

# STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



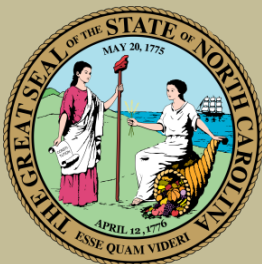
## NORTH CAROLINA DEPARTMENT OF PUBLIC INSTRUCTION

RALEIGH, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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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State Auditor

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## AUDITOR'S TRANSMITTAL

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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, 2019, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

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

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

A handwritten signature in black ink, reading "Beth A. Wood".

Beth A. Wood, CPA  
State Auditor

# AN OVERVIEW OF HOW TO USE THIS REPORT

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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. The Management's Discussion and Analysis is prepared by the Department and has not been subjected to the same auditing procedures performed on the financial statements.

**"A" Exhibits** present the Balance Sheet as of June 30, 2019 (with comparative totals for June 30, 2018) and the Statement of Revenues, Expenditures, and Changes in Fund Balance for fiscal year ended June 30, 2019 (with comparative totals for the fiscal year ended June 30, 2018) for the Department's **governmental funds as a whole**.

**"B" Exhibits** present the Statement of Net Position as of June 30, 2019 (with comparative totals for June 30, 2018), the Statement of Revenues, Expenses, and Changes in Net Position for fiscal year ended June 30, 2019 (with comparative totals for June 30, 2018), and the Statement of Cash Flows for the fiscal year ended June 30, 2019 (with comparative totals for June 30, 2018) 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:**

**"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, 2019), 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:**

“**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.



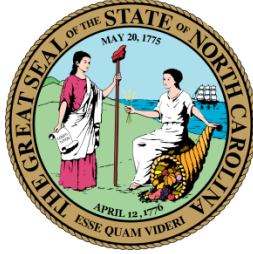
Beth A. Wood, CPA  
State Auditor

# TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR’S REPORT.....	1
MANAGEMENT’S DISCUSSION AND ANALYSIS .....	4
BASIC FINANCIAL STATEMENTS	
EXHIBITS	
A-1 BALANCE SHEET - GOVERNMENTAL FUNDS .....	11
A-2 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS .....	12
B-1 STATEMENT OF NET POSITION - PROPRIETARY FUND - PUBLIC SCHOOL INSURANCE FUND .....	13
B-2 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND - PUBLIC SCHOOL INSURANCE FUND .....	14
B-3 STATEMENT OF CASH FLOWS - PROPRIETARY FUND - PUBLIC SCHOOL INSURANCE FUND .....	15
NOTES TO THE FINANCIAL STATEMENTS .....	16
REQUIRED SUPPLEMENTARY INFORMATION	
C-1 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS-NON-GAAP) GENERAL FUND .....	52
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY INFORMATION .....	53
C-2 TEN-YEAR CLAIMS DEVELOPMENT INFORMATION - PUBLIC SCHOOL INSURANCE FUND.....	54
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CLAIMS INFORMATION.....	55
C-3 SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (DEFINED BENEFIT PENSION PLAN – PROPRIETARY FUND – PUBLIC SCHOOL INSURANCE FUND) .....	56

## TABLE OF CONTENTS

C-4	SCHEDULE OF DEPARTMENT CONTRIBUTIONS (DEFINED BENEFIT PENSION PLAN – PROPRIETARY FUND – PUBLIC SCHOOL INSURANCE FUND) .....	57
	NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (DEFINED BENEFIT PENSION PLAN – PROPRIETARY FUND – PUBLIC SCHOOL INSURANCE FUND) .....	58
C-5	SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY OR ASSET (DEFINED BENEFIT OPEB PLANS – PROPRIETARY FUND – PUBLIC SCHOOL INSURANCE FUND) .....	59
C-6	SCHEDULE OF DEPARTMENT CONTRIBUTIONS (DEFINED BENEFIT OPEB PLANS – PROPRIETARY FUND – PUBLIC SCHOOL INSURANCE FUND) .....	60
	NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (DEFINED BENEFIT OPEB PLANS – PROPRIETARY FUND – PUBLIC SCHOOL INSURANCE FUND) .....	61
OTHER SUPPLEMENTARY INFORMATION		
D-1	SCHEDULE OF REVENUES BY SOURCE – GOVERNMENTAL FUNDS.....	62
D-2	SCHEDULE OF EXPENDITURES BY PURPOSE – GOVERNMENTAL FUNDS .....	63
D-3	SCHEDULE OF GRANTS, STATE, AND FEDERAL AID PAID TO SCHOOLS – GENERAL FUND .....	65
D-4	SCHEDULE OF GRANTS AND AID PAID TO SCHOOL DISTRICTS (ALPHABETICALLY) – GENERAL FUND .....	67
D-5	SCHEDULE OF GRANTS AND AID PAID TO SCHOOL DISTRICTS (AMOUNT - SORTED LARGEST TO SMALLEST) – GENERAL FUND.....	70
D-6	SCHEDULE OF GRANTS AND AID PAID TO CHARTER SCHOOLS (ALPHABETICALLY BY COUNTY) – GENERAL FUND.....	73
D-7	SCHEDULE OF GRANTS AND AID PAID TO CHARTER SCHOOLS (AMOUNT - SORTED LARGEST TO SMALLEST) – GENERAL FUND.....	78
	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 <i>GOVERNMENT AUDITING STANDARDS</i> .....	83
	FINDINGS, RECOMMENDATIONS, AND RESPONSES .....	85
	ORDERING INFORMATION .....	90



# **INDEPENDENT AUDITOR'S REPORT**

STATE OF NORTH CAROLINA  
**Office of the State Auditor**



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## **INDEPENDENT AUDITOR'S REPORT**

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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, 2019, 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, 2019, 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, 2019, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### Other Matters

#### *Prior Period Information*

We have previously audited the accompanying financial statements of each major fund and the remaining fund information of the Department as of June 30, 2018 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 May 3, 2019. 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, 2018.

#### *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 Supplementary 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*

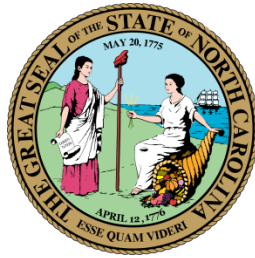
In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2020 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and 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

June 15, 2020



# **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 proprietary fund for the fiscal year ended June 30, 2019 with comparative information for the fiscal year ended June 30, 2018. This discussion and analysis should be read in conjunction with the financial statements and related notes to the financial statements which follow this section.

### **Overview of the Financial Statements**

The Department's financial statements are comprised of the governmental funds and the 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, pension and other postemployment benefits (OPEB)-related schedules for the Public School Insurance Fund, as well as trend information related to funding progress and contributions of the Public School Insurance Fund.

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, 2019 and 2018.

	2019	2018	Change
Assets	\$ 497,303,580	\$ 378,401,000	\$ 118,902,580
Deferred Outflows of Resources	0	0	0
Total Assets and Deferred Outflows	\$ 497,303,580	\$ 378,401,000	\$ 118,902,580
Liabilities	\$ 314,067,834	\$ 339,719,764	\$ (25,651,930)
Deferred Inflows of Resources	0	0	0
Fund Balance			
Nonspendable	1,643,536	1,869,947	(226,411)
Restricted	3,436,340	4,608,670	(1,172,330)
Committed	437,408,504	287,162,320	150,246,184
Unassigned	(259,252,634)	(254,959,701)	(4,292,933)
Total Fund Balance	183,235,746	38,681,236	144,554,510
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 497,303,580	\$ 378,401,000	\$ 118,902,580

Total assets increased by \$118.9 million and overall fund balance increased by \$144.6 million compared to prior year. The primary cause of this change can be attributed to unexpended cash receipts of \$118.9 million from Needs-Based Public School Building Fund (NBPSBF). This fund is in addition to the regular lottery fund transfers from the Office of State Budget Management (OSBM). The purpose of the NBPSBF is to award grants to counties designated as a development tier one or tier two area to assist with specific critical public-school building capital projects. The schools have not incurred significant expenditures at year-end because the construction projects are in the design phase.

Total liabilities decreased by \$25.7 million during the year mainly due to a decrease in prior-year civil penalty funds held for LEAs that were partially distributed during fiscal year 2019.

### 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, 2019 and 2018.

	2019	2018	Change
<b>REVENUES</b>			
Federal Funds	\$ 1,526,804,752	\$ 1,508,661,799	\$ 18,142,953
Revenues from Other State Agencies	839,742,371	644,697,828	195,044,543
Other Revenues	41,475,459	40,825,344	650,115
Total Revenues	2,408,022,582	2,194,184,971	213,837,611
<b>EXPENDITURES</b>			
Grants, State, and Federal Aid	11,291,917,158	10,678,753,863	613,163,295
Contracted Personal Services	108,041,384	104,626,173	3,415,211
Salaries and Benefits	135,679,903	137,833,049	(2,153,146)
Supplies and Materials	6,185,620	4,171,408	2,014,212
Purchases for Resale	321,551	447,321	(125,770)
Travel	3,104,219	3,259,021	(154,802)
Communication	695,133	769,195	(74,062)
Utilities	1,076,625	1,087,909	(11,284)
Data Processing Services	20,609,165	22,040,882	(1,431,717)
Claims and Benefits	1,427,632	2,336,598	(908,966)
Other Services	2,189,908	1,728,653	461,255
Other Fixed Charges	6,726,879	7,582,994	(856,115)
Expenditures to Other State Agencies	16,644,902	14,951,271	1,693,631
Capital Outlay	65,838,487	74,424,781	(8,586,294)
Insurance	2,504,708	2,490,563	14,145
Other Expenditures	1,346,317	1,504,968	(158,651)
Total Expenditures	11,664,309,591	11,058,008,649	606,300,942
Excess of Expenditures Over Revenues	(9,256,287,009)	(8,863,823,678)	(392,463,331)
<b>OTHER FINANCING SOURCES (USES)</b>			
State Appropriations	9,400,639,686	8,895,383,272	505,256,414
Sale of Capital Assets	1,787,606	2,275,045	(487,439)
Insurance Recoveries	288,107	358,118	(70,011)
Transfers, Net	(1,873,880)	8,419,646	(10,293,526)
Total Other Financing Sources	9,400,841,519	8,906,436,081	494,405,438
Increase in Fund Balance	144,554,510	42,612,403	101,942,107
Fund Balance (Deficit) - Beginning of Year	38,681,236	(3,931,167)	42,612,403
Fund Balance (Deficit) - End of Year	\$ 183,235,746	\$ 38,681,236	\$ 144,554,510

The Department recognized increased revenues of \$213.8 million in the current year, \$195.0 million of that was attributed to revenues from other state agencies that included a \$97.1 million funding increase from the lottery and \$89.0 million in transfers during the fiscal year related to Hurricane Florence which occurred in September 2018. Also, revenues related to federal funding were \$18.1 million greater in fiscal year 2019. This increase was primarily due to a significant increase in the Student Support and Academic Enrichment (SSAE) grant funding. Congress passed an appropriations bill to fund fiscal year 2019 education programs. This bill provided an increase in the SSAE program to support school improvements or address pressing issues at the local level.

Total expenditures increased by \$606.3 million compared to prior year largely due to a significant increase in several areas. Salaries to teachers, principals, and other instructional staff in the school districts increased \$426.2 million as reflected in the grants, state and federal

aid caption. State Aid to Local Education Agencies (LEAs) increased \$83.5 million related to damages from Hurricane Florence which occurred in September 2018. Expenditures to support operations of charter schools partially increased by \$24 million due to increase in the number of licensed charter schools.

Other financing sources increased by \$494.4 million over prior fiscal year. This increase is related to the pay plan change 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, and Sixth and Seventh Grade Career and Technical Education. Transfers to and from the state reserve accounts represent legislative approved carry forward and encumbrances for prior and current years.

### **Budget Variation**

#### **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 \$713.9 million in budgeted revenues and a change of \$577.1 million in budgeted expenditures. Generally, the variances between original and final budget are attributable to the timing and length of the budget preparation process and the budgeting of federal funds for the fiscal year. The original budget for fiscal year 2018-19 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 \$290.8 million less than budgeted and total expenditures were \$524.1 million less than budgeted. Budgeted revenues and expenditures related to federal funds are the primary reason for the variances. There was \$331.8 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 expenditure. If qualifying federal costs are not incurred during the fiscal year, the receipts also will not occur.

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 Management, shall align federal funds to accurately reflect the amount projected to be spent by the Department in each year of the 2017-2019 fiscal biennium in accordance with the State Budget Act, Chapter 143C of the General Statutes, as part of the certification of the budget for the 2017-2019 fiscal biennium.”

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

The following Condensed Statement of Net Position shows the Proprietary Fund's financial position at June 30, 2019 and 2018.

	2019	2018	Change
Assets			
Current Assets	\$ 116,829,801	\$ 113,478,070	\$ 3,351,731
Noncurrent Assets	549	1,084	(535)
Total Assets	116,830,350	113,479,154	3,351,196
Deferred Outflows of Resources	207,985	121,018	86,967
Liabilities			
Current Liabilities	11,607,469	9,523,454	2,084,015
Noncurrent Liabilities	812,355	830,910	(18,555)
Total Liabilities	12,419,824	10,354,364	2,065,460
Deferred Inflows of Resources	426,079	383,964	42,115
Net Position			
Restricted	435	2,538	(2,103)
Unrestricted	104,191,997	102,859,306	1,332,691
Total Net Position	\$ 104,192,432	\$ 102,861,844	\$ 1,330,588

Comparing the statement between years, total assets increased by \$3.4 million to a total of \$116.8 million in fiscal year 2019. Cash decreased by \$12.4 million due to cash payments for additional claims that resulted from Hurricane Florence. The reduction in cash is offset by pooled investments increasing by \$6.8 million due to investment returns and \$5.3 million increase in reinsurance recoverable due to paid hurricane-related claims. Premiums receivable and prepaid insurance also increased by \$2.4 million and \$1.2 million, respectively. Overall, net position did not change significantly due to reinsurance offsetting claim liabilities during the period. 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, 2019 and 2018:

	2019	2018	Change
<b>Operating Revenues</b>			
Insurance Premiums	\$ 12,811,305	\$ 12,499,110	\$ 312,195
<b>Operating Expenses</b>			
Salaries and Benefits	499,437	524,652	(25,215)
Contracted Personal Services	2,987	26	2,961
Supplies and Materials	8,734	1,102	7,632
Travel	46,657	50,662	(4,005)
Communication	1,524	1,756	(232)
Claims	14,084,251	1,132,041	12,952,210
Insurance	3,951,617	3,297,634	653,983
Other	5,069	5,070	(1)
Total Operating Expenses	18,600,276	5,012,943	13,587,333
Operating Income (Loss)	(5,788,971)	7,486,167	(13,275,138)
<b>Nonoperating Revenues</b>			
Investment Earnings	7,119,559	86,223	7,033,336
Increase (Decrease) in Net Position	1,330,588	7,572,390	(6,241,802)
Net Position - Beginning of Year	102,861,844	95,289,454	7,572,390
Net Position - End of Year	\$ 104,192,432	\$ 102,861,844	\$ 1,330,588

Operating expenses increased by \$13.6 million compared to prior year primarily due to increase in payments for claims by \$13.0 million compared to prior year. As stated previously, this was a result of the impact of Hurricane Florence on the 2019 statement. It is expected that claims will be significantly lower in fiscal year 2020. The large increase in claims expense occurred due to flood and wind damages from Hurricane Florence. Investment earnings also increased \$7.0 million due to interest earned and market performance during the current year.

### Future Outlook

Over the last several months, the global economy and the State of NC have all been dramatically affected by the coronavirus pandemic. Public health measures resulted in a forcing of business closures and both temporary and permanent loss of hundreds of thousands of jobs. The dramatic downturn in the economy has caused tremendous uncertainty for everyone.

The Fiscal Research Division and the Office of State Budget and Management have recently reached consensus on the general fund revenue forecast with the recognition of the many variables that still exist. The forecast for FY2020-21 was revised downward by \$2.57 billion

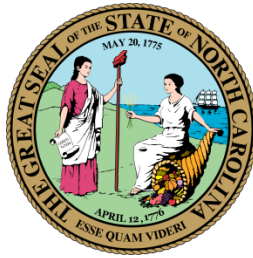
and predicts a \$1.64 billion shortfall for the current fiscal year. The State, including DPI, has already experienced hiring freezes for vacant positions, cancelled travel and training, and nonessential spending restrictions. However, education instruction has been exempted and over \$640 million in Federal and State funds have been allocated to schools in North Carolina to prevent education from suffering tremendous losses.

The recovery estimates vary greatly with a wide range of uncertain factors in the economy and in public health. Experts do not agree on the degree of possibility of a second wave of the pandemic making it even more difficult to estimate the status of schools for the future. At this time, it is still unclear how and when schools will open and what changes will be necessary when they do. Plans are currently in development and the North Carolina Department of Public Instruction is steadfast in its resolve to find ways to provide a sound, basic education to all students with the highest regard for health and safety of our children.

In September 2019, Hurricane Dorian affected insured members of the NC Public School Insurance Fund. The significantly damaged insured school locations were Dare County and Hyde County. The impact of Hurricane Dorian resulted in losses of insured perils of wind and flooding. Preliminary damages are estimated to be at least \$6 million. For more information, see the subsequent event disclosure in Note 15.

