216	(1,834,549)
Other Services	7,132,871	2,808,684	4,324,187
Other Fixed Charges	7,572,510	11,003,996	(3,431,486)
Expenditures to Other State Agencies	13,521,001	16,105,341	(2,584,340)
Capital Outlay	69,959,844	55,635,912	14,323,932
Insurance	2,519,363	2,447,385	71,978
Other Expenditures	3,418,237	1,762,517	1,655,720
Total Expenditures	10,907,960,838	10,538,280,773	369,680,065
Excess Expenditures over Revenues	(8,603,102,953)	(8,339,155,013)	(263,947,940)
Other Financing Sources (Uses)			
State Appropriations	8,624,794,672	8,347,365,885	277,428,787
Sale of Capital Assets	2,554,415	1,885,282	669,133
Insurance Recoveries	244,442	180,055	64,387
Transfer to State Reserve Fund	(79,652,441)	(72,151,969)	(7,500,472)
Transfer from State Reserve Fund	73,894,494		73,894,494
Total Other Financing Sources	8,621,835,582	8,277,279,253	344,556,329
Increase/(Decrease) in Fund Balance	18,732,629	(61,875,760)	80,608,389
Fund Balance - Beginning of Year	(12,038,176)	49,837,584	(61,875,760)
Fund Balance Increase/(Decrease) - End of Year	\$ 6,694,453	\$ (12,038,176)	\$ 18,732,629

Total revenues increased by \$105.7 million compared to prior year due to increases in revenues from other state agencies. The Civil Penalty Fund increased by \$51.9 million and the Lottery Fund increased by \$62.0 million. The two amounts plus other revenues of \$7.6 million account for the total of \$121.5 million. The majority of the funds were transferred from the Office of State Budget and Management as directed by the Legislature.

Federal funding decreased by \$19.1 million compared to prior year due to reduced funding in federal grants. The leading cause of this decrease is due to the Race to the Top Grant ending, dropping federal funds \$24.9 million. The variance between the Race to the Top Grant discontinuing and the overall decrease in the federal funds is due to normal fluctuation between the remaining grants.

Total expenditures increased by \$369.7 million as compared to prior year. Grants, State and Federal Aid to local schools accounted for \$355.7 million of the increase to overall expenditures. Salary increases granted to school personnel was responsible for the majority of this increase in expenditures. These funds are approved by the state legislature to support K-12 instructional education programs.

Other financing sources increased by \$344.6 million primarily due to an increase in state appropriations by \$277.4 million. Transfers from state reserve fund increased by \$73.9 million due to the transfer-in of prior years' cash carry forward into DPI's accounting records.

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 budget of revenues and expenditures decreased by \$1.7 billion and \$1.4 billion, respectively. The decrease is mainly due to federal funding and related expenditures. 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 show 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 2017 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 \$424.4 million less than budgeted revenue amounts. Likewise, actual total expenditures were \$873.1 million less than budgeted expenditures. Budgeted revenues and expenditures were unrealized mostly due to a \$425.3 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, 2017 and 2016.

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Assets			
Current Assets	<u>\$ 113,165,805</u>	<u>\$ 114,263,570</u>	<u>\$ (1,097,765)</u>
Deferred Outflows of Resources	<u>160,479</u>	<u>44,322</u>	<u>116,157</u>
Liabilities			
Current Liabilities	<u>16,748,305</u>	<u>12,544,528</u>	<u>4,203,777</u>
Noncurrent Liabilities	<u>328,993</u>	<u>182,904</u>	<u>146,089</u>
Total Liabilities	<u>17,077,298</u>	<u>12,727,432</u>	<u>4,349,866</u>
Deferred Inflows of Resources	<u>16,017</u>	<u>26,450</u>	<u>(10,433)</u>
Net Position			
Unrestricted	<u>\$ 96,232,969</u>	<u>\$ 101,554,010</u>	<u>\$ (5,321,041)</u>

Total assets were \$113.2 million at June 30, 2017, a decrease of \$1.1 million compared to prior year. This decrease is mainly due to a drop of \$2.1 million in premiums receivable. The reduction is due to premiums collected earlier, resulting in less outstanding balances at year-end. The \$2.1 million decrease in premiums was offset by a \$1.2 million increase in cash due to increase in premium collections, which was offset by an increase in claims paid.

Total liabilities increased by \$4.2 million at June 30, 2017. The increase was mainly from a claims payable increase of \$6.2 million due to Hurricane Matthew damages. However, this increase was offset by a decrease of \$1.9 million in unearned revenues from the prior year. This decrease in unearned revenue is due to less prepaid policies from FY2016 to FY2017.

Net position decreased \$5.3 million from the prior year primarily as the result of a \$13.2 million increase in claims expense due to damages caused by Hurricane Matthew which resulted in a \$5.5 million operating loss. 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 provides answers to the nature and source of changes in net position for the years ended June 30, 2017 and 2016:

	2017	2016	Change
Operating Revenues			
Insurance Premiums	\$ 12,317,404	\$ 12,640,351	\$ (322,947)
Operating Expenses			
Personal Services	598,304	537,450	60,854
Contracted Personal Services	96	712	(616)
Supplies and Materials	1,343	2,141	(798)
Capital Outlay		961	(961)
Travel	51,901	51,784	117
Communication	1,773	2,145	(372)
Claims	13,794,984	606,455	13,188,529
Insurance	3,385,958	3,665,274	(279,316)
Other	5,484	3,887	1,597
Total Operating Expenses	17,839,843	4,870,809	12,969,034
Operating Income (Loss)	(5,522,439)	7,769,542	(13,291,981)
Nonoperating Revenues (Expenses)			
Investment Earnings	201,399	6,467,744	(6,266,345)
Increase (Decrease) in Net Position	(5,321,040)	14,237,286	(19,558,326)
Net Position - Beginning of Year	101,554,009	87,316,724	14,237,285
Net Position - End of Year	\$ 96,232,969	\$ 101,554,010	\$ (5,321,041)

Operating revenues decreased \$322.9 thousand due to lower premiums received and earned. Total operating expenses increased \$12.9 million compared to prior year primarily due to a \$13.2 million increase in claims expense for losses incurred during fiscal year 2017. The large increase in claims expense occurred due to flood and wind damages from Hurricane Matthew.

The Department experienced investment earnings of \$201.4 thousand, a decrease of \$6.3 million over the prior year due to the change in investments strategy to a Bond Index Fund at the Department of State Treasurer.

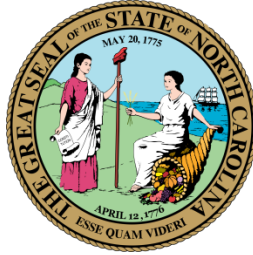
Future Outlook

Following were the changes to the Base Budget for fiscal year 2017-18:

- Department of Public Instruction (DPI) operating funds were reduced by 6.2%, amounting to \$3,239,205. The revised net appropriation after the reduction is \$49.4 million. There will also be an additional reduction of 6.39 positions.
- Education and Workforce Innovation Commission will be transferred from the Office of Governor to DPI with the revised net appropriation of \$6.2 million.

- The Department will receive five more pass-through grants in fiscal year 2017-18 (www.ncgrants.gov), namely Hoke Reading literacy Council \$25,000; Harnett County Early College \$100,000; Richmond Senior High School \$200,000; Haywood Community Learning Center \$250,000; and Life Changing Experience Pilot Program \$360,000.

Changes over last few years within the DPI 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, 2017 (With Comparative Totals for June 30, 2016)

Exhibit A-1

	2017	2016
ASSETS		
Cash and Cash Equivalents (Note 2)	\$ 256,007,820	\$ 226,406,616
Receivables:		
Accounts Receivable	81,105	29,933
Intergovernmental Receivables (Note 4)	24,461,554	25,239,970
Interest Receivable	238,929	127,004
Inventories	2,206,449	1,836,434
Total Assets	282,995,857	253,639,957
DEFERRED OUTFLOWS OF RESOURCES	0	0
Total Assets and Deferred Outflows	\$ 282,995,857	\$ 253,639,957
LIABILITIES		
Accounts Payable and Accrued Liabilities:		
Accounts Payable	\$ 8,114,528	\$ 12,205,112
Accrued Payroll	291	292
Intergovernmental Payables (Note 6)	261,272,719	242,023,077
Funds Held for Others		63,460
Unearned Revenue	6,913,866	11,386,192
Total Liabilities	276,301,404	265,678,133
DEFERRED INFLOWS OF RESOURCES	0	0
FUND BALANCE (Note 9)		
Nonspendable	2,206,449	1,836,434
Restricted	2,544,527	1,842,382
Committed	240,686,201	212,176,430
Unassigned	(238,742,724)	(227,893,422)
Total Fund Balance Increase (Decrease)	6,694,453	(12,038,176)
Total Liabilities, Deferred Inflows, and Fund Balance Increase/(Decrease)	\$ 282,995,857	\$ 253,639,957

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, 2017
(With Comparative Totals for June 30, 2016)

Exhibit A-2

	<u>2017</u>	<u>2016</u>
REVENUES		
Federal Funds	\$ 1,502,105,658	\$ 1,521,176,110
Revenues from Other State Agencies (Note 10)	755,402,847	638,214,202
Contributions, Gifts, and Grants	13,619,690	11,022,099
E Rate Telecommunication/Internet Access Program Funds	15,053,451	11,926,105
Sales and Services	1,556,097	1,811,343
Licensure Certification and Registration Fees	3,733,221	2,968,013
Property and Equipment Rental	1,440,948	1,932,316
Investment Earnings	2,064,769	1,260,060
Student Tuition	526,691	542,685
Miscellaneous Income	9,354,513	8,272,827
Total Revenues (See Schedule D-1)	<u>2,304,857,885</u>	<u>2,199,125,760</u>
EXPENDITURES		
Grants, State, and Federal Aid (See Schedule D-3)	10,528,127,137	10,172,393,913
Contracted Services	98,753,521	104,250,046
Personal Services	142,096,384	133,418,813
Supplies and Materials	4,121,179	4,105,663
Purchases for Resale	93,913	1,206,427
Travel	3,911,637	4,063,884
Communication	746,794	731,799
Utilities	1,159,434	1,146,377
Data Processing Services	22,795,346	23,333,800
Claims and Benefits	2,031,667	3,866,216
Other Services	7,132,871	2,808,684
Other Fixed Charges	7,572,510	11,003,996
Expenditures to Other State Agencies (Note 10)	13,521,001	16,105,341
Capital Outlay	69,959,844	55,635,912
Insurance	2,519,363	2,447,385
Other Expenditures	3,418,237	1,762,517
Total Expenditures (See Schedule D-2)	<u>10,907,960,838</u>	<u>10,538,280,773</u>
Excess of Expenditures Over Revenues	<u>(8,603,102,953)</u>	<u>(8,339,155,013)</u>
OTHER FINANCING SOURCES (USES)		
State Appropriations	8,624,794,672	8,347,365,885
Sale of Capital Assets	2,554,415	1,885,285
Insurance Recoveries	244,442	180,052
Transfers to State Reserve Fund	(79,652,441)	(72,151,969)
Transfers from State Reserve Fund	73,894,494	
Total Other Financing Sources	<u>8,621,835,582</u>	<u>8,277,279,253</u>
Net Change in Fund Balance	18,732,629	(61,875,760)
Fund Balance (Deficit) - Beginning of Year	<u>(12,038,176)</u>	<u>49,837,584</u>
Fund Balance (Deficit) - End of Year	<u>\$ 6,694,453</u>	<u>\$ (12,038,176)</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, 2017 (With Comparative Totals for June 30, 2016) **Exhibit B-1**

	2017	2016
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 2)	\$ 20,063,505	\$ 18,878,542
Pooled Investments (Note 2)	88,951,827	88,965,964
Receivables:		
Premiums Receivable	1,823,965	3,894,349
Interest Receivable	18,133	11,968
Prepaid Reinsurance	2,308,375	2,512,747
Total Assets	<u>113,165,805</u>	<u>114,263,570</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions	<u>160,479</u>	<u>44,322</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities:		
Accounts Payable	18,351	
Intergovernmental Payables (Note 6)	2,469	2,498
Claims Payable (Note 13)	11,961,711	5,794,482
Accrued Payroll	2,013	1,366
Unearned Revenue	4,756,018	6,739,735
Compensated Absences (Note 7)	7,743	6,447
Total Current Liabilities	<u>16,748,305</u>	<u>12,544,528</u>
Noncurrent Liabilities:		
Compensated Absences (Note 7)	90,894	82,353
Net Pension Liability (Note 7)	238,099	100,551
Total Noncurrent Liabilities	<u>328,993</u>	<u>182,904</u>
Total Liabilities	<u>17,077,298</u>	<u>12,727,432</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions	<u>16,017</u>	<u>26,450</u>
NET POSITION		
Unrestricted	<u>\$ 96,232,969</u>	<u>\$ 101,554,010</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, 2017
(With Comparative Totals for June 30, 2016)

Exhibit B-2

	<u>2017</u>	<u>2016</u>
REVENUES		
Operating Revenues:		
Insurance Premiums	\$ 12,317,404	\$ 12,640,351
EXPENSES		
Operating Expenses:		
Personal Services	598,304	537,450
Contracted Personal Services	96	712
Supplies and Materials	1,343	2,141
Capital Outlay		961
Travel	51,901	51,784
Communication	1,773	2,145
Claims	13,794,984	606,455
Insurance	3,385,958	3,665,274
Other	5,484	3,887
Total Operating Expenses	<u>17,839,843</u>	<u>4,870,809</u>
Operating Income (Loss)	(5,522,439)	7,769,542
NONOPERATING REVENUES		
Investment Earnings	<u>201,399</u>	<u>6,467,744</u>
Increase (Decrease) in Net Position	(5,321,040)	14,237,286
Net Position - Beginning of Year	<u>101,554,009</u>	<u>87,316,724</u>
Net Position - End of Year	<u><u>\$ 96,232,969</u></u>	<u><u>\$ 101,554,010</u></u>

