

# STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



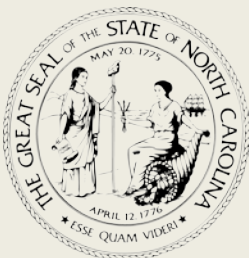
## NORTH CAROLINA DEPARTMENT OF PUBLIC INSTRUCTION

RALEIGH, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

AS OF AND FOR THE FISCAL  
YEAR ENDED JUNE 30, 2015

A DEPARTMENT OF THE STATE OF NORTH CAROLINA



**NCOSA**  
The Taxpayers' Watchdog

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  
<http://www.ncauditor.net>

## **AUDITOR'S TRANSMITTAL**

---

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

We have completed a financial statement audit of the North Carolina Department of Public Instruction as of and for the fiscal year ended June 30, 2015, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

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

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

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA  
State Auditor

# AN OVERVIEW OF HOW TO USE THIS REPORT

---

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

The Department of Public Instruction reports financial activities in two major funds: governmental and proprietary. The governmental 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" and the schedules/Notes will be referenced next to the line item caption.

**Required Information** (Information required to be reported by state departments per auditing and financial reporting standards):

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

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

**"A" Exhibits** present the Balance Sheet (as of June 30, 2015, with comparative totals for June 30, 2014) and the Statement of Revenues, Expenditures, and Changes in Fund Balance (for fiscal year ended June 30, 2015, with comparative totals for year ended June 30, 2014) for the DPI **governmental fund as a whole**.

**"B" Exhibits** present the Balance Sheet (as of June 30, 2015, with comparative totals for June 30, 2014), the Statement of Revenues, Expenses, and Changes in Net Position (for fiscal year ended June 30, 2015, with comparative totals for year ended June 30, 2014), and the Statement of Cash Flows (for fiscal year ended June 30, 2015, with comparative totals for year ended June 30, 2014) for the DPI **proprietary fund as a whole**.

**"C" Schedules** present a budget-to-actual comparison for the General Fund (for the fiscal year ended June 30, 2015) of the DPI **general fund as a whole**, a schedule of ten-year claims development information for the public school insurance fund, and schedules of net pension liability and contributions.

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

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

- D-1 - Revenues by Source (Agrees to total revenues on Exhibit A-2)

## AN OVERVIEW OF HOW TO USE THIS REPORT

- D-2 - Expenditures by Purpose (Agrees to total expenditures on Exhibit A-2 which are presented by natural classification)
- D-3 - Schedule of Grants, State, and Federal Aid Paid to Schools (Agrees to Exhibit A-2)
- D-4 - Schedule of Grants and Aid Paid to School Districts (Alphabetically by County)
- D-5 - Schedule of Grants and Aid Paid to School Districts (Amount - Sorted Largest to Smallest)
- D-6 - Schedule of Grants and Aid Paid to Charter Schools (Alphabetically by County)
- D-7 - Schedule of Grants and Aid Paid to Charter Schools (Amount - Sorted Largest to Smallest)

### **Required Information:**

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



Beth A. Wood, CPA  
State Auditor

## TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT .....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	4
BASIC FINANCIAL STATEMENTS	
EXHIBITS	
A-1 Balance Sheet - Governmental Fund - General Fund .....	10
A-2 Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund - General Fund .....	11
B-1 Statement of Net Position - Proprietary Fund - Public School Insurance Fund .....	12
B-2 Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund - Public School Insurance Fund .....	13
B-3 Statement of Cash Flows - Proprietary Fund - Public School Insurance Fund .....	14
NOTES TO THE FINANCIAL STATEMENTS .....	15
REQUIRED SUPPLEMENTARY INFORMATION	
C-1 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis- Non-GAAP) General Fund .....	38
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY INFORMATION .....	39
C-2 Ten-Year Claims Development Information - Public School Insurance Fund .....	40
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CLAIMS INFORMATION .....	41

C-3 SCHEDULE OF THE PROPORTIONATE NET PENSION  
LIABILITY.....42

C-4 SCHEDULE OF DEPARTMENT CONTRIBUTIONS .....43

NOTES TO THE REQUIRED SUPPLEMENTARY  
INFORMATION – SCHEDULE OF DEPARTMENT  
CONTRIBUTIONS .....44

SUPPLEMENTARY INFORMATION

D-1 Revenues by Source - General Fund.....45

D-2 Expenditures by Purpose - General Fund .....46

D-3 Schedule of Grants, State, and Federal Aid  
Paid to Schools - General Fund .....48

D-4 Schedule of Grants and Aid Paid to  
School Districts (Alphabetically by County) -  
General Fund .....50

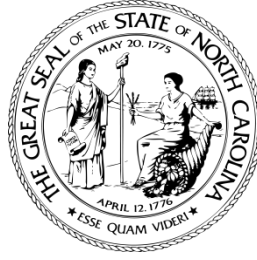
D-5 Schedule of Grants and Aid Paid to School  
Districts (Amount - Sorted Largest to Smallest) -  
General Fund .....53

D-6 Schedule of Grants and Aid Paid to Charter  
Schools (Alphabetically by County) -  
General Fund .....56

D-7 Schedule of Grants and Aid Paid to Charter  
Schools (Amount - Sorted Largest to Smallest) -  
General Fund .....58

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* .....60

ORDERING INFORMATION ..... 62



# **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  
<http://www.ncauditor.net>

## **INDEPENDENT AUDITOR'S REPORT**

---

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

### Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the North Carolina Department of Public Instruction (Department) as of and for the fiscal year ended June 30, 2015, 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 the governmental fund and proprietary fund of the North Carolina Department of Public Instruction, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

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

As discussed in Note 15 to the financial statements, during the year ended June 30, 2015, the Department adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68 - *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

### Other Matters

#### *Required Supplementary Information*

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

#### *Prior Period Information*

We have previously audited the accompanying financial statements of the governmental and proprietary activities of the Department as of June 30, 2014 and the respective changes in financial position for the year then ended June 30, 2014, and expressed an unmodified audit opinion on those audited financial statements in our report dated June 19, 2015. The prior year supplementary schedules were derived from and related directly to the underlying

accounting and other records used to prepare the financial statements. The supplementary schedules were not subjected to the auditing procedures applied in the audit of the basic financial statements of the prior year, and accordingly, we did not express an opinion or provide any assurance on them.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements for major funds. The accompanying supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described previously, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements for major funds.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2016 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.



Beth A. Wood, CPA  
State Auditor

Raleigh, North Carolina

May 19, 2016



# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Management's Discussion and Analysis section of the North Carolina Department of Public Instruction's (Department) financial report is provided as an overview of the financial performance of the governmental fund and proprietary fund for the fiscal years ended June 30, 2015 and 2014. This discussion and analysis should be read in conjunction with the financial statements and related notes to the financial statements which follow this section.

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

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

#### **General Fund:**

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

#### **Public School Insurance Fund:**

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

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

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

**Governmental Fund - General Fund**
**Condensed Balance Sheets**

The following condensed balance sheets show the governmental fund's financial position at June 30, 2015 and 2014.

Balance Sheets  
Governmental Fund - General Fund

	2015	2014	Change
Assets	\$ 304,614,951	\$ 318,668,844	\$ (14,053,893)
Deferred Outflows of Resources	0	0	0
Total Assets and Deferred Outflows	<u>\$ 304,614,951</u>	<u>\$ 318,668,844</u>	<u>\$ (14,053,893)</u>
Liabilities	\$ 254,777,367	\$ 238,811,227	\$ 15,966,140
Deferred Inflows of Resources	0	0	0
Fund Balance			
Nonspendable	2,825,693	2,596,256	229,437
Restricted	2,645,577	1,710,851	934,726
Committed	258,100,788	278,222,510	(20,121,722)
Unassigned	(213,734,474)	(202,672,000)	(11,062,474)
Total Fund Balance	<u>49,837,584</u>	<u>79,857,617</u>	<u>(30,020,033)</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 304,614,951</u>	<u>\$ 318,668,844</u>	<u>\$ (14,053,893)</u>

Total assets decreased by \$14.05 million compared to prior year. Cash and cash equivalents decreased \$4.89 million resulting primarily from an increase in spending for IT projects. The decrease in receivables of \$9.38 million is primarily related to the NC Teaching Fellows Program operations being transferred out of the agency to the North Carolina State Education Assistance Authority.

Total liabilities increased by \$15.97 million during the year due to a \$28.81 million increase in intergovernmental payables primarily relating to Accrued Payroll for the 11/12 month teacher pay installments. The amount was much higher than in prior years as more teachers chose to participate in the program. This is offset by \$9.8 million decrease in Unearned Revenue relating to federal contract and grant expenditures in excess of federal drawdowns. This situation is the result of a timing difference between when funds are spent and requested at year-end.

Overall fund balance decreased by \$30.02 million with the largest decrease in committed fund balance (\$20.12 million) attributable to the transfer of the NC Teaching Fellows Program fund balance (\$12.3 million) as well as the overall current year activity – see further details on the following statement of revenues, expenditures, and changes in fund balance.

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

The following condensed statements show the governmental fund's resource flows at June 30, 2015 and 2014.

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

	2015	2014	Change
<b>Revenues</b>			
Federal Funds	\$ 1,538,735,525	\$ 1,501,333,277	\$ 37,402,248
Revenues from Other State Agencies	713,460,240	607,973,973	105,486,267
Other Revenues	31,188,222	26,182,329	5,005,893
<b>Total Revenues</b>	<b>2,283,383,987</b>	<b>2,135,489,579</b>	<b>147,894,408</b>
<b>Expenditures</b>			
Grants, State, and Federal Aid	9,980,860,533	9,545,917,390	434,943,143
Contracted Services	92,966,726	92,765,085	201,641
Personal Services	155,110,847	166,422,934	(11,312,087)
Supplies and Materials	3,310,054	3,500,138	(190,084)
Purchases for Resale		1,558,303	(1,558,303)
Travel	5,421,231	5,510,092	(88,861)
Communication	791,465	775,037	16,428
Utilities	1,103,358	1,068,728	34,630
Data Processing Services	13,221,593	17,280,463	(4,058,870)
Claims and Benefits	5,208,199	8,153,531	(2,945,332)
Other Services	2,605,751	1,799,857	805,894
Other Fixed Charges	11,526,601	13,029,405	(1,502,804)
Expenditures to Other State Agencies	26,952,849	17,052,459	9,900,390
Capital Outlay	55,535,314	48,965,626	6,569,688
Scholarships	3,375,794	910,023	2,465,771
Insurance	2,649,109	2,634,561	14,548
Other Expenditures	2,924,397	2,446,869	477,528
<b>Total Expenditures</b>	<b>10,363,563,821</b>	<b>9,929,790,501</b>	<b>433,773,320</b>
<b>Excess Expenditures over Revenues</b>	<b>(8,080,179,834)</b>	<b>(7,794,300,922)</b>	<b>(285,878,912)</b>
<b>Other Financing Sources</b>			
State Appropriations	8,048,284,803	7,771,435,673	276,849,130
Sale of Capital Assets	1,672,325	1,459,074	213,251
Insurance Recoveries	202,673	352,849	(150,176)
<b>Total Other Financing Sources</b>	<b>8,050,159,801</b>	<b>7,773,247,596</b>	<b>276,912,205</b>
<b>Decrease in Fund Balance</b>	<b>(30,020,033)</b>	<b>(21,053,326)</b>	<b>(8,966,707)</b>
<b>Fund Balance - Beginning of Year</b>	<b>79,857,617</b>	<b>100,910,943</b>	<b>(21,053,326)</b>
<b>Fund Balance - End of Year</b>	<b>\$ 49,837,584</b>	<b>\$ 79,857,617</b>	<b>\$ (30,020,033)</b>

Total revenues were \$2.28 billion at June 30, 2015, an increase of \$147.89 million from prior year. Federal funding increased by \$37.40 million largely due to increased funding for the Child Nutrition Cluster of \$40.78 million and other small grant funding reductions. Revenues from other state agencies also increased by \$105.49 million, largely represented by a \$138.32 million increase in lottery revenues. Other revenues increased slightly over prior year primarily due to increased funding for the telecommunications and internet access program. More public school districts and charter schools obtained bundled internet access, including additional bandwidth, capacity through the Department's contract with Information Technology Services.

Expenditures increased by \$433.77 million compared to prior year due largely to a \$435 million increase in grants, state, and federal aid paid to schools.

Other financing sources increased \$276.91 million primarily due to increased state appropriations of \$276.85 million.

### **Budget Variations**

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

#### *Variances - Original and Final Budget:*

The final budgeted revenues and expenditures were \$616.24 million and \$807.89 million, respectively, less than the original budget. The decreases are primarily comprised of the \$646.96 million decrease in federal funds. Generally, the variances between original and final budget are attributable to the timing and length of the budget preparation process and the budgeting of federal funds for the fiscal year. The original budget for fiscal year 2014-15 was prepared approximately 18 months prior to the final budget. The final budget reflects all budget revisions made throughout the fiscal year to adjust for known facts as well as supplemental adjustments approved by the General Assembly. Consequently, when the original budget is compared to the final budget, it would be expected that significant variances can occur.

Additional factors leading to variances between the original and final budget in fiscal year 2015 include: unanticipated decreased funding in state aid for schools, transferring funds for communication services, and allocating capital outlay for textbooks and school buses.

#### *Variances - Final Budget and Actual Results:*

Actual total revenues were \$447.40 million less than budgeted revenue amounts. Likewise, actual total expenditures were \$638.63 million less than budgeted expenditures. Budgeted revenues and expenditures were unrealized mostly due to a \$443.18 million decrease in federal funds received. Variances occur between the budget and actual federal funds because actual federal fund receipts are reflective of the actual expenditures. Therefore, if qualifying federal costs are not incurred, the actual receipt of federal funds could be significantly less than the budget.

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

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

The following condensed statements of net position show the proprietary fund's financial position at June 30, 2015 and 2014.

Statements of Net Position Proprietary Fund - Public School Insurance Fund			
	2015	2014 (As Restated)	Change
<b>Assets</b>			
Current Assets	\$ 102,236,911	\$ 95,264,409	\$ 6,972,502
Deferred Outflows of Resources	48,193	42,424	5,769
<b>Liabilities</b>			
Current Liabilities	14,711,548	9,473,698	5,237,850
Noncurrent Liabilities	124,748	274,999	(150,251)
Total Liabilities	14,836,296	9,748,697	5,087,599
Deferred Inflows of Resources	132,084	0	132,084
<b>Net Position</b>			
Unrestricted	\$ 87,316,724	\$ 85,558,136	\$ 1,758,588

Total assets were \$102.24 million at June 30, 2015, an increase of \$6.97 million compared to prior year. Cash and Investments had a net increase of \$8 million mainly as the result of transfers in the amount of \$5 million from the short-term portfolio to the long-term investment pool plus the increase in cash and cash equivalents of \$1.2 million. In addition investments earned \$3 million during the year. These increases were offset by a \$1.7 million decrease in receivables relating to reinsurance recoveries received during the year for previous year tornado losses. Total liabilities increased \$5.09 million from prior year. Claims payable increased \$4.68 million due to tornados that heavily damaged several schools in Greene County (total losses exceeded eight million dollars).

Net position increased \$1.76 million from the prior year primarily as the result of \$6.82 million change in the investment account balance which was offset by an increase of \$4.68 million in claims liabilities due to several schools being damaged by tornados in Greene County, NC. For further information on the changes, see the following statement of revenues, expenses, and changes in net position.