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, and
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, 2019 (With Comparative Totals for June 30, 2018)**

**Exhibit A-1**

	General Fund	Capital Projects Fund	Total Governmental Funds 2019	Total Governmental Funds 2018
<b>ASSETS</b>				
Cash and Cash Equivalents (Note 2)	\$ 465,026,586	\$ 6,268,823	\$ 471,295,409	\$ 352,906,656
Receivables:				
Accounts Receivable	1,348,923		1,348,923	268,447
Intergovernmental Receivables (Note 4)	22,340,217		22,340,217	22,990,785
Interest Receivable	675,495		675,495	365,165
Inventories	1,643,536		1,643,536	1,869,947
Total Assets	491,034,757	6,268,823	497,303,580	378,401,000
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	0	0	0	0
Total Assets and Deferred Outflows	\$ 491,034,757	\$ 6,268,823	\$ 497,303,580	\$ 378,401,000
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities:				
Accounts Payable	\$ 8,717,879	\$ 646,438	\$ 9,364,317	\$ 6,168,190
Accrued Payroll	(543)		(543)	291
Intergovernmental Payables (Note 6)	275,735,075		275,735,075	270,803,278
Due to Other State Agencies	(1,402)		(1,402)	
Funds Held for Others	236,281		236,281	247,776
Civil Penalty Collections Held for School Districts	20,555,716		20,555,716	49,454,331
Unearned Revenue	8,178,390		8,178,390	13,045,898
Total Liabilities	313,421,396	646,438	314,067,834	339,719,764
<b>DEFERRED INFLOWS OF RESOURCES</b>	0	0	0	0
<b>FUND BALANCES (Note 9)</b>				
Nonspendable	1,643,536		1,643,536	1,869,947
Restricted	3,436,340		3,436,340	4,608,670
Committed	431,786,119	5,622,385	437,408,504	287,162,320
Unassigned	(259,252,634)		(259,252,634)	(254,959,701)
Total Fund Balances	177,613,361	5,622,385	183,235,746	38,681,236
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 491,034,757	\$ 6,268,823	\$ 497,303,580	\$ 378,401,000

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, 2019**  
**(With Comparative Totals for June 30, 2018)**

**Exhibit A-2**

	General	Capital	Total	Total
	Fund	Projects	Governmental	Governmental
	Fund	Fund	Funds	Funds
			2019	2018
<b>REVENUES</b>				
Federal Funds	\$ 1,526,804,752	\$ 0	\$ 1,526,804,752	\$ 1,508,661,799
Revenues from Other State Agencies (Note 10)	839,742,371		839,742,371	644,697,828
Contributions, Gifts, and Grants	13,944,780		13,944,780	12,703,123
E Rate Telecommunication/Internet Access Program Funds	11,836,312		11,836,312	15,133,022
Sales and Services	930,448		930,448	1,513,715
Licensure Certification and Registration Fees	3,656,303		3,656,303	3,902,215
Property and Equipment Rental	1,448,165		1,448,165	1,365,022
Investment Earnings	6,831,599		6,831,599	3,476,914
Student Tuition and Fees	759,568		759,568	810,559
Miscellaneous Income	2,068,284		2,068,284	1,920,774
Total Revenues (See Schedule D-1)	2,408,022,582	0	2,408,022,582	2,194,184,971
<b>EXPENDITURES</b>				
Grants, State, and Federal Aid (See Schedule D-3)	11,291,917,158		11,291,917,158	10,678,753,863
Contracted Personal Services	108,041,384		108,041,384	104,626,173
Salaries and Benefits	135,679,903		135,679,903	137,833,049
Supplies and Materials	6,185,620		6,185,620	4,171,408
Purchases for Resale	321,551		321,551	447,321
Travel	3,104,219		3,104,219	3,259,021
Communication	695,133		695,133	769,195
Utilities	1,076,625		1,076,625	1,087,909
Data Processing Services	20,609,165		20,609,165	22,040,882
Claims and Benefits	1,427,632		1,427,632	2,336,598
Other Services	2,189,908		2,189,908	1,728,653
Other Fixed Charges	6,726,879		6,726,879	7,582,994
Expenditures to Other State Agencies (Note 10)	16,644,902		16,644,902	14,951,271
Capital Outlay	63,550,082	2,288,405	65,838,487	74,424,781
Insurance	2,504,708		2,504,708	2,490,563
Other Expenditures	1,346,317		1,346,317	1,504,968
Total Expenditures (See Schedule D-2)	11,662,021,186	2,288,405	11,664,309,591	11,058,008,649
Excess of Expenditures Over Revenues	(9,253,998,604)	(2,288,405)	(9,256,287,009)	(8,863,823,678)
<b>OTHER FINANCING SOURCES (USES)</b>				
State Appropriations	9,398,849,486	1,790,200	9,400,639,686	8,895,383,272
Sale of Capital Assets	1,787,606		1,787,606	2,275,045
Insurance Recoveries	288,107		288,107	358,118
Transfers In				250,000
Transfers Out				(250,000)
Transfers from State Reserve Fund	70,258,889		70,258,889	78,678,536
Transfers to State Reserve Fund	(72,132,769)		(72,132,769)	(70,258,890)
Total Other Financing Sources	9,399,051,319	1,790,200	9,400,841,519	8,906,436,081
Net Change in Fund Balance	145,052,715	(498,205)	144,554,510	42,612,403
Fund Balances - Beginning of Year	32,560,646	6,120,590	38,681,236	(3,931,167)
Fund Balances - End of Year	\$ 177,613,361	\$ 5,622,385	\$ 183,235,746	\$ 38,681,236

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, 2019 (With Comparative Totals for June 30, 2018)**

**Exhibit B-1**

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents (Note 2)	\$ 9,617,637	\$ 21,977,627
Pooled Investments (Note 2)	95,536,906	88,718,651
Receivables:		
Premiums Receivable	2,658,146	236,890
Interest Receivable	15,214	28,536
Reinsurance Recoverable	5,323,203	
Prepaid Reinsurance	3,678,695	2,516,366
Total Current Assets	116,829,801	113,478,070
Noncurrent Assets:		
Net Other Postemployment Benefits Asset	549	1,084
Total Assets	116,830,350	113,479,154
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflows Related to Pensions (Note 11)	133,543	97,160
Deferred Outflows Related to Other Postemployment Benefits (Note 12)	74,442	23,858
Total Deferred Outflows of Resources	207,985	121,018
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities:		
Accounts Payable	18,905	13,041
Due to Other State Agencies	2,257	
Claims Payable (Note 13)	6,226,415	6,079,920
Accrued Payroll		1,612
Unearned Revenue	5,353,797	3,423,035
Compensated Absences (Note 7)	6,095	5,846
Total Current Liabilities	11,607,469	9,523,454
Noncurrent Liabilities:		
Compensated Absences (Note 7)	72,750	79,254
Net Pension Liability (Note 7)	212,272	165,258
Net Other Postemployment Benefits Liability (Note 7)	527,333	586,398
Total Noncurrent Liabilities	812,355	830,910
Total Liabilities	12,419,824	10,354,364
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows Related to Pensions (Note 11)	15,508	25,905
Deferred Inflows Related to Other Postemployment Benefits (Note 12)	410,571	358,059
Total Deferred Inflows of Resources	426,079	383,964
<b>NET POSITION</b>		
Restricted - Expendable for Specific Purposes	435	2,538
Unrestricted	104,191,997	102,859,306
Total Net Position	\$ 104,192,432	\$ 102,861,844

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, 2019**  
**(With Comparative Totals for June 30, 2018)**

**Exhibit B-2**

	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>		
Operating Revenues:		
Insurance Premiums	\$ 12,811,305	\$ 12,499,110
<b>EXPENSES</b>		
Operating Expenses:		
Salaries and Benefits	499,437	524,652
Contracted Personal Services	2,987	26
Supplies and Materials	8,734	1,102
Travel	46,657	50,662
Communication	1,524	1,756
Claims	14,084,251	1,132,041
Insurance	3,951,617	3,297,634
Other	5,069	5,070
Total Operating Expenses	<u>18,600,276</u>	<u>5,012,943</u>
Operating Income (Loss)	(5,788,971)	7,486,167
<b>NONOPERATING REVENUES</b>		
Investment Earnings	<u>7,119,559</u>	<u>86,223</u>
Increase in Net Position	1,330,588	7,572,390
Net Position - Beginning of Year	<u>102,861,844</u>	<u>95,289,454</u>
Net Position - End of Year	<u><u>\$ 104,192,432</u></u>	<u><u>\$ 102,861,844</u></u>

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

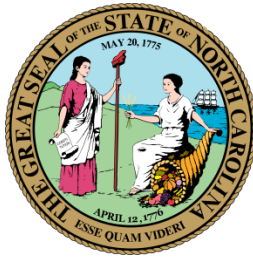
**North Carolina Department of Public Instruction**  
**Statement of Cash Flows**  
**Proprietary Fund - Public School Insurance Fund**  
**For the Fiscal Year Ended June 30, 2019**  
**(With Comparative Totals for June 30, 2018)**

**Exhibit B-3**

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from Customers	\$ 12,320,809	\$ 12,753,202
Payments to Employees and Fringe Benefits	(562,121)	(561,930)
Payments to Suppliers	(5,174,603)	(3,571,842)
Payments for Claims	(19,260,959)	(7,013,832)
Payments to Other Funds	2,257	(472)
Net Cash Provided (Used) by Operating Activities	(12,674,617)	1,605,126
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Income	314,626	308,996
Net Increase (Decrease) in Cash and Cash Equivalents	(12,359,990)	1,914,122
Cash and Cash Equivalents, July 1	21,977,627	20,063,505
Cash and Cash Equivalents, June 30	<u>\$ 9,617,637</u>	<u>\$ 21,977,627</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ (5,788,971)	\$ 7,486,167
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Changes in Assets and Deferred Outflows of Resources:		
Premiums Receivable	(2,421,257)	1,587,076
Prepaid Reinsurance	(1,162,329)	(207,992)
Reinsurance Recoverable	(5,323,203)	
Net Other Postemployment Benefits Asset	535	296
Deferred Outflows for Pensions	(36,383)	63,319
Deferred Outflows for Other Postemployment Benefits	(50,584)	(1,880)
Changes in Liabilities and Deferred Inflows of Resources:		
Accounts Payable and Accrued Liabilities	150,747	(5,889,499)
Due to Other State Agencies	2,257	(472)
Unearned Revenue	1,930,762	(1,332,983)
Compensated Absences	(6,255)	(13,537)
Net Pension Liability	47,014	(72,841)
Net Other Postemployment Benefits Liability	(59,065)	(380,475)
Deferred Inflows for Pensions	(10,397)	9,888
Deferred Inflows for Other Post Employment Benefits	52,512	358,059
Net Cash Provided (Used) by Operating Activities	<u>\$ (12,674,617)</u>	<u>\$ 1,605,126</u>
<b>NONCASH INVESTING ACTIVITIES</b>		
Noncash Distributions from the State Treasurer	\$ 3,078,003	\$ 2,874,380
Change in Fair Value of Investments	3,740,252	(3,107,556)

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 116 local public school districts, including approximately 2,500 individual public schools; 190 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). 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 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 the proprietary fund, each displayed in a separate exhibit. Throughout the report, the term Department is used to refer to the governmental funds and proprietary fund combined unless otherwise specifically stated.

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 82 out of 116 public school districts and 32 out of 58 community colleges.

### D. Measurement Focus and 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 (OPEB) 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 flow 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. The Department's equity position in the STIF is recorded at fair value. Additional information

regarding the fair value measurement of deposits held by the State Treasurer in the STIF is disclosed in Note 3.

- 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.

Accounts receivables for the governmental funds include amounts due from charter schools, home-based schools, and local education agencies in connection with sale of textbooks and publications.

Accounts receivables for the proprietary fund include insurance premiums due from insured schools and reinsurance recoverable due from third party providers.

Intergovernmental receivables for the governmental funds 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.

- H. Due from/to State Agencies** - Activities between state agencies are composed of amounts due from or due to other state agencies. All amounts are considered collectible; accordingly, no allowance for doubtful accounts has been recorded.

- I. 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.

- J. Payables** - Accounts payable for the governmental funds include amounts due to vendors/suppliers, staff, and state Department of Revenue in connection with payment for supplies, travel reimbursements, and payment of sales and use taxes withheld from sale of textbooks and publications.

Claims payable for the proprietary fund include amounts of claims due to be paid to the school districts and community colleges for loss claims.

Intergovernmental payables for the governmental funds include amounts due to accrued payroll for state-funded school teachers and amounts due to the schools in connection with the federal child nutrition program for qualified meals.

- 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 but are disclosed in Note 7 of the Department's Notes to the Financial Statements. Long-term liabilities for the proprietary fund are reported on the face of the proprietary funds' financial statements and disclosed in Note 7.

Noncurrent long-term liabilities include principal amounts of long-term debt and other long-term liabilities that will not be paid within the next fiscal year. Other long-term liabilities include: compensated absences, net pension liability, and net other postemployment benefits (OPEB) liability.

**Net Pension Liability** - The net pension liability represents the Department's proportionate share of the collective net pension liability reported in the State of North Carolina's 2018 *Comprehensive Annual Financial Report*. This liability represents the Department's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 11 for further information regarding the Department's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

**Net OPEB Liability** - The net OPEB liability represents the Department's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2018 *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 12 for further information regarding the Department's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

**Compensated Absences** - Employees of the Department are permitted to accumulate earned but unused vacation pay benefits. In the proprietary funds, all vacation pay is accrued when incurred. When determining the vacation pay liability due within one year, leave is considered taken on a last in, first out (LIFO) basis. In the governmental funds, a liability for these amounts is reported only as payments become due each period upon the

occurrence of relevant events such as employee resignations and retirements. This liability is reported in Note 7 of the Department's Notes to the Financial Statements.

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.

- M. Deferred Outflows/Inflows of Resources** - In addition to assets, the Department reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of fund balance/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: deferred outflows related to pensions, and deferred outflows related to OPEB.

In addition to liabilities, the Department reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance/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: deferred inflows related to pensions, and deferred inflows related to OPEB.

**N. Fund Balance / Net Position**

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



*Nonspendable Fund Balance* - These amounts cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Restricted Fund Balance* - These amounts 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 Balance* - These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the North Carolina General Assembly, the State's highest level of decision-making authority. The North Carolina 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.

*Unassigned Fund Balance* - This 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, committed, or assigned 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.

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

*Expendable Restricted Net Position* - 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 Net Position* - This represents resources derived from premiums and investment earnings. It also includes the net position of 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.



- O. 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*.
- P. Revenues and Expenses Recognition** - The proprietary fund classifies revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing insurance coverage as the proprietary fund's principal ongoing operation. Operating revenues include activities that have characteristics of exchange transactions, such as the receipt of insurance premiums in exchange for insuring covered property and content. 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 include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions that represent investment earnings, are considered nonoperating since these are either investing, capital, or noncapital financing activities.
- Insurance premium revenues are recognized on a pro rata basis over the term of the policy. Premiums applicable to the unexpired terms of the policies in force are reported as unearned at the balance sheet date.
- Q. Claims Expense** - The Public School Insurance Fund establishes provisions for insured events based on estimates of the ultimate cost of claims and nature of claims arising from losses that have been incurred but have not yet been reported. 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.
- R. Transfers from/to State Reserve Fund** - These transfers are for funds obligated in the current year, but not spent at year-end, that will be carried forward to the next fiscal year. The Department must obtain authorization from the Office of State Budget and Management (OSBM) to carryforward funds. At year-end, these funds are transferred to the State Reserve Fund and held by the North Carolina Office of the State Controller until approval is granted from OSBM to return the funds to the Department in the next fiscal year.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

Unless specifically exempt, every agency of the State and certain component units are required by North Carolina General Statute 147-77 to deposit moneys received with the State Treasurer or with a depository institution in the name of the State Treasurer. General Statute 147-69.1, authorizes 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; time deposits with specified financial institutions; prime quality commercial paper with specified ratings; specified bills of exchange or time drafts; asset-backed securities with specified ratings; and corporate bonds and notes with specified ratings.

At June 30, 2019, the governmental funds' Balance Sheet reported cash and cash equivalents of \$471,295,409. The proprietary fund's Statement of Net Position reported cash and cash equivalents of \$9,617,637 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 1.3 years as of June 30, 2019. Assets and shares of the STIF are valued at fair value.

At June 30, 2019, the proprietary fund's Statement of Net Position reported pooled investments of \$95,536,906, which represents the Department's equity position in the State Treasurer's Bond Index External Investment Fund (BIF). The BIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any formal oversight other than that of the legislative body) had a weighted average maturity of 7.81 years as of June 30, 2019. 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, 2019. 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, 2019, the Department has the following investments:

**Short-Term Investment Fund** - At year-end, all of the Department's cash and cash equivalents, valued at \$480,913,046 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 \$95,536,906, 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, 2019 were as follows:

	<u>Amount</u>
Intergovernmental Receivables:	
Child Nutrition Program	\$ 18,192,541
Local School Districts	1,975,001
Other Federal Programs	<u>2,172,675</u>
Total Intergovernmental Receivables	<u>\$ 22,340,217</u>

**NOTE 5 - CAPITAL ASSETS**

Capital assets, which include property, plant, and equipment, are reported as expenditures in the governmental funds. Consequently, capital asset balances are not reported on the face of the governmental funds' financial statements, but are reported below. Purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized. Donated capital assets are recorded at acquisition value at the date of the donation except that capital assets donated prior to July 1, 2015 are recorded at their estimated fair value at the date of donation.

Generally, capital assets are defined by the Department as assets with an initial value or cost greater than or equal to \$5,000 and an estimated useful life of two or more years, except for internally generated computer software which is capitalized when the value or cost is greater than or equal to \$1,000,000.

The value of assets constructed includes all material direct and indirect construction costs that are incurred as a result of the construction.

Depreciation is recorded at the statewide level for governmental funds. Depreciation is computed using the straight-line method over the estimated useful lives of the assets in the following manner:

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

The Art, Literature, and Artifacts collections are capitalized at cost or acquisition value 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.

A summary of changes in the governmental funds' capital assets for the year ended June 30, 2019 is presented as follows:

	Balance July 1, 2018 (As Restated)	Increases	Decreases	Balance June 30, 2019
Capital Assets, Nondepreciable:				
Land and Permanent Easements	\$ 52,253	\$ 0	\$ 0	\$ 52,253
Art, Literature, and Artifacts	419,300			419,300
Construction in Progress	3,952,405	6,935,000	520,800	10,366,605
<b>Total Capital Assets, Nondepreciable</b>	<b>4,423,958</b>	<b>6,935,000</b>	<b>520,800</b>	<b>10,838,158</b>
Capital Assets, Depreciable:				
Buildings	49,551,197	520,800		50,071,997
Machinery and Equipment	9,131,057	630,350	926,345	8,835,062
General Infrastructure	558,126			558,126
Computer Software	2,352,831			2,352,831
<b>Total Capital Assets, Depreciable</b>	<b>61,593,211</b>	<b>1,151,150</b>	<b>926,345</b>	<b>61,818,016</b>
Less Accumulated Depreciation for:				
Buildings	21,599,602	831,215		22,430,817
Machinery and Equipment	5,643,799	387,240	580,143	5,450,896
General Infrastructure	461,463	12,403		473,866
Computer Software	611,735	94,113		705,848
<b>Total Accumulated Depreciation</b>	<b>28,316,599</b>	<b>1,324,971</b>	<b>580,143</b>	<b>29,061,427</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>33,276,612</b>	<b>(173,821)</b>	<b>346,202</b>	<b>32,756,589</b>
<b>Capital Assets, Net</b>	<b>\$ 37,700,570</b>	<b>\$ 6,761,179</b>	<b>\$ 867,002</b>	<b>\$ 43,594,747</b>

The July 1, 2018 balances for buildings and machinery and equipment 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, 2019 were as follows:

	Amount
Intergovernmental Payables:	
Accrued Payroll for Schools	\$ 257,487,523
Child Nutrition Program	18,192,541
Other	55,011
<b>Total Intergovernmental Payables</b>	<b>\$ 275,735,075</b>

**NOTE 7 - LONG-TERM LIABILITIES****A. Changes in Long-Term Liabilities** - A summary of changes in long-term liabilities for the year ended June 30, 2019 is presented as follows:**Governmental Funds - General Fund**

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Current Portion
Long-Term Debt					
Financing Agreements	\$ 96,059,117	\$ 60,532,771	\$ 58,533,987	\$ 98,057,901	\$ 47,801,666
Other Long-Term Liabilities					
Compensated Absences	8,725,911	6,539,144	6,527,790	8,737,265	673,643
Workers' Compensation Liability <sup>1</sup>	199,197,009	72,056,232	60,778,682	210,474,559	73,666,096
Net Pension Liability <sup>2</sup>	29,881,677	8,332,321	2,447,951	35,766,047	
Net Other Postemployment Benefits Liability <sup>3</sup>	106,031,487		17,180,422	88,851,065	
Total Other Long-Term Liabilities	343,836,084	86,927,697	86,934,845	343,828,936	74,339,739
<b>Total Long-Term Liabilities</b>	<b>\$ 439,895,201</b>	<b>\$ 147,460,468</b>	<b>\$ 145,468,832</b>	<b>\$ 441,886,837</b>	<b>\$ 122,141,405</b>

**Proprietary Fund - Public School Insurance Fund**

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Current Portion
Compensated Absences	\$ 85,100	\$ 42,296	\$ 48,551	\$ 78,845	\$ 6,095
Net Pension Liability <sup>2</sup>	165,258	47,014		212,272	
Net Other Postemployment Benefits Liability <sup>3</sup>	586,398		59,065	527,333	
<b>Total Long-Term Liabilities</b>	<b>\$ 836,756</b>	<b>\$ 89,310</b>	<b>\$ 107,616</b>	<b>\$ 818,450</b>	<b>\$ 6,095</b>

<sup>1</sup> Additional information regarding workers' compensation is included in Note 13.<sup>2</sup> Additional information regarding net pension liability is included in Note 11.<sup>3</sup> Additional information regarding net other postemployment benefits liability is included in Note 12.

**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, 2019	Outstanding June 30, 2019
2015 - 2016 Replacement of School Buses	Banc of America Public Capital Corp.	11/15/2018	\$ 60,775,204	\$ 60,775,204	\$ 0
2016 - 2017 Replacement of School Buses	Banc of America Public Capital Corp.	11/15/2019	68,560,052	51,420,039	17,140,013
2017 - 2018 Replacement of School Buses	Banc of America Public Capital Corp.	11/15/2020	62,113,720	31,056,860	31,056,860
2018 - 2019 Replacement of School Buses	Banc of America Public Capital Corp.	11/15/2021	60,532,771	10,671,743	49,861,028
<b>Total Financing Agreements</b>			<b>\$ 251,981,747</b>	<b>\$ 153,923,846</b>	<b>\$ 98,057,901</b>

**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, 2019:

Fiscal Year	Amount
2020	\$ 96,905
2021	61,054
2022	6,273
2023	3,137
Total Minimum Lease Payments	<u>\$ 167,369</u>

Rental expense for all operating leases during the year ended June 30, 2019, was \$119,692.