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

North Carolina Department of Public Instruction
Statement of Cash Flows
Proprietary Fund - Public School Insurance Fund
For the Fiscal Year Ended June 30, 2017
(With Comparative Totals for June 30, 2016)

Exhibit B-3

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers	\$ 12,404,071	\$ 13,397,067
Payments to Employees and Fringe Benefits	(576,741)	(576,554)
Payments to Suppliers	(3,223,983)	(3,562,942)
Payments for Claims	(7,627,755)	(4,988,050)
Net Cash Provided by Operating Activities	<u>975,592</u>	<u>4,269,521</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	2,738,711	3,223,964
Purchase of Investments and Related Fees	(2,529,340)	(9,079,704)
Net Cash Provided (Used) by Investing Activities	<u>209,371</u>	<u>(5,855,740)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,184,963	(1,586,219)
Cash and Cash Equivalents, July 1	<u>18,878,542</u>	<u>20,464,761</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 20,063,505</u></u>	<u><u>\$ 18,878,542</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (5,522,439)	\$ 7,769,542
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Pension Expense	46,335	10,593
Changes in Assets, Liabilities, and Deferred Outflows of Resources:		
Premiums Receivable	2,070,384	(1,477,020)
Prepaid Reinsurance	204,372	178,168
Deferred Outflows for Contributions Subsequent to the Measurement Date	(35,378)	(38,918)
Accounts Payable	18,351	(11,709)
Intergovernmental Payable	(29)	(2,497)
Claims Payable	6,167,229	(4,381,595)
Accrued Payroll	648	(504)
Unearned Revenue	(1,983,717)	2,233,736
Compensated Absences	9,837	(10,275)
Net Cash Provided by Operating Activities	<u><u>\$ 975,592</u></u>	<u><u>\$ 4,269,521</u></u>
NONCASH INVESTING ACTIVITIES		
Change in Fair Value of Investments	<u><u>\$ (2,543,477)</u></u>	<u><u>\$ 3,240,775</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 116 local public school districts, 171 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 Board (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 116 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 when 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, obligations for 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 the governmental funds are reported only at the state-wide 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, includes 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 change in the 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. Inventories and Prepaid Items** – Inventories, consisting of expendable 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.

- I. 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.

- J. 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.

- K. 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 2016 *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 of resources and deferred inflows of resources related to pensions.

- L. 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.

M. 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.

- N. **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 inter-fund transfers. These revenues and expenditures represent nonexchange transactions and are eliminated at the statewide reporting level in the State's *Comprehensive Annual Financial Report*.
- O. **Revenues and Expenses** – The proprietary fund distinguishes operating revenues and expenses from non-operating 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*.

Non-operating revenues, such as investment earnings, result from non-exchange transactions.
- P. **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 with specified ratings; asset-backed securities with specified ratings, specified bills of exchange or time drafts; 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.

At June 30, 2017, the governmental fund's Balance Sheet reported cash and cash equivalents of \$256,007,820. The proprietary fund's Statement of Net Position reported cash and cash equivalents of \$20,063,505 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 or subject to any formal oversight other than that of the legislative body and does not have a credit rating) had a weighted average maturity of 1.6 years as of June 30, 2017. Assets and shares of the STIF are valued at fair value.

At June 30, 2017, the proprietary fund's Statement of Net Position reported pooled investments, \$88,951,827 which represents the Department's equity position in the State Treasurer's Bond Index External Investment Fund (BIF). The BIF (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 formal oversight other than that of the legislative body) had a weighted average maturity of 7.99 years as of June 30, 2017. Assets and shares of the BIF are valued at fair market value.

Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF and BIF) are included in the North Carolina Department of State Treasurer Investment Programs' separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at <https://www.nctreasurer.com/inv/Pages/Annual-Supplemental-Reports.aspx> in the Audited Statements section.

NOTE 3 - FAIR VALUE MEASUREMENTS

To the extent available, the Department's investments are recorded at fair value as of June 30, 2017. 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, 2017, the Department has the following investments:

Short-Term Investment Fund – At year-end, all of the Department's cash and cash equivalents valued at \$276,071,325 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.

Bond Index External Investment Fund – At year end the investments of the Department, valued at \$88,951,827, were held in the BIF. Ownership interest in the BIF 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, 2017, were as follows:

	<u>Amount</u>
Intergovernmental Receivables:	
Child Nutrition Program	\$ 22,875,745
Local School Districts	<u>1,585,809</u>
Total Intergovernmental Receivables	<u>\$ 24,461,554</u>

NOTE 5 - CAPITAL ASSETS

Capital assets, which include property, plant, and equipment, are reported as expenditures in the governmental fund. Consequently, capital asset balances are not reported on the face of the governmental fund financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. The value of assets constructed included all material direct and indirect construction costs that are incurred as a result of the construction. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized. Donated capital assets are recorded at their estimated fair value at the date of donation.

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

Depreciation, which is recorded at the statewide level, is computed using the straight-line method over the estimated useful lives of the assets 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, 2016	Increases	Decreases	Balance June 30, 2017
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	9,022,433	107,357	396,327	8,733,463
General Infrastructure	558,126			558,126
Computer Software	2,352,831			2,352,831
Total Capital Assets, Depreciable	58,925,040	107,357	396,327	58,636,070
Less Accumulated Depreciation for:				
Buildings	22,832,881	756,748		23,589,629
Machinery and Equipment	5,397,737	407,556	357,095	5,448,198
General Infrastructure	436,657	12,403		449,060
Computer Software	423,510	94,113		517,623
Total Accumulated Depreciation	29,090,785	1,270,820	357,095	30,004,510
Total Capital Assets, Depreciable, Net	29,834,255	(1,163,463)	39,232	28,631,560
Capital Assets, Net	\$ 30,305,808	\$ (1,163,463)	\$ 39,232	\$ 29,103,113

NOTE 6 - INTERGOVERNMENTAL PAYABLES

Intergovernmental payables at June 30, 2017, were as follows:

	Amount
Governmental Fund - General Fund	
Intergovernmental Payables:	
Accrued Payroll for Schools	\$ 238,834,287
Child Nutrition Program	22,282,424
Other	156,008
Total Intergovernmental Payables	\$ 261,272,719
Proprietary Fund - Public School Insurance Fund	
Intergovernmental Payables:	
State Agency Services	\$ 2,469

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, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Compensated Absences	\$ 9,203,007	\$ 5,922,301	\$ 6,099,946	\$ 9,025,362	\$ 711,198
Workers' Compensation	176,663,742	80,569,590	63,556,451	193,676,881	67,786,909
Financing Agreements	79,200,412	68,560,052	54,990,409	92,770,055	43,296,229
Net Pension Liability	15,134,426	20,164,604		35,299,030	
Total Long-Term Liabilities	\$ 280,201,587	\$ 175,216,547	\$ 124,646,806	\$ 330,771,328	\$ 111,794,336

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, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Compensated Absences	\$ 88,800	\$ 43,419	\$ 33,582	\$ 98,637	\$ 7,743
Net Pension Liability	100,551	137,548		238,099	
Total Long-Term Liabilities	\$ 189,351	\$ 180,967	\$ 33,582	\$ 336,736	\$ 7,743

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 were as follows:

Governmental Fund - General Fund

Financing Agreement	Financial Institution	Final Installment Date	Original Installment Amount	Installments Paid Through June 30, 2017	Installments Outstanding June 30, 2017
2013 -2014 Replacement of School Buses	Banc of America Public Capital Corporation	11/15/2016	\$ 32,728,937	\$ 32,728,937	\$ 0
2014 -2015 Replacement of School Buses	Banc of America Public Capital Corporation	11/15/2017	43,849,656	32,887,242	10,962,414
2015 -2016 Replacement of School Buses	Banc of America Public Capital Corporation	11/15/2018	60,775,204	30,387,602	30,387,602
2016 -2017 Replacement of School Buses	Banc of America Public Capital Corporation	11/15/2019	68,560,052	17,140,013	51,420,039
Total Financing Agreements			\$ 205,913,849	\$ 113,143,794	\$ 92,770,055

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, 2017:

<u>Fiscal Year</u>	<u>Amount</u>
2018	\$ 194,081
2019	55,380
2020	35,555
2021	16,574
2022	<u>14,722</u>
Total Minimum Lease Payments	<u>\$ 316,312</u>

Rental expense for all operating leases during the year ended June 30, 2017, was \$268,512.

NOTE 9 - FUND BALANCE

The details of the fund balance classifications for the governmental fund at June 30, 2017, are as follows:

	<u>Amount</u>
Fund Balance:	
Nonspendable:	
Inventory	\$ 2,206,449
Restricted for:	
Primary and Secondary Education	2,544,527
Committed to:	
Primary and Secondary Education	121,159,115
Public School Capital Projects	119,527,086
Unassigned	<u>(238,742,724)</u>
Total Fund Balance Increase	<u>\$ 6,694,453</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, 2017, are as follows:

	<u>Purpose</u>	<u>Amount</u>
Revenues from Other State Agencies:		
Office of State Budget and Management	General Educational Support	\$ 202,698,650
Civil Penalty Fund	General Educational Support	472,452,291
Lottery Funds	General Educational Support	64,360,412
Department of Revenue	Medicaid Funds for Services to Exceptional Children	15,671,494
Department of Health and Human Services	Governmental Data Analytics Center (GDAC)	220,000
Department of Technology		
Total Revenues from Other State Agencies		\$ 755,402,847
Expenditures to Other State Agencies:		
Community College System Office	Title IV Perkins Funds	\$ 10,450,243
Administrative Hearings Office	Pay litigation costs for NC State Board of Education Rules	50,000
Department of Health and Human Services	Psychiatric Residential Treatment Facility Services	3,020,758
Total Revenues from Other State Agencies		\$ 13,521,001

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 that elect to join the retirement system. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's

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

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The Department's contractually-required contribution rate for the year ended June 30, 2017 was 9.98% of covered payroll. The employee's contributions to the pension plan were \$3,868,684, and the Department's contributions were \$6,434,910 for the year ended June 30, 2017.

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 2016 *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 system. 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 Fixed Income Asset Class includes the Long-Term

Investment and External Fixed Income Investments Portfolios. The Global Equity Asset Class includes the Equity Investment Portfolio. The investment balance of each pension trust fund represents its share of the fair market value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2016 *Comprehensive Annual Financial Report*.

Net Pension Liability: At June 30, 2017, the Department's proportionate share of the collective net pension liability was \$35,537,129. Of this amount, the governmental fund's share was \$35,299,030, and the proprietary fund's share was \$238,099. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, and update procedures were used to roll forward the total pension liability to June 30, 2016. 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, 2016, the Department's proportion was 0.38665%, which was a decrease of 0.02676 from its proportion measured as of June 30, 2015.

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	12/31/2015
Inflation	3%
Salary Increases*	3.50% - 8.10%
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 mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuations were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields

projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 (the valuation date) are summarized in the following table:

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

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

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 at June 30, 2016 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		
1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 66,838,473	\$ 35,537,129	\$ 9,216,990

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2017, the governmental fund's proportionate share of the collective pension expense was \$6,808,624, and the proprietary fund recognized pension expense of \$45,925. At June 30, 2017, 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	\$ 1,679,534
Changes of Assumptions	5,240,863	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	12,673,680	
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions	525,345	710,995
Contributions Subsequent to the Measurement Date	6,434,910	
Total	<u>\$ 24,874,798</u>	<u>\$ 2,390,529</u>

The governmental fund's deferred outflows of resources related to pensions of \$6,399,374 will represent a reduction of the net pension liability in the fiscal year ended June 30, 2018, and \$35,536 reported as deferred outflows for the proprietary funds will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2018. 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
2018	\$ 2,747,320
2019	2,744,245
2020	6,720,084
2021	<u>3,837,710</u>
Total	<u>\$ 16,049,359</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 period July 1, 2016 through December 31, 2016, the Department contributed 5.60% of the covered payroll under TSERS to the Fund, and for the period January 1, 2017 to June 30, 2017, the Department contributed 6.02% of the covered payroll under TSERS to the Fund. Required contribution rates for the years ended June 30, 2016, and 2015, were 5.60% and 5.49%, respectively. The Department made 100% of its annual required contributions to the Plan for the years ended June 30, 2017, 2016, and 2015, which were \$3,610,771, \$3,552,762, and \$3,700,680, 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. 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, 2017, the Department made a statutory contribution of .38% of covered payroll under the TSERS to the DIPNC. Required contribution rates for the years ended June 30, 2016, and 2015, were .41% in both years. The Department made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2017, 2016, and 2015, which were \$245,017, \$260,113, and \$276,371, 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 116 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 Fund does not hold any annuity contracts. The Fund does not agree to structured settlements to pay specific amounts on fixed or determinable dates.

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 year ended June 30, 2017 and 2016:

	2017	2016
Unpaid Claims at Beginning of Year	\$ 5,794,482	\$ 10,176,077
Incurred Claims:		
Provision for Insured Events of the Current Year	16,149,000	943,000
Decreases in Provision for Insured Events of Prior Years	(2,354,016)	(336,545)
Total Incurred Claims	13,794,984	606,455
Payments:		
Claims Attributable to Insured Events of the Current Year	4,187,643	872,000
Claims Attributable to Insured Events of the Prior Years	3,440,112	4,116,050
Total Payments	7,627,755	4,988,050
Total Unpaid Claims at End of the Year	\$ 11,961,711	\$ 5,794,482

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 is funded by employer and

employee contributions. 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.

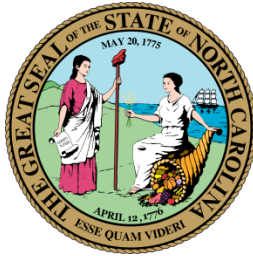
The suit is similar to a number of suits in other states, some of which resulted in holdings that the respective systems of public education funding were unconstitutional under the applicable state law. The State filed a motion to dismiss, which was denied. On appeal, the North Carolina Supreme Court 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, 2017, the Department is unable to estimate what liabilities may result from such audits.



