

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



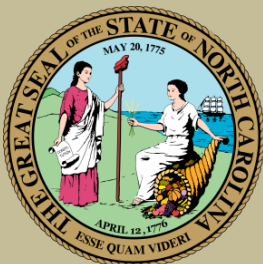
NORTH CAROLINA DEPARTMENT OF PUBLIC INSTRUCTION

RALEIGH, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2018, 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.

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, general and proprietary, and one nonmajor governmental fund. The general 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, 2018 (with comparative totals for June 30, 2017) and the Statement of Revenues, Expenditures, and Changes in Fund Balance for fiscal year ended June 30, 2018 (with comparative totals for the fiscal year ended June 30, 2017) for the Department’s **governmental funds as a whole**.

“**B**” **Exhibits** present the Statement of Net Position as of June 30, 2018 (with comparative totals for June 30, 2017), the Statement of Revenues, Expenses, and Changes in Net Position for fiscal year ended June 30, 2018 (with comparative totals for June 30, 2017), and the Statement of Cash Flows for the fiscal year ended June 30, 2018 (with comparative totals for June 30, 2017) 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.

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

“**C**” **Schedules** present the Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual (Budgetary Basis-Non-GAAP) comparison for the General Fund (for the fiscal year ended June 30, 2018), the schedule of Ten-Year Claims Development Information for the Public School Insurance Fund, and the required supplementary information related to pension and other postemployment benefit plans for the Public School Insurance Fund.

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

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

- D-1 - Revenues by Source (Agrees to total revenues on Exhibit A-2)
- D-2 - Expenditures by Purpose (Agrees to total expenditures on Exhibit A-2 which are presented by natural classification)
- D-3 - 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)
- D-5 - Schedule of Grants and Aid Paid to School Districts (Amount - Sorted Largest to Smallest)
- D-6 - Schedule of Grants and Aid Paid to Charter Schools (Alphabetically by County)
- D-7 - Schedule of Grants and Aid Paid to Charter Schools (Amount - Sorted Largest to Smallest)

Required Information:

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



Beth A. Wood, CPA
State Auditor

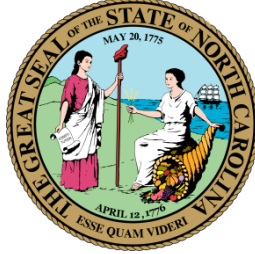
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Article V, Chapter 147 of the *North Carolina General Statutes*, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding.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

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INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



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INDEPENDENT AUDITOR'S REPORT

The State Board of Education
and Management of the North Carolina Department of Public Instruction
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund and the remaining fund information of the North Carolina Department of Public Instruction (Department) as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the remaining fund information of the North Carolina Department of Public Instruction, as of June 30, 2018, 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 and the remaining fund information 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, 2018, 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.

As discussed in Note 17, during the year ended June 30, 2018, the Department adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended by Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Other Matters

Prior Period Information

We have previously audited the accompanying financial statements of each major fund and the remaining fund information of the Department as of June 30, 2017 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 April 9, 2018. The prior year supplementary schedules were derived from and directly related to the underlying accounting and other records used to prepare the basic 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 statements taken as a whole for the year ended June 30, 2017.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial

reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The accompanying supplementary schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The 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, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

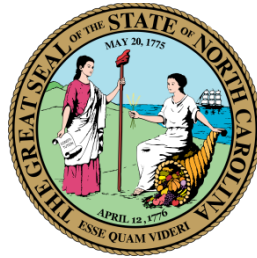
In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2019 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and 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 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

May 3, 2019



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 funds and a proprietary fund for the fiscal year ended June 30, 2018 with comparative information for the fiscal year ended June 30, 2017. 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 governmental funds and a proprietary fund. The governmental funds include the General Fund and Capital Projects Fund. The proprietary fund is known as the Public School Insurance Fund. The Governmental Funds' 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.

Governmental Funds:

- The Balance Sheet presents the governmental funds' 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 flows (revenues and expenditures) of the governmental funds.

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 the General Fund budgetary comparison schedules reconciling the statutory to the generally accepted accounting principles fund balances at fiscal year-end, as well as pension and other postemployment benefits (OPEB)-related disclosures for the 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 Funds

Condensed Balance Sheets

The following Condensed Balance Sheets show the Governmental Funds' financial position at June 30, 2018 and 2017.

	2018	2017 (As Restated)	Change
Assets	\$ 378,401,000	\$ 282,995,857	\$ 95,405,143
Deferred Outflows of Resources	0	0	0
Total Assets and Deferred Outflows	<u>\$ 378,401,000</u>	<u>\$ 282,995,857</u>	<u>\$ 95,405,143</u>
Liabilities	\$ 339,719,764	\$ 286,927,024	\$ 52,792,740
Deferred Inflows of Resources	0	0	0
Fund Balance			
Nonspendable	1,869,947	2,206,449	(336,502)
Restricted	4,608,670	2,544,527	2,064,143
Committed	287,162,320	230,060,581	57,101,739
Unassigned	<u>(254,959,701)</u>	<u>(238,742,724)</u>	<u>(16,216,977)</u>
Total Fund Balance (Deficit)	<u>38,681,236</u>	<u>(3,931,167)</u>	<u>42,612,403</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 378,401,000</u>	<u>\$ 282,995,857</u>	<u>\$ 95,405,143</u>

Total assets increased by \$95.4 million compared to the prior year. The primary cause of this change in assets can be attributed to unexpended cash receipts from civil penalties. Additionally, cash receipts included funding for the Needs-Based Public School Building Fund and School Business System Modernization initiatives which had not yet incurred significant expenditures at year-end. Also, school districts' year-end adjustments result in excess federal cash on hand. This timing difference generates a positive cash flow that varies year to year.

Total liabilities increased by \$52.8 million during the year due mainly to a \$39 million increase in civil penalties held for school districts. The Department allocates these funds to the State Public School Fund and the School Technology Fund. At the end of the fiscal year the balance of funds still held by the Department waiting to be utilized by school districts results in a liability. Unearned revenues and intergovernmental payables are the other key areas affecting total liabilities. Unearned revenues are related to end of the year federal cash balances as mentioned above. Intergovernmental payables are the year-end accruals for State Public School Fund. These payables are for the last two months of the school year for educational staff who select their 10 months' pay to be spread across 12 pay periods versus 10 pay periods. These payments were made in July and August of the next fiscal year. The current year liability increase is attributed to teacher participation in the option as well as salary increases discussed below.

Overall, fund balance increased by \$42.6 million primarily due to lottery and appropriation receipts which are committed for specific purposes and unavailable for other uses.

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

The following Condensed Statements of Revenues, Expenditures, and Changes in Fund Balances show the Governmental Funds' resource flows at June 30, 2018 and 2017.

	2018	2017 (As Restated)	Change
Revenues			
Federal Funds	\$ 1,508,661,799	\$ 1,502,105,658	\$ 6,556,141
Revenues from Other State Agencies	644,697,828	554,446,722	90,251,106
Other Revenues	40,825,344	40,866,644	(41,300)
Total Revenues	<u>2,194,184,971</u>	<u>2,097,419,024</u>	<u>96,765,947</u>
Expenditures			
Grants, State and Federal Aid	10,678,753,863	10,329,626,423	349,127,440
Contracted Services	104,626,173	98,753,521	5,872,652
Salaries and Benefits	137,833,049	142,041,332	(4,208,283)
Supplies and Materials	4,171,408	4,121,179	50,229
Purchases for Resale	447,321	93,913	353,408
Travel	3,259,021	3,911,637	(652,616)
Communication	769,195	746,794	22,401
Utilities	1,087,909	1,159,434	(71,525)
Data Processing Services	22,040,882	22,795,346	(754,464)
Claims and Benefits	2,336,598	2,031,667	304,931
Other Services	1,728,653	2,044,674	(316,021)
Other Fixed Charges	7,582,994	7,572,510	10,484
Expenditures to Other State Agencies	14,951,271	13,521,001	1,430,270
Capital Outlay	74,424,781	75,048,041	(623,260)
Insurance	2,490,563	2,519,363	(28,800)
Other Expenditures	1,504,968	3,418,237	(1,913,269)
Total Expenditures	<u>11,058,008,649</u>	<u>10,709,405,072</u>	<u>348,603,577</u>
Excess Expenditures over Revenues	<u>(8,863,823,678)</u>	<u>(8,611,986,048)</u>	<u>(251,837,630)</u>
Other Financing Sources (Uses)			
State Appropriations	8,895,383,272	8,624,794,672	270,588,600
Sale of Capital Assets	2,275,045	2,554,415	(279,370)
Insurance Recoveries	358,118	244,442	113,676
Transfers, Net	8,419,646	(7,500,472)	15,920,118
Total Other Financing Sources	<u>8,906,436,081</u>	<u>8,620,093,057</u>	<u>286,343,024</u>
Increase in Fund Balance	42,612,403	8,107,009	34,505,394
Fund Balance - Beginning of Year	<u>(3,931,167)</u>	<u>(12,038,176)</u>	<u>8,107,009</u>
Fund Balance - End of Year	<u>\$ 38,681,236</u>	<u>\$ (3,931,167)</u>	<u>\$ 42,612,403</u>

The Department recognized increased revenues of \$96.8 million in the current year; \$90.2 million of that was attributed to revenues from other state agencies, of which the most substantial change was in funding from the lottery. Revenues related to federal funding were \$6.6 million greater in fiscal year 2018, due primarily to an increase in Title I revenues for the year.

Total expenditures increased by \$348.6 million compared to prior fiscal year largely due to a significant increase in salaries to teachers, principals, and other instructional staff in the school districts, as reflected in the grants, state and federal aid caption. The General Assembly approved a pay plan change including veteran teacher bonuses in the 2017 budget.

Other financing sources increased by \$286.3 million over prior fiscal year. This increase is related to the pay plan changes mentioned above for teachers, principals, and other instructional staff in the school districts funded by increased appropriations. Non-recurring funds also contributed to this increase for several programs including textbooks, digital materials, Business Modernization, Education and Workforce Innovation, Sixth and Seventh Grade Career and Technical Education, and pass-through grants. Transfers to and from the state reserve accounts represent legislative approved carry forward and encumbrances for prior and current years.

Budget Variations

General Fund

Data for the General Fund 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 original budgeted revenues and expenditures were significantly lower than the final budgeted numbers. There was a change of \$818.7 million in budgeted revenues and a change of \$508.7 million in budgeted expenditures. Generally, the variances between original and final budget are attributable to the timing and length of the budget preparation process for the fiscal year. The original budget for fiscal year 2017-18 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. The General Assembly also passed legislation which changed the way the Department budgeted for grants. Instead of accounting for the grant in full at the time of the award, the Department now aligns federal funds to the amount projected to be spent by the Department in the fiscal year. Consequently, significant variances in comparing the original and final budgets are expected.

Variances – Final Budget and Actual Results:

In comparing actual results for the year to the final budget, total revenues were \$446.4 million less than budgeted and total expenditures were \$405.1 million less than budgeted. Budgeted revenues and expenditures related to federal funds are the primary reason for the variances. There was \$441.9 million in federal revenues budgeted but not realized as revenue at the end of the fiscal year. Federal receipts are a direct result of federal expenditures. If qualifying federal costs are not incurred during that fiscal year, the receipts also will not occur.

In 2018 the original budget numbers reflect Session Law 2017-57, Section 7.8. This legislation states “the Department of Public Instruction, in consultation with the Office of State Budget and Management, shall align federal funds to accurately reflect the amount projected to be spent by the Department.”

Proprietary Fund – Public School Insurance Fund**Condensed Statements of Net Position**

The following Condensed Statement of Net Position shows the proprietary fund's (Fund) financial position at June 30, 2018 and 2017.

	2018	2017 (As Restated)	Change
Assets			
Current Assets	\$ 113,478,070	\$ 113,165,805	\$ 312,265
Noncurrent Assets	1,084	1,380	(296)
Total Assets	<u>113,479,154</u>	<u>113,167,185</u>	<u>311,969</u>
Deferred Outflows of Resources	<u>121,018</u>	<u>182,457</u>	<u>(61,439)</u>
Liabilities			
Current Liabilities	9,523,454	16,748,305	(7,224,851)
Noncurrent Liabilities	<u>830,910</u>	<u>1,295,866</u>	<u>(464,956)</u>
Total Liabilities	<u>10,354,364</u>	<u>18,044,171</u>	<u>(7,689,807)</u>
Deferred Inflows of Resources	<u>383,964</u>	<u>16,017</u>	<u>367,947</u>
Net Position			
Restricted	2,538	2,730	(192)
Unrestricted	<u>102,859,306</u>	<u>95,286,724</u>	<u>7,572,582</u>
Total Net Position	<u>\$ 102,861,844</u>	<u>\$ 95,289,454</u>	<u>\$ 7,572,390</u>

Comparing the statement between years, total assets increased slightly to total \$113.5 million in fiscal year 2018. The most significant change was the \$7.7 million decrease in total liabilities. This decrease was predominantly due to the impacts of Hurricane Matthew on the 2017 statement. Hurricane Matthew caused a significant increase in claims during fiscal year 2017 including an inflated claims payable liability at the end of the fiscal year. The significant increase in net position for the year is also a reflection of Hurricane Matthew. Revenues remained relatively consistent across both years shown while there was a significant decrease in claims expense in fiscal year 2018, yielding a positive change in net position. Net position is primarily unrestricted and available for the purposes of the Fund.

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

While the Condensed Statement of Net Position shows the financial position of the Proprietary Fund, the following Condensed Statement of Revenues, Expenses, and Changes in Net Position provide answers to the nature and source of changes in net position for the years ended June 30, 2018 and 2017:

	2018	2017*	Change
Operating Revenues			
Insurance Premiums	\$ 12,499,110	\$ 12,317,404	\$ 181,706
Operating Expenses			
Salaries and Benefits	524,652	598,304	(73,652)
Contracted Personal Services	26	96	(70)
Supplies and Materials	1,102	1,343	(241)
Travel	50,662	51,901	(1,239)
Communication	1,756	1,773	(17)
Claims	1,132,041	13,794,984	(12,662,943)
Insurance	3,297,634	3,385,958	(88,324)
Other	5,070	5,484	(414)
Total Operating Expenses	5,012,943	17,839,843	(12,826,900)
Operating Income (Loss)	7,486,167	(5,522,439)	13,008,606
Nonoperating Revenues			
Investment Earnings	86,223	201,399	(115,176)
Increase (Decrease) in Net Position	7,572,390	(5,321,040)	12,893,430
Net Position - Beginning of Year	95,289,454	101,554,009	(6,264,555)
Restatement - OPEB		(943,515)	943,515
Net Position - End of Year	\$ 102,861,844	\$ 95,289,454	\$ 7,572,390

*Note: The year ended June 30, 2017 column is not presented as restated in regards to GASB 75 because actuarial calculations performed do not provide sufficient information to restate revenues, expenses, or cash flows for 2017.

Total operating expenses decreased by \$12.8 million primarily due to a reduction in payments for claims by \$12.7 million compared to prior year. As stated previously, this was a result of the impact of Hurricane Matthew on the 2017 statement. In fiscal year 2018 there was not a comparable event of devastation, which caused claims to be much lower. It is expected that claims will be significantly higher in fiscal year 2019 due again to the impact of hurricanes on North Carolina schools insured by the Department.

Future Outlook

In September 2018, Hurricane Florence caused significant destruction of schools in eastern North Carolina. The Department expects to see significant changes in the Public School Insurance Fund in fiscal year 2019 as a result of this hurricane.

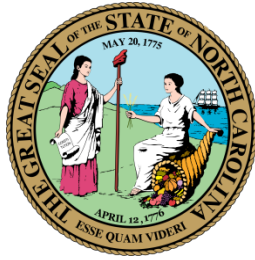
Preliminary damages for Hurricane Florence are estimated to be at least \$125 million. For more information, see the subsequent event disclosure within Note 18.

Following were the changes to the Base Budget for fiscal year 2018-19:

1. The General Assembly reduced operating funds for the Department by \$5,004,566. This resulted in the loss of 53 Full Time Employees (FTE) through a reduction in force (RIF).
2. The Department received 28 pass-through grants in the 2018-19 budget (S.L. 2018-5) totaling \$13,260,416.
3. The General Assembly has appropriated funds to the Hurricane Relief Disaster Recovery Fund out of which \$60 million is allocated to the Department of Public Instruction in addition to others.