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

While the condensed statements of net position show the financial position of the proprietary fund, the following condensed statements of revenues, expenses, and changes in net position provides answers to the nature and source of changes in net position for the years ended June 30, 2015 and 2014:

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

	2015	2014*	Change
<b>Operating Revenues</b>			
Insurance Premiums	\$ 12,645,298	\$ 13,513,503	\$ (868,205)
<b>Operating Expenses</b>			
Personal Services	571,963	633,114	(61,151)
Contracted Personal Services	460		460
Supplies and Materials	1,068	1,150	(82)
Capital Outlay	889		889
Travel	52,885	54,389	(1,504)
Communication	1,938	1,908	30
Claims	8,624,757	6,289,573	2,335,184
Insurance	3,544,901	4,313,313	(768,412)
Other	5,883	4,695	1,188
Total Operating Expenses	12,804,744	11,298,142	1,506,602
Operating Income	(159,446)	2,215,361	(2,374,807)
<b>Nonoperating Revenues (Expenses)</b>			
Investment Earnings (Loss)	1,918,034	4,069,940	(2,151,906)
Increase in Net Position	1,758,588	6,285,301	(4,526,713)
Net Position - Beginning of Year, As Restated	85,558,136	79,415,996	6,142,140
Net Position - End of Year	\$ 87,316,724	\$ 85,701,297	\$ 1,615,427

*\*Note: The year ended June 30, 2014 column is not presented "As Restated" above because actuarial calculations performed relative to the implementation of GASB 68 do not provide sufficient information to restate these amounts.*

Operating revenues decreased \$0.87 million primarily due to a decrease in insured values. Total operating expenses increased \$1.51 million compared to prior year primarily due to a \$2.34 million increase in claims expense for losses incurred during fiscal year 2015.

With decreased market conditions, the Department experienced investment earnings of \$1.92 million which is nearly half the prior year's investment earnings increase.

### Future Outlook

In 2015 the General Assembly enacted legislation to expand various State funded Education programs and initiatives, while also decreasing the Department of Public Instruction's operating budget.

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



# **FINANCIAL STATEMENTS**

**North Carolina Department of Public Instruction**  
**Balance Sheet**  
**Governmental Fund - General Fund**  
**As of June 30, 2015 (With Comparative Totals for June 30, 2014)**

**Exhibit A-1**

	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
Cash and Cash Equivalents (Note 2)	\$ 274,529,172	\$ 279,428,749
Receivables:		
Accounts Receivable	149,834	127,976
Intergovernmental Receivables (Note 3)	27,000,869	29,242,684
Interest Receivable	79,384	2,498,078
Other Receivables		129,567
Inventories	2,825,692	2,596,256
Notes Receivable, Net (Note 4)	30,000	4,645,534
Total Assets	<u>304,614,951</u>	<u>318,668,844</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Total Deferred Outflows of Resources	<u>0</u>	<u>0</u>
Total Assets and Deferred Outflows	<u>\$ 304,614,951</u>	<u>\$ 318,668,844</u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities:		
Accounts Payable	\$ 3,886,980	6,830,154
Accrued Payroll	12,729	109,160
Intergovernmental Payables (Note 6)	237,843,113	209,032,312
Funds Held for Others	17,364	34,184
Unearned Revenue	13,017,181	22,805,417
Total Liabilities	<u>254,777,367</u>	<u>238,811,227</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>
<b>FUND BALANCE (Note 9)</b>		
Nonspendable	2,825,693	2,596,256
Restricted	2,645,577	1,710,851
Committed	258,100,788	278,222,510
Unassigned	(213,734,474)	(202,672,000)
Total Fund Balance	<u>49,837,584</u>	<u>79,857,617</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 304,614,951</u>	<u>\$ 318,668,844</u>

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

**North Carolina Department of Public Instruction**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance**  
**Governmental Fund - General Fund**  
**For the Fiscal Year Ended June 30, 2015**  
**(With Comparative Totals for June 30, 2014)**

**Exhibit A-2**

	<b>2015</b>	<b>2014</b>
<b>REVENUES</b>		
Federal Funds	\$ 1,538,735,525	\$ 1,501,333,277
Revenues from Other State Agencies (Note 10)	713,460,240	607,973,973
Contributions, Gifts, and Grants	9,126,487	8,285,648
E Rate Telecommunication and Internet Access Program Funds	11,296,151	7,954,999
Sales and Services	2,532,849	3,359,059
Licensure Certification and Registration Fees	2,884,804	2,997,376
Property and Equipment Rental	1,992,804	1,848,550
Investment Earnings	2,127,157	899,311
Student Tuition and Fees	444,294	374,625
Miscellaneous	783,676	462,761
Total Revenues (See Schedule D-1)	<u>2,283,383,987</u>	<u>2,135,489,579</u>
<b>EXPENDITURES</b>		
Grants, State and Federal Aid (See Schedule D-3)	9,980,860,533	9,545,917,390
Contracted Services	92,966,726	92,765,085
Personal Services	155,110,847	166,422,934
Supplies and Materials	3,310,054	3,500,138
Purchases for Resale		1,558,303
Travel	5,421,231	5,510,092
Communication	791,465	775,037
Utilities	1,103,358	1,068,728
Data Processing Services	13,221,593	17,280,463
Claims and Benefits	5,208,199	8,153,531
Other Services	2,605,751	1,799,857
Other Fixed Charges	11,526,601	13,029,405
Expenditures to Other State Agencies (Note 10)	26,952,849	17,052,459
Capital Outlay	55,535,314	48,965,626
Scholarships	3,375,794	910,023
Insurance	2,649,109	2,634,561
Other Expenditures	2,924,397	2,446,869
Total Expenditures (See Schedule D-2)	<u>10,363,563,821</u>	<u>9,929,790,501</u>
Excess of Revenues Over (Under) Expenditures	<u>(8,080,179,834)</u>	<u>(7,794,300,922)</u>
<b>OTHER FINANCING SOURCES</b>		
State Appropriations	8,048,284,803	7,771,435,673
Sale of Capital Assets	1,672,325	1,459,074
Insurance Recoveries	202,673	352,849
Total Other Financing Sources	<u>8,050,159,801</u>	<u>7,773,247,596</u>
Net Change in Fund Balance	(30,020,033)	(21,053,326)
Fund Balance - Beginning of Year	<u>79,857,617</u>	<u>100,910,943</u>
Fund Balance - End of Year	<u>\$ 49,837,584</u>	<u>\$ 79,857,617</u>

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

**North Carolina Department of Public Instruction**  
**Statement of Net Position**  
**Proprietary Fund - Public School Insurance Fund**  
**As of June 30, 2015 (With Comparative Totals for June 30, 2014)**

**Exhibit B-1**

	<b>2015</b>	<b>2014 (As Restated)</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents (Note 2)	\$ 20,464,761	\$ 19,259,360
Pooled Investments (Note 2)	76,654,943	69,833,908
Receivables:		
Reinsurance Receivable		1,717,305
Premiums Receivable	2,417,329	1,530,553
Interest Receivable	8,963	6,810
Prepaid Reinsurance	2,690,915	2,916,473
Total Assets	<u>102,236,911</u>	<u>95,264,409</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflows Related to Pensions	<u>48,193</u>	<u>42,424</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities:		
Accounts Payable	11,709	745
Intergovernmental Payables (Note 6)	4,995	6,599
Claims Payable (Note 13)	10,176,077	5,496,213
Accrued Payroll	1,870	1,177
Unearned Revenue	4,505,999	3,960,700
Compensated Absences (Note 7)	10,898	8,264
Total Current Liabilities	<u>14,711,548</u>	<u>9,473,698</u>
Noncurrent Liabilities:		
Compensated Absences (Note 7)	88,177	89,414
Net Pension Liability (Note 7)	36,571	185,585
Total Noncurrent Liabilities	<u>124,748</u>	<u>274,999</u>
Total Liabilities	<u>14,836,296</u>	<u>9,748,697</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows Related to Pensions	<u>132,084</u>	<u>0</u>
<b>NET POSITION</b>		
Unrestricted	<u>\$ 87,316,724</u>	<u>\$ 85,558,136</u>

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

**North Carolina Department of Public Instruction  
Statement of Revenues, Expenses, and  
Changes in Net Position  
Proprietary Fund - Public School Insurance Fund  
For the Fiscal Year Ended June 30, 2015  
(With Comparative Totals for June 30, 2014)**

**Exhibit B-2**

	<b>2015</b>	<b>2014*</b>
<b>REVENUES</b>		
Operating Revenues:		
Insurance Premiums	\$ 12,645,298	\$ 13,513,503
<b>EXPENSES</b>		
Operating Expenses:		
Personal Services	571,963	633,114
Contracted Personal Services	460	
Supplies and Materials	1,068	1,150
Capital Outlay	889	
Travel	52,885	54,389
Communication	1,938	1,908
Claims	8,624,757	6,289,573
Insurance	3,544,901	4,313,313
Other	5,883	4,695
Total Operating Expenses	12,804,744	11,298,142
Operating Income	(159,446)	2,215,361
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment Earnings	1,918,034	4,069,940
Increase in Net Position	1,758,588	6,285,301
Net Position - Beginning of Year, as Restated (Note 15)	85,558,136	79,415,996
Net Position - End of Year	\$ 87,316,724	\$ 85,701,297

*\*Note: The year ended June 30, 2014 column is not presented "As Restated" above because actuarial calculations performed relative to the implementation of GASB 68 do not provide sufficient information to restate these amounts.*

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, 2015**  
**(With Comparative Totals for June 30, 2014)**

**Exhibit B-3**

	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from Customers	\$ 12,303,821	\$ 12,972,993
Payments to Employees and Fringe Benefits	(592,572)	(634,831)
Payments to Suppliers	(3,373,106)	(3,695,342)
Payments for Claims	(2,227,588)	(2,344,237)
Net Cash Provided by Operating Activities	6,110,555	6,298,583
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Income	3,420,135	3,183,754
Purchase of Investments and Related Fees	(8,325,289)	(3,102,729)
Net Cash Provided by Investing Activities	(4,905,154)	81,025
Net Increase in Cash and Cash Equivalents	1,205,401	6,379,608
Cash and Cash Equivalents, July 1, 2014	19,259,360	12,879,752
Cash and Cash Equivalents, June 30, 2015	<u>\$ 20,464,761</u>	<u>\$ 19,259,360</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income	\$ (159,446)	\$ 2,215,361
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Pension Expense	17,709	
Changes in Assets and Liabilities:		
Reinsurance Receivable	1,717,305	2,936,706
Premiums Receivable	(886,776)	1,495,609
Prepaid Reinsurance	225,558	677,438
Deferred Outflows for Contributions Subsequent to the Measurement Date	(40,407)	
Accounts Payable	10,964	(2,674)
Intergovernmental Payable	(1,604)	5,349
Claims Payable	4,679,864	1,008,630
Accrued Payroll	692	(136)
Unearned Revenue	545,299	(2,036,119)
Compensated Absences	1,397	(1,581)
Net Cash Provided by Operating Activities	<u>\$ 6,110,555</u>	<u>\$ 6,298,583</u>
<b>NONCASH INVESTING ACTIVITIES</b>		
Change in Fair Value of Investments	\$ (1,504,254)	\$ 883,359

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



# NOTES TO THE FINANCIAL STATEMENTS



**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Organization** - The North Carolina Department of Public Instruction (Department) is a part of the State of North Carolina and is not a separate legal or reporting entity. The Department is charged with implementing the state's public school laws and the State Board of Education's policies and procedures governing pre-kindergarten through 12th grade public education. The Department provides leadership and service to the 115 local public school districts, 151 charter schools, and the three residential schools for students with hearing and visual impairments. The areas of support include curriculum and instruction, accountability, finance, teacher and administrator preparation and licensing, professional development and school business support and operations.

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

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

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

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

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

Department. Because the Department is not a separate entity, government-wide financial statements are not prepared.

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

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

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

**Public School Insurance Fund** - This proprietary fund accounts for the activities of the Public School Insurance Fund (the Fund). The purpose of the Fund is to manage and operate an insurance fund for public school property. The Fund insures the property assets of North Carolina public schools and those North Carolina community colleges that elect to participate. The Fund is financed by premiums collected from the public school districts and community colleges. The Fund currently insures 87 out of 115 public school districts and 31 out of 58 community colleges.

#### D. Measurement Focus and Basis of Accounting

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

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

Since capital asset and long-term liability accounts relating to the governmental fund are reported only at the statewide level, these amounts are not included in the Department's governmental fund

financial statements. However, these amounts are reported in the Notes to the Financial Statements.

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

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

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

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

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

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

**H. Notes Receivable** - Notes receivable consist of the Teaching Fellows Loan Program which is administered by the North Carolina State Education Assistance Authority. Loans are forgiven if program borrowers teach in North Carolina schools for four years. Notes receivable are reported net of the amount that is expected to be forgiven upon the fulfillment of the borrowers' teaching obligation. Administrative responsibility of this program along with the notes receivables was transferred during fiscal year 2015. Remaining notes receivable consisted of a Literary Loan to Hyde County at year end (see Note 4 for further information).

**I. Inventories and Prepaid Items** - Inventories, consisting of general supplies and materials, are valued at cost using the first-in, first-out (FIFO) method. Inventories of the governmental fund are recorded as expenditures when consumed rather than when purchased.

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

**J. Intergovernmental Payables** - Intergovernmental payables for the governmental fund represent accrued payroll for state-funded school teachers and amounts due to the schools in connection with the federal child nutrition program for qualified meals. Intergovernmental payables for the proprietary fund represent amounts due to other state agencies for services provided.

**K. Unearned Revenue** - Unearned revenue for the governmental fund represents the cumulative excess of cash received from the federal government over expenditures paid in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Unearned revenue for the proprietary fund represents insurance premiums paid by schools for coverage relating to future periods.

**L. Long-Term Liabilities** - General long-term liabilities for the governmental fund are not recognized in the governmental fund until they become due. Consequently, general long-term liabilities not yet due are not reported on the face of the financial statements. For the proprietary fund, long-term liabilities, which include compensated absences and net pension liability, are reported as liabilities on the face of the financial statements. The noncurrent portion represents amounts that will not be paid within the next fiscal year.

**M. Compensated Absences** - Employees of the Department are permitted to accumulate earned but unused vacation pay benefits. All vacation pay is accrued when incurred in the propriety fund. In the governmental fund, a liability for these amounts is reported only as payments come due each

period upon the occurrence of relevant events such as employee resignations and retirements. Consequently, compensated absence balances are not reported on the face of the governmental fund financial statements but are reported in the Notes to the Financial Statements. When determining the vacation pay liability due within one year, leave is considered taken on a last in, first out (LIFO) basis. The Department's policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of 30 days at calendar year end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

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

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

#### **N. Net Position / Fund Balance**

**Net Position** - Net position for the proprietary fund is classified as unrestricted and includes resources derived from insurance premiums and investment earnings. Net position also includes consideration of deferred outflows and inflows of resources.

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

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

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

Committed fund balances can only be used for specific purposes pursuant to constraints imposed by formal action of the N.C. General

Assembly, the state's highest level of decision-making authority. The N.C. General Assembly establishes commitments through the passage of legislation that becomes State law. Commitments may be changed or lifted only by taking the same formal action that imposed the constraint originally.

