

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR
BETH A. WOOD, CPA



NORTH CAROLINA DEPARTMENT OF PUBLIC SAFETY

RALEIGH, NORTH CAROLINA
FINANCIAL STATEMENT AUDIT REPORT
AS OF JUNE 30, 2015 AND 2014 AND
FOR THE YEAR ENDED JUNE 30, 2015

A DEPARTMENT OF THE STATE OF NORTH CAROLINA



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STATE OF NORTH CAROLINA
Office of the State Auditor



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AUDITOR'S TRANSMITTAL

The Honorable Pat McCrory, Governor
The General Assembly of North Carolina

We have completed a financial statement audit of the North Carolina Department of Public Safety as of June 30, 2015 and 2014 and for the 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, except for the possible effects of the matters described in the "Basis for Qualified Opinions" section of the Independent Auditor's Report.

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

The Department reports financial activities in four major governmental funds and one major proprietary fund. The governmental funds are used to report most of the activity of the Department. The major proprietary fund is used to report the activity of the Alcoholic Beverage Control (ABC) Commission.

The financial information in the report is initially presented at a summarized, departmental level. Where some numbers need further explanation, additional detail is provided in the Schedules or "Notes to the Financial Statements." The Schedules/Notes will be referenced next to the line item caption.

Required Information: (Information required to be reported per Governmental Accounting Standards Board and *Government Auditing Standards*)

The **Independent Auditor's Report** presents the auditor's opinion on the financial statements, which is whether 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, is prepared by the Department, and has not been audited.

"A" Exhibits present the balance sheets (as of June 30, 2015 and 2014) and the operating statement (for fiscal year ended June 30, 2015) for the Department's **governmental funds as a whole**.

"B" Exhibits present the balance sheet (as of June 30, 2015), the operating statement, and the Statement of Cash Flows for the fiscal year ended June 30, 2015 for the Department's **proprietary funds as a whole**.

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

"C" Schedules present the budget-to-actual comparisons for the General Fund, Correction Enterprises Fund, and Welfare Fund (for the fiscal year ended June 30, 2015) and the required supplementary information related to pension plans for **the Department as a whole**.

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.

Other Supplementary Information: (This information is tabbed by “Division” in the report)

For the purposes of these schedules, the Department is reporting governmental fund information by division in the following manner:

- **“D” Schedule** presents the financial information combining the Schedule of Revenues and Expenditures for the fiscal year ended June 30, 2015 (with comparative unaudited totals for fiscal year ended June 30, 2014) across all the “Divisions” in DPS.
- **“E” through “I” Schedules** present further breakdown of each Division’s revenues and expenditures for the fiscal year ended June 30, 2015 (with comparative unaudited totals for the fiscal year ended June 30, 2014) as follows:
 - **“E” Schedule** presents the Division of Administration by its functions.
 - **“F-1” through “F-5” Schedules** present the Division of Adult Correction and Juvenile Justice by subdivision, and provide further breakdown of each subdivision into functions as follows:
 - F-1 – Division of Adult Correction and Juvenile Justice by Sub-Division (which includes Adult Correction, Juvenile Justice, and Correction Enterprises). F-2 and F-5 schedules present further breakdown of the Adult Correction and Juvenile Justice sub-divisions as follows:
 - F-2 – Sub-Division of Adult Correction by its functions. F-3 and F-4 schedules present further breakdown of the Prisons and Community Corrections functions as follows:
 - F-3 – Prisons presents information further by its functions.
 - F-4 – Community Corrections presents information further by its functions.
 - F-5 – Sub-Division of Juvenile Justice by its functions.
 - **“G” Schedule** presents the Division of Law Enforcement by its sub-divisions.
 - **“H” Schedule** presents the Division of the North Carolina National Guard by its functions.
 - **“I” Schedule** presents the Division of Emergency Management by its functions.



Beth A. Wood, CPA
State Auditor

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
EXHIBITS	
A-1 Balance Sheet – Governmental Funds as of June 30, 2015	16
A-2 Balance Sheet – Governmental Funds as of June 30, 2014	17
A-3 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
B-1 Statement of Net Position – Proprietary Funds as of June 30, 2015	19
B-2 Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	20
B-3 Statement of Cash Flows – Proprietary Funds	21
NOTES TO THE FINANCIAL STATEMENTS	22
REQUIRED SUPPLEMENTARY INFORMATION	
C-1 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Budgetary Basis-Non-GAAP) General Fund.....	51
C-2 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Budgetary Basis-Non-GAAP) Correction Enterprises Fund	53
C-3 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Budgetary Basis-Non-GAAP) Welfare Fund	54
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY INFORMATION	55

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

C-4 Schedule of the Net Pension Liability	56
C-5 Schedule of Department Contributions.....	57
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – SCHEDULE OF DEPARTMENT CONTRIBUTIONS.....	58
OTHER SUPPLEMENTARY INFORMATION	
D-1 Combining Schedule of Revenues and Expenditures by Division..	59
E-1 Schedule of Revenues and Expenditures – Division of Administration by Function.....	61
F-1 Schedule of Revenues and Expenditures – Division of Adult Correction and Juvenile Justice by Sub-Division.....	63
F-2 Schedule of Revenues and Expenditures – Sub-Division of Adult Correction by Function.....	64
F-3 Schedule of Revenues and Expenditures – Sub-Division of Adult Correction – <i>Prisons by Function</i>	65
F-4 Schedule of Revenues and Expenditures – Sub-Division of Adult Correction – <i>Community Corrections by Function</i>	67
F-5 Schedule of Revenues and Expenditures – Sub-Division of Juvenile Justice by Function	69
G-1 Schedule of Revenues and Expenditures – Division of Law Enforcement by Sub-Division.....	71
H-1 Schedule of Revenues and Expenditures – Division of the North Carolina National Guard by Function.....	73
I-1 Schedule of Revenues and Expenditures – Division of Emergency Management by Function	74
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	76
ORDERING INFORMATION	78



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



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INDEPENDENT AUDITOR'S REPORT

Frank L. Perry, Secretary
and Management of the North Carolina Department of Public Safety

Report on the Financial Statements

We have audited the accompanying financial statements of each major governmental fund of the North Carolina Department of Public Safety (Department) as of June 30, 2015 and 2014, and for the year ended June 30, 2015, the major proprietary fund, and the aggregate remaining fund information of the Department as of and for the 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 qualified audit opinions.

Basis for Qualified Opinions

Due to the timing of our audit, we were unable to observe the counting of physical inventories, perform a rollback of the inventory, or other alternate procedures. As a result of this matter, we were unable to obtain sufficient appropriate audit evidence by other auditing procedures concerning the inventories held at both June 30, 2015 and 2014, which are stated in the balance sheets of the governmental funds at \$65,264,203 and \$64,062,084, respectively.

Qualified Opinions

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinions paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major governmental funds of the North Carolina Department of Public Safety as of June 30, 2015 and 2014, the major proprietary funds, and aggregate remaining fund information of the Department as of June 30, 2015, the respective changes in financial position and, where applicable, cash flows thereof for the year ended June 30, 2015 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 North Carolina Department of Public Safety 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 11 and Note 15, during the year ended June 30, 2015, the North Carolina Department of Public Safety adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68. – *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* and Governmental Accounting Standards Board Statement No. 69 – *Government Combinations and Disposals of Government Operations*. Our opinions are 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules by division are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules by division 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 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 procedures performed as described previously, the supplemental schedules by division are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 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 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

August 18, 2016



MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The Management's Discussion and Analysis section of the North Carolina Department of Public Safety's (Department) financial report is provided as an overview of the financial performance of the governmental funds and proprietary funds 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 which follow this section.

Overview of the Financial Statements

The Department's financial statements are comprised of governmental funds and proprietary funds. The governmental funds include the General Fund, Correction Enterprises Fund, Capital Projects Fund, and the Welfare Fund. The proprietary funds include the ABC Commission and Other Proprietary Funds, which include the Private Protective Services Board and the Alarm System Licensing Board. While the State Bureau of Investigation (SBI) and the ABC Commission are administratively housed under the Department of Public Safety, the activities of the SBI (included in the Department's General Fund) and the ABC Commission are exercised independently of the Secretary of Public Safety and fall under the oversight of the respective Director and Commissioner per *North Carolina General Statute* 143B-915 and 18B-200(a). The Director and Commissioner are solely responsible for all management functions, direction, and supervision of the SBI and ABC Commission, respectively. The governmental funds' basic financial statements consist of the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances whereas the proprietary funds' basic financial statements consist of the Statement of Net Position; Statement of Revenue, Expenses, and Changes in Net Position; and Statement of Cash Flows.

Governmental Funds:

- 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 Balances reports the resource flows (revenues and expenditures) of the governmental fund.

Proprietary Funds:

- The Statement of Net Position shows the financial position of the proprietary funds 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 funds.
- The Statement of Revenues, Expenses, and Changes in Net Position displays revenue and expense activities of the proprietary funds. 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, financing, 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, Correction Enterprises Fund, and Welfare Fund budgetary comparison schedules reconciling the statutory to the generally accepted accounting principles fund balances at fiscal year-end as well as pension-related disclosures pursuant to GASB Statement 68 for the Department as a whole.

Governmental Funds

Condensed Balance Sheets

The following Condensed Balance Sheets show the Governmental Funds' financial position at June 30, 2015 and 2014.

NC Department of Public Safety
Condensed Balance Sheets
Governmental Funds

	2015	2014	Change
Assets	<u>\$ 268,839,340</u>	<u>\$ 269,541,063</u>	<u>\$ (701,723)</u>
Deferred Outflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets and Deferred Outflows	<u>\$ 268,839,340</u>	<u>\$ 269,541,063</u>	<u>\$ (701,723)</u>
Liabilities	<u>\$ 59,201,784</u>	<u>\$ 71,509,130</u>	<u>\$ (12,307,346)</u>
Deferred Inflows of Resources	<u>1,905,075</u>	<u>145,000</u>	<u>1,760,075</u>
Fund Balances			
Nonspendable	65,264,203	64,062,084	1,202,119
Restricted	13,564,295	14,844,699	(1,280,404)
Committed	107,584,397	87,504,045	20,080,352
Assigned	3,325,583	3,089,009	236,574
Unassigned	<u>17,994,003</u>	<u>28,387,096</u>	<u>(10,393,093)</u>
Total Fund Balances	<u>207,732,481</u>	<u>197,886,933</u>	<u>9,845,548</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 268,839,340</u>	<u>\$ 269,541,063</u>	<u>\$ (701,723)</u>

Total liabilities decreased by \$12.3 million during the year due primarily to a decrease in intergovernmental payables from the phasing out of several major federal disaster grants which resulted in a decrease in payments to local governments as sub-grantee recipients. In addition, total accounts payable decreased \$3.9 million as a result of improved efficiency in paying invoices. Deferred inflows of resources increased \$1.8 million as a result of State Bureau of Investigation billings for the 2014-2015 fiscal year for services related to the Criminal Information Network (DCIN), which are billed in advance.

Overall fund balances increase by \$9.8 million comprised mostly of a \$20.1 million increase in committed fund balance and a \$10.4 million decrease in unassigned fund balance. The increase in committed fund balance occurred as a result of a \$10.1 million increase in the Misdemeanant Confinement Fund balance and the establishment of two new funds by the legislature with a combined balance of \$2.1 million for fiscal year 2015 (Coal Ash Management Commission with a balance of \$550,000 and LiDAR Topographical Mapping with a balance of \$1.5 million). The decrease in unassigned fund balance is a function of the increase in committed fund balance described above.