The State Superintendent, Mark Johnson, announced the #NC2030 plan in February 2019. This detailed strategy is to ensure North Carolina's public schools are the best place to learn and the best place to teach by 2030. Initiatives of the plan include:

1. Continuing to increase teacher compensation
2. Eliminating high-stakes standardized testing through personalized learning
3. Recruiting our best and brightest to the teaching profession
4. Providing more local flexibility to school districts
5. Encouraging all viable career pathways for students
6. Investing in school construction, pre-K and kindergarten readiness programs, and better support for beginning teachers



FINANCIAL STATEMENTS

**North Carolina Department of Public Instruction
Balance Sheet
Governmental Funds
As of June 30, 2018 (With Comparative Totals for June 30, 2017)**

Exhibit A-1

	General Fund	Capital Projects Fund	Total Governmental Funds 2018	Total Governmental Funds 2017 (Restated)
ASSETS				
Cash and Cash Equivalents (Note 2)	\$ 346,704,985	\$ 6,201,671	\$ 352,906,656	\$ 256,007,820
Receivables:				
Accounts Receivable	268,447		268,447	81,105
Intergovernmental Receivables (Note 4)	22,990,785		22,990,785	24,461,554
Interest Receivable	365,165		365,165	238,929
Inventories	1,869,947		1,869,947	2,206,449
Total Assets	<u>372,199,329</u>	<u>6,201,671</u>	<u>378,401,000</u>	<u>282,995,857</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Assets and Deferred Outflows	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 372,199,329</u>	<u>\$ 6,201,671</u>	<u>\$ 378,401,000</u>	<u>\$ 282,995,857</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities:				
Accounts Payable	\$ 6,087,109	\$ 81,081	\$ 6,168,190	\$ 8,114,528
Accrued Payroll	291		291	291
Intergovernmental Payables (Note 6)	270,803,278		270,803,278	261,272,719
Funds Held for Others	247,776		247,776	
Civil Penalty Collections Held for School Districts	49,454,331		49,454,331	10,625,620
Unearned Revenue	13,045,898		13,045,898	6,913,866
Total Liabilities	<u>339,638,683</u>	<u>81,081</u>	<u>339,719,764</u>	<u>286,927,024</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE (Note 9)				
Nonspendable	1,869,947		1,869,947	2,206,449
Restricted	4,608,670		4,608,670	2,544,527
Committed	281,041,730	6,120,590	287,162,320	230,060,581
Unassigned	(254,959,701)		(254,959,701)	(238,742,724)
Total Fund Balance	<u>32,560,646</u>	<u>6,120,590</u>	<u>38,681,236</u>	<u>(3,931,167)</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 372,199,329</u>	<u>\$ 6,201,671</u>	<u>\$ 378,401,000</u>	<u>\$ 282,995,857</u>

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

North Carolina Department of Public Instruction
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for June 30, 2017)

Exhibit A-2

	General Fund	Capital Projects Fund	Total Governmental Funds 2018	Total Governmental Funds 2017 (Restated)
REVENUES				
Federal Funds	\$ 1,508,661,799	\$ 0	\$ 1,508,661,799	\$ 1,502,105,658
Revenues from Other State Agencies (Note 10)	644,369,845	327,983	644,697,828	554,446,722
Contributions, Gifts, and Grants	12,703,123		12,703,123	13,619,690
E Rate Telecommunication/Internet Access Program Funds	15,133,022		15,133,022	15,053,451
Sales and Services	1,513,715		1,513,715	1,556,097
Licensure Certification and Registration Fees	3,902,215		3,902,215	3,733,221
Property and Equipment Rental	1,365,022		1,365,022	1,440,948
Investment Earnings	3,476,914		3,476,914	2,064,769
Student Tuition and Fees	810,559		810,559	526,691
Miscellaneous Income	1,920,774		1,920,774	2,871,777
Total Revenues (See Schedule D-1)	<u>2,193,856,988</u>	<u>327,983</u>	<u>2,194,184,971</u>	<u>2,097,419,024</u>
EXPENDITURES				
Grants, State, and Federal Aid (See Schedule D-3)	10,678,753,863		10,678,753,863	10,329,626,422
Contracted Personal Services	104,626,173		104,626,173	98,753,521
Salaries and Benefits	137,833,049		137,833,049	142,041,333
Supplies and Materials	4,171,408		4,171,408	4,121,179
Purchases for Resale	447,321		447,321	93,913
Travel	3,259,021		3,259,021	3,911,637
Communication	769,195		769,195	746,794
Utilities	1,087,909		1,087,909	1,159,434
Data Processing Services	22,040,882		22,040,882	22,795,346
Claims and Benefits	2,336,598		2,336,598	2,031,667
Other Services	1,728,653		1,728,653	2,044,674
Other Fixed Charges	7,582,994		7,582,994	7,572,510
Expenditures to Other State Agencies (Note 10)	14,951,271		14,951,271	13,521,001
Capital Outlay	72,651,593	1,773,188	74,424,781	75,048,041
Insurance	2,490,563		2,490,563	2,519,363
Other Expenditures	1,504,968		1,504,968	3,418,237
Total Expenditures (See Schedule D-2)	<u>11,056,235,461</u>	<u>1,773,188</u>	<u>11,058,008,649</u>	<u>10,709,405,072</u>
Excess of Expenditures Over Revenues	<u>(8,862,378,473)</u>	<u>(1,445,205)</u>	<u>(8,863,823,678)</u>	<u>(8,611,986,048)</u>
OTHER FINANCING SOURCES (USES)				
State Appropriations	8,893,172,272	2,211,000	8,895,383,272	8,624,794,672
Sale of Capital Assets	2,275,045		2,275,045	2,554,415
Insurance Recoveries	358,118		358,118	244,442
Transfers In (Note 11)		250,000	250,000	126,710
Transfers Out (Note 11)	(250,000)		(250,000)	(126,710)
Transfers from State Reserve Fund	78,678,536		78,678,536	72,151,969
Transfers to State Reserve Fund	(70,258,890)		(70,258,890)	(79,652,441)
Total Other Financing Sources	<u>8,903,975,081</u>	<u>2,461,000</u>	<u>8,906,436,081</u>	<u>8,620,093,057</u>
Net Change in Fund Balance	41,596,608	1,015,795	42,612,403	8,107,009
Fund Balance (Deficit) - Beginning of Year, as Restated (Note 16)	<u>(9,035,962)</u>	<u>5,104,795</u>	<u>(3,931,167)</u>	<u>(12,038,176)</u>
Fund Balance (Deficit) - End of Year	<u>\$ 32,560,646</u>	<u>\$ 6,120,590</u>	<u>\$ 38,681,236</u>	<u>\$ (3,931,167)</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, 2018 (With Comparative Totals for June 30, 2017)**

Exhibit B-1

	2018	2017 (Restated)
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 2)	\$ 21,977,627	\$ 20,063,505
Pooled Investments (Note 2)	88,718,651	88,951,827
Receivables:		
Premiums Receivable	236,890	1,823,965
Interest Receivable	28,536	18,133
Prepaid Reinsurance	2,516,366	2,308,375
Total Current Assets	113,478,070	113,165,805
Noncurrent Assets:		
Net Other Postemployment Benefits Asset	1,084	1,380
Total Assets	113,479,154	113,167,185
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions	97,160	160,479
Deferred Outflows Related to Other Postemployment Benefits (Note 13)	23,858	21,978
Total Deferred Outflows of Resources	121,018	182,457
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities:		
Accounts Payable	13,041	18,351
Intergovernmental Payables		2,469
Claims Payable (Note 14)	6,079,920	11,961,711
Accrued Payroll	1,612	2,013
Unearned Revenue	3,423,035	4,756,018
Compensated Absences (Note 7)	5,846	7,743
Total Current Liabilities	9,523,454	16,748,305
Noncurrent Liabilities:		
Compensated Absences (Note 7)	79,254	90,894
Net Pension Liability (Note 7)	165,258	238,099
Net Other Postemployment Benefits Liability (Note 7)	586,398	966,873
Total Noncurrent Liabilities	830,910	1,295,866
Total Liabilities	10,354,364	18,044,171
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions	25,905	16,017
Deferred Inflows Related to Other Postemployment Benefits (Note 13)	358,059	
Total Deferred Inflows of Resources	383,964	16,017
NET POSITION		
Restricted - Expendable for Specific Purposes	2,538	2,730
Unrestricted	102,859,306	95,286,724
Total Net Position	\$ 102,861,844	\$ 95,289,454

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, 2018
(With Comparative Totals for June 30, 2017)**

Exhibit B-2

	<u>2018</u>	<u>2017</u>
REVENUES		
Operating Revenues:		
Insurance Premiums	\$ 12,499,110	\$ 12,317,404
EXPENSES		
Operating Expenses:		
Salaries and Benefits	524,652	598,304
Contracted Personal Services	26	96
Supplies and Materials	1,102	1,343
Travel	50,662	51,901
Communication	1,756	1,773
Claims	1,132,041	13,794,984
Insurance	3,297,634	3,385,958
Other	5,070	5,484
Total Operating Expenses	<u>5,012,943</u>	<u>17,839,843</u>
Operating Income (Loss)	7,486,167	(5,522,439)
NONOPERATING REVENUES		
Investment Earnings	<u>86,223</u>	<u>201,399</u>
Increase (Decrease) in Net Position	7,572,390	(5,321,040)
Net Position - Beginning of Year	95,289,454	101,554,009
Restatement (Note 16)		<u>(943,515)</u>
Net Position - End of Year	<u>\$ 102,861,844</u>	<u>\$ 95,289,454</u>

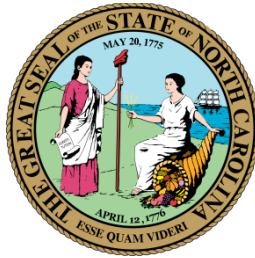
The accompanying notes to the financial statements are an integral part of this statement.

North Carolina Department of Public Instruction
Statement of Cash Flows
Proprietary Fund - Public School Insurance Fund
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for June 30, 2017)

Exhibit B-3

	<u>2018</u>	<u>2017</u> <u>(Restated)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers	\$ 12,753,202	\$ 12,404,071
Payments to Employees and Fringe Benefits	(561,930)	(576,741)
Payments to Suppliers	(3,571,842)	(3,223,983)
Payments for Claims	(7,013,832)	(7,627,755)
Payments to Other Funds	(472)	
	<u>1,605,126</u>	<u>975,592</u>
Net Cash Provided by Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	<u>308,996</u>	<u>209,371</u>
Net Cash Provided by Investing Activities	<u>308,996</u>	<u>209,371</u>
Net Increase in Cash and Cash Equivalents	1,914,122	1,184,963
Cash and Cash Equivalents, July 1	<u>20,063,505</u>	<u>18,878,542</u>
Cash and Cash Equivalents, June 30	<u>\$ 21,977,627</u>	<u>\$ 20,063,505</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 7,486,167	\$ (5,522,439)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Changes in Assets and Deferred Outflows of Resources:		
Premiums Receivable	1,587,076	2,070,384
Prepaid Reinsurance	(207,992)	204,372
Net Other Postemployment Benefits Asset	296	
Deferred Outflows for Pensions	63,319	(116,158)
Deferred Outflows for Other Postemployment Benefits	(1,880)	
Changes in Liabilities and Deferred Inflows of Resources:		
Accounts Payable and Accrued Liabilities	(5,889,499)	6,186,198
Due to Other Funds	(472)	
Unearned Revenue	(1,332,983)	(1,983,717)
Compensated Absences	(13,537)	9,837
Net Pension Liability	(72,841)	137,548
Net Other Postemployment Benefits Liability	(380,475)	
Deferred Inflows for Pensions	9,888	(10,433)
Deferred Inflows for Other Post Employment Benefits	358,059	
Net Cash Provided by Operating Activities	<u>\$ 1,605,126</u>	<u>\$ 975,592</u>
NONCASH INVESTING ACTIVITIES		
Noncash Distributions from the State Treasurer	\$ 2,874,380	\$ 2,529,340
Change in Fair Value of Investments	(3,107,556)	(2,543,477)

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 entity. The Department is charged with implementing the State's public school laws for pre-kindergarten through 12th grade public education at the direction of the State Board of Education and the Superintendent of Public Instruction.

The Department provides leadership and service to 115 local public school districts, including approximately 2,500 individual public schools; 180 charter schools; and 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 develops the Standard Course of Study, which describes the subjects and course content that is taught in North Carolina public schools, and the assessments and accountability model used to evaluate student, school, and district success.

The Department licenses approximately 117,000 teachers and administrators who serve public schools. The Department's primary offices are in Raleigh, with four regional alternative licensing centers in Concord, Fayetteville, Elm City and Catawba. Approximately 30,000 new teacher and administrator licenses are issued annually from these centers. The Department's work extends to the NC Center for the Advancement of Teaching with locations in Cullowhee and Ocracoke, and the NC Virtual Public School – the second largest virtual public school in the nation. The Department also works closely with nine Regional Education Service Alliances/Consortia and six regional accountability offices.

- 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). Pursuant to the provisions of 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 funds 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.

The Department also reports one nonmajor governmental fund, the Capital Projects Fund, in a separate column. This fund accounts for financial resources to be used for capital outlays, including the acquisition or construction of major capital facilities, and is primarily funded by state appropriations and the State’s issuance of debt. Specific projects are identified in the State’s budget and approved by the legislature.

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 83 out of 115 public school districts and 32 out of 58 community colleges.

D. Basis of Accounting

Governmental Funds - 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.

Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within 31 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, except for compensated absences, workers' compensation, and financing agreements, which are recognized as expenditures when payment is due. Pension and other postemployment benefit contributions to cost-sharing plans are recognized as expenditures in the periods 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 funds 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 funds 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 14 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 funds 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. Capital Assets** - Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

The Department capitalizes assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year except for internally generated software which is capitalized when the value or cost is \$1,000,000 or greater and other intangible assets which are capitalized when the value or cost is \$100,000 or greater.

Depreciation is computed using the straight-line and/or units of output 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 and Equipment	2-30 years
General Infrastructure	10-75 years
Computer Software	2-30 years

Art and literature collections are capitalized at cost acquisition values at the date of donation. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. These collections are considered inexhaustible and are therefore not depreciated.

- J. Intergovernmental Payables** - Intergovernmental payables for the governmental funds mainly represent accrued payroll for state-funded school teachers and amounts due to the schools in connection with the federal child nutrition program for qualified meals. Intergovernmental payables for the proprietary fund represent amounts due to other state agencies for services provided.
- K. Unearned Revenue** - Unearned revenue for the governmental funds represents the cumulative excess of cash received from the federal government over expenditures paid in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Unearned revenue for the proprietary fund represents insurance premiums paid by schools for coverage relating to future periods.
- L. Noncurrent Long-Term Liabilities** - General long-term liabilities for the governmental funds are not recognized in the governmental funds until they become due. Consequently, general long-term liabilities not yet due are not reported on the face of the governmental funds' financial statements. For the proprietary fund, long-term liabilities, which include compensated absences, net other postemployment benefits (OPEB), 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 2017 *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 12 for further information regarding the Department's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

The net OPEB liability represents the Department's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2017 *Comprehensive Annual Financial Report*. This liability represents the Department's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund. See Note 13 for further information regarding the Department's policies for recognizing liabilities,

expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

- M. Compensated Absences** - Employees of the Department are permitted to accumulate earned but unused vacation leave benefits. All vacation leave is accrued when incurred in the propriety fund. In the governmental funds, 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 funds' financial statements. When determining the vacation pay liability due within one year, leave is considered taken on a last in, first out (LIFO) method. 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 subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

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

- N. Deferred Outflows/Inflows of Resources** - In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Department has the following items that qualify for reporting in this category: the deferred outflows related to pensions and deferred outflows related to other postemployment benefits.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Department has the following items that qualify for reporting in this category: the deferred inflows related to pensions and deferred inflows related to other postemployment benefits.

O. Net Position / Fund Balance

Net Position - Net position for the proprietary fund is classified as follows:

Restricted - Expendable - Expendable restricted net position includes resources for which the proprietary funds are legally or contractually obligated to spend in accordance with restrictions imposed by external parties. It includes the net position of accrued employee benefits such as other postemployment benefits.

Unrestricted - This represents resources derived from premiums and investment earnings. It also includes the net positions or accrued employee benefits such as compensated absences, pension plans, and other postemployment benefits.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the Department. Both restricted and unrestricted net position include consideration of deferred outflows of resources and deferred inflows of resources.

Fund Balance - Fund balance for governmental funds 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.

P. Revenues and Expenditures from/to Other State Agencies - Revenues and expenditures from/to other state agencies for the governmental funds 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 are eliminated at the statewide reporting level in the State's *Comprehensive Annual Financial Report*.

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

Nonoperating revenues, such as investment earnings, result from non-exchange transactions.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

At June 30, 2018, the governmental funds' Balance Sheet reported cash and cash equivalents of \$352,906,656. The proprietary fund's Statement of Net Position reported cash and cash equivalents of \$21,977,627 for the same date. These amounts represent the Department's equity position in the State Treasurer's Short-Term Investment Fund (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 1.4 years as of June 30, 2018. Assets and shares of the STIF are valued at fair value.

At June 30, 2018, the proprietary fund's Statement of Net Position reported pooled investments of \$88,718,651, 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 8.24 years as of June 30, 2018. 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/> in the Audited Financial Statements section.

NOTE 3 - FAIR VALUE MEASUREMENTS

To the extent available, the Department's investments are recorded at fair value as of June 30, 2018. 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, 2018, the Department has the following investments:

Short-Term Investment Fund - At year-end, all of the Department's cash and cash equivalents, valued at \$374,884,283, were held in the STIF. 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. Pool investments are measured at fair value in accordance with GASB 72. The Department's position in the pool is measured and reported at fair value and the STIF is not required to be categorized within the fair value hierarchy.

Bond Index External Investment Fund - At year-end, the Department's investments, valued at \$88,718,651, 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. Valuation of the underlying assets is performed by the custodian. The Department's position in the pool is measured and reported at fair value and the BIF is not required to be categorized within the fair value hierarchy.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables for the general fund at June 30, 2018 were as follows:

	Amount
Intergovernmental Receivables:	
Child Nutrition Program	\$ 20,027,703
Local School Districts	2,035,098
Other Federal Programs	927,984
	<hr/>
Total Intergovernmental Receivables	\$ 22,990,785

NOTE 5 - CAPITAL ASSETS

A summary of changes in the governmental funds' capital assets for the year ended June 30, 2018:

	Balance July 1, 2017 (As Restated)	Increases	Decreases	Balance June 30, 2018
Capital Assets, Nondepreciable:				
Land	\$ 52,253	\$ 0	\$ 0	\$ 52,253
Art, Literature, and Artifacts	419,300			419,300
Construction in Progress	5,104,795	4,365,530	5,517,920	3,952,405
	<hr/>	<hr/>	<hr/>	<hr/>
Total Capital Assets, Nondepreciable	5,576,348	4,365,530	5,517,920	4,423,958
Capital Assets, Depreciable:				
Buildings	46,991,650	5,517,920	2,981,651	49,527,919
Machinery and Equipment	8,776,671	502,277	281,666	8,997,282
General Infrastructure	558,126			558,126
Computer Software	2,352,831			2,352,831
	<hr/>	<hr/>	<hr/>	<hr/>
Total Capital Assets, Depreciable	58,679,278	6,020,197	3,263,317	61,436,158
Less Accumulated Depreciation for:				
Buildings	23,589,629	811,984	2,802,223	21,599,390
Machinery and Equipment	5,489,442	378,460	248,523	5,619,379
General Infrastructure	449,060	12,403		461,463
Computer Software	517,623	94,113		611,735
	<hr/>	<hr/>	<hr/>	<hr/>
Total Accumulated Depreciation	30,045,754	1,296,960	3,050,746	28,291,967
Total Capital Assets, Depreciable, Net	28,633,524	4,723,237	212,571	33,144,191
	<hr/>	<hr/>	<hr/>	<hr/>
Capital Assets, Net	\$ 34,209,872	\$ 9,088,767	\$ 5,730,491	\$ 37,568,149

The July 1, 2017 balances were restated to reflect corrections made after the end of the prior fiscal year.

Does not include financing agreements for buses; see Note 7B for further details.

NOTE 6 - INTERGOVERNMENTAL PAYABLES

Intergovernmental payables for the general fund at June 30, 2018 were as follows:

	Amount
Intergovernmental Payables:	
Accrued Payroll for Schools	\$ 250,720,564
Child Nutrition Program	20,027,952
Other	54,762
Total Intergovernmental Payables	\$ 270,803,278

NOTE 7 - LONG-TERM LIABILITIES

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

Governmental Funds - General Fund

	Balance July 1, 2017 (As Restated)	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Compensated Absences	\$ 9,025,362	\$ 5,675,816	\$ 5,975,267	\$ 8,725,911	\$ 599,470
Workers' Compensation ¹	193,676,881	66,669,054	61,148,926	199,197,009	69,718,953
Financing Agreements	92,770,055	62,113,720	58,824,658	96,059,117	47,862,244
Net Pension Liability ²	35,299,030		5,417,353	29,881,677	
Net Other Postemployment Benefits Liability ³	143,342,602		37,311,115	106,031,487	
Total Long-Term Liabilities	\$ 474,113,930	\$ 134,458,590	\$ 168,677,319	\$ 439,895,201	\$ 118,180,667

Proprietary Fund - Public School Insurance Fund

	Balance July 1, 2017 (As Restated)	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Compensated Absences	\$ 98,637	\$ 35,985	\$ 49,522	\$ 85,100	\$ 5,846
Net Pension Liability ²	238,099		72,841	165,258	
Net Other Postemployment Benefits Liability ³	966,873		380,475	586,398	
Total Long-Term Liabilities	\$ 1,303,609	\$ 35,985	\$ 502,838	\$ 836,756	\$ 5,846

¹ Additional information regarding workers' compensation is included in Note 14.