**NOTE 9 - FUND BALANCE**

The details of the fund balance classifications for the governmental funds at June 30, 2019 are as follows:

	General Fund	Capital Projects Fund	Total
Nonspendable:			
Inventory	\$ 1,643,536	\$ 0	\$ 1,643,536
Restricted For:			
Primary and Secondary Education	3,436,340		3,436,340
Committed to:			
Primary and Secondary Education	431,786,119		431,786,119
Public School Capital Projects		5,622,385	5,622,385
Unassigned	(259,252,634)		(259,252,634)
Total Fund Balance	<u>\$ 177,613,361</u>	<u>\$ 5,622,385</u>	<u>\$ 183,235,746</u>

**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 for the fiscal year ended June 30, 2019 were as follows:

Revenues from Other State Agencies:

	Purpose	Amount
General Fund:		
Office of State Budget and Management	Lottery Funds for General Education Support	\$ 654,268,584
Department of Revenue	General Educational Support	71,218,740
Department of Public Safety	Hurricane Florence Relief	89,044,839
Department of Health and Human Services	Medicaid Funds for Services to Exceptional Children	15,210,208
	School Safety	10,000,000
Total Revenues from Other State Agencies		<u>\$ 839,742,371</u>

Expenditures to Other State Agencies:

	Purpose	Amount
General Fund:		
Community College System Office	Title IV Perkins Funds	\$ 13,254,982
Department of Health and Human Services	Psychiatric Residential Treatment Facility Services	389,920
Department of Information Technology	Government Data Analytics Center (GDAC) - IT Business System Modernization	3,000,000
Total Expenditures to Other State Agencies		<u>\$ 16,644,902</u>



## NOTE 11 - PENSION PLANS

**Cost-Sharing, Multiple-Employer, 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 proprietary funds is reported on the face of the proprietary funds' 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.

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO 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 (not including sick leave) regardless of age, or have completed 15 years of



creditable service as an LEO and have reached age 50, or have completed five years of creditable service as an LEO and have reached age 55, or have completed 15 years of creditable service as an LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*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, 2019 was 12.29% of covered payroll. Employee contributions to the pension plan were \$3,586,401, and the Department's contributions were \$7,346,146 for the year ended June 30, 2019. Of this amount, the proprietary fund contributed \$45,954.

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 2018 *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. For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the TSERS plan, and additions to/deductions from the TSERS plan's fiduciary net position have been determined on the same basis as they are reported by TSERS.

*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 2018 *Comprehensive Annual Financial Report*.

*Net Pension Liability:* At June 30, 2019, the Department reported a liability of \$35,978,319 for its proportionate share of the collective net pension liability. Of this amount, the proprietary fund reported \$212,272. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017, and update procedures were used to roll forward the total pension liability to June 30, 2018. 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, 2018, the Department's proportion was 0.36137%, which was a decrease of 0.01732 from its proportion measured as of June 30, 2017, which was 0.37869%. Of this proportion, the proprietary fund's share was 0.00213%, which was an increase of 0.00005 from its proportion measured as of June 30, 2017, which was 0.00208%.

*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	12/31/2017
Inflation	3%
Salary Increases*	3.50% - 8.10%
Investment Rate of Return**	7.00%

\* 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, 2017 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, 2018 (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, 2018 is 1.5%.

*Discount Rate:* The discount rate used to measure the total pension liability was lowered from 7.20% to 7.00% for the December 31, 2017 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, 2018 calculated for the Department's and proprietary fund's proportionate shares using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

		Net Pension Liability		
		1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Department as a Whole	\$	68,616,751	\$ 35,978,319	\$ 8,591,442
Proprietary Fund	\$	404,443	\$ 212,272	\$ 50,640

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:* For the year ended June 30, 2019, the Department recognized pension expense of \$8,379,335. Of this amount, the proprietary fund recognized \$46,136. At June 30, 2019, 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 Funds	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 2,625,722	\$ 361,065	\$ 15,492	\$ 2,130
Changes of Assumptions	7,219,923		42,598	
Net Difference Between Projected and Actual Earnings on Plan Investments	3,428,740		20,230	
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	312,672	216,292	9,269	13,378
Contributions Subsequent to the Measurement Date	7,346,146		45,954	
Total	\$ 20,933,203	\$ 577,357	\$ 133,543	\$ 15,508

The amount of \$7,346,146 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, 2020. Of this amount, the proprietary fund reported \$45,954. 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
2020	\$ 7,576,235	\$ 41,398
2021	4,891,682	25,352
2022	604,742	5,701
2023	(62,960)	(370)
Total	\$ 13,009,699	\$ 72,081

## NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

Other postemployment benefit 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 other postemployment benefits liability, discussed in Note 7 to the financial statements, is not reported on the face of the governmental fund financial statements. However, the net other postemployment liability and asset for proprietary funds is reported on the face of the proprietary fund financial statements.

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 2018 *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.

### 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. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the

fiduciary net position of each plan, and additions to/deductions from each plans' fiduciary net positions have been determined on the same basis as they are reported by the 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 2018 *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 13. 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 North Carolina General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the North Carolina 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 North Carolina 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, 2019 was 6.27% of covered payroll. The Department's contributions to the RHBF were \$3,747,790 for the year ended June 30, 2019. The proprietary fund's contributions were \$23,444.



## 2. Disability Income

*Plan Administration:* As discussed in Note 13, 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 North Carolina General Assembly and coincide with the State's fiscal year. The Department's contractually-required contribution rate for the year ended June 30, 2019 was 0.14% of covered payroll. The Department's contributions to DIPNC were \$83,683 for the year ended June 30, 2019. The proprietary fund contributed \$523.

### C. Net OPEB Liability (Asset)

*Net OPEB Liability:* At June 30, 2019, the Department reported a liability of \$89,378,398 for its proportionate share of the collective net OPEB liability for RHBF. Of this amount, the proprietary fund reported \$527,333. The net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017, and update procedures were used to roll forward the total OPEB liability to June 30, 2018. 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, 2018, the Department's proportion was 0.31374%, which was a decrease of 0.01145 from its proportion measured as of June 30, 2017, which was 0.32519%. Of this proportion, the proprietary fund's share was 0.00185%, which was an increase of 0.00006 from its proportion measured as of June 30, 2017, which was 0.00179%.

*Net OPEB Asset:* At June 30, 2019, the Department reported an asset of \$93,014 for its proportionate share of the collective net OPEB asset for DIPNC. Of this amount, the proprietary fund reported \$549. The net OPEB asset was measured as of June 30, 2018. The total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2017, and update procedures were used to roll forward the total OPEB asset to June 30, 2018. 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, 2018, the Department's proportion was 0.30621%, which was a decrease of 0.01615 from its proportion measured as of June 30, 2017, which was 0.32236%. Of this proportion, the proprietary fund's share was 0.00181%, which was an increase of 0.00004 from its proportion measured as of June 30, 2017, which was 0.00177%.

*Actuarial Assumptions:* The total OPEB liabilities for RHBf and DIPNC were determined by actuarial valuations as of December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities were then rolled forward to June 30, 2018 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N. C.
Valuation Date	12/31/2017	12/31/2017
Inflation	3.00%	3.00%
Salary Increases*	8.10% grading down to 3.50% depending on employee class	3.50% - 8.10%
Investment Rate of Return**	7.00%	3.75%
Healthcare Cost Trend Rate - Medical	6.50% grading down to 5.00% by 2024	6.50% grading down to 5.00% by 2024
Healthcare Cost Trend Rate - Prescription Drug	7.25% grading down to 5.00% by 2027	N/A
Healthcare Cost Trend Rate - Medicare Advantage	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, 2018.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2018 (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, 2018 is 1.5%.

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, 2017 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2014, as amended for updates to certain assumptions (such as the long-term investment return, medical claims, and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

*Discount Rate:* The discount rate used to measure the total OPEB liability for RHBF was 3.87%. 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 3.87% was used as the discount rate used to measure the total OPEB liability. The 3.87% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2018.

The discount rate used to measure the total OPEB liability 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 liability.

**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 (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
<b>RHBF Net OPEB Liability:</b>				
Department as a Whole	\$	105,601,994	\$ 89,378,398	\$ 76,374,230
Proprietary Fund		622,693	527,333	450,348
		1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
<b>DIPNC Net OPEB Asset:</b>				
Department as a Whole	\$	(71,270)	\$ (93,014)	\$ (113,873)
Proprietary Fund		(421)	(549)	(674)

**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 - 4.00%, Administrative - 2.00%)	Current Healthcare Cost Trend Rates (Medical - 5.00% - 6.50%, Pharmacy - 5.00% - 7.25%, Med. Advantage - 5.00%, Administrative - 3.00%)	1% Increase (Medical - 6.00% - 7.50%, Pharmacy - 6.00% - 8.25%, Med. Advantage - 6.00%, Administrative - 4.00%)
<b>RHBF Net OPEB Liability:</b>				
Department as a Whole	\$	73,735,209	\$ 89,378,398	\$ 109,915,844
Proprietary Funds		434,787	527,333	648,130
		1% Decrease (5.50% grading down to 4.00% in 2024)	Current Healthcare Cost Trend Rates (6.50% grading down to 5.00% in 2024)	1% Increase (7.50% grading down to 6.00% in 2024)
<b>DIPNC Net OPEB Asset:</b>				
Department as a Whole	\$	(93,284)	\$ (93,014)	\$ (92,760)
Proprietary Funds		(551)	(549)	(548)

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:* For the year ended June 30, 2019, the Department's proportionate share of the collective OPEB was a contra expense \$2,315,489 for RHBF and an expense \$23,341 for DIPNC. Of these amounts, the proprietary fund recognized a contra OPEB expense of \$32,824 for RHBF and an expense of \$180 for DIPNC. At June 30, 2019, the Department's proportionate share of deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

	Department as a Whole			Proprietary Funds		
	RHBF	DIPNC	Total	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 0	\$ 162,255	\$ 162,255	\$ 0	\$ 957	\$ 957
Changes of Assumptions		17,564	17,564		104	104
Net Difference Between Projected and Actual Earnings on Plan Investments	9,612	72,440	82,052	57	427	484
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions		52,739	52,739	48,495	435	48,930
Contributions Subsequent to the Measurement Date	3,747,790	83,683	3,831,473	23,444	523	23,967
Total	\$ 3,757,402	\$ 388,681	\$ 4,146,083	\$ 71,996	\$ 2,446	\$ 74,442

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

	Department as a Whole			Proprietary Funds		
	RHBF	DIPNC	Total	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 6,112,089	\$ 0	\$ 6,112,089	\$ 36,061	\$ 0	\$ 36,061
Changes of Assumptions	38,720,785		38,720,785	228,453		228,453
Net Difference Between Projected and Actual Earnings on Plan Investments						
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	5,168,784		5,168,784	145,943	114	146,057
Total	\$ 50,001,658	\$ 0	\$ 50,001,658	\$ 410,457	\$ 114	\$ 410,571

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, 2020. 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
2020	\$ (11,501,165)	\$ 79,573	\$ (87,020)	\$ 512
2021	(11,501,165)	79,564	(87,020)	511
2022	(11,501,165)	49,360	(87,020)	272
2023	(11,491,608)	39,117	(86,962)	212
2024	(3,996,943)	28,694	(13,883)	151
Thereafter		28,690		151
Total	\$ (49,992,046)	\$ 304,998	\$ (361,905)	\$ 1,809

## NOTE 13 - RISK MANAGEMENT

### A. Public Entity Risk Pool

The Public School Insurance Fund (the Fund) is a public entity risk pool reported within the State's proprietary fund. In accordance with Chapter 115C, Article 38, of the General Statutes, the purpose of the Fund is to insure the schools, in order to safeguard the property investments made in the public schools of North Carolina. North Carolina community colleges, which are related parties, can also acquire insurance through the Fund as stated in General Statute 115D-58.11(c). The board of each school district and the board of trustees of each community college are required to insure their buildings and contents on a replacement cost basis, as suggested by the Fund. The Fund is financed by premiums collected from the schools and the community colleges and interest is earned on the Fund's cash balance. Each board has to give notice of its election to insure in the Fund at least 30 days prior to such insurance becoming effective and shall furnish to the Fund a detailed list of all school buildings, contents and other insurable school property. While policies remain in effect, the Fund shall act as insurer of the properties covered by such insurance. The Fund currently insures 82 out of 116 public school districts and 32 out of 58 community colleges.

The provision for losses and loss adjustment expenses includes paid and unpaid claims and expenses associated with settling claims, including legal fees. Claim liabilities are based on estimates of losses that have been reported but not settled and management's evaluation of losses that have been incurred but have not yet been reported (IBNR). The liability represents the estimated ultimate cost of settling the claims. 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.

**Reinsurance Ceded** - In the ordinary course of business, the Fund reinsures certain risks with commercial insurers through contractual agreements, commonly referred to as reinsurance ceded. These agreements serve to limit the Fund's potential losses for large aggregate and individual losses. A contingent liability exists with respect to reinsurance ceded to the extent that any reinsurer is unable to meet its obligation assumed under the reinsurance agreements.

Premiums ceded to reinsurers during 2019 were \$3,951,617, and the amount deducted from unpaid claims liabilities as of June 30, 2019, for reinsurance was \$32,112,340.

As discussed above, the Fund establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

The following schedule shows the changes in the aggregate liabilities for the Fund for the years ended June 30, 2019 and 2018:

	2019	2018
Unpaid Claims and Claim Adjustment Expenses at Beginning of Year	\$ 6,079,920	\$ 11,961,711
<b>Incurred Claims and Claim Adjustment Expenses:</b>		
Provision for Insured Events of the Current Year	16,887,162	1,271,213
Decreases in Provision for Insured Events of Prior Years	(2,802,911)	(139,172)
Total Incurred Claims and Claim Adjustment Expenses	14,084,251	1,132,041
<b>Payments:</b>		
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year	10,968,949	1,014,515
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Prior Fiscal Years	2,968,807	5,999,317
Total Payments	13,937,756	7,013,832
Total Unpaid Claims and Claim Adjustment Expenses at End of the Year	\$ 6,226,415	\$ 6,079,920

**Loss Contingency** - The Department evaluates contingencies on an ongoing basis. Amounts that have not been reported, but can be reasonably estimated have been included in the total claims incurred as an Incurred but not reported (IBNR) amount. However, further reserves have been established for which it is reasonably possible that additional claims of up to \$6 million will be asserted.



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 are provided under a separate contract underwritten by the Fund. Incurred losses are reduced by estimated amounts recoverable under the Fund's reinsurance policies. There were no premium deficiencies in fiscal year 2019. 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 12, 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 12, 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 2,000,000 per claim and \$10,000,000 in the aggregate per fiscal year 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 14 - COMMITMENTS AND CONTINGENCIES

##### A. Pending Litigation and Claims

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

The suit is similar to a number of suits in other states, some of which resulted in holdings that the respective systems of public education funding were unconstitutional under the applicable state law. The State filed a motion to dismiss, which was denied. On appeal, the North Carolina Supreme Court upheld the present funding system against the claim that it unlawfully discriminated against low wealth counties, but remanded the case for trial on the claim for relief based on the Court's conclusion that the Constitution guarantees every child the opportunity to obtain a sound basic education. Trial on the claim of one plaintiff-county was held in the fall of 1999. On October 26, 2000 the trial court, in Section Two of a projected three-part ruling, concluded that at-risk children in North Carolina are constitutionally entitled to such pre-kindergarten educational programs as may be necessary to prepare them for higher levels of education and the "sound basic education" mandated by the Supreme Court. On March 26, 2001, the Court issued Section Three of the three-part ruling, in which the judge ordered all parties to investigate certain school systems to

determine why they are succeeding without additional funding. The State filed a Notice of Appeal to the Court of Appeals, which resulted in the Court's decision to re-open the trial and call additional witnesses. That proceeding took place in the fall of 2001. On April 4, 2002, the Court entered Section Four of the ruling, ordering the State to take such actions as may be necessary to remedy the constitutional deficiency for those children who are not being provided with access to a sound basic education and to report to the Court at 90-day intervals remedial actions being implemented. On July 30, 2004, the North Carolina Supreme Court affirmed the majority of the trial court's orders, thereby directing the executive and legislative branches to take corrective action necessary to ensure that every child has the opportunity to obtain a sound, basic education. The Supreme Court did agree with the State that the trial court exceeded its authority in ordering pre-kindergarten programs for at-risk children. The State is now undertaking measures to respond to the trial court's directives.

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 was remanded to the Superior Court for further proceedings.

On March 13, 2018, the Court issued an Order appointing WestEd to serve as the Court's independent, non-party consultant to make recommendations for specific actions necessary to achieve sustained compliance with the constitutional mandates of *Leandro*. On October 4, 2019, WestEd submitted its final report and recommendations to the Court. The WestEd report estimated that over the eight-year period beginning in the 2019-20 fiscal year it could take as much as \$6.86 billion in additional funding beyond 2018-2019 appropriations for the State to meet its Leandro obligations. On January 21, 2020, the Court entered a Consent Order Regarding the Need for Immediate, Systemic Action for the Achievement of Leandro Compliance. In that Order, the Court found that many children across North Carolina are still not receiving the constitutionally-required opportunity for a sound basic education and that systemic changes and investments were required for the State to fulfill its obligations. To that end, the Court ordered the parties to work toward the development of a comprehensive, remedial Plan to provide all children with the opportunity for a sound basic education. Court has not ordered the State to appropriate any funds but has ordered the State to remedy the deficiencies identified in its Order of January 21, 2020.

**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, 2019, the Department is unable to estimate what liabilities may result from such audits.

**C. Construction and Other Commitments**

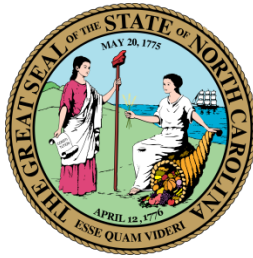
At June 30, 2019, the Department had outstanding commitments of \$120,983,493 for Needs-Based Public School Building Capital Fund cost-reimbursement grants awarded annually to Local Education Agencies (LEAs) for school capital projects.

Other Public School Building Capital Fund commitments of \$3,128,897 represented funds committed for other capital projects.

**NOTE 15 - SUBSEQUENT EVENT**

In September 2019, Hurricane Dorian affected insured members of the Public School Insurance Fund (the Fund) operated by the Department of Public Instruction. Significantly damaged insured school locations were Dare County and Hyde County. The impact of Hurricane Dorian resulted in damages to the schools' facilities, infrastructure, and grounds due to wind and flooding.

Preliminary damages are estimated to be approximately \$6 million, based on reported amounts from local public schools to the Department of Public Instruction. At the current time, the Fund expects to pay insurance claims during fiscal year 2020 and does not anticipate losses to be in excess of \$10 million. Reinsurance will not be available for this hurricane event unless the Fund reaches the self-insured retention of \$10 million.