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

The following Condensed Statements of Revenues, Expenditures, and Changes in Fund Balances show the Governmental Funds' resource flows at June 30, 2015 and 2014.

NC Department of Public Safety

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

Governmental Funds

	2015	2014 (Unaudited)	Change
Revenues			
Federal Funds	\$ 121,176,971	\$ 120,480,078	\$ 696,893
Sales and Services	83,973,789	83,482,339	491,450
Intragovernmental Sales and Services	58,836,378	54,101,281	4,735,097
Fees, Licenses and Fines	63,234,022	57,078,581	6,155,441
Revenues from Other State Agencies	50,969,989	39,679,229	11,290,760
Other Revenues	40,020,030	31,805,093	8,214,937
Total Revenues	418,211,179	386,626,601	31,584,578
Expenditures			
Personal Services	967,194,391	963,784,259	3,410,132
Employee Benefits	396,514,466	398,964,384	(2,449,918)
Contracted Personal Services	178,437,677	168,690,926	9,746,751
Supplies and Materials	157,062,616	151,510,451	5,552,165
Purchases for Resale	78,582,164	77,036,525	1,545,639
Travel	3,271,024	3,691,210	(420,186)
Communication	14,505,377	14,645,547	(140,170)
Utilities	54,562,810	58,184,821	(3,622,011)
Data Processing Services	11,700,926	7,782,159	3,918,767
Other Services	13,023,714	11,946,211	1,077,503
Claims and Benefits	10,557,684	10,145,104	412,580
Debt Service:			
Principal Retirement	97,816	56,370	41,446
Interest and Fees	1,212,982	6,063	1,206,919
Other Fixed Charges	7,416,661	9,194,495	(1,777,834)
Capital Outlay	66,255,722	70,238,150	(3,982,428)
Grants, State Aid and Subsidies	121,758,537	115,554,749	6,203,788
Scholarships	26,840	222,383	(195,543)
Insurance and Bonding	4,508,664	3,310,238	1,198,426
Expenses to Other State Agencies	23,171,970	29,306,432	(6,134,462)
Other Expenditures	33,221,548	32,809,469	412,079
Total Expenditures	2,143,083,589	2,127,079,946	16,003,643
Excess Expenditures over Revenues	(1,724,872,410)	(1,740,453,345)	15,580,935
Other Financing Sources			
Other Debt Issued	278,320		278,320
Sale of Capital Assets	1,858,376	2,085,257	(226,881)
Insurance Recoveries	588,821	195,988	392,833
Transfers In	9,135,994	6,698,140	2,437,854
Transfers Out	(9,135,994)	(8,393,039)	(742,955)
State Appropriations	1,731,992,441	1,724,520,027	7,472,414
Total Other Financing Sources	1,734,717,958	1,725,106,373	9,611,585
Net Change in Fund Balances	9,845,548	(15,346,972)	25,192,520
Fund Balances - July 1	197,886,933	213,233,905	(15,346,972)
Fund Balances - June 30	\$ 207,732,481	\$ 197,886,933	\$ 9,845,548

Total revenues increased \$31.6 million due to an increase in intergovernmental sales and services, fees licenses and fines, revenues from other state agencies, and other revenues. Intragovernmental sales and services increased \$4.7 million primarily due to changes and upgrades in product mixes for food and clothing related to the prison system. Fees, licenses and fines increased \$6.2 million as a result of an increase in handgun permit and background check fees. Additionally, ABC liquor permit fees increased during the year. Revenues from other state agencies experienced a significant increase of \$11.3 million attributable to transfer of the SBI and ABC non-tax operations to the Department.

Total expenditures increased \$16 million compared to the prior year mainly due to an increase in expenses to contracted personal services of \$9.7 million; and grants, state aid, and subsidies of \$6.2 million. Expenditures for contracted personal services increased due to the use of contract health care providers at correction facilities and mandated use of temporary solutions and associated fees. Grants, state aid, and subsidies increased as a result of a required payment to Department of Transportation under a grant agreement related to the March 2014 winter storm which was declared a reimbursable disaster by the Federal Emergency Management Agency (FEMA).

Budget Variations

General Fund

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

Variances – Original and Final Budget:

The final authorized budgeted revenues and expenditures were \$250.8 million and \$2.1 billion, respectively. This represents a 7% increase in revenues and a 2% increase in expenditures from the original certified budget. The increase in authorized revenue is attributable to the recognition of aggregate grant revenue in the year of award. The increase in authorized expenditures is primarily related to an increase in projected grant expenditures. Generally, the variances between certified and authorized budget are attributable to the timing and length of the budget preparation process. The original certified budget for fiscal year 2014-15 was prepared during the Fall of 2012, well over a year in advance of the final authorized 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 authorized budget, it would be expected that significant variances may occur.

Variances – Final Budget and Actual Results:

Actual total revenues were \$18.5 million less than budgeted revenue amounts. Likewise, actual total expenditures were \$88.9 million less than budgeted expenditures. The change in actual revenues is primarily related to Federal Fund revenue which is recognized when received, but budgeted at the full award amount. Several grants cover more than the current fiscal year resulting in this timing difference. In addition, ABC non-tax revenue of \$23.2 million was recognized while it is not required to be included as a budgeted line item. Actual expenses were significantly less than expected due to personnel costs associated with 2,500 vacant positions. In addition, \$10.8 million less than projected was expended on services related to Statewide Misdemeanant Confinement Fund. Capital outlays were less than projected due to an unexpended balance of \$2.6 million for a National Guard

improvement project as well as Federal Asset Forfeiture Funds that were not expended during the current fiscal year. Transfers in were less than projected as a result of technical requirements relating to a Justice Assistance Grant and transfers out were less than expected due primarily to the aforementioned forfeiture funds. State appropriations were less than allotted as fewer transfers were required based on the expenditure reductions delineated above.

Correction Enterprises Fund

Data for the Correction Enterprises Fund budget variances is presented in Schedule C-2: 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 authorized budgeted revenues and expenditures were \$92.5 million and \$90.6 million, respectively, which were reasonably consistent with the amounts reported in the original certified budget. Generally, the minor variances between certified and authorized budget are attributable to the timing and length of the budget preparation process. The original certified budget for fiscal year 2014-15 was prepared during the Fall of 2012, well over a year in advance of the final authorized 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 authorized budget, it would be expected that significant variances may occur.

Variances – Final Budget and Actual Results:

Actual total revenues were \$1.6 million more than budgeted revenue amounts. Actual total expenditures were \$1.2 million less than budgeted expenditures. Variances from budgeted revenues and expenditures primarily occurred due to an increase in sales as a result of improvement in the general economy and a decrease in personnel related costs due to vacant positions.

Welfare Fund

Data for the Welfare Fund budget variances is presented in Schedule C-3: 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 authorized budgeted revenues and expenditures were \$42.1 million and \$41.4 million, respectively, which were consistent with the amounts reported in the original certified budget. Generally, minor variances between certified and authorized budget are attributable to the timing and length of the budget preparation process for the fiscal year. The original certified budget for fiscal year 2014-15 was prepared in the Fall of 2012, well in advance of the authorized 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 authorized budget, it would be expected that significant variances may occur.

Variances – Final Budget and Actual Results:

Actual total revenues were \$8.2 million more than budgeted revenue amounts. Likewise, actual total expenditures were \$1.1 million less than budgeted expenditures. Revenues increased due to a one-time, contractual receipt of \$8 million dollars from the inmate phone system vendor that was not budgeted for in the current fiscal year. The decrease in expenditures was primarily related to lower personnel costs due to vacant positions.

Proprietary Funds

On July 1, 2014, the Department of Justice transferred the assets and liabilities comprising its Private Protective Services Board (PPS) and Alarm System Licensing Board (ASL) operations to DPS and on October 1, 2014, the Department of Corrections transferred the assets and liabilities comprising its ABC Commission operations to the Department. The net position transferred as a result is shown as a special item on the face of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Position. See Note 15 – Government Combinations for more information.

Condensed Statements of Net Position

The following Condensed Statements of Net Position show the Proprietary Funds' financial position at June 30, 2015.

NC Department of Public Safety Condensed Statements of Net Position Proprietary Funds		2015
Assets		
Current Assets	\$ 7,602,512	
Noncurrent Assets	2,619,843	
Total Assets	10,222,355	
Deferred Outflows of Resources	276,426	
Liabilities		
Current Liabilities	203,027	
Noncurrent Liabilities	2,885,683	
Total Liabilities	3,088,710	
Deferred Inflows of Resources	9,215,769	
Net Position		
Investment in Capital Assets	2,619,843	
Unrestricted	(4,425,542)	
Total Net Position	\$ (1,805,698)	

Statements of Revenues, Expenses, and Changes in Net Position

While the Combined Statements of Net Position show the financial position of the Proprietary Funds, 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 year ended June 30, 2015:

	<u>2015</u>
NC Department of Public Safety	
Condensed Statements of Revenues, Expenses, and Changes in Net Position	
Proprietary Funds	
Operating Revenues	
Fees, Licenses and Fines	\$ 16,232,250
Other Operating Revenues	<u>17,413</u>
Total Operating Revenues	<u>16,249,663</u>
Operating Expenses	
Personal Services	3,007,134
Employee Benefits	1,835,788
Contracted Personal Services	10,713,043
Supplies and Materials	429,151
Depreciation	115,971
Travel	61,540
Communication	60,385
Utilities	50,344
Data Processing Services	68,918
Other Services	244,154
Other Fixed Charges	27,041
Grants, State Aid and Subsidies	4,948
Insurance and Bonding	17,064
Other Operating Expenses	<u>328,663</u>
Total Operating Expenses	<u>16,964,144</u>
Operating Income	<u>(714,481)</u>
Nonoperating Revenues	<u>20,679</u>
Income (Loss) before Transfers and Special Item	<u>(693,802)</u>
Transfers Out	(18,113)
Transfer of Operations (Note 15)	<u>(1,093,783)</u>
Change in Net Position	<u>(1,805,698)</u>
Net Position - July 1	<u>0</u>
Net Position - June 30	<u>\$ (1,805,698)</u>

History and Future Outlook

Coal Ash Management Commission

The Coal Ash Management Act of 2014 (Senate Bill 729) established the Coal Ash Management Commission ("Commission"), which is administratively located within the Division of Emergency Management of the Department of Public Safety. The Commission consists of nine members – six appointed by the General Assembly and three appointed by the Governor. The Commission is only located administratively within the Department and exercises all of its powers and duties independently and is not subject to the supervision, direction, or control of the Division of Emergency Management or the Department. The General Assembly has estimated that \$2.4 million will be collected in revenues of which \$1.8 million will be transferred to the Department of Environmental Quality.

In January 2016, the North Carolina Supreme Court ruled that creating a commission controlled by appointments from the legislative branch to carry out executive branch functions violated constitutional separation of powers rules. Following this ruling, the Coal Ash Management Committee was disbanded and responsibility for implementing the Coal Ash Management Act was transferred to the Department of Environmental Quality. In May 2016, the North Carolina General Assembly passed Senate Bill 71 which sought to reestablish the Coal Ash Management Committee by modifying terms of the original legislation to comply with the North Carolina Supreme Court ruling. On June 6, 2016, Senate Bill 71 was vetoed by Governor McCrory. At this time, future actions with respect to the Coal Ash Management Committee cannot be reasonably determined.

Reserve for Salaries and Benefits

- One-Time Bonus – The legislature appropriated \$19.8 million in non-recurring funds to the Department to provide for a one-time bonus of \$750 for State employees. This bonus will not increase employees' annual salary or base rate of pay for retirement purposes.
- During the 2015 legislative session, effective January 1, 2016, \$1.8 million (recurring) was provided for experience-based step increases for State Highway Patrol Troopers pursuant to G.S. 20-187.3.