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

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

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

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

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

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



**NOTE 2 - DEPOSITS AND INVESTMENTS**

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

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

Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be returned to it. As of June 30, 2015 and 2014, the Department's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

At June 30, 2015 and 2014, the governmental fund's Balance Sheet reported cash and cash equivalents of \$274,529,172 and \$279,428,749, respectively. The proprietary fund's Statement of Net Position reported cash and cash equivalents of \$20,464,761 and \$19,259,360, respectively, for the same dates. 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 other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.5 years and 1.3 years as of June 30, 2015 and 2014, respectively. Assets and shares of the STIF are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

At June 30, 2015 and 2014, the amounts shown on the proprietary fund's Statement of Net Position as pooled investments, \$76,654,943 and \$69,833,908, respectively, represent the Department's equity position in the State Treasurer's Long-Term Investment Portfolio (LTIP). The LTIP (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 18.0 years and 16.3 years at June 30, 2015 and 2014, respectively. Assets and shares of the LTIP are valued at fair market value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's LTIP) are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

## NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables for the governmental fund at June 30, 2015, were as follows:

	Amount
Intergovernmental Receivables:	
Child Nutrition Program	\$ 24,700,619
Local School Districts	2,300,250
	<hr/>
Total Intergovernmental Receivables	\$ 27,000,869
	<hr/>

## NOTE 4 - NOTES RECEIVABLE

Notes receivable for the governmental fund at June 30, 2015 were as follows:

	Amount
Notes Receivable:	
Teaching Fellows Loan Program	\$ 0
Less Allowance for Loan Forgiveness	
Other Notes Receivable	30,000
	<hr/>
Notes Receivable, Net	\$ 30,000
	<hr/>

**Transfer of Operations** - The Teaching Fellows Loan Program has been funded by the North Carolina General Assembly since 1986. During 2011, the General Assembly voted to end the Teaching Fellows Program with the final class participant graduating in spring 2015. In August 2014, the General Assembly ratified Session Law 2014-100, which included the transfer of this loan program to the North Carolina State Education Assistance Authority



(NCSEAA) to be completed as of March 1, 2015. All administrative duties of the loan program were assumed by the NCSEAA and all related trust fund account balances transferred.

During the fiscal year 2015, the loan program had nonoperating interest revenue of \$1.28 million and nonoperating scholarships expense of \$3.16 million. As of March 1, 2015, the trust fund had a remaining balance of \$10.46 million, which was transferred to NCSEAA (see Note 10). This balance includes all remaining cash balance in the trust fund at the time of transfer of \$3.67 million as well as all outstanding loan receivables of \$54 million and their associated allowance for loan forgiveness.

#### **NOTE 5 - CAPITAL ASSETS**

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital Assets, Nondepreciable:				
Land	\$ 52,253	\$ 0	\$ 0	\$ 52,253
Art, Literature, and Artifacts	419,300			419,300
<b>Total Capital Assets, Nondepreciable</b>	<b>471,553</b>			<b>471,553</b>
Capital Assets, Depreciable:				
Buildings	46,991,650			46,991,650
Machinery and Equipment	9,858,718	246,527	279,255	9,825,990
General Infrastructure	558,126			558,126
Computer Software	2,352,831			2,352,831
<b>Total Capital Assets, Depreciable</b>	<b>59,761,325</b>	<b>246,527</b>	<b>279,255</b>	<b>59,728,597</b>
Less Accumulated Depreciation for:				
Buildings	21,315,063	759,091		22,074,154
Machinery and Equipment	5,445,918	457,911	221,425	5,682,404
General Infrastructure	411,851	12,403		424,254
Computer Software	235,283	94,113		329,396
<b>Total Accumulated Depreciation</b>	<b>27,408,115</b>	<b>1,323,518</b>	<b>221,425</b>	<b>28,510,208</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>32,353,210</b>	<b>(1,076,991)</b>	<b>57,830</b>	<b>31,218,389</b>
<b>Capital Assets, Net</b>	<b>\$ 32,824,763</b>	<b>\$ (1,076,991)</b>	<b>\$ 57,830</b>	<b>\$ 31,689,942</b>

## NOTE 6 - INTERGOVERNMENTAL PAYABLES

Intergovernmental payables at June 30, 2015 were as follows:

	Amount
<b>Governmental Fund - General Fund</b>	
Intergovernmental Payables:	
Accrued Payroll for Schools	\$ 215,465,244
Child Nutrition Program	22,077,622
Other	300,247
<b>Total Intergovernmental Payables</b>	<b>\$ 237,843,113</b>
<b>Proprietary Fund - Public School Insurance Fund</b>	
Intergovernmental Payables:	
State Agency Services	\$ 4,995

**NOTE 7 - LONG-TERM LIABILITIES**

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

Governmental Fund - General Fund	Balance July 1, 2014 (As Restated)	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Compensated Absences	\$ 9,699,479	\$ 7,417,775	\$ 7,101,672	\$ 10,015,582	\$ 1,116,737
Workers' Compensation	165,182,883	77,902,704	63,600,000	179,485,587	55,640,532
Financing Agreements	57,933,547	43,588,104	41,569,078	59,952,573	29,976,286
Net Pension Liability	26,326,555		21,138,701	5,187,854	
<b>Total Long-Term Liabilities</b>	<b>\$ 259,142,464</b>	<b>\$ 128,908,583</b>	<b>\$ 133,409,451</b>	<b>\$ 254,641,596</b>	<b>\$ 86,733,555</b>

Additional information regarding workers' compensation is included in Note 13

Additional information regarding net pension liability is included in Note 11

Proprietary Fund - Public School Insurance Fund	Balance July 1, 2014 (As Restated)	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Compensated Absences	\$ 97,678	\$ 48,779	\$ 47,382	\$ 99,075	\$ 10,898
Net Pension Liability	185,585		149,014	36,571	
<b>Total Long-Term Liabilities</b>	<b>\$ 283,263</b>	<b>\$ 48,779</b>	<b>\$ 196,396</b>	<b>\$ 135,646</b>	<b>\$ 10,898</b>

Additional information regarding net pension liability is included in Note 11

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

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

Financing Agreement	Financial Institution	Final Installment Date	Original Installment Amount	Installments Paid Through June 30, 2015	Installments Outstanding June 30, 2015
2011 - 2012 Replacement of School Buses	Mercedes-Benz Financial Services USA LLC	11/15/2014	\$ 100,818,440	\$ 100,818,440	\$ 0
2013 - 2014 Replacement of School Buses	Banc of America Public Capital Corporation	11/15/2016	32,728,937	16,364,468	16,364,469
2014 - 2015 Replacement of School Buses	Banc of America Public Capital Corporation	11/15/2017	43,588,104		43,588,104
<b>Total Financing Agreements</b>			<b>\$ 177,135,481</b>	<b>\$ 117,182,908</b>	<b>\$ 59,952,573</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, 2015:

<u>Fiscal Year</u>	<u>Amount</u>
2016	\$ 165,898
2017	111,897
2018	111,033
2019	8,893
<b>Total Minimum Lease Payments</b>	<b>\$ 397,721</b>

Rental expense for all operating leases during the year ended June 30, 2015, was \$595,077.

## NOTE 9 - FUND BALANCE

The details of the fund balance classifications for the governmental fund at June 30, 2015 are as follows:

	<u>Amount</u>
<b>Fund Balance:</b>	
Nonspendable:	
Inventory	\$ 2,825,693
Restricted for:	
Primary and Secondary Education	2,645,577
Committed to:	
Primary and Secondary Education	136,883,628
Public School Capital Projects	121,217,160
Unassigned	(213,734,474)
<b>Total Fund Balance</b>	<b>\$ 49,837,584</b>

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

The governmental fund's revenues and expenditures from/to other state agencies by entity and purpose at June 30, 2015, are as follows:

	<u>Purpose</u>	<u>Amount</u>
<b>Revenues from Other State Agencies:</b>		
Office of State Budget and Management		
Civil Penalty Fund	General Educational Support	\$ 149,935,020
Lottery Funds	General Educational Support	467,905,065
Department of Revenue	General Educational Support	53,434,053
Department of Transportation	Driver's Education Program	26,203,321
Department of Health and Human Services	Medicaid Funds for Services to Exceptional Children	15,914,163
Department of Information Technology	Early Learning	68,618
<b>Total Revenues from Other State Agencies</b>		<b>\$ 713,460,240</b>

	<u>Purpose</u>	<u>Amount</u>
<b>Expenditures to Other State Agencies:</b>		
Community College System Office	Title IV Perkins Funds	\$ 12,403,372
North Carolina University System	Title IV Perkins Funds	90,500
Department of Public Safety	Title IV Perkins Funds - Juvenile/ Delinquent Services	50,000
Department of Health and Human Services	Psychiatric Residential Treatment Facility Services	3,200,000
North Carolina State Education Assistance Authority	Teaching Fellows Program	10,459,977
Office of the State Controller	Reversion of Special Education Funds to State of NC General Fund	424,000
Department of Administration	Administration	275,000
Department of Administration	Hearing Office	50,000
<b>Total Expenditures to Other State Agencies</b>		<b>\$ 26,952,849</b>

## NOTE 11 - PENSION PLANS

### Defined Benefit Plan

*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)/school districts 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/school districts and charter schools. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

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

*Contributions:* Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their compensation.

The contribution rate for employers is set each year by the NC General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The Department's contractually-required contribution rate for the year ended June 30, 2015 was 9.15% of covered payroll. The Department's contributions to the pension plan were \$6,167,800, and employee contributions were \$4,044,459 for the year ended June 30, 2015.

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 2014 *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

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

*Methods Used to Value TSERS Investment:* Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its Investment Pool. The pension trust funds are the primary participants in the Long-term Investment portfolio and the sole participants in the External Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Credit Investment, and Inflation Protection Investment portfolios. The investment balance of each pension trust fund represents its share of the fair market value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2014 *Comprehensive Annual Financial Report*.

*Net Pension Liability:* At June 30, 2015, the Department reported a liability of \$5,224,425 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013, and update procedures were used to roll forward the total pension liability to June 30, 2014. 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, 2014, the Department's proportion was 0.44561%, which was an increase of 0.00891% from its proportion measured as of June 30, 2013.

*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	12/31/2013
Inflation	3%
Salary Increases*	4.25% - 9.10%
Investment Rate of Return**	7.25%

\* Salary increases include 3.5% inflation and productivity factor.

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

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

The actuarial assumptions used in the December 31, 2013 valuations were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	2.5%
Global Equity	6.1%
Real Estate	5.7%
Alternatives	10.5%
Credit	6.8%
Inflation Protection	3.7%

The information above is based on 30-year expectations developed with the consulting actuary for the 2013 asset, liability, and investment policy study for the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

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

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

Net Pension Liability (Asset)		
1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$37,504,547	\$5,224,425	(\$22,031,435)



*Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions:* For the year ended June 30, 2015, the Department recognized pension expense of \$2,529,810. At June 30, 2015, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 0	\$ 1,217,785
Changes of Assumptions		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		17,651,423
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions	1,112,323	
Contributions Subsequent to the Measurement Date	6,167,800	
Total	<u>\$ 7,280,123</u>	<u>\$ 18,869,208</u>

The Department's deferred outflows of resources related to pensions of \$6,167,800 represents a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year ended June 30:	Amount
2016	\$ (4,440,685)
2017	(4,440,685)
2018	(4,440,685)
2019	(4,434,830)
2020	
Total	<u>\$ (17,756,885)</u>

**NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS**

**A. Health Benefits** - The Department participates in the Comprehensive Major Medical Plan (the Plan), a cost-sharing, multiple-employer defined

benefit health care plan that provides postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System (TSERS). Coverage eligibility varies depending on years of contributory membership service in their retirement system prior to disability or retirement.

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

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

For the current fiscal year the Department contributed 5.49% of the covered payroll under TSERS to the Fund. Required contribution rates for the years ended June 30, 2014, and 2013, were 5.40% and 5.30%, respectively. The Department made 100% of its annual required contributions to the Plan for the years ended June 30, 2015, 2014, and 2013, which were \$3,700,680, \$3,766,073, and \$3,626,360, respectively. The Department assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

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

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

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2015, the Department made a statutory contribution of .41% of covered payroll under TSERS to the DIPNC. The required contribution rate for the years ended June 30, 2014, and 2013, was .44% in both years. The Department made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2015, 2014, and 2013, which were \$276,371, \$306,865, and \$301,056, respectively. The Department assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

#### NOTE 13 - RISK MANAGEMENT

- A. Public Entity Risk Pool** - The Public School Insurance Fund (the Fund) is a public entity risk pool reported within the State's proprietary fund. In accordance with Chapter 115C, Article 38, of the General Statutes, the purpose of the Fund is to insure the schools, in order to safeguard the property investments made in the public schools of North Carolina. North Carolina community colleges, which are related parties, can also acquire insurance through the Fund as stated in General Statute 115D-58.11(c). The board of each school district and the board of trustees of each community college are required to insure their buildings and contents on a replacement cost basis, as suggested by the Fund. The Fund is financed by premiums collected from the schools and the community colleges and interest is earned on the Fund's cash balance. Each board has to give notice of its election to insure in the Fund at least 30 days prior to such insurance becoming effective and shall furnish to the Fund a detailed list of all school buildings, contents and other insurable school property. While policies remain in effect, the Fund shall act as insurer of the properties covered by such insurance. The Fund currently insures 87 out of 115 schools and 31 out of 58 community colleges.

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

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

The following schedule shows the changes in the reported liability as of June 30, 2015 and 2014:

	2015	2014
Unpaid Claims at Beginning of Year	\$ 5,496,213	\$ 4,487,583
<b>Incurred Claims:</b>		
Provision for Insured Events of the Current Year	10,524,422	6,491,994
Decreases in Provision for Insured Events of Prior Years	(1,899,665)	(202,421)
Total Incurred Claims	8,624,757	6,289,573
<b>Payments:</b>		
Claims Attributable to Insured Events of the Current Year	1,447,660	1,844,987
Claims Attributable to Insured Events of the Prior Years	2,497,233	3,435,956
Total Payments	3,944,893	5,280,943
Total Unpaid Claims at End of the Year	\$ 10,176,077	\$ 5,496,213

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

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

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

The Department is required to maintain fire and lightning coverage on all state-owned buildings and contents through the State Property Fire

Insurance Fund (Fund), an internal service fund of the State. Such coverage is provided at no cost to the Department for operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the coverage. Losses covered by the Fund are subject to a \$5,000 per occurrence deductible. However, some agencies have chosen a higher deductible for a reduction in premium.

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

The Department is protected for losses from employee dishonesty and computer fraud. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. The Department is charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$75,000 deductible.

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

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

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

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

## NOTE 14 - COMMITMENTS AND CONTINGENCIES

### A. Pending Litigation and Claims

***Hoke County, et al. v. State of North Carolina and State Board of Education - Right to a Sound Basic Education (formerly Leandro).***

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

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

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

- B. Federal Grants** - The Department receives significant financial assistance from the federal government in the form of grants and entitlements, which are generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Under the terms of the grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures. Any disallowance as a result of questioned costs could become a liability of the Department. As of June 30, 2015 and 2014, the Department is unable to estimate what liabilities may result from such audits.