# **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, 2019**

**Schedule C-1**

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Federal Funds	\$ 1,158,979,228	\$ 1,854,362,020	\$ 1,522,557,616	\$ (331,804,404)
Revenues from Other State Agencies	796,474,864	800,972,143	839,742,371	38,770,228
Contributions, Gifts and Grants	12,849,716	11,737,932	12,989,082	1,251,150
E Rate Telecommunication/Internet Program Funds		11,836,087	11,836,312	225
Sales and Services	1,372,388	1,130,375	830,851	(299,524)
Licensure Certification and Registration Fees	2,060,352	3,693,077	3,838,435	145,358
Property and Equipment Rental	1,600,000	1,600,000	1,448,165	(151,835)
Investment Earnings	5,597,164	5,643,481	6,521,269	877,788
Student Tuition	505,000	705,828	759,568	53,740
Miscellaneous Income	72,860	1,724,904	2,070,444	345,540
Total Revenues	1,979,511,572	2,693,405,847	2,402,594,113	(290,811,734)
<b>EXPENDITURES</b>				
Grants, State, and Federal Aid	11,087,553,485	11,628,657,470	11,315,574,780	313,082,690
Contracted Personal Services	85,629,727	144,802,948	103,086,861	41,716,087
Salaries and Benefits	151,888,313	145,476,384	135,698,964	9,777,420
Supplies and Materials	9,488,560	9,802,736	6,310,889	3,491,847
Purchases for Resale	241,603	130,966	99,599	31,367
Travel	4,095,650	3,608,899	2,565,445	1,043,454
Communication	637,344	891,009	771,846	119,163
Utilities	874,626	1,164,575	1,088,869	75,706
Data Processing Services	18,286,796	24,068,136	20,604,764	3,463,372
Claims and Benefits	7,971,792	5,128,032	1,416,666	3,711,366
Other Services	14,337,996	12,703,836	2,886,134	9,817,702
Other Fixed Charges	9,994,472	9,894,282	8,115,766	1,778,516
Capital Outlay	168,031,911	113,171,787	64,104,052	49,067,735
Insurance	3,162,111	3,157,115	2,361,910	795,205
Other Expenditures	2,409,424	2,134,942	1,431,976	702,966
Reserves	47,393,152	83,130,045	560,410	82,569,635
Expenditures to Other State Agencies	18,325,477	19,454,982	16,644,902	2,810,080
Total Expenditures	11,630,322,439	12,207,378,144	11,683,323,833	524,054,311
Excess of Revenues Over (Under) Expenditures	(9,650,810,867)	(9,513,972,297)	(9,280,729,720)	233,242,577
<b>OTHER FINANCING SOURCES (USES)</b>				
State Appropriations	9,545,342,912	9,545,342,912	9,398,849,488	(146,493,424)
Sale of Capital Assets	1,509,000	1,509,341	1,787,606	278,265
Insurance Recoveries			288,107	288,107
Transfers from State Reserve Fund	58,561,004	70,258,891	70,258,889	(2)
Transfers to State Reserve Fund	(51,174,893)	(72,132,775)	(72,132,769)	6
Total Other Financing Sources and (Uses)	9,554,238,023	9,544,978,369	9,399,051,321	(145,927,048)
Net Change in Fund Balance	(96,572,844)	31,006,072	118,321,601	87,315,529
Fund Balance July 1, 2018	346,704,985	346,704,985	346,704,985	
Fund Balance June 30, 2019	\$ 250,132,141	\$ 377,711,057	\$ 465,026,586	\$ 87,315,529

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

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

## **A. Budgetary Process**

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

## **B. Reconciliation of Budget/GAAP Reporting Differences**

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

**Basis differences:** Budgetary funds are accounted for on the cash basis of accounting, while under GAAP the governmental funds use 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 balance (budgetary basis) at June 30, 2019 to the fund balance on a modified accrual basis (GAAP).

	General Fund
Fund Balance (Budgetary Basis) June 30, 2019	\$ 465,026,586
<u>Reconciling Adjustments:</u>	
<b>Basis Differences:</b>	
<b>Accrued Revenues:</b>	
Accounts Receivable	1,348,923
Intergovernmental Receivable	22,340,217
Interest Receivable	675,495
Less:	
Unearned Revenue	(8,178,390)
Total Accrued Revenues	16,186,245
<b>Accrued Expenditures:</b>	
Accounts Payable	(8,717,879)
Accrued Payroll	543
Intergovernmental Payables	(275,735,075)
Due to Other State Agencies	1,402
Funds Held for Others	(236,281)
Civil Penalty Collections Held for School Districts	(20,555,716)
Total Accrued Expenditures	(305,243,006)
<b>Other Adjustments:</b>	
Inventories	1,643,536
Fund Balance (GAAP Basis) June 30, 2019	\$ 177,613,361



**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, 2010-2019**

**Schedule C-2**

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1) Required Contribution and Investment Revenue:										
Earned	\$ 20,337	\$ 16,257	\$ 20,699	\$ 16,380	\$ 17,583	\$ 14,563	\$ 19,099	\$ 12,518	\$ 12,585	\$ 19,931
Ceded	3,852	3,576	3,717	4,502	4,313	3,545	3,665	3,386	3,298	3,952
Net Earned	16,485	12,681	16,982	11,878	13,270	11,018	15,434	9,132	9,287	15,979
2) Unallocated Expenses	659	666	701	714	695	635	600	659	583	564
3) Estimated Claims and Expenses, End of Policy Year:										
Incurred	1,783	20,340	19,304	4,366	6,492	10,524	943	16,149	1,271	62,387
Ceded		6,761								45,500
Net Incurred	1,783	13,579	19,304	4,366	6,492	10,524	943	16,149	1,271	16,887
4) Paid (Cumulative) As of:										
End of Policy Year	1,502	5,505	6,992	1,975	1,845	1,448	872	4,188	1,015	10,969
One Year Later	2,082	13,090	9,389	3,465	4,053	5,389	1,078	10,169	1,735	
Two Years Later	2,082	13,090	9,389	3,465	4,053	5,389	1,078	12,381		
Three Years Later	2,082	13,090	9,389	3,465	4,053	5,389	1,078			
Four Years Later	2,082	13,090	9,389	3,465	4,053	5,389				
Five Years Later	2,082	13,090	9,389	3,465	4,053					
Six Years Later	2,082	13,090	9,389	3,465						
Seven Years Later	2,082	13,090	9,389							
Eight Years Later	2,082									
Nine Years Later	2,082									
5) Reestimated Ceded Claims and Expenses								2,834		
6) Reestimated Net Incurred Claims and Expenses:										
End of Policy Year	1,783	13,579	19,304	4,366	6,492	10,524	943	16,149	1,271	16,887
One Year Later	1,846	20,481	13,159	2,965	5,189	10,669	917	18,622	1,800	
Two Years Later	1,846	20,481	13,159	2,965	5,189	10,669	917	12,547		
Three Years Later	1,846	20,481	13,159	2,965	5,189	10,669	917			
Four Years Later	1,846	20,481	13,159	2,965	5,189	10,669				
Five Years Later	1,846	20,481	13,159	2,965	5,189					
Six Years Later	1,846	20,481	13,159	2,965						
Seven Years Later	1,846	20,481								
Eight Years Later	1,846									
Nine Years Later	1,846									
7) Increase (Decrease) in Estimated Net Incurred Claims and Expenses From End of Policy Year	63	6,902	(6,145)	(1,401)	(1,303)	145	(26)	(3,602)	529	

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 Six Fiscal Years \***

**Schedule C-3**

<b>Teachers' and State Employees' Retirement System</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Proportionate Share Percentage of Collective Net Pension Liability	0.00213%	0.00208%	0.00259%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 212,272	\$ 165,258	\$ 238,099
Covered Payroll	\$ 370,311	\$ 356,070	\$ 425,333
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	57.32%	46.41%	55.98%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.61%	89.51%	87.32%
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Proportionate Share Percentage of Collective Net Pension Liability	0.00273%	0.00312%	0.00306%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 100,551	\$ 36,571	\$ 185,585
Covered Payroll	\$ 441,610	\$ 488,978	\$ 477,685
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	22.77%	7.48%	38.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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 year 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 Six Fiscal Years**

**Schedule C-4**

<b>Teachers' and State Employees' Retirement System</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Contractually Required Contribution	\$ 45,954	\$ 39,919	\$ 35,536
Contributions in Relation to the Contractually Determined Contribution	45,954	39,919	35,536
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	\$ 373,914	\$ 370,311	\$ 356,070
Contributions as a Percentage of Covered Payroll	12.29%	10.78%	9.98%
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually Required Contribution	\$ 38,918	40,407	42,492
Contributions in Relation to the Contractually Determined Contribution	38,918	40,407	42,492
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	\$ 425,333	\$ 441,610	\$ 488,978
Contributions as a Percentage of Covered Payroll	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, 2019**

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Changes of benefit terms:

	<u>Cost of Living Increase</u>									
	<u>2017</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>
Teachers' and State Employees' Retirement System	1.00%	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%

*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. For the December 31, 2017 valuation, the discount rate was lowered to 7.00%.

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 the most recent information included in the State of North Carolina's 2018 *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 Three Fiscal Years \***

**Schedule C-5**

<b>Retiree Health Benefit Fund</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Proportionate Share Percentage of Collective Net OPEB Liability	0.00185%	0.00179%	0.00222%
Proportionate Share of Collective Net OPEB Liability	\$ 527,333	\$ 586,398	\$ 966,873
Covered Payroll	\$ 370,311	\$ 356,070	\$ 425,333
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	142.40%	164.69%	227.32%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.40%	3.52%	2.41%
<b>Disability Income Plan of North Carolina</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Proportionate Share Percentage of Collective Net OPEB Asset	0.00181%	0.00177%	0.00222%
Proportionate Share of Collective Net OPEB Asset	\$ 549	\$ 1,084	\$ 1,380
Covered Payroll	\$ 370,311	\$ 356,070	\$ 425,333
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.15%	0.30%	0.32%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Asset	108.47%	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 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 Three Fiscal Years**

**Schedule C-6**

<b>Retiree Health Benefit Fund</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Contractually Required Contribution	\$ 23,444	\$ 22,404	\$ 20,688
Contributions in Relation to the Contractually Determined Contribution	23,444	22,404	20,688
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	\$ 373,914	\$ 370,311	\$ 356,070
Contributions as a Percentage of Covered Payroll	6.27%	6.05%	5.81%
<b>Disability Income Plan of North Carolina</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Contractually Required Contribution	\$ 523	\$ 518	\$ 1,350
Contributions in Relation to the Contractually Determined Contribution	523	518	1,350
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	\$ 373,914	\$ 370,311	\$ 356,070
Contributions as a Percentage of Covered Payroll	0.14%	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, 2019**

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*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 12 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.

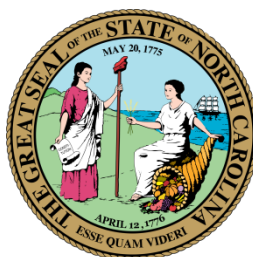
*Changes of Assumptions:* In 2015, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the 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 2018, for the December 31, 2017 actuarial valuation, the discount rate for the RHBF was updated to 3.87% and the medical and prescription drug claims cost were changed based on most recent experience. Enrollment assumptions were updated to model expected migrations among RHBF plan options and trend assumptions for the RHBF include contribution changes for the 2019 period as those amounts have been finalized.

Additionally, the December 31, 2017 DIPNC actuarial valuation includes a liability for the state's potential reimbursement of health insurance premiums paid by employers during the second six months of the short-term disability benefit period.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2018 *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, 2019**  
**(With Comparative Totals for June 30, 2018)**

**Schedule D-1**

	<b>2019</b>	<b>2018</b>
<b>REVENUES</b>		
Federal Funds:		
Child Nutrition Cluster	\$ 541,979,272	\$ 551,179,100
Title I Grants to School Districts	439,152,359	437,428,024
Special Education: Preschool Grants & Grants to States	357,475,818	358,318,143
School Improvement Grants Cluster	10,549,527	9,298,218
Career and Technical Education - Basic Grants to States	40,173,202	37,434,065
English Language Acquisition State Grants	15,671,858	15,615,361
Supporting Effective Instruction Grants	46,053,021	45,107,576
Twenty-First Century Community Learning Centers	26,303,086	26,057,615
Student Support and Academic Enrichment Grants	20,469,952	4,347,988
Other Federal Funds	28,976,657	23,875,709
Total Federal Funds	<u>1,526,804,752</u>	<u>1,508,661,799</u>
Revenues from Other State Agencies:		
Office of State Budget and Management:		
Lottery Funds	654,268,584	557,166,089
Other		3,167,327
Department of Revenue	71,218,740	68,698,497
Department of Health and Human Services	25,210,208	12,818,015
Department of Transportation		2,500,000
Department of Public Safety	89,044,839	
Other		347,900
Total Revenues from Other State Agencies	<u>839,742,371</u>	<u>644,697,828</u>
Contributions, Gifts, and Grants	13,944,780	12,703,123
E Rate Telecommunication and Internet Access Program Funds	11,836,312	15,133,022
Sales and Services	930,448	1,513,715
Licensure Certification and Registration Fees	3,656,303	3,902,215
Property and Equipment Rental	1,448,165	1,365,022
Investment Earnings	6,831,599	3,476,914
Student Tuition and Fees	759,568	810,559
Miscellaneous	2,068,284	1,920,774
Total Revenues (See Exhibit A-2)	<u>\$ 2,408,022,582</u>	<u>\$ 2,194,184,971</u>

**North Carolina Department of Public Instruction**  
**Supplementary Information**  
**Schedule of Expenditures by Purpose**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2019**  
**(With Comparative Totals for June 30, 2018)**

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

	<b>2019</b>	<b>2018</b>
<b>EXPENDITURES</b>		
<b>Expenditures Paid by the Department to Schools or On Their Behalf:</b>		
Grants, State, and Federal Aid to Schools (See Schedule D-3)	\$ 11,291,917,158	\$ 10,678,753,863
Supplemental Benefits for Schools:		
Workers' Compensation Payments for School Employees	52,768,441	53,290,785
Claims and Benefits, Primarily School Unemployment Payments	1,427,632	2,336,598
Excess Professional Liability Insurance for School Employees	2,361,910	2,388,971
Total Supplemental Benefits for Schools	56,557,983	58,016,354
School Buses, Textbooks, and Other Costs Paid for Schools:		
School Bus Replacement, Financing Payments	61,345,967	61,829,199
Textbooks	288,941	2,144,186
Payment of Tort Claim Settlements	4,422,606	4,713,864
Total School Buses, Textbooks, and Other Costs Paid for Schools	66,057,514	68,687,249
Residential School Operating Costs:		
North Carolina School for the Deaf	8,934,856	9,166,150
Eastern North Carolina School for the Deaf	8,147,427	9,155,731
Governor Morehead School	6,988,062	6,890,283
Total Residential School Operating Costs	24,070,345	25,212,164
North Carolina Center for Advancement of Teaching	4,036,578	4,046,225
Total Expenditures Paid by the Department to Schools or On Their Behalf	11,442,639,578	10,834,715,855
<b>Expenditures Paid for Department Operations and Administration:</b>		
Contracted Services:		
Academic Services	22,061,699	22,743,520
Other Information Tech Services	37,054,896	25,172,126
Other Contractual Services	46,149,867	53,670,715
Total Contracted Services	105,266,462	101,586,361
Salaries and Wages:		
Salaries Subject to State Personnel Act	38,858,126	42,526,544
Salaries Exempt Under State Personnel Act	3,306,171	3,929,594
Longevity Pay	945,073	966,070
Temporary Wages	44,479	
Other Contractual Services	2,261,497	743,200
Total Salaries and Wages	45,415,346	48,165,408
Employee Benefits:		
Medical Insurance Contributions	3,479,348	3,665,133
Other Medical Insurance	314,871	379,750
Regular Retirement Contributions	8,418,728	8,163,953
Social Security Contributions	3,938,417	3,502,479
Total Employee Benefits	16,151,364	15,711,315

**North Carolina Department of Public Instruction**  
**Supplementary Information**  
**Schedule of Expenditures by Purpose**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2019**  
**(With Comparative Totals for June 30, 2018)**

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

	<b>2019</b>	<b>2018</b>
Supplies and Materials:		
Educational Supplies	4,790,269	2,844,655
Other Supplies and Materials	213,302	260,406
Total Supplies and Materials	5,003,571	3,105,061
Purchases for Resale	321,551	110,820
Travel:		
Ground Transportation In-State	824,228	987,845
Ground Transportation Out-of-State	23,792	21,100
Lodging	521,194	499,748
Workshops	660,183	704,572
Other Travel	875,824	723,911
Total Travel	2,905,221	2,937,176
Communication	592,213	579,685
Data Processing Services:		
Managed Local Network Service Charge	19,770,105	21,532,223
Managed Server Services	134,122	253,139
Other Server Services	649,742	201,265
Total Data Processing Services	20,553,969	21,986,627
Other Services	1,528,114	1,220,521
Other Fixed Charges:		
Network Software Maintenance Agreement	599,576	232,054
Server Software Maintenance Agreement	507,722	357,736
Membership Dues and Subscriptions	916,376	1,950,011
Other Fixed Charges	147,932	238,992
Total Other Fixed Charges	2,171,606	2,778,793
Expenditures to Other State Agencies:		
Community College	13,254,982	11,881,369
Other Expenditures	3,389,920	3,069,902
Total Expenditures to Other State Agencies	16,644,902	14,951,271
Capital Outlay:		
Computer and Printer Equipment	535,666	7,060,158
Personal Computer and Server Software	86,947	425,625
Other Capital Outlays	858,359	565,500
Total Capital Outlay	1,480,972	8,051,283
Scholarships	35	133
Other Expenditures:		
Workshop Expenses	932,108	944,894
Other Expenditures	414,174	1,163,446
Total Other Expenditures	1,346,282	2,108,340
Total Expenditures Paid for Department Operations and Administration	219,381,608	223,292,794
Total Expenditures (See Exhibit A-2)	\$ 11,662,021,186	\$ 11,058,008,649

**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, 2019**  
**(With Comparative Totals for June 30, 2018)**

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

	<b>2019</b>	<b>2018</b>
<b>School District Expenditures Funded by State Aid:</b>		
Salaries:		
Administrative Personnel:		
Superintendents or Directors	\$ 55,677,084	\$ 57,251,263
Associate or Assistant Superintendents	15,681,331	15,825,161
Principals	176,259,703	167,451,164
Assistant Principals	137,761,581	124,920,354
Finance Officers	7,804,917	7,635,630
Total Administrative Personnel	393,184,616	373,083,572
Teachers	3,994,769,051	3,801,219,091
Instructional Support Personnel - Certified	531,378,897	511,728,385
Psychologists	34,436,855	32,108,990
Teacher Assistants	353,132,968	344,035,848
Tutors and Non-Certified Instructors	18,001,969	16,476,803
Interpreters, Therapists, and Specialists	66,722,910	63,715,925
School Resource Officers and Monitors	21,917,335	20,833,085
Technical and Administrative Support Personnel	201,133,136	198,972,902
Substitute Pay	52,910,448	53,150,109
Drivers	179,341,036	176,931,838
Custodians	184,449,294	184,465,937
Skilled Tradesmen and Managers	67,644,908	67,047,976
Longevity Pay	18,310,952	22,923,103
Annual Leave Pay	39,035,227	39,827,064
Supplementary Pay	70,196,903	72,816,840
Short Term Disability Pay	4,916,120	5,949,951
Extra Duty Pay	30,917,320	28,285,005
Total Salaries	6,262,399,945	6,013,572,424
Employer-Provided Benefits:		
Employer's Social Security Cost - Regular	449,319,792	432,684,016
Retirement Benefits	1,128,667,637	985,692,643
Insurance Benefits	752,014,900	734,260,859
Total Employer-Provided Benefits	2,330,002,329	2,152,637,518
Purchased Services:		
Professional and Technical Services	194,353,590	178,175,264
Property Services	13,369,598	10,334,201
Transportation Services	36,413,461	33,160,275
Communications	8,168,081	7,659,487
Tuition	3,199,249	2,706,176
Dues and Fees	409,428	279,595
Insurance and Judgments	1,036,406	837,795
Total Purchased Services	256,949,813	233,152,793
Supplies and Materials:		
School and Office Supplies	137,723,039	142,083,316
Operational Supplies	85,902,647	80,716,406
Food Supplies	893,203	279,470
Noncapitalized Equipment	44,103,294	44,901,088
Sales and Use Tax Expenses/Refunds	22,651	(235,560)
Total Supplies and Materials	268,644,834	267,744,720
Capital Outlay:		
Equipment and Computer Hardware	8,834,101	11,815,573
Vehicles	2,407,323	3,094,448
Total Capital Outlay	11,241,424	14,910,021
Expenditures to Other State Agencies	626,125	511,339
Total School District Expenditures Funded by State Aid (See Schedules D-4 and D-5)	9,129,864,470	8,682,528,815