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, 2017**

Schedule C-1

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Federal Funds	\$ 3,690,464,261	\$ 1,923,535,920	\$ 1,498,228,044	\$ (425,307,876)
Revenues from Other State Agencies	708,917,341	779,172,613	779,172,613	
Contributions, Gifts, and Grants	9,561,563	10,829,934	13,623,222	2,793,288
E Rate Telecommunication/Internet Program Funds		15,053,450	15,053,451	1
Sales and Services	1,858,014	1,629,358	1,439,291	(190,067)
Licensure Certification and Registration Fees	2,505,760	3,791,676	3,078,066	(713,610)
Property and Equipment Rental	1,600,000	1,600,000	1,440,948	(159,052)
Investment Earnings	5,579,654	4,335,072	1,953,346	(2,381,726)
Student Tuition and Fees	325,000	543,929	543,945	16
Miscellaneous	7,360	1,432,437	2,966,378	1,533,938
Total Revenues	4,420,818,953	2,741,924,389	2,317,499,304	(424,425,088)
Expenditures:				
Grants, State, and Federal Aid	12,651,881,484	11,183,701,098	10,508,227,189	675,473,909
Contracted Services	139,973,282	142,003,686	101,818,634	40,185,052
Personal Services	157,613,399	147,238,603	141,747,694	5,490,909
Supplies and Materials and Purchases for Resale	5,989,783	7,895,439	4,223,113	3,672,326
Travel	7,057,837	6,467,874	3,991,918	2,475,956
Communication and Data Processing Services	14,832,952	34,395,674	24,337,153	10,058,521
Utilities	857,731	1,223,470	1,191,802	31,668
Other Services	3,956,338	3,960,476	5,634,388	(1,673,912)
Claims and Benefits	18,221,384	7,747,861	2,031,667	5,716,194
Other Fixed Charges	5,701,038	7,172,614	5,837,030	1,335,584
Capital Outlay	112,635,690	93,343,570	68,259,007	25,084,563
Scholarships	760,498	1,717,442		1,717,442
Insurance and Bonding	3,956,338	3,960,476	2,963,650	996,826
Other Expenditures	2,033,146	3,279,098	2,210,397	1,068,701
Reserves	58,999,838	83,853,707		83,853,707
Expenditures to Other State Agencies	32,614,041	60,730,803	43,080,572	17,650,231
Total Expenditures	13,217,084,779	11,788,691,891	10,915,554,214	873,137,680
Excess of Revenues Over (Under) Expenditures	(8,796,265,826)	(9,046,767,503)	(8,598,054,910)	448,712,593
Other Financing Sources:				
State Appropriations	8,780,895,207	8,780,895,207	8,624,938,463	(156,100,535)
Sale of Capital Assets	1,509,000	1,509,000	2,554,415	1,045,415
Insurance Recoveries			226,697	226,697
Total Other Financing Sources	8,782,404,207	8,782,404,207	8,627,719,575	(154,828,422)
Net Change in Fund Balance	(13,861,619)	(264,363,296)	29,664,665	293,884,170
Fund Balance July 1, 2016	(244,439,642)	40,280,599	226,343,155	186,062,556
Fund Balance June 30, 2017	\$ (258,301,261)	\$ (224,082,697)	\$ 256,007,820	\$ 479,946,726

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.

The following table presents a reconciliation of resulting basis in the fund balances (budgetary basis) to the fund balance on a modified accrual basis (GAAP) at June 30, 2017.

	<u>General Fund</u>
Fund Balance (Budgetary Basis) June 30, 2017	\$ 256,007,820
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Accrued Revenues:	
Accounts Receivable	81,105
Intergovernmental Receivables	24,461,554
Interest Receivable	238,929
Less:	
Unearned revenue	<u>(6,913,866)</u>
Total Accrued Revenues	<u>17,867,722</u>
Accrued Expenditures:	
Accounts Payable	(8,114,528)
Accrued Payroll	(291)
Intergovernmental Payables	<u>(261,272,719)</u>
Total Accrued Expenditures	<u>(269,387,538)</u>
Other Adjustments:	
Inventories	<u>2,206,449</u>
Fund Balance (GAAP Basis) June 30, 2017	<u>\$ 6,694,453</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, 2008-2017**

Schedule C-2

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1) Required Contribution and Investment Revenue:										
Earned	\$ 18,430	\$ 18,054	\$ 20,337	\$ 16,257	\$ 20,699	\$ 16,380	\$ 17,583	\$ 14,563	\$ 19,099	\$ 12,518
Ceded	2,371	3,642	3,852	3,576	3,717	4,502	4,313	3,545	3,665	3,386
Net Earned	16,059	14,412	16,485	12,681	16,982	11,878	13,270	11,018	15,434	9,132
2) Unallocated Expenses	664	680	659	666	701	714	695	635	600	659
3) Estimated Claims and Expenses, End of Policy Year:										
Incurred	1,718	2,253	1,783	20,340	19,304	4,366	6,492	10,524	943	16,149
Ceded				6,761						
Net Incurred	1,718	2,253	1,783	13,579	19,304	4,366	6,492	10,524	943	16,149
4) Paid (Cumulative) As of:										
End of Policy Year	1,426	1,746	1,502	5,505	6,992	1,975	1,845	1,448	872	4,188
One Year Later	2,016	2,149	2,082	13,090	9,389	3,465	4,053	5,389	1,078	
Two Years Later	2,016	2,149	2,082	13,090	9,389	3,465	4,053	5,389		
Three Years Later	2,016	2,149	2,082	13,090	9,389	3,465	4,053			
Four Years Later	2,016	2,149	2,082	13,090	9,389	3,465				
Five Years Later	2,016	2,149	2,082	13,090	9,389					
Six Years Later	2,016	2,149	2,082	13,090						
Seven Years Later	2,016	2,149	2,082							
Eight Years Later	2,016	2,149								
Nine Years Later	2,016									
5) Reestimated Ceded Claims and Expenses										
6) Reestimated Net Incurred Claims and Expenses:										
End of Policy Year	1,718	2,253	1,783	13,579	19,304	4,366	6,492	10,524	943	16,149
One Year Later	1,653	2,276	1,846	20,481	13,159	2,965	5,189	10,669	917	
Two Years Later	1,979	2,269	1,846	20,481	13,159	2,965	5,189	10,669		
Three Years Later	1,979	2,269	1,846	20,481	13,159	2,965				
Four Years Later	1,979	2,269	1,846	20,481	13,159					
Five Years Later	1,979	2,269	1,846	20,481						
Six Years Later	1,979	2,269	1,846							
Seven Years Later	1,979	2,269								
Eight Years Later	1,979									
Nine Years Later	1,979									
7) Increase (Decrease) in Estimated Net Incurred Claims and Expenses From End of Policy Year	261	16	63	6,902	(6,145)	(1,401)	(1,303)	145	26	

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 Four Fiscal Years**

Schedule C-3

	2016	2015	2014	2013
Proportionate Share Percentage of Collective Net Pension Liability	0.38665%	0.41341%	0.44261%	0.43670%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 35,537,129	\$ 15,234,977	\$ 5,224,425	\$ 26,512,140
Covered-Employee Payroll	\$ 63,442,170	\$ 67,407,650	\$ 69,742,084	\$ 68,421,885
Net Pension Liability as a Percentage of Covered-Employee Payroll	56.01%	22.60%	7.49%	38.01%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.32%	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 \$238,099 as of June 30, 2017.

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

Schedule C-4

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 6,434,910	\$ 5,804,959	\$ 6,167,800	\$ 6,060,587
Contributions in Relation to the Contractually Determined Contribution	<u>6,434,910</u>	<u>5,804,959</u>	<u>6,167,800</u>	<u>6,060,587</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	\$ 64,478,060	\$ 63,442,170	\$ 67,407,650	\$ 69,742,084
Contributions as a Percentage of Covered Payroll	9.98%	9.15%	9.15%	8.69%

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

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

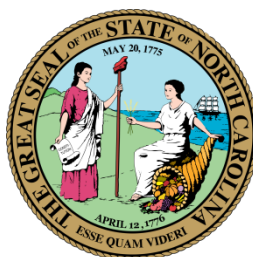
Department of Public Instruction
Notes to Required Supplementary Information
Schedule of Department Contributions
Teachers' and State Employees' Retirement System
Last Ten Fiscal Years

Changes of Benefit Terms:

<u>Cost of Living Increase</u>									
<u>2016</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>
N/A	N/A	N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%	3.00%

Changes of assumptions. In 2008, 2012, and 2015, the actuarial assumptions were updated to more closely reflect actual experience. In 2015, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement systems' actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent Experience Review examined each plan's experience during the period between January 1, 2010, and December 31, 2014. Based on the findings, the Board of Trustees of the Teachers' and State Employees' Retirement System adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and the mortality improvement projection scales to reflect reduced rates of mortality and significant increases in mortality improvements. These assumptions were adjusted to reflect the mortality projection scale MP-2015, released by the Society of Actuaries in 2015. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were reduced to more closely reflect actual experience.

The Notes to Required Supplementary Information reflects information included in the State of North Carolina's 2016 *Comprehensive Annual Financial Report*.



SUPPLEMENTARY INFORMATION

North Carolina Department of Public Instruction
Supplementary Information
Schedule of Revenues by Source
General Fund
For the Fiscal Year Ended June 30, 2017
(With Comparative Totals for June 30, 2016)

Schedule D-1

	2017	2016
REVENUES		
Federal Funds:		
Child Nutrition Cluster	\$ 537,187,125	\$ 538,193,025
Title I Grants to School Districts	427,861,784	420,272,528
Special Education: Preschool Grants & Grants to States	356,998,856	342,746,681
School Improvement Grants Cluster	5,025,275	10,590,592
Career and Technical Education - Basic Grants to States	34,202,145	35,285,983
English Language Acquisition State Grants	15,109,214	15,017,610
Improving Teacher Quality State Grants	43,658,058	48,053,939
Twenty-First Century Community Learning Centers	29,117,199	34,657,763
(SFSF) Race-to-the-Top Incentive Grants		24,878,412
Other Federal Funds	52,946,002	51,479,577
Total Federal Funds	1,502,105,658	1,521,176,110
Revenues from Other State Agencies:		
Office of State Budget and Management:		
Civil Penalty Fund	202,698,650	150,807,602
Lottery Funds	472,452,291	410,455,157
Department of Revenue	64,360,412	61,254,275
Department of Health and Human Services	15,671,494	15,697,168
Other	220,000	
Total Revenues from Other State Agencies	755,402,847	638,214,202
Contributions, Gifts, and Grants	13,619,690	11,022,099
E Rate Telecommunication and Internet Access Program Funds	15,053,451	11,926,105
Sales and Services	1,556,097	1,811,343
Licensure Certification and Registration Fees	3,733,221	2,968,013
Property and Equipment Rental	1,440,948	1,932,316
Investment Earnings	2,064,769	1,260,060
Student Tuition and Fees	526,691	542,685
Miscellaneous	9,354,513	8,272,827
Total Revenues (See Exhibit A-2)	\$ 2,304,857,885	\$ 2,199,125,760

North Carolina Department of Public Instruction
Supplementary Information
Schedule of Expenditures by Purpose
General Fund
For the Fiscal Year Ended June 30, 2017
(With Comparative Totals for June 30, 2016)

Schedule D-2
Page 1 of 2

	2017	2016
EXPENDITURES		
Expenditures Paid by the Department to Schools or On Their Behalf:		
Grants, State, and Federal Aid to Schools (See Schedule D-3)	\$ 10,528,127,137	\$ 10,172,393,913
Supplemental Benefits for Schools:		
Workers' Compensation Payments for School Employees	55,449,661	48,480,698
Claims and Benefits, Primarily School Unemployment Payments	2,031,667	3,866,216
Excess Professional Liability Insurance for School Employees	2,368,834	2,370,178
Total Supplemental Benefits for Schools	59,850,162	54,717,092
School Buses, Textbooks, and Other Costs Paid for Schools:		
School Bus Replacement, Financing Payments	62,455,595	43,708,516
Textbooks	5,427,994	4,501,105
Payment of Tort Claim Settlements	4,454,890	6,899,785
Total School Buses, Textbooks, and Other Costs Paid for Schools	72,338,479	55,109,406
Residential School Operating Costs:		
North Carolina School for the Deaf	8,604,615	8,590,839
Eastern North Carolina School for the Deaf	8,286,249	7,661,918
Governor Morehead School	6,463,123	6,737,337
Total Residential School Operating Costs	23,353,987	22,990,094
North Carolina Center for Advancement of Teaching	3,500,970	3,365,942
Total Expenditures Paid by the Department to Schools or On Their Behalf	10,687,170,735	10,308,576,447
Expenditures Paid for Department Operations and Administration:		
Contracted Services:		
Academic Services	20,129,424	23,902,722
Other Information Tech Services	21,051,904	14,451,659
Other Contractual Services	54,802,902	62,992,208
Total Contracted Services	95,984,230	101,346,589
Salaries and Wages:		
Salaries Subject to State Personnel Act	44,175,149	43,809,330
Salaries Exempt Under State Personnel Act	3,930,219	3,790,939
Longevity Pay	1,491,717	1,548,879
Temporary Wages	208	8,787
Other Contractual Services	771,224	758,355
Total Salaries and Wages	50,368,517	49,916,290
Employee Benefits:		
Medical Insurance Contributions	3,725,060	3,660,899
Other Medical Insurance	469,394	770,454
Regular Retirement Contributions	8,127,055	7,546,468
Social Security Contributions	3,679,524	3,649,122
Other Employee Benefits		(2,790)
Total Employee Benefits	16,001,033	15,624,153