State Highway Patrol Market Adjustment – \$3.7 million (recurring) was appropriated during the 2015 legislative session to provide for a market-based salary adjustment for sworn members of the State Highway Patrol (SHP), which will increase all sworn SHP members' salaries by 3%. In addition, the starting pay for an entry-level SHP position has been increased by 3% from \$35,000 to \$36,050.

- Correctional Officer Custody-Level Based Pay Adjustment – effective January 1, 2016 \$25.5 million (recurring) was appropriated during the 2015 legislative session to provide for the implementation of custody-level pay for Correctional Officers, Custody Supervisors, and Prison Facility Administrations.
- State Retirement Contributions – An additional \$1.1 million in recurring funds was appropriated for the Department's contribution for members of the Teachers' and State Employees' Retirement System to fund increased retiree medical premiums.
- State Health Plan – An additional \$2.3 million (recurring) was appropriated to the Department to continue health benefit coverage for enrolled active employees supported by the General Fund.

Department-wide

Samarcaud Training Academy – An additional \$1.9 million (recurring) will fund operating costs and a total of 21 positions for the Samarcaud Training Academy in Moore County. The training facility will allow the Department to provide overnight training for correctional officers and juvenile justice officers, as well as other employees of the Department. In addition, \$3 million in non-recurring funds are provided to purchase a use-of-force training simulator and construct a state-of-the-art firing range at the academy.

Administration

Grants for Body-worn Cameras – \$2.5 million (non-recurring) was appropriated for both the 2015-2016 and the 2016-2017 fiscal years to provide matching grants for local and county law enforcement agencies to purchase and use body-worn video cameras and for training and related expenses. Agencies can receive up to \$100,000. The grants must be matched by the grantee agencies on a 2 to 1 basis.

HERO Grants – \$600,000 (non-recurring) for the 2015-2016 fiscal year and \$1 million (non-recurring) for the 2016-2017 fiscal year was appropriated to the Governor's Crime Commission for grants to law enforcement agencies for salaries, training, and equipment for internet Crimes Against Children Task Force affiliate investigators and forensic analysts to utilize technology and data analysis to locate and rescue children at risk of exploitation. Priority will be given to veterans who have received training from the Human Exploitation Rescue Operative (HERO) project, a collaborative between the National Association to Protect Children, US Immigration and Customs Enforcement, and the US Special Operations Command, or a comparable training program.

Law Enforcement

The State Highway Patrol was appropriated \$10.5 million in recurring funds and \$805,000 in non-recurring funds to purchase replacement law enforcement vehicles, install cameras in the remaining law enforcement fleet vehicles and develop and coordinate appropriate use-of-force training for State law enforcement officers.

The State Bureau of Investigation was appropriated \$1.9 million in recurring funds to replace 75 vehicles per year for the SBI and the Alcohol Law Enforcement Branch. In addition, the North Carolina Education Lottery will transfer \$2.1 million annually to the Alcohol Law Enforcement Branch for gambling enforcement activities.

Adult Correction and Juvenile Justice – Prisons

Central Prison Mental Health Beds – \$1.1 million (recurring) for the 2015-2016 fiscal year and \$3.16 million (recurring) for the 2016-2017 fiscal year was appropriated to fund 66 positions at the Central Prison Mental Health Facility. These positions will open 72 additional beds to enable the unit to operate at its full capacity of 216 beds. Thirty-five positions will be effective January 1, 2016 and 31 additional positions will be effective January 1, 2017.

Mental Health Behavior Treatment – \$2.1 million (recurring) and \$121,300 (non-recurring) for the 2015-2016 fiscal year and \$5.6 million (recurring) and \$121,300 (non-recurring) for the 2016-2017 fiscal year appropriates funding to staff mental health behavior treatment units at

eight close custody prisons. Four units will be effective January 1, 2016 (76 positions) and four units are effective January 1, 2017 (76 positions).

Electronic Health Records – \$1.4 million (recurring) for the 2016-2017 fiscal year appropriates funding for vendor fees for access and data for the electronic inmate healthcare records system. Currently, the Department is using non-recurring funds for the development and implementation of the system.

Statewide Misdemeanant Confinement Fund – provides \$22.5 million (recurring) in funding for the Statewide Misdemeanant Confinement Fund (SMCF). This fund was previously supported by court costs that were transferred directly to the fund. SMCF provides payments to county jails for housing, transportation, and medical care for misdemeanants sentenced to confinement for longer than 90 days.

Adult Correction and Juvenile Justice – Community Corrections

Electronic Monitoring – provides a total of \$2.6 million (recurring) in increased funding for electronic monitoring equipment for offenders under supervision. Use of electronic monitoring has more than doubled following the Justice Reinvestment Act; this funding supports the increased demand. With these additional funds, the budget for electronic monitoring will be \$4.9 million in the first year, which is a 17% increase. In the second year, the budget will be \$6.8 million, an increase of 62%.

Adult Correction and Juvenile Justice – Juvenile Justice

Residential Beds for Adjudicated Juveniles – provides \$2 million (recurring) appropriation for expanded bed capacity for adjudicated juveniles in contracted and state-run facilities throughout the State. The new total budget for juvenile community programs will be \$20.1 million, an increase of 11%.

Special Projects – General Fund

- Enterprise Resource Planning System - \$9 million nonrecurring funds were appropriated for the 2013-2014 fiscal year for the purchase and implementation of an Enterprise Resource Planning System (ERP). These funds were placed in a separate information technology fund within the Department and were to be used in conjunction with the statewide ERP initiative. During the 2015 Legislative Session, these funds were transferred from the separate information technology fund to the State's General Fund.
- State Highway Patrol VIPER Tower Construction – provides \$7 million (recurring) in the 2014-2015 fiscal year to complete construction of 29 state-funded towers for the Voice Interoperability Plan for Emergency Responders (VIPER) system. Tower construction should be complete in fiscal year 2016-2017, at which time this appropriation will be reduced to \$2 million recurring to fully fund operation and maintenance of the completed VIPER system.

Special Project – Welfare Fund

Managed Access for Cell Phones – The 2015 Legislative Session allowed for non-recurring transfers to the Department's general fund of \$675,000 and \$2.8 million during the 2015-2016 and 2016-2017 fiscal years respectively to contract for a managed access system

to provide enhanced security technology to deter illegal access to cell phones by inmates in the State's prison system.

Hazardous Materials Facility Fee

North Carolina General Statute 166A-29.1 established a fee structure for facilities that store or process hazardous materials ("hazardous materials facility fee"). A person or business subject to the fee shall be charged an annual fee that is calculated in accordance with the requirements of the legislation, up to a maximum annual amount of five thousand dollars (\$5,000) per site.

- A fee of fifty dollars (\$50) shall be assessed for each substance reported by a person or business that is classified as a hazardous chemical (defined in the legislation).
- A fee of ninety dollars (\$90) shall be assessed for each substance reported by a person or business that is classified as an extremely hazardous chemical (defined in the legislation).

Funds generated by the fees are used to fund the Hazardous Materials Database for use by first responders and to support the seven Regional Response Teams (RRTs) for Hazardous Materials located in Wilmington, Williamston, Raleigh, Fayetteville, Greensboro, Charlotte, and Asheville. Funds may also be used to provide grants to local emergency management entities for equipment training and exercises related to hazardous material response. The total amount collected by the fee is estimated to be \$1.5 million. With the implementation of the fee the Department's general fund appropriation was reduced by \$691,277 for the Hazardous Material and Regional Response Teams in connection with the Emergency Management division of the Department.

Grants-in-Aid

Funding was provided to Stanly County during the 2013-2014 fiscal year for the renovation of the New London school facility to expand the Tarheel ChalleNGe Academy to a second location.

The new Academy will begin classes during the 2015-2016 fiscal year, but partial year funding is required for the 2014-2015 fiscal year to hire and train staff. Twenty five percent of the program costs are supported with state appropriations, and the other 75% is federally funded. The total annualized operating costs will be approximately \$3.5 million for the 2015-2016 fiscal year, of which 25% (\$880,808) will be State funded.

Additional funding is also provided to transition Tarheel ChalleNGe Academy staff in Salemburg from temporary positions to permanent positions. Currently, those positions do not receive health insurance or retirement benefits. The total cost to pay for health and retirement for these positions is \$696,845, of which 25% (\$174,211) is funded with state appropriations.

Capital Projects

The Department of Public Safety's capital projects and funding sources may also impact the State's finances in the future. Following are the Department's significant capital projects in process and funding sources:

- Samarcaud Training Facility - \$5.3 million nonrecurring was appropriated for fiscal year 2013-2014. \$5.2 million was allocated from the proceeds of bonds and notes (special indebtedness) for the 2014-2015 fiscal year to finance the capital facility costs to convert the vacant Division of Juvenile Justice Youth Development Center into an overnight training facility for the Department. As of June 30, 2015, the construction in progress balance for the conversion of the Samarcaud Training Facility was \$3.2 million.
- Armory and Facility Development Projects – \$8.3 million in state funds (\$5 million fiscal year 2013-2014 and \$3.3 million in fiscal year 2014-2015) were appropriated to expand and renovate National Guard Armories and Facilities located throughout the State. These funds match \$21 million in federal funds, resulting in \$29.3 million worth of National Guard expansions and renovations. For these National Guard projects, approximately \$8.5 million was expended as of June 30, 2015 and recorded in construction in progress.
- During the 2015 Legislative Session, an additional \$868,000 of capital funds were allocated for National Guard Armory Facility and Development Projects for the 2015-2016 fiscal year (non-recurring) and \$5.1 million (non-recurring) for the 2016-2017 fiscal year. These funds will match \$6.7 million in federal funds.
- The General Assembly authorized \$10.19 million for capital projects to be funded by non-general fund sources for the 2014-2015 fiscal year. The Department's largest project included in this additional funding is for an Industrial Area Uplift at Maury Correctional Institution in the amount of \$2.8 million.

North Carolina Session Law 2015-241, Section 31.22 allows the Department, with the approval of the Office of State Budget and Management, to use the funds from any savings generated, together with available funds, to finance the capital facility costs of renovating existing space at Central Prison for bed space for long-term palliative care. The Department has identified \$11.4 million for this renovation.