² Additional information regarding net pension liability is included in Note 12.

³ Additional information regarding net other postemployment benefits liability is included in Note 13.

The July 1, 2017 net other postemployment benefits liability was restated in accordance with the implementation of GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.

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, the school districts, and the respective financial institutions, the Department agreed to make the scheduled payments 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:

Financing Agreement	Financial Institution	Installment Date	Installment Amount	Paid Through June 30, 2018	Outstanding June 30, 2018
2014 - 2015 Replacement of School Buses	Banc of America Public Capital Corp.	11/15/2017	\$ 43,849,656	\$ 43,849,656	\$ 0
2015 - 2016 Replacement of School Buses	Banc of America Public Capital Corp.	11/15/2018	60,775,204	45,581,403	15,193,801
2016 - 2017 Replacement of School Buses	Banc of America Public Capital Corp.	11/15/2019	68,560,052	34,280,026	34,280,026
2017 - 2018 Replacement of School Buses	Banc of America Public Capital Corp.	11/15/2020	62,113,720	15,528,430	46,585,290
Total Financing Agreements			\$ 235,298,632	\$ 139,239,515	\$ 96,059,117

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, 2018:

Fiscal Year	Amount
2019	\$ 55,775
2020	35,555
2021	1,852
Total Minimum Lease Payments	\$ 93,182

Rental expense for all operating leases during the year ended June 30, 2018, was \$193,601.

NOTE 9 - FUND BALANCE

The details of the fund balance classifications for the governmental funds at June 30, 2018 are as follows:

	General Fund	Capital Projects Fund	Total
Nonspendable:			
Inventory	\$ 1,869,947	\$ 0	\$ 1,869,947
Restricted For:			
Primary and Secondary Education	4,608,670		4,608,670
Committed to:			
Primary and Secondary Education	281,041,730		281,041,730
Public School Capital Projects		6,120,590	6,120,590
Unassigned	(254,959,701)		(254,959,701)
Total Fund Balance	\$ 32,560,646	\$ 6,120,590	\$ 38,681,236

NOTES TO THE FINANCIAL STATEMENTS

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

The governmental funds' revenues and expenditures from/to other state agencies by entity and purpose at June 30, 2018 are as follows:

Revenues from Other State Agencies:		Purpose	Amount
General Fund:			
Office of State Budget and Management:			
Lottery Funds	General Education Support		\$ 557,166,089
Other	Education Workforce and Innovation		2,839,344
Department of Revenue	General Educational Support		68,698,497
Department of Health and Human Services	Medicaid Funds for Services to Exceptional Children		12,818,015
Department of Transportation	Charter School Transportation Grant Pilot Program		2,500,000
Department of Information Technology	Risk and Vulnerability Assessment		77,900
	Government Data Analytics Center (GDAC)		<u>270,000</u>
			<u>644,369,845</u>
Total General Fund Revenues from Other State Agencies			
Capital Projects Fund:			
Office of State Budget and Management	Capital Facility Costs from Issuance of Debt		<u>327,983</u>
			<u>\$ 644,697,828</u>
Total Governmental Funds' Revenues from Other State Agencies			
Expenditures to Other State Agencies:			
		Purpose	Amount
General Fund:			
Community College System Office	Title IV Perkins Funds		\$ 11,881,369
Administrative Hearings Office	Pay litigation costs for NC State Board of Education Rules		50,000
Department of Public Safety	Veteran Teacher Bonus		8,705
Department of Health and Human Services	Psychiatric Residential Treatment Facility Services		3,010,729
	Veteran Teacher Bonus		<u>468</u>
			<u>\$ 14,951,271</u>
Total General Fund Expenditures to Other State Agencies			

NOTE 11 - INTERFUND TRANSFERS

Transfers in/out of other funds for the fiscal year ended June 30, 2018 consisted of the following:

		Transfers In
		Capital Projects Fund
<u>Transfers Out</u>		
General Fund		<u>\$ 250,000</u>

Transfers are primarily used to (1) transfer revenues and bond proceeds from the fund required by State statute or budget to collect the revenue to the fund required by State statute or budget to expend them and (2) provide revenues collected in the General Fund to finance operating and capital programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 12 - 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 funds 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, 2018 was 10.78% of covered payroll. Employee contributions to the pension plan were \$3,760,898, and the

Department's contributions were \$6,757,081 for the year ended June 30, 2018. Of this amount, the proprietary fund reported \$39,919.

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 2017 *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

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

Methods Used to Value TSERS Investment: Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its External Investment Pool. TSERS and other pension plans of the State of North Carolina are the sole participants in the Long-Term Investment, Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Opportunistic Fixed Income Investment, and Inflation Sensitive Investment Portfolios. The Fixed Income Asset Class includes the Long-Term Investment and Fixed Income Investment 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 External Investment Pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2017 *Comprehensive Annual Financial Report*.

Net Pension Liability: At June 30, 2018, the Department reported a liability of \$30,046,935 for its proportionate share of the collective net pension liability. Of this amount, the proprietary fund reported \$165,258. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, and update procedures were used to roll forward the total pension liability to June 30, 2017. 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, 2017, the Department's proportion was 0.37869%, which was a decrease of 0.00796 from its proportion measured as of June 30, 2016, which was 0.38665%. Of this proportion, the proprietary fund's share was 0.00208%, which was a decrease of 0.00051 from its proportion measured as of June 30, 2016, which was 0.00259%.

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	12/31/2016
Inflation	3%
Salary Increases*	3.50% - 8.10%
Investment Rate of Return**	7.20%

* Salary increases include 3.5% inflation and productivity factor.

** Investment rate of return includes inflation assumption and is net of pension plan investment expense

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, 2016 valuations were based on the results of an actuarial experience review for the period January 1, 2010 through December 31, 2014.

Future ad hoc Cost of Living Adjustment 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, 2017 (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%
Opportunistic Fixed Income	6.0%
Inflation Sensitive	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. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2017 is 1.30%.

Discount Rate: The discount rate used to measure the total pension liability was lowered from 7.25% to 7.20% for the December 31, 2016 valuation. The discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually 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, 2017 calculated for the Department’s and proprietary fund’s proportionate shares using the discount rate of 7.20%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.20%) or 1-percentage point higher (8.20%) than the current rate:

	Net Pension Liability		
	1% Decrease (6.20%)	Current Discount Rate	1% Increase (8.20%)
Department as a Whole \$	61,849,029	\$ 30,046,935	\$ 3,400,833
Proprietary Fund \$	339,713	\$ 165,258	\$ 18,679

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2018, the Department recognized pension expense of \$8,293,778. Of this amount, the proprietary fund recognized \$40,178. At June 30, 2018, the Department's and proprietary fund's proportionate shares of the collective 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:

	Department as a Whole		Proprietary Fund	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 651,362	\$ 982,992	\$ 3,582	\$ 5,406
Changes of Assumptions	4,746,962		26,108	
Net Difference Between Projected and Actual Earnings on Plan Investments	4,066,369		22,365	
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	682,742	463,642	5,186	20,499
Contributions Subsequent to the Measurement Date	6,757,081		39,919	
Total	\$ 16,904,516	\$ 1,446,634	\$ 97,160	\$ 25,905

The amount of \$6,757,081 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2019. Of this amount, the proprietary fund reported \$39,919. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as 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:	Department as a Whole	Proprietary Fund
	Amount	Amount
2019	\$ 1,789,031	\$ 4,403
2020	5,679,634	25,801
2021	2,859,542	10,083
2022	(1,627,406)	(8,951)
Total	\$ 8,700,801	\$ 31,336

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS

The Department participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' 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 2017 *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

Contributions to cost sharing postemployment benefit 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 other postemployment benefit (OPEB) liability, discussed in Note 7 to the financial statements, is not reported on the face of the governmental funds financial statements. However, the net OPEB liability for the proprietary fund is reported on the face of the proprietary fund financial statements.

A. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: The financial statements of these plans were prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan. The fiduciary net position of each plan was determined using the same basis as the OPEB plans.

Methods Used to Value Plan Investments: Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the other postemployment benefits funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan of North Carolina is invested in the Short-Term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool. The investment balance of each other employee benefit 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 2017 *Comprehensive Annual Financial Report*.

B. Plan Descriptions

1. Health Benefits

Plan Administration: The State of North Carolina administers the North Carolina State Health Plan for Teachers and State Employees, referred to as the State Health Plan (the Plan), a healthcare plan exclusively for the benefit of employees of the State, the University of North Carolina System, community colleges, and certain other component units. In addition, Local Education Agencies (LEAs), charter schools, and some select local governments that are not part of the State's financial reporting entity also participate. Health benefit programs and premium rates are determined by the State Treasurer upon approval of the Plan Board of Trustees.

The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135-7, Article 1. RHBF is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of eligible former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments that are not part of the State's financial reporting entity also participate.

By statute, RHBF is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System (TSERS). RHBF is supported by a percent of payroll contributions from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the Plan. The State Treasurer, with the approval of the Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the Plan.

Benefits Provided: Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 14. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan options or the self-funded Traditional 70/30 Preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of TSERS, the Consolidated Judicial Retirement System, the Legislative Retirement System, the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium.

The Plan's and RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3B of the General Statutes, and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions: Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. The Department's contractually-required contribution rate for the year ended June 30, 2018 was 6.05% of covered payroll. The Department's contributions to the RHBF were \$3,792,239 for the year ended June 30, 2018. Of this amount, the proprietary fund reported \$22,404.

2. Disability Income

Plan Administration: As discussed in Note 14, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer, defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units, LEAs which are not part of the reporting entity, and the University Employees' ORP. By statute, DIPNC is administered by the Department of State Treasurer and the Board of Trustees of TSERS.

Benefits Provided: Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or the University Employees' ORP, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing five years of membership service, or (2) reaching the age of 60 and completing

25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

For employees who had five or more years of membership service as of July 31, 2007, during the first 36 months of the long-term disability period, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one-twelfth of the annual longevity payment and local supplements to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled, but the benefits payable shall be no less than \$10 a month. After the first 36 months of the long-term disability, the long-term benefit is calculated in the same manner as described above except the monthly benefit is reduced by an amount equal to a monthly primary Social Security disability benefit to which the participant or beneficiary might be entitled had Social Security disability benefits been awarded. When an employee qualifies for an unreduced service retirement allowance from TSERS, the benefits payable from DIPNC will cease, and the employee will commence retirement under TSERS or the University Employees' ORP.

For employees who had less than five years of membership service as of July 31, 2007, and meet the requirements for long-term disability on or after August 1, 2007, during the first 36 months of the long-term disability period, the monthly long-term benefit shall be reduced by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee become age 62 during the first 36 months. This reduction becomes effective as of the first day of the month following the month of initial entitlement to Social Security benefits. After the first 36 months of the long-term disability, no further benefits are payable under the terms of this section unless the employee has been approved and is in receipt of primary Social Security disability benefits.

Contributions: Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State's fiscal year. The Department's contractually-required contribution rate for the year ended June 30, 2018 was 0.14% of covered payroll. The Department's contributions to DIPNC were \$87,754 for the year ended June 30, 2018. Of this amount, the proprietary fund reported \$518.

C. Net OPEB Liability (Asset)

Net OPEB Liability: At June 30, 2018, the Department reported a liability of \$106,617,885 for its proportionate share of the collective net OPEB

liability for RHBF. Of this amount, the proprietary fund reported \$586,398. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016, and update procedures were used to roll forward the total OPEB liability to June 30, 2017. The Department's proportion of the net OPEB 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, 2017, the Department's proportion was 0.32519%, which was a decrease of 0.00653 from its proportion measured as of June 30, 2016, which was 0.33172%. Of this proportion, the proprietary fund's share was 0.00179%, which was a decrease of 0.00043 from its share measured as of June 30, 2016, which was 0.00222%.

Net OPEB Asset: At June 30, 2018, the Department reported an asset of \$197,026 for its proportionate share of the collective net OPEB asset for DIPNC. Of this amount, the proprietary fund's share was \$1,084. The net OPEB asset was measured as of June 30, 2017. The total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2016, and update procedures were used to roll forward the total OPEB asset to June 30, 2017. The Department's proportion of the net OPEB asset 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, 2017, the Department's proportion was 0.32236%, which was a decrease of 0.00939 from its proportion measured as of June 30, 2016, which was 0.33175%. Of this proportion, the proprietary fund's share was 0.00177%, which was a decrease of 0.00045 from its proportion measured as of June 30, 2016, which was 0.00222%.

Actuarial Assumptions: The total OPEB liabilities (assets) for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities (assets) were then rolled forward to June 30, 2017 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N. C.
Valuation Date	12/31/2016	12/31/2016
Inflation	2.75%	3.00%
Salary Increases*	3.50% - 8.10%	3.50% - 8.10%
Investment Rate of Return**	7.20%	3.75%
Healthcare Cost Trend Rate - Medical	5.00% - 6.50%	N/A
Healthcare Cost Trend Rate - Prescription Drug	5.00% - 7.25%	N/A
Healthcare Cost Trend Rate - Medicare Advantage	4.00% - 5.00%	N/A
Healthcare Cost Trend Rate - Administrative	3.00%	N/A

* Salary increases include 3.5% inflation and productivity factor.

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

N/A - Not Applicable

The OPEB plans currently use 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 studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The projected long-term investment returns and inflation assumptions are developed through a 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 projects 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. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2017.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2017 (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%
Opportunistic Fixed Income	6.0%
Inflation Sensitive	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. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2017 is 1.30%.

Actuarial valuations of the plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are

compared to past expectations and new estimates are made about the future.

The actuarial assumptions used for RHBF are consistent with those used to value the pension benefits of TSERS where appropriate. These assumptions are based on the most recent pension valuations available. The discount rate used for RHBF reflects a pay-as-you-go approach.

Projections of benefits for financial reporting purposes of the plans are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and plan members to that point. Historically, the benefits funded solely by employer contributions applied equally to all retirees. Currently, as described earlier in the note, benefits are dependent on membership requirements.

The actuarial methods and assumptions used for DIPNC include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial assumptions used in the December 31, 2016 valuations were based on the results of an actuarial experience study prepared as of December 31, 2014.

Discount Rate: The discount rate used to measure the total OPEB liability for RHBF was 3.58%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.58% was used as the discount rate used to measure the total OPEB liability. The 3.58% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2017.

The discount rate used to measure the total OPEB asset for DIPNC was 3.75%. 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 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 plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate: The following presents the Department's proportionate share of the net OPEB liability (asset) of the plans, as well as what the plans' net OPEB

liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

		Net OPEB Liability (Asset)		
		1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
RHBF:				
Department as a Whole	\$	127,190,134	\$ 106,617,885	\$ 90,302,857
Proprietary Fund		700,115	586,398	497,070
		1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
DIPNC:				
Department as a Whole	\$	(167,501)	\$ (197,026)	\$ (226,619)
Proprietary Fund		(920)	(1,084)	(1,244)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability (asset) of the plans, as well as what the plans' net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	1% Decrease (Medical - 4.00 - 5.50%, Pharmacy - 4.00 - 6.25%, Med. Advantage - 3.00 - 4.00%, Administrative - 2.00%)	Current Healthcare Cost Trend Rates (Medical - 5.00 - 6.50%, Pharmacy - 5.00 - 7.25%, Med. Advantage - 4.00 - 5.00%, Administrative - 3.00%)	1% Increase (Medical - 6.00 - 7.50%, Pharmacy - 6.00 - 8.25%, Med. Advantage - 5.00 - 6.00%, Administrative - 4.00%)
RHBF Net OPEB Liability			
Department as a Whole	\$ 87,097,761	\$ 106,617,885	\$ 132,564,812
Proprietary Fund	479,427	586,398	729,700
DIPNC Net OPEB Asset:			
Department as a Whole	N/A	N/A	N/A
Proprietary Fund	N/A	N/A	N/A

N/A - Not applicable

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2018, the Department recognized OPEB expense of \$4,922,485 for RHBF and \$117,776 for DIPNC, and the proprietary fund recognized OPEB expense of \$710. At June 30, 2018, the Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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Employer Balances of Deferred Outflows of Resources Related to OPEB by Classification:

	Department as a Whole			Proprietary Fund		
	RHBF	DIPNC	Total	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 0	\$ 54,021	\$ 54,021	\$ 0	\$ 297	\$ 297
Changes of Assumptions						
Net Difference Between Projected and Actual Earnings on Plan Investments		43,187	43,187		238	238
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions		39,288	39,288		401	401
Contributions Subsequent to the Measurement Date	3,792,239	87,754	3,879,993	22,404	518	22,922
Total	\$ 3,792,239	\$ 224,250	\$ 4,016,489	\$ 22,404	\$ 1,454	\$ 23,858

Employer Balances of Deferred Inflows of Resources Related to OPEB by Classification:

	Department as a Whole			Proprietary Fund		
	RHBF	DIPNC	Total	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 7,644,698	\$ 0	\$ 7,644,698	\$ 42,046	\$ 0	\$ 42,046
Changes of Assumptions	29,362,079		29,362,079	161,491		161,491
Net Difference Between Projected and Actual Earnings on Plan Investments	39,624		39,624	218		218
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	1,817,280		1,817,280	154,304		154,304
Contributions Subsequent to the Measurement Date						
Total	\$ 38,863,681	\$ 0	\$ 38,863,681	\$ 358,059	\$ 0	\$ 358,059

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability related to RHBF and an increase of the net OPEB asset related to DIPNC in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB 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 OPEB Expense:

Year Ended June 30:	Department as a Whole		Proprietary Fund	
	RHBF	DIPNC	RHBF	DIPNC
2019	\$ (7,774,717)	\$ 41,905	\$ (71,623)	\$ 292
2020	(7,774,717)	41,905	(71,623)	292
2021	(7,774,717)	41,896	(71,623)	291
2022	(7,774,717)	10,790	(71,623)	61
2023	(7,764,813)		(71,567)	
Total	\$ (38,863,681)	\$ 136,496	\$ (358,059)	\$ 936

NOTE 14 - 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 83 out of 115 public school districts and 32 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 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, 2018 and 2017:

	2018	2017
Unpaid Claims at Beginning of Year	\$ 11,961,711	\$ 5,794,482
Incurring Claims:		
Provision for Insured Events of the Current Year	1,271,213	16,149,000
Decreases in Provision for Insured Events of Prior Years	(139,172)	(2,354,016)
Total Incurred Claims	1,132,041	13,794,984
Payments:		
Claims Attributable to Insured Events of the Current Year	1,014,515	4,187,643
Claims Attributable to Insured Events of the Prior Years	5,999,317	3,440,112
Total Payments	7,013,832	7,627,755
Total Unpaid Claims at End of the Year	\$ 6,079,920	\$ 11,961,711

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 a separate contract underwritten by the Fund. Incurred losses are reduced by estimated amounts recoverable under the Fund's reinsurance policies. Currently, there are no claims for reinsurance. There were no premium deficiencies in fiscal year 2018. Investment income was not considered in the determination of premium deficiencies.