**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, 2019**  
**(With Comparative Totals for June 30, 2018)**

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

	<b>2019</b>	<b>2018</b>
<b>Federal Grants and Aid to School Districts:</b>		
Payments Under Federal Grant Programs (See Schedules D-4 and D-5)	867,582,194	858,235,190
Reimbursements for Meals Provided Under Federal Child Nutrition Program (See Schedules D-4 and D-5)	518,097,458	523,779,364
Reimbursements from Medicaid (See Schedules D-4 and D-5)	17,057,183	11,010,828
Total Federal Grants and Aid Paid to School Districts	1,402,736,835	1,393,025,382
<b>Construction Projects Paid through Building Capital Fund</b> (See Schedules D-4 and D-5)	115,677,690	98,160,283
<b>Technology Support Paid through School Technology Fund</b> (See Schedules D-4 and D-5)	34,285,995	24,005,323
<b>Hurricane Florence Relief Fund</b> (See Schedules D-4 and D-5)	83,500,000	
Total Grants, State, and Federal Aid to School Districts (See Schedules D-4 and D-5)	10,766,064,990	10,197,719,803
<b>Reimbursements</b>	(7,273,602)	(4,423,959)
<b>Grants and Aid to Charter Schools:</b>		
Charter School Expenditures Funded by State Aid (See Schedules D-6 and D-7)	688,125,547	592,151,053
Payments Under Federal Grant Programs (See Schedules D-6 and D-7)	36,286,406	30,823,395
Reimbursements for Meals Provided Under Federal Child Nutrition Program (See Schedules D-6 and D-7)	12,051,004	11,621,203
Total Grants and Aid to Charter Schools (See Schedules D-6 and D-7)	736,462,957	634,595,651
<b>Aid to Other Entities for Programming<sup>1</sup></b>	46,296,836	37,045,482
<b>Less: Civil Penalty and Forfeiture Fund Disbursements<sup>2</sup></b>	(249,634,023)	(186,183,114)
Total Grants, State, and Federal Aid Expenditures (See Exhibit A-2)	<u>\$ 11,291,917,158</u>	<u>\$ 10,678,753,863</u>

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

<sup>2</sup> 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, 2019 (With Comparative Totals for 2018)**

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

	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	Federal Medicaid Reimbursements	State Building Capital Funds	State Hurricane Florence Relief Funds	State Technology Funds	2019 Total	2018 Total
Alamance-Burlington County Schools	\$ 141,568,528	\$ 14,265,446	\$ 8,690,963	\$ 366,685	\$ 1,832,049	\$ 0	\$ 490,167	\$ 167,213,838	\$ 158,801,025
Alexander County Schools	33,052,410	2,516,525	1,508,763				60,676	37,138,374	35,788,487
Alleghany County Schools	11,435,113	1,108,743	532,752	40,476	74,139		39,849	13,231,072	12,982,634
Anson County Schools	24,289,219	3,143,456	1,829,008				132,106	29,393,789	28,588,368
Ashe County Schools	22,964,768	2,053,195	1,180,683		240,703		132,035	26,571,384	25,007,494
Asheboro City Schools	30,012,174	3,150,374	2,451,368		300,000		18,786	35,932,702	35,450,894
Asheville City Schools	27,749,913	2,908,726	1,078,986	64,889			137,662	31,940,176	32,021,504
Avery County Schools	16,213,119	1,502,626	717,674	23,028	1,800,000		27,397	20,283,844	18,356,338
Beaufort County Schools	42,788,629	5,121,896	3,316,062		490,000		121,399	51,837,986	50,158,143
Bertie County Schools	18,396,361	2,445,333	1,765,687		237,000		13,614	22,857,995	23,314,056
Bladen County Schools	30,862,827	4,111,051	3,125,722		(722)	2,553,650	110,941	40,763,469	37,717,914
Brunswick County Schools	79,583,615	7,915,161	4,614,591		800,000	9,633,545	267,024	102,813,936	88,431,671
Buncombe County Schools	149,445,350	15,888,809	8,596,009	346,149	950,000		681,470	175,907,787	167,522,497
Burke County Schools	80,594,155	7,462,092	5,153,533	262,182			(55,950)	93,416,012	90,675,495
Cabarrus County Schools	198,795,007	11,865,276	8,232,617	281,537	2,254,000		957,007	222,385,444	206,056,816
Caldwell County Schools	78,225,131	6,029,277	4,588,383		138,000		342,087	89,322,878	87,445,625
Camden County Schools	14,703,378	571,070	229,970				34,041	15,538,459	14,945,690
Carteret County Schools	51,143,572	4,774,982	2,385,943		600,000	12,419,394	158,289	71,482,180	56,006,582
Caswell County Schools	20,117,813	2,098,139	1,131,209		1,104,522		70,195	24,521,878	23,057,895
Catawba County Schools	97,628,575	7,942,825	5,629,093		1,140,900		511,648	112,853,041	107,010,994
Chapel-Hill/Carrboro City Schools	74,584,607	3,564,747	2,128,057		866,000		363,897	81,507,308	73,557,309
Charlotte-Mecklenburg County Schools	872,355,030	84,781,155	48,048,211	1,336,332	9,568,000		4,612,608	1,020,701,336	982,107,761
Chatham County Schools	56,571,243	4,109,589	2,686,828		626,300		265,908	64,259,868	60,303,727
Cherokee County Schools	24,525,947	2,642,867	1,902,473		232,145		81,902	29,385,334	27,054,306
Clay County Schools	11,293,814	739,615	470,413		924,024		38,027	13,465,893	11,879,323
Cleveland County Schools	96,153,999	9,529,201	6,302,266		1,055,000		116,858	113,157,324	111,305,626
Clinton City Schools	19,319,153	1,974,059	2,030,919				103,822	23,427,953	22,411,994
Columbus County Schools	41,258,957	4,020,684	3,887,030			1,695,314	81,802	50,943,787	48,483,114
Craven County Schools	84,919,675	9,096,086	5,167,871		981,500	6,133,418	430,159	106,728,709	94,814,322
Cumberland County Schools	310,047,438	33,829,071	24,655,974	7,336,828	3,536,821		1,292,092	380,698,224	354,929,829
Currituck County Schools	26,902,874	1,501,579	657,524		488,745		120,477	29,671,199	27,017,104
Dare County Schools	33,581,741	1,992,950	1,053,024		300,000		156,104	37,083,819	35,005,051
Davidson County Schools	117,809,846	7,824,396	4,847,969	203,639	1,849,460		556,311	133,091,621	127,786,636
Davie County Schools	38,998,494	2,684,009	1,962,457		671,253		136,152	44,452,365	43,068,051
Duplin County Schools	64,514,364	7,177,714	4,512,080			5,000,000	287,067	81,491,225	73,982,810
Durham County Schools	211,288,372	29,885,532	13,041,109		1,938,996		1,054,469	257,208,478	247,356,188
Edenton-Chowan County Schools	15,681,009	1,448,870	805,777		103,573		20,078	18,059,307	17,700,686
Edgecombe County Schools	43,016,639	5,795,689	3,810,752		1,350,000		96,446	54,069,526	52,094,716
Elizabeth City/Pasquotank County Schools	39,173,184	4,028,417	2,585,466		393,350		172,429	46,352,846	44,351,811
Elkin City Schools	8,630,039	568,169	307,318		102,000		34,642	9,642,168	8,928,779
Franklin County Schools	53,880,889	4,310,893	3,129,428	112,072	700,000		256,725	62,390,007	60,994,821
Gaston County Schools	191,230,871	20,181,439	12,414,421	462,563	2,242,658		928,794	227,460,746	217,718,975

**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, 2019 (With Comparative Totals for 2018)**

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

	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	Federal Medicaid Reimbursements	State Building Capital Funds	State Hurricane Florence Relief Funds	State Technology Funds	2019 Total	2018 Total
Gates County Schools	14,035,049	960,586	500,680		2,197,479		49,062	17,742,856	14,766,842
Graham County Schools	10,145,975	1,080,474	460,197				24,962	11,711,608	11,199,637
Granville County Schools	50,581,342	3,462,804	2,649,409		539,245		222,729	57,455,529	55,673,263
Greene County Schools	24,505,010	2,747,112	1,744,260		221,823		53,507	29,271,712	28,382,001
Guilford County Schools	441,075,026	48,187,285	32,412,069	992,918	5,082,440		1,098,405	528,848,143	499,833,562
Halifax County Schools	21,544,602	5,098,489	1,983,212		118,611		683	28,745,597	26,974,267
Harnett County Schools	128,841,123	11,425,034	7,760,459			16,125	610,652	148,653,393	141,936,414
Haywood County Schools	45,210,404	4,355,068	2,718,120		(25,317)		160,404	52,418,679	51,222,842
Henderson County Schools	82,191,996	8,040,842	4,452,271	165,555	703,685		119,520	95,673,869	92,013,647
Hertford County Schools	22,766,411	2,576,871	1,881,512				27,224,794	27,594,793	27,594,793
Hickory City Schools	25,802,916	2,527,246	1,559,087		294,000		121,939	30,305,188	29,151,515
Hoke County Schools	64,234,074	5,819,625	4,499,051				262,389	74,815,139	68,473,346
Hyde County Schools	7,882,218	750,386	290,283					8,922,887	8,480,445
Innovative School District	1,657,461	208,270						1,865,731	
Iredell-Statesville Schools	120,848,987	9,953,513	4,596,533		1,034,715		594,641	137,028,389	130,642,516
Jackson County Schools	24,967,357	2,513,046	1,460,479		237,831		90,835	29,269,548	27,887,082
Johnston County Schools	227,606,032	13,955,047	8,974,598		2,538,000		216,258	253,289,935	241,623,477
Jones County Schools	10,566,041	933,391	642,377		15,126,827	17,010	30,681	27,316,327	12,416,347
Kannapolis City Schools	34,759,128	3,401,343	2,986,604	48,972	(352,000)		156,224	41,000,271	38,236,950
Lee County Schools	62,104,591	5,450,599	4,030,683		50,000	199,766	295,000	72,130,639	70,691,644
Lenoir County Schools	57,482,565	7,145,964	5,243,610		750,000	4,230,087	246,642	75,098,868	69,239,636
Lexington City Schools	20,782,930	2,621,571	2,197,754				88,439	25,690,694	24,936,983
Lincoln County Schools	69,776,685	5,255,447	3,515,428		803,450		329,405	79,680,415	74,046,761
Macon County Schools	30,003,483	2,553,752	1,799,806		311,894		119,679	34,788,614	32,904,571
Madison County Schools	18,437,029	1,699,810	697,475		184,500		66,957	21,085,771	20,165,539
Martin County Schools	24,301,806	2,490,651	1,776,650		285,551		45,767	28,900,425	28,760,190
McDowell County Schools	42,224,688	3,979,526	2,759,325	104,534	1,918,425		175,193	51,161,691	47,985,083
Mitchell County Schools	15,578,782	1,232,495	649,652	16,929			28,497	17,506,355	16,877,737
Montgomery County Schools	28,240,263	2,902,501	2,105,454	85,853	250,000	25,887	117,151	33,727,109	32,667,586
Moore County Schools	77,396,391	7,151,030	3,117,717				371,637	88,036,775	84,489,883
Mooresville City Schools	34,794,049	2,190,593	1,293,711				110,881	38,389,234	38,033,202
Mount Airy City Schools	11,464,649	1,486,119	717,109		64,878		48,896	13,781,651	13,598,930
Nash-Rocky Mount Schools	98,710,626	11,627,100	6,672,513		905,000		362,834	118,278,073	114,929,188
New Hanover County Schools	159,531,469	15,039,720	8,360,650	417,119	2,123,957	4,000,000	567,978	190,040,893	176,703,549
Newton-Conover City Schools	19,463,840	1,916,709	1,125,704		213,500		89,057	22,808,810	21,374,285
Northampton County Schools	15,328,362	2,228,606	1,159,620				48,448	18,765,036	19,503,580
Onslow County Schools	159,940,515	13,603,656	8,054,773		1,547,239	21,558,250	723,913	205,428,346	170,319,348
Orange County Schools	47,233,428	3,234,349	1,768,624	88,334	627,643		131,120	53,083,498	51,304,740
Pamlico County Schools	11,703,101	1,104,807	484,742		113,046	1,843,000	36,980	15,285,676	12,666,421
Pender County Schools	58,394,618	4,717,435	3,010,170			10,566,103	240,815	76,929,141	63,802,331
Perquimans County Schools	13,128,910	1,339,894	680,972				42,672	15,192,448	14,698,416
Person County Schools	29,511,013	3,747,039	2,023,450	62,144	179,478		99,636	35,622,760	35,251,778



**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, 2019 (With Comparative Totals for 2018)**

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

	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	Federal Medicaid Reimbursements	State Building Capital Funds	State Hurricane Florence Relief Funds	State Technology Funds	2019 Total	2018 Total
Pitt County Schools	151,278,725	17,326,937	9,504,931	219,637	2,110,661		782,080	181,222,971	169,553,661
Polk County Schools	16,755,660	1,315,521	865,459		379,185		61,131	19,376,956	18,418,545
Randolph County Schools	105,592,748	9,188,900	5,760,620		1,300,000		371,581	122,213,849	120,001,679
Residential Schools			108,331					108,331	83,010
Richmond County Schools	49,849,424	6,752,402	4,256,362	108,237	511,108		68,970	61,546,503	59,187,413
Roanoke Rapids City Schools	19,614,677	1,728,838	1,067,840		200,000		83,103	22,694,458	22,339,638
Robeson County Schools	161,192,425	23,154,458	13,291,865		212,429	3,208,451	331,394	201,391,022	201,202,097
Rockingham County Schools	77,992,050	8,429,557	4,432,988	259,563	1,463,533		148,008	92,725,699	91,853,664
Rowan-Salisbury County Schools	121,836,679	12,854,338	8,471,409	200,739	1,350,000		927,547	145,640,712	137,011,813
Rutherford County Schools	56,002,146	6,137,308	3,973,780	151,173	570,000		130,542	66,964,949	64,544,526
Sampson County Schools	56,423,273	5,744,165	4,676,652		695,500		239,928	67,779,518	65,463,395
Scotland County Schools	42,073,130	5,439,549	3,402,228	210,491	385,000		169,455	51,679,853	50,884,208
Stanly County Schools	55,743,553	4,166,306	2,735,632	84,967	595,000		181,434	63,506,892	62,315,303
Stokes County Schools	40,343,651	3,302,337	2,102,865	103,813	450,000			46,302,666	46,109,796
Surry County Schools	53,063,328	5,284,880	3,581,753		760,000		140,803	62,830,764	59,945,002
Swain County Schools	15,538,595	1,540,738	1,003,272		223,000		56,654	18,362,259	16,995,493
Thomasville City Schools	15,302,500	2,622,599	2,176,364	28,657	600,000		66,095	20,796,215	19,820,816
Transylvania County Schools	22,644,472	2,217,286	1,227,355				59,065	26,148,178	25,500,475
Tyrrell County Schools	7,610,924	575,361	494,694		80,000		31,733	8,792,712	8,047,279
Union County Schools	242,718,124	16,004,066	8,001,942	265,959	2,255,982		1,227,845	270,473,918	258,352,762
Vance County Schools	44,091,577	5,566,431	3,748,144		384,776		211,389	54,002,317	53,698,950
Wake County Schools	969,867,763	65,806,439	29,075,554	1,203,344	16,713,584		3,101,215	1,085,767,899	1,018,841,348
Warren County Schools	16,941,873	1,827,532	1,283,660				74,026	20,127,091	20,612,267
Washington County Schools	13,183,564	1,743,114	1,084,265				42,149	16,053,092	15,823,462
Watauga County Schools	30,708,448	2,369,053	973,971	69,862	456,200		139,093	34,716,627	31,167,305
Wayne County Schools	125,161,033	15,040,278	7,951,790		1,275,093		373,670	149,801,864	141,996,496
Weldon City Schools	7,901,151	806,801	633,005				26,856	9,367,813	9,551,719
Whiteville City Schools	16,801,782	2,373,031	1,634,478		7,022	400,000	53,436	21,269,749	19,708,836
Wilkes County Schools	61,540,581	5,725,849	4,440,915	179,611	625,000		6,856	72,518,812	69,983,786
Wilson County Schools	70,632,306	9,457,025	5,007,904	159,579			(4,540)	85,252,274	85,577,714
Winston-Salem/Forsyth County Schools	337,504,850	36,906,070	20,314,498	959,891	3,838,301		1,415,566	400,939,176	388,241,202
Yadkin County Schools	36,991,343	3,191,170	2,161,501		300,000		69,214	42,713,228	41,335,965
Yancey County Schools	16,899,328	1,706,317	668,255	32,922			41,997	19,348,819	19,896,794
Total Grants and Aid to School Districts	\$ 9,129,864,470	\$ 867,582,194	\$ 518,097,458	\$ 17,057,183	\$ 115,677,690	\$ 83,500,000	\$ 34,285,995	\$ 10,766,064,990	\$ 10,197,719,803

**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, 2019 (With Comparative Totals for 2018)**

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

	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	Federal Medicaid Reimbursements	State Building Capital Funds	State Hurricane Florence Relief Funds	State Technology Funds	2019 Total	2018 Total
Wake County Schools	\$ 969,867,763	\$ 65,806,439	\$ 29,075,554	\$ 1,203,344	\$ 16,713,584	\$ 0	\$ 3,101,215	\$ 1,085,767,899	\$ 1,018,841,348
Charlotte-Mecklenburg County Schools	872,355,030	84,781,155	48,048,211	1,336,332	9,568,000		4,612,608	1,020,701,336	982,107,761
Guilford County Schools	441,075,026	48,187,285	32,412,069	992,918	5,082,440		1,098,405	528,848,143	499,833,562
Winston-Salem/Forsyth County Schools	337,504,850	36,906,070	20,314,498	959,891	3,838,301		1,415,566	400,939,176	388,241,202
Cumberland County Schools	310,047,438	33,829,071	24,655,974	7,336,828	3,536,821		1,292,092	380,698,224	354,929,829
Union County Schools	242,718,124	16,004,066	8,001,942	265,959	2,255,982		1,227,845	270,473,918	258,352,762
Johnston County Schools	227,606,032	13,955,047	8,974,598		2,538,000		216,258	253,289,935	241,623,477
Durham County Schools	211,288,372	29,885,532	13,041,109		1,938,996		1,054,469	257,208,478	247,356,188
Cabarrus County Schools	198,795,007	11,865,276	8,232,617	281,537	2,254,000		957,007	222,385,444	206,056,816
Gaston County Schools	191,230,871	20,181,439	12,414,421	462,563	2,242,658		928,794	227,460,746	217,718,975
Robeson County Schools	161,192,425	23,154,458	13,291,865		212,429	3,208,451	331,394	201,391,022	201,202,097
Onslow County Schools	159,940,515	13,603,656	8,054,773		1,547,239	21,558,250	723,913	205,428,346	170,319,348
New Hanover County Schools	159,531,469	15,039,720	8,360,650	417,119	2,123,957	4,000,000	567,978	190,040,893	176,703,549
Pitt County Schools	151,278,725	17,326,937	9,504,931	219,637	2,110,661		782,080	181,222,971	169,553,661
Buncombe County Schools	149,445,350	15,888,809	8,596,009	346,149	950,000		681,470	175,907,787	167,522,497
Alamance-Burlington County Schools	141,568,528	14,265,446	8,690,963	366,685	1,832,049		490,167	167,213,838	158,801,025
Harnett County Schools	128,841,123	11,425,034	7,760,459			16,125	610,652	148,653,393	141,936,414
Wayne County Schools	125,161,033	15,040,278	7,951,790		1,275,093		373,670	149,801,864	141,996,496
Rowan-Salisbury County Schools	121,836,679	12,854,338	8,471,409	200,739	1,350,000		927,547	145,640,712	137,011,813
Iredell-Statesville Schools	120,848,987	9,953,513	4,596,533		1,034,715		594,641	137,028,389	130,642,516
Davidson County Schools	117,809,846	7,824,396	4,847,969	203,639	1,849,460		556,311	133,091,621	127,786,636
Randolph County Schools	105,592,748	9,188,900	5,760,620		1,300,000		371,581	122,213,849	120,001,679
Nash-Rocky Mount Schools	98,710,626	11,627,100	6,672,513		905,000		362,834	118,278,073	114,929,188
Catawba County Schools	97,628,575	7,942,825	5,629,093		1,140,900		511,648	112,853,041	107,010,994
Cleveland County Schools	96,153,999	9,529,201	6,302,266		1,055,000		116,858	113,157,324	111,305,626
Craven County Schools	84,919,675	9,096,086	5,167,871		981,500	6,133,418	430,159	106,728,709	94,814,322
Henderson County Schools	82,191,996	8,040,842	4,452,271	165,555	703,685		119,520	95,673,869	92,013,647
Burke County Schools	80,594,155	7,462,092	5,153,533	262,182			(55,950)	93,416,012	90,675,495
Brunswick County Schools	79,583,615	7,915,161	4,614,591		800,000	9,633,545	267,024	102,813,936	88,431,671
Caldwell County Schools	78,225,131	6,029,277	4,588,383		138,000		342,087	89,322,878	87,445,625
Rockingham County Schools	77,992,050	8,429,557	4,432,988	259,563	1,463,533		148,008	92,725,699	91,853,664
Moore County Schools	77,396,391	7,151,030	3,117,717				371,637	88,036,775	84,489,883
Chapel-Hill/Carrboro City Schools	74,584,607	3,564,747	2,128,057		866,000		363,897	81,507,308	73,557,309
Wilson County Schools	70,632,306	9,457,025	5,007,904	159,579			(4,540)	85,252,274	85,577,714
Lincoln County Schools	69,776,685	5,255,447	3,515,428		803,450		329,405	79,680,415	74,046,761
Duplin County Schools	64,514,364	7,177,714	4,512,080			5,000,000	287,067	81,491,225	73,982,810
Hoke County Schools	64,234,074	5,819,625	4,499,051				262,389	74,815,139	68,473,346
Lee County Schools	62,104,591	5,450,599	4,030,683		50,000	199,766	295,000	72,130,639	70,691,644
Wilkes County Schools	61,540,581	5,725,849	4,440,915	179,611	625,000		6,856	72,518,812	69,983,786
Pender County Schools	58,394,618	4,717,435	3,010,170			10,566,103	240,815	76,929,141	63,802,331
Lenoir County Schools	57,482,565	7,145,964	5,243,610		750,000	4,230,087	246,642	75,098,868	69,239,636
Chatham County Schools	56,571,243	4,109,589	2,686,828		626,300		265,908	64,259,868	60,303,727