North Carolina Department of Public Instruction
Supplementary Information
Schedule of Expenditures by Purpose
General Fund
For the Fiscal Year Ended June 30, 2017
(With Comparative Totals for June 30, 2016)

Schedule D-2
Page 2 of 2

	2017	2016
Supplies and Materials:		
Educational Supplies	2,706,200	2,556,276
Other Supplies and Materials	285,662	537,430
Total Supplies and Materials	2,991,862	3,093,706
Purchases for Resale	93,913	1,206,427
Travel:		
Ground Transportation In-State	1,204,976	1,591,823
Ground Transportation Out-of-State	35,434	41,855
Lodging	668,051	598,856
Workshops	825,446	733,062
Other Travel	847,978	723,565
Total Travel	3,581,885	3,689,161
Communication	542,959	555,871
Utilities		69,814
Data Processing Services:		
Managed Local Network Service Charge	22,424,550	22,094,625
Managed Server Services	242,636	872,358
Other Server Services	128,160	366,817
Total Data Processing Services	22,795,346	23,333,800
Other Services	6,785,470	1,968,101
Other Fixed Charges:		
Network Software Maintenance Agreement	506,976	877,446
Server Software Maintenance Agreement	673,716	800,265
Membership Dues and Subscriptions	1,651,873	1,970,174
Other Fixed Charges	143,254	338,977
Total Other Fixed Charges	2,975,819	3,986,862
Expenditures to Other State Agencies:		
Community College	10,450,243	12,643,457
Other Expenditures	3,070,758	3,461,884
Total Expenditures to Other State Agencies	13,521,001	16,105,341
Capital Outlay:		
Server Software	333,549	4,943,917
Other Capital Outlays	1,404,448	2,105,632
Total Capital Outlay	1,737,997	7,049,549
Other Expenditures:		
Forgiven Loans Under Teaching Fellows Loan Program		125,455
Workshop Expenses	1,417,752	1,409,277
Other Expenditures	1,992,319	223,930
Total Other Expenditures	3,410,071	1,758,662
Total Expenditures Paid for Department Operations and Administration	220,790,104	229,704,326
Total Expenditures (See Exhibit A-2)	\$ 10,907,960,838	\$ 10,538,280,773

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, 2017
(With Comparative Totals for June 30, 2016)

Schedule D-3
Page 1 of 2

	2017	2016
School District Expenditures Funded by State Aid:		
Salaries:		
Administrative Personnel:		
Superintendents or Directors	\$ 57,371,337	\$ 60,838,179
Associate or Assistant Superintendents	15,973,410	15,748,806
Principals	151,512,900	149,204,582
Assistant Principals	109,714,411	104,068,265
Finance Officers	7,296,043	7,238,624
Total Administrative Personnel	341,868,101	337,098,456
Teachers	3,725,436,456	3,610,918,550
Instructional Support Personnel - Certified	509,166,521	473,860,136
Psychologists	32,507,378	31,519,909
Teacher Assistants	340,909,872	334,807,421
Tutors and Non-Certified Instructors	16,858,582	16,817,299
Interpreters, Therapists, and Specialists	61,791,233	61,034,350
School Resource Officers and Monitors	21,036,221	20,099,921
Technical and Administrative Support Personnel	206,380,427	181,993,144
Substitute Pay	61,452,503	55,919,241
Drivers	165,167,692	161,589,869
Custodians	175,552,580	171,463,579
Skilled Tradesmen and Managers	63,429,244	62,034,805
Longevity Pay	24,492,982	23,130,894
Annual Leave Pay	38,740,066	39,625,025
Supplementary Pay	63,247,898	128,222,970
Short Term Disability Pay	5,838,984	6,008,661
Extra Duty Pay	27,918,354	25,205,669
Total Salaries	5,881,795,094	5,741,349,899
Employer-Provided Benefits:		
Employer's Social Security Cost - Regular	425,010,241	415,960,081
Retirement Benefits	917,794,356	830,775,859
Insurance Benefits	718,552,185	689,071,388
Total Employer-Provided Benefits	2,061,356,782	1,935,807,328
Purchased Services:		
Professional and Technical Services	167,065,277	165,069,162
Property Services	4,373,395	4,621,590
Transportation Services	33,470,987	30,542,814
Communications	9,313,582	6,796,438
Tuition	1,772,754	2,418,041
Dues and Fees	276,987	265,743
Insurance and Judgments	826,583	713,776
Total Purchased Services	217,099,565	210,427,564
Supplies and Materials:		
School and Office Supplies	122,247,707	115,538,607
Operational Supplies	71,062,815	68,461,703
Food Supplies	236,037	236,577
Noncapitalized Equipment	58,229,308	41,755,746
Sales and Use Tax Refunds	170,859	58,018
Total Supplies and Materials	251,946,726	226,050,651
Capital Outlay:		
Equipment and Computer Hardware	10,596,660	10,580,857
Vehicles	4,033,395	2,291,188
Total Capital Outlay	14,630,055	12,872,045
Expenditures to Other State Agencies	477,124	473,167
Total School District Expenditures Funded by State Aid (See Schedules D-4 and D-5)	8,427,305,346	8,126,980,654

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, 2017
(With Comparative Totals for June 30, 2016)

Schedule D-3
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	2017	2016
Federal Grants and Aid to School Districts:		
Payments Under Federal Grant Programs (See Schedules D-4 and D-5)	852,411,055	847,649,386
Reimbursements for Meals Provided Under Federal Child Nutrition Program (See Schedules D-4 and D-5)	521,259,374	517,428,157
Reimbursements from Medicaid (See Schedules D-4 and D-5)	12,236,220	16,590,611
Total Federal Grants and Aid Paid to School Districts	1,385,906,649	1,381,668,154
Construction Projects Paid through Building Capital Fund (See Schedules D-4 and D-5)	91,028,169	106,654,488
Technology Support Paid through School Technology Fund (See Schedules D-4 and D-5)	36,337,622	20,583,936
Total Grants, State, and Federal Aid to School Districts (See Schedules D-4 and D-5)	9,940,577,786	9,635,887,232
Grants and Aid to Charter Schools:		
Charter School Expenditures Funded by State Aid (See Schedules D-6 and D-7)	520,037,574	452,326,036
Payments Under Federal Grant Programs (See Schedules D-6 and D-7)	25,111,839	23,396,589
Reimbursements for Meals Provided Under Federal Child Nutrition Program (See Schedules D-6 and D-7)	10,872,604	9,279,719
Total Grants and Aid to Charter Schools (See Schedules D-6 and D-7)	556,022,017	485,002,344
Aid to Other Nonprofit Organizations for Programming	31,527,334	51,504,337
Total Grants, State, and Federal Aid Expenditures (See Exhibit A-2)	\$ 10,528,127,137	\$ 10,172,393,913

**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, 2017 (With Comparative Totals for 2016)

**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	2017 Total	2016 Total
Alamance-Burlington County Schools	\$ 128,295,059	\$ 12,286,302	\$ 8,567,807	\$ 0	\$ 2,080,533	\$ 356,846	\$ 151,566,546	\$ 150,147,926
Alexander County Schools	31,074,675	2,662,297	1,819,802			237,137	35,793,911	34,009,018
Alleghany County Schools	11,150,997	1,202,539	544,583	29,203	96,024	42,815	13,066,161	12,890,405
Anson County Schools	24,017,597	2,841,266	1,933,168		22,580	92,647	28,907,259	29,887,328
Ashe County Schools	21,342,218	2,040,668	1,212,399		282,921	18,248	24,876,453	25,014,451
Asheboro City Schools	28,372,078	2,888,010	2,451,896		300,000	118,269	34,130,253	31,370,640
Asheville City Schools	25,529,915	2,487,473	1,072,760	49,065		141,645	29,280,858	31,553,374
Avery County Schools	15,550,585	1,607,642	799,757			39,035	17,997,019	19,390,137
Beaufort County Schools	41,457,766	4,671,830	2,751,449		450,000	148,168	49,479,213	47,710,112
Bertie County Schools	18,418,665	2,506,759	1,698,745			22,484	22,646,653	28,981,339
Bladen County Schools	29,899,002	4,264,472	3,116,746		(55,013)	67,922	37,293,129	46,007,962
Brunswick County Schools	71,618,637	8,498,899	4,645,349		800,000	395,559	85,958,444	76,358,978
Buncombe County Schools	139,545,661	13,232,986	8,765,906	255,205	4,540,000	599,687	166,939,445	154,793,110
Burke County Schools	76,210,425	7,331,055	4,664,232	179,923	1,695,000	437,677	90,518,313	91,731,040
Cabarrus County Schools	173,732,390	11,413,571	7,973,890		3,254,000	972,744	197,346,595	176,103,373
Caldwell County Schools	74,321,993	6,623,494	4,655,276		1,406,248	388,135	87,375,147	85,875,066
Camden County Schools	13,271,517	597,243	308,612			75,623	14,252,994	13,977,203
Carteret County Schools	47,984,509	4,703,359	2,142,439		600,000	122,975	55,553,283	53,400,488
Caswell County Schools	19,206,930	1,795,642	1,302,835			63,434	22,368,840	22,625,738
Catawba County Schools	92,058,696	7,510,533	5,578,853		1,245,300	390,208	106,783,589	105,824,198
Chapel-Hill/Carboro City Schools	63,798,744	4,219,124	2,184,584		814,000	371,470	71,387,922	67,163,727
Charlotte-Mecklenburg County Schools	794,225,359	87,627,215	50,929,980	990,095	9,500,000	4,580,064	947,852,713	819,962,732
Chatham County Schools	49,871,934	4,076,779	2,765,372		1,156,660	262,822	58,133,567	55,045,328
Cherokee County Schools	21,712,237	2,735,140	1,902,812		283,312	91,261	26,724,761	25,553,906
Clay County Schools	10,443,266	801,395	456,921			40,583	11,742,165	11,927,254
Cleveland County Schools	91,458,779	11,685,881	6,687,765		1,100,000	190,453	111,122,878	96,394,229
Clinton City Schools	18,077,793	2,188,159	1,761,287		435,300	111,986	22,574,525	30,858,111
Columbus County Schools	39,584,046	5,199,048	3,908,044			157,311	48,848,450	38,768,549
Craven County Schools	79,163,165	7,315,068	4,664,749		1,073,410	449,621	84,225,512	84,225,512
Cumberland County Schools	280,670,037	27,564,526	22,010,894	7,448,359	3,674,258	1,547,623	342,915,697	314,076,021
Currituck County Schools	23,890,399	1,649,591	727,197		185,856	122,484	26,575,527	51,438,106
Dare County Schools	29,754,380	1,942,186	1,235,571		380,000	153,722	33,445,859	32,026,296
Davidson County Schools	109,127,661	8,879,353	4,862,685	146,790	780,000	572,976	123,589,465	114,956,912
Davie County Schools	36,810,568	2,528,283	1,985,266			192,697	42,296,814	47,573,681
Duplin County Schools	60,302,665	7,408,779	4,547,016		639,236	299,246	73,196,942	67,613,213
Durham County Schools	195,406,840	23,045,056	13,087,410		1,085,000	381,608	232,985,914	212,214,881
Edenton-Chowan County Schools	14,834,470	1,582,342	811,673		103,573	17,394,711	17,394,711	18,657,810
Edgecombe County Schools	39,690,218	5,422,915	3,744,004			104,524	48,961,660	49,776,730
Elkin City Schools	8,124,850	3,669,253	320,688			36,567	12,151,358	13,759,195
Elizabeth City/Pasquotank County Schools	36,262,257	472,565	2,658,289		439,565	2,376	39,835,053	61,298,917
Franklin County Schools	52,051,425	4,613,844	3,471,817	61,436	400,000	103,930	60,702,451	94,837,998
Gaston County Schools	175,859,310	19,285,074	12,855,597	311,832	1,880,336	962,094	211,154,242	189,174,409