FINANCIAL STATEMENTS

**North Carolina Department of Public Safety
Balance Sheet
Governmental Funds
June 30, 2015**

Exhibit A-1

	General Fund	Correction Enterprises Fund	Capital Projects Fund	Welfare Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents (Note 2)	\$ 121,335,332	\$ 11,561,728	\$ 40,119,978	\$ 15,043,593	\$ 188,060,631
Receivables:					
Accounts Receivable, Net (Note 3)	1,031,990	438,057			1,470,047
Intergovernmental Receivables, Net (Note 4)	8,727,750	376,432			9,104,182
Interest Receivable	9,778				9,778
Due from Other Funds and State Agencies	1,988,900	2,655,778			4,644,678
Inventories	41,540,920	22,090,125		1,633,158	65,264,203
Notes Receivable	285,821				285,821
Total Assets	174,920,491	37,122,120	40,119,978	16,676,751	268,839,340
DEFERRED OUTFLOWS OF RESOURCES					
Total Assets and Deferred Outflows of Resources	0	0	0	0	0
	\$ 174,920,491	\$ 37,122,120	\$ 40,119,978	\$ 16,676,751	\$ 268,839,340
LIABILITIES					
Accounts Payable and Accrued Liabilities:					
Accounts Payable	\$ 23,113,295	\$ 1,874,426	\$ 3,677,435	\$ 934,887	\$ 29,600,043
Accrued Payroll	123,849	9,330		545	133,724
Intergovernmental Payables	2,953,798	27	1,523	270	2,955,618
Due to Other Funds and State Agencies	7,486,803	80,724	2,508	929	7,570,964
Due to UNC Hospitals	5,214,487				5,214,487
Funds Held for Others	10,207				10,207
Unearned Revenue	13,248,718	43,423	424,600		13,716,741
Total Liabilities	52,151,157	2,007,930	4,106,066	936,631	59,201,784
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	1,905,075	0	0	0	1,905,075
FUND BALANCES (Note 8)					
Nonspendable	41,540,920	22,090,125		1,633,158	65,264,203
Restricted	13,564,295				13,564,295
Committed	44,147,217	13,024,065	36,306,153	14,106,962	107,584,397
Assigned	3,325,583				3,325,583
Unassigned	18,286,244		(292,241)		17,994,003
Total Fund Balances	120,864,259	35,114,190	36,013,912	15,740,120	207,732,481
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 174,920,491	\$ 37,122,120	\$ 40,119,978	\$ 16,676,751	\$ 268,839,340

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

**North Carolina Department of Public Safety
Balance Sheet
Governmental Funds
June 30, 2014**

Exhibit A-2

	General Fund	Correction Enterprises Fund	Capital Projects Fund	Welfare Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents (Note 2)	\$ 119,881,076	\$ 9,680,287	\$ 46,277,073	\$ 5,922,935	\$ 181,761,371
Receivables:					
Accounts Receivable, Net (Note 3)	1,345,268	468,457			1,813,725
Intergovernmental Receivables, Net (Note 4)	16,248,875	147,220	16,500		16,412,595
Interest Receivable	1,215				1,215
Due From Other Funds and State Agencies	1,759,341	3,472,788			5,232,129
Inventories	40,710,554	21,803,142		1,548,388	64,062,084
Notes Receivable	257,944				257,944
Total Assets	<u>180,204,273</u>	<u>35,571,894</u>	<u>46,293,573</u>	<u>7,471,323</u>	<u>269,541,063</u>
DEFERRED OUTFLOWS OF RESOURCES					
	0	0	0	0	0
Total Assets and Deferred Outflows of Resources	<u>\$ 180,204,273</u>	<u>\$ 35,571,894</u>	<u>\$ 46,293,573</u>	<u>\$ 7,471,323</u>	<u>\$ 269,541,063</u>
LIABILITIES					
Accounts Payable and Accrued Liabilities:					
Accounts Payable	\$ 27,014,524	\$ 3,119,547	\$ 2,250,695	\$ 1,167,284	\$ 33,552,050
Accrued Payroll	491,925	14,095		706	506,726
Intergovernmental Payables	8,954,039	874	1,075	229	8,956,217
Due to Other Funds and State Agencies	8,275,644.00	56,788	107,182	14,529	8,454,143
Due to UNC Hospitals	4,878,536				4,878,536
Funds Held for Others	10,657				10,657
Unearned Revenue	14,388,567	211,428	550,806		15,150,801
Total Liabilities	<u>64,013,892</u>	<u>3,402,732</u>	<u>2,909,758</u>	<u>1,182,748</u>	<u>71,509,130</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	145,000	0	0	0	145,000
FUND BALANCES (Note 8)					
Nonspendable	40,710,554	21,803,142		1,548,388	64,062,084
Restricted	14,844,699				14,844,699
Committed	28,833,147	10,366,020	43,564,691	4,740,187	87,504,045
Assigned	3,089,009				3,089,009
Unassigned	28,567,972		(180,876)		28,387,096
Total Fund Balances	<u>116,045,381</u>	<u>32,169,162</u>	<u>43,383,815</u>	<u>6,288,575</u>	<u>197,886,933</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 180,204,273</u>	<u>\$ 35,571,894</u>	<u>\$ 46,293,573</u>	<u>\$ 7,471,323</u>	<u>\$ 269,541,063</u>

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

**North Carolina Department of Public Safety
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds**

For the Fiscal Year Ended June 30, 2015 (With Comparative Unaudited Totals for the Fiscal Year Ended June 30, 2014)

Exhibit A-3

	General Fund	Correction Enterprises Fund	Capital Projects Fund	Welfare Fund	Total Governmental Funds 2015	Total Governmental Funds 2014 (Unaudited)
REVENUES:						
Federal Funds	\$ 120,956,730	\$ 0	\$ 220,241	\$ 0	\$ 121,176,971	\$ 120,480,078
Local Funds	4,989,702				4,989,702	5,609,946
Investment Earnings	105,586			563	106,149	68,583
Sales and Services	15,221,360	34,063,487		34,688,942	83,973,789	83,482,339
Intragovernmental Sales and Services		58,836,378			58,836,378	54,101,281
Rental and Lease of Property	367,154	570,939		5,500	943,593	826,464
Fees, Licenses and Fines	63,234,022				63,234,022	57,078,581
Student Tuition and Fees	60,450				60,450	91,345
Contributions, Gifts and Grants	5,111,060	9,097		101,058	5,221,215	9,260,675
Revenues from Other State Agencies (Note 10)	44,959,236		6,010,753		50,969,989	39,679,229
Miscellaneous Income	12,457,462	118,045	52,026	16,071,388	28,698,921	15,948,080
Total Revenues	<u>267,462,762</u>	<u>93,597,946</u>	<u>6,283,020</u>	<u>50,867,451</u>	<u>418,211,179</u>	<u>386,626,601</u>
EXPENDITURES:						
Personal Services	946,397,523	19,429,447		1,367,421	967,194,391	963,784,259
Employee Benefits	390,429,502	5,479,968		604,996	396,514,466	398,964,384
Contracted Personal Services	176,495,651	542,500	408,786	990,740	178,437,677	168,690,926
Supplies and Materials	149,009,379	4,439,117		3,614,120	157,062,616	151,510,451
Purchases for Resale		48,006,153		30,576,011	78,582,164	77,036,525
Travel	2,968,797	302,061		166	3,271,024	3,691,210
Communication	14,397,628	107,113		636	14,505,377	14,645,547
Utilities	51,365,875	3,037,312		159,623	54,562,810	58,184,821
Data Processing Services	11,697,335	3,591			11,700,926	7,782,159
Other Services	11,428,705	1,462,604	28,159	104,246	13,023,714	11,946,211
Claims and Benefits	10,557,684				10,557,684	10,145,104
Debt Service:						
Principal Retirement	93,560			4,256	97,816	56,370
Interest and Fees	1,211,440			1,542	1,212,982	6,063
Other Fixed Charges	6,862,019	377,495		177,147	7,416,661	9,194,495
Capital Outlay	38,408,758	2,693,399	23,557,961	1,595,604	66,255,722	70,238,150
Grants, State Aid and Subsidies	121,758,537				121,758,537	115,554,749
Scholarships	26,840				26,840	222,383
Insurance and Bonding	4,063,661	445,003			4,508,664	3,310,238
Expenditures to Other State Agencies (Note 10)	22,671,970	500,000			23,171,970	29,306,432
Other Expenditures	30,929,146	1,103,075		1,189,327	33,221,548	32,809,469
Total Expenditures	<u>1,990,774,010</u>	<u>87,928,838</u>	<u>23,994,906</u>	<u>40,385,835</u>	<u>2,143,083,589</u>	<u>2,127,079,946</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,723,311,248)</u>	<u>5,669,108</u>	<u>(17,711,886)</u>	<u>10,481,616</u>	<u>(1,724,872,410)</u>	<u>(1,740,453,345)</u>
OTHER FINANCING SOURCES (USES):						
Other Debt Issued				278,320	278,320	
Sale of Capital Assets	1,818,784	39,592			1,858,376	2,085,257
Insurance Recoveries	588,821				588,821	195,988
Transfers In (Note 9)	3,907,323	201,600	5,027,071		9,135,994	6,698,140
Transfers Out (Note 9)	(4,862,331)	(2,965,272)		(1,308,391)	(9,135,994)	(8,393,039)
State Appropriations	1,726,677,529		5,314,912		1,731,992,441	1,724,520,027
Total Other Financing Sources (Uses)	<u>1,728,130,126</u>	<u>(2,724,080)</u>	<u>10,341,983</u>	<u>(1,030,071)</u>	<u>1,734,717,958</u>	<u>1,725,106,373</u>
Net Change in Fund Balances	4,818,878	2,945,028	(7,369,903)	9,451,545	9,845,548	(15,346,972)
Fund Balances - Beginning of Year, as Restated (Note 16)	116,045,381	32,169,162	43,383,815	6,288,575	197,886,933	213,233,905
Fund Balances - End of Year	<u>\$ 120,864,259</u>	<u>\$ 35,114,190</u>	<u>\$ 36,013,912</u>	<u>\$ 15,740,120</u>	<u>\$ 207,732,481</u>	<u>\$ 197,886,933</u>

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

**North Carolina Department of Public Safety
Statement of Net Position
Proprietary Funds
June 30, 2015**

Exhibit B-1

	ABC Commission	Proprietary Funds (1)	Total Proprietary Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents (Note 2)	\$ 4,091,523	\$ 1,794,641	\$ 5,886,164
Receivables:			
Accounts Receivable	230,868		230,868
Intergovernmental Receivables	1,478,410		1,478,410
Interest Receivable		818	818
Inventories	3,200	3,052	6,252
Total Current Assets	<u>5,804,001</u>	<u>1,798,511</u>	<u>7,602,512</u>
Noncurrent Assets:			
Capital Assets - Nondepreciable (Note 5)	550,407		550,407
Capital Assets - Depreciable, Net (Note 5)	2,048,116	21,320	2,069,436
Total Noncurrent Assets	<u>2,598,523</u>	<u>21,320</u>	<u>2,619,843</u>
Total Assets	<u>8,402,524</u>	<u>1,819,831</u>	<u>10,222,355</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	<u>202,959</u>	<u>73,467</u>	<u>276,426</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	70,857	15,593	86,450
Intergovernmental Payables	10,393	35	10,428
Due to Other Funds	22,192	45,716	67,908
Long-Term Liabilities - Current Portion (Note 6)	27,821	10,420	38,241
Total Current Liabilities	<u>131,263</u>	<u>71,764</u>	<u>203,027</u>
Noncurrent Liabilities:			
Long-Term Liabilities (Note 6)	<u>1,936,350</u>	<u>949,333</u>	<u>2,885,683</u>
Total Liabilities	<u>2,067,613</u>	<u>1,021,097</u>	<u>3,088,710</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	<u>6,103,951</u>	<u>3,111,818</u>	<u>9,215,769</u>
NET POSITION			
Investment in Capital Assets	2,598,523	21,320	2,619,843
Unrestricted	<u>(2,164,605)</u>	<u>(2,260,937)</u>	<u>(4,425,542)</u>
Total Net Position	<u>\$ 433,919</u>	<u>\$ (2,239,617)</u>	<u>\$ (1,805,698)</u>

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

(1) Other Proprietary Funds includes the Private Protective Services Board and the Alarm Systems Licensing Board.