**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, 2019 (With Comparative Totals for 2018)**

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

	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	Federal Medicaid Reimbursements	State Building Capital Funds	State Hurricane Florence Relief Funds	State Technology Funds	2019 Total	2018 Total
Sampson County Schools	56,423,273	5,744,165	4,676,652		695,500		239,928	67,779,518	65,463,395
Rutherford County Schools	56,002,146	6,137,308	3,973,780	151,173	570,000		130,542	66,964,949	64,544,526
Stanly County Schools	55,743,553	4,166,306	2,735,632	84,967	595,000		181,434	63,506,892	62,315,303
Franklin County Schools	53,880,889	4,310,893	3,129,428	112,072	700,000		256,725	62,390,007	60,994,821
Surry County Schools	53,063,328	5,284,880	3,581,753		760,000		140,803	62,830,764	59,945,002
Carteret County Schools	51,143,572	4,774,982	2,385,943		600,000	12,419,394	158,289	71,482,180	56,006,582
Granville County Schools	50,581,342	3,462,804	2,649,409		539,245		222,729	57,455,529	55,673,263
Richmond County Schools	49,849,424	6,752,402	4,256,362	108,237	511,108		68,970	61,546,503	59,187,413
Orange County Schools	47,233,428	3,234,349	1,768,624	88,334	627,643		131,120	53,083,498	51,304,740
Haywood County Schools	45,210,404	4,355,068	2,718,120		(25,317)		160,404	52,418,679	51,222,842
Vance County Schools	44,091,577	5,566,431	3,748,144		384,776		211,389	54,002,317	53,698,950
Edgecombe County Schools	43,016,639	5,795,689	3,810,752		1,350,000		96,446	54,069,526	52,094,716
Beaufort County Schools	42,788,629	5,121,896	3,316,062		490,000		121,399	51,837,986	50,158,143
McDowell County Schools	42,224,688	3,979,526	2,759,325	104,534	1,918,425		175,193	51,161,691	47,985,083
Scotland County Schools	42,073,130	5,439,549	3,402,228	210,491	385,000		169,455	51,679,853	50,884,208
Columbus County Schools	41,258,957	4,020,684	3,887,030			1,695,314	81,802	50,943,787	48,483,114
Stokes County Schools	40,343,651	3,302,337	2,102,865	103,813	450,000			46,302,666	46,109,796
Elizabeth City/Pasquotank County Schools	39,173,184	4,028,417	2,585,466		393,350		172,429	46,352,846	44,351,811
Davie County Schools	38,998,494	2,684,009	1,962,457		671,253		136,152	44,452,365	43,068,051
Yadkin County Schools	36,991,343	3,191,170	2,161,501		300,000		69,214	42,713,228	41,335,965
Mooreville City Schools	34,794,049	2,190,593	1,293,711				110,881	38,389,234	38,033,202
Kannapolis City Schools	34,759,128	3,401,343	2,986,604	48,972	(352,000)		156,224	41,000,271	38,236,950
Dare County Schools	33,581,741	1,992,950	1,053,024		300,000		156,104	37,083,819	35,005,051
Alexander County Schools	33,052,410	2,516,525	1,508,763				60,676	37,138,374	35,788,487
Bladen County Schools	30,862,827	4,111,051	3,125,722		(722)	2,553,650	110,941	40,763,469	37,717,914
Watauga County Schools	30,708,448	2,369,053	973,971	69,862	456,200		139,093	34,716,627	31,167,305
Asheboro City Schools	30,012,174	3,150,374	2,451,368		300,000		18,786	35,932,702	35,450,894
Macon County Schools	30,003,483	2,553,752	1,799,806		311,894		119,679	34,788,614	32,904,571
Person County Schools	29,511,013	3,747,039	2,023,450	62,144	179,478		99,636	35,622,760	35,251,778
Montgomery County Schools	28,240,263	2,902,501	2,105,454	85,853	250,000	25,887	117,151	33,727,109	32,667,586
Asheville City Schools	27,749,913	2,908,726	1,078,986	64,889			137,662	31,940,176	32,021,504
Currituck County Schools	26,902,874	1,501,579	657,524		488,745		120,477	29,671,199	27,017,104
Hickory City Schools	25,802,916	2,527,246	1,559,087		294,000		121,939	30,305,188	29,151,515
Jackson County Schools	24,967,357	2,513,046	1,460,479		237,831		90,835	29,269,548	27,887,082
Cherokee County Schools	24,525,947	2,642,867	1,902,473		232,145		81,902	29,385,334	27,054,306
Greene County Schools	24,505,010	2,747,112	1,744,260		221,823		53,507	29,271,712	28,382,001
Martin County Schools	24,301,806	2,490,651	1,776,650		285,551		45,767	28,900,425	28,760,190
Anson County Schools	24,289,219	3,143,456.00	1,829,008				132,106	29,393,789	28,588,368
Ashe County Schools	22,964,768	2,053,195.00	1,180,683		240,703		132,035	26,571,384	25,007,494
Hertford County Schools	22,766,411	2,576,871.00	1,881,512					27,224,794	27,594,793
Transylvania County Schools	22,644,472	2,217,286.00	1,227,355				59,065	26,148,178	25,500,475
Halifax County Schools	21,544,602	5,098,489.00	1,983,212		118,611		683	28,745,597	26,974,267

**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, 2019 (With Comparative Totals for 2018)**

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

	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	Federal Medicaid Reimbursements	State Building Capital Funds	State Hurricane Florence Relief Funds	State Technology Funds	2019 Total	2018 Total
Lexington City Schools	20,782,930	2,621,571.00	2,197,754				88,439	25,690,694	24,936,983
Caswell County Schools	20,117,813	2,098,139.00	1,131,209		1,104,522		70,195	24,521,878	23,057,895
Roanoke Rapids City Schools	19,614,677	1,728,838.00	1,067,840		200,000		83,103	22,694,458	22,339,638
Newton-Conover City Schools	19,463,840	1,916,709.00	1,125,704		213,500		89,057	22,808,810	21,374,285
Clinton City Schools	19,319,153	1,974,059.00	2,030,919				103,822	23,427,953	22,411,994
Madison County Schools	18,437,029	1,699,810.00	697,475		184,500		66,957	21,085,771	20,165,539
Bertie County Schools	18,396,361	2,445,333.00	1,765,687		237,000		13,614	22,857,995	23,314,056
Warren County Schools	16,941,873	1,827,532.00	1,283,660				74,026	20,127,091	20,612,267
Yancey County Schools	16,899,328	1,706,317.00	668,255	32,922			41,997	19,348,819	19,896,794
Whiteville City Schools	16,801,782	2,373,031.00	1,634,478		7,022	400,000	53,436	21,269,749	19,708,836
Polk County Schools	16,755,660	1,315,521.00	865,459		379,185		61,131	19,376,956	18,418,545
Avery County Schools	16,213,119	1,502,626.00	717,674	23,028	1,800,000		27,397	20,283,844	18,356,338
Edenton-Chowan County Schools	15,681,009	1,448,870.00	805,777		103,573		20,078	18,059,307	17,700,686
Mitchell County Schools	15,578,782	1,232,495.00	649,652	16,929			28,497	17,506,355	16,877,737
Swain County Schools	15,538,595	1,540,738.00	1,003,272		223,000		56,654	18,362,259	16,995,493
Northampton County Schools	15,328,362	2,228,606.00	1,159,620				48,448	18,765,036	19,503,580
Thomasville City Schools	15,302,500	2,622,599.00	2,176,364	28,657	600,000		66,095	20,796,215	19,820,816
Camden County Schools	14,703,378	571,070.00	229,970				34,041	15,538,459	14,945,690
Gates County Schools	14,035,049	960,586.00	500,680		2,197,479		49,062	17,742,856	14,766,842
Washington County Schools	13,183,564	1,743,114.00	1,084,265				42,149	16,053,092	15,823,462
Perquimans County Schools	13,128,910	1,339,894.00	680,972				42,672	15,192,448	14,698,416
Pamlico County Schools	11,703,101	1,104,807.00	484,742		113,046	1,843,000	36,980	15,285,676	12,666,421
Mount Airy City Schools	11,464,649	1,486,119.00	717,109		64,878		48,896	13,781,651	13,598,930
Alleghany County Schools	11,435,113	1,108,743.00	532,752	40,476	74,139		39,849	13,231,072	12,982,634
Clay County Schools	11,293,814	739,615.00	470,413		924,024		38,027	13,465,893	11,879,323
Jones County Schools	10,566,041	933,391.00	642,377		15,126,827	17,010	30,681	27,316,327	12,416,347
Graham County Schools	10,145,975	1,080,474.00	460,197				24,962	11,711,608	11,199,637
Elkin City Schools	8,630,039	568,169.00	307,318		102,000		34,642	9,642,168	8,928,779
Weldon City Schools	7,901,151	806,801.00	633,005				26,856	9,367,813	9,551,719
Hyde County Schools	7,882,218	750,386.00	290,283					8,922,887	8,480,445
Tyrrell County Schools	7,610,924	575,361.00	494,694		80,000		31,733	8,792,712	8,047,279
Innovative School District	1,657,461	208,270.00						1,865,731	
Residential Schools			108,331					108,331	83,010
Total Grants and Aid to School Districts	\$ 9,129,864,470	\$ 867,582,194	\$ 518,097,458	\$ 17,057,183	\$ 115,677,690	\$ 83,500,000	\$ 34,285,995	\$ 10,766,064,990	\$ 10,197,719,803

**North Carolina Department of Public Instruction**  
**Supplementary Information**  
**Schedule of Grants and Aid Paid to Charter Schools (Alphabetically by County)**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2019 (With Comparative Totals for 2018)**

**Schedule D-6**  
**Page 1 of 5**

County of Location	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2019 Total	2018 Total
Alamance	Clover Garden School	\$ 3,989,657	\$ 159,458	\$ 0	\$ 4,149,115	\$ 3,998,298
Alamance	River Mill	4,914,549	176,412		5,090,961	4,555,918
Alamance	The Hawbridge School	1,957,023	46,932		2,003,955	1,894,848
Avery	Grandfather Academy	224,417	86,550		310,967	299,292
Avery	Marjorie Williams Academy	1,077,123	295,903	102,624	1,475,650	1,404,325
Beaufort	Washington Montessori Charter	2,748,337	59,207		2,807,544	2,581,437
Bertie	Three Rivers Academy	713,519	163,580	3,820	880,919	1,766,577
Bladen	Emereau: Bladen	3,281,747	203,757		3,485,504	2,070,927
Bladen	Paul R Brown Leadership Academy	1,363,002	39,067		1,402,069	1,319,296
Brunswick	Charter Day School	5,777,573	231,657		6,009,230	5,596,980
Brunswick	South Brunswick Charter School	2,368,090	87,234		2,455,324	2,039,681
Buncombe	Evergreen Community Charter	2,783,384	116,747		2,900,131	2,671,357
Buncombe	Francine Delany New School for Children	1,151,603	76,624		1,228,227	1,168,615
Buncombe	Invest Collegiate (Buncombe)	6,353,368	228,076		6,581,444	5,186,761
Buncombe	The Artspace Charter School	2,577,695	136,535		2,714,230	2,620,373
Buncombe	The Franklin School Of Innovation	3,241,478	189,804		3,431,282	3,053,246
Burke	The New Dimensions School	2,148,194	90,110		2,238,304	1,782,543
Cabarrus	ACE Academy	2,424,094	153,457	107,899	2,685,450	2,617,002
Cabarrus	Cabarrus Charter Academy	4,656,490	245,088	108,021	5,009,599	5,840,471
Cabarrus	Carolina International School	4,949,251	159,350		5,108,601	5,079,462
Cabarrus	Kannapolis Charter Academy	3,269,533	210,416	128,007	3,607,956	3,147,856
Carteret	Tiller School	1,236,062	60,545		1,296,607	1,237,299
Chatham	Chatham Charter School	3,359,546	101,327		3,460,873	3,180,548
Chatham	The Woods Charter School	3,174,349	81,568	4,153	3,260,070	3,093,742
Chatham	Willow Oak Montessori	1,352,563	32,614		1,385,177	1,205,113
Cherokee	Learning Center (The)	1,435,248	106,546	77,105	1,618,899	1,515,801
Cleveland	Pinnacle Classical Academy	5,673,256	176,204		5,849,460	4,421,805
Columbus	Columbus Charter School	4,838,811	266,272	189,675	5,294,758	5,690,068
Columbus	Flemington Academy	741,822	72,751		814,573	772,472
Cumberland	Alpha Academy	5,012,735	466,462		5,479,197	5,210,065
Cumberland	The Capitol Encore Academy	2,928,515	157,666	110,533	3,196,714	2,710,196
Currituck	Waters Edge Village School	276,810	5,972		282,782	242,621
Davidson	Davidson Charter Academy:CFA	1,987,282	59,832		2,047,114	
Durham	Carter Community School	1,578,113	165,202	147,454	1,890,769	1,798,111
Durham	Central Park School For Children	4,264,368	129,472	70,811	4,464,651	3,881,682
Durham	Excelsior Classical Academy	3,444,137	79,243		3,523,380	2,604,420
Durham	Global Scholars Academy Charter	1,503,608	164,572	173,542	1,841,722	1,764,287
Durham	Healthy Start Academy Charter	2,608,149	302,718	257,408	3,168,275	2,924,415
Durham	Kestrel Heights School	3,566,711	115,318		3,682,029	3,730,955
Durham	KIPP Durham College Preparatory	2,283,992	266,860	225,796	2,776,648	1,931,555
Durham	Maureen Joy Charter School	4,127,441	433,014	309,750	4,870,205	4,617,884
Durham	NC Connections	15,341,079	735,077		16,076,156	12,838,859

**North Carolina Department of Public Instruction**  
**Supplementary Information**  
**Schedule of Grants and Aid Paid to Charter Schools (Alphabetically by County)**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2019 (With Comparative Totals for 2018)**

**Schedule D-6**  
**Page 2 of 5**

County of Location	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2019 Total	2018 Total
Durham	NC Virtual Academy	14,582,457	1,062,895		15,645,352	12,190,271
Durham	Reaching All Minds Academy	1,993,368	92,040	6,944	2,092,352	1,787,441
Durham	Research Triangle Charter Academy	4,450,255	372,398	187,866	5,010,519	4,437,882
Durham	Research Triangle High School	3,371,191	112,787		3,483,978	3,064,235
Durham	The Institute For The Development of Young Leaders	2,109,831	168,460		2,278,291	1,642,160
Durham	Voyager Academy Charter	8,432,170	289,702		8,721,872	8,221,683
Edgecombe	North East Carolina Preparatory	6,367,501	446,403	259,850	7,073,754	7,018,348
Forsyth	Arts-Based Elementary	3,250,347	117,754		3,368,101	3,097,934
Forsyth	Appalachian State U Academy Middle Fork	1,460,623	333,961		1,794,584	
Forsyth	Carter G Woodson School Challenge	2,561,884	447,560	220,129	3,229,573	3,543,602
Forsyth	Forsyth Academies	4,331,981	475,238		4,807,219	4,869,195
Forsyth	Quality Education Academy	3,878,972	579,548	331,444	4,789,964	4,068,561
Forsyth	The North Carolina Leadership	4,841,909	115,287		4,957,196	4,397,537
Franklin	Crosscreek Charter	1,776,951	84,668		1,861,619	1,539,651
Franklin	Youngsville Academy	2,031,117	41,160		2,072,277	1,624,323
Gaston	Mountain Island Charter School	8,646,869	290,321	49,434	8,986,624	8,066,379
Gaston	Piedmont Community School	8,150,865	401,199		8,552,064	7,711,064
Granville	Falls Lake Academy	6,927,204	245,176		7,172,380	6,056,240
Granville	Oxford Preparatory High School	2,766,725	68,988		2,835,713	2,325,211
Guilford	Cornerstone Academy	6,978,684	168,147		7,146,831	6,072,880
Guilford	Gate City Charter Academy	4,091,784	330,908	226,351	4,649,043	3,934,467
Guilford	Greensboro Academy	4,428,210	150,443		4,578,653	4,361,942
Guilford	Guilford Preparatory Academy	1,797,530	173,678	126,172	2,097,380	1,790,775
Guilford	Next Generation Academy	782,057	48,024		830,081	
Guilford	Phoenix Academy	5,297,130	296,389		5,593,519	5,833,844
Guilford	Piedmont Classical High School	2,836,783	169,678		3,006,461	2,431,467
Guilford	Summerfield Charter Academy	4,523,646	202,683	19,826	4,746,155	4,444,029
Guilford	The Experiential School of Greensboro	1,504,686	42,676		1,547,362	
Guilford	The College Preparatory & Leadership	3,873,036	467,083	387,677	4,727,796	4,314,279
Guilford	Triad Math And Science	7,555,781	828,612	268,092	8,652,485	7,156,517
Halifax	KIPP Halifax College Preparatory	3,662,297	352,227	360,010	4,374,534	3,797,587
Harnett	Anderson Creek Club	1,584,520	18,069		1,602,589	1,480,777
Haywood	Shining Rock Classical Academy	2,439,504	148,370		2,587,874	2,375,803
Henderson	Fernleaf Community Charter School	1,719,739	40,899		1,760,638	1,285,907
Henderson	The Mountain Community School	1,308,294	46,597		1,354,891	1,269,794
Iredell	American Renaissance Middle School	3,277,346	178,931		3,456,277	3,233,172
Iredell	Iredell Charter Academy	4,195,255	185,099	95,733	4,476,087	3,214,692
Iredell	Langtree Charter Academy	9,840,100	271,880	49,412	10,161,392	9,190,856
Iredell	Pine Lake Preparatory	11,008,274	263,000		11,271,274	10,414,089
Iredell	Success Institute Charter School	692,985	92,196	91,119	876,300	790,673
Jackson	Catamount School	363,630	22,024		385,654	329,649
Jackson	Summitt Charter School	1,542,664	41,873		1,584,537	1,534,165

**North Carolina Department of Public Instruction**  
**Supplementary Information**  
**Schedule of Grants and Aid Paid to Charter Schools (Alphabetically by County)**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2019 (With Comparative Totals for 2018)**