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 contributions. Certain plans also require contributions from employees.

The Plan has contracted with third parties to process claims. See Note 13, Other Postemployment Benefits, for additional information regarding retiree health benefits.

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 0.16% for the current fiscal year.

3. Disability Income Plan

Short-term and long-term disability benefits are provided to Department employees through the Disability Income Plan of North Carolina (DIPNC), part of the State's Pension and Other Employee Benefit Trust Funds. Short-term benefits are paid by the Department up to the first six months of benefits and reimbursed by DIPNC for any additional short-term benefits. As discussed in Note 13, long-term disability benefits are payable as other postemployment benefits from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

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. Workers' Compensation Program

On behalf of the State Board of Education, and in accordance with Chapter 115C-337, Article 23; and Chapter 115, Article 2, the Department administers a workers' compensation program for all Department employees and all public school employees whose salaries are paid in whole or in part from state funds. The program provides benefits to workers injured on the job, in accordance with the North Carolina Workers' Compensation Act, Chapter 97. When an employee is injured, the Department's primary responsibility is to provide the arrangements necessary to carry out the provisions of the Workers' Compensation Act. The Department retains the risk for workers' compensation, though portions of the year-end liability are split-funded between the Department and local public school districts.

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 15 - 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, 2018, the Department is unable to estimate what liabilities may result from such audits.

NOTE 16 - FUND BALANCE/ NET POSITION RESTATEMENTS

As of July 1, 2017, fund balance of the governmental funds as previously reported was restated as follows:

	<u>Amount</u>
July 1, 2017 Fund Balance as Previously Reported	\$ 6,694,453
Restatement:	
Recognize Liability for Civil Penalty Collections Held for School Districts	<u>(10,625,620)</u>
July 1, 2017 Fund Balance as Restated	<u>\$ (3,931,167)</u>

As of July 1, 2017, net position of the proprietary fund as previously reported was restated as follows:

	<u>Amount</u>
July 1, 2017 Net Position as Previously Reported	\$ 96,232,969
Restatement:	
Record the Department's Net OPEB Asset and Liability and OPEB Related Deferred Outflows and Inflows of Resources Per GASB 75 Requirements.	<u>(943,515)</u>
July 1, 2017 Net Position as Restated	<u>\$ 95,289,454</u>

The above restatement is not reflected in the Statement of Revenues, Expenses, and Changes in Net Position or the Statement of Cash Flows for the 2017 comparative amounts because GASB 75 actuarial calculations performed do not provide sufficient information to restate revenues, expenses, or cash flows for 2017.

NOTE 17 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2018, the Department implemented the following pronouncement issued by the Governmental Accounting Standards Board (GASB):

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- GASB Statement No. 85, *Omnibus 2017*

GASB Statement No. 75 improves accounting and financial reporting requirements by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided

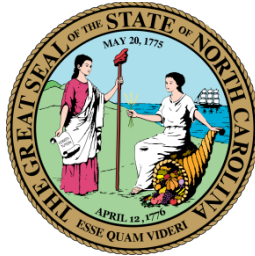
by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB).

NOTE 18 - SUBSEQUENT EVENT

In September 2018, Hurricane Florence impacted areas of the southeastern United States, including multiple local public schools insured by the Public School Insurance Fund (the Fund) operated by the Department of Public Instruction. The most significant impact to the schools was the excessive level of rainfall during the storm. The impact of the hurricane also caused significant damage to the schools' facilities, infrastructure, and grounds.

Preliminary damages are estimated to be at least \$125 million, based on reported amounts from local public schools to the Department of Public Instruction. A combination of state aid, federal aid, and reinsurance will provide coverage of losses incurred. Legislation appropriated funds to the 2018 Hurricane Florence Disaster Recovery Act, of which \$60 million were allocated to the Department of Public Instruction. Additional funds were also allocated providing funding to compensate school nutrition employees for scheduled missed instructional days due to Hurricane Florence. The Department of Public Instruction anticipates this funding will allow the Fund to adequately address the losses claimed without materially impairing the Department's ability to continue operating the Fund.



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, 2018**

Schedule C-1

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Federal Funds	\$ 1,154,973,876	\$ 1,958,590,752	\$ 1,516,713,887	\$ (441,876,865)
Revenues from Other State Agencies	659,100,244	664,437,096	644,369,845	(20,067,251)
Contributions, Gifts, and Grants	8,849,716	7,758,456	12,703,123	4,944,667
E Rate Telecommunication/Internet Access Program Funds		6,915,993	15,133,022	8,217,029
Sales and Services	1,372,388	1,407,332	1,399,494	(7,838)
Licensure Certification and Registration Fees	1,970,853	4,238,355	3,994,924	(243,431)
Property and Equipment Rental	1,600,000	1,600,000	1,365,022	(234,978)
Investment Earnings	5,597,164	5,390,502	3,350,679	(2,039,823)
Student Tuition	505,000	780,634	808,989	28,355
Miscellaneous Income	72,860	1,661,607	6,500,872	4,839,265
Total Revenues	1,834,042,101	2,652,780,727	2,206,339,857	(446,440,870)
Expenditures:				
Grants, State, and Federal Aid	10,427,310,130	10,876,342,587	10,636,904,999	239,437,588
Contracted Personal Services	83,595,987	130,825,466	103,430,056	27,395,410
Salaries and Benefits	147,079,052	144,670,491	137,881,165	6,789,326
Supplies and Materials	8,752,321	6,088,912	4,181,124	1,907,788
Purchases for Resale	241,603	217,113	117,403	99,710
Travel	4,171,821	4,002,317	2,774,822	1,227,495
Communication	985,719	964,644	731,179	233,465
Utilities	919,700	1,152,418	1,106,439	45,979
Data Processing Services	10,380,240	25,588,525	22,137,608	3,450,917
Claims and Benefits	18,072,740	15,425,723	2,171,902	13,253,821
Other Services	13,053,630	7,296,952	2,431,653	4,865,299
Other Fixed Charges	10,064,264	6,619,052	6,438,863	180,189
Capital Outlay	94,047,792	100,706,987	75,190,807	25,516,180
Insurance	3,162,111	3,019,452	2,369,177	650,275
Other Expenditures	2,265,201	2,901,727	1,864,994	1,036,733
Reserves	71,566,863	78,714,637		78,714,637
Expenditures to Other State Agencies	15,387,234	15,240,050	14,951,271	288,779
Total Expenditures	10,911,056,408	11,419,777,053	11,014,683,462	405,093,591
Excess of Revenues Over (Under) Expenditures	(9,077,014,307)	(8,766,996,326)	(8,808,343,605)	(41,347,279)
Other Financing Sources:				
State Appropriations	9,046,532,008	9,046,532,008	8,893,172,272	(153,359,736)
Sale of Capital Assets	1,509,000	1,509,000	2,275,045	766,045
Insurance Recoveries			358,118	358,118
Transfers from State Reserve Fund	59,574,790	78,678,536	78,678,536	
Transfers to State Reserve Fund	(58,561,007)	(70,258,898)	(70,258,890)	8
Total Other Financing Sources and (Uses)	9,049,054,791	9,056,460,646	8,904,225,081	(152,235,565)
Net Change in Fund Balance	(27,959,516)	289,464,320	95,881,476	(193,582,844)
Fund Balance July 1, 2017	250,823,509	250,823,509	250,823,509	
Fund Balance June 30, 2018	\$ 222,863,993	\$ 540,287,829	\$ 346,704,985	\$ (193,582,844)

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

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

A. BUDGETARY PROCESS

The State's annual budget is prepared principally on the cash basis. The 1985 General Assembly enacted certain special provisions which state that the budget, as certified in the appropriations act, is the legal budget for all agencies. These special provisions also state that agencies may spend more than was certified in various line items provided the over-expenditure meets certain criteria and is authorized by the Director of the Budget. The process of approving these over-expenditures results in the 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 differences in the fund balances (budgetary basis) at June 30, 2018 to the fund balance on a modified accrual basis (GAAP).

	<u>General Fund</u>
Fund Balance (Budgetary Basis) June 30, 2018	\$ 346,704,985
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Accrued Revenues:	
Accounts Receivable	268,447
Intergovernmental Receivables	22,990,785
Interest Receivable	365,165
Less:	
Unearned Revenue	<u>(13,045,898)</u>
Total Accrued Revenues	<u>10,578,499</u>
Accrued Expenditures:	
Accounts Payable	(6,087,109)
Accrued Payroll	(291)
Intergovernmental Payables	(270,803,278)
Funds Held for Others	(247,776)
Civil Penalty Collections Held for School Districts	<u>(49,454,331)</u>
Total Accrued Expenditures	<u>(326,592,785)</u>
Other Adjustments:	
Inventories	<u>1,869,947</u>
Fund Balance (GAAP Basis) June 30, 2018	<u>\$ 32,560,646</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, 2009-2018**

Schedule C-2

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1) Required Contribution and Investment Revenue:										
Earned	\$ 18,054	\$ 20,337	\$ 16,257	\$ 20,699	\$ 16,380	\$ 17,583	\$ 14,563	\$ 19,099	\$ 12,518	\$ 12,585
Ceded	3,642	3,852	3,576	3,717	4,502	4,313	3,545	3,665	3,386	3,298
Net Earned	14,412	16,485	12,681	16,982	11,878	13,270	11,018	15,434	9,132	9,287
2) Unallocated Expenses	680	659	666	701	714	695	635	600	659	583
3) Estimated Claims and Expenses, End of Policy Year:										
Incurred	2,253	1,783	20,340	19,304	4,366	6,492	10,524	943	16,149	1,271
Ceded			6,761							
Net Incurred	2,253	1,783	13,579	19,304	4,366	6,492	10,524	943	16,149	1,271
4) Paid (Cumulative) As of:										
End of Policy Year	1,746	1,502	5,505	6,992	1,975	1,845	1,448	872	4,188	1,015
One Year Later	2,149	2,082	13,090	9,389	3,465	4,053	5,389	1,078	10,169	
Two Years Later	2,149	2,082	13,090	9,389	3,465	4,053	5,389	1,078		
Three Years Later	2,149	2,082	13,090	9,389	3,465	4,053	5,389			
Four Years Later	2,149	2,082	13,090	9,389	3,465	4,053				
Five Years Later	2,149	2,082	13,090	9,389	3,465					
Six Years Later	2,149	2,082	13,090	9,389						
Seven Years Later	2,149	2,082	13,090							
Eight Years Later	2,149	2,082								
Nine Years Later	2,149									
5) Reestimated Ceded Claims and Expenses										
6) Reestimated Net Incurred Claims and Expenses:										
End of Policy Year	2,253	1,783	13,579	19,304	4,366	6,492	10,524	943	16,149	1,271
One Year Later	2,276	1,846	20,481	13,159	2,965	5,189	10,669	917	18,622	
Two Years Later	2,269	1,846	20,481	13,159	2,965	5,189	10,669	917		
Three Years Later	2,269	1,846	20,481	13,159	2,965	5,189	10,669			
Four Years Later	2,269	1,846	20,481	13,159	2,965	5,189				
Five Years Later	2,269	1,846	20,481	13,159	2,965					
Six Years Later	2,269	1,846	20,481	13,159						
Seven Years Later	2,269	1,846	20,481							
Eight Years Later	2,269	1,846								
Nine Years Later	2,269									
7) Increase (Decrease) in Estimated Net Incurred Claims and Expenses From End of Policy Year	16	63	6,902	(6,145)	(1,401)	(1,303)	145	(26)	2,473	

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.

**North Carolina Department of Public Instruction
 Required Supplementary Information
 Schedule of the Proportionate Share of the Net Pension Liability
 Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
 Proprietary Fund - Public School Insurance Fund
 Last Five Fiscal Years**

Schedule C-3

Teachers' and State Employees' Retirement System	2018	2017	2016	2015	2014
Proportionate Share Percentage of Collective Net Pension Liability	0.00208%	0.00259%	0.00273%	0.00312%	0.00306%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 165,258	\$ 238,099	\$ 100,551	\$ 36,571	\$ 185,585
Covered Payroll	\$ 356,070	\$ 425,333	\$ 441,610	\$ 488,978	\$ 477,685
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	46.41%	55.98%	22.77%	7.48%	38.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.51%	87.32%	94.64%	98.24%	90.60%

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, as amended. The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

**North Carolina Department of Public Instruction
Required Supplementary Information
Schedule of Department Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
Proprietary Fund - Public School Insurance Fund
Last Five Fiscal Years**

Schedule C-4

Teachers' and State Employees' Retirement System	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 39,919	\$ 35,536	\$ 38,918	\$ 40,407	\$ 42,492
Contributions in Relation to the Contractually Determined Contribution	39,919	35,536	38,918	40,407	42,492
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 370,311	\$ 356,070	\$ 425,333	\$ 441,610	\$ 488,978
Contributions as a Percentage of Covered Payroll	10.78%	9.98%	9.15%	9.15%	8.69%

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

**North Carolina Department of Public Instruction
Notes to Required Supplementary Information
Schedule of Department Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
Proprietary Fund - Public School Insurance Fund
For the Fiscal Year Ended June 30, 2018**

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>
Teachers' and State Employees'										
Retirement System	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%	3.00%

Changes of assumptions: In 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 (TSERS) 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 discount rate for TSERS was lowered from 7.25% to 7.20% for the December 31, 2016 valuation.

The Board of Trustees also adopted a new asset valuation method for the TSERS. For determining plan funding requirements, this plan now uses a five-year smoothing method with a reset of the actuarial value of assets to market value as of December 31, 2014.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2017 *Comprehensive Annual Financial Report*.

N/A - Not applicable

**North Carolina Department of Public Instruction
Required Supplementary Information
Schedule of the Proportionate Share of the Net OPEB Liability or Asset
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Proprietary Fund - Public School Insurance Fund
Last Two Fiscal Years**

Schedule C-5

	<u>2018</u>	<u>2017</u>
Retiree Health Benefit Fund		
Proportionate Share Percentage of Collective Net OPEB Liability	0.00179%	0.00222%
Proportionate Share of Collective Net OPEB Liability	\$ 586,398	\$ 966,873
Covered Payroll	\$ 356,070	\$ 425,333
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	164.69%	227.32%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	3.52%	2.41%
Disability Income Plan of North Carolina		
Proportionate Share Percentage of Collective Net OPEB Asset	0.00177%	0.00222%
Proportionate Share of Collective Net OPEB Asset	\$ 1,084	\$ 1,380
Covered Payroll	\$ 356,070	\$ 425,333
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.30%	0.32%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Asset	116.23%	116.06%

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

**North Carolina Department of Public Instruction
 Required Supplementary Information
 Schedule of Department Contributions
 Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
 Proprietary Fund - Public School Insurance Fund
 Last Two Fiscal Years**

Schedule C-6

	<u>2018</u>	<u>2017</u>
Retiree Health Benefit Fund		
Contractually Required Contribution	\$ 22,404	\$ 20,688
Contributions in Relation to the Contractually Determined Contribution	<u>22,404</u>	<u>20,688</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	\$ 370,311	\$ 356,070
Contributions as a Percentage of Covered Payroll	6.05%	5.81%
<hr/>		
Disability Income Plan of North Carolina		
Contractually Required Contribution	\$ 518	\$ 1,350
Contributions in Relation to the Contractually Determined Contribution	<u>518</u>	<u>1,350</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	\$ 370,311	\$ 356,070
Contributions as a Percentage of Covered Payroll	0.14%	0.38%

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

**North Carolina Department of Public Instruction
Notes to Required Supplementary Information
Schedule of Department Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Proprietary Fund - Public School Insurance Fund
For the Fiscal Year Ended June 30, 2018**

Changes of benefit terms: Effective January 1, 2016, benefit terms related to copays, out-of-pocket maximums, and deductibles were changed for three of four options of the Retiree Health Benefit Fund (RHBF). Most of the changes were an increase in the amount from the previous year.

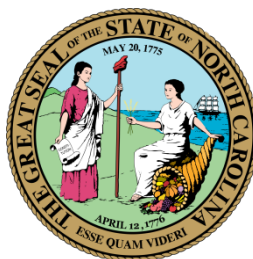
Effective January 1, 2017, benefit terms related to copays, coinsurance maximums, out-of-pocket maximums, and deductibles were changed for two of four options of the RHBF. Most of the changes were an increase in the amount from the previous year.

Method and assumptions used in calculations of actuarially determined contributions: An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning six months following the date of the valuation results for the RHBF. The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results for the Disability Income Plan of North Carolina (DIPNC). See Note 13 for more information on the specific assumptions for each plan. The actuarially determined contributions for those items with covered payroll were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

Changes of assumptions: In 2015, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's 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 Boards of Trustees of the Teachers' and State Employees' Retirement System and the State Health Plan adopted a number of new actuarial assumptions and methods for the RHBF and the DIPNC. 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 and rates of termination from active employment were reduced to more closely reflect actual experience.

In 2017, the medical and prescription health trend rates used in the December 31, 2016 actuarial valuation of the RHBF were reduced based upon the plan's most recent experience.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2017 *Comprehensive Annual Financial Report*.