**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, 2017 (With Comparative Totals for 2016)

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

	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	Federal Medicaid Reimbursements	State Building Capital Funds	State Technology Funds	2017 Total	2016 Total
Gates County Schools	12,945,020	1,100,263	530,953		123,800	49,706	14,749,742	31,185,858
Graham County Schools	9,560,371	1,063,988	473,896			46,440	11,144,675	10,728,500
Granville County Schools	48,283,016	4,214,177	2,790,632		680,312	243,212	56,211,350	51,812,212
Greene County Schools	23,309,125	2,715,771	1,916,692		219,560	45,631	28,206,779	29,433,999
Guilford County Schools	403,041,693	49,286,449	33,589,552		5,103,189	2,078,720	493,098,603	426,829,285
Hallfax County Schools	20,302,958	4,805,408	2,042,935		325,296	81,358	27,557,956	66,402,399
Harnett County Schools	120,322,081	12,038,613	7,309,478		1,900,000	627,640	142,197,812	129,806,264
Haywood County Schools	41,357,004	4,820,040	2,583,052	127,535	295,461	145,003	49,200,559	44,990,707
Henderson County Schools	76,626,697	8,269,205	4,844,141			81,917	91,112,220	82,402,666
Hertford County Schools	22,293,465	2,452,585	1,821,162		326,690	132,225	26,567,212	35,212,459
Hickory City Schools	24,429,531	2,569,540	1,651,104		300,000	259,406	29,109,090	31,771,475
Hoke County Schools	56,437,558	5,745,115	3,602,616				66,344,695	65,228,241
Hyde County Schools	7,456,293	712,143	278,490				8,446,926	10,729,390
Iredell-Statesville Schools	109,452,762	9,950,767	5,008,404		911,975	629,806	125,953,715	120,281,897
Jackson County Schools	23,005,515	2,722,636	1,457,906		247,361	115,389	27,548,807	25,283,249
Johnston County Schools	204,058,175	17,427,731	8,606,265		1,436,071	947,471	232,475,713	213,408,026
Jones County Schools	9,890,579	981,907	726,255		339,003	17,957	11,955,701	12,623,714
Kannapolis City Schools	30,324,937	3,135,933	2,914,365		944,000	162,490	37,481,725	35,011,402
Lee County Schools	57,276,752	6,070,684	4,101,656		16,850	307,194	67,773,137	77,362,091
Lenoir County Schools	55,018,612	6,534,768	4,957,841		600,000	258,127	67,369,348	61,141,370
Lexington City Schools	19,699,165	2,646,503	2,136,304			93,461	24,575,432	26,923,643
Lincoln County Schools	64,890,958	5,393,977	3,542,498		870,520	343,589	75,041,542	73,148,506
Macon County Schools	27,498,614	2,798,695	1,934,923		297,695	133,795	32,663,722	34,712,398
Madison County Schools	17,645,429	1,631,744	726,653			43,419	20,047,244	21,250,905
Martin County Schools	22,894,493	2,632,467	1,886,181		290,338	116,194	27,819,673	26,639,093
McDowell County Schools	40,004,540	3,736,534	3,185,907	74,015	(24,117)	190,071	47,166,951	45,200,652
Mitchell County Schools	14,834,998	1,312,326	615,372	14,472	163,978	22,385	16,963,531	19,232,498
Montgomery County Schools	26,637,779	3,024,420	2,183,309	62,487	250,000	122,111	32,280,106	110,681,864
Moore County Schools	71,395,123	6,804,617	2,962,275		727,469	391,043	82,280,527	76,726,378
Mooresville City Schools	32,384,965	2,210,956	1,325,368		1,161,171	150,751	37,233,211	35,599,185
Mount Airy City Schools	10,135,026	1,890,107	712,625		149,900	29,012	12,916,670	18,693,438
Nash-Rocky Mount Schools	93,646,361	12,736,119	6,531,583		1,336,000	477,278	114,727,341	112,547,944
New Hanover County Schools	147,191,846	13,856,586	8,321,961	284,349	1,477,313	813,441	171,945,495	164,825,499
Newton-Conover City Schools	17,487,665	1,997,004	1,195,914		236,460	94,940	21,011,982	21,093,920
Northampton County Schools	16,024,361	2,814,932	1,216,374			54,016	20,109,683	28,288,743
Onslow County Schools	139,938,783	12,066,368	6,824,936		1,567,128	585,903	160,963,118	146,854,455
Orange County Schools	44,673,703	3,561,238	1,842,217		636,010	81,513	50,794,681	49,414,206
Pamlico County Schools	10,839,379	1,191,262	541,418		110,138	39,957	12,722,154	12,432,383
Pender County Schools	53,089,614	5,250,264	2,817,359		616,918	346,491	62,120,646	58,439,198
Perquimans County Schools	12,278,384	1,347,995	667,635		(146,237)	42,975	14,336,989	18,258,652
Person County Schools	27,710,010	2,768,091	2,088,920			112,057	32,532,842	30,508,561
Pitt County Schools	135,769,149	15,411,363	8,717,836		1,600,000	409,924	161,908,272	144,164,069

**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, 2017 (With Comparative Totals for 2016)**

**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	2017 Total	2016 Total
Polk County Schools	15,843,449	1,603,020	894,047		94,527	150,928	18,585,970	33,725,494
Randolph County Schools	102,029,358	10,592,882	6,058,099		1,100,000	539,406	120,319,745	108,380,957
Residential Schools			119,431				119,431	107,358
Richmond County Schools	47,038,557	5,566,301	4,149,012		625,450	172,144	57,551,464	62,873,093
Roanoke Rapids City Schools	17,886,285	1,844,629	1,237,147		200,000	87,557	21,255,618	21,726,606
Robeson County Schools	155,613,503	22,033,701	13,369,346		528,988	753,939	192,299,477	171,252,578
Rockingham County Schools	77,698,220	7,689,865	4,872,608	196,212	867,945	254,391	91,579,240	103,912,076
Rowan-Salisbury County Schools	111,538,399	12,819,587	8,718,600	145,451	1,200,000		134,422,037	129,035,904
Rutherford County Schools	51,979,311	6,825,831	4,376,633	86,082	550,000	198,855	64,016,712	67,387,010
Sampson County Schools	53,728,159	5,868,283	4,316,165		1,184,000	257,006	65,353,613	61,827,912
Scotland County Schools	40,221,880	4,917,411	3,532,807		400,000	178,854	49,250,952	49,149,022
Stanly County Schools	51,993,164	4,461,937	2,660,226		579,000	261,938	59,956,264	56,785,066
Stokes County Schools	40,221,482	3,302,665	2,026,604	81,830	450,000	360,778	46,443,360	47,710,477
Surry County Schools	51,186,212	4,904,120	3,700,065		746,055	176,573	60,713,025	58,637,457
Swain County Schools	14,126,378	1,340,216	972,162		81,684	56,888	16,577,328	18,675,940
Thomasville City Schools	14,543,011	2,346,295	2,098,315			25,156	19,012,777	21,233,082
Tyrrell County Schools	20,876,229	2,196,138	1,310,504		174,291	121,891	24,679,053	21,927,735
Transylvania County Schools	6,803,937	517,299	334,668		40,000	3,077	7,698,981	8,744,283
Union County Schools	224,522,504	13,557,280	8,547,967	183,933	2,835,804	138,729	249,786,220	229,458,333
Vance County Schools	45,127,681	5,573,094	3,872,171		394,955	224,689	55,192,589	51,704,222
Wake County Schools	879,943,032	62,552,481	30,972,694	745,953	4,114,686	3,570,410	981,899,255	883,611,537
Warren County Schools	17,312,255	1,909,194	1,532,957			64,916	20,819,322	30,924,089
Washington County Schools	12,345,705	2,059,178	1,153,604		119,224	48,993	15,726,704	20,224,853
Watauga County Schools	27,064,697	2,066,002	1,040,555		525,000	133,245	30,829,499	91,680,562
Wayne County Schools	116,869,285	13,801,723	7,115,610		1,675,149	612,848	140,074,614	123,941,809
Weldon City Schools	7,802,827	1,100,380	658,533			27,381	9,589,121	10,712,093
Whiteville City Schools	15,130,283	2,281,391	1,595,189		185,950	23,796	19,216,609	18,740,309
Wilkes County Schools	57,887,979	6,073,161	5,183,289	92,970	475,000	207,574	69,919,974	77,208,410
Wilson County Schools	70,063,614	9,325,038	5,389,214		95,685	86,307	84,959,859	81,476,988
Winston-Salem/Forsyth County Schools	312,465,773	39,220,193	19,852,506	641,589	4,124,630	999,154	377,303,845	332,316,163
Yadkin County Schools	35,209,706	3,497,218	2,140,225		650,000	159,172	41,656,321	40,486,718
Yancey County Schools	15,990,264	1,805,655	687,333	27,434	169,071	27,680	18,707,437	18,072,300
Total Grants and Aid to School Districts	\$ 8,427,305,346	\$ 852,411,055	\$ 521,259,374	\$ 12,236,220	\$ 91,028,169	\$ 36,337,622	\$ 9,940,577,786	\$ 9,635,887,232

**North Carolina Department of Public Instruction
Supplementary Information**

**Schedule of Grants and Aid Paid to School Districts (Amount - Sorted Largest to Smallest)
General Fund**

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For the Fiscal Year Ended June 30, 2017 (With Comparative Totals for 2016)

	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	Federal Medicaid Reimbursements	State Building Capital Funds	State Technology Funds	2017 Total	2016 Total
Wake County Schools	\$ 879,943,032	\$ 62,552,481	\$ 30,972,694	\$ 745,953	\$ 4,114,686	\$ 3,570,410	\$ 981,899,255	\$ 883,611,537
Charlotte-Mecklenburg County Schools	794,225,359	87,627,215	50,929,980	990,095	9,500,000	4,580,064	947,852,713	819,962,732
Gulfport County Schools	403,041,693	49,286,449	33,589,552		5,103,189	2,078,720	493,099,603	426,829,285
Winston-Salem/ Forsyth County Schools	312,465,773	39,220,193	19,852,506	641,589	4,124,630	999,154	377,303,845	332,316,162
Cumberland County Schools	280,670,037	27,564,526	22,010,894	7,448,359	3,674,258	1,547,623	342,915,697	314,076,021
Union County Schools	224,522,504	13,557,280	8,547,967	183,933	2,835,804	138,729	249,786,220	229,458,333
Johnston County Schools	204,058,175	17,427,731	8,606,265		1,436,071	947,471	232,475,713	213,408,026
Durham County Schools	195,406,840	23,045,056	13,087,410		1,065,000	381,608	232,985,914	212,214,881
Gaston County Schools	175,859,310	19,285,074	12,855,597	311,832	1,880,336	962,094	211,154,242	189,174,409
Cabarrus County Schools	173,732,390	11,413,571	7,973,890		3,254,000	972,744	197,346,595	176,103,373
Robeson County Schools	155,613,503	22,033,701	13,369,346		528,988	753,939	192,299,477	171,252,578
New Hanover County Schools	147,191,846	13,856,586	8,321,961	284,349	1,477,313	813,441	171,945,495	164,825,499
Onslow County Schools	139,938,783	12,066,368	6,824,936		1,567,128	565,903	160,963,118	146,854,455
Buncombe County Schools	139,545,661	13,232,986	8,765,906	255,205	4,540,000	599,687	166,939,445	154,793,110
Pitt County Schools	135,769,149	15,411,363	8,717,836		1,600,000	409,924	161,908,272	144,164,069
Alamance-Burlington County Schools	128,295,059	12,266,302	8,567,807		2,080,533	356,846	151,566,546	150,147,926
Harnett County Schools	120,322,081	12,038,613	7,309,478		1,900,000	627,640	142,197,812	129,806,264
Wayne County Schools	116,869,285	13,801,723	7,115,610	145,451	1,675,149	612,848	140,074,614	123,941,809
Rowan-Salisbury County Schools	111,538,399	12,819,587	8,718,600		1,200,000		134,422,037	129,035,904
Iredell-Statesville County Schools	109,452,762	9,950,767	5,008,404	146,790	911,975	629,806	125,953,715	120,281,897
Davidson County Schools	109,127,661	8,879,353	4,862,685		1,100,000	572,976	123,589,465	114,956,912
Randolph County Schools	102,029,358	10,592,882	6,058,099		1,336,000	539,406	120,319,745	108,380,957
Nash-Rocky Mount Schools	93,646,361	12,736,119	6,531,583		1,245,300	477,278	114,727,341	112,547,944
Catawaba County Schools	92,058,696	7,510,533	5,578,853		1,245,300	390,208	106,783,589	105,824,198
Cleveland County Schools	91,458,779	11,685,881	6,687,765		1,100,000	190,453	111,122,878	96,394,229
Craven County Schools	79,163,165	7,315,068	4,664,749		1,073,410	449,621	92,666,013	84,225,512
Rockingham County Schools	77,698,220	7,689,865	4,872,608	196,212	867,945	254,391	91,579,240	103,912,076
Henderson County Schools	76,626,697	8,269,205	4,844,141	127,535	1,162,724	81,917	91,112,220	82,402,666
Burke County Schools	76,210,425	7,331,055	4,664,232	179,923	1,695,000	437,677	90,518,313	91,731,040
Caldwell County Schools	74,321,993	6,623,494	4,655,276		1,406,248	368,135	87,375,147	85,875,066
Brunswick County Schools	71,618,637	8,498,899	4,645,349		800,000	395,559	85,958,444	76,358,978
Moore County Schools	71,395,123	6,804,617	2,962,275		727,469	391,043	82,280,527	76,726,378
Wilson County Schools	70,063,614	9,325,038	5,389,214		95,685	86,307	84,959,859	81,476,988
Lincoln County Schools	64,890,958	5,393,977	3,542,498		870,520	343,589	75,041,542	73,148,506
Chapel-Hill/ Carrboro City Schools	63,798,744	4,219,124	2,184,584		814,000	371,470	71,387,922	67,163,727
Duplin County Schools	60,302,665	7,408,779	4,547,016		639,236	299,246	73,196,942	67,613,213
Wilkes County Schools	57,887,979	6,073,161	5,183,289	92,970	475,000	207,574	69,919,974	77,208,410
Lee County Schools	57,276,752	6,070,684	4,101,656		16,850	307,194	67,773,137	77,362,091
Hoke County Schools	56,437,558	5,745,115	3,602,616		300,000	259,406	66,344,695	65,228,241
Lenoir County Schools	55,018,612	6,534,768	4,957,841		600,000	258,127	67,369,348	61,141,370