**Schedule D-6**  
**Page 3 of 5**

County of Location	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2019 Total	2018 Total
Johnston	Johnston Charter Academy	3,827,484	96,805	39,863	3,964,152	
Johnston	Neuse Charter School	5,876,893	209,091		6,085,984	5,659,232
Lee	Ascend Leadership Academy	964,315	32,013		996,328	
Lenoir	Children's Village Academy	1,295,433	875,902	171,464	2,342,799	2,032,348
Lincoln	Lincoln Charter School	12,432,105	339,343		12,771,448	11,616,011
Martin	Bear Grass Charter School	3,065,831	63,296		3,129,127	2,901,306
Martin	North East Regional School	1,878,262	23,207		1,901,469	1,949,952
Mecklenburg	Aristole Preparatory Academy	687,120	104,283	80,140	871,543	1,025,104
Mecklenburg	Bradford Preparatory School	8,002,639	209,197		8,211,836	6,382,511
Mecklenburg	Charlotte Choice Charter	696,015	169,170	50,690	915,875	1,620,725
Mecklenburg	Charlotte Lab School	3,616,373	123,435		3,739,808	2,907,733
Mecklenburg	Charlotte Learning Academy	1,614,906	336,329	95,192	2,046,427	2,069,383
Mecklenburg	Charlotte Secondary	1,914,182	146,251		2,060,433	2,381,200
Mecklenburg	Commonwealth High School	1,698,314			1,698,314	1,728,972
Mecklenburg	Community School Of Davidson	8,539,795	247,071		8,786,866	7,909,906
Mecklenburg	Corvian Community School	5,855,192	125,278		5,980,470	4,800,405
Mecklenburg	Crossroads Charter High School					(232)
Mecklenburg	East Voyager Academy	513,627	5,328		518,955	
Mecklenburg	Invest Collegiate	2,482,602	358,745		2,841,347	2,966,160
Mecklenburg	Kennedy Charter					(334)
Mecklenburg	KIPP Charlotte Charter School	4,686,915	504,505	431,781	5,623,201	4,774,815
Mecklenburg	Lake Norman Charter School	11,927,451	283,831		12,211,282	10,518,700
Mecklenburg	Lakeside Charter Academy	646,404	36,542		682,946	783,927
Mecklenburg	Mallard Creek Stem Academy	4,456,517	179,049	76,315	4,711,881	3,577,948
Mecklenburg	Matthew's Charter Academy	4,444,106	243,112	328,028	5,015,246	3,945,507
Mecklenburg	Metrolina Regional Scholars' Academy	2,056,138	44,551		2,100,689	1,989,070
Mecklenburg	Mountain Island Day Community Charter School	2,265,349	71,974		2,337,323	
Mecklenburg	Movement Charter School	2,296,839	154,607	153,966	2,605,412	1,821,006
Mecklenburg	Pioneer Springs Community School	2,066,784	50,971		2,117,755	1,757,727
Mecklenburg	Queen City STEM School	2,873,126	109,440		2,982,566	2,752,527
Mecklenburg	Queens Grant Community School	7,154,368	271,548	74,257	7,500,173	7,191,961
Mecklenburg	Socrates Academy	4,042,860	95,849		4,138,709	3,821,456
Mecklenburg	Stewart Creek High School	1,366,344			1,366,344	873,060
Mecklenburg	Studentfirst Academy					(7,067)
Mecklenburg	Sugar Creek Charter School	9,099,999	993,581	733,303	10,826,883	10,454,311
Mecklenburg	United Community School	1,335,523	74,004		1,409,527	1,321,139
Mecklenburg	Unity Classical Charter School	1,006,853	24,633		1,031,486	565,182
Mecklenburg	UpROAR Leadership Academy	760,814	266,926	41,904	1,069,644	1,088,102
Mecklenburg	Veritas Community School	944,648	62,220		1,006,868	1,010,570
Moore	Moore Montessori Community Charter	493,779	12,730		506,509	
Moore	Sandhills Theatre Arts Renaissance School (STARS)	3,224,932	161,153		3,386,085	2,933,693
Moore	The Academy Of Moore County	2,218,725	60,431		2,279,156	1,965,048
Nash	Rocky Mount Public Charter	7,799,904	677,569	474,571	8,952,044	8,690,698
New Hanover	Cape Fear Center For Inquiry	2,473,794	73,569		2,547,363	2,470,893
New Hanover	Coastal Preparatory Academy: A Challenge Foundation Academy	3,642,556	67,956		3,710,512	2,726,030

**North Carolina Department of Public Instruction**  
**Supplementary Information**  
**Schedule of Grants and Aid Paid to Charter Schools (Alphabetically by County)**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2019 (With Comparative Totals for 2018)**

**Schedule D-6**  
**Page 4 of 5**

County of Location	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2019 Total	2018 Total
New Hanover	D.C Virgo Preparatory Academy	1,380,335	141,731		1,522,066	
New Hanover	Douglass Academy	682,792	131,223	80,580	894,595	1,287,713
New Hanover	Girls Leadership Academy Of Wilmington	1,574,173	237,596	99,044	1,910,813	1,324,515
New Hanover	Island Montessori Charter	1,359,369	55,715		1,415,084	1,287,260
New Hanover	Wilmington Preparatory	739,828	100,931		840,759	833,158
Northhampton	KIPP Gaston College Preparatory	11,056,706	622,543	718,592	12,397,841	11,649,404
Onslow	Zeca School Of Arts And Technology	1,012,905	270,288	121,294	1,404,487	1,264,331
Orange	Eno River Academy	4,092,499	82,037		4,174,536	3,208,246
Orange	The Expedition School	2,246,482	59,299		2,305,781	2,037,646
Pamlico	Arapahoe Charter School	4,995,704	194,673	181,823	5,372,200	5,066,038
Pasquotank	NE Academy Of Aerospace	2,816,246	123,740		2,939,986	2,240,381
Person	Bethel Hill Charter School	2,449,732	125,302	112,226	2,687,260	2,594,024
Person	Roxboro Community School	4,225,515	79,042		4,304,557	4,209,686
Pitt	ECU Lab School	501,117	66,760		567,877	457,958
Pitt	Ignite Innovation Academy-Pitt	1,280,384	180,064		1,460,448	1,714,585
Pitt	Winterville Charter Academy	3,828,899	247,455	118,031	4,194,385	3,935,221
Randolph	Uwharrie Charter Academy	10,195,229	303,753	3,498	10,502,480	6,215,703
Robeson	CIS Academy	911,969	46,772	34,557	993,298	997,700
Robeson	Southeastern Academy	1,555,231	37,079		1,592,310	1,484,941
Rockingham	Bethany Community Middle School	2,805,700	122,851		2,928,551	2,280,695
Rockingham	Moss Street Partnership School	2,491,501	150,092		2,641,593	
Rowan	Essie Mae Kiser Foxx Charter School	595,317	61,330		656,647	
Rutherford	Lake Lure Classical Academy	3,432,727	175,560		3,608,287	3,122,915
Rutherford	Thomas Jefferson Classical	8,632,822	189,077		8,821,899	7,928,083
Stanly	Gray Stone Day School	5,006,014	115,175		5,121,189	4,773,801
Surry	Millennium Charter	5,699,863	130,595		5,830,458	5,524,141
Swain	Mountain Discovery School	1,363,204	98,641		1,461,845	1,461,214
Transylvania	Brevard Academy	2,548,557	148,782		2,697,339	2,461,131
Union	Union Academy	10,952,917	219,836	5,229	11,177,982	9,415,351
Union	Union Day School	2,908,446	69,719		2,978,165	2,229,048
Union	Union Preparatory Academy at Indian Trail	5,556,448	237,360	127,067	5,920,875	4,660,413
Vance	Henderson Collegiate	8,517,947	635,270	729,986	9,883,203	8,137,433
Vance	Vance Charter School	5,868,723	208,380		6,077,103	5,246,978
Wake	Cardinal Charter	5,298,850	143,074	56,806	5,498,730	5,799,500
Wake	Casa Esperanza	2,917,075	132,100		3,049,175	2,926,562
Wake	Central Wake Charter High School	1,351,007			1,351,007	1,235,646
Wake	East Wake Academy	6,869,410	250,868		7,120,278	6,746,542
Wake	Endeavor Charter School	2,931,946	62,626		2,994,572	2,893,234
Wake	Envision Science Academy	4,231,095	118,793		4,349,888	3,863,111
Wake	Franklin Academy	9,093,927	217,647		9,311,574	8,973,833
Wake	Hope Charter Leadership Academy	746,678	117,802	71,822	936,302	1,048,009
Wake	Longleaf School Of The Arts	2,204,839	96,982		2,301,821	1,992,500



**North Carolina Department of Public Instruction**  
**Supplementary Information**  
**Schedule of Grants and Aid Paid to Charter Schools (Alphabetically by County)**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2019 (With Comparative Totals for 2018)**

**Schedule D-6**  
**Page 5 of 5**

County of Location	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2019 Total	2018 Total
Wake	Magellan Charter School	2,428,162	74,015		2,502,177	2,372,030
Wake	Pave Southeast Raleigh Charter	2,264,213	257,176	271,300	2,792,689	2,296,709
Wake	Peak Charter Academy	3,893,275	100,435	21,273	4,014,983	3,362,883
Wake	Pine Springs Preparatory Academy: CFA	3,423,701	86,728		3,510,429	2,683,936
Wake	PreEminent Charter School	3,976,373	409,760	235,222	4,621,355	4,107,962
Wake	Quest Academy	851,543	19,149		870,692	853,669
Wake	Rolesville Charter Academy	3,281,172	103,101	48,351	3,432,624	
Wake	Raleigh Charter High School	3,095,671	79,502		3,175,173	3,084,908
Wake	Raleigh Oak Charter School	1,208,270	28,153		1,236,423	
Wake	Southern Wake Academy	4,882,446	197,469		5,079,915	3,900,541
Wake	Sterling Montessori Academy	3,555,058	96,305		3,651,363	3,523,141
Wake	The Exploris School	2,686,430	71,592		2,758,022	2,432,459
Wake	Torchlight Academy	3,484,450	617,081	440,577	4,542,108	3,893,490
Wake	Triangle Math & Science	5,166,915	154,775		5,321,690	4,953,355
Wake	Wake Forest Charter Academy	4,401,214	179,862	29,885	4,610,961	4,385,415
Warren	Haliwa Saponi Tribal School	1,253,286	102,708	85,558	1,441,552	1,274,153
Watauga	Two Rivers Community School	1,075,024	57,261		1,132,285	1,135,963
Wayne	Dillard Academy	2,436,349	214,401	204,777	2,855,527	2,823,522
Wayne	Wayne Preparatory	4,408,984	250,577		4,659,561	3,546,764
Wilkes	Bridges Charter School	1,397,090	137,814	100,338	1,635,242	1,632,527
Wilson	Sallie B Howard School	6,561,402	630,111	705,037	7,896,550	7,601,300
Wilson	Wilson Preparatory Academy	5,277,696	204,143		5,481,839	4,239,347
Total Grants and Aid to Charter Schools		<u>\$ 688,125,547</u>	<u>\$ 36,286,406</u>	<u>\$ 12,051,004</u>	<u>\$ 736,462,957</u>	<u>\$ 634,595,651</u>

**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, 2019 (With Comparative Totals for 2018)**

**Schedule D-7**  
**Page 1 of 5**

County of Location	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2019 Total	2018 Total
Durham	NC Connections	\$ 15,341,079	\$ 735,077	\$ 0	\$ 16,076,156	\$ 12,838,859
Durham	NC Virtual Academy	14,582,457	1,062,895		15,645,352	12,190,271
Lincoln	Lincoln Charter School	12,432,105	339,343		12,771,448	11,616,011
Mecklenburg	Lake Norman Charter School	11,927,451	283,831		12,211,282	10,518,700
Northhampton	KIPP Gaston College Preparatory	11,056,706	622,543	718,592	12,397,841	11,649,404
Iredell	Pine Lake Preparatory	11,008,274	263,000		11,271,274	10,414,089
Union	Union Academy	10,952,917	219,836	5,229	11,177,982	9,415,351
Randolph	Uwharrie Charter Academy	10,195,229	303,753	3,498	10,502,480	6,215,703
Iredell	Langtree Charter Academy	9,840,100	271,880	49,412	10,161,392	9,190,856
Mecklenburg	Sugar Creek Charter School	9,099,999	993,581	733,303	10,826,883	10,454,311
Wake	Franklin Academy	9,093,927	217,647		9,311,574	8,973,833
Gaston	Mountain Island Charter School	8,646,869	290,321	49,434	8,986,624	8,066,379
Rutherford	Thomas Jefferson Classical	8,632,822	189,077		8,821,899	7,928,083
Mecklenburg	Community School Of Davidson	8,539,795	247,071		8,786,866	7,909,906
Vance	Henderson Collegiate	8,517,947	635,270	729,986	9,883,203	8,137,433
Durham	Voyager Academy Charter	8,432,170	289,702		8,721,872	8,221,683
Gaston	Piedmont Community School	8,150,865	401,199		8,552,064	7,711,064
Mecklenburg	Bradford Preparatory School	8,002,639	209,197		8,211,836	6,382,511
Nash	Rocky Mount Public Charter	7,799,904	677,569	474,571	8,952,044	8,690,698
Guilford	Triad Math And Science	7,555,781	828,612	268,092	8,652,485	7,156,517
Mecklenburg	Queens Grant Community School	7,154,368	271,548	74,257	7,500,173	7,191,961
Guilford	Cornerstone Academy	6,978,684	168,147		7,146,831	6,072,880
Granville	Falls Lake Academy	6,927,204	245,176		7,172,380	6,056,240
Wake	East Wake Academy	6,869,410	250,868		7,120,278	6,746,542
Wilson	Sallie B Howard School	6,561,402	630,111	705,037	7,896,550	7,601,300
Edgecombe	North East Carolina Preparatory	6,367,501	446,403	259,850	7,073,754	7,018,348
Buncombe	Invest Collegiate (Buncombe)	6,353,368	228,076		6,581,444	5,186,761
Johnston	Neuse Charter School	5,876,893	209,091		6,085,984	5,659,232
Vance	Vance Charter School	5,868,723	208,380		6,077,103	5,246,978
Mecklenburg	Corvian Community School	5,855,192	125,278		5,980,470	4,800,405
Brunswick	Charter Day School	5,777,573	231,657		6,009,230	5,596,980
Surry	Millennium Charter	5,699,863	130,595		5,830,458	5,524,141
Cleveland	Pinnacle Classical Academy	5,673,256	176,204		5,849,460	4,421,805
Union	Union Preparatory Academy at Indian Trail	5,556,448	237,360	127,067	5,920,875	4,660,413
Wake	Cardinal Charter	5,298,850	143,074	56,806	5,498,730	5,799,500
Guilford	Phoenix Academy	5,297,130	296,389		5,593,519	5,833,844
Wilson	Wilson Preparatory Academy	5,277,696	204,143		5,481,839	4,239,347
Wake	Triangle Math & Science	5,166,915	154,775		5,321,690	4,953,355
Cumberland	Alpha Academy	5,012,735	466,462		5,479,197	5,210,065
Stanly	Gray Stone Day School	5,006,014	115,175		5,121,189	4,773,801
Pamlico	Arapahoe Charter School	4,995,704	194,673	181,823	5,372,200	5,066,038
Cabarrus	Carolina International School	4,949,251	159,350		5,108,601	5,079,462

**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, 2019 (With Comparative Totals for 2018)**

**Schedule D-7**  
**Page 2 of 5**

County of Location	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2019 Total	2018 Total
Alamance	River Mill	4,914,549	176,412		5,090,961	4,555,918
Wake	Southern Wake Academy	4,882,446	197,469		5,079,915	3,900,541
Forsyth	The North Carolina Leadership	4,841,909	115,287		4,957,196	4,397,537
Columbus	Columbus Charter School	4,838,811	266,272	189,675	5,294,758	5,690,068
Mecklenburg	KIPP Charlotte Charter School	4,686,915	504,505	431,781	5,623,201	4,774,815
Cabarrus	Cabarrus Charter Academy	4,656,490	245,088	108,021	5,009,599	5,840,471
Guilford	Summerfield Charter Academy	4,523,646	202,683	19,826	4,746,155	4,444,029
Mecklenburg	Mallard Creek Stem Academy	4,456,517	179,049	76,315	4,711,881	3,577,948
Durham	Research Triangle Charter Academy	4,450,255	372,398	187,866	5,010,519	4,437,882
Mecklenburg	Matthew's Charter Academy	4,444,106	243,112	328,028	5,015,246	3,945,507
Guilford	Greensboro Academy	4,428,210	150,443		4,578,653	4,361,942
Wayne	Wayne Preparatory	4,408,984	250,577		4,659,561	3,546,764
Wake	Wake Forest Charter Academy	4,401,214	179,862	29,885	4,610,961	4,385,415
Forsyth	Forsyth Academies	4,331,981	475,238		4,807,219	4,869,195
Durham	Central Park School For Children	4,264,368	129,472	70,811	4,464,651	3,881,682
Wake	Envision Science Academy	4,231,095	118,793		4,349,888	3,863,111
Person	Roxboro Community School	4,225,515	79,042		4,304,557	4,209,686
Iredell	Iredell Charter Academy	4,195,255	185,099	95,733	4,476,087	3,214,692
Durham	Maureen Joy Charter School	4,127,441	433,014	309,750	4,870,205	4,617,884
Orange	Eno River Academy	4,092,499	82,037		4,174,536	3,208,246
Guilford	Gate City Charter Academy	4,091,784	330,908	226,351	4,649,043	3,934,467
Mecklenburg	Socrates Academy	4,042,860	95,849		4,138,709	3,821,456
Alamance	Clover Garden School	3,989,657	159,458		4,149,115	3,998,298
Wake	Preeminent Charter School	3,976,373	409,760	235,222	4,621,355	4,107,962
Wake	Peak Charter Academy	3,893,275	100,435	21,273	4,014,983	3,362,883
Forsyth	Quality Education Academy	3,878,972	579,548	331,444	4,789,964	4,068,561
Guilford	The College Preparatory & Leadership	3,873,036	467,083	387,677	4,727,796	4,314,279
Pitt	Winterville Charter Academy	3,828,899	247,455	118,031	4,194,385	3,935,221
Johnston	Johnston Charter Academy	3,827,484	96,805	39,863	3,964,152	
Halifax	KIPP Halifax College Preparatory	3,662,297	352,227	360,010	4,374,534	3,797,587
New Hanover	Coastal Preparatory Academy: A Challenge Foundation Academy	3,642,556	67,956		3,710,512	2,726,030
Mecklenburg	Charlotte Lab School	3,616,373	123,435		3,739,808	2,907,733
Durham	Kestrel Heights School	3,566,711	115,318		3,682,029	3,730,955
Wake	Sterling Montessori Academy	3,555,058	96,305		3,651,363	3,523,141
Wake	Torchlight Academy	3,484,450	617,081	440,577	4,542,108	3,893,490
Durham	Excelsior Classical Academy	3,444,137	79,243		3,523,380	2,604,420
Rutherford	Lake Lure Classical Academy	3,432,727	175,560		3,608,287	3,122,915
Wake	Pine Springs Preparatory Academy: CFA	3,423,701	86,728		3,510,429	2,683,936
Durham	Research Triangle High School	3,371,191	112,787		3,483,978	3,064,235
Chatham	Chatham Charter School	3,359,546	101,327		3,460,873	3,180,548
Bladen	Emereau: Bladen	3,281,747	203,757		3,485,504	2,070,927
Wake	Rolesville Charter Academy	3,281,172	103,101	48,351	3,432,624	