SUPPLEMENTARY INFORMATION

**North Carolina Department of Public Instruction
Supplementary Information
Schedule of Revenues by Source
Governmental Funds
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for June 30, 2017)**

Schedule D-1

	<u>2018</u>	<u>2017 (Restated)</u>
REVENUES		
Federal Funds:		
Child Nutrition Cluster	\$ 537,141,793	\$ 537,187,125
Title I Grants to School Districts	437,428,024	427,861,784
Special Education: Preschool Grants & Grants to States	358,318,143	356,998,856
School Improvement Grants Cluster	9,298,218	5,025,275
Career and Technical Education - Basic Grants to States	37,434,065	34,202,145
English Language Acquisition State Grants	15,615,361	15,109,214
Improving Teacher Quality State Grants	45,107,576	43,658,058
Twenty-First Century Community Learning Centers	26,057,615	29,117,199
Other Federal Funds	42,261,004	52,946,002
	<u>1,508,661,799</u>	<u>1,502,105,658</u>
Revenues from Other State Agencies:		
Office of State Budget and Management:		
Lottery Funds	557,166,089	472,452,291
Other	3,167,327	1,742,525
Department of Revenue	68,698,497	64,360,412
Department of Health and Human Services	12,818,015	15,671,494
Department of Transportation	2,500,000	
Other	347,900	220,000
	<u>644,697,828</u>	<u>554,446,722</u>
Contributions, Gifts, and Grants	12,703,123	13,619,690
E Rate Telecommunication and Internet Access Program Funds	15,133,022	15,053,451
Sales and Services	1,513,715	1,556,097
Licensure Certification and Registration Fees	3,902,215	3,733,221
Property and Equipment Rental	1,365,022	1,440,948
Investment Earnings	3,476,914	2,064,769
Student Tuition and Fees	810,559	526,691
Miscellaneous	1,920,774	2,871,777
	<u>21,829,365</u>	<u>21,276,943</u>
Total Revenues (See Exhibit A-2)	<u>\$ 2,194,184,971</u>	<u>\$ 2,097,419,024</u>

**North Carolina Department of Public Instruction
Supplementary Information
Schedule of Expenditures by Purpose
Governmental Funds
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for June 30, 2017)**

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

	2018	2017 (Restated)
EXPENDITURES		
Expenditures Paid by the Department to Schools or On Their Behalf:		
Grants, State, and Federal Aid to Schools (See Schedule D-3)	\$ 10,678,753,863	\$ 10,329,626,422
Supplemental Benefits for Schools:		
Workers' Compensation Payments for School Employees	53,290,785	55,449,661
Claims and Benefits, Primarily School Unemployment Payments	2,336,598	2,031,667
Excess Professional Liability Insurance for School Employees	2,388,971	2,368,834
Total Supplemental Benefits for Schools	58,016,354	59,850,162
School Buses, Textbooks, and Other Costs Paid for Schools:		
School Bus Replacement, Financing Payments	61,829,199	62,455,595
Textbooks	2,144,186	5,427,994
Payment of Tort Claim Settlements	4,713,864	4,454,890
Total School Buses, Textbooks, and Other Costs Paid for Schools	68,687,249	72,338,479
Residential School Operating Costs:		
North Carolina School for the Deaf	9,166,150	8,604,615
Eastern North Carolina School for the Deaf	9,155,731	8,286,249
Governor Morehead School	6,890,283	6,463,123
Total Residential School Operating Costs	25,212,164	23,353,987
North Carolina Center for Advancement of Teaching	4,046,225	3,500,970
Total Expenditures Paid by the Department to Schools or On Their Behalf	10,834,715,855	10,488,670,020
Expenditures Paid for Department Operations and Administration:		
Contracted Services:		
Academic Services	22,743,520	20,129,424
Other Information Tech Services	25,172,126	21,051,904
Other Contractual Services	53,670,715	54,802,902
Total Contracted Services	101,586,361	95,984,230
Salaries and Wages:		
Salaries Subject to State Personnel Act	42,526,544	44,120,097
Salaries Exempt Under State Personnel Act	3,929,594	3,930,219
Longevity Pay	966,070	1,491,717
Temporary Wages		208
Other Contractual Services	743,200	771,224
Total Salaries and Wages	48,165,408	50,313,465
Employee Benefits:		
Medical Insurance Contributions	3,665,133	3,725,060
Other Medical Insurance	379,750	469,394
Regular Retirement Contributions	8,163,953	8,127,055
Social Security Contributions	3,502,479	3,679,524
Total Employee Benefits	15,711,315	16,001,033

**North Carolina Department of Public Instruction
 Supplementary Information
 Schedule of Expenditures by Purpose
 Governmental Funds
 For the Fiscal Year Ended June 30, 2018
 (With Comparative Totals for June 30, 2017)**

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

	2018	2017 (Restated)
Supplies and Materials:		
Educational Supplies	2,844,655	2,706,200
Other Supplies and Materials	260,406	285,662
Total Supplies and Materials	<u>3,105,061</u>	<u>2,991,862</u>
Purchases for Resale	110,820	93,913
Travel:		
Ground Transportation In-State	987,845	1,204,976
Ground Transportation Out-of-State	21,100	35,434
Lodging	499,748	668,051
Workshops	704,572	825,446
Other Travel	723,911	847,978
Total Travel	<u>2,937,176</u>	<u>3,581,885</u>
Communication	579,685	542,959
Data Processing Services:		
Managed Local Network Service Charge	21,532,223	22,424,550
Managed Server Services	253,139	242,636
Other Server Services	201,265	128,160
Total Data Processing Services	<u>21,986,627</u>	<u>22,795,346</u>
Other Services	1,220,521	6,785,470
Other Fixed Charges:		
Network Software Maintenance Agreement	232,054	506,976
Server Software Maintenance Agreement	357,736	673,716
Membership Dues and Subscriptions	1,950,011	1,651,873
Other Fixed Charges	238,992	143,254
Total Other Fixed Charges	<u>2,778,793</u>	<u>2,975,819</u>
Expenditures to Other State Agencies:		
Community College	11,881,369	10,450,243
Other Expenditures	3,069,902	3,070,758
Total Expenditures to Other State Agencies	<u>14,951,271</u>	<u>13,521,001</u>
Capital Outlay:		
Computer and Printer Equipment	7,060,158	223,750
Personal Computer and Server Software	425,625	1,002,983
Other Capital Outlays	565,500	511,263
Total Capital Outlay	<u>8,051,283</u>	<u>1,737,997</u>
Scholarships	133	
Other Expenditures:		
Workshop Expenses	944,894	1,417,752
Other Expenditures	1,163,446	1,992,320
Total Other Expenditures	<u>2,108,340</u>	<u>3,410,072</u>
Total Expenditures Paid for Department Operations and Administration	<u>223,292,794</u>	<u>220,735,052</u>
Total Expenditures (See Exhibit A-2)	<u>\$ 11,058,008,649</u>	<u>\$ 10,709,405,072</u>

North Carolina Department of Public Instruction
Supplementary Information
Schedule of Grants, State, and Federal Aid Paid to Schools
General Fund
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for June 30, 2017)

Schedule D-3
Page 1 of 2

	2018	2017 (Restated)
School District Expenditures Funded by State Aid:		
Salaries:		
Administrative Personnel:		
Superintendents or Directors	\$ 57,251,263	\$ 57,371,337
Associate or Assistant Superintendents	15,825,161	15,973,410
Principals	167,451,164	151,512,900
Assistant Principals	124,920,354	109,714,411
Finance Officers	7,635,630	7,296,043
Total Administrative Personnel	<u>373,083,572</u>	<u>341,868,101</u>
Teachers	3,801,219,091	3,725,436,456
Instructional Support Personnel - Certified	511,728,385	509,166,521
Psychologists	32,108,990	32,507,378
Teacher Assistants	344,035,848	340,909,872
Tutors and Non-Certified Instructors	16,476,803	16,858,582
Interpreters, Therapists, and Specialists	63,715,925	61,791,233
School Resource Officers and Monitors	20,833,085	21,036,221
Technical and Administrative Support Personnel	198,972,902	206,380,427
Substitute Pay	53,150,109	61,452,503
Drivers	176,931,838	165,167,692
Custodians	184,465,937	175,552,580
Skilled Tradesmen and Managers	67,047,976	63,429,244
Longevity Pay	22,923,103	24,492,982
Annual Leave Pay	39,827,064	38,740,066
Supplementary Pay	72,816,840	63,247,898
Short Term Disability Pay	5,949,951	5,838,984
Extra Duty Pay	28,285,005	27,918,354
Total Salaries	<u>6,013,572,424</u>	<u>5,881,795,094</u>
Employer-Provided Benefits:		
Employer's Social Security Cost - Regular	432,684,016	425,010,241
Retirement Benefits	985,692,643	917,794,356
Insurance Benefits	734,260,859	718,552,185
Total Employer-Provided Benefits	<u>2,152,637,518</u>	<u>2,061,356,782</u>
Purchased Services:		
Professional and Technical Services	178,175,264	167,065,277
Property Services	10,334,201	4,373,395
Transportation Services	33,160,275	33,470,987
Communications	7,659,487	9,313,582
Tuition	2,706,176	1,772,754
Dues and Fees	279,595	276,987
Insurance and Judgments	837,795	826,583
Total Purchased Services	<u>233,152,793</u>	<u>217,099,565</u>
Supplies and Materials:		
School and Office Supplies	142,083,316	122,247,707
Operational Supplies	80,716,406	71,062,815
Food Supplies	279,470	236,037
Noncapitalized Equipment	44,901,088	58,229,308
Sales and Use Tax Expenses/Refunds	(235,560)	170,859
Total Supplies and Materials	<u>267,744,720</u>	<u>251,946,726</u>
Capital Outlay:		
Equipment and Computer Hardware	11,815,573	10,596,660
Vehicles	3,094,448	4,033,395
Total Capital Outlay	<u>14,910,021</u>	<u>14,630,055</u>
Expenditures to Other State Agencies	511,339	477,124
Total School District Expenditures Funded by State Aid (See Schedules D-4 and D-5)	<u>8,682,528,815</u>	<u>8,427,305,346</u>

North Carolina Department of Public Instruction
Supplementary Information
Schedule of Grants, State, and Federal Aid Paid to Schools
General Fund
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for June 30, 2017)

Schedule D-3
Page 2 of 2

	2018	2017 (Restated)
Federal Grants and Aid to School Districts:		
Payments Under Federal Grant Programs (See Schedules D-4 and D-5)	858,235,190	852,411,055
Reimbursements for Meals Provided Under Federal Child Nutrition Program (See Schedules D-4 and D-5)	523,779,364	521,259,374
Reimbursements from Medicaid (See Schedules D-4 and D-5)	11,010,828	12,236,220
Total Federal Grants and Aid Paid to School Districts	<u>1,393,025,382</u>	<u>1,385,906,649</u>
Construction Projects Paid through Building Capital Fund (See Schedules D-4 and D-5)	<u>98,160,283</u>	<u>91,028,169</u>
Technology Support Paid through School Technology Fund (See Schedules D-4 and D-5)	<u>24,005,323</u>	<u>36,337,622</u>
Total Grants, State, and Federal Aid to School Districts (See Schedules D-4 and D-5)	<u>10,197,719,803</u>	<u>9,940,577,786</u>
Reimbursements	<u>(4,423,959)</u>	<u>(6,427,685)</u>
Grants and Aid to Charter Schools:		
Charter School Expenditures Funded by State Aid (See Schedules D-6 and D-7)	592,151,053	520,037,574
Payments Under Federal Grant Programs (See Schedules D-6 and D-7)	30,823,395	25,111,839
Reimbursements for Meals Provided Under Federal Child Nutrition Program (See Schedules D-6 and D-7)	11,621,203	10,872,604
Total Grants and Aid to Charter Schools (See Schedules D-6 and D-7)	<u>634,595,651</u>	<u>556,022,017</u>
Aid to Other Entities for Programming¹	<u>37,045,482</u>	<u>31,527,334</u>
Less: Civil Penalty and Forfeiture Fund Disbursements²	<u>(186,183,114)</u>	<u>(192,073,030)</u>
Total Grants, State, and Federal Aid Expenditures (See Exhibit A-2)	<u>\$ 10,678,753,863</u>	<u>\$ 10,329,626,422</u>

¹ Other entities include not-for-profit organizations, other state agencies, and federal schools.

² Grants, State, and Federal Aid Expenditures are offset by Civil Penalty and Forfeiture Fund appropriations disbursed to school districts during the year.

**North Carolina Department of Public Instruction
 Supplementary Information
 Schedule of Grants and Aid Paid to School Districts (Alphabetically)
 General Fund
 For the Fiscal Year Ended June 30, 2018 (With Comparative Totals for 2017)**

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

	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	Federal Medicaid Reimbursements	State Building Capital Funds	State Technology Funds	2018 Total	2017 Total
Alamance-Burlington County Schools	\$ 134,143,105	\$ 12,672,644	\$ 8,563,498	\$ 267,065	\$ 2,571,847	\$ 582,866	\$ 158,801,025	\$ 151,566,546
Alexander County Schools	31,534,460	2,550,630	1,639,938			63,459	35,788,487	35,793,911
Alleghany County Schools	10,844,544	1,450,276	546,052	32,582	93,420	15,759	12,982,634	13,066,161
Anson County Schools	23,458,051	3,181,643	1,917,453		(1,020)	32,241	28,588,368	28,907,259
Ashe County Schools	21,407,642	2,144,744	1,191,581		251,812	11,715	25,007,494	24,876,453
Asheboro City Schools	29,827,043	2,881,960	2,359,574		300,000	82,317	35,450,894	34,130,253
Asheville City Schools	26,453,772	2,849,226	1,086,239	48,266	1,543,382	40,619	32,021,504	29,280,858
Avery County Schools	15,746,385	1,682,378	738,221	17,836	147,876	23,642	18,356,338	17,977,019
Beaufort County Schools	41,392,521	4,936,282	3,306,244		450,000	73,096	50,158,143	49,479,213
Bertie County Schools	18,829,252	2,210,632	1,768,186		495,000	10,986	23,314,056	22,646,653
Bladen County Schools	29,336,825	4,648,700	3,267,991		413,750	50,648	37,717,914	37,293,129
Brunswick County Schools	74,477,125	8,462,352	4,585,498		800,000	106,696	88,431,671	85,958,444
Buncombe County Schools	142,501,890	14,853,147	8,533,286	259,044	925,000	450,130	167,522,497	166,939,445
Burke County Schools	78,394,493	7,175,283	4,805,916	185,612		114,190	90,675,495	90,518,313
Cabarrus County Schools	183,961,706	11,575,923	8,178,641	204,936	1,754,000	381,609	206,056,816	197,346,595
Caldwell County Schools	75,649,583	6,080,816	4,409,224		1,165,940	140,062	87,445,625	87,375,147
Camden County Schools	13,936,222	480,816	266,454		252,368	9,830	14,945,690	14,252,994
Carteret County Schools	48,503,371	4,568,271	2,078,887		600,000	256,053	56,006,582	55,553,283
Caswell County Schools	19,722,417	2,043,602	1,238,217			53,659	23,057,895	22,368,840
Catawba County Schools	92,802,780	7,502,604	5,561,861		826,500	317,249	107,010,994	106,783,589
Chapel-Hill/Carrboro City Schools	66,729,197	3,475,999	2,170,833		1,034,928	146,352	73,557,309	71,387,922
Charlotte-Mecklenburg County Schools	832,661,002	84,578,545	52,292,949	1,004,835	9,432,000	2,138,430	982,107,761	947,852,713
Chatham County Schools	52,880,025	4,222,331	2,652,416		444,000	104,955	60,303,727	58,133,567
Cherokee County Schools	22,170,847	2,831,884	1,770,247		237,215	44,113	27,054,306	26,724,761
Clay County Schools	10,636,411	812,306	414,868			15,738	11,879,323	11,742,165
Cleveland County Schools	93,472,652	10,087,089	6,345,282		1,300,000	100,603	111,305,626	111,122,878
Clinton City Schools	18,274,378	2,069,984	1,952,353			115,279	22,411,994	22,574,525
Columbus County Schools	40,066,932	4,282,997	4,030,851			102,334	48,483,114	48,848,450
Craven County Schools	81,487,783	8,003,719	4,413,977		713,900	194,943	94,814,322	92,666,013
Cumberland County Schools	292,380,777	31,416,131	23,845,162	3,979,455	2,705,077	603,226	354,929,829	342,915,697
Currituck County Schools	24,465,422	1,566,848	693,222		244,357	47,254	27,017,104	26,575,527
Dare County Schools	31,528,947	2,067,029	1,024,434		325,000	59,641	35,005,051	33,445,859
Davidson County Schools	111,829,322	8,981,182	4,909,521	152,508	1,649,460	264,643	127,786,636	123,589,465
Davie County Schools	37,585,858	2,692,570	1,904,474		814,340	70,809	43,068,051	42,296,814
Duplin County Schools	61,312,783	7,014,129	4,961,687		581,975	112,236	73,982,810	73,196,942
Durham County Schools	202,863,277	27,181,713	13,020,584		3,426,307	864,307	247,356,188	232,985,914
Edenton-Chowan County Schools	15,281,866	1,483,205	810,862		103,573	21,180	17,700,686	17,394,711
Edgecombe County Schools	41,918,604	6,050,296	3,945,280		150,000	30,536	52,094,716	48,961,660
Elizabeth City/Pasquotank County Schools	37,285,104	4,162,278	2,609,413		288,300	6,716	44,351,811	39,835,053
Elkin City Schools	8,124,539	510,447	280,044			13,749	8,928,779	12,151,358
Franklin County Schools	52,135,844	4,640,435	3,434,695	86,098	623,993	73,756	60,994,821	60,702,451
Gaston County Schools	182,376,986	19,964,920	12,537,512	350,824	2,120,880	367,853	217,718,975	211,154,242

**North Carolina Department of Public Instruction
 Supplementary Information
 Schedule of Grants and Aid Paid to School Districts (Alphabetically)
 General Fund
 For the Fiscal Year Ended June 30, 2018 (With Comparative Totals for 2017)**

**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	2018 Total	2017 Total
Gates County Schools	13,195,915	1,032,925	493,568		25,500	18,934	14,766,842	14,749,742
Graham County Schools	9,847,134	815,537	456,009		73,343	7,614	11,199,637	11,144,675
Granville County Schools	48,405,816	3,983,292	2,662,394		530,247	91,513	55,673,263	56,211,350
Greene County Schools	23,584,605	2,678,649	1,826,318		215,145	77,284	28,382,001	28,206,779
Guilford County Schools	416,720,540	44,164,916	33,152,532	705,488	4,147,060	943,026	499,833,562	493,099,603
Halifax County Schools	20,048,546	4,753,336	1,973,457		169,591	29,338	26,974,267	27,557,956
Harnett County Schools	123,456,886	10,787,288	7,436,865			255,375	141,936,414	142,197,812
Haywood County Schools	42,873,626	4,417,862	2,446,394		1,378,308	106,653	51,222,842	49,200,559
Henderson County Schools	78,083,279	7,907,863	4,599,861	120,987	1,160,900	140,757	92,013,647	91,112,220
Hertford County Schools	22,487,478	3,192,919	1,914,396				27,594,793	26,567,212
Hickory City Schools	24,907,918	2,340,455	1,627,799		214,000	61,343	29,151,515	29,109,090
Hoke County Schools	58,781,296	5,896,879	3,697,634			97,537	68,473,346	66,344,695
Hyde County Schools	7,501,424	685,579	285,818			7,624	8,480,445	8,446,926
Iredell-Statesville Schools	115,783,460	9,415,648	4,705,709		500,898	236,801	130,642,516	125,953,715
Jackson County Schools	23,372,491	2,852,308	1,382,292		242,596	37,395	27,887,082	27,548,807
Johnston County Schools	215,142,923	14,684,247	8,074,561		2,993,500	728,246	241,623,477	232,475,713
Jones County Schools	10,294,006	1,132,315	792,865		169,097	28,064	12,416,347	11,955,701
Kannapolis City Schools	31,742,474	3,133,416	2,967,484	35,869	296,000	61,706	38,236,950	37,481,725
Lee County Schools	59,906,013	5,853,054	3,975,539		840,000	117,038	70,691,644	67,773,137
Lenoir County Schools	55,570,573	6,880,853	5,467,792		1,200,375	120,043	69,239,636	67,369,348
Lexington City Schools	19,919,549	2,699,995	2,282,218			35,221	24,936,983	24,575,432
Lincoln County Schools	64,866,206	4,964,649	3,500,958		576,000	138,948	74,046,761	75,041,542
Macon County Schools	28,222,307	2,584,870	1,747,697		297,259	52,437	32,904,571	32,663,722
Madison County Schools	17,546,333	1,872,896	690,677			55,633	20,165,539	20,047,244
Martin County Schools	23,744,692	2,811,929	1,854,937		289,193	59,439	28,760,190	27,819,673
McDowell County Schools	40,560,045	3,719,639	3,103,738	80,639	448,920	72,102	47,985,083	47,166,951
Mitchell County Schools	14,967,778	1,204,860	639,276	11,540		54,283	16,877,737	16,963,531
Montgomery County Schools	26,914,232	3,273,774	2,118,279	65,778	250,000	45,523	32,667,586	32,280,106
Moore County Schools	72,222,468	8,208,034	2,863,580		1,045,222	150,579	84,489,883	82,280,527
Mooreville City Schools	33,775,715	1,885,257	1,276,442		1,000,000	95,788	38,033,202	37,233,211
Mount Airy City Schools	10,631,997	1,947,159	721,753		255,600	42,421	13,598,930	12,916,670
Nash-Rocky Mount Schools	94,722,380	12,222,281	6,865,641		936,000	182,886	114,929,188	114,727,341
New Hanover County Schools	151,176,835	14,633,381	8,456,043	306,565	1,736,391	394,334	176,703,549	171,945,495
Newton-Conover City Schools	18,083,760	1,915,415	1,187,310		152,000	35,800	21,374,285	21,011,982
Northampton County Schools	15,540,020	2,540,950	1,150,150		250,000	22,460	19,503,580	20,109,683
Onslow County Schools	148,467,438	12,485,324	7,148,842		1,646,000	571,744	170,319,348	160,963,118
Orange County Schools	45,475,450	3,259,673	1,794,106	50,572	541,188	183,752	51,304,740	50,794,681
Pamlico County Schools	11,085,774	1,013,196	484,823		67,769	14,860	12,666,421	12,722,154
Pender County Schools	55,103,617	5,219,093	2,732,016		634,078	113,527	63,802,331	62,120,646
Perquimans County Schools	12,283,844	1,216,016	703,001		461,300	34,255	14,698,416	14,336,989
Person County Schools	28,746,943	3,195,984	2,004,520	44,544	1,140,143	119,644	35,251,778	32,532,842
Pitt County Schools	140,957,518	16,676,997	9,087,874	172,206	2,000,000	659,066	169,553,661	161,908,272