**NOTE 15 - NET POSITION RESTATEMENTS**

As of July 1, 2014, the proprietary fund's net position as previously reported was restated as follows:

	Amount
Beginning Net Position as Previously Reported	\$ 85,701,297
Restatements:	
Related Deferred Outflows of Resources Per GASB 68 Requirements	(143,161)
Beginning Net Position as Restated	\$ 85,558,136



# **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, 2015**

**Schedule C-1**

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Federal Funds	\$ 2,617,883,898	\$ 1,970,919,160	\$ 1,527,737,051	\$ (443,182,109)
Revenues from Other State Agencies	758,325,880	763,042,651	762,645,118	(397,533)
Contributions, Gifts, and Grants	9,883,988	14,519,570	9,218,026	(5,301,544)
E Rate Telecommunication/Internet Access Program Funds		10,387,065	11,296,151	909,086
Sales and Services	1,888,368	1,901,943	2,304,510	402,567
Licensure Certification and Registration Fees	2,022,222	3,272,725	2,884,590	(388,135)
Property and Equipment Rental	1,600,000	2,014,803	1,970,946	(43,857)
Investment Earnings	5,607,016	3,320,174	3,397,288	77,114
Student Tuition and Fees	325,000	412,130	442,824	30,694
Miscellaneous	7,360	291,132	783,676	492,544
Total Revenues	3,397,543,732	2,770,081,353	2,322,680,180	(447,401,173)
<b>EXPENDITURES</b>				
Grants, State and Federal Aid	11,217,132,878	10,395,846,734	9,955,421,985	440,424,749
Contracted Services	132,724,118	136,549,719	92,359,779	44,189,940
Personal Services	179,523,096	164,840,941	154,733,238	10,107,703
Supplies and Materials and Purchases for Resale	5,748,264	6,670,509	3,596,426	3,074,083
Travel	7,472,694	7,625,360	5,439,758	2,185,602
Communication and Data Processing Services	15,730,274	19,795,385	15,048,467	4,746,918
Utilities	676,593	1,114,793	1,080,187	34,606
Claims and Benefits	18,165,369	5,208,199	5,208,199	
Other Services	41,473,752	29,592,565	3,311,407	26,281,158
Other Fixed Charges	9,193,242	10,786,430	10,176,637	609,793
Expenditures to Other State Agencies	70,615,482	68,614,702	63,854,496	4,760,206
Capital Outlay	84,022,999	109,391,744	56,517,548	52,874,196
Scholarships	2,675,612	4,023,824	3,375,794	648,030
Insurance and Bonding	4,047,235	4,129,487	3,258,692	870,795
Other Expenditures	3,259,253	3,739,313	2,095,886	1,643,427
Reserves	29,539,769	46,177,052		46,177,052
Total Expenditures	11,822,000,630	11,014,106,757	10,375,478,499	638,628,258
Excess of Revenues Over (Under) Expenditures	(8,424,456,898)	(8,244,025,404)	(8,052,798,319)	191,227,085
<b>OTHER FINANCING SOURCES</b>				
State Appropriations	8,172,115,680	8,172,156,680	8,048,284,803	(123,871,877)
Sale of Capital Assets	1,509,000	1,509,000	1,672,325	163,325
Insurance Recoveries			202,673	202,673
Total Other Financing Sources	8,173,624,680	8,173,665,680	8,050,159,801	(123,505,879)
Net Change in Fund Balance	(250,832,218)	(70,359,724)	(2,638,518)	67,721,206
Fund Balance - July 1, 2014	2,588,599	159,225,035	230,209,686	70,984,651
Fund Balance - June 30, 2015	\$ (248,243,619)	\$ 88,865,311	\$ 227,571,168	\$ 138,705,857

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

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

### A. BUDGETARY PROCESS

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

### B. RECONCILIATION OF BUDGET/GAAP REPORTING DIFFERENCES

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

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

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

The following table presents a reconciliation of resulting basis and timing differences in the fund balances (budgetary basis) to the fund balance on a modified accrual basis (GAAP) at June 30, 2015.

	<u>General Fund</u>
Fund Balance (Budgetary Basis) June 30, 2015	\$ 227,571,168
<u>Reconciling Adjustments:</u>	
<b>Basis Differences:</b>	
<b>Accrued Revenues:</b>	
Accounts Receivable	149,834
Intergovernmental Receivables	27,000,869
Interest Receivable	79,384
Less:	
Unearned revenue	(13,017,181)
Total Accrued Revenues	<u>14,212,906</u>
<b>Accrued Expenditures:</b>	
Accounts Payable	(3,886,980)
Accrued Payroll	(12,729)
Intergovernmental Payables	(237,843,113)
Total Accrued Expenditures	<u>(241,742,822)</u>
<b>Other Adjustments:</b>	
Inventories	2,825,692
Notes Receivable	30,000
<b>Timing Differences:</b>	
Authorized Carryforward for Specific Encumbrances	<u>46,940,640</u>
Fund Balance (GAAP Basis) June 30, 2015	<u>\$ 49,837,584</u>

**North Carolina Department of Public Instruction  
Required Supplementary Information  
Ten-Year Claims Development Information  
Public School Insurance Fund  
For the Fiscal Years Ended June 30, 2006-2015**

**Schedule C-2**

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1) Required Contribution and Investment Revenue:										
Earned	\$ 12,538	\$ 14,509	\$ 18,430	\$ 18,054	\$ 20,337	\$ 16,257	\$ 20,699	\$ 16,380	\$ 17,583	\$ 14,563
Ceded	2,489	3,077	2,371	3,642	3,852	3,576	3,717	4,502	4,313	3,545
Net Earned	10,049	11,432	16,059	14,412	16,485	12,681	16,982	11,878	13,270	11,018
2) Unallocated Expenses	3,092	3,672	664	680	659	666	701	714	695	635
3) Estimated Claims and Expenses, End of Policy Year:										
Incurred	3,096	14,915	1,718	2,253	1,783	20,340	19,304	4,366	6,492	10,524
Ceded		7,450				6,761				
Net Incurred	3,096	7,465	1,718	2,253	1,783	13,579	19,304	4,366	6,492	10,524
4) Paid (Cumulative) As of:										
End of Policy Year	3,130	15,174	1,426	1,746	1,502	5,505	6,992	1,975	1,845	1,448
One Year Later	4,005	19,270	2,016	2,149	2,082	13,090	9,389	3,465	4,053	
Two Years Later	4,005	19,270	2,016	2,149	2,082	13,090	9,389	3,465		
Three Years Later	4,005	19,270	2,016	2,149	2,082	13,090	9,389			
Four Years Later	4,005	19,270	2,016	2,149	2,082	13,090				
Five Years Later	4,005	19,270	2,016	2,149	2,082					
Six Years Later	4,005	19,270	2,016	2,149						
Seven Years Later	4,005	19,270	2,016							
Eight Years Later	4,005	19,270								
Nine Years Later	4,005									
5) Reestimated Ceded Claims and Expenses										
6) Reestimated Net Incurred Claims and Expenses:										
End of Policy Year	3,096	14,915	1,718	2,253	1,783	20,340	19,304	4,366	6,492	10,524
One Year Later	3,096	11,348	1,653	2,276	1,846	27,242	13,159	2,965	5,189	
Two Years Later	3,096	11,348	1,979	2,269	1,846	27,242	13,159	2,965		
Three Years Later	3,096	11,348	1,979	2,269	1,846	27,242				
Four Years Later	3,096	11,348	1,979	2,269	1,846					
Five Years Later	3,096	11,348	1,979	2,269						
Six Years Later	3,096	11,348	1,979							
Seven Years Later	3,096	11,348								
Eight Years Later	3,096									
Nine Years Later	3,096									
7) Increase (Decrease) in Estimated Net Incurred Claims and Expenses From End of Policy Year		3,883	261	16	63	13,663	(6,145)	(1,401)	(1,303)	

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 claim amounts. This can be used to evaluate the accuracy of the Department's estimated claims and its ability to estimate the ultimate value of the claims.

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

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

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

**Schedule C-3**

	<b>2014</b>	<b>2013</b>
Proportionate Share Percentage of Collective Net Pension Liability	0.44561%	0.43670%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 5,224,425	\$ 26,512,140
Covered-Employee Payroll	\$ 69,742,084	\$ 68,421,885
Net Pension Liability as a Percentage of Covered-Employee Payroll	7.75%	38.01%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.24%	90.60%

*Note: Amounts presented are for the Department as a whole. The net pension liability associated with the Public School Insurance fund is \$36,571.*

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

**Schedule C-4**

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

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

**Department of Public Instruction**  
**Notes to Required Supplementary Information**  
**Schedule of Department Contributions**  
**Teachers' and State Employees' Retirement System**  
**For the Fiscal Year Ended June 30, 2015**

---

*Changes of Benefit Terms:*

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

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



# **SUPPLEMENTARY INFORMATION**



**North Carolina Department of Public Instruction**  
**Supplementary Information**  
**Revenues by Source**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2015**  
**(With Comparative Totals for June 30, 2014)**

**Schedule D-1**

	<b>2015</b>	<b>2014*</b>
<b>REVENUES</b>		
Federal Funds:		
Child Nutrition Cluster	\$ 509,337,538	\$ 468,560,829
Title I Grants to School Districts	428,848,155	391,217,612
Special Education: Preschool Grants & Grants to States	347,556,450	343,590,264
School Improvement Grants Cluster	18,461,209	32,618,311
Career and Technical Education -- Basic Grants to States	35,888,171	32,738,819
English Language Acquisition State Grants	15,789,318	13,109,683
Improving Teacher Quality State Grants	52,182,361	52,023,558
Twenty-First Century Community Learning Centers	31,496,519	25,657,222
(SFSF) Race-to-the-Top Incentive Grants	56,017,204	104,671,563
Other Federal Funds	43,158,600	37,145,416
Total Federal Funds	<u>1,538,735,525</u>	<u>1,501,333,277</u>
Revenues from Other State Agencies:		
Office of State Budget and Management:		
Civil Penalty Fund	149,935,020	181,392,921
Lottery Funds	467,905,065	329,589,739
Department of Revenue	53,434,053	53,953,363
Department of Transportation	26,203,321	25,795,164
Department of Health and Human Services	15,914,163	16,572,286
Other	68,618	670,500
Total Revenues from Other State Agencies	<u>713,460,240</u>	<u>607,973,973</u>
Contributions, Gifts, and Grants	9,126,487	8,285,648
E Rate Telecommunication and Internet Access Program Funds	11,296,151	7,954,999
Sales and Services	2,532,849	3,359,059
Licensure Certification and Registration Fees	2,884,804	2,997,376
Property and Equipment Rental	1,992,804	1,848,550
Investment Earnings	2,127,157	899,311
Student Tuition and Fees	444,294	374,625
Miscellaneous	783,676	462,761
Total Revenues (See Exhibit A-2)	<u>\$ 2,283,383,987</u>	<u>\$ 2,135,489,579</u>

\* The federal fund revenues presentation was changed to reflect the specific source of federal funds by major federal program.  
The total dollars remained unchanged for 2014.

**North Carolina Department of Public Instruction**  
**Supplementary Information**  
**Expenditures by Purpose**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2015**  
**(With Comparative Totals for June 30, 2014)**

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

	<b>2015</b>	<b>2014</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)	\$ 9,980,860,533	\$ 9,545,917,390
Supplemental Benefits for Schools:		
Workers' Compensation Payments for School Employees	58,449,569	52,973,608
Claims and Benefits, Primarily School Unemployment Payments	5,208,199	8,153,531
Excess Professional Liability Insurance for School Employees	2,520,203	2,513,224
Total Supplemental Benefits for Schools	66,177,971	63,640,363
School Buses, Textbooks, and Other Costs Paid for Schools:		
School Bus Replacement, Financing Payments	46,204,041	30,513,069
Textbooks	4,302,213	8,308,534
Payment of Tort Claim Settlements	4,393,869	3,867,274
Return of Prior Year Payments to Schools	(4,109,478)	(4,089,150)
Total School Buses Textbooks and Other Costs Paid for Schools	50,790,645	38,599,727
Residential School Operating Costs:		
North Carolina School for the Deaf	8,423,408	7,775,927
Eastern North Carolina School for the Deaf	7,568,125	7,343,141
Governor Morehead School	6,384,382	5,473,185
Total Residential School Operating Costs	22,375,915	20,592,253
North Carolina Center for Advancement of Teaching	3,464,453	3,409,697
Total Expenditures Paid by the Department to Schools Or On Their Behalf	10,123,669,517	9,672,159,430
<b>Expenditures Paid for Department Operations and Administration:</b>		
Contracted Services:		
Academic Services	21,893,244	31,625,117
Other Information Tech Services	19,454,625	24,794,026
Other Contractual Services	48,798,517	34,959,041
Total Contracted Services	90,146,386	91,378,184
Salaries and Wages:		
Salaries Subject to State Personnel Act	48,306,304	51,259,583
Contract Employees	5,692,750	16,349,052
Salaries Exempt Under State Personnel Act	3,682,197	3,568,867
Longevity Pay	1,184,443	1,195,323
Temporary Wages	306,772	1,710,710
Other Contractual Services	1,262,670	1,009,747
Total Salaries and Wages	60,435,136	75,093,282
Employee Benefits:		
Medical Insurance Contributions	3,919,500	4,144,832
Other Medical Insurance	820,739	1,317,830
Regular Retirement Contributions	8,163,549	8,314,118
Social Security Contributions	4,430,399	5,537,825
Total Employee Benefits	17,334,187	19,314,605

**North Carolina Department of Public Instruction**  
**Supplementary Information**  
**Expenditures by Purpose**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2015**  
**(With Comparative Totals for June 30, 2014)**

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

	<b>2015</b>	<b>2014</b>
Supplies and Materials:		
Educational Supplies	1,889,986	1,993,982
Other Supplies and Materials	320,899	482,072
Total Supplies and Materials	2,210,885	2,476,054
Purchases for Resale		1,558,303
Travel:		
Ground Transportation In-State	2,157,746	2,530,185
Ground Transportation Out-of-State	43,942	48,382
Lodging	724,674	743,275
Workshops	1,230,392	868,617
Other Travel	820,248	938,560
Total Travel	4,977,002	5,129,019
Communication	538,057	531,174
Utilities	26,061	10,629
Data Processing Services:		
Managed Local Network Service Charge	12,215,525	15,477,803
Managed Server Services	642,823	1,259,899
Other Server Services	363,245	542,761
Total Data Processing Services	13,221,593	17,280,463
Other Services	2,100,985	1,520,876
Other Fixed Charges:		
Network Software Maintenance Agreement	2,555,370	4,537,390
Server Software Maintenance Agreement	2,564,725	2,311,696
Membership Dues and Subscriptions	1,577,140	1,982,908
Other Fixed Charges	275,939	279,359
Total Other Fixed Charges	6,973,174	9,111,353
Expenditures to Other State Agencies:		
Community College	12,403,372	10,888,050
Other Expenditures	14,549,477	6,164,409
Total Expenditures to Other State Agencies	26,952,849	17,052,459
Capital Outlay:		
Server Software	2,252,221	8,183,207
Other Capital Outlays	2,378,199	1,596,319
Total Capital Outlay	4,630,420	9,779,526
Scholarships	3,375,794	910,023
Other Expenditures:		
Forgiven Loans Under Teaching Fellows Loan Program	4,879,293	4,581,349
Workshop Expenses	1,619,747	1,476,935
Other Expenditures	472,735	426,837
Total Other Expenditures	6,971,775	6,485,121
Total Expenditures Paid for Department Operations and Administration	239,894,304	257,631,071
Total Expenditures (See Exhibit A-2)	\$ 10,363,563,821	\$ 9,929,790,501