**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, 2019 (With Comparative Totals for 2018)**

**Schedule D-7**  
**Page 3 of 5**

County of Location	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2019 Total	2018 Total
Iredell	American Renaissance Middle School	3,277,346	178,931		3,456,277	3,233,172
Cabarrus	Kannapolis Charter Academy	3,269,533	210,416	128,007	3,607,956	3,147,856
Forsyth	Arts-Based Elementary	3,250,347	117,754		3,368,101	3,097,934
Buncombe	The Franklin School Of Innovation	3,241,478	189,804		3,431,282	3,053,246
Moore	Sandhills Theatre Arts Renaissance School (STARS)	3,224,932	161,153		3,386,085	2,933,693
Chatham	The Woods Charter School	3,174,349	81,568	4,153	3,260,070	3,093,742
Wake	Raleigh Charter High School	3,095,671	79,502		3,175,173	3,084,908
Martin	Bear Grass Charter School	3,065,831	63,296		3,129,127	2,901,306
Wake	Endeavor Charter School	2,931,946	62,626		2,994,572	2,893,234
Cumberland	The Capitol Encore Academy	2,928,515	157,666	110,533	3,196,714	2,710,196
Wake	Casa Esperanza	2,917,075	132,100		3,049,175	2,926,562
Union	Union Day School	2,908,446	69,719		2,978,165	2,229,048
Mecklenburg	Queen City STEM School	2,873,126	109,440		2,982,566	2,752,527
Guilford	Piedmont Classical High School	2,836,783	169,678		3,006,461	2,431,467
Pasquotank	NE Academy Of Aerospace	2,816,246	123,740		2,939,986	2,240,381
Rockingham	Bethany Community Middle School	2,805,700	122,851		2,928,551	2,280,695
Buncombe	Evergreen Community Charter	2,783,384	116,747		2,900,131	2,671,357
Granville	Oxford Preparatory High School	2,766,725	68,988		2,835,713	2,325,211
Beaufort	Washington Montessori Charter	2,748,337	59,207		2,807,544	2,581,437
Wake	The Exploris School	2,686,430	71,592		2,758,022	2,432,459
Durham	Healthy Start Academy Charter	2,608,149	302,718	257,408	3,168,275	2,924,415
Buncombe	The Artspace Charter School	2,577,695	136,535		2,714,230	2,620,373
Forsyth	Carter G Woodson School Challenge	2,561,884	447,560	220,129	3,229,573	3,543,602
Transylvania	Brevard Academy	2,548,557	148,782		2,697,339	2,461,131
Rockingham	Moss Street Partnership School	2,491,501	150,092		2,641,593	
Mecklenburg	Invest Collegiate	2,482,602	358,745		2,841,347	2,966,160
New Hanover	Cape Fear Center For Inquiry	2,473,794	73,569		2,547,363	2,470,893
Person	Bethel Hill Charter School	2,449,732	125,302	112,226	2,687,260	2,594,024
Haywood	Shining Rock Classical Academy	2,439,504	148,370		2,587,874	2,375,803
Wayne	Dillard Academy	2,436,349	214,401	204,777	2,855,527	2,823,522
Wake	Magellan Charter School	2,428,162	74,015		2,502,177	2,372,030
Cabarrus	ACE Academy	2,424,094	153,457	107,899	2,685,450	2,617,002
Brunswick	South Brunswick Charter School	2,368,090	87,234		2,455,324	2,039,681
Mecklenburg	Movement Charter School	2,296,839	154,607	153,966	2,605,412	1,821,006
Durham	KIPP Durham College Preparatory	2,283,992	266,860	225,796	2,776,648	1,931,555
Mecklenburg	Mountain Island Day Community Charter School	2,265,349	71,974		2,337,323	
Wake	Pave Southeast Raleigh Charter	2,264,213	257,176	271,300	2,792,689	2,296,709
Orange	The Expedition School	2,246,482	59,299		2,305,781	2,037,646
Moore	The Academy Of Moore County	2,218,725	60,431		2,279,156	1,965,048
Wake	Longleaf School Of The Arts	2,204,839	96,982		2,301,821	1,992,500
Burke	The New Dimensions School	2,148,194	90,110		2,238,304	1,782,543
Durham	The Institute For The Development of Young Leaders	2,109,831	168,460		2,278,291	1,642,160

**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, 2019 (With Comparative Totals for 2018)**

**Schedule D-7**

**Page 4 of 5**

County of Location	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2019 Total	2018 Total
Mecklenburg	Pioneer Springs Community School	2,066,784	50,971		2,117,755	1,757,727
Mecklenburg	Metrolina Regional Scholars' Academy	2,056,138	44,551		2,100,689	1,989,070
Franklin	Youngsville Academy	2,031,117	41,160		2,072,277	1,624,323
Durham	Reaching All Minds Academy	1,993,368	92,040	6,944	2,092,352	1,787,441
Davidson	Davidson Charter Academy:CFA	1,987,282	59,832		2,047,114	
Alamance	The Hawbridge School	1,957,023	46,932		2,003,955	1,894,848
Mecklenburg	Charlotte Secondary	1,914,182	146,251		2,060,433	2,381,200
Martin	North East Regional School	1,878,262	23,207		1,901,469	1,949,952
Guilford	Guilford Preparatory Academy	1,797,530	173,678	126,172	2,097,380	1,790,775
Franklin	Crosscreek Charter	1,776,951	84,668		1,861,619	1,539,651
Henderson	Fernleaf Community Charter School	1,719,739	40,899		1,760,638	1,285,907
Mecklenburg	Commonwealth High School	1,698,314			1,698,314	1,728,972
Mecklenburg	Charlotte Learning Academy	1,614,906	336,329	95,192	2,046,427	2,069,383
Harnett	Anderson Creek Club	1,584,520	18,069		1,602,589	1,480,777
Durham	Carter Community School	1,578,113	165,202	147,454	1,890,769	1,798,111
New Hanover	Girls Leadership Academy Of Wilmington	1,574,173	237,596	99,044	1,910,813	1,324,515
Robeson	Southeastern Academy	1,555,231	37,079		1,592,310	1,484,941
Jackson	Summitt Charter School	1,542,664	41,873		1,584,537	1,534,165
Guilford	The Experiential School of Greensboro	1,504,686	42,676		1,547,362	
Durham	Global Scholars Academy Charter	1,503,608	164,572	173,542	1,841,722	1,764,287
Forsyth	Appalachian State U Academy Middle Fork	1,460,623	333,961		1,794,584	
Cherokee	Learning Center (The)	1,435,248	106,546	77,105	1,618,899	1,515,801
Wilkes	Bridges Charter School	1,397,090	137,814	100,338	1,635,242	1,632,527
New Hanover	D.C Virgo Preparatory Academy	1,380,335	141,731		1,522,066	
Mecklenburg	Stewart Creek High School	1,366,344			1,366,344	873,060
Swain	Mountain Discovery School	1,363,204	98,641		1,461,845	1,461,214
Bladen	Paul R Brown Leadership Academy	1,363,002	39,067		1,402,069	1,319,296
New Hanover	Island Montessori Charter	1,359,369	55,715		1,415,084	1,287,260
Chatham	Willow Oak Montessori	1,352,563	32,614		1,385,177	1,205,113
Wake	Central Wake Charter High School	1,351,007			1,351,007	1,235,646
Mecklenburg	United Community School	1,335,523	74,004		1,409,527	1,321,139
Henderson	The Mountain Community School	1,308,294	46,597		1,354,891	1,269,794
Lenoir	Children's Village Academy	1,295,433	875,902	171,464	2,342,799	2,032,348
Pitt	Ignite Innovation Academy-Pitt	1,280,384	180,064		1,460,448	1,714,585
Warren	Haliwa Saponi Tribal School	1,253,286	102,708	85,558	1,441,552	1,274,153
Carteret	Tiller School	1,236,062	60,545		1,296,607	1,237,299
Wake	Raleigh Oak Charter School	1,208,270	28,153		1,236,423	
Buncombe	Francine Delany New School for Children	1,151,603	76,624		1,228,227	1,168,615
Avery	Marjorie Williams Academy	1,077,123	295,903	102,624	1,475,650	1,404,325
Watauga	Two Rivers Community School	1,075,024	57,261		1,132,285	1,135,963
Onslow	Zeca School Of Arts And Technology	1,012,905	270,288	121,294	1,404,487	1,264,331
Mecklenburg	Unity Classical Charter School	1,006,853	24,633		1,031,486	565,182

**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, 2019 (With Comparative Totals for 2018)**

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

County of Location	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2019 Total	2018 Total
Lee	Ascend Leadership Academy	964,315	32,013		996,328	
Mecklenburg	Veritas Community School	944,648	62,220		1,006,868	1,010,570
Robeson	CIS Academy	911,969	46,772	34,557	993,298	997,700
Wake	Quest Academy	851,543	19,149		870,692	853,669
Guilford	Next Generation Academy	782,057	48,024		830,081	
Mecklenburg	UpROAR Leadership Academy	760,814	266,926	41,904	1,069,644	1,088,102
Wake	Hope Charter Leadership Academy	746,678	117,802	71,822	936,302	1,048,009
Columbus	Flemington Academy	741,822	72,751		814,573	772,472
New Hanover	Wilmington Preparatory	739,828	100,931		840,759	833,158
Bertie	Three Rivers Academy	713,519	163,580	3,820	880,919	1,766,577
Mecklenburg	Charlotte Choice Charter	696,015	169,170	50,690	915,875	1,620,725
Iredell	Success Institute Charter School	692,985	92,196	91,119	876,300	790,673
Mecklenburg	Aristole Preparatory Academy	687,120	104,283	80,140	871,543	1,025,104
New Hanover	Douglass Academy	682,792	131,223	80,580	894,595	1,287,713
Mecklenburg	Lakeside Charter Academy	646,404	36,542		682,946	783,927
Rowan	Essie Mae Kiser Foxx Charter School	595,317	61,330		656,647	
Mecklenburg	East Voyager Academy	513,627	5,328		518,955	
Pitt	ECU Lab School	501,117	66,760		567,877	457,958
Moore	Moore Montessori Community Charter	493,779	12,730		506,509	
Jackson	Catamount School	363,630	22,024		385,654	329,649
Currituck	Waters Edge Village School	276,810	5,972		282,782	242,621
Avery	Grandfather Academy	224,417	86,550		310,967	299,292
Mecklenburg	Crossroads Charter High School					(232)
Mecklenburg	Kennedy Charter					(334)
Mecklenburg	Studentfirst Academy					(7,067)
Total Grants and Aid to Charter Schools		<u>\$ 688,125,547</u>	<u>\$ 36,286,406</u>	<u>\$ 12,051,004</u>	<u>\$ 736,462,957</u>	<u>\$ 634,595,651</u>



# **INDEPENDENT AUDITOR'S REPORT**

STATE OF NORTH CAROLINA  
**Office of the State Auditor**



**Beth A. Wood, CPA**  
State Auditor

2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0600  
Telephone: (919) 807-7500  
Fax: (919) 807-7647  
<https://www.auditor.nc.gov>

**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**

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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, 2019, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated June 15, 2020.

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, 2019, 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 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be significant deficiencies. However, significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying Findings, Recommendations, and Responses section, that we consider to be material weakness.

### Compliance and Other Matters

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

### Department's Response to Findings

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

### Purpose of this Report

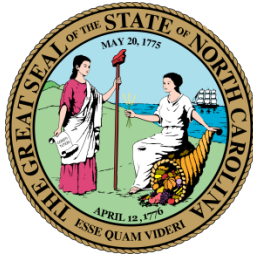
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or on compliance. This report is an integral part of an audit performed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



Beth A. Wood, CPA  
State Auditor

Raleigh, North Carolina

June 15, 2020



# **FINDINGS, RECOMMENDATIONS, AND RESPONSES**

**Matters Related to Financial Reporting**

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

**FINANCIAL STATEMENTS CONTAINED SIGNIFICANT MISSTATEMENTS AND OMISSIONS**

The financial statements, related notes, and required supplementary information prepared by the Department's financial reporting staff and submitted for audit contained significant misstatements and omissions that were identified and corrected as a result of our audit as follows:

- A. The Department did not recognize the financial reporting implications of a major hurricane on the Public School Insurance Fund's (PSIF) financial statements. Specifically, the Department:
- Did not report a \$7.1 million accounting estimate for hurricane-related claims expected from insured entities, but not formally filed, until prompted by the audit.
  - Did not report amounts recoverable for paid and unpaid hurricane-related claims of \$5.3 million and \$32.1 million, respectively.

The hurricane event was covered by a reinsurance policy. Reinsurance transfers a portion of the Department's risk of loss to other insurers. This resulted in recoveries for the Department. The estimated recoveries should be deducted from the related unpaid claims liabilities.<sup>1</sup> The inaccurate accounting treatment for these transactions caused the PSIF claims payable balance to be overstated by \$22.9M.

Also, the Department significantly miscalculated amounts presented in the risk management disclosure and *Ten-Year Claims Development Information*<sup>2</sup> required by accounting standards. The disclosure further included an inaccurate statement that there had been no reinsurance claims during the year.

- B. The Department's year-end accruals were not prepared or not prepared correctly. Specifically, the Department:
- Did not recognize a liability for civil penalty and forfeiture funds<sup>3</sup> being held for school districts.
  - Failed to recognize a liability for federal revenues that were unearned because they were requested and received in advance of the related disbursement.
  - Incorrectly calculated and recorded the change in fair market value for pooled investments.
  - Did not record payables for goods and services received but unpaid during the year.

<sup>1</sup> Refer to Governmental Accounting Standards Board (GASB) Statement No. 10, paragraph 37 and additional details in the Department's risk management disclosure, Note 13.

<sup>2</sup> See Schedule C-2 Ten-Year Claims Development Information accompanying the Financial Statements.

<sup>3</sup> In accordance with *North Carolina General Statute* §115C-457.1 and §115C-457.3, proceeds from civil penalties, civil forfeitures, and civil fines collected by various state agencies are transferred to the Department for allotment to local school districts.

The following misstatements resulted from the errors noted above:

	<u>Overstatement/ (Understatement)</u>	<u>Percentage*</u>
<u>General Fund</u>		
Civil Penalty Collections Held for School Districts	\$ (20,555,716)	100%
Grants, State, and Federal Aid	28,898,615	0.26%
Unearned Revenues	(8,115,967)	99%
Federal Revenues	8,115,967	1%
<u>Capital Projects Fund</u>		
Accounts Payable	(273,307)	42%
Capital Outlay	(273,307)	12%
<u>Public School Insurance Fund</u>		
Pooled Investments	(2,878,867)	3%
Investment Earnings	(2,878,867)	40%

\* Percentage of the overstatement or understatement to the final audited account balance

C. The Department made other significant errors in the process of compiling financial statements, note disclosures, and required supplementary information, including:

- The fiscal year 2019 Statement of Cash Flows (Exhibit B-3) presented fiscal year 2018 amounts and did not reflect other corrections made as a result of the audit. Cash Flow Statement errors ranged from \$1.9 million to \$22.8 million.
- Budgetary Comparison Schedule transposed Original Budget and Final Budget amounts as defined by the Governmental Accounting Standards Board (GASB)<sup>4</sup> and did not agree to the underlying accounting records. The most significant errors ranged from \$123.8 million to \$695.4 million.

The notes to the financial statements, required supplementary information, and other supplementary information were incomplete and required numerous corrections.

Without these error corrections and inclusions of all required statements and disclosures, users of the financial statements could be misinformed about the Department's financial condition, including sufficiency and flexibility of resources, asset performance, and operating results.

The omissions and errors in financial reporting occurred and were not detected and corrected, in part because:

- The Department did not possess sufficient and appropriate knowledge and training necessary for timely, accurate, and complete year-end reporting.
- The Department did not have an adequate year-end plan that would result in a complete and thorough review of the financial statements prior to submission for audit.

<sup>4</sup> Governmental Accounting Standards Board (GASB) Statement No. 34 paragraph 130

- The Department did not adequately address the loss of institutional knowledge and expertise due to significant management and financial reporting staff turnover in recent years, especially as related to reporting for the Public School Insurance Fund.

The Department's management is responsible for the fair presentation of the financial statements and related notes to the financial statements in conformity with accounting principles generally accepted in the United States of America. Additionally, best practices require management to periodically review and analyze financial information. The Government Accountability Office (GAO) recommends that senior management should regularly review actual performance against prior period results. The GAO also recommends that "financial and program managers review and compare financial, budgetary, and operational performance to planned or expected results" and that agencies be "especially attentive to risks caused by the hiring of new personnel to occupy key positions or by high personnel turnover in any particular area."<sup>5</sup>

*Recommendation:* Management should ensure that:

- A knowledgeable individual, or group of individuals, perform a complete and thorough review of the financial statements and related information to ensure timely, accurate, and complete year-end reporting.
- Contingency plans are implemented to meet financial reporting objectives during periods impacted by staff turnover.
- Financial reporting personnel possess the required competencies and are adequately trained to perform year-end financial reporting.

*Agency Response:* See page 88 for the Department of Public Instruction's response to this finding.

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<sup>5</sup> GAO, Internal Control Management and Evaluation Tool, 2001



**PUBLIC SCHOOLS OF NORTH CAROLINA**

DEPARTMENT OF PUBLIC INSTRUCTION | Mark Johnson, Superintendent of Public Instruction

WWW.DPI.NC.GOV

June 14, 2020

The Honorable Beth A. Wood, State Auditor  
Office of the State Auditor  
2 South Salisbury Street  
20601 Mail Service Center  
Raleigh, North Carolina 27699-0601

Dear State Auditor Wood,

The North Carolina Department of Public Instruction (DPI) is pleased to submit our response to your finding in connection with the 2019 financial statement audit. We appreciate the assistance provided by the Office of State Auditor (OSA) as DPI leadership continues working to identify and mitigate deficiencies throughout the Department. In our responses below, you will find actions we are taking to resolve the issues noted.

*Finding: Financial Statements Contained Significant Misstatements and Omissions*

*OSA Recommendation: Management should ensure that:*

- *A knowledgeable individual, or group of individuals, perform a complete and thorough review of the financial statements and related information to ensure timely, accurate, and complete year-end reporting.*
- *Contingency plans are implemented to meet financial reporting objectives during periods impacted by staff turnover.*
- *Financial reporting personnel possess the required competencies and are adequately trained to perform year-end financial reporting.*

DPI concurs with the Auditor's finding and recommendations. This was the first year that DPI was tasked with completing the standalone financial statements. DPI was proactive and contracted with a consultant who had prior experience with these financial statements to assist in preparing the statements and training staff members in the Accounting, Controls, and Reporting section. Unfortunately, audit adjustments in connection with fiscal year 2018 financials were never posted, which impacted the 2019 Cash Flow Statement and 2019 Annual Consolidated Financial Statements within the liabilities on the balance sheet and restatement of fund balance. This was not discovered until after the 2019 Financial Statements were completed.

**OFFICE OF THE NORTH CAROLINA SUPERINTENDENT**

Mark Johnson, Superintendent of Public Instruction | mark.johnson@dpi.nc.gov  
6301 Mail Service Center, Raleigh, North Carolina 27699-6301 | (919) 807-3430 | Fax (919) 807-3445  
AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

Auditor Wood  
2019 Financial Response  
Page 2  
June 14, 2020

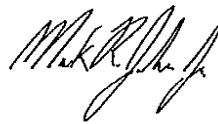
Also, DPI has recommended to the General Assembly that insurance matters for state government should be handled by the NC Department of Insurance, which is more capable of handling large volumes of claims due to hurricanes. Hurricane Florence caused massive damage to schools across the state in 2018, and the Public-School Insurance Fund staff did not have the capacity that one would expect of state government to be able to thoroughly respond to such an event. Unfortunately, staff did not accurately estimate all the possible claims caused by the historic event, which led to the issues identified.

In order to correct the deficiencies identified, DPI will provide additional staff training related to year-end activities, financial statements, and review procedures. DPI has filled key vacancies, and staff will review and reference the prior year audited financials to ensure completeness of information provided in the current year, compare current year balances to prior year for reasonableness, and ensure accuracy of note disclosures. The Finance Manager will review the progress of year-end activities and year-end reporting on a weekly basis. DPI is also working to reassign duties for a position to provide more support to the Accounting, Controls and Reporting section.

DPI has filled all vacant key financial positions with employees that possess governmental accounting and year-end reporting experience. The financial staff is being cross-trained and desk reference guides are being developed for all positions. Should DPI encounter turnover in key areas again, replacements will be recruited promptly, and temporary staffing will be utilized.

We believe implementation of these corrective actions will address the deficiencies noted. Please feel free to contact Jeani Rousseau or me if you have any questions about our response. As always, we appreciate the effort and professionalism of your staff in conducting audits of the Department of Public Instruction.

Sincerely,



Mark Johnson

c: Eric Davis, State Board of Education Chairman  
Alan Duncan, SBE Audit Committee Chair  
Todd Chasteen, Audit Committee Member  
Kathryn Johnston, Deputy Superintendent of Operations  
Jeani Rousseau, Director of Internal Audit

# ORDERING INFORMATION

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For additional information, contact the  
North Carolina Office of the State Auditor at **919-807-7666**



This audit required 3,906 hours at an approximate cost of \$406,224, including costs associated with the report on the Department's statewide financial statement audit procedures.