**North Carolina Department of Public Instruction
 Supplementary Information
 Schedule of Grants and Aid Paid to School Districts (Alphabetically)
 General Fund
 For the Fiscal Year Ended June 30, 2018 (With Comparative Totals for 2017)**

**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	2018 Total	2017 Total
Polk County Schools	16,029,497	1,348,395	869,898		145,705	25,050	18,418,545	18,585,970
Randolph County Schools	103,274,516	9,501,363	5,724,283		1,300,000	201,517	120,001,679	120,319,745
Residential Schools			83,010				83,010	119,431
Richmond County Schools	47,869,901	6,304,557	4,228,744	73,973	579,950	130,288	59,187,413	57,551,464
Roanoke Rapids City Schools	18,720,067	2,018,595	1,079,513		487,649	33,815	22,339,638	21,255,618
Robeson County Schools	160,047,419	25,179,927	14,756,330		910,192	308,229	201,202,097	192,299,477
Rockingham County Schools	78,526,692	8,018,378	4,751,652	190,562	266,049	100,331	91,853,664	91,579,240
Rowan-Salisbury County Schools	113,972,973	12,270,044	8,683,994	136,002	946,000	1,002,800	137,011,813	134,422,037
Rutherford County Schools	52,581,471	6,770,344	4,386,356	109,656	550,000	146,698	64,544,526	64,016,712
Sampson County Schools	53,727,134	5,680,335	4,874,011		1,084,487	97,428	65,463,395	65,353,613
Scotland County Schools	42,134,486	4,645,888	3,517,391	149,738	367,871	68,835	50,884,208	49,250,952
Stanly County Schools	54,232,491	4,688,815	2,655,176	62,463	574,000	102,358	62,315,303	59,956,265
Stokes County Schools	39,807,576	3,663,416	2,049,907	75,846	450,000	63,051	46,109,796	46,443,360
Surry County Schools	51,145,567	4,903,371	3,614,902		131,594	149,568	59,945,002	60,713,025
Swain County Schools	14,586,990	1,397,704	987,050			23,749	16,995,493	16,577,328
Thomasville City Schools	14,945,007	2,552,563	2,183,801	29,793		109,652	19,820,816	19,012,777
Transylvania County Schools	21,236,195	2,455,053	1,229,028		539,876	40,323	25,500,475	24,679,053
Tyrrell County Schools	7,221,614	402,593	413,293			9,779	8,047,279	7,698,981
Union County Schools	229,646,613	15,770,891	8,329,591	185,244	3,555,501	864,923	258,352,762	249,786,218
Vance County Schools	43,902,275	5,307,452	3,893,083		497,760	98,380	53,698,950	55,192,590
Wake County Schools	907,574,988	64,674,926	29,941,351	822,530	12,119,752	3,707,801	1,018,841,348	981,899,256
Warren County Schools	16,816,629	2,308,453	1,470,313			16,872	20,612,267	20,819,322
Washington County Schools	12,801,807	1,719,292	1,111,950		172,250	18,163	15,823,462	15,726,704
Watauga County Schools	27,815,656	2,119,945	958,008	48,453	172,451	52,792	31,167,305	30,829,499
Wayne County Schools	119,146,601	12,864,556	8,316,660		1,279,017	389,661	141,996,496	140,074,615
Weldon City Schools	7,790,964	1,106,278	644,359			10,118	9,551,719	9,589,121
Whiteville City Schools	15,488,215	2,212,386	1,686,025		260,000	62,210	19,708,836	19,216,609
Wilkes County Schools	59,347,290	5,364,081	4,456,136	137,206	675,000	4,073	69,983,786	69,919,974
Wilson County Schools	70,414,385	9,520,619	5,129,821	121,143		391,746	85,577,714	84,959,858
Winston-Salem/Forsyth County Schools	322,804,020	40,269,709	20,502,506	656,327	3,024,786	983,854	388,241,202	377,303,845
Yadkin County Schools	35,540,138	3,128,822	2,156,776		350,000	160,229	41,335,965	41,656,321
Yancey County Schools	16,266,591	1,857,760	677,651	28,644	1,051,590	14,558	19,896,794	18,707,437
Total Grants and Aid to School Districts	\$ 8,682,528,815	\$ 858,235,190	\$ 523,779,364	\$ 11,010,828	\$ 98,160,283	\$ 24,005,323	\$ 10,197,719,803	\$ 9,940,557,786

**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, 2018 (With Comparative Totals for 2017)**

**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	2018 Total	2017 Total
Wake County Schools	\$ 907,574,988	\$ 64,674,926	\$ 29,941,351	\$ 822,530	\$ 12,119,752	\$ 3,707,801	\$ 1,018,841,348	\$ 981,899,256
Charlotte-Mecklenburg County Schools	832,661,002	84,578,545	52,292,949	1,004,835	9,432,000	2,138,430	982,107,761	947,852,713
Guilford County Schools	416,720,540	44,164,916	33,152,532	705,488	4,147,060	943,026	499,833,562	493,099,603
Winston-Salem/Forsyth County Schools	322,804,020	40,269,709	20,502,506	656,327	3,024,786	983,854	388,241,202	377,303,845
Cumberland County Schools	292,380,777	31,416,131	23,845,162	3,979,455	2,705,077	603,226	354,929,829	342,915,697
Union County Schools	229,646,613	15,770,891	8,329,591	185,244	3,555,501	864,923	258,352,762	249,786,218
Johnston County Schools	215,142,923	14,684,247	8,074,561		2,993,500	728,246	241,623,477	232,475,713
Durham County Schools	202,863,277	27,181,713	13,020,584		3,426,307	864,307	247,356,188	232,985,914
Cabarrus County Schools	183,961,706	11,575,923	8,178,641	204,936	1,754,000	381,609	206,056,816	197,346,595
Gaston County Schools	182,376,986	19,964,920	12,537,512	350,824	2,120,880	367,853	217,718,975	211,154,242
Robeson County Schools	160,047,419	25,179,927	14,756,330		910,192	308,229	201,202,097	192,299,477
New Hanover County Schools	151,176,835	14,633,381	8,456,043	306,565	1,736,391	394,334	176,703,549	171,945,495
Onslow County Schools	148,467,438	12,485,324	7,148,842		1,646,000	571,744	170,319,348	160,963,118
Buncombe County Schools	142,501,890	14,853,147	8,533,286	259,044	925,000	450,130	167,522,497	166,939,445
Pitt County Schools	140,957,518	16,676,997	9,087,874	172,206	2,000,000	659,066	169,553,661	161,908,272
Alamance-Burlington County Schools	134,143,105	12,672,644	8,563,498	267,065	2,571,847	582,866	158,801,025	151,566,546
Harnett County Schools	123,456,886	10,787,288	7,436,865			255,375	141,936,414	142,197,812
Wayne County Schools	119,146,601	12,864,556	8,316,660		1,279,017	389,661	141,996,496	140,074,615
Iredell-Statesville Schools	115,783,460	9,415,648	4,705,709		500,898	236,801	130,642,516	125,953,715
Rowan-Salisbury County Schools	113,972,973	12,270,044	8,683,994	136,002	946,000	1,002,800	137,011,813	134,422,037
Davidson County Schools	111,829,322	8,981,182	4,909,521	152,508	1,649,460	264,643	127,786,636	123,589,465
Randolph County Schools	103,274,516	9,501,363	5,724,283		1,300,000	201,517	120,001,679	120,319,745
Nash-Rocky Mount Schools	94,722,380	12,222,281	6,865,641		936,000	182,886	114,929,188	114,727,341
Cleveland County Schools	93,472,652	10,087,089	6,345,282		1,300,000	100,603	111,305,626	111,122,878
Catawba County Schools	92,802,780	7,502,604	5,561,861		826,500	317,249	107,010,994	106,783,589
Craven County Schools	81,487,783	8,003,719	4,413,977		713,900	194,943	94,814,322	92,666,013
Rockingham County Schools	78,526,692	8,018,378	4,751,652	190,562	266,049	100,331	91,853,664	91,579,240
Burke County Schools	78,394,493	7,175,283	4,805,916	185,612		114,190	90,675,495	90,518,313
Henderson County Schools	78,083,279	7,907,863	4,599,861	120,987	1,160,900	140,757	92,013,647	91,112,220
Caldwell County Schools	75,649,583	6,080,816	4,409,224		1,165,940	140,062	87,445,625	87,375,147
Brunswick County Schools	74,477,125	8,462,352	4,585,498		800,000	106,696	88,431,671	85,958,444
Moore County Schools	72,222,468	8,208,034	2,863,580		1,045,222	150,579	84,489,883	82,280,527
Wilson County Schools	70,414,385	9,520,619	5,129,821	121,143		391,746	85,577,714	84,959,858
Chapel-Hill/Carrboro City Schools	66,729,197	3,475,999	2,170,833		1,034,928	146,352	73,557,309	71,387,922
Lincoln County Schools	64,866,206	4,964,649	3,500,958		576,000	138,948	74,046,761	75,041,542
Duplin County Schools	61,312,783	7,014,129	4,961,687		581,975	112,236	73,982,810	73,196,942
Lee County Schools	59,906,013	5,853,054	3,975,539		840,000	117,038	70,691,644	67,773,137
Wilkes County Schools	59,347,290	5,364,081	4,456,136	137,206	675,000	4,073	69,983,786	69,919,974
Hoke County Schools	58,781,296	5,896,879	3,697,634			97,537	68,473,346	66,344,695
Lenoir County Schools	55,570,573	6,880,853	5,467,792		1,200,375	120,043	69,239,636	67,369,348

**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, 2018 (With Comparative Totals for 2017)**

**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	2018 Total	2017 Total
Pender County Schools	55,103,617	5,219,093	2,732,016		634,078	113,527	63,802,331	62,120,646
Stanly County Schools	54,232,491	4,688,815	2,655,176	62,463	574,000	102,358	62,315,303	59,956,265
Sampson County Schools	53,727,134	5,680,335	4,874,011		1,084,487	97,428	65,463,395	65,353,613
Chatham County Schools	52,880,025	4,222,331	2,652,416		444,000	104,955	60,303,727	58,133,567
Rutherford County Schools	52,581,471	6,770,344	4,386,356	109,656	550,000	146,698	64,544,526	64,016,712
Franklin County Schools	52,135,844	4,640,435	3,434,695	86,098	623,993	73,756	60,994,821	60,702,451
Surry County Schools	51,145,567	4,903,371	3,614,902		131,594	149,568	59,945,002	60,713,025
Carteret County Schools	48,503,371	4,568,271	2,078,887		600,000	256,053	56,006,582	55,553,283
Granville County Schools	48,405,816	3,983,292	2,662,394		530,247	91,513	55,673,263	56,211,350
Richmond County Schools	47,869,901	6,304,557	4,228,744	73,973	579,950	130,288	59,187,413	57,551,464
Orange County Schools	45,475,450	3,259,673	1,794,106	50,572	541,188	183,752	51,304,740	50,794,681
Vance County Schools	43,902,275	5,307,452	3,893,083		497,760	98,380	53,698,950	55,192,590
Haywood County Schools	42,873,626	4,417,862	2,446,394		1,378,308	106,653	51,222,842	49,200,559
Scotland County Schools	42,134,486	4,645,888	3,517,391	149,738	367,871	68,835	50,884,208	49,250,952
Edgecombe County Schools	41,918,604	6,050,296	3,945,280		150,000	30,536	52,094,716	48,961,660
Beaufort County Schools	41,392,521	4,936,282	3,306,244		450,000	73,096	50,158,143	49,479,213
McDowell County Schools	40,560,045	3,719,639	3,103,738	80,639	448,920	72,102	47,985,083	47,166,951
Columbus County Schools	40,066,932	4,282,997	4,030,851			102,334	48,483,114	48,848,450
Stokes County Schools	39,807,576	3,663,416	2,049,907	75,846	450,000	63,051	46,109,796	46,443,360
Davie County Schools	37,585,858	2,692,570	1,904,474		814,340	70,809	43,068,051	42,296,814
Elizabeth City/Pasquotank County Schools	37,285,104	4,162,278	2,609,413		288,300	6,716	44,351,811	39,835,053
Yadkin County Schools	35,540,138	3,128,822	2,156,776		350,000	160,229	41,335,965	41,656,321
Mooreville City Schools	33,775,715	1,885,257	1,276,442		1,000,000	95,788	38,033,202	37,233,211
Kannapolis City Schools	31,742,474	3,133,416	2,967,484	35,869	296,000	61,706	38,236,950	37,481,725
Alexander County Schools	31,534,460	2,550,630	1,639,938			63,459	35,788,487	35,793,911
Dare County Schools	31,528,947	2,067,029	1,024,434		325,000	59,641	35,005,051	33,445,859
Asheboro City Schools	29,827,043	2,881,960	2,359,574		300,000	82,317	35,450,894	34,130,253
Bladen County Schools	29,336,825	4,648,700	3,267,991		413,750	50,648	37,717,914	37,293,129
Person County Schools	28,746,943	3,195,984	2,004,520	44,544	1,140,143	119,644	35,251,778	32,532,842
Macon County Schools	28,222,307	2,584,870	1,747,697		297,259	52,437	32,904,571	32,663,722
Watauga County Schools	27,815,656	2,119,945	958,008	48,453	172,451	52,792	31,167,305	30,829,499
Montgomery County Schools	26,914,232	3,273,774	2,118,279	65,778	250,000	45,523	32,667,586	32,280,106
Asheville City Schools	26,453,772	2,849,226	1,086,239	48,266	1,543,382	40,619	32,021,504	29,280,858
Hickory City Schools	24,907,918	2,340,455	1,627,799		214,000	61,343	29,151,515	29,109,090
Currituck County Schools	24,465,422	1,566,848	693,222		244,357	47,254	27,017,104	26,575,527
Martin County Schools	23,744,692	2,811,929	1,854,937		289,193	59,439	28,760,190	27,819,673
Greene County Schools	23,584,605	2,678,649	1,826,318		215,145	77,284	28,382,001	28,206,779

**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, 2018 (With Comparative Totals for 2017)**

**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	2018 Total	2017 Total
Anson County Schools	23,458,051	3,181,643	1,917,453		(1,020)	32,241	28,588,368	28,907,259
Jackson County Schools	23,372,491	2,852,308	1,382,292		242,596	37,395	27,887,082	27,548,807
Hertford County Schools	22,487,478	3,192,919	1,914,396				27,594,793	26,567,212
Cherokee County Schools	22,170,847	2,831,884	1,770,247		237,215	44,113	27,054,306	26,724,761
Ashe County Schools	21,407,642	2,144,744	1,191,581		251,812	11,715	25,007,494	24,876,453
Transylvania County Schools	21,236,195	2,455,053	1,229,028		539,876	40,323	25,500,475	24,679,053
Halifax County Schools	20,048,546	4,753,336	1,973,457		169,591	29,338	26,974,267	27,557,956
Lexington City Schools	19,919,549	2,699,995	2,282,218			35,221	24,936,983	24,575,432
Caswell County Schools	19,722,417	2,043,602	1,238,217			53,659	23,057,895	22,368,840
Bertie County Schools	18,829,252	2,210,632	1,768,186		495,000	10,986	23,314,056	22,646,653
Roanoke Rapids City Schools	18,720,067	2,018,595	1,079,513		487,649	33,815	22,339,638	21,255,618
Clinton City Schools	18,274,378	2,069,984	1,952,353			115,279	22,411,994	22,574,525
Newton-Conover City Schools	18,083,760	1,915,415	1,187,310		152,000	35,800	21,374,285	21,011,982
Madison County Schools	17,546,333	1,872,896	690,677			55,633	20,165,539	20,047,244
Warren County Schools	16,816,629	2,308,453	1,470,313			16,872	20,612,267	20,819,322
Yancey County Schools	16,266,591	1,857,760	677,651	28,644	1,051,590	14,558	19,896,794	18,707,437
Polk County Schools	16,029,497	1,348,395	869,898		145,705	25,050	18,418,545	18,585,970
Avery County Schools	15,746,385	1,682,378	738,221	17,836	147,876	23,642	18,356,338	17,977,019
Northampton County Schools	15,540,020	2,540,950	1,150,150		250,000	22,460	19,503,580	20,109,683
Whiteville City Schools	15,488,215	2,212,386	1,686,025		260,000	62,210	19,708,836	19,216,609
Edenton-Chowan County Schools	15,281,866	1,483,205	810,862		103,573	21,180	17,700,686	17,394,711
Mitchell County Schools	14,967,778	1,204,860	639,276	11,540		54,283	16,877,737	16,963,531
Thomasville City Schools	14,945,007	2,552,563	2,183,801	29,793		109,652	19,820,816	19,012,777
Swain County Schools	14,586,990	1,397,704	987,050			23,749	16,995,493	16,577,328
Camden County Schools	13,936,222	480,816	266,454		252,368	9,830	14,945,690	14,252,994
Gates County Schools	13,195,915	1,032,925	493,568		25,500	18,934	14,766,842	14,749,742
Washington County Schools	12,801,807	1,719,292	1,111,950		172,250	18,163	15,823,462	15,726,704
Perquimans County Schools	12,283,844	1,216,016	703,001		461,300	34,255	14,698,416	14,336,989
Pamlico County Schools	11,085,774	1,013,196	484,823		67,769	14,860	12,666,421	12,722,154
Alleghany County Schools	10,844,544	1,450,276	546,052	32,582	93,420	15,759	12,982,634	13,066,161
Clay County Schools	10,636,411	812,306	414,868			15,738	11,879,323	11,742,165
Mount Airy City Schools	10,631,997	1,947,159	721,753		255,600	42,421	13,598,930	12,916,670
Jones County Schools	10,294,006	1,132,315	792,865		169,097	28,064	12,416,347	11,955,701
Graham County Schools	9,847,134	815,537	456,009		73,343	7,614	11,199,637	11,144,675
Elkin City Schools	8,124,539	510,447	280,044			13,749	8,928,779	12,151,358
Weldon City Schools	7,790,964	1,106,278	644,359			10,118	9,551,719	9,589,121
Hyde County Schools	7,501,424	685,579	285,818			7,624	8,480,445	8,446,926
Tyrrell County Schools	7,221,614	402,593	413,293			9,779	8,047,279	7,698,981
Residential Schools			83,010				83,010	119,431
Total Grants and Aid to School Districts	\$ 8,682,528,815	\$ 858,235,190	\$ 523,779,364	\$ 11,010,828	\$ 98,160,283	\$ 24,005,323	\$ 10,197,719,803	\$ 9,940,557,786