**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, 2015**  
**(With Comparative Totals for June 30, 2014)**

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

	<b>2015</b>	<b>2014</b>
<b>School District Expenditures Funded by State Aid:</b>		
<b>Salaries:</b>		
Administrative Personnel		
Superintendents or Directors	\$ 59,835,965	\$ 58,769,010
Associate or Assistant Superintendents	15,479,670	15,347,115
Principals	148,921,982	149,708,732
Assistant Principals	99,196,848	91,847,767
Finance Officers	7,486,225	7,355,844
Total Administrative Personnel	330,920,690	323,028,468
Teachers	3,604,031,558	3,350,869,579
Instructional Support Personnel - Certified	467,600,049	437,677,525
Psychologists	30,659,078	30,718,097
Teacher Assistants	321,492,725	337,715,721
Tutors and Non-Certified Instructors	18,167,449	18,032,102
Interpreters, Therapists and Specialists	55,116,472	55,807,539
School Resource Officers and Monitors	19,957,553	18,686,003
Technical and Administrative Support Personnel	173,525,925	162,607,411
Substitute Pay	56,908,759	53,616,864
Drivers	160,400,951	160,291,064
Custodians	170,413,380	168,685,942
Skilled Tradesmen and Managers	60,614,956	59,047,707
Longevity Pay	65,079,588	83,747,447
Annual Leave Pay	43,104,062	41,791,596
Supplementary Pay	30,671,800	28,626,662
Short Term Disability Pay	6,018,387	5,545,967
Extra Duty Pay	19,632,633	18,435,739
Total Salaries	5,634,316,015	5,354,931,433
<b>Employer-Provided Benefits:</b>		
Employer's Social Security Cost - Regular	408,862,181	388,318,187
Retirement Benefits	824,999,249	755,966,625
Insurance Benefits	682,571,200	705,843,308
Total Employer-Provided Benefits	1,916,432,630	1,850,128,120
<b>Purchased Services:</b>		
Professional and Technical Services	161,646,329	148,901,883
Property Services	4,369,962	4,039,260
Transportation Services	29,518,360	25,651,497
Communications	7,115,979	6,171,444
Tuition	1,352,483	1,211,319
Dues and Fees	482,096	75,481
Insurance and Judgments	633,650	685,066
Total Purchased Services	205,118,859	186,735,950
<b>Supplies and Materials:</b>		
School and Office Supplies	123,289,002	132,221,392
Operational Supplies	97,157,050	100,893,545
Food Supplies	115,963	118,181
Noncapitalized Equipment	43,365,511	49,305,210
Sales and Use Tax Refunds	(154,029)	
Total Supplies and Materials	263,773,497	282,538,328
<b>Capital Outlay:</b>		
Miscellaneous Contracts and Other Charges		12,868
Equipment and Computer Hardware	10,538,040	8,746,727
Vehicles	1,195,797	1,079,377
Total Capital Outlay	11,733,837	9,838,972
Expenditures to Other State Agencies	460,643	550,740
Total School District Expenditures Funded by State Aid (See Schedules D-4 and D-5)	8,031,835,481	7,684,723,543

**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, 2015**  
**(With Comparative Totals for June 30, 2014)**

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

	<b>2015</b>	<b>2014</b>
<b>Federal Grants and Aid to School Districts:</b>		
Payments Under Federal Grant Programs (See Schedules D-4 and D-5)	886,353,083	892,714,499
Reimbursements for Meals Provided Under Federal Child Nutrition Program (See Schedules D-4 and D-5)	491,687,241	458,554,612
Reimbursements from Medicaid (See Schedules D-4 and D-5)	17,288,353	17,204,779
Total Federal Grants and Aid Paid to School Districts	1,395,328,677	1,368,473,890
<b>Construction Projects Paid through Building Capital Fund</b> (See Schedules D-4 and D-5)	102,743,208	124,051,132
<b>Technology Support Paid through School Technology Fund</b> (See Schedules D-4 and D-5)	22,768,009	21,068,273
Total Grants, State and Federal Aid to School Districts (See Schedules D-4 and D-5)	9,552,675,375	9,198,316,838
<b>Grants and Aid to Charter Schools:</b>		
Charter School Expenditures Funded by State Aid (See Schedules D-6 and D-7)	372,465,594	304,198,994
Payments Under Federal Grant Programs (See Schedules D-6 and D-7)	20,472,389	18,046,832
Reimbursements for Meals Provided Under Federal Child Nutrition Program (See Schedules D-6 and D-7)	7,450,822	5,584,716
Total Grants and Aid to Charter Schools (See Schedules D-6 and D-7)	400,388,805	327,830,542
<b>Aid to Other Nonprofit Organizations for Programming</b>	27,796,353	19,770,010
Total Grants, State, and Federal Aid Expenditures (See Exhibit A-2)	\$ 9,980,860,533	\$ 9,545,917,390

**North Carolina Department of Public Instruction**  
**Supplementary Information**  
**Schedule of Grants and Aid Paid to School Districts (Alphabetically by County)**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2015 (With Comparative Totals for 2014)**

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

	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	Federal Medicaid Reimbursements	State Building Capital Funds	State Technology Funds	2015 Total	2014 Total
Alamance-Burlington Schools	\$ 120,876,132	\$ 14,149,963	\$ 7,791,834	\$ 0	\$ 600,826	\$ 580,443	\$ 143,999,198	\$ 139,794,360
Alexander County Schools	30,170,189	2,968,660	1,719,606			27,222	34,885,677	34,658,707
Alleghany County Schools	10,795,984	1,295,034	654,524	31,286	92,784	23,782	12,893,394	12,049,994
Anson County Schools	24,873,991	4,837,279	1,609,523		20,386	12,272	31,353,451	31,304,027
Ashe County Schools	20,948,571	2,171,118	1,257,596		271,877	8,708	24,657,870	24,179,594
Asheboro City Schools	26,929,748	3,698,656	2,329,805		300,000	82,216	33,340,425	33,267,876
Asheville City Schools	23,185,311	3,755,172	963,548	59,933		26,072	27,990,036	27,310,522
Avery County Schools	15,415,277	1,840,729	827,352			43,589	18,126,947	17,275,865
Beaufort County Schools	40,466,972	4,952,821	2,562,311		450,000	115,008	48,547,112	47,342,957
Bertie County Schools	19,080,520	3,325,208	1,925,242			6,405	24,337,375	25,068,420
Bladen County Schools	29,380,419	4,048,514	2,797,527		62,615	61,331	36,350,406	36,863,759
Brunswick County Schools	68,637,613	7,989,825	5,354,086			213,539	82,195,063	77,560,173
Buncombe County Schools	137,177,883	14,092,653	8,775,278	315,038		435,784	160,796,636	165,769,791
Burke County Schools	73,811,582	8,283,351	4,686,348	246,766		210,195	87,238,242	85,850,195
Cabarrus County Schools	158,809,592	11,631,226	7,706,869		1,900,000	500,107	180,547,794	171,103,027
Caldwell County Schools	73,106,733	6,809,732	4,259,369		718,246	141,026	85,035,106	83,528,184
Camden County Schools	12,982,016	652,252	277,100		17,552	17,359	13,946,279	13,871,652
Carteret County Schools	46,817,991	4,561,006	1,974,770		700,000	139,105	54,192,872	53,134,310
Caswell County Schools	19,051,487	1,781,879	1,289,337			64,572	22,187,275	21,915,047
Catawba County Schools	90,177,030	9,746,562	5,114,839		2,072,893	136,145	107,247,469	102,208,613
Chapel-Hill/Carrboro City Schools	61,221,509	4,990,439	1,927,898		783,790	204,330	69,127,966	65,474,663
Charlotte-Mecklenburg County Schools	729,422,540	90,225,903	48,543,840	1,166,843	10,332,240	1,386,867	881,078,233	835,637,616
Chatham County Schools	46,012,460	4,203,686	2,597,668		597,750	143,117	53,554,681	50,986,811
Cherokee County Schools	20,663,723	2,966,793	1,774,071		252,313	53,626	25,710,526	24,060,897
Clay County Schools	10,141,371	751,490	408,740		(61,362)	23,898	11,264,137	10,949,762
Cleveland County Schools	87,778,990	11,502,661	5,919,431		1,600,000	247,247	107,048,329	103,314,265
Clinton City Schools	17,460,494	2,154,549	1,575,701		775,548	9,964	21,976,256	20,338,523
Columbus County Schools	38,919,654	6,927,374	3,557,585			108,217	49,512,830	46,844,574
Craven County Schools	75,328,026	8,724,190	4,343,071		1,043,180	111,219	89,549,686	88,865,430
Cumberland County Schools	267,338,369	32,255,552	18,465,733	11,080,511	3,802,117	850,573	333,792,855	323,277,292
Currituck County Schools	22,228,943	1,519,166	763,608		239,999	64,092	24,815,808	23,507,782
Dare County Schools	29,107,822	1,946,959	1,110,532		350,000	82,167	32,597,480	31,371,773
Davidson County Schools	105,510,523	7,959,811	4,913,397	196,860	1,649,460	336,169	120,566,220	120,054,101
Davie County Schools	35,758,703	2,868,633	1,806,306		916,050	104,910	41,454,602	40,023,445
Duplin County Schools	57,590,450	7,216,817	4,552,944		1,167,255	161,471	70,688,937	65,725,150
Durham County Schools	189,519,917	25,186,166	12,464,433		3,585,250	16,429	230,772,195	217,781,060
Edenton-Chowan County Schools	15,070,303	1,301,174	845,469		40,331	36,849	17,294,126	17,960,487
Edgecombe County Schools	39,113,670	5,300,292	3,559,223		164,000	271,028	48,408,213	49,110,318
Elizabeth City/Pasquotank County Schools	34,365,747	3,833,312	2,176,145		407,020	94,596	40,876,820	39,285,269
Elkin City Schools	7,936,317	645,814	290,309			20,366	8,892,806	8,614,624
Franklin County Schools	51,679,075	4,812,205	3,375,024	72,378	700,000	99,091	60,737,773	57,424,767
Gaston County Schools	165,410,562	19,060,973	12,254,104	395,804	2,056,824	534,359	199,712,626	188,728,479

**North Carolina Department of Public Instruction**  
**Supplementary Information**  
**Schedule of Grants and Aid Paid to School Districts (Alphabetically by County)**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2015 (With Comparative Totals for 2014)**

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

	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	Federal Medicaid Reimbursements	State Building Capital Funds	State Technology Funds	2015 Total	2014 Total
Gates County Schools	12,839,111	1,156,464	523,503		119,461	27,183	14,665,722	14,330,755
Graham County Schools	9,360,711	1,217,953	464,031			22,047	11,064,742	10,584,587
Granville County Schools	47,237,464	3,944,782	2,560,031		848,881	134,263	54,725,421	53,379,670
Greene County Schools	22,585,239	3,157,563	1,554,358		210,502	51,542	27,559,204	27,509,063
Guilford County Schools	388,141,573	46,862,077	30,857,780		4,921,156	1,207,327	471,989,913	457,693,165
Halifax County Schools	22,273,124	7,702,136	2,440,896		136,898	56,467	32,609,521	32,289,577
Harnett County Schools	112,851,606	12,154,000	7,007,780			339,003	132,352,389	130,219,103
Haywood County Schools	40,984,510	4,618,534	2,576,835		619,507	96,563	48,895,949	47,214,994
Henderson County Schools	73,601,813	7,786,205	4,678,173	158,637	1,108,335	916	87,334,079	83,966,915
Hertford County Schools	22,210,427	2,949,159	1,858,691		284,642	201,497	27,504,416	26,078,305
Hickory City Schools	23,453,333	3,013,717	1,656,784		318,120	39,350	28,481,304	28,477,087
Hoke County Schools	51,408,340	5,236,720	3,414,128		731,838	142,453	60,933,479	57,132,640
Hyde County Schools	7,392,001	748,059	247,987		6,360	1,448	8,395,855	8,402,832
Iredell-Statesville Schools	106,392,118	10,236,819	4,846,774		1,407,169	342,976	123,225,856	118,660,756
Jackson County Schools	21,638,093	2,422,098	1,242,601		256,891	60,577	25,620,260	24,319,720
Johnston County Schools	188,315,428	16,950,093	8,475,054		2,162,453	400,206	216,303,234	206,808,762
Jones County Schools	9,860,225	1,041,936	741,766		150,000	18,029	11,811,956	11,773,794
Kannapolis City Schools	29,132,471	4,166,740	2,333,779		300,000	92,320	36,025,310	34,368,058
Lee County Schools	54,927,948	5,750,349	3,753,530		1,200,000	170,482	65,802,309	61,235,932
Lenoir County Schools	54,930,937	6,826,774	4,405,993		684,679	150,410	66,998,793	63,503,457
Lexington City Schools	18,746,785	2,805,218	1,814,967			50,579	23,417,549	22,891,160
Lincoln County Schools	61,199,893	6,207,533	3,494,806		829,500	189,467	71,921,199	68,872,178
Macon County Schools	25,962,051	2,653,779	1,638,513		284,945	71,243	30,610,531	30,103,677
Madison County Schools	17,597,883	1,807,692	732,666		350,500	48,431	20,537,172	20,000,777
Martin County Schools	23,446,231	2,717,426	1,727,565		(449,832)	30,719	27,472,109	28,290,039
McDowell County Schools	37,965,927	3,903,826	2,814,492	97,247	(17,077)	104,741	44,869,156	43,552,033
Mitchell County Schools	14,518,977	1,420,598	565,155	18,800		40,476	16,564,006	16,370,060
Montgomery County Schools	26,587,486	3,376,705	2,024,945	89,619	250,000	68,051	32,396,806	31,150,672
Moore County Schools	68,417,988	7,845,961	2,927,898		(15,154)	212,829	79,389,522	77,613,764
Mooresville City Schools	30,371,119	2,172,691	1,257,296			106,381	33,907,487	32,002,212
Mount Airy City Schools	10,280,540	1,005,014	648,506		310,000	30,616	12,274,676	12,306,699
Nash-Rocky Mount Schools	92,105,180	10,531,324	6,375,913		1,296,707	275,838	110,584,962	107,494,484
New Hanover County Schools	138,100,236	15,088,944	7,958,771	395,132	879,247	553,372	162,975,702	156,082,024
Newton-Conover City Schools	17,071,818	1,849,011	1,156,046		225,290	51,937	20,354,102	18,591,439
Northampton County Schools	15,966,938	2,673,382	1,341,354		206,000	37,745	20,225,419	19,905,692
Onslow County Schools	131,622,822	12,421,882	6,209,336		1,646,000	353,131	152,253,171	144,515,178
Orange County Schools	43,157,449	3,512,640	1,618,341		218,597	160,226	48,667,253	47,478,872
Pamlico County Schools	10,505,589	1,065,680	499,095		83,422	20,819	12,174,605	11,899,202
Pender County Schools	48,324,867	4,940,677	2,706,398		491,733	51,776	56,515,451	52,191,092
Perquimans County Schools	12,501,663	1,466,029	622,925		(86)	14,445	14,604,976	14,622,303
Person County Schools	26,800,440	1,976,040	2,002,331		591,580	108,624	31,479,015	30,464,829
Pitt County Schools	129,418,816	17,149,564	8,191,948		1,600,000	287,904	156,648,232	149,678,359

**North Carolina Department of Public Instruction**  
**Supplementary Information**  
**Schedule of Grants and Aid Paid to School Districts (Alphabetically by County)**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2015 (With Comparative Totals for 2014)**