North Carolina Department of Public Safety
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2015

Exhibit B-2

	ABC Commission (1)	Other Proprietary Funds (2)	Total Proprietary Funds
REVENUES			
Operating Revenues:			
Sales and Services	\$ 1,886	\$ 277	\$ 2,163
Fees, Licenses and Fines	14,466,459	1,765,791	16,232,250
Student Tuition and Fees		15,250	15,250
Total Operating Revenues	<u>14,468,345</u>	<u>1,781,318</u>	<u>16,249,663</u>
EXPENSES			
Operating Expenses:			
Personal Services	2,209,009	798,125	3,007,134
Employee Benefits	1,252,617	583,171	1,835,788
Contracted Personal Services	10,594,267	118,776	10,713,043
Supplies and Materials	111,248	317,903	429,151
Depreciation	114,882	1,089	115,971
Travel	30,863	30,677	61,540
Communication	54,226	6,159	60,385
Utilities	50,344		50,344
Data Processing Services	68,558	360	68,918
Other Services	191,245	52,909	244,154
Other Fixed Charges	23,179	3,862	27,041
Grants, State Aid and Subsidies		4,948	4,948
Insurance and Bonding	16,790	274	17,064
Other Expenses	214,663	114,000	328,663
Total Operating Expenses	<u>14,931,891</u>	<u>2,032,253</u>	<u>16,964,144</u>
Operating Loss	<u>(463,546)</u>	<u>(250,935)</u>	<u>(714,481)</u>
NONOPERATING REVENUES (EXPENSES)			
Loss on Sale of Capital Assets	(7,961)		(7,961)
Noncapital Grants	20,129		20,129
Investment Earnings		8,511	8,511
Net Nonoperating Revenues	<u>12,168</u>	<u>8,511</u>	<u>20,679</u>
Loss Before Transfers and Special Item	(451,378)	(242,424)	(693,802)
Transfers Out	(18,113)		(18,113)
Transfer of Operations (Note 15)	903,410	(1,997,193)	(1,093,783)
Change in Net Position	433,919	(2,239,617)	(1,805,698)
NET POSITION			
Net Position - July 1, 2014	<u>0</u>	<u>0</u>	<u>0</u>
Net Position - June 30, 2015	<u>\$ 433,919</u>	<u>\$ (2,239,617)</u>	<u>\$ (1,805,698)</u>

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

(1) The ABC Commission was transferred to the Department of Public Safety as of October 1, 2014. See Note 15 of the Notes to the Financial Statements for disclosures related to Government Combinations.

(2) The Alarm System Licensing Board and Private Protective Services Board were transferred to the Department of Public Safety as of July 1, 2014. See Note 15 of the Notes to the Financial Statements for disclosures related to Government Combinations.

**North Carolina Department of Public Safety
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2015**

Exhibit B-3

	ABC Commission	Other Proprietary Funds	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from Customers	\$ 13,951,262	\$ 1,781,315	\$ 15,732,577
Payments to Employees and Fringe Benefits	(2,965,526)	(1,119,862)	(4,085,388)
Payments to Vendors and Suppliers	(11,075,818)	(468,088)	(11,543,906)
Payments for Other Expenses	(214,663)	(114,000)	(328,663)
	<u>(304,745)</u>	<u>79,365</u>	<u>(225,380)</u>
Net Cash Flows Provided (Used) by Operating Activities			
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Noncapital Grants Receipts	20,129		20,129
Transfers to Other Funds	(18,113)		(18,113)
	<u>2,016</u>		<u>2,016</u>
Net Cash Provided by Noncapital Financing Activities			
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	(6,329)		(6,329)
	<u>(6,329)</u>		<u>(6,329)</u>
Cash Used for Capital Financing and Related Financing Activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Earnings		8,328	8,328
		<u>8,328</u>	<u>8,328</u>
Cash Provided by Investing Activities			
Net Increase (Decrease) in Cash and Cash Equivalents	(309,057)	87,693	(221,364)
Cash and Cash Equivalents - July 1, 2014	4,400,580	1,706,948	6,107,528
	<u>4,091,523</u>	<u>1,794,641</u>	<u>5,886,164</u>
Cash and Cash Equivalents - June 30, 2015			
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES			
Operating Loss	\$ (463,546)	\$ (250,935)	\$ (714,481)
Adjustments to Reconcile Loss to Net Cash Provided (Used) by Operating Activities			
Depreciation Expense	114,882	1,089	115,971
Pension Expense	677,457	345,371	1,022,828
Changes in Assets, Liabilities, and Deferred Outflows of Resources:			
Accounts Receivables	(255,802)		(255,802)
Intergovernmental Receivables	(291,279)		(291,279)
Inventories	12,333	29,506	41,839
Deferred Outflows for Contributions Subsequent to the Measurement Date (Pension)	(202,959)	(73,467)	(276,426)
Accounts Payable	45,351	9,014	54,365
Intergovernmental Payables	(15,260)	(2,079)	(17,339)
Due to Other Funds	22,192	31,336	53,528
Compensated Absences	21,886	(10,470)	11,416
	<u>(304,745)</u>	<u>79,365</u>	<u>(225,380)</u>
Net Cash Provided (Used) by Operating Activities			
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Loss on Disposal of Capital Assets	\$ (7,960)	\$ 0	\$ (7,960)

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 Safety (Department) is a part of the State of North Carolina and is not a separate legal or reporting entity. The Department is charged with improving the quality of life for North Carolinians by reducing crime and enhancing public safety. The operations of the Department are led by the Secretary of Public Safety, a member of the Governor's cabinet.
- 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 separate exhibits.

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

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

Correction Enterprises Fund – Authorized by *North Carolina General Statute* 148-128, this fund accounts for the activities of Correction Enterprises. Correction Enterprises provides rehabilitative opportunities to inmates and produces high-quality merchandise at a savings to the taxpayer. This fund does not receive any appropriations from the General Assembly, and is reported as a special revenue fund in the financial statements.

Capital Projects Fund - This fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, and is primarily funded by state appropriations and the State's issuance of debt. Specific projects are identified in the State's budget and approved by the legislature.

Welfare Fund – This fund accounts for the proceeds from (and related expenditures for) operations of the State's prison canteens.

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

Alcoholic Beverage Control (ABC) Commission – This fund accounts for the activities of the ABC Commission established by *North Carolina General Statute* 18B-200. The purpose of the ABC Commission is to provide uniform control over the sale, purchase, transportation, manufacture, consumption, and possession of alcoholic beverages within the State of North Carolina. This fund does not receive any appropriation from the General Assembly.

Other proprietary funds include the Private Protective Services Board and the Alarm System Licensing Board, both of which are enterprise funds that charge fees to external users for services rendered for licensing purposes.

D. Measurement Focus and Basis of Accounting

Governmental Funds – Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The operating statement presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures 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 and notes payable, which are recognized as expenditures when payment is due. Pension contributions to cost-sharing plans are recognized as expenditures in the period to which the payment relates, even if the payment is not due until the subsequent period.

Since capital asset and long-term liability accounts relating to the governmental funds are reported only at the 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 Funds – 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 and certain grants and similar assistance. 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 impact the financial statements during the year of change and will be disclosed, if material.

- E. **Cash and Cash Equivalents** - This classification includes cash on deposit with private bank accounts and 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. **Receivables** - Receivables consist of amounts that have arisen in the ordinary course of business.

Accounts receivable for the governmental funds primarily include amounts due from security services provided by the State Bureau of Investigation, amounts due from employees, and sales and services provided by the Correction Enterprises Fund. Accounts receivable are recorded net of estimated uncollectible amounts.

Intergovernmental receivables include amounts due from the federal government in connection with reimbursement of allowable expenditures made pursuant to grants and contracts. Intergovernmental receivables also include amounts due from local governments in connection with housing inmates (safekeepers) and security services provided by the State Bureau of Investigation. Intergovernmental receivables are recorded net of estimated uncollectible amounts.

- G. Due from/to Other Funds and State Agencies** - Activities between the Department's funds or State agencies are composed of amounts due from or to other funds of the Department or State agencies. All amounts are considered collectible and therefore, no allowance for doubtful accounts is recorded.
- H. Inventories** - Inventories, consisting of general supplies and materials, are valued at cost using the first-in, first-out (FIFO) method. Raw materials, work-in-process, and finished goods are valued at cost using the FIFO, last invoice cost, retail inventory, or average cost method. Merchandise for resale is valued at the lower of cost or market using the retail inventory method. Inventories of the governmental funds are recorded as expenditures when consumed rather than when purchased.
- I. 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.
- J. Long-Term Liabilities** - Long-term liabilities reported in the proprietary funds include compensated absences and the net pension liability. The noncurrent portion represents amounts that will not be paid within the next fiscal year.

The net pension liability represents the Department's proportionate share of the collective net pension liability reported in the State of North Carolina's 2014 *Comprehensive Annual Financial Report*. This liability represents the Department's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System and the North Carolina National Guard Pension Fund. See Note 11 for further information regarding the Department's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

- K. 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 proprietary funds. In the governmental

funds, a liability for these amounts is reported only as payments become due each period upon the occurrence of relevant events such as employee resignations and retirements. Consequently, compensated absence balances are not reported on the face of the governmental funds' 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.

- L. Deferred Outflows/Inflows of Resources** - In addition to assets and liabilities, the Department reports deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of fund balance/net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of fund balance/net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Both are presented as separate financial statement elements on the face of the financial statements.

The governmental funds include deferred inflows of resources for unavailable revenues related to the State Bureau of Investigation (SBI) for information technology services provided.

The proprietary funds include deferred inflows and outflows of resources related to pension plan contributions in the current fiscal year.

M. Net Position / Fund Balance

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

Investment in Capital Assets – This represents the proprietary funds' total investment in capital assets.

Unrestricted – This represents resources derived from fees, licenses, and fines, sales and services, unrestricted noncapital grants, and investment earnings.

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

Nonspendable fund balances include amounts that cannot be spent because they represent inventories that are not available for appropriation and are not expendable available financial resources.

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

Committed fund balances can only be used for specific purposes pursuant to constraints imposed by formal action of the N.C. General Assembly, the state's highest level of decision-making authority. The N.C. General Assembly establishes commitments through the passage of legislation that becomes State law. Commitments may be changed or lifted only by taking the same formal action that imposed the constraint originally.

Assigned fund balances are constrained by an intent to be used for specific purposes, but are neither restricted nor committed. The Office of State Budget and Management (OSBM) is authorized to assign unexpended funds at year-end as a carryforward of budget authority to the subsequent fiscal year. The North Carolina Constitution (Article III, Sec. 5(3)) provides that the "budget as enacted by the General Assembly shall be administered by the Governor." The Governor has delegated the authority to perform certain powers and duties of this role as the Director of the Budget to OSBM.

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

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

- N. Revenues and Expenditures from/to Other State Agencies** - Revenues and Expenditures from/to Other State Agencies for the governmental funds represent amounts 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*.
- O. Revenues and Expenses** - The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses are exchange transactions that generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions that represent grants or assistance to the Department, as well as investment earnings, are considered nonoperating since these are either investing, capital, or noncapital financing activities.

NOTE 2 - DEPOSITS

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, authorizes the State Treasurer to invest all deposits in the following: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; specified repurchase agreements; obligations of the State of North Carolina; certificates of deposit and other deposit accounts of specified financial institutions; prime quality commercial paper; asset-backed securities with specified ratings, specified bills of exchange or time drafts, and corporate bonds/notes with specified ratings; general obligations of other states; general obligations of North Carolina local governments; and obligations of certain entities with specified ratings.

At June 30, 2015 and 2014, the amounts shown on the governmental funds' Balance Sheets as cash and cash equivalents include \$185,516,841 and

\$177,348,447, respectively. At June 30, 2015, the proprietary funds' Statement of Net Position reported cash and cash equivalents of \$5,886,164. These amounts represent the Department's equity position in the State Treasurer's Short-Term Investment portfolio (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 1.5 years 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.