**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, 2017 (With Comparative Totals for 2016)

**Schedule D-5
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	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	Federal Medicaid Reimbursements	State Building Capital Funds	State Technology Funds	2017 Total	2016 Total
Sampson County Schools	53,728,159	5,868,283	4,316,165		1,184,000	257,006	65,353,613	61,827,912
Pender County Schools	53,089,614	5,250,284	2,817,359		616,918	346,491	62,120,646	58,439,198
Franklin County Schools	52,051,425	4,613,844	3,471,817	61,436	400,930	103,930	60,702,451	94,837,998
Stanly County Schools	51,993,164	4,461,937	2,660,226		579,000	261,938	59,956,264	56,795,066
Rutherford County Schools	51,979,311	6,825,831	4,376,633	86,082	550,000	198,855	64,016,712	67,387,010
Surry County Schools	51,186,212	4,904,120	3,700,065		746,055	176,573	60,713,025	58,637,457
Chatham County Schools	49,871,934	4,076,779	2,765,372		1,156,660	262,822	58,133,567	55,045,328
Granville County Schools	48,283,016	4,214,177	2,790,632		680,312	243,212	56,211,350	51,812,212
Carteret County Schools	47,984,509	4,703,359	2,142,439		600,000	122,975	55,553,283	53,400,488
Richmond County Schools	47,038,557	5,566,301	4,149,012		625,450	172,144	57,551,464	62,873,093
Vance County Schools	45,127,681	5,573,094	3,872,171		394,955	224,689	55,192,589	51,704,222
Orange County Schools	44,673,703	3,561,238	1,842,217		636,010	81,513	50,794,681	49,414,206
Beaufort County Schools	41,457,766	4,671,830	2,751,449		450,000	148,168	49,479,213	47,710,112
Haywood County Schools	41,357,004	4,820,040	2,583,052		295,461	145,003	49,200,559	44,990,707
Scotland County Schools	40,221,880	4,917,411	3,532,807		400,000	178,854	49,250,952	49,149,022
Stokes County Schools	40,221,482	3,302,665	2,026,604	81,830	450,000	360,778	46,443,360	47,710,477
McDowell County Schools	40,004,540	3,736,534	3,185,907	74,015	(24,117)	190,071	47,166,951	45,200,652
Edgecombe County Schools	39,690,218	5,422,915	3,744,004			104,524	48,961,660	49,776,730
Columbus County Schools	39,584,046	5,199,048	3,908,044			157,311	48,848,450	48,768,549
Dare County Schools	36,810,568	2,528,283	1,985,266		780,000	192,697	42,296,814	47,573,681
Elkin City Schools	36,262,257	472,565	2,658,289		439,565	2,376	39,835,053	61,298,917
Yadkin County Schools	35,209,706	3,497,218	2,140,225		650,000	159,172	41,656,321	40,486,718
Mooreville City Schools	32,384,965	2,210,956	1,325,368		1,161,171	150,751	37,233,211	35,599,185
Alexander County Schools	31,074,675	2,662,297	1,819,802			237,137	35,793,911	34,009,018
Kannapolis City Schools	30,324,937	3,135,933	2,914,365			162,490	37,481,725	35,011,402
Bladen County Schools	29,899,002	4,264,472	3,116,746			67,922	37,293,129	46,007,962
Dare County Schools	29,754,380	1,942,186	1,235,571		944,000	153,722	33,445,859	32,026,296
Asheboro City Schools	28,372,078	2,888,010	2,451,896		(55,013)	118,269	34,130,253	31,370,640
Person County Schools	27,710,010	2,768,091	2,088,920		(146,237)	112,057	32,532,842	30,508,561
Macon County Schools	27,498,614	2,798,695	1,934,923		297,695	133,795	32,663,722	34,712,398
Watauga County Schools	27,064,697	2,066,002	1,040,555		525,000	133,245	30,829,499	91,680,562
Montgomery County Schools	26,637,779	3,024,420	2,183,309	62,487	250,000	122,111	32,280,106	110,681,864
Asheville City Schools	25,529,915	2,487,473	1,072,760	49,065		141,645	29,280,858	31,553,374
Hickory City Schools	24,429,531	2,569,540	1,651,104		326,690	132,225	29,109,090	31,771,475
Anson County Schools	24,017,597	2,841,266	1,933,168		22,580	92,647	28,907,259	29,887,328
Currituck County Schools	23,890,399	1,649,591	727,197		185,856	122,484	26,575,527	51,438,106
Greene County Schools	23,309,125	2,715,771	1,916,692		219,560	45,631	28,206,779	29,433,999
Jackson County Schools	23,005,515	2,722,636	1,457,906		247,361	115,389	27,548,807	25,283,249
Martin County Schools	22,894,493	2,632,467	1,886,181		290,338	116,194	27,819,673	26,639,093

**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, 2017 (With Comparative Totals for 2016)

**Schedule D-5
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	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	Federal Medicaid Reimbursements	State Building Capital Funds	State Technology Funds	2017 Total	2016 Total
Hertford County Schools	22,293,465	2,452,585	1,821,162		283,312	91,261	26,567,212	35,212,459
Cherokee County Schools	21,712,237	2,735,140	1,902,812		262,921	18,248	26,724,761	25,553,906
Ashe County Schools	21,342,218	2,040,668	1,212,399		174,291	121,891	24,876,453	25,014,451
Transylvania County Schools	20,876,229	2,196,138	1,310,504		325,296	27,557,956	24,679,053	21,927,735
Halifax County Schools	20,302,958	4,805,408	2,042,935			93,461	27,557,956	66,402,399
Lexington City Schools	19,699,165	2,646,503	2,136,304			22,484	24,575,432	26,923,643
Caswell County Schools	19,206,930	1,795,642	1,302,835			63,434	22,368,840	22,625,738
Bertie County Schools	18,418,665	2,506,759	1,698,745		435,300		22,646,653	28,981,339
Clinton City Schools	18,077,793	2,188,159	1,761,287		200,000	111,986	22,574,525	30,858,111
Roanoke Rapids City Schools	17,886,285	1,844,629	1,237,147			87,557	21,255,618	21,726,606
Madison County Schools	17,645,429	1,631,744	726,653		236,460	43,419	20,047,244	21,250,905
Newton-Conover City Schools	17,487,665	1,997,004	1,195,914			94,940	21,011,982	21,093,920
Warren County Schools	17,312,255	1,909,194	1,532,957			64,916	20,819,322	30,924,089
Northampton County Schools	16,024,361	2,814,932	1,216,374			54,016	20,109,683	28,288,743
Yancey County Schools	15,990,264	1,805,655	687,333	27,434	169,071	27,680	18,707,437	18,072,300
Polk County Schools	15,843,449	1,603,020	894,047		94,527	150,928	18,585,970	33,725,494
Avery County Schools	15,550,585	1,607,642	799,757			39,035	17,997,019	19,390,137
Whiteville City Schools	15,130,283	2,281,391	1,595,189		185,950	23,796	19,216,609	18,740,309
Mitchell County Schools	14,834,998	1,312,326	615,372	14,472	163,978	22,385	16,963,531	19,232,498
Edenton-Chowan County Schools	14,834,470	1,582,342	811,673		103,573	62,653	17,394,711	18,657,810
Thomasville City Schools	14,543,011	2,346,295	2,098,315			25,156	19,012,777	21,233,082
Swain County Schools	14,126,378	1,340,216	972,162		81,684	56,888	16,577,328	18,675,940
Gates County Schools	13,271,517	597,243	308,612			75,623	14,252,994	13,977,203
Washington County Schools	12,945,020	1,100,263	530,953		123,800	49,706	14,749,742	31,185,858
Perquimans County Schools	12,345,705	2,059,178	1,153,604		119,224	48,993	15,726,704	20,224,853
Pamlico County Schools	12,278,384	1,347,995	667,635			42,975	14,336,989	18,258,652
Alleghany County Schools	11,150,997	1,202,539	544,583	29,203	96,024	42,815	13,066,161	12,890,405
Mount Airy City Schools	10,839,379	1,191,262	712,625		110,138	39,957	12,722,154	12,432,383
Clay County Schools	10,443,266	801,395	456,921			40,583	11,742,165	11,927,254
Jones County Schools	10,135,026	1,890,107	726,255		149,300	29,012	12,916,670	18,693,438
Graham County Schools	9,890,579	981,907	473,896		339,003	17,957	11,955,701	12,623,714
Elizabeth City/Pasquotank County Schools	8,124,850	1,063,968	320,688			46,440	11,144,675	10,728,500
Weldon City Schools	7,802,827	3,669,253	658,533			36,567	12,151,358	13,759,195
Hyde County Schools	7,456,293	1,100,380	278,490			27,381	9,589,121	10,712,093
Tyrrell County Schools		712,143					8,446,926	10,729,390
Residential Schools	6,803,937	517,299	334,668		40,000	3,077	7,698,981	8,744,283
			119,431				119,431	107,358
Total Grants and Aid to School Districts	\$ 8,427,305,346	\$ 852,411,055	\$ 521,259,374	\$ 12,236,220	\$ 91,028,169	\$ 36,337,622	\$ 9,940,577,786	\$ 9,635,887,232

**North Carolina Department of Public Instruction
Supplementary Information
Schedule of Grants and Aid Paid to Charter Schools (Alphabetically by County)
General Fund**

**Schedule D-6
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For the Fiscal Year Ended June 30, 2017 (With Comparative Totals for 2016)

County of Location	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2017 Total	2016 Total
Alamance	Clover Garden School	\$ 3,668,861	\$ 143,309	\$ 0	\$ 3,812,170	\$ 3,501,404
Alamance	River Mill	4,202,037	160,373		4,362,410	3,832,850
Alamance	The Hawbridge School	1,706,415			1,748,544	1,735,372
Avery	Grandfather Academy	167,962	67,600		235,562	291,591
Avery	Marjorie Williams Academy	838,939	285,598	104,365	1,228,902	1,203,549
Beaufort	Washington Montessori Charter	2,257,746	77,003		2,334,749	2,024,380
Bertie	Heritage Collegiate Leadership	2,174,285	198,686	232,213	2,605,184	2,334,248
Bladen	Paul R Brown Leadership Academy	873,618	79,099		952,717	775,002
Brunswick	Charter Day School	5,013,734	173,050		5,186,784	5,207,946
Brunswick	South Brunswick Charter School	1,502,889	33,492		1,536,381	1,044,525
Buncombe	Evergreen Community Charter	2,465,186	103,393		2,568,579	2,517,625
Buncombe	Fernleaf Community Charter School	991,987	25,460		1,017,447	
Buncombe	Francine Delany New School	1,032,761	56,958		1,089,719	988,651
Buncombe	Invest Collegiate (Buncombe)	4,375,291	136,709		4,512,000	3,699,245
Buncombe	The Artspace Charter School	2,298,412	96,288		2,394,700	2,387,903
Buncombe	The Franklin School of Innovation	2,325,046	140,127		2,465,173	2,043,676
Burke	The New Dimensions School	1,789,192	66,984		1,856,176	1,645,342
Cabarrus	ACE Academy	2,082,240	93,678	65,598	2,241,516	1,691,388
Cabarrus	Cabarrus Charter Academy	7,518,132	435,557	123,264	8,076,953	6,104,075
Cabarrus	Carolina International School	4,540,917	129,400		4,670,317	4,361,534
Cabarrus	Kannapolis Charter Academy	2,462,159	140,557	119,130	2,721,846	
Carteret	Tiller School	1,145,048	32,508		1,177,556	1,192,047
Chatham	Chatham Charter School	2,961,400	83,207		3,044,607	2,927,490
Chatham	The Woods Charter School	2,943,138	67,394	2,986	3,013,518	2,888,668
Chatham	Willow Oak Montessori	1,012,570	28,064		1,040,634	817,519
Cherokee	Learning Center (The)	1,363,856	75,515	70,712	1,510,083	1,467,756
Cleveland	Pinnacle Classical Academy	3,353,975	55,107		3,409,082	2,609,003
Columbus	Columbus Charter School	5,870,148	216,705		6,086,853	5,764,985
Columbus	Flemington Academy	662,812	48,797		711,609	615,228
Cumberland	Alpha Academy	3,852,713	392,212		4,244,925	4,280,863
Cumberland	The Capitol Encore Academy	1,954,470	115,940	81,152	2,151,562	1,710,502
Currituck	Waters Edge Village School	220,196	4,708		224,904	155,598
Durham	Carter Community School	1,462,610	167,798	149,452	1,779,860	1,842,615
Durham	Excelsior Classical Academy	3,342,427	72,677	48,774	3,463,878	2,697,778
Durham	Global Scholars Academy Charter	2,021,551	42,324		2,063,875	1,362,371
Durham	Heathly Start Academy Charter	1,234,933	383,774	146,410	1,765,117	1,720,649
Durham	Kestrel Heights School	2,201,497	402,233	231,579	2,835,309	2,668,627
Durham	KIPP Durham College Preparatory	5,846,001	137,527	62,577	6,046,105	6,085,678
Durham	Maureen Joy Charter School	1,035,607	128,066	137,467	1,301,140	637,439

**North Carolina Department of Public Instruction
Supplementary Information
Schedule of Grants and Aid Paid to Charter Schools (Alphabetically by County)
General Fund**

**Schedule D-6
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For the Fiscal Year Ended June 30, 2017 (With Comparative Totals for 2016)

County of Location	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2017 Total	2016 Total
Durham	NC Connections	3,748,606	349,132	314,814	4,412,552	4,212,932
Guilford	Greensboro Academy	9,809,373	493,630		10,303,003	
Durham	Reaching All Minds Academy	9,527,221	411,062		9,938,283	7,905,244
Durham	Research Triangle Charter Academy	1,262,972	100,628	3,438	1,367,038	968,750
Durham	Research Triangle High School	3,883,306	257,570	210,153	4,351,029	4,399,441
Durham	The Central Park School For Children	2,893,355	93,115		2,986,470	2,568,234
Durham	The Institute for the Develop	1,086,397	26,160		1,112,557	898,920
Durham	Voyager Academy Charter	7,742,526	226,608		7,969,134	7,797,276
Edgecombe	North East Carolina Preparatory	6,460,715	444,611	291,899	7,197,225	7,595,859
Forsyth	Arts-Based Elementary	2,926,719	83,910		3,010,629	2,954,426
Forsyth	Carter G Woodson School Challenge	2,808,826	503,243	308,714	3,620,783	3,308,424
Forsyth	Forsyth Academies	3,800,228	348,472	252,596	4,401,296	4,665,671
Forsyth	Quality Education Academy	2,980,803	253,024	313,686	3,547,513	3,238,804
Forsyth	The North Carolina Leadership	3,951,935	95,520		4,047,455	3,446,406
Franklin	Crosscreek Charter	1,309,463	35,911		1,345,374	1,214,750
Gaston	Mountain Island Charter School	7,436,822	270,680	70,418	7,777,920	7,131,374
Gaston	Piedmont Community School	7,054,732	258,440		7,313,172	6,652,315
Granville	Falls Lake Academy	4,064,397	100,312		4,164,709	3,316,601
Granville	Oxford Preparatory High School	2,006,526			2,054,036	1,294,615
Granville	Youngsville Academy	1,186,461	47,510		1,186,461	741,534
Guilford	Comerstone Academy	5,087,806	122,714		5,210,520	4,366,793
Guilford	Gate City Charter Academy	2,480,235	124,930	199,152	2,804,317	
Guilford	Greensboro Academy	3,984,816	119,092		4,103,908	4,007,666
Guilford	Guilford Charter School	1,546,569	180,683	134,249	1,861,501	1,657,879
Guilford	Phoenix Academy	6,505,733	186,358		6,692,091	5,616,872
Guilford	Piedmont Classical High School	1,231,259	50,447		1,281,706	694,644
Guilford	Summerfield Charter Academy	4,000,768	123,117	34,254	4,158,139	4,075,231
Guilford	The College Preparatory and Leadership	2,820,218	305,071	329,978	3,455,267	3,000,831
Guilford	Triad Math and Science	6,701,049	446,318	225,305	7,372,672	6,862,420
Halifax	KIPP Halifax College Preparatory	1,758,758	156,382	211,710	2,126,850	1,369,188
Hamett	Anderson Creek Club	1,360,471	31,919		1,392,390	1,241,499
Haywood	Shining Rock Classical Academy	1,897,449	49,466		1,946,915	1,286,477
Henderson	The Mountain Community School	1,179,069	62,829		1,241,898	1,187,801
Iredell	American Renaissance Middle School	3,045,030	97,205		3,142,235	3,098,713
Iredell	Iredell Charter Academy	1,888,092	91,341	46,611	2,026,044	
Iredell	Langtree Charter Academy	8,260,311	207,138	54,466	8,521,915	6,065,905
Iredell	Pine Lake Preparatory	9,661,184	230,836		9,892,020	9,190,679
Iredell	Success Institute	557,630	145,764	79,082	782,476	747,524
Jackson	Summit Charter School	1,407,597	31,475		1,439,072	1,196,027
Johnston	Neuse Charter School	5,248,759	174,468		5,423,227	4,877,299