**North Carolina Department of Public Instruction
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County of Location	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2018 Total	2017
Alamance	Clover Garden School	\$ 3,822,754	\$ 175,544	\$ 0	\$ 3,998,298	\$ 3,812,170
Alamance	River Mill	4,464,299	91,619		4,555,918	4,362,410
Alamance	The Hawbridge School	1,849,832	45,016		1,894,848	1,748,544
Avery	Grandfather Academy	203,181	96,111		299,292	235,562
Avery	Marjorie Williams Academy	989,306	313,847	101,172	1,404,325	1,228,902
Beaufort	Washington Montessori Charter	2,523,611	57,826		2,581,437	2,334,749
Bertie	Three Rivers Academy	1,438,429	207,230	120,918	1,766,577	2,605,184
Bladen	Emereau: Bladen	2,017,201	53,726		2,070,927	
Bladen	Paul R Brown Leadership Academy	1,240,900	78,395		1,319,296	952,717
Brunswick	Charter Day School	5,362,636	234,344		5,596,980	5,186,784
Brunswick	South Brunswick Charter School	1,961,133	78,549		2,039,681	1,536,381
Buncombe	Evergreen Community Charter	2,526,990	144,368		2,671,357	2,568,579
Buncombe	Francine Delany New School	1,096,346	72,269		1,168,615	1,089,719
Buncombe	Invest Collegiate (Buncombe)	5,037,412	149,349		5,186,761	4,512,000
Buncombe	The Artspace Charter School	2,473,003	147,371		2,620,373	2,394,700
Buncombe	The Franklin School Of Innovation	2,909,388	143,857		3,053,246	2,465,173
Burke	The New Dimensions School	1,701,044	81,499		1,782,543	1,856,176
Cabarrus	ACE Academy	2,412,124	117,975	86,903	2,617,002	2,241,516
Cabarrus	Cabarrus Charter Academy	5,328,655	394,304	117,512	5,840,471	8,076,953
Cabarrus	Carolina International School	4,931,983	147,479		5,079,462	4,670,317
Cabarrus	Kannapolis Charter Academy	2,798,647	212,698	136,511	3,147,856	2,721,846
Carteret	Tiller School	1,204,054	33,245		1,237,299	1,177,556
Chatham	Chatham Charter School	3,085,731	94,818		3,180,548	3,044,607
Chatham	The Woods Charter School	3,013,253	77,406	3,082	3,093,742	3,013,518
Chatham	Willow Oak Montessori	1,175,157	29,956		1,205,113	1,040,634
Cherokee	Learning Center (The)	1,326,995	116,351	72,456	1,515,801	1,510,083
Cleveland	Pinnacle Classical Academy	4,322,185	99,620		4,421,805	3,409,082
Columbus	Columbus Charter School	5,288,637	283,595	117,836	5,690,068	6,086,853
Columbus	Flemington Academy	706,506	65,966		772,472	711,609
Cumberland	Alpha Academy	4,773,101	436,964		5,210,065	4,244,925
Cumberland	The Capitol Encore Academy	2,461,980	159,017	89,199	2,710,196	2,151,562
Currituck	Waters Edge Village School	236,683	5,938		242,621	224,904
Durham	Carter Community School	1,469,470	177,163	151,478	1,798,111	1,779,860
Durham	Central Park School For Child (The)	3,731,906	90,500	59,277	3,881,682	2,986,470
Durham	Excelsior Classical Academy	2,543,339	61,081		2,604,420	3,463,878
Durham	Global Scholars Academy Charter	1,301,462	296,212	166,613	1,764,287	2,063,875
Durham	Healthy Start Academy Charter	2,277,621	434,174	212,621	2,924,415	1,765,117
Durham	Kestrel Heights School	3,570,901	160,054		3,730,955	2,835,309
Durham	KIPP Durham College Preparatory	1,563,707	196,808	171,040	1,931,555	6,046,105
Durham	Maureen Joy Charter School	3,939,237	365,912	312,734	4,617,884	1,301,140

**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	2018 Total	2017
Durham	NC Connections	12,178,512	660,347		12,838,859	4,412,552
Durham	NC Virtual Academy	11,395,200	795,072		12,190,271	10,303,003
Durham	Reaching All Minds Academy	1,705,424	73,838	8,179	1,787,441	9,938,283
Durham	Research Triangle Charter Academy	3,976,123	268,908	192,852	4,437,882	1,367,038
Durham	Research Triangle High School	2,972,872	91,364		3,064,235	4,351,029
Durham	The Institute For The Development	1,599,393	42,767		1,642,160	1,112,557
Durham	Voyager Academy Charter	7,963,551	258,132		8,221,683	7,969,134
Edgecombe	North East Carolina Preparatory	6,241,790	511,429	265,128	7,018,348	7,197,225
Forsyth	Arts-Based Elementary	2,983,459	114,475		3,097,934	3,010,629
Forsyth	Carter G Woodson School Challenge	2,679,352	573,686	290,564	3,543,602	3,620,783
Forsyth	Forsyth Academies	4,230,002	415,622	223,572	4,869,195	4,401,296
Forsyth	Quality Education Academy	3,276,991	464,602	326,968	4,068,561	3,547,513
Forsyth	The North Carolina Leadership	4,282,922	114,616		4,397,537	4,047,455
Franklin	Crosscreek Charter	1,481,024	58,627		1,539,651	1,345,374
Franklin	Youngsville Academy	1,590,473	33,850		1,624,323	1,186,461
Gaston	Mountain Island Charter School	7,735,727	277,042	53,610	8,066,379	7,777,920
Gaston	Piedmont Community School	7,352,065	358,999		7,711,064	7,313,172
Granville	Falls Lake Academy	5,878,133	178,107		6,056,240	4,164,709
Granville	Oxford Preparatory High School	2,276,295	48,916		2,325,211	2,054,036
Guilford	Cornerstone Academy	5,919,310	153,570		6,072,880	5,210,520
Guilford	Gate City Charter Academy	3,384,965	334,607	214,896	3,934,467	2,804,317
Guilford	Greensboro Academy	4,224,203	137,739		4,361,942	4,103,908
Guilford	Guilford Preparatory Academy	1,493,310	188,776	108,689	1,790,775	1,861,501
Guilford	Phoenix Academy	5,634,408	199,436		5,833,844	6,692,091
Guilford	Piedmont Classical High School	2,390,039	41,427		2,431,467	1,281,706
Guilford	Summerfield Charter Academy	4,284,602	135,821	23,606	4,444,029	4,158,139
Guilford	The College Preparatory & Leadership	3,593,608	374,751	345,921	4,314,279	3,455,267
Guilford	Triad Math And Science	6,887,968	27,365	241,184	7,156,517	7,372,672
Halifax	KIPP Halifax College Preparatory	3,142,516	332,884	322,186	3,797,587	2,126,850
Harnett	Anderson Creek Club	1,450,177	30,600		1,480,777	1,392,390
Haywood	Shining Rock Classical Academy	2,318,636	57,167		2,375,803	1,946,915
Henderson	Fernleaf Community Charter School	1,252,376	33,531		1,285,907	1,017,447
Henderson	The Mountain Community School	1,231,225	38,569		1,269,794	1,241,898
Iredell	American Renaissance Middle School	3,047,380	185,792		3,233,172	3,142,235
Iredell	Iredell Charter Academy	2,945,169	187,502	82,021	3,214,692	2,026,044
Iredell	Langtree Charter Academy	8,831,416	307,156	52,283	9,190,856	8,521,915
Iredell	Pine Lake Preparatory	10,175,031	239,058		10,414,089	9,892,020
Iredell	Success Institute Charter School	562,759	147,547	80,367	790,673	782,476
Jackson	Catamount School	329,649			329,649	
Jackson	Summitt Charter School	1,497,664	36,501		1,534,165	1,439,072
Johnston	Neuse Charter School	5,444,909	214,322		5,659,232	5,423,227

**North Carolina Department of Public Instruction
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County of Location	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2018 Total	2017
Lenoir	Children's Village Academy	1,109,218	739,416	183,714	2,032,348	1,653,496
Lincoln	Lincoln Charter School	11,311,197	304,813		11,616,011	10,984,607
Martin	Bear Grass Charter School	2,847,369	53,937		2,901,306	2,605,849
Martin	North East Regional School	1,913,296	36,656		1,949,952	1,964,334
Mecklenburg	Aristole Preparatory Academy	735,005	210,540	79,558	1,025,104	1,051,800
Mecklenburg	Bradford Preparatory School	6,189,333	193,179		6,382,511	5,366,365
Mecklenburg	Charlotte Choice Charter	1,227,696	294,121	98,907	1,620,725	1,938,704
Mecklenburg	Charlotte Lab School	2,836,867	70,866		2,907,733	1,960,110
Mecklenburg	Charlotte Learning Academy	1,781,835	181,497	106,052	2,069,383	1,736,911
Mecklenburg	Charlotte Secondary	2,252,714	128,486		2,381,200	2,377,738
Mecklenburg	Commonwealth High School	1,728,972			1,728,972	1,475,312
Mecklenburg	Community Charter School					571,813
Mecklenburg	Community School Of Davidson	7,687,066	222,840		7,909,906	7,738,012
Mecklenburg	Corvian Community School	4,671,636	128,768		4,800,405	3,916,745
Mecklenburg	Crossroads Charter High School		(232)		(232)	(5,275)
Mecklenburg	Invest Collegiate	2,830,525	135,635		2,966,160	2,682,698
Mecklenburg	Kennedy Charter		(334)		(334)	
Mecklenburg	KIPP Charlotte Charter School	3,965,282	447,456	362,077	4,774,815	3,422,790
Mecklenburg	Lake Norman Charter School	10,256,833	261,867		10,518,700	8,525,141
Mecklenburg	Lakeside Charter Academy	735,161	48,767		783,927	989,621
Mecklenburg	Mallard Creek Stem Academy	3,382,203	141,227	54,519	3,577,948	2,711,694
Mecklenburg	Matthews-Mint Hill Charter Academy	3,699,724	157,381	88,402	3,945,507	2,986,245
Mecklenburg	Metrolina Reg. Scholars' Academy	1,943,825	45,245		1,989,070	1,965,327
Mecklenburg	Movement Charter School	1,641,066	88,311	91,629	1,821,006	
Mecklenburg	Pioneer Springs Community School	1,712,622	45,105		1,757,727	1,506,672
Mecklenburg	Queen City STEM School	2,711,255	41,272		2,752,527	1,886,957
Mecklenburg	Queens Grant Community School	6,916,103	213,071	62,787	7,191,961	6,844,560
Mecklenburg	Socrates Academy	3,723,795	97,661		3,821,456	3,662,611
Mecklenburg	Stewart Creek High School	873,060			873,060	776,308
Mecklenburg	Studentfirst Academy	(3,200)	(3,867)		(7,067)	(193,549)
Mecklenburg	Sugar Creek Charter School	8,651,676	859,108	943,527	10,454,311	9,725,884
Mecklenburg	United Community School	1,257,074	64,065		1,321,139	1,077,314
Mecklenburg	Unity Classical Charter School	550,536	14,646		565,182	
Mecklenburg	UpROAR Leadership Academy	962,785	100,861	24,455	1,088,102	
Mecklenburg	Veritas Community School	974,257	36,312		1,010,570	767,448
Moore	Sandhills Theater Arts (Stars)	2,809,492	124,201		2,933,693	2,584,946
Moore	The Academy Of Moore County	1,909,183	55,864		1,965,048	1,608,041
Nash	Rocky Mount Public Charter	7,653,481	584,700	452,518	8,690,698	7,973,147
New Hanover	Cape Fear Center For Inquiry	2,401,034	69,858		2,470,893	2,405,046
New Hanover	Coastal Preparatory Academy: A Challenge Foundation Academy	2,660,210	65,820		2,726,030	
New Hanover	Douglass Academy	1,039,167	142,295	106,251	1,287,713	1,508,183

**North Carolina Department of Public Instruction
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County of Location	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2018 Total	2017
New Hanover	Girls Leadership Academy Of Wilmington	1,160,106	98,103	66,306	1,324,515	605,094
New Hanover	Island Montessori Charter	1,228,924	58,336		1,287,260	1,303,170
New Hanover	Wilmington Preparatory	757,473	75,685		833,158	801,347
Northhampton	KIPP Gaston College Preparatory	10,252,458	668,356	728,590	11,649,404	11,090,901
Onslow	Zeca School Of Arts And Technology	949,310	192,303	122,719	1,264,331	899,144
Orange	Eno River Academy	3,130,676	77,570		3,208,246	1,813,856
Orange	The Expedition School	1,981,723	55,923		2,037,646	1,979,958
Pamlico	Arapahoe Charter School	4,698,934	213,650	153,454	5,066,038	4,413,662
Pasquotank	NE Academy Of Aerospace	2,157,527	82,854		2,240,381	1,504,882
Person	Bethel Hill Charter School	2,369,968	126,141	97,915	2,594,024	2,475,976
Person	Roxboro Community School	4,103,979	105,706		4,209,686	4,131,734
Pitt	ECU Lab School	404,471	53,487		457,958	
Pitt	Ignite Innovation Academy-Pitt	1,583,705	130,880		1,714,585	1,068,313
Pitt	Winterville Charter Academy	3,593,375	233,895	107,951	3,935,221	3,363,763
Randolph	Uwharrie Charter Academy	6,040,085	175,618		6,215,703	4,739,758
Robeson	CIS Academy	905,611	64,587	27,502	997,700	954,130
Robeson	Southeastern Academy	1,443,564	41,377		1,484,941	1,366,590
Rockingham	Bethany Community Middle School	2,221,266	59,429		2,280,695	1,703,771
Rutherford	Lake Lure Classical Academy	2,992,286	130,629		3,122,915	2,589,107
Rutherford	Thomas Jefferson Classical	7,749,762	178,321		7,928,083	7,768,458
Stanly	Gray Stone Day School	4,706,547	67,254		4,773,801	2,616,498
Surry	Millennium Charter	5,409,808	114,333		5,524,141	4,853,662
Swain	Mountain Discovery School	1,356,587	104,627		1,461,214	1,421,050
Transylvania	Brevard Academy	2,316,252	144,879		2,461,131	1,925,134
Union	Union Academy	9,174,670	235,162	5,520	9,415,351	7,860,759
Union	Union Day School	2,177,286	51,762		2,229,048	1,462,087
Union	Union Preparatory Academy at Indian Trail	4,346,155	201,583	112,675	4,660,413	3,531,419
Vance	Henderson Collegiate	6,862,557	625,957	648,919	8,137,433	6,512,045
Vance	Vance Charter School	5,095,413	151,565		5,246,978	4,452,798
Wake	Cardinal Charter	5,580,776	178,726	39,998	5,799,500	6,014,151
Wake	Casa Esperanza	2,788,615	137,947		2,926,562	2,760,020
Wake	Central Wake Charter High School	1,235,646			1,235,646	650,385
Wake	East Wake Academy	6,461,826	284,716		6,746,542	6,311,454
Wake	Endeavor Charter School	2,831,003	62,231		2,893,234	2,778,686
Wake	Envision Science Academy	3,753,556	109,555		3,863,111	3,269,290
Wake	Franklin Academy	8,753,801	220,032		8,973,833	8,763,354
Wake	Hope Charter Leadership Academy	746,033	226,816	75,159	1,048,009	993,943
Wake	Longleaf School Of The Arts	1,915,988	76,512		1,992,500	1,936,616
Wake	Magellan Charter School	2,299,233	72,797		2,372,030	2,288,721
Wake	Pave Southeast Raleigh Charter	1,839,756	223,943	233,010	2,296,709	1,551,375
Wake	Peak Charter Academy	3,256,516	83,358	23,010	3,362,883	

**North Carolina Department of Public Instruction
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County of Location	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2018 Total	2017
Wake	Pine Springs Preparatory Academy: CFA	2,618,608	65,328		2,683,936	
Wake	Preeminent Charter School	3,574,014	310,943	223,006	4,107,962	4,057,259
Wake	Quest Academy	835,032	18,637		853,669	824,832
Wake	Raleigh Charter High School	3,002,648	82,260		3,084,908	2,940,330
Wake	Southern Wake Academy	3,790,944	109,597		3,900,541	2,865,785
Wake	Sterling Montessori Academy	3,432,132	91,010		3,523,141	3,325,827
Wake	The Exploris School	2,369,391	63,068		2,432,459	2,411,308
Wake	Torchlight Academy	3,130,973	379,007	383,511	3,893,490	3,695,393
Wake	Triangle Math & Science	4,765,748	187,607		4,953,355	4,198,914
Wake	Wake Forest Charter Academy	4,195,171	152,163	38,082	4,385,415	3,790,664
Warren	Haliwa Saponi Tribal School	1,081,576	119,241	73,336	1,274,153	1,525,037
Watauga	Two Rivers Community School	1,084,167	51,796		1,135,963	1,059,596
Wayne	Dillard Academy	2,177,670	437,360	208,492	2,823,522	2,598,094
Wayne	Wayne Preparatory	3,426,030	120,734		3,546,764	3,735,122
Wilkes	Bridges Charter School	1,383,197	158,810	90,520	1,632,527	1,585,358
Wilson	Sallie B Howard School	6,201,121	749,286	650,893	7,601,300	6,356,870
Wilson	Wilson Preparatory Academy	3,978,625	155,859	104,863	4,239,347	3,300,714
Total Grants and Aid to Charter Schools		<u>\$ 592,151,053</u>	<u>30,823,395</u>	<u>11,621,203</u>	<u>634,595,651</u>	<u>556,022,017</u>