The carrying amounts and bank balances of the Department's governmental funds' deposits not with the State Treasurer were \$2,543,790 and \$4,412,924 at June 30, 2015 and 2014 respectively. The Department does not have a deposit policy for custodial credit risk. As of June 30, 2015 and 2014, \$760,759 and \$253,434 of the Department's bank balances were exposed to custodial credit risk as uninsured and uncollateralized.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable for the governmental funds at June 30, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Accounts Receivable:		
General Fund:		
Due from Employees	\$ 1,164,874	\$ 1,500,925
Allowance - Due from Employees	(542,466)	(612,926)
SBI - Security Services	314,634	382,827
Allowance - SBI-Security Services	(2,620)	
Other	<u>97,568</u>	<u>74,442</u>
Total Accounts Receivable - General Fund	<u>1,031,990</u>	<u>1,345,268</u>
Correction Enterprises Fund:		
Sales	241,433	157,574
Laundry Sales	176,692	144,653
Other	<u>19,932</u>	<u>166,230</u>
Total Accounts Receivable - Correction Enterprises Fund	<u>438,057</u>	<u>468,457</u>
Total Accounts Receivable	<u><u>\$ 1,470,047</u></u>	<u><u>\$ 1,813,725</u></u>

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables for the governmental funds at June 30, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Intergovernmental Receivables:		
General Fund:		
Federal Government	\$ 5,003,532	\$ 14,253,200
Local Government:		
Safekeepers	2,273,444	2,608,521
Allowance - Safekeepers	(1,681,678)	(1,684,603)
Juvenile Detention	1,005,624	990,342
SBI - Concealed Handgun Permits	443,640	
SBI - Criminal History Record Information	1,630,240	
Other Local Governments	52,948	81,415
Total Intergovernmental Receivables - General Fund	<u>8,727,750</u>	<u>16,248,875</u>
Correction Enterprises Fund:		
Other	<u>376,432</u>	<u>147,220</u>
Capital Projects Fund:		
Other		<u>16,500</u>
Total Intergovernmental Receivables	<u>\$ 9,104,182</u>	<u>\$ 16,412,595</u>

NOTE 5 - CAPITAL ASSETS

Capital assets, which include property, plant, and equipment, are reported as expenditures in the governmental fund. Consequently, capital asset balances are not reported on the face of the governmental fund financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. The 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, except for internally generated software which is capitalized when the value of cost is \$1,000,000 or greater.

Depreciation and amortization are recorded at the statewide level, and are computed using the straight-line method over the estimated useful lives of the assets, in the following manner:

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

A summary of changes in the governmental funds' capital assets for the year ended June 30, 2015, is presented as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Governmental Funds				
Capital Assets, Nondepreciable:				
Land	\$ 23,435,340	\$ 44,379	\$ 12,925	\$ 23,466,794
Construction in Progress	20,089,986	21,473,224	14,702,698	26,860,512
Total Capital Assets, Nondepreciable	43,525,326	21,517,603	14,715,623	50,327,306
Capital Assets, Depreciable:				
Buildings	1,909,160,593	17,937,741	2,272,973	1,924,825,361
Equipment	268,147,073	35,532,967	15,737,613	287,942,427
General Infrastructure	80,430,716	293,774	296,137	80,428,353
Computer Software	1,275,900			1,275,900
Total Capital Assets, Depreciable	2,259,014,282	53,764,482	18,306,723	2,294,472,041
Less Accumulated Depreciation/Amortization for:				
Buildings	508,507,050	35,962,854	1,216,516	543,253,388
Equipment	120,447,503	19,376,533	7,119,833	132,704,203
General Infrastructure	32,824,435	1,678,841	44,453	34,458,823
Computer Software	350,873	63,795		414,668
Total Accumulated Depreciation/Amortization	662,129,861	57,082,023	8,380,802	710,831,082
Total Capital Assets, Depreciable, Net	1,596,884,421	(3,317,541)	9,925,921	1,583,640,959
Capital Assets, Net	\$ 1,640,409,747	\$ 18,200,062	\$ 24,641,544	\$ 1,633,968,265

A summary of changes in the proprietary funds' capital assets for the year ended June 30, 2015, is presented as follows:

	Balance July 1, 2014*	Increases	Decreases	Balance June 30, 2015
Proprietary Funds				
Capital Assets, Nondepreciable				
Land	\$ 550,407	\$ 0	\$ 0	\$ 550,407
Total Capital Assets, Nondepreciable	550,407			550,407
Capital Assets, Depreciable				
Buildings	5,242,120			5,242,120
Machinery and Equipment	235,624	6,329	8,845	233,108
General Infrastructure	30,000			30,000
Total Capital Assets, Depreciable	5,507,744	6,329	8,845	5,505,228
Less Accumulated Depreciation for:				
Buildings	3,197,695	104,842		3,302,537
Machinery and Equipment	93,011	11,129	885	103,255
General Infrastructure	30,000			30,000
Total Accumulated Depreciation	3,320,706	115,971	885	3,435,792
Total Capital Assets, Depreciable, Net	2,187,038	(109,642)	7,960	2,069,436
Capital Assets, Net	\$ 2,737,445	\$ (109,642)	\$ 7,960	\$ 2,619,843

*Note: Beginning balances as of July 1, 2014 include amounts transferred from the Department of Commerce and the Department of Justice as of October 1, 2014 and July 1, 2014, respectively. See Note 15 for additional information.

NOTE 6 - LONG-TERM LIABILITIES

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

	Balance July 1, 2014 (As Restated)	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Governmental Funds:					
Compensated Absences	\$ 118,269,947	\$ 94,660,624	\$ 68,800,275	\$ 144,130,296	\$ 13,043,797
Notes Payable	15,801,217		93,560	15,707,657	943,266
Net Pension Liability	453,567,383		344,679,387	108,887,996	
Total Long-Term Liabilities	\$ 587,638,547	\$ 94,660,624	\$ 413,573,222	\$ 268,725,949	\$ 13,987,063
Proprietary Funds:					
	Balance July 1, 2014*	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Compensated Absences	\$ 347,858	\$ 312,384	\$ 237,690	\$ 422,552	\$ 38,241
Net Pension Liability	10,694,314		8,192,942	2,501,372	
Total Long-Term Liabilities	\$ 11,042,172	\$ 312,384	\$ 8,430,632	\$ 2,923,924	\$ 38,241

*Note: This column includes amounts transferred from the Department of Commerce and the Department of Justice as of October 1, 2014 and July 1, 2014, respectively. See Note 15 for additional information.

Additional information regarding the net pension liability is included in Note 11.

B. Notes Payable - The Department was indebted for notes payable for the purpose shown in the following table:

Purpose	Financial Institution	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2015	Principal Outstanding June 30, 2015
Improve Energy Efficiency of Facilities	Banc of America Public Capital Corp	2.53%	12/15/2027	\$ 15,801,217	\$ 93,560	\$ 15,707,657

NOTE 7 - 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>Governmental Funds</u>	<u>Proprietary Funds</u>
2016	\$ 6,766,199	\$ 92,706
2017	5,279,014	24,283
2018	4,490,997	1,200
2019	4,137,459	1,200
2020	3,369,978	1,200
Total Minimum Lease Payments	\$ 24,043,647	\$ 120,589

Rental expense for all operating leases during the year ended June 30, 2015, was \$27,981,032.

NOTE 8 - FUND BALANCES

The details of the fund balance classifications for the governmental funds at June 30, 2015 and 2014 are as follows:

	<u>2015</u>				<u>Total</u>
	<u>General Fund</u>	<u>Correction Enterprises Fund</u>	<u>Capital Projects Fund</u>	<u>Welfare Fund</u>	
Fund Balances:					
Nonspendable:					
Inventories	\$ 41,540,920	\$ 22,090,125	\$ 0	\$ 1,633,158	\$ 65,264,203
Restricted for:					
Performance Contracts	1,243,224				1,243,224
Federal Grants and Federal Drug Forfeiture Funds	12,034,464				12,034,464
National Guard Funds	286,607				286,607
Committed to:					
Health Benefits	4,034				4,034
State Misdemeanant Confinement	30,468,677				30,468,677
Coal Ash Management Commission	552,113				552,113
Emergency Management	6,100,250				6,100,250
Law Enforcement	1,827,397				1,827,397
LiDAR Topographical Map	1,538,853				1,538,853
Geodetic Survey Contracts	89,000				89,000
Disaster Recovery Funds	2,988,437				2,988,437
Interstate Compact Fee	578,456				578,456
Correction Enterprises		13,024,065			13,024,065
Welfare of Inmates				14,106,962	14,106,962
Capital Projects			36,306,153		36,306,153
Assigned to:					
Subsequent Year's Budget	3,325,583				3,325,583
Unassigned	18,286,244		(292,241)		17,994,003
Total Fund Balances	\$ 120,864,259	\$ 35,114,190	\$ 36,013,912	\$ 15,740,120	\$ 207,732,481

	2014				
	General Fund	Correction Enterprises Fund	Capital Projects Fund	Welfare Fund	Total
Fund Balances:					
Nonspendable:					
Inventories	\$ 40,710,554	\$ 21,803,142	\$ 0	\$ 1,548,388	\$ 64,062,084
Restricted for:					
Performance Contracts	3,621,277				3,621,277
Federal Grants and Federal Drug Forfeiture Funds	10,936,808				10,936,808
National Guard Funds	286,614				286,614
Committed to:					
State Misdemeanant Confinement	20,360,785				20,360,785
Emergency Management	6,853,473				6,853,473
Law Enforcement	1,117,658				1,117,658
Interstate Compact Fee	501,231				501,231
Correction Enterprises		10,366,020			10,366,020
Welfare of Inmates				4,740,187	4,740,187
Capital Projects			43,564,691		43,564,691
Assigned to:					
Subsequent Year's Budget	3,089,009				3,089,009
Unassigned	28,567,972		(180,876)		28,387,096
Total Fund Balances	\$ 116,045,381	\$ 32,169,162	\$ 43,383,815	\$ 6,288,575	\$ 197,886,933

NOTE 9 - INTERFUND TRANSFERS

Transfers in/out of other funds for the fiscal year ended June 30, 2015 consisted of the following:

Transfers Out	Transfers In			
	General Fund	Correction Enterprises Fund	Capital Projects Fund	Total
General Fund	\$ 0	\$ 201,600	\$ 4,660,731	\$ 4,862,331
Correction Enterprises Fund	2,598,932		366,340	2,965,272
Welfare Fund	1,308,391			1,308,391
Total	\$ 3,907,323	\$ 201,600	\$ 5,027,071	\$ 9,135,994

Transfers are primarily used to (1) transfer revenues and proceeds from one fund required by State statute or budget to collect the revenue to the fund required by State statute or budget to expend them, (2) to provide unrestricted revenues collected in the general fund to finance operating and capital programs accounted for in other funds in accordance with budgetary authorizations, and (3) reflect reversions of State funds from other funds to the General fund in accordance with Office of State Budget and Management or legislative requirements.