**North Carolina Department of Public Instruction
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General Fund**

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For the Fiscal Year Ended June 30, 2017 (With Comparative Totals for 2016)

County of Location	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2017 Total	2016 Total
Lenoir	Children's Village Academy	1,093,271	410,244	149,981	1,653,496	1,756,381
Lincoln	Lincoln Charter School	10,721,473	263,134		10,984,607	10,266,868
Martin	Bear Grass Charter School	2,546,909	58,940		2,605,849	2,362,771
Martin	North East Regional School	1,936,836	27,498		1,964,334	1,703,275
Mecklenburg	Aristotle Preparatory Academy	888,233	53,778	109,789	1,051,800	1,058,423
Mecklenburg	Bradford Preparatory School	5,233,539	132,826		5,366,365	3,679,713
Mecklenburg	Charlotte Choice Charter	1,597,672	298,900	42,132	1,938,704	2,018,906
Mecklenburg	Charlotte Lab School	1,918,099	42,011		1,960,110	1,427,142
Mecklenburg	Charlotte Learning Academy	1,511,966	153,140	71,805	1,736,911	1,416,371
Mecklenburg	Charlotte Secondary	2,279,301	98,437		2,377,738	2,797,539
Mecklenburg	Commonwealth High School	1,475,312			1,475,312	1,219,386
Mecklenburg	Community Charter School	520,972	50,841		571,813	635,224
Mecklenburg	Community School of Davidson	7,535,518	202,494		7,738,012	7,406,196
Mecklenburg	Corvian Community School	3,780,420	136,325		3,916,745	3,350,859
Mecklenburg	Crossroads Charter High		(5,275)		(5,275)	1,089,663
Mecklenburg	Invest Collegiate	2,548,691	134,007		2,682,698	4,003,310
Mecklenburg	Kennedy Charter					2,692,722
Mecklenburg	Kipp Charlotte Charter School	2,885,748	313,985	223,057	3,422,790	2,553,155
Mecklenburg	Lake Norman Charter School	8,315,700	209,441		8,525,141	8,257,779
Mecklenburg	Mallard Creek Stem Academy	2,644,280	55,799	11,615	2,711,694	
Mecklenburg	Matthews-Mint Hill Charter Academy	2,820,575	91,286	74,384	2,986,245	
Mecklenburg	Metrolina Regular Scholars' Academy	1,922,463	42,864		1,965,327	1,883,241
Mecklenburg	Pioneer Springs Community School	1,466,416	40,256		1,506,672	1,171,407
Mecklenburg	Queen City Stem School	1,845,416	41,541		1,886,957	1,425,475
Mecklenburg	Queens Grant Community School	6,584,916	199,540	60,104	6,844,560	6,695,078
Mecklenburg	Socrates Academy	3,570,998	91,613		3,662,611	3,541,544
Mecklenburg	Stewart Creek High School	776,308			776,308	924,425
Mecklenburg	Student First Academy	7,941,857	856,474	927,553	9,725,884	8,514,331
Mecklenburg	Sugar Creek Charter School		(193,549)		(193,549)	
Mecklenburg	Thunderbird Preparatory School	889,857	99,764		989,621	2,541,187
Mecklenburg	United Community School	1,048,574	28,740		1,077,314	925,351
Mecklenburg	Veritas Community School	747,806	19,642		767,448	559,628
Moore	Sandhills Theatre Arts Renaissance School (STARS)	2,485,156	99,790		2,584,946	2,253,469
Moore	The Academy of Moore County	1,568,130	39,911		1,608,041	1,337,707
Nash	Rocky Mount Public Charter	6,971,523	541,079	460,545	7,973,147	8,236,481
New Hanover	Cape Fear Center for Inquiry	2,349,254	55,792		2,405,046	2,339,422
New Hanover	Douglass Academy	1,241,754	149,281	117,148	1,508,183	805,622
New Hanover	Girls Leadership Academy of Wilmington	529,685	33,355	42,054	605,094	
New Hanover	Island Montessori Charter	1,250,246	52,924		1,303,170	1,075,192
New Hanover	Wilmington Preparatory	748,160	53,187		801,347	795,740

**North Carolina Department of Public Instruction
Supplementary Information
Schedule of Grants and Aid Paid to Charter Schools (Alphabetically by County)
General Fund**

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For the Fiscal Year Ended June 30, 2017 (With Comparative Totals for 2016)

County of Location	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2017 Total	2016 Total
Northampton	Gaston College Preparatory	9,879,150	460,648	751,103	11,090,901	10,502,067
Onslow	Zeca School of Arts and Technology	673,282	158,811	67,051	899,144	955,738
Orange	Orange Charter School	1,769,161	44,695		1,813,856	1,447,340
Orange	The Expedition School	1,919,521	60,437		1,979,958	1,708,466
Pamlico	Arapahoe Chtr School	4,027,814	227,660	158,188	4,413,662	4,205,084
Pasquotank	NE Academy of Aerospace	1,454,886	49,996		1,504,882	760,218
Person	Bethel Hill Charter School	2,274,427	106,519	95,030	2,475,976	2,415,826
Person	Roxboro Community School	4,003,706	128,028		4,131,734	3,919,129
Pitt	Ignite Innovation Academy- Pitt	999,016			1,068,313	
Pitt	Winterville Charter Academy	3,102,354	172,698	88,711	3,363,763	2,789,475
Randolph	Uwharrie Charter Academy	4,606,524	133,234		4,739,758	4,224,603
Robeson	CIS Academy	838,589	90,950	24,591	954,130	932,048
Robeson	Southeastern Academy	1,325,051	41,539		1,366,590	1,287,771
Robeson	Bethany Community Middle School	1,637,821	65,950		1,703,771	1,569,135
Rockingham	Lake Lure Classical Academy	2,470,961	118,146		2,589,107	2,551,750
Rutherford	Thomas Jefferson Classical	7,604,059	164,399		7,768,458	7,423,153
Rutherford	Gray Stone Day School	2,568,348	48,150		2,616,498	2,484,448
Stanly	Millennium Charter	4,758,557	95,105		4,853,662	4,241,016
Surry	Mountain Discovery School	1,345,835	75,215		1,421,050	1,389,996
Swain	Brevard Academy	1,859,095	66,039		1,925,134	1,697,928
Transylvania	Union Academy	7,636,753	220,303	3,703	7,860,759	7,588,404
Union	Union Day School	1,430,287	31,800		1,462,087	
Union	Union Prep Academy at Indian Trail	3,331,679	126,346	73,394	3,531,419	
Vance	Henderson Collegiate	5,367,262	551,696	593,087	6,512,045	4,859,700
Vance	Vance Charter School	4,374,507	78,291		4,452,798	3,688,847
Wake	Cardinal Charter	5,770,385	196,618	47,148	6,014,151	4,804,209
Wake	Casa Esperanza	2,686,707	73,313		2,760,020	2,495,848
Wake	Central Wake Charter High School	650,385			650,385	
Wake	East Wake Academy	6,097,981	213,473		6,311,454	6,200,381
Wake	Endeavor Charter School	2,707,216	71,470		2,778,686	2,724,648
Wake	Envision Science Academy	3,184,354	84,936		3,269,290	2,145,008
Wake	Exploris Middle School	2,338,673	72,635		2,411,308	2,351,263
Wake	Franklin Academy	8,492,541	270,813		8,763,354	8,308,763
Wake	Hope Elementary School	748,094	171,067	74,782	993,943	833,373
Wake	Longleaf School of the Arts	1,861,979	74,637		1,936,616	1,644,116
Wake	Magellan Charter School	2,217,720	71,001		2,288,721	2,240,713
Wake	Pave Southeast Raleigh Charter	1,216,811	167,372	167,192	1,551,375	691,365
Wake	Premier Charter School	3,463,375	336,448	257,436	4,057,259	4,079,078
Wake	Quest Academy	807,147	17,685		824,832	784,597
Wake	Raleigh Charter High School	2,863,551	76,779		2,940,330	2,865,249
Wake	Southern Wake Academy	2,787,428	78,357		2,865,785	2,242,205
Wake	Sterling Montessori Academy	3,240,114	85,713		3,325,827	3,245,917
Wake	Torchlight Academy	3,003,087	300,924	391,382	3,695,393	3,537,878
Wake	Triangle Math and Science	4,198,759	155		4,198,914	3,261,013

**North Carolina Department of Public Instruction
Supplementary Information
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County of Location	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2017 Total	2016 Total
Wake	Wake Forest Charter Academy	3,627,763	121,999	40,902	3,790,664	3,208,256
Warren	Haliwa Saponi Tribal School	1,308,137	131,228	85,672	1,525,037	1,508,636
Watauga	Two Rivers Community School	1,015,176	44,420		1,059,596	1,092,034
Wayne	Dillard Academy	1,834,408	514,654	249,032	2,598,094	2,344,673
Wayne	Wayne Preparatory	3,616,102	119,020		3,735,122	3,220,742
Wilkes	Bridges Charter School	1,347,700	143,599	94,059	1,585,358	1,469,955
Wilson	Sallie B Howard School	5,073,136	695,402	588,332	6,356,870	6,139,508
Wilson	Wilson Preparatory Academy	3,090,219	135,057	75,438	3,300,714	2,490,312
Total Grants and Aid to Charter Schools		\$ 520,037,574	\$ 25,111,839	\$ 10,872,604	\$ 556,022,017	\$ 485,002,344

North Carolina Department of Public Instruction
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County	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2017 Total	2016 Total
Lincoln	Lincoln Charter School	\$ 10,721,473	\$ 263,134	\$ 0	10,984,607	\$ 10,266,868
Northampton	Gaston College Preparatory	9,879,150	460,648	751,103	11,090,901	10,502,067
Durham	NC Connections	9,809,373	493,630		10,303,003	8,019,333
Iredell	Pine Lake Preparatory	9,661,184	230,836		9,892,020	9,190,679
Durham	NC Virtual Academy	9,527,221	411,062		9,938,283	7,905,244
Wake	Franklin Academy	8,492,541	270,813		8,763,354	8,308,763
Mecklenburg	Lake Norman Charter School	8,315,700	209,441		8,525,141	8,257,779
Iredell	Langtree Charter Academy	8,260,311	207,138	54,466	8,521,915	6,065,905
Mecklenburg	Sugar Creek Charter School	7,941,857	856,474	927,553	9,725,884	8,514,331
Durham	Voyager Academy Charter	7,742,526	226,608		7,969,134	7,797,276
Union	Union Academy	7,636,753	220,303	3,703	7,860,759	7,588,404
Rutherford	Thomas Jefferson Classical	7,604,059	164,399		7,768,458	7,423,153
Mecklenburg	Community School of Davidson	7,535,518	202,494		7,738,012	7,406,196
Cabarrus	Cabarrus Charter Academy	7,518,132	435,557	123,264	8,076,953	6,104,075
Gaston	Mountain Island Charter School	7,436,822	270,680	70,418	7,777,920	7,131,374
Gaston	Piedmont Community School	7,054,732	258,440		7,313,172	6,652,315
Nash	Rocky Mount Public Charter	6,971,523	541,079	460,545	7,973,147	8,236,481
Guilford	Triad Math and Science	6,701,049	446,318	225,305	7,372,672	6,862,420
Mecklenburg	Queens Grant Community School	6,584,916	199,540	60,104	6,844,560	6,695,078
Guilford	Phoenix Academy	6,505,733	186,358		6,692,091	5,616,872
Edgecombe	North East Carolina Preparatory	6,460,715	444,611	291,899	7,197,225	7,595,859
Wake	East Wake Academy	6,097,981	213,473		6,311,454	6,200,381
Columbus	Columbus Charter School	5,870,148	216,705		6,086,853	5,764,985
Durham	Kestrel Heights School	5,846,001	137,527	62,577	6,046,105	6,085,678
Wake	Cardinal Charter	5,770,385	196,618	47,148	6,014,151	4,804,209
Vance	Henderson Collegiate	5,367,262	551,696	593,087	6,512,045	4,859,700
Johnston	Neuse Charter School	5,248,759	174,468		5,423,227	4,877,299
Mecklenburg	Bradford Preparatory School	5,233,539	132,826		5,366,365	3,679,713
Guilford	Cornerstone Academy	5,087,806	122,714		5,210,520	4,366,793
Wilson	Sallie B Howard School	5,073,136	695,402	588,332	6,356,870	6,139,508
Brunswick	Charter Day School	5,013,734	173,050		5,186,784	5,207,946
Surry	Millennium Charter	4,758,557	95,105		4,853,662	4,241,016
Randolph	Uwharrie Charter Academy	4,606,524	133,234		4,739,758	4,224,603
Cabarrus	Carolina International School	4,540,917	129,400		4,670,317	4,361,534
Buncombe	Invest Collegiate (Buncombe)	4,375,291	136,709		4,512,000	3,699,245
Vance	Vance Charter School	4,374,507	78,291		4,452,798	3,688,847
Alamance	River Mill	4,202,037	160,373		4,362,410	3,832,850
Wake	Triangle Math and Science	4,198,759	155		4,198,914	3,261,013
Granville	Falls Lake Academy	4,064,397	100,312		4,164,709	3,316,601