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

	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	Federal Medicaid Reimbursements	State Building Capital Funds	State Technology Funds	2015 Total	2014 Total
Polk County Schools	15,799,273	1,680,549	837,109		231,230	38,111	18,586,272	17,508,736
Randolph County Schools	100,164,675	9,896,514	6,279,761		1,200,000	282,442	117,823,392	113,620,513
Richmond County Schools	46,189,221	6,157,436	4,030,983		732,700	126,148	57,236,488	55,019,866
Roanoke Rapids City Schools	17,778,160	1,954,539	1,125,929		47,706	49,708	20,956,042	20,222,710
Robeson County Schools	148,949,944	26,835,147	14,204,432		1,527,733	227,102	191,744,358	194,077,835
Rockingham County Schools	77,080,720	8,369,647	4,403,514	265,480	1,546,082	135,971	91,801,414	88,736,069
Rowan-Salisbury County Schools	109,176,122	10,863,548	7,479,774	195,783	2,712,000	1,220,061	131,647,288	127,991,665
Rutherford County Schools	50,993,123	6,422,144	3,619,742	94,945	699,091	155,762	61,984,807	59,946,843
Sampson County Schools	52,023,448	6,516,965	3,945,861		860,795	147,076	63,494,145	62,188,799
Scotland County Schools	39,958,731	4,912,964	3,334,184		447,300	99,278	48,752,457	47,233,940
Stanly County Schools	50,473,615	4,969,701	2,638,077		566,000	141,635	58,789,028	57,982,310
Stokes County Schools	39,836,030	3,634,233	1,891,448	97,549	400,000		45,859,260	46,615,963
Surry County Schools	49,399,824	4,887,955	3,516,001		533,167	150,231	58,487,178	56,857,339
Swain County Schools	14,096,480	1,455,320	742,762		96,175	34,531	16,425,268	15,924,815
Thomasville City Schools	14,078,139	2,818,732	1,894,795			39,951	18,831,617	18,781,345
Transylvania County Schools	20,419,407	3,126,921	1,245,075		455,500	60,461	25,307,364	24,314,605
Tyrrell County Schools	6,663,534	513,602	335,155		155,731	9,093	7,677,115	7,617,810
Union County Schools	215,433,111	11,368,066	8,165,934	244,577	2,698,702	690,649	238,601,039	227,754,669
Vance County Schools	43,739,433	6,193,650	3,818,612		417,955	58,927	54,228,577	53,436,049
Wake County Schools	812,154,946	63,975,859	29,850,909	1,004,546	10,077,667	2,644,448	919,708,375	873,102,539
Warren County Schools	16,895,466	2,746,915	1,407,245			40,808	21,090,434	21,792,146
Washington County Schools	12,746,053	2,682,561	1,173,424		127,210	28,031	16,757,279	16,346,038
Watauga County Schools	25,587,378	2,175,900	991,375		841,469	372,422	29,968,544	27,826,446
Wayne County Schools	111,568,272	13,828,804	7,032,731		7,318,101	574,618	140,322,526	127,831,040
Weldon City Schools	7,765,129	1,281,468	709,900		(8,146)	17,838	9,766,189	9,193,557
Whiteville City Schools	14,634,989	2,399,951	1,372,360			42,467	18,449,767	18,527,909
Wilkes County Schools	56,715,823	7,350,062	4,788,389	142,370	534,000	171,468	69,702,112	65,274,181
Wilson County Schools	66,731,894	8,184,566	5,201,532		1,887,438	58,380	82,063,810	79,300,480
Winston-Salem/Forsyth County Schools	295,321,170	38,132,544	18,016,442	641,310	3,840,110	762,738	356,714,314	339,236,014
Yadkin County Schools	33,364,297	3,495,713	1,873,777		750,000	118,874	39,602,661	38,564,848
Yancey County Schools	15,615,695	2,041,714	688,172	276,939	190,284	38,906	18,851,710	18,069,681
Total Grants and Aid to School Districts	\$ 8,031,835,481	\$ 886,353,083	\$ 491,687,241	\$ 17,288,353	\$ 102,743,208	\$ 22,768,009	\$ 9,552,675,375	\$ 9,198,316,838



**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, 2015 (With Comparative Totals for 2014)**

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

	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	Federal Medicaid Reimbursements	State Building Capital Funds	State Technology Funds	2015 Total	2014 Total
Wake County Schools	\$ 812,154,946	\$ 63,975,859	\$ 29,850,909	\$ 1,004,546	\$ 10,077,667	\$ 2,644,448	\$ 919,708,375	\$ 873,102,539
Charlotte-Mecklenburg County Schools	729,422,540	90,225,903	48,543,840	1,166,843	10,332,240	1,386,867	881,078,233	835,637,616
Guilford County Schools	388,141,573	46,862,077	30,857,780		4,921,156	1,207,327	471,989,913	457,693,165
Winston-Salem/Forsyth County Schools	295,321,170	38,132,544	18,016,442	641,310	3,840,110	762,738	356,714,314	339,236,014
Cumberland County Schools	267,338,369	32,255,552	18,465,733	11,080,511	3,802,117	850,573	333,792,855	323,277,292
Union County Schools	215,433,111	11,368,066	8,165,934	244,577	2,698,702	690,649	238,601,039	227,754,669
Durham County Schools	189,519,917	25,186,166	12,464,433		3,585,250	16,429	230,772,195	217,781,060
Johnston County Schools	188,315,428	16,950,093	8,475,054		2,162,453	400,206	216,303,234	206,808,762
Gaston County Schools	165,410,562	19,060,973	12,254,104	395,804	2,056,824	534,359	199,712,626	188,728,479
Robeson County Schools	148,949,944	26,835,147	14,204,432		1,527,733	227,102	191,744,358	194,077,835
Cabarrus County Schools	158,809,592	11,631,226	7,706,869		1,900,000	500,107	180,547,794	171,103,027
New Hanover County Schools	138,100,236	15,088,944	7,958,771	395,132	879,247	553,372	162,975,702	156,082,024
Buncombe County Schools	137,177,883	14,092,653	8,775,278	315,038		435,784	160,796,636	165,769,791
Pitt County Schools	129,418,816	17,149,564	8,191,948		1,600,000	287,904	156,648,232	149,678,359
Onslow County Schools	131,622,822	12,421,882	6,209,336		1,646,000	353,131	152,253,171	144,515,178
Alamance-Burlington Schools	120,876,132	14,149,963	7,791,834		600,826	580,443	143,999,198	139,794,360
Wayne County Schools	111,568,272	13,828,804	7,032,731		7,318,101	574,618	140,322,526	127,831,040
Harnett County Schools	112,851,606	12,154,000	7,007,780			339,003	132,352,389	130,219,103
Rowan-Salisbury County Schools	109,176,122	10,863,548	7,479,774	195,783	2,712,000	1,220,061	131,647,288	127,991,665
Iredell-Statesville Schools	106,392,118	10,236,819	4,846,774		1,407,169	342,976	123,225,856	118,660,756
Davidson County Schools	105,510,523	7,959,811	4,913,397	196,860	1,649,460	336,169	120,566,220	120,054,101
Randolph County Schools	100,164,675	9,896,514	6,279,761		1,200,000	282,442	117,823,392	113,620,513
Nash-Rocky Mount Schools	92,105,180	10,531,324	6,375,913		1,296,707	275,838	110,584,962	107,494,484
Catawba County Schools	90,177,030	9,746,562	5,114,839		2,072,893	136,145	107,247,469	102,208,613
Cleveland County Schools	87,778,990	11,502,661	5,919,431		1,600,000	247,247	107,048,329	103,314,265
Rockingham County Schools	77,080,720	8,369,647	4,403,514	265,480	1,546,082	135,971	91,801,414	88,736,069
Craven County Schools	75,328,026	8,724,190	4,343,071		1,043,180	111,219	89,549,686	88,865,430
Henderson County Schools	73,601,813	7,786,205	4,678,173	158,637	1,108,335	916	87,334,079	83,966,915
Burke County Schools	73,811,582	8,283,351	4,686,348	246,766		210,195	87,238,242	85,850,195
Caldwell County Schools	73,106,733	6,809,732	4,259,369		718,246	141,026	85,035,106	83,528,184
Brunswick County Schools	68,637,613	7,989,825	5,354,086			213,539	82,195,063	77,560,173
Wilson County Schools	66,731,894	8,184,566	5,201,532		1,887,438	58,380	82,063,810	79,300,480
Moore County Schools	68,417,988	7,845,961	2,927,898		(15,154)	212,829	79,389,522	77,613,764
Lincoln County Schools	61,199,893	6,207,533	3,494,806		829,500	189,467	71,921,199	68,872,178
Duplin County Schools	57,590,450	7,216,817	4,552,944		1,167,255	161,471	70,688,937	65,725,150
Wilkes County Schools	56,715,823	7,350,062	4,788,389	142,370	534,000	171,468	69,702,112	65,274,181
Chapel-Hill/Carrboro City Schools	61,221,509	4,990,439	1,927,898		783,790	204,330	69,127,966	65,474,663
Lenoir County Schools	54,930,937	6,826,774	4,405,993		684,679	150,410	66,998,793	63,503,457
Lee County Schools	54,927,948	5,750,349	3,753,530		1,200,000	170,482	65,802,309	61,235,932
Sampson County Schools	52,023,448	6,516,965	3,945,861		860,795	147,076	63,494,145	62,188,799

**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, 2015 (With Comparative Totals for 2014)**

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

	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	Federal Medicaid Reimbursements	State Building Capital Funds	State Technology Funds	2015 Total	2014 Total
Rutherford County Schools	50,993,123	6,422,144	3,619,742	94,945	699,091	155,762	61,984,807	59,946,843
Hoke County Schools	51,408,340	5,236,720	3,414,128		731,838	142,453	60,933,479	57,132,640
Franklin County Schools	51,679,075	4,812,205	3,375,024	72,378	700,000	99,091	60,737,773	57,424,767
Stanly County Schools	50,473,615	4,969,701	2,638,077		566,000	141,635	58,789,028	57,982,310
Surry County Schools	49,399,824	4,887,955	3,516,001		533,167	150,231	58,487,178	56,857,339
Richmond County Schools	46,189,221	6,157,436	4,030,983		732,700	126,148	57,236,488	55,019,866
Pender County Schools	48,324,867	4,940,677	2,706,398		491,733	51,776	56,515,451	52,191,092
Granville County Schools	47,237,464	3,944,782	2,560,031		848,881	134,263	54,725,421	53,379,670
Vance County Schools	43,739,433	6,193,650	3,818,612		417,955	58,927	54,228,577	53,436,049
Carteret County Schools	46,817,991	4,561,006	1,974,770		700,000	139,105	54,192,872	53,134,310
Chatham County Schools	46,012,460	4,203,686	2,597,668		597,750	143,117	53,554,681	50,986,811
Columbus County Schools	38,919,654	6,927,374	3,557,585			108,217	49,512,830	46,844,574
Haywood County Schools	40,984,510	4,618,534	2,576,835		619,507	96,563	48,895,949	47,214,994
Scotland County Schools	39,958,731	4,912,964	3,334,184		447,300	99,278	48,752,457	47,233,940
Orange County Schools	43,157,449	3,512,640	1,618,341		218,597	160,226	48,667,253	47,478,872
Beaufort County Schools	40,466,972	4,952,821	2,562,311		450,000	115,008	48,547,112	47,342,957
Edgecombe County Schools	39,113,670	5,300,292	3,559,223		164,000	271,028	48,408,213	49,110,318
Stokes County Schools	39,836,030	3,634,233	1,891,448	97,549	400,000		45,859,260	46,615,963
McDowell County Schools	37,965,927	3,903,826	2,814,492	97,247	(17,077)	104,741	44,869,156	43,552,033
Davie County Schools	35,758,703	2,868,633	1,806,306		916,050	104,910	41,454,602	40,023,445
Elizabeth City/Pasquotank County Schools	34,365,747	3,833,312	2,176,145		407,020	94,596	40,876,820	39,285,269
Yadkin County Schools	33,364,297	3,495,713	1,873,777		750,000	118,874	39,602,661	38,564,848
Bladen County Schools	29,380,419	4,048,514	2,797,527		62,615	61,331	36,350,406	36,863,759
Kannapolis City Schools	29,132,471	4,166,740	2,333,779		300,000	92,320	36,025,310	34,368,058
Alexander County Schools	30,170,189	2,968,660	1,719,606			27,222	34,885,677	34,658,707
Mooreville City Schools	30,371,119	2,172,691	1,257,296			106,381	33,907,487	32,002,212
Asheboro City Schools	26,929,748	3,698,656	2,329,805		300,000	82,216	33,340,425	33,267,876
Halifax County Schools	22,273,124	7,702,136	2,440,896		136,898	56,467	32,609,521	32,289,577
Dare County Schools	29,107,822	1,946,959	1,110,532		350,000	82,167	32,597,480	31,371,773
Montgomery County Schools	26,587,486	3,376,705	2,024,945	89,619	250,000	68,051	32,396,806	31,150,672
Person County Schools	26,800,440	1,976,040	2,002,331		591,580	108,624	31,479,015	30,464,829
Anson County Schools	24,873,991	4,837,279	1,609,523		20,386	12,272	31,353,451	31,304,027
Macon County Schools	25,962,051	2,653,779	1,638,513		284,945	71,243	30,610,531	30,103,677
Watauga County Schools	25,587,378	2,175,900	991,375		841,469	372,422	29,968,544	27,826,446
Hickory City Schools	23,453,333	3,013,717	1,656,784		318,120	39,350	28,481,304	28,477,087
Asheville City Schools	23,185,311	3,755,172	963,548	59,933		26,072	27,990,036	27,310,522
Greene County Schools	22,585,239	3,157,563	1,554,358		210,502	51,542	27,559,204	27,509,063
Hertford County Schools	22,210,427	2,949,159	1,858,691		284,642	201,497	27,504,416	26,078,305
Martin County Schools	23,446,231	2,717,426	1,727,565		(449,832)	30,719	27,472,109	28,290,039

**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, 2015 (With Comparative Totals for 2014)**

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

	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	Federal Medicaid Reimbursements	State Building Capital Funds	State Technology Funds	2015 Total	2014 Total
Cherokee County Schools	20,663,723	2,966,793	1,774,071		252,313	53,626	25,710,526	24,060,897
Jackson County Schools	21,638,093	2,422,098	1,242,601		256,891	60,577	25,620,260	24,319,720
Transylvania County Schools	20,419,407	3,126,921	1,245,075		455,500	60,461	25,307,364	24,314,605
Currituck County Schools	22,228,943	1,519,166	763,608		239,999	64,092	24,815,808	23,507,782
Ashe County Schools	20,948,571	2,171,118	1,257,596		271,877	8,708	24,657,870	24,179,594
Bertie County Schools	19,080,520	3,325,208	1,925,242			6,405	24,337,375	25,068,420
Lexington City Schools	18,746,785	2,805,218	1,814,967			50,579	23,417,549	22,891,160
Caswell County Schools	19,051,487	1,781,879	1,289,337			64,572	22,187,275	21,915,047
Clinton City Schools	17,460,494	2,154,549	1,575,701		775,548	9,964	21,976,256	20,338,523
Warren County Schools	16,895,466	2,746,915	1,407,245			40,808	21,090,434	21,792,146
Roanoke Rapids City Schools	17,778,160	1,954,539	1,125,929		47,706	49,708	20,956,042	20,222,710
Madison County Schools	17,597,883	1,807,692	732,666		350,500	48,431	20,537,172	20,000,777
Newton-Conover City Schools	17,071,818	1,849,011	1,156,046		225,290	51,937	20,354,102	18,591,439
Northampton County Schools	15,966,938	2,673,382	1,341,354		206,000	37,745	20,225,419	19,905,692
Yancey County Schools	15,615,695	2,041,714	688,172	276,939	190,284	38,906	18,851,710	18,069,681
Thomasville City Schools	14,078,139	2,818,732	1,894,795			39,951	18,831,617	18,781,345
Polk County Schools	15,799,273	1,680,549	837,109		231,230	38,111	18,586,272	17,508,736
Whiteville City Schools	14,634,989	2,399,951	1,372,360			42,467	18,449,767	18,527,909
Avery County Schools	15,415,277	1,840,729	827,352			43,589	18,126,947	17,275,865
Edenton-Chowan County Schools	15,070,303	1,301,174	845,469		40,331	36,849	17,294,126	17,960,487
Washington County Schools	12,746,053	2,682,561	1,173,424		127,210	28,031	16,757,279	16,346,038
Mitchell County Schools	14,518,977	1,420,598	565,155	18,800		40,476	16,564,006	16,370,060
Swain County Schools	14,096,480	1,455,320	742,762		96,175	34,531	16,425,268	15,924,815
Gates County Schools	12,839,111	1,156,464	523,503		119,461	27,183	14,665,722	14,330,755
Perquimans County Schools	12,501,663	1,466,029	622,925		(86)	14,445	14,604,976	14,622,303
Camden County Schools	12,982,016	652,252	277,100		17,552	17,359	13,946,279	13,871,652
Alleghany County Schools	10,795,984	1,295,034	654,524	31,286	92,784	23,782	12,893,394	12,049,994
Mount Airy City Schools	10,280,540	1,005,014	648,506		310,000	30,616	12,274,676	12,306,699
Pamlico County Schools	10,505,589	1,065,680	499,095		83,422	20,819	12,174,605	11,899,202
Jones County Schools	9,860,225	1,041,936	741,766		150,000	18,029	11,811,956	11,773,794
Clay County Schools	10,141,371	751,490	408,740		(61,362)	23,898	11,264,137	10,949,762
Graham County Schools	9,360,711	1,217,953	464,031			22,047	11,064,742	10,584,587
Weldon City Schools	7,765,129	1,281,468	709,900		(8,146)	17,838	9,766,189	9,193,557
Elkin City Schools	7,936,317	645,814	290,309			20,366	8,892,806	8,614,624
Hyde County Schools	7,392,001	748,059	247,987		6,360	1,448	8,395,855	8,402,832
Tyrrell County Schools	6,663,534	513,602	335,155		155,731	9,093	7,677,115	7,617,810
Total Grants and Aid to School Districts	\$ 8,031,835,481	\$ 886,353,083	\$ 491,687,241	\$ 17,288,353	\$ 102,743,208	\$ 22,768,009	\$ 9,552,675,375	\$ 9,198,316,838