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

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

Revenues from Other State Agencies:

	Purpose	Amount
General Fund		
Office of State Budget and Management	Diaster Recovery Funds	\$ 10,571,833
Department of Transportation	Department of Motor Vehicles Grant and Inmate Road Clean Up	17,464,877
	Governor's Highway Safety Grants	1,292,875
Department of Information Technology	Information Technology System Conversion	4,281,059
Department of Public Instruction	Various Grants	3,870,196
Department of State Treasurer	Floodplain Map Register of Deeds	3,583,682
Department of Commerce	LiDAR Acquisition	3,220,000
Governor's Office	Governor's Security Detail	138,930
Department of Natural and Cultural Resources	Inmate work crews for the Battleship of NC	86,039
Department of Health and Human Services	Emergency Preparedness Grant	159,307
Other	Various	290,438
		<u>44,959,236</u>
Total General Fund Revenues from Other State Agencies		
Capital Project Fund		
Office of State Controller	General Repairs and Maintenance	6,010,753
		<u>6,010,753</u>
Total Revenues from Other State Agencies		
		<u>\$ 50,969,989</u>

Expenditures to Other State Agencies:

	Purpose	Amount
General Fund		
NC General Fund:	Revenues Collected under G.S. 18B-902	\$ 15,201,448
	Sheriff's Education and Training Standards Commission	1,000,000
Office of State Budget and Management	Return of Disaster Funds	2,991,828
Department of Administration	Transfer of Funds for Probation	1,829,300
Department of Environmental Quality	Transfer for Coal Ash	1,182,019
Governor's Office	Prorata share of salaries and legal fees for Coal Ash	177,221
Other	Various	290,154
		<u>22,671,970</u>
Total General Fund Expenditures to Other State Agencies		
Correction Enterprises Fund		
Office of State Budget and Management:	Return of Disaster Funds	500,000
		<u>500,000</u>
Total Expenditures to Other State Agencies		
		<u>\$ 23,171,970</u>

NOTE 11 - PENSION PLANS

A. Defined Benefit Plan

1. Teachers' and State Employees' Retirement System

Pension contributions to cost sharing plans are recognized as expenditures in the period to which the payment relates, even if

payment is not due until the subsequent period. Consequently, the net pension liability, discussed in Note 6 to the financial statements, is not reported on the face of the governmental fund financial statements. However, the net pension liability for proprietary funds is reported on the face of the proprietary fund financial statements.

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

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

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of

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

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the 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 \$92,499,386, and employee contributions were \$60,655,335 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's proportionate share of the collective net pension liability was \$81,213,368. Of this amount, the governmental funds' share was \$78,711,996, and the proprietary funds reported its share of \$2,501,372. 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 Departments relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2014, the Department's proportion was 6.93%, which was a decrease of .12% from its proportion measured as of June 30, 2013.

Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions: For the year ended June 30, 2015, the governmental funds' proportionate share of the collective pension expense was \$32,185,860, and the proprietary funds recognized \$1,022,828 in pension expense. 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	\$ 18,930,398
Changes in Assumptions		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		274,390,285
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions		5,892,609
Contributions Subsequent to the Measurement Date	92,499,386	
Total	<u>\$ 92,499,386</u>	<u>\$ 299,213,292</u>

The governmental funds' deferred outflows of resources related to pensions of \$92,222,960 will represent a reduction of the net pension liability in the fiscal year ended June 30, 2016, and \$276,426 reported as deferred outflows for proprietary funds will be included as a reduction of the net pension liability for the fiscal year ended June 30, 2016. Other

amounts of deferred outflows of resources and deferred inflows of resources related to pensions included in pension expense are 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 Included in Pension Expense:

<u>Year Ended June 30:</u>	<u>Amount</u>
2016	\$ (75,147,223)
2017	(75,147,223)
2018	(75,147,223)
2019	<u>(73,771,623)</u>
Total	<u>\$ (299,213,292)</u>

2. North Carolina National Guard Pension Fund

Plan Administration. The North Carolina National Guard Pension Fund (NGPF) is a single-employer, defined benefit pension plan established by the State of North Carolina to provide pension benefits for members of the North Carolina National Guard (NCNG). Membership is comprised of members and former members of the NCNG who have served and qualified for at least 20 years of creditable military service, have at least 15 years of aforementioned service as a member of the NCNG, and have received an honorable discharge from the NCNG. This is a special funding situation because the State is not the employer, but is legally obligated to contribute to the plan. Benefit provisions are established by General Statute 127A-40 and may be amended only by the North Carolina General Assembly.

Membership of the plan at the valuation date, December 31, 2013, consists of 4,354 inactive plan members or beneficiaries currently receiving benefits, 5,117 inactive plan members entitled to but not yet receiving benefits and 5,535 active plan members.

Management of the plan is vested in the TSERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and the State Superintendent, who serve as ex-officio members.

Benefits provided. NGPF provides a pension of \$95 per month for 20 years of creditable military service with an additional \$9.50 per month for each additional year of such service; provided, however that the total pension shall not exceed \$190 per month.

Contributions. Contribution provisions are established by General Statute 127A-40 and may be amended only by the North Carolina General Assembly. Plan member benefits and administrative expenses are funded by investment income and an actuarially determined state appropriation. Actual contributions were \$6,039,274 for the fiscal year ended June 30, 2015.

The NGPF'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.

Rate of return. For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 15.63% for the NGPF. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability. At June 30, 2015, the Department's net pension liability was \$30,176,000. 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 net pension liability was based on the present value of future salaries for the Departments relative to the present value of future salaries for all participating employers, actuarially-determined.

Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions: For the year ended June 30, 2015, the Department's pension expense was \$7,223,000. At June 30, 2015, the Department's deferred outflows of resources and deferred inflows of resources related to pensions resulted 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	\$ 115,000	\$ 0
Changes in Assumptions		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		6,422,000
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions		
Contributions Subsequent to the Measurement Date	<u>6,039,274</u>	
Total	<u>\$ 6,154,274</u>	<u>\$ 6,422,000</u>

The Department's deferred outflows of resources related to pensions of \$6,039,274 represents a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts of deferred outflows of resources and deferred inflows of resources related to pensions will be included 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 Included in Pension Expense:

<u>Year Ended June 30:</u>	<u>Amount</u>
2016	\$ (1,528,000)
2017	(1,567,000)
2018	(1,605,000)
2019	(1,605,000)
2020	<u>(2,000)</u>
Total	<u>\$ (6,307,000)</u>

3. Actuarial Assumptions

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

	<u>Teachers' and State Employees'</u>	<u>NC National Guard</u>
Inflation	3%	3%
Salary Increases	4.25%-9.10%	N/A
Investment Rate of Return*	7.25%	7.25%

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

TSERS and NGPF currently use mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and 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:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
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 for TSERS and NGPF 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 plans' 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 plans 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 (dollars in thousands):

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
<u>Cost-Sharing, Multiple Employer</u>			
Teacher's and State Employees' Net Pension Liability (Asset)	\$ 583,005	\$ 81,213	\$ (342,477)
<u>Single-Employer</u>			
NC National Guard's Net Pension Liability	\$ 46,567	\$ 30,176	\$ 16,578

B. Defined Contribution Plans - Internal Revenue Code Section 401(k) Plan

All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the Department except for a 5% employer contribution for the Department's law enforcement officers, which is mandated under General Statute 143-166.30(e). Total employer contributions on behalf of Department law enforcement officers for the year ended June 30, 2015, were \$5,514,881.

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. 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 the Teachers' and State Employees' Retirement System 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 the Teachers' and State Employees' Retirement System 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 \$55,499,632, \$52,333,697, and \$51,141,181, 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 the Teachers' and State Employees' Retirement System. 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 the Teachers' and State Employees' Retirement System to the DIPNC. Required contribution rates 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 \$4,144,781, \$4,264,227, and \$4,245,683, 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

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.

A. Employee Benefit Plans

1. State Health Plan

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

2. Death Benefit Plan of North Carolina

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

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

The Department is required to maintain fire and lightning coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State

administered by the Department of Insurance. 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.

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

2. Public Officers' and Employees' Liability Insurance

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

3. Employee Dishonesty and Computer Fraud

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

4. Statewide Workers' Compensation Program

The North Carolina Workers' Compensation Program provides benefits to workers injured on the job. All employees of the State and its component units are included in the program. When an employee is injured, the Department's primary responsibility is to arrange for and provide the necessary treatment for work related injury. The Department is responsible for paying medical benefits and compensation in accordance with the North Carolina Workers' Compensation Act. The Department retains the risk for workers' compensation.

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

NOTE 14 - COMMITMENTS AND CONTINGENCIES

- A. Pending Litigation and Claims** - The Department of Public Safety (Department) is party to a legal action brought against it, which may ultimately result in unfavorable settlements or decisions for the Department.

Richmond County Bd. Of Educ. v. Cowell. The Court of Appeals ruled that payments of the fifty-dollar (\$50) improper equipment surcharges collected in Richmond County and paid into the State Misdemeanant Confinement Fund authorized by *North Carolina General Statute 7A-304(a)(4b)* are unconstitutional and that all such funds should be paid back to the Richmond County Clerk’s office. Since this ruling, the Wake County Superior Court has received complaints from 81 other county Boards of Education seeking to recoup the \$50 improper equipment surcharges previously paid into the State Misdemeanant Confinement Fund, which is part of the Department’s general fund.

In House Bill 97 [Session Law 2015-24 Section 18A.11], the former *North Carolina General Statute 7A-304(a)(4b)* that directed the surcharge to the Statewide Misdemeanor Confinement Fund was repealed.

Management and legal counsel have determined that it is reasonably possible that these actions will result in a loss to the Department and the loss amounts are reasonably measurable. The estimated potential loss for such claims and actions is \$43,315,497 as of June 30, 2015. Below is the revenue from the surcharges by fiscal year for which the Department could be liable:

<u>Fiscal Year</u>	<u>Revenue Collected</u>
2012	\$ 9,115,769
2013	11,109,284
2014	11,235,986
2015	11,854,458
Total	<u>\$ 43,315,497</u>

- 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, any potential liability resulting from such audits was not estimable.

- C. Construction and Other Commitments** - The Department has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. As of June 30, 2015, the Department had commitments of \$8,894,047 related to construction and improvements of state government facilities, primarily reported in the Capital Projects Fund.

NOTE 15 - GOVERNMENT COMBINATIONS

- A.** As mandated by Senate Bill 744 [Session Law 2014-100 Section 17.5], the Private Protective Services Board (PPS) and Alarm System Licensing Board (ASL) were transferred from the Department of Justice to the Department of Public Safety (the Department) for the purpose of enhancing the provision of those services to the citizens of the State of North Carolina. On July 1, 2014, the Department of Justice transferred the net position comprising its PPS and ASL operations to the Department. PPS and ASL exercise their powers independently from the Department in accordance with G.S. 143A-6(b), and are accounted for as part of the Department for administrative purposes only. The net position transferred as of July 1, 2014 is shown as a special item on the face of the proprietary fund Statement of Revenues, Expenses, and Changes in Net Position. As a result of the transfer, the Department recognized the following assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position in the current year:

	<u>Amount</u>
Assets	
Current Assets:	
Pooled cash	\$ 1,706,948
Interest Receivable	635
Inventories	32,558
Total Current Assets	<u>1,740,141</u>
Noncurrent Assets:	
Capital Assets, Depreciable, Net	22,409
Total Assets	<u>1,762,550</u>
Deferred Outflows of Resources	<u>73,467</u>
Liabilities	
Current Liabilities:	
Accounts payable	20,958
Intergovernmental Payables	2,114
Long-Term Liabilities - Current Portion	10,237
Total Current Liabilities	<u>33,309</u>
Noncurrent Liabilities:	
Long-Term Liabilities*	3,799,901
Total Liabilities	<u>3,833,210</u>
Deferred Inflows of Resources	<u>0</u>
Net Position Transferred	
Investment in Capital Assets	22,409
Unrestricted	(2,019,602)
Total Net Position Transferred	<u>\$ (1,997,193)</u>

* This amount reflects the impact of the net pension liability and related deferred outflows of resources on the Statement of Net Position as of 6/30/3014 pursuant to the implementation of GASB 68.