**North Carolina Department of Public Instruction
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 Schedule of Grants and Aid Paid to Charter Schools (Amount - Sorted Largest to Smallest)
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County	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2018 Total	2017 Total
Durham	NC Connections	\$ 12,178,512	\$ 660,347	\$ 0	\$ 12,838,859	\$ 4,412,552
Durham	NC Virtual Academy	11,395,200	795,072		12,190,271	10,303,003
Lincoln	Lincoln Charter School	11,311,197	304,813		11,616,011	10,984,607
Mecklenburg	Lake Norman Charter School	10,256,833	261,867		10,518,700	8,525,141
Northhampton	KIPP Gaston College Preparatory	10,252,458	668,356	728,590	11,649,404	11,090,901
Iredell	Pine Lake Preparatory	10,175,031	239,058		10,414,089	9,892,020
Union	Union Academy	9,174,670	235,162	5,520	9,415,351	7,860,759
Iredell	Langtree Charter Academy	8,831,416	307,156	52,283	9,190,856	8,521,915
Wake	Franklin Academy	8,753,801	220,032		8,973,833	8,763,354
Mecklenburg	Sugar Creek Charter School	8,651,676	859,108	943,527	10,454,311	9,725,884
Durham	Voyager Academy Charter	7,963,551	258,132		8,221,683	7,969,134
Rutherford	Thomas Jefferson Classical	7,749,762	178,321		7,928,083	7,768,458
Gaston	Mountain Island Charter School	7,735,727	277,042	53,610	8,066,379	7,777,920
Mecklenburg	Community School Of Davidson	7,687,066	222,840		7,909,906	7,738,012
Nash	Rocky Mount Public Charter	7,653,481	584,700	452,518	8,690,698	7,973,147
Gaston	Piedmont Community School	7,352,065	358,999		7,711,064	7,313,172
Mecklenburg	Queens Grant Community School	6,916,103	213,071	62,787	7,191,961	6,844,560
Guilford	Triad Math And Science	6,887,968	27,365	241,184	7,156,517	7,372,672
Vance	Henderson Collegiate	6,862,557	625,957	648,919	8,137,433	6,512,045
Wake	East Wake Academy	6,461,826	284,716		6,746,542	6,311,454
Edgecombe	North East Carolina Preparatory	6,241,790	511,429	265,128	7,018,348	7,197,225
Wilson	Sallie B Howard School	6,201,121	749,286	650,893	7,601,300	6,356,870
Mecklenburg	Bradford Preparatory School	6,189,333	193,179		6,382,511	5,366,365
Randolph	Uwharrie Charter Academy	6,040,085	175,618		6,215,703	4,739,758
Guilford	Cornerstone Academy	5,919,310	153,570		6,072,880	5,210,520
Granville	Falls Lake Academy	5,878,133	178,107		6,056,240	4,164,709
Guilford	Phoenix Academy	5,634,408	199,436		5,833,844	6,692,091
Wake	Cardinal Charter	5,580,776	178,726	39,998	5,799,500	6,014,151
Johnston	Neuse Charter School	5,444,909	214,322		5,659,232	5,423,227
Surry	Millennium Charter	5,409,808	114,333		5,524,141	4,853,662
Brunswick	Charter Day School	5,362,636	234,344		5,596,980	5,186,784
Cabarrus	Cabarrus Charter Academy	5,328,655	394,304	117,512	5,840,471	8,076,953
Columbus	Columbus Charter School	5,288,637	283,595	117,836	5,690,068	6,086,853
Vance	Vance Charter School	5,095,413	151,565		5,246,978	4,452,798
Buncombe	Invest Collegiate (Buncombe)	5,037,412	149,349		5,186,761	4,512,000
Cabarrus	Carolina International School	4,931,983	147,479		5,079,462	4,670,317
Cumberland	Alpha Academy	4,773,101	436,964		5,210,065	4,244,925
Wake	Triangle Math & Science	4,765,748	187,607		4,953,355	4,198,914
Stanly	Gray Stone Day School	4,706,547	67,254		4,773,801	2,616,498

**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	2018 Total	2017
Pamlico	Arapahoe Charter School	4,698,934	213,650	153,454	5,066,038	4,413,662
Mecklenburg	Corvian Community School	4,671,636	128,768		4,800,405	3,916,745
Alamance	River Mill	4,464,299	91,619		4,555,918	4,362,410
Union	Union Preparatory Academy At Indian Trail	4,346,155	201,583	112,675	4,660,413	3,531,419
Cleveland	Pinnacle Classical Academy	4,322,185	99,620		4,421,805	3,409,082
Guilford	Summerfield Charter Academy	4,284,602	135,821	23,606	4,444,029	4,158,139
Forsyth	The North Carolina Leadership	4,282,922	114,616		4,397,537	4,047,455
Forsyth	Forsyth Academies	4,230,002	415,622	223,572	4,869,195	4,401,296
Guilford	Greensboro Academy	4,224,203	137,739		4,361,942	4,103,908
Wake	Wake Forest Charter Academy	4,195,171	152,163	38,083	4,385,416	3,790,664
Person	Roxboro Community School	4,103,979	105,706		4,209,686	4,131,734
Wilson	Wilson Preparatory Academy	3,978,625	155,859	104,863	4,239,347	3,300,714
Durham	Research Triangle Charter Academy	3,976,123	268,908	192,852	4,437,882	1,367,038
Mecklenburg	KIPP Charlotte Charter School	3,965,282	447,456	362,077	4,774,815	3,422,790
Durham	Maureen Joy Charter School	3,939,237	365,912	312,734	4,617,884	1,301,140
Alamance	Clover Garden School	3,822,754	175,544		3,998,298	3,812,170
Wake	Southern Wake Academy	3,790,944	109,597		3,900,541	2,865,785
Wake	Envision Science Academy	3,753,556	109,555		3,863,111	3,269,290
Durham	Central Park School For Child (The)	3,731,906	90,500	59,277	3,881,682	2,986,470
Mecklenburg	Socrates Academy	3,723,795	97,661		3,821,456	3,662,611
Mecklenburg	Matthews-Mint Hill Charter Academy	3,699,724	157,381	88,402	3,945,507	2,986,245
Guilford	The College Preparatory & Leadership	3,593,608	374,751	345,921	4,314,279	3,455,267
Pitt	Winterville Charter Academy	3,593,375	233,895	107,951	3,935,221	3,363,763
Wake	Preeminent Charter School	3,574,014	310,943	223,006	4,107,962	4,057,259
Durham	Kestrel Heights School	3,570,901	160,054		3,730,955	2,835,309
Wake	Sterling Montessori Academy	3,432,132	91,010		3,523,141	3,325,827
Wayne	Wayne Preparatory	3,426,030	120,734		3,546,764	3,735,122
Guilford	Gate City Charter Academy	3,384,965	334,607	214,896	3,934,467	2,804,317
Mecklenburg	Mallard Creek Stem Academy	3,382,203	141,227	54,519	3,577,948	2,711,694
Forsyth	Quality Education Academy	3,276,991	464,602	326,968	4,068,561	3,547,513
Wake	Peak Charter Academy	3,256,516	83,358	23,010	3,362,883	
Halifax	KIPP Halifax College Preparatory	3,142,516	332,884	322,186	3,797,587	2,126,850
Wake	Torchlight Academy	3,130,973	379,007	383,511	3,893,490	3,695,393
Orange	Eno River Academy	3,130,676	77,570		3,208,246	1,813,856
Chatham	Chatham Charter School	3,085,731	94,818		3,180,548	3,044,607
Iredell	American Renaissance Middle School	3,047,380	185,792		3,233,172	3,142,235
Chatham	The Woods Charter School	3,013,253	77,406	3,082	3,093,742	3,013,518
Wake	Raleigh Charter High School	3,002,648	82,260		3,084,908	2,940,330
Rutherford	Lake Lure Classical Academy	2,992,286	130,629		3,122,915	2,589,107
Forsyth	Arts-Based Elementary	2,983,459	114,475		3,097,934	3,010,629

**North Carolina Department of Public Instruction
 Supplementary Information
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 For the Fiscal Year Ended June 30, 2018 (With Comparative Totals for 2017)**

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County	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2018 Total	2017 Total
Durham	Research Triangle High School	2,972,872	91,364		3,064,235	4,351,029
Iredell	Iredell Charter Academy	2,945,169	187,502	82,021	3,214,692	2,026,044
Buncombe	The Franklin School Of Innovation	2,909,388	143,857		3,053,246	2,465,173
Martin	Bear Grass Charter School	2,847,369	53,937		2,901,306	2,605,849
Mecklenburg	Charlotte Lab School	2,836,867	70,866		2,907,733	1,960,110
Wake	Endeavor Charter School	2,831,003	62,231		2,893,234	2,778,686
Mecklenburg	Invest Collegiate	2,830,525	135,635		2,966,160	2,682,698
Moore	Sandhills Theater Arts (Stars)	2,809,492	124,201		2,933,693	2,584,946
Cabarrus	Kannapolis Charter Academy	2,798,647	212,698	136,511	3,147,856	2,721,846
Wake	Casa Esperanza	2,788,615	137,947		2,926,562	2,760,020
Mecklenburg	Queen City STEM School	2,711,255	41,272		2,752,527	1,886,957
Forsyth	Carter G Woodson School Challenge	2,679,352	573,686	290,564	3,543,602	3,620,783
New Hanover	Coastal Preparatory Academy: A Challenge Foundation Academy	2,660,210	65,820		2,726,030	
Wake	Pine Springs Preparatory Academy:CFA	2,618,608	65,328		2,683,936	
Durham	Excelsior Classical Academy	2,543,339	61,081		2,604,420	3,463,878
Buncombe	Evergreen Community Charter	2,526,990	144,368		2,671,357	2,568,579
Beaufort	Washington Montessori Charter	2,523,611	57,826		2,581,437	2,334,749
Buncombe	The Artspace Charter School	2,473,003	147,371		2,620,373	2,394,700
Cumberland	The Capitol Encore Academy	2,461,980	159,017	89,199	2,710,196	2,151,562
Cabarrus	ACE Academy	2,412,124	117,975	86,903	2,617,002	2,241,516
New Hanover	Cape Fear Center For Inquiry	2,401,034	69,858		2,470,893	2,405,046
Guilford	Piedmont Classical High School	2,390,039	41,427		2,431,467	1,281,706
Person	Bethel Hill Charter School	2,369,968	126,141	97,915	2,594,024	2,475,976
Wake	The Exploris School	2,369,391	63,068		2,432,459	2,411,308
Haywood	Shining Rock Classical Academy	2,318,636	57,167		2,375,803	1,946,915
Transylvania	Brevard Academy	2,316,252	144,879		2,461,131	1,925,134
Wake	Magellan Charter School	2,299,233	72,797		2,372,030	2,288,721
Durham	Healthy Start Academy Charter	2,277,621	434,174	212,621	2,924,415	1,765,117
Granville	Oxford Preparatory High School	2,276,295	48,916		2,325,211	2,054,036
Mecklenburg	Charlotte Secondary	2,252,714	128,486		2,381,200	2,377,738
Rockingham	Bethany Community Middle School	2,221,266	59,429		2,280,695	1,703,771
Wayne	Dillard Academy	2,177,670	437,360	208,492	2,823,522	2,598,094
Union	Union Day School	2,177,286	51,762		2,229,048	1,462,087
Pasquotank	NE Academy Of Aerospace	2,157,527	82,854		2,240,381	1,504,882
Bladen	Emereau: Bladen	2,017,201	53,726		2,070,927	
Orange	The Expedition School	1,981,723	55,923		2,037,646	1,979,958
Brunswick	South Brunswick Charter School	1,961,133	78,549		2,039,681	1,536,381
Mecklenburg	Metrolina Reg. Scholars' Academy	1,943,825	45,245		1,989,070	1,965,327
Wake	Longleaf School Of The Arts	1,915,988	76,512		1,992,500	1,936,616

**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, 2018 (With Comparative Totals for 2017)**

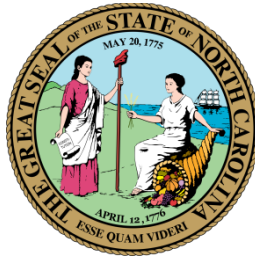
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County	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2018 Total	2017 Total
Martin	North East Regional School	1,913,296	36,656		1,949,952	1,964,334
Moore	The Academy Of Moore County	1,909,183	55,864		1,965,048	1,608,041
Alamance	The Hawbridge School	1,849,832	45,016		1,894,848	1,748,544
Wake	Pave Southeast Raleigh Charter	1,839,756	223,943	233,010	2,296,709	1,551,375
Mecklenburg	Charlotte Learning Academy	1,781,835	181,497	106,052	2,069,383	1,736,911
Mecklenburg	Commonwealth High School	1,728,972			1,728,972	1,475,312
Mecklenburg	Pioneer Springs Community School	1,712,622	45,105		1,757,727	1,506,672
Durham	Reaching All Minds Academy	1,705,424	73,838	8,179	1,787,441	9,938,283
Burke	The New Dimensions School	1,701,044	81,499		1,782,543	1,856,176
Mecklenburg	Movement Charter School	1,641,066	88,311	91,629	1,821,006	
Durham	The Institute For The Development	1,599,393	42,767		1,642,160	1,112,557
Franklin	Youngsville Academy	1,590,473	33,850		1,624,323	1,186,461
Pitt	Ignite Innovation Academy-Pitt	1,583,705	130,880		1,714,585	1,068,313
Durham	KIPP Durham College Preparatory	1,563,707	196,808	171,040	1,931,555	6,046,105
Jackson	Summitt Charter School	1,497,664	36,501		1,534,165	1,439,072
Guilford	Guilford Preparatory Academy	1,493,310	188,776	108,689	1,790,775	1,861,501
Franklin	Crosscreek Charter	1,481,024	58,627		1,539,651	1,345,374
Durham	Carter Community School	1,469,470	177,163	151,478	1,798,111	1,779,860
Harnett	Anderson Creek Club	1,450,177	30,600		1,480,777	1,392,390
Robeson	Southeastern Academy	1,443,564	41,377		1,484,941	1,366,590
Bertie	Three Rivers Academy	1,438,429	207,230	120,918	1,766,577	2,605,184
Wilkes	Bridges Charter School	1,383,197	158,810	90,520	1,632,527	1,585,358
Swain	Mountain Discovery School	1,356,587	104,627		1,461,214	1,421,050
Cherokee	Learning Center (The)	1,326,995	116,351	72,456	1,515,801	1,510,083
Durham	Global Scholars Academy Charter	1,301,462	296,212	166,613	1,764,287	2,063,875
Mecklenburg	United Community School	1,257,074	64,065		1,321,139	1,077,314
Henderson	Fernleaf Community Charter School	1,252,376	33,531		1,285,907	1,017,447
Bladen	Paul R Brown Leadership Academy	1,240,900	78,395		1,319,296	952,717
Wake	Central Wake Charter High School	1,235,646			1,235,646	650,385
Henderson	The Mountain Community School	1,231,225	38,569		1,269,794	1,241,898
New Hanover	Island Montessori Charter	1,228,924	58,336		1,287,260	1,303,170
Mecklenburg	Charlotte Choice Charter	1,227,696	294,121	98,907	1,620,725	1,938,704
Carteret	Tiller School	1,204,054	33,245		1,237,299	1,177,556
Chatham	Willow Oak Montessori	1,175,157	29,956		1,205,113	1,040,634
New Hanover	Girls Leadership Academy Of Wilmington	1,160,106	98,103	66,306	1,324,515	605,094
Lenoir	Children'S Village Academy	1,109,218	739,416	183,714	2,032,348	1,653,496
Buncombe	Francine Delany New School	1,096,346	72,269		1,168,615	1,089,719
Watauga	Two Rivers Community School	1,084,167	51,796		1,135,963	1,059,596
Warren	Haliwa Saponi Tribal School	1,081,576	119,241	73,336	1,274,153	1,525,037
New Hanover	Douglass Academy	1,039,167	142,295	106,251	1,287,713	1,508,183
Avery	Marjorie Williams Academy	989,306	313,847	101,172	1,404,325	1,228,902
Mecklenburg	Veritas Community School	974,257	36,312		1,010,570	767,448

North Carolina Department of Public Instruction
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General Fund
For the Fiscal Year Ended June 30, 2018 (With Comparative Totals for 2017)

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County	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2018 Total	2017 Total
Mecklenburg	UpROAR Leadership Academy	962,785	100,861	24,455	1,088,102	
Onslow	Zeca School Of Arts And Technology	949,310	192,303	122,719	1,264,331	899,144
Robeson	CIS Academy	905,611	64,587	27,502	997,700	954,130
Mecklenburg	Stewart Creek High School	873,060			873,060	776,308
Wake	Quest Academy	835,032	18,637		853,669	824,832
New Hanover	Wilmington Preparatory	757,473	75,685		833,158	801,347
Wake	Hope Charter Leadership Academy	746,033	226,816	75,159	1,048,009	993,943
Mecklenburg	Lakeside Charter Academy	735,161	48,767		783,927	989,621
Mecklenburg	Aristole Preparatory Academy	735,005	210,540	79,558	1,025,104	1,051,800
Columbus	Flemington Academy	706,506	65,966		772,472	711,609
Iredell	Success Institute Charter School	562,759	147,547	80,367	790,673	782,476
Mecklenburg	Unity Classical Charter School	550,536	14,646		565,182	
Pitt	ECU Lab School	404,471	53,487		457,958	
Jackson	Catamount School	329,649			329,649	
Currituck	Waters Edge Village School	236,683	5,938		242,621	224,904
Avery	Grandfather Academy	203,181	96,111		299,292	235,562
Mecklenburg	Community Charter School					571,813
Mecklenburg	Crossroads Charter High School		(232)		(232)	(5,275)
Mecklenburg	Kennedy Charter		(334)		(334)	
Mecklenburg	Studentfirst Academy	(3,200)	(3,867)		(7,067)	(193,549)
Total Grants and Aid to Charter Schools		<u>\$ 592,151,053</u>	<u>\$ 30,823,395</u>	<u>\$ 11,621,203</u>	<u>\$ 634,595,651</u>	<u>\$ 556,022,017</u>



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



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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 each major fund and the remaining fund information 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, 2018, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated May 3, 2019.

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, 2018, 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.

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

May 3, 2019

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For additional information contact:
Brad Young
Director of External Affairs
919-807-7513



This audit required 4,020 hours at an approximate cost of \$414,060, including costs associated with the report on the Department's statewide financial statement audit procedures.