**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, 2015 (With Comparative Totals for 2014)**

**Schedule D-6**  
**Page 1 of 2**

County of Location	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2015 Total	2014 Total
Alamance	Clover Garden	\$ 3,092,956	\$ 135,653	\$ 90,534	\$ 3,319,143	\$ 3,038,410
Alamance	River Mill Academy	3,290,596	142,555	67,269	3,500,420	3,052,481
Alamance	The Hawbridge School	1,330,175	46,762		1,376,937	1,100,091
Avery	Grandfather Academy	224,597	104,222		328,819	328,263
Avery	Marjorie Williams Academy	665,008	582,358	77,083	1,324,449	1,304,885
Beaufort	Washington Montessori	1,795,773	89,054		1,884,827	1,787,623
Bertie	Heritage Collegiate Leadership	1,297,655	127,237	97,761	1,522,653	
Bladen	Paul R. Brown Leadership Academy	614,325	35,260		649,585	528,963
Brunswick	Charter Day School	4,748,994	161,700		4,910,694	4,868,296
Brunswick	South Brunswick Charter	426,126	10,951		437,077	
Buncombe	ArtSpace Charter	2,169,147	147,671		2,316,818	2,201,817
Buncombe	Evergreen Community Charter	2,370,852	166,783		2,537,635	2,291,460
Buncombe	Francine Delany New School for Children	916,436	57,323		973,759	954,288
Buncombe	Invest Collegiate - Imagine	1,710,781	45,321		1,756,102	
Buncombe	The Franklin School of Innovation	1,469,029	69,992		1,539,021	
Burke	The New Dimensions School	1,429,281	71,789		1,501,070	1,257,451
Cabarrus	A.C.E. Academy	714,144	52,836		766,980	
Cabarrus	Cabarrus Charter Academy	4,401,052	130,064	64,632	4,595,748	3,220,004
Cabarrus	Carolina International School	3,359,255	106,150		3,465,405	2,928,542
Carteret	Tiller School	1,065,132	48,065		1,113,197	1,048,781
Chatham	Chatham Charter	2,468,350	46,954		2,515,304	2,222,360
Chatham	The Woods Charter School	2,703,377	81,043	3,057	2,787,477	2,802,171
Chatham	Willow Oak Montessori	605,364	17,839		623,203	439,736
Cherokee	The Learning Center	1,112,723	100,315	54,522	1,267,560	1,271,712
Cleveland	Pinnacle Classical Academy	2,008,329	51,024		2,059,353	1,644,636
Columbus	Columbus Charter School	5,630,201	181,699		5,811,900	5,067,279
Columbus	Flemington Academy	476,722	36,719		513,441	372,966
Columbus	STEM Education for a Global Society Academy	533,704	45,981	42,103	621,788	470,731
Cumberland	Alpha Academy	3,248,021	213,142		3,461,163	3,084,351
Cumberland	The Capitol Encore Academy	1,009,046	46,463	42,841	1,098,350	
Currituck	Water's Edge Village School	106,403	6,850		113,253	143,217
Durham	Carter Community Charter	1,699,774	173,236	99,860	1,972,870	1,839,434
Durham	Global Scholars Academy	929,174	348,599	104,752	1,382,525	812,826
Durham	Healthy Start Academy	2,081,339	265,785	189,435	2,536,559	2,223,379
Durham	Kestrel Heights School	5,484,473	132,510		5,616,983	5,559,059
Durham	Maureen Joy Charter	3,024,578	307,245	235,342	3,567,165	2,913,386
Durham	Reaching All Minds Academy	583,832	43,910		627,742	
Durham	Research Triangle Charter Academy	3,716,483	337,184	155,887	4,209,554	3,891,965
Durham	Research Triangle High School	1,878,858	75,484		1,954,342	1,316,506
Durham	The Central Park School For Children	2,139,859	64,731	6,313	2,210,903	1,874,210
Durham	The Institute for the Development of Young Leaders	725,840	23,079		748,919	466,617
Durham	Voyager Academy	7,359,377	167,799		7,527,176	7,114,107
Edgecombe	North East Carolina Preparatory School	7,800,166	407,647	239,136	8,446,949	5,538,411
Forsyth	Arts Based School	2,778,576	85,237		2,863,813	2,386,224
Forsyth	Forsyth Academy	4,008,492	459,359	213,073	4,680,924	4,294,075
Forsyth	Quality Education Academy	2,615,480	312,952	274,004	3,202,436	2,816,370
Forsyth	The Carter G. Woodson School	2,512,304	312,831	179,066	3,004,201	3,079,222
Forsyth	The North Carolina Leadership Academy	2,709,000	64,405		2,773,405	2,111,960
Franklin	Crosscreek Charter School	1,163,966	43,522		1,207,488	1,098,511
Gaston	Mountain Island Charter	5,845,757	141,376	52,434	6,039,567	4,689,346
Gaston	Piedmont Community Charter	6,181,366	225,345		6,406,711	5,878,836
Granville	Falls Lake Academy	2,278,156	69,409		2,347,565	1,782,527
Granville	Oxford Preparatory High School	648,409	14,798		663,207	374,284
Guilford	Cornerstone Charter Academy	3,675,085	106,621		3,781,706	3,227,697
Guilford	Greensboro Academy	3,802,092	133,574		3,935,666	3,778,739
Guilford	Guilford Preparatory Academy	1,315,544	215,407	80,140	1,611,091	1,518,231
Guilford	Phoenix Academy	4,537,798	122,718	5,343	4,665,859	3,245,726
Guilford	Summerfield Charter Academy	3,230,626	100,939	36,472	3,368,037	2,613,871
Guilford	The College Prep. and Leadership Academy of High Point	1,655,444	179,448	200,493	2,035,385	1,107,485
Guilford	Triad Math and Science Academy	5,143,910	289,402	174,368	5,607,680	3,759,168
Halifax	KIPP Halifax College Preparatory	494,663	15,761	45,734	556,158	
Harnett	Anderson Creek Club	937,863	33,658		971,521	
Henderson	The Mountain Community School	990,430	53,383		1,043,813	942,629
Iredell	American Renaissance School	2,807,373	194,728		3,002,101	2,926,707
Iredell	Langtree Charter Academy	4,548,720	144,953	31,798	4,725,471	3,163,552
Iredell	Pine Lake Preparatory	8,541,796	245,757		8,787,553	8,406,721
Iredell	Success Institute	556,061	86,902	58,797	701,760	698,898
Jackson	Summit Charter	1,126,170	46,552		1,172,722	1,166,158
Johnston	Neuse Charter School	3,928,814	159,927		4,088,741	3,910,329
Lenoir	Kinston Charter Academy					5,194
Lenoir	The Children's Village Academy	1,191,487	444,121	161,141	1,796,749	1,668,892
Lincoln	Lincoln Charter	8,967,185	247,415		9,214,600	8,269,718
Martin	Bear Grass Charter School	2,125,323	45,791		2,171,114	1,962,092
Martin	Northeast Regional School - Biotech/Agri	1,119,924	24,656		1,144,580	716,959
Mecklenburg	Aristotle Preparatory Academy	682,439	64,664	69,372	816,475	615,240
Mecklenburg	Bradford Preparatory	2,070,139	65,029		2,135,168	
Mecklenburg	Charlotte Choice Charter	1,303,063	104,166	106,792	1,514,021	1,133,154
Mecklenburg	Charlotte Learning Academy	784,274	70,812	40,678	895,764	
Mecklenburg	Charlotte Secondary School	2,169,767	86,597		2,256,364	1,746,239
Mecklenburg	Commonwealth High	1,099,058			1,099,058	
Mecklenburg	Community School of Davidson	7,061,384	187,617		7,249,001	6,741,057

**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, 2015 (With Comparative Totals for 2014)**

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

County of Location	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2015 Total	2014 Total
Mecklenburg	Corvian Community School	2,662,531	129,008		2,791,539	2,201,828
Mecklenburg	Crossroads Charter High	868,502	400,277		1,268,779	1,474,637
Mecklenburg	Invest Collegiate Transform	2,618,476	64,869		2,683,345	453,411
Mecklenburg	Kennedy Charter	1,973,859	578,563	169,460	2,721,882	2,884,919
Mecklenburg	KIPP: Charlotte	1,962,246	179,459	73,496	2,215,201	2,122,809
Mecklenburg	Lake Norman Charter	7,763,397	211,714		7,975,111	7,807,791
Mecklenburg	Metrolina Regional Scholars' Academy	1,774,088	44,692		1,818,780	1,800,826
Mecklenburg	Pioneer Springs Community	1,032,708	25,478		1,058,186	
Mecklenburg	Queen's Grant Community School	6,102,776	219,841	40,430	6,363,047	6,329,947
Mecklenburg	Socrates Academy	3,292,094	146,819		3,438,913	3,366,710
Mecklenburg	StudentFirst Academy					1,810,097
Mecklenburg	Sugar Creek Charter	5,751,915	554,686	596,075	6,902,676	5,908,775
Mecklenburg	The Community Charter School	672,322	44,615		716,937	860,448
Mecklenburg	Thunderbird Preparatory	1,496,178	44,691		1,540,869	
Mecklenburg	United Community School	667,783	18,728		686,511	
Moore	Sandhills Theatre Arts Renaissance School	2,057,062	97,546		2,154,608	1,841,401
Moore	The Academy of Moore County	1,094,366	64,283		1,158,649	1,014,898
Nash	Rocky Mount Preparatory	6,920,965	606,662	488,411	8,016,038	7,672,219
New Hanover	Cape Fear Center for Inquiry	2,241,256	53,346		2,294,602	2,013,293
New Hanover	Cape Lookout Marine Science High School					321,140
New Hanover	Douglass Academy	408,178	16,566		424,744	170,547
New Hanover	Island Montessori Charter	869,625	46,200		915,825	710,208
New Hanover	Wilmington Preparatory Academy	667,332	56,313		723,645	676,637
Northhampton	Gaston College Preparatory	7,705,346	397,085	587,538	8,689,969	7,330,335
Onslow	Z.E.C.A. School of Arts and Technology	657,672	92,848	64,833	815,353	477,731
Orange	Orange Charter	1,361,889	45,290		1,407,179	1,284,680
Orange	PACE Academy	691,577	58,671		750,248	885,609
Orange	The Expedition School	1,304,414	38,328		1,342,742	
Pamlico	Arapahoe Charter School	3,578,130	242,153	147,667	3,967,950	3,501,319
Person	Bethel Hill Charter	2,165,900	128,244	79,157	2,373,301	2,238,619
Person	Roxboro Community School	3,673,844	99,690		3,773,534	3,553,620
Randolph	Uwharrie Charter Academy	1,618,432	49,809		1,668,241	985,960
Robeson	CIS Academy	800,682	76,976	33,247	910,905	839,763
Robeson	Southeastern Academy	1,211,837	26,112		1,237,949	1,023,955
Rockingham	Bethany Community Middle	1,493,410	72,891		1,566,301	1,481,501
Rutherford	Lake Lure Classical Academy	2,097,549	49,516		2,147,065	1,826,021
Rutherford	Thomas Jefferson Classical Academy	7,085,113	159,766		7,244,879	6,913,403
Stanly	Gray Stone Day School	2,140,158	60,974		2,201,132	2,157,501
Surry	Millennium Charter Academy	3,714,609	133,381		3,847,990	3,166,281
Swain	Mountain Discovery Charter School	1,314,387	99,314		1,413,701	1,291,314
Transylvania	Brevard Academy	1,353,174	33,826		1,387,000	1,259,596
Union	Union Academy	7,254,310	155,193	5,637	7,415,140	6,588,729
Vance	Henderson Collegiate	3,219,849	266,492	344,478	3,830,819	2,919,083
Vance	Vance Charter School	3,465,095	159,993		3,625,088	3,521,414
Wake	Cardinal Charter	3,268,982	80,068	25,178	3,374,228	
Wake	Casa Esperanza Montessori	2,277,897	68,554		2,346,451	2,080,390
Wake	Dynamic Community Charter	655,487	22,686		678,173	
Wake	East Wake Academy	5,838,390	179,537		6,017,927	5,724,202
Wake	Endeavor Charter	2,548,724	83,391		2,632,115	2,384,571
Wake	Envision Science Academy	1,274,550	48,253		1,322,803	
Wake	Exploris Middle School	2,060,208	63,548		2,123,756	1,102,134
Wake	Franklin Academy	7,948,631	275,176		8,223,807	7,864,252
Wake	Hope Charter Leadership Academy	669,184	81,853	66,308	817,345	757,682
Wake	Longleaf School of the Arts	1,135,456	41,511		1,176,967	865,561
Wake	Magellan Charter	2,065,524	61,511		2,127,035	2,089,583
Wake	PreEminent Charter School	2,975,469	326,194	256,992	3,558,655	3,538,020
Wake	Quest Academy	729,973	17,713		747,686	679,335
Wake	Raleigh Charter High School	2,677,203	93,019		2,770,222	2,682,391
Wake	Southern Wake Academy	1,742,276	90,880		1,833,156	1,444,228
Wake	Sterling Montessori Academy	2,984,273	88,852		3,073,125	2,999,202
Wake	Torchlight Academy	2,405,866	333,403	265,886	3,005,155	2,900,179
Wake	Triangle Math and Science Academy	2,122,813	50,416		2,173,229	1,725,747
Wake	Wake Forest Charter Academy	2,433,712	41,468	33,086	2,508,266	
Warren	Haliwa-Saponi Tribal School	1,343,758	98,553	69,245	1,511,556	1,395,087
Watauga	Two Rivers Community School	1,063,433	48,621		1,112,054	1,085,990
Wayne	Dillard Academy	1,357,662	742,027	201,519	2,301,208	2,462,579
Wayne	Wayne Preparatory	1,616,887	43,934		1,660,821	
Wilkes	Bridges Academy	1,124,168	118,012	82,764	1,324,944	1,143,058
Wilson	Sallie B. Howard School	4,467,851	532,275	500,392	5,500,518	5,401,151
Wilson	Wilson Preparatory Academy	1,846,936	83,210	18,791	1,948,937	
Total Grants and Aid to Charter School		\$ 372,465,594	\$ 20,472,389	\$ 7,450,822	\$ 400,388,805	\$ 327,830,542