**North Carolina Department of Public Instruction
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County of Location	Charter School Name	Slate Funds	Federal Grant Funds	Federal Child Nutrition Funds	2017 Total	2016
Guilford	Summerfield Charter Academy	4,000,768	123,117	34,254	4,158,139	4,075,231
Guilford	Greensboro Academy	3,984,816	119,092		4,103,908	
Forsyth	The North Carolina Leadership	3,951,935	95,520		4,047,455	3,446,406
Durham	Research Triangle Charter Academy	3,883,306	257,570	210,153	4,351,029	4,399,441
Cumberland	Alpha Academy	3,852,713	392,212		4,244,925	4,280,863
Forsyth	Forsyth Academies	3,800,228	348,472	252,596	4,401,296	4,665,671
Mecklenburg	Corvian Community School	3,780,420	136,325		3,916,745	3,350,859
Durham	Maureen Joy Charter School	3,748,606	349,132	314,814	4,412,552	4,212,932
Alamance	Clover Garden School	3,668,861	143,309		3,812,170	3,501,404
Wake	Wake Forest Charter Academy	3,627,763	121,999	40,902	3,790,664	3,208,256
Wayne	Wayne Preparatory	3,616,102	119,020		3,735,122	3,220,742
Mecklenburg	Socrates Academy	3,570,998	91,613		3,662,611	3,541,544
Wake	Preeminent Charter School	3,463,375	336,448	257,436	4,057,259	4,079,078
Cleveland	Pinnacle Classical Academy	3,353,975	55,107		3,409,082	2,609,003
Durham	The Central Park School For Children	3,342,427	72,677	48,774	3,463,878	2,697,778
Union	Union Prep Academy at Indian Trail	3,331,679	126,346	73,394	3,531,419	
Wake	Sterling Montessori Academy	3,240,114	85,713		3,325,827	
Wake	Envision Science Academy	3,184,354	84,936		3,269,290	
Pitt	Winterville Charter Academy	3,102,354	172,698		3,363,763	3,245,917
Wilson	Wilson Preparatory Academy	3,090,219	135,057	88,711	3,300,714	2,145,008
Iredell	American Renaissance Middle School	3,045,030	97,205	75,438	3,142,235	2,789,475
Wake	Torchlight Academy	3,003,087	300,924		3,300,714	2,490,312
Forsyth	Quality Education Academy	2,980,803	253,024	391,382	3,695,393	3,098,713
Chatham	Chatham Charter School	2,961,400	83,207	313,686	3,547,513	3,537,878
Chatham	The Woods Charter School	2,943,138	67,394		3,044,607	3,238,804
Forsyth	Arts-Based Elementary	2,926,719	83,910	2,986	3,013,518	2,927,490
Durham	Research Triangle High School	2,893,355	93,115		3,010,629	2,888,668
Mecklenburg	Kipp Charlotte Charter School	2,885,748	313,985		2,986,470	2,954,426
Wake	Raleigh Charter High School	2,863,551	76,779	223,057	3,422,790	2,568,234
Mecklenburg	Matthews-Mint Hill Charter Academy	2,820,575	91,286		2,940,330	2,553,155
Guilford	The College Preparatory and Leadership	2,820,218	305,071	74,384	2,986,245	2,865,249
Forsyth	Carter G Woodson School Challenge	2,808,826	503,243	329,978	3,455,267	3,000,831
Wake	Southern Wake Academy	2,787,428	78,357	308,714	3,620,783	3,308,424
Wake	Endeavor Charter School	2,707,216	71,470		2,865,785	2,242,205
Wake	Casa Esperanza	2,686,707	73,313		2,778,686	2,724,648
Mecklenburg	Mallard Creek Stem Academy	2,644,280	55,799	11,615	2,760,020	2,495,848
Stanly	Gray Stone Day School	2,568,348	48,150		2,711,694	
Mecklenburg	Invest Collegiate	2,548,691	134,007		2,616,498	2,484,448
Martin	Bear Grass Charter School	2,546,909	58,940		2,682,698	4,003,310
Moore	Sandhills Theatre Arts Renaissance Schoole (STARS)	2,485,156	99,790		2,605,849	2,362,771
					2,584,946	2,253,469

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County	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2017 Total	2016 Total
Guilford	Gate City Charter Academy	2,480,235	124,930	199,152	2,804,317	2,551,750
Rutherford	Lake Lure Classical Academy	2,470,361	118,146		2,589,107	2,517,625
Buncombe	Evergreen Community Charter	2,465,186	103,393		2,568,579	
Cabarrus	Kannapolis Charter Academy	2,462,159	140,557	119,130	2,721,846	
New Hanover	Cape Fear Center for Inquiry	2,349,254	55,792		2,405,046	2,339,422
Wake	Exploris Middle School	2,338,673	72,635		2,411,308	2,351,263
Buncombe	The Franklin School of Innovation	2,325,046	140,127		2,465,173	2,043,676
Buncombe	The Artspace Charter School	2,298,412	96,288		2,394,700	2,387,903
Mecklenburg	Charlotte Secondary	2,279,301	98,437		2,377,738	2,797,539
Person	Bethel Hill Charter School	2,274,427	106,519		2,475,976	2,415,826
Beaufort	Washington Montessori Charter	2,257,746	77,003	95,030	2,434,749	2,024,380
Wake	Magellan Charter School	2,217,720	71,001		2,288,721	2,240,713
Durham	Heathly Start Academy Charter	2,201,497	402,233		2,835,309	2,668,627
Bertie	Heritage Collegiate Leadership	2,174,285	198,686	231,579	2,605,184	2,334,248
Cabarrus	ACE Academy	2,082,240	93,678	65,598	2,241,516	1,691,388
Durham	Excelsior Classical Academy	2,021,551	42,324		2,063,875	1,362,371
Granville	Oxford Preparatory High School	2,006,526	47,510		2,054,036	1,294,615
Cumberland	The Capitol Encore Academy	1,954,470	115,940	81,152	2,151,562	1,710,502
Martin	North East Regional School	1,936,836	27,498		1,964,334	1,703,275
Mecklenburg	Metrolina Regular Scholars' Academy	1,922,463	42,864		1,965,327	1,883,241
Orange	The Expedition School	1,919,521	60,437		1,979,958	1,708,466
Mecklenburg	Charlotte Lab School	1,918,099	42,011		1,960,110	1,427,142
Haywood	Shining Rock Classical Academy	1,897,449	49,466		1,946,915	1,286,477
Iredell	Iredell Charter Academy	1,888,092	91,341	46,611	2,026,044	
Wake	Longleaf School of the Arts	1,861,979	74,637		1,936,616	1,644,116
Transylvania	Brevard Academy	1,859,095	66,039		1,925,134	1,697,928
Mecklenburg	Queen City Stem School	1,845,416	41,541		1,886,957	1,425,475
Wayne	Dillard Academy	1,834,408	514,654	249,032	2,598,094	2,344,673
Burke	The New Dimensions School	1,789,192	66,984		1,856,176	1,645,342
Orange	Orange Charter School	1,769,161	44,695		1,813,856	1,447,340
Halifax	KIPP Halifax College Preparatory	1,758,758	156,382	211,710	2,126,850	1,369,188
Alamance	The Hawbridge School	1,706,415	42,129		1,748,544	1,735,372
Rockingham	Bethany Community Middle School	1,637,821	65,950		1,703,771	1,569,135
Mecklenburg	Charlotte Choice Charter	1,597,672	298,900	42,132	1,938,704	2,018,906
Moore	The Academy of Moore County	1,568,130	39,911		1,608,041	1,337,707
Guilford	Guilford Charter School	1,546,569	180,683	134,249	1,861,501	1,657,879
Mecklenburg	Charlotte Learning Academy	1,511,966	153,140	71,805	1,736,911	1,416,371
Brunswick	South Brunswick Charter School	1,502,889	33,492		1,536,381	1,044,525
Mecklenburg	Commonwealth High School	1,475,312			1,475,312	1,219,386

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County	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2017 Total	2016 Total
Mecklenburg	Pioneer Springs Community School	1,466,416	40,256		1,506,672	1,171,407
Durham	Carter Community School	1,462,610	167,798		1,779,860	1,842,615
Pasquotank	NE Academy of Aerospace	1,454,886	49,996	149,452	1,504,882	760,218
Union	Union Day School	1,430,287	31,800		1,462,087	
Jackson	Summit Charter School	1,407,597	31,475		1,439,072	1,196,027
Cherokee	Learning Center (The)	1,363,856	75,515	70,712	1,510,083	1,467,756
Harnett	Anderson Creek Club	1,360,471	31,919		1,392,390	1,241,499
Wilkes	Bridges Charter School	1,347,700	143,599	94,059	1,585,358	1,469,955
Swain	Mountain Discovery School	1,345,835	75,215		1,421,050	1,389,996
Robeson	Southeastern Academy	1,325,051	41,539		1,366,590	1,287,771
Franklin	Crosscreek Charter	1,309,463	35,911		1,345,374	1,214,750
Warren	Haliwa Saponi Tribal School	1,308,137	131,228	85,672	1,525,037	1,508,636
Durham	Reaching All Minds Academy	1,262,972	100,628	3,438	1,367,038	968,750
New Hanover	Island Montessori Charter	1,250,246	52,924		1,303,170	1,075,192
New Hanover	Douglass Academy	1,241,754	149,281	117,148	1,508,183	805,622
Durham	Global Scholars Academy Charter	1,234,933	383,774	146,410	1,765,117	1,720,649
Guilford	Piedmont Classical High School	1,231,259	50,447		1,281,706	694,644
Wake	Pave Southeast Raleigh Charter	1,216,811	167,372	167,192	1,551,375	691,365
Granville	Youngsville Academy	1,186,461			1,186,461	741,534
Henderson	The Mountain Community School	1,179,069	62,829		1,241,898	1,187,801
Carteret	Tiller School	1,145,048	32,508		1,177,556	1,192,047
Lenoir	Children's Village Academy	1,093,271	410,244	149,981	1,653,496	1,756,381
Durham	The Institute for the Develop	1,086,397	26,160		1,112,557	898,920
Mecklenburg	United Community School	1,048,574	28,740		1,077,314	925,351
Durham	KIPP Durham College Preparatory	1,035,607	128,066	137,467	1,301,140	637,439
Buncombe	Francine Delany New School	1,032,761	56,958		1,089,719	988,651
Watauga	Two Rivers Community School	1,015,176	44,420		1,059,596	1,092,034
Chatham	Willow Oak Montessori	1,012,570	28,064		1,040,634	817,519
Pitt	Ignite Innovation Academy- Pitt	999,016	69,297		1,068,313	
Buncombe	Fernleaf Community Charter School	991,987	25,460		1,017,447	2,541,187
Mecklenburg	Thunderbird Preparatory School	889,857	99,764	109,789	989,621	1,058,423
Mecklenburg	Aristotle Preparatory Academy	888,233	53,778		1,051,800	775,002
Bladen	Paul R Brown Leadership Academy	873,618	79,099	104,365	952,717	1,203,549
Avery	Marjorie Williams Academy	838,939	285,598	24,591	1,228,902	932,048
Robeson	CIS Academy	838,589	90,950		954,130	784,597
Wake	Quest Academy	807,147	17,685		824,832	776,308
Mecklenburg	Stewart Creek High School	776,308			776,308	924,425
New Hanover	Wilmington Preparatory	748,160	53,187		801,347	795,740
Wake	Hope Elementary School	748,094	171,067	74,782	993,943	833,373
Mecklenburg	Veritas Community School	747,806	19,642		767,448	559,628
Onslow	Zeca School of Arts and Technology	673,282	158,811	67,051	899,144	955,738
Columbus	Flemington Academy	662,812	48,797		711,609	615,228

**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, 2017 (With Comparative Totals for 2016)

**Schedule D-7
Page 5 of 5**

County	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2017 Total	2016 Total
Wake	Central Wake Charter High School	650,385			650,385	
Iredell	Success Institute	557,630			782,476	747,524
New Hanover	Girls Leadership Academy of Wilmington	529,685	145,764	79,082	605,094	
Mecklenburg	Community Charter School	520,972	33,355	42,054	571,813	635,224
Currituck	Waters Edge Village School	220,196	50,841		224,904	155,598
Avery	Grandfather Academy	167,962	4,708		235,562	291,591
Mecklenburg	Student First Academy		67,600		(193,549)	
Mecklenburg	Crossroads Charter High		(193,549)		(5,275)	1,089,663
Mecklenburg	Kennedy Charter		(5,275)			2,692,722
Total Grants and Aid to Charter Schools		\$ 520,037,574	\$ 25,111,839	\$ 10,872,604	\$ 556,022,017	\$ 485,002,344



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, 2017, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated April 9, 2018.

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, 2017, 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

April 9, 2018

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For additional information contact:
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919-807-7513



This audit required 2,517 hours at an approximate cost of \$259,251.