**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, 2015 (With Comparative Totals for 2014)**

**Schedule D-7**  
**Page 1 of 2**

County	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2015 Total	2014 Total
Lincoln	Lincoln Charter	\$ 8,967,185	\$ 247,415	\$ 0	\$ 9,214,600	\$ 8,269,718
Iredell	Pine Lake Preparatory	8,541,796	245,757		8,787,553	8,406,721
Northhampton	Gaston College Preparatory	7,705,346	397,085	587,538	8,689,969	7,330,335
Edgecombe	North East Carolina Preparatory School	7,800,166	407,647	239,136	8,446,949	5,538,411
Wake	Franklin Academy	7,948,631	275,176		8,223,807	7,864,252
Nash	Rocky Mount Preparatory	6,920,965	606,662	488,411	8,016,038	7,672,219
Mecklenburg	Lake Norman Charter	7,763,397	211,714		7,975,111	7,807,791
Durham	Voyager Academy	7,359,377	167,799		7,527,176	7,114,107
Union	Union Academy	7,254,310	155,193	5,637	7,415,140	6,588,729
Mecklenburg	Community School of Davidson	7,061,384	187,617		7,249,001	6,741,057
Rutherford	Thomas Jefferson Classical Academy	7,085,113	159,766		7,244,879	6,913,403
Mecklenburg	Sugar Creek Charter	5,751,915	554,686	596,075	6,902,676	5,908,775
Gaston	Piedmont Community Charter	6,181,366	225,345		6,406,711	5,878,836
Mecklenburg	Queen's Grant Community School	6,102,776	219,841	40,430	6,363,047	6,329,947
Gaston	Mountain Island Charter	5,845,757	141,376	52,434	6,039,567	4,689,346
Wake	East Wake Academy	5,838,390	179,537		6,017,927	5,724,202
Columbus	Columbus Charter School	5,630,201	181,699		5,811,900	5,067,279
Durham	Kestrel Heights School	5,484,473	132,510		5,616,983	5,559,059
Guilford	Triad Math and Science Academy	5,143,910	289,402	174,368	5,607,680	3,759,168
Wilson	Sallie B. Howard School	4,467,851	532,275	500,392	5,500,518	5,401,151
Brunswick	Charter Day School	4,748,994	161,700		4,910,694	4,868,296
Iredell	Langtree Charter Academy	4,548,720	144,953	31,798	4,725,471	3,163,552
Forsyth	Forsyth Academy	4,008,492	459,359	213,073	4,680,924	4,294,075
Guilford	Phoenix Academy	4,537,798	122,718	5,343	4,665,859	3,245,726
Cabarrus	Cabarrus Charter Academy	4,401,052	130,064	64,632	4,595,748	3,220,004
Durham	Research Triangle Charter Academy	3,716,483	337,184	155,887	4,209,554	3,891,965
Johnston	Neuse Charter School	3,928,814	159,927		4,088,741	3,910,329
Pamlico	Arapahoe Charter School	3,578,130	242,153	147,667	3,967,950	3,501,319
Guilford	Greensboro Academy	3,802,092	133,574		3,935,666	3,778,739
Surry	Millennium Charter Academy	3,714,609	133,381		3,847,990	3,166,281
Vance	Henderson Collegiate	3,219,849	266,492	344,478	3,830,819	2,919,083
Guilford	Cornerstone Charter Academy	3,675,085	106,621		3,781,706	3,227,697
Person	Roxboro Community School	3,673,844	99,690		3,773,534	3,553,620
Vance	Vance Charter School	3,465,095	159,993		3,625,088	3,521,414
Durham	Maureen Joy Charter	3,024,578	307,245	235,342	3,567,165	2,913,386
Wake	PreEminent Charter School	2,975,469	326,194	256,992	3,558,655	3,538,020
Alamance	River Mill Academy	3,290,596	142,555	67,269	3,500,420	3,052,481
Cabarrus	Carolina International School	3,359,255	106,150		3,465,405	2,928,542
Cumberland	Alpha Academy	3,248,021	213,142		3,461,163	3,084,351
Mecklenburg	Socrates Academy	3,292,094	146,819		3,438,913	3,366,710
Wake	Cardinal Charter	3,268,982	80,068	25,178	3,374,228	
Guilford	Summerfield Charter Academy	3,230,626	100,939	36,472	3,368,037	2,613,871
Alamance	Clover Garden	3,092,956	135,653	90,534	3,319,143	3,038,410
Forsyth	Quality Education Academy	2,615,480	312,952	274,004	3,202,436	2,816,370
Wake	Sterling Montessori Academy	2,984,273	88,852		3,073,125	2,999,202
Wake	Torchlight Academy	2,405,866	333,403	265,886	3,005,155	2,900,179
Forsyth	The Carter G. Woodson School	2,512,304	312,831	179,066	3,004,201	3,079,222
Iredell	American Renaissance School	2,807,373	194,728		3,002,101	2,926,707
Forsyth	Arts Based School	2,778,576	85,237		2,863,813	2,386,224
Mecklenburg	Corvian Community School	2,662,531	129,008		2,791,539	2,201,828
Chatham	The Woods Charter School	2,703,377	81,043	3,057	2,787,477	2,802,171
Forsyth	The North Carolina Leadership Academy	2,709,000	64,405		2,773,405	2,111,960
Wake	Raleigh Charter High School	2,677,203	93,019		2,770,222	2,682,391
Mecklenburg	Kennedy Charter	1,973,859	578,563	169,460	2,721,882	2,884,919
Mecklenburg	Invest Collegiate Transform	2,618,476	64,869		2,683,345	453,411
Wake	Endeavor Charter	2,548,724	83,391		2,632,115	2,384,571
Buncombe	Evergreen Community Charter	2,370,852	166,783		2,537,635	2,291,460
Durham	Healthy Start Academy	2,081,339	265,785	189,435	2,536,559	2,223,379
Chatham	Chatham Charter	2,468,350	46,954		2,515,304	2,222,360
Wake	Wake Forest Charter Academy	2,433,712	41,468	33,086	2,508,266	
Person	Bethel Hill Charter	2,165,900	128,244	79,157	2,373,301	2,238,619
Granville	Falls Lake Academy	2,278,156	69,409		2,347,565	1,782,527
Wake	Casa Esperanza Montessori	2,277,897	68,554		2,346,451	2,080,390
Buncombe	ArtSpace Charter	2,169,147	147,671		2,316,818	2,201,817
Wayne	Dillard Academy	1,357,662	742,027	201,519	2,301,208	2,462,579
New Hanover	Cape Fear Center for Inquiry	2,241,256	53,346		2,294,602	2,013,293
Mecklenburg	Charlotte Secondary School	2,169,767	86,597		2,256,364	1,746,239
Mecklenburg	KIPP: Charlotte	1,962,246	179,459	73,496	2,215,201	2,122,809
Durham	The Central Park School For Children	2,139,859	64,731	6,313	2,210,903	1,874,210
Stanly	Gray Stone Day School	2,140,158	60,974		2,201,132	2,157,501
Wake	Triangle Math and Science Academy	2,122,813	50,416		2,173,229	1,725,747
Martin	Bear Grass Charter School	2,125,323	45,791		2,171,114	1,962,092
Moore	Sandhills Theatre Arts Renaissance School	2,057,062	97,546		2,154,608	1,841,401
Rutherford	Lake Lure Classical Academy	2,097,549	49,516		2,147,065	1,826,021
Mecklenburg	Bradford Preparatory	2,070,139	65,029		2,135,168	
Wake	Magellan Charter	2,065,524	61,511		2,127,035	2,089,583
Wake	Exploris Middle School	2,060,208	63,548		2,123,756	1,102,134
Cleveland	Pinnacle Classical Academy	2,008,329	51,024		2,059,353	1,644,636
Guilford	The College Prep. and Leadership Academy of High Point	1,655,444	179,448	200,493	2,035,385	1,107,485
Durham	Carter Community Charter	1,699,774	173,236	99,860	1,972,870	1,839,434
Durham	Research Triangle High School	1,878,858	75,484		1,954,342	1,316,506

**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, 2015 (With Comparative Totals for 2014)**

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

County	Charter School Name	State Funds	Federal Grant Funds	Federal Child Nutrition Funds	2015 Total	2014 Total
Wilson	Wilson Preparatory Academy	1,846,936	83,210	18,791	1,948,937	
Beaufort	Washington Montessori	1,795,773	89,054		1,884,827	1,787,623
Wake	Southern Wake Academy	1,742,276	90,880		1,833,156	1,444,228
Mecklenburg	Metrolina Regional Scholars' Academy	1,774,088	44,692		1,818,780	1,800,826
Lenoir	The Children's Village Academy	1,191,487	444,121	161,141	1,796,749	1,668,892
Buncombe	Invest Collegiate - Imagine	1,710,781	45,321		1,756,102	
Randolph	Uwharrie Charter Academy	1,618,432	49,809		1,668,241	985,960
Wayne	Wayne Preparatory	1,616,887	43,934		1,660,821	
Guilford	Guilford Preparatory Academy	1,315,544	215,407	80,140	1,611,091	1,518,231
Rockingham	Bethany Community Middle	1,493,410	72,891		1,566,301	1,481,501
Mecklenburg	Thunderbird Preparatory	1,496,178	44,691		1,540,869	
Buncombe	The Franklin School of Innovation	1,469,029	69,992		1,539,021	
Bertie	Heritage Collegiate Leadership	1,297,655	127,237	97,761	1,522,653	
Mecklenburg	Charlotte Choice Charter	1,303,063	104,166	106,792	1,514,021	1,133,154
Warren	Haliwa-Saponi Tribal School	1,343,758	98,553	69,245	1,511,556	1,395,087
Burke	The New Dimensions School	1,429,281	71,789		1,501,070	1,257,451
Swain	Mountain Discovery Charter School	1,314,387	99,314		1,413,701	1,291,314
Orange	Orange Charter	1,361,889	45,290		1,407,179	1,284,680
Transylvania	Brevard Academy	1,353,174	33,826		1,387,000	1,259,596
Durham	Global Scholars Academy	929,174	348,599	104,752	1,382,525	812,826
Alamance	The Hawbridge School	1,330,175	46,762		1,376,937	1,100,091
Orange	The Expedition School	1,304,414	38,328		1,342,742	
Wilkes	Bridges Academy	1,124,168	118,012	82,764	1,324,944	1,143,058
Avery	Marjorie Williams Academy	665,008	582,358	77,083	1,324,449	1,304,885
Wake	Envision Science Academy	1,274,550	48,253		1,322,803	
Mecklenburg	Crossroads Charter High	868,502	400,277		1,268,779	1,474,637
Cherokee	The Learning Center	1,112,723	100,315	54,522	1,267,560	1,271,712
Robeson	Southeastern Academy	1,211,837	26,112		1,237,949	1,023,955
Franklin	Crosscreek Charter School	1,163,966	43,522		1,207,488	1,098,511
Wake	Longleaf School of the Arts	1,135,456	41,511		1,176,967	865,561
Jackson	Summit Charter	1,126,170	46,552		1,172,722	1,166,158
Moore	The Academy of Moore County	1,094,366	64,283		1,158,649	1,014,898
Martin	Northeast Regional School - Biotech/Agri	1,119,924	24,656		1,144,580	716,959
Carteret	Tiller School	1,065,132	48,065		1,113,197	1,048,781
Watauga	Two Rivers Community School	1,063,433	48,621		1,112,054	1,085,990
Mecklenburg	Commonwealth High	1,099,058			1,099,058	
Cumberland	The Capitol Encore Academy	1,009,046	46,463	42,841	1,098,350	
Mecklenburg	Pioneer Springs Community	1,032,708	25,478		1,058,186	
Henderson	The Mountain Community School	990,430	53,383		1,043,813	942,629
Buncombe	Francine Delany New School for Children	916,436	57,323		973,759	954,288
Harnett	Anderson Creek Club	937,863	33,658		971,521	
New Hanover	Island Montessori Charter	869,625	46,200		915,825	710,208
Robeson	CIS Academy	800,682	76,976	33,247	910,905	839,763
Mecklenburg	Charlotte Learning Academy	784,274	70,812	40,678	895,764	
Wake	Hope Charter Leadership Academy	669,184	81,853	66,308	817,345	757,682
Mecklenburg	Aristotle Preparatory Academy	682,439	64,664	69,372	816,475	615,240
Onslow	Z.E.C.A. School of Arts and Technology	657,672	92,848	64,833	815,353	477,731
Cabarrus	A.C.E. Academy	714,144	52,836		766,980	
Orange	PACE Academy	691,577	58,671		750,248	885,609
Durham	The Institute for the Development of Young Leaders	725,840	23,079		748,919	466,617
Wake	Quest Academy	729,973	17,713		747,686	679,335
New Hanover	Wilmington Preparatory Academy	667,332	56,313		723,645	676,637
Mecklenburg	The Community Charter School	672,322	44,615		716,937	860,448
Iredell	Success Institute	556,061	86,902	58,797	701,760	698,898
Mecklenburg	United Community School	667,783	18,728		686,511	
Wake	Dynamic Community Charter	655,487	22,686		678,173	
Granville	Oxford Preparatory High School	648,409	14,798		663,207	374,284
Bladen	Paul R. Brown Leadership Academy	614,325	35,260		649,585	528,963
Durham	Reaching All Minds Academy	583,832	43,910		627,742	
Chatham	Willow Oak Montessori	605,364	17,839		623,203	439,736
Columbus	STEM Education for a Global Society Academy	533,704	45,981	42,103	621,788	470,731
Halifax	KIPP Halifax College Preparatory	494,663	15,761	45,734	556,158	
Columbus	Flemington Academy	476,722	36,719		513,441	372,966
Brunswick	South Brunswick Charter	426,126	10,951		437,077	
New Hanover	Douglass Academy	408,178	16,566		424,744	170,547
Avery	Grandfather Academy	224,597	104,222		328,819	328,263
Currituck	Water's Edge Village School	106,403	6,850		113,253	143,217
Mecklenburg	StudentFirst Academy					1,810,097
New Hanover	Cape Lookout Marine Science High School					321,140
Lenoir	Kinston Charter Academy					5,194
Total Grants and Aid to Charter School		\$ 372,465,594	\$ 20,472,389	\$ 7,450,822	\$ 400,388,805	\$ 327,830,542



# **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  
<http://www.ncauditor.net>

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

---

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental fund and proprietary fund of the North Carolina Department of Public Instruction (Department), a department of the State of North Carolina, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated May 19, 2016.

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

Internal Control Over Financial Reporting

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

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

material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### Compliance and Other Matters

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

### Purpose of this Report

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



Beth A. Wood, CPA  
State Auditor

Raleigh, North Carolina

May 19, 2016

# ORDERING INFORMATION

---

## COPIES OF THIS REPORT MAY BE OBTAINED BY CONTACTING:

Office of the State Auditor  
State of North Carolina  
2 South Salisbury Street  
20601 Mail Service Center  
Raleigh, North Carolina 27699-0600

Telephone: 919-807-7500  
Facsimile: 919-807-7647  
Internet: <http://www.ncauditor.net>

To report alleged incidents of fraud, waste or abuse in state government contact the  
Office of the State Auditor Fraud Hotline: **1-800-730-8477**  
or download our free app.



<https://play.google.com/store/apps/details?id=net.ncauditor.ncauditor>



<https://itunes.apple.com/us/app/nc-state-auditor-hotline/id567315745>

For additional information contact:  
Bill Holmes  
Director of External Affairs  
**919-807-7513**