- B. As mandated by Senate Bill 744 [Session Law 2014-100 Section 15.2A], the ABC Commission was transferred from the Department of Commerce to the Department of Public Safety (the Department) for the purpose of enhancing the provision of those services to the citizens of the State of North Carolina. The ABC Commission shall be administratively located within the Department of Public Safety but shall exercise its powers independently of the Secretary of Public Safety in accordance with G.S. 18B-200. On October 1, 2014, the Department of Commerce transferred the net position comprising its ABC Commission operations to the Department. The net position transferred as of October 1, 2014 is shown as a special item on the face of the proprietary fund Statement of Revenues, Expenses, and Changes in Net Position. As a result of the transfer, the Department recognized the following assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position in the current year:

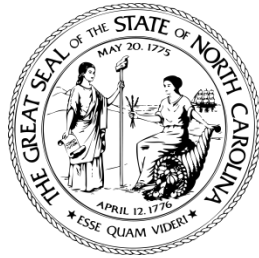
	<u>Amount</u>
Assets	
Current Assets:	
Pooled cash	\$ 4,400,582
Accounts receivable	1,192,196
Inventories	<u>15,533</u>
Total Current Assets	<u>5,608,311</u>
Noncurrent Assets:	
Capital Assets, Nondepreciable	550,407
Capital Assets, Depreciable, Net	<u>2,164,630</u>
Total Noncurrent Assets	<u>2,715,037</u>
Total Assets	<u>8,323,348</u>
Deferred Outflows of Resources	<u>202,959</u>
Liabilities	
Current Liabilities:	
Accounts payable	25,506
Intergovernmental payables	25,653
Long-Term Liabilities - Current Portion	<u>20,473</u>
Total Current Liabilities	<u>71,632</u>
Noncurrent Liabilities:	
Long-Term Liabilities*	<u>7,551,265</u>
Total Liabilities	<u>7,622,897</u>
Deferred Inflows of Resources	<u>0</u>
Net Position Transferred	
Investment in Capital Assets	2,715,037
Unrestricted	<u>(1,811,627)</u>
Total Net Position Transferred	<u>\$ 903,410</u>

* This amount reflects the impact of the net pension liability and related deferred outflows of resources on the Statement of Net Position as of 6/30/2014 pursuant to the implementation of GASB 68.

NOTE 16 - FUND BALANCE RESTATEMENTS

As of July 1, 2014 and 2013, the fund balance of the governmental funds as previously reported was restated as follows:

	<u>2015</u>	<u>2014</u>
Beginning Fund Balance as Previously Recorded	\$ 197,157,112	\$ 212,099,592
Restatements:		
Correct Prior Period Error Related to Federal Funds for the Capital Projects Fund	1,134,313	1,134,313
Correct Prior Period Error Related to Pay Telephone Commissions for the Welfare Fund	<u>(404,492)</u>	
Beginning Fund Balance as Restated	<u><u>\$ 197,886,933</u></u>	<u><u>\$ 213,233,905</u></u>



REQUIRED SUPPLEMENTARY INFORMATION

North Carolina Department of Public Safety
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
Page 1 of 2

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Federal Funds	\$ 149,933,169	\$ 163,955,762	\$ 132,018,707	\$ (31,937,055)
Local Funds	7,214,079	6,214,079	4,932,393	(1,281,686)
Contributions, Gifts and Grants	12,129,679	15,739,556	10,405,854	(5,333,702)
Sales and Services	20,689,404	15,976,253	14,661,900	(1,314,353)
Fees, Licenses and Fines	37,006,003	41,168,004	61,776,474	20,608,470
Rental and Lease of Property	80,959	80,458	76,282	(4,176)
Investment Earnings	2,821	99,376	89,262	(10,114)
Student Tuition and Fees	28,010	91,345	60,450	(30,895)
Miscellaneous Income	7,343,571	7,453,316	8,221,032	767,716
Total Revenues	234,427,695	250,778,149	232,242,354	(18,535,795)
EXPENDITURES:				
Personal Services	1,025,163,361	964,592,172	946,655,613	17,936,559
Employee Benefits	399,359,951	407,902,717	391,603,065	16,299,652
Contracted Personal Services	156,255,124	205,170,482	175,819,843	29,350,639
Supplies and Materials	131,810,713	151,179,491	149,087,023	2,092,468
Travel	6,378,808	3,673,650	2,992,699	680,951
Communication	9,881,578	14,846,693	14,396,987	449,706
Utilities	50,700,601	52,947,179	52,666,947	280,232
Data Processing Services	8,615,527	11,640,319	11,623,201	17,118
Other Services	11,614,239	12,634,745	11,741,304	893,441
Claims and Benefits	8,842,737	10,559,611	10,557,684	1,927
Debt Service:				
Principal Retirement		225,671	225,671	
Interest and Fees		1,079,330	1,079,329	1
Other Fixed Charges	6,479,820	7,731,947	7,458,783	273,164
Capital Outlay	43,663,099	45,182,823	37,023,600	8,159,223
Scholarships	20,397	27,190	27,190	
Insurance and Bonding	2,654,622	2,964,687	2,956,089	8,598
Other Expenditures	27,960,370	31,439,107	29,939,097	1,500,010
Grants, State Aid and Subsidies	137,379,971	146,545,069	135,595,351	10,949,718
Total Expenditures	2,026,780,918	2,070,342,883	1,981,449,476	88,893,407
Excess of Revenues Over (Under) Expenditures	(1,792,353,223)	(1,819,564,734)	(1,749,207,122)	70,357,612
OTHER FINANCING SOURCES (USES):				
Sale of Capital Assets	2,881,713	2,966,213	1,745,575	(1,220,638)
Insurance Recoveries	50,000	390,904	637,461	246,557
Transfers from Other Departments or Funds	71,559,594	89,315,183	84,672,042	(4,643,141)
Transfers to Other Departments or Funds	(24,242,355)	(52,697,456)	(39,124,156)	13,573,300
Appropriations	1,750,715,677	1,750,381,064	1,726,664,529	(23,716,535)
Total Other Financing Sources	1,800,964,629	1,790,355,908	1,774,595,451	(15,760,457)
Net Change in Fund Balance	8,611,406	(29,208,826)	25,388,329	54,597,155
Fund Balance - July 1, 2014, as Restated	95,947,003	95,947,003	95,947,003	
Fund Balance - June 30, 2015	\$ 104,558,409	\$ 66,738,177	\$ 121,335,332	\$ 54,597,155

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

North Carolina Department of Public Safety
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
Page 2 of 2

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

Fund Balance (budgetary basis) June 30, 2015	<u>\$ 121,335,332</u>
Reconciling Adjustments:	
Basis Differences:	
Accrued Revenues:	
Receivables	<u>12,044,239</u>
Accrued Expenditures:	
Payables	(52,151,157)
Deferred Inflows	<u>(1,905,075)</u>
Total Accrued Expenditures	<u>(54,056,232)</u>
Other Adjustments	
Inventories	<u>41,540,920</u>
Fund Balance (GAAP basis) June 30, 2015	<u><u>\$ 120,864,259</u></u>

**North Carolina Department of Public Safety
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis-Non-GAAP)
Correction Enterprises Fund
For the Fiscal Year Ended June 30, 2015**

Schedule C-2

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Sales and Services	\$ 92,258,271	\$ 91,869,768	\$ 93,349,552	\$ 1,479,784
Rental and Lease of Property	287,081	455,145	570,939	115,794
Contributions, Gifts and Grants		12,408	9,097	(3,311)
Miscellaneous Income	176,135	164,563	137,402	(27,161)
Total Revenues	92,721,487	92,501,884	94,066,990	1,565,106
EXPENDITURES:				
Personal Services	20,913,374	20,379,304	19,430,070	949,234
Employee Benefits	5,970,757	6,200,430	5,511,084	689,346
Contracted Personal Services	159,386	570,716	570,711	5
Supplies and Materials	4,532,804	4,389,511	4,389,500	11
Purchases for Resale	45,687,271	49,382,646	49,832,644	(449,998)
Travel	420,777	300,749	300,743	6
Communication	140,583	93,911	93,909	2
Utilities	3,599,903	2,947,802	2,947,799	3
Data Processing Services	1,500	3,591	3,591	
Other Services	1,505,020	1,493,167	1,493,163	4
Other Fixed Charges	500,265	373,713	373,710	3
Capital Outlay	4,884,882	2,916,555	2,912,055	4,500
Insurance and Bonding	511,729	445,004	445,003	1
Other Expenditures	1,405,823	1,089,485	1,089,482	3
Total Expenditures	90,234,074	90,586,584	89,393,464	1,193,120
Excess of Revenues Over Expenditures	2,487,413	1,915,300	4,673,526	2,758,226
OTHER FINANCING SOURCES (USES):				
Sale of Capital Assets	38,237	33,913	41,586	7,673
Transfers In	201,600	205,735	204,675	(1,060)
Transfers Out	(3,276,857)	(3,019,409)	(3,018,348)	1,061
Total Other Financing Uses	(3,037,020)	(2,779,761)	(2,772,087)	7,674
Net Change in Fund Balance	(549,607)	(864,461)	1,901,439	2,765,900
Fund Balance - July 1, 2014 as Restated	9,660,289	9,660,289	9,660,289	
Fund Balance - June 30, 2015	\$ 9,110,682	\$ 8,795,828	\$ 11,561,728	\$ 2,765,900

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

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

	Correction Enterprises Fund
Fund Balance (budgetary basis) June 30, 2015	\$ 11,561,728
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Accrued Revenues:	
Receivables	3,470,267
Accrued Expenditures:	
Payables	(2,007,930)
Other Adjustments	
Inventories	22,090,125
Fund Balance (GAAP basis) June 30, 2015	\$ 35,114,190

**North Carolina Department of Public Safety
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis-Non-GAAP)
Welfare Fund
For the Fiscal Year Ended June 30, 2015**

Schedule C-3

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Investment Earnings	\$ 4,964	\$ 559	\$ 563	\$ 4
Sales and Services	33,179,409	34,368,463	34,488,944	120,481
Rental and Lease of Property	6,000	6,000	5,500	(500)
Contributions, Gifts, and Grants	75	101,056	101,058	2
Miscellaneous Income	7,475,847	7,598,291	15,666,877	8,068,586
Total Revenues	40,666,295	42,074,369	50,262,942	8,188,573
EXPENDITURES:				
Personal Services	2,031,418	1,782,496	1,359,406	423,090
Employee Benefits	571,552	702,579	607,277	95,302
Contracted Personal Services	1,068,786	1,342,982	1,337,998	4,984
Supplies and Materials	3,829,345	3,736,601	3,597,492	139,109
Purchases for Resale	29,319,028	30,467,640	30,466,798	842
Travel	18,706	166	166	
Communication	52,700	495	495	
Utilities	131,000	156,672	156,666	6
Other Services	190,117	157,356	107,844	49,512
Other Fixed Charges	245,056	200,299	180,815	19,484
Capital Outlay	1,824,872	1,578,072	1,286,863	291,209
Other Expenditures	1,282,877	1,321,194	1,237,338	83,856
Total Expenditures	40,565,457	41,446,552	40,339,158	1,107,394
Excess of Revenues Over Expenditures	100,838	627,817	9,923,784	9,295,967
OTHER FINANCING SOURCES (USES):				
Transfers to Other Departments or Funds	(1,126,517)	(1,666,523)	(1,310,091)	356,432
Total Other Financing Uses	(1,126,517)	(1,666,523)	(1,310,091)	356,432
Net Change in Fund Balance	(1,025,679)	(1,038,706)	8,613,693	9,652,399
Fund Balance - July 1, 2014, as Restated	6,429,901	6,429,901	6,429,901	
Fund Balance - June 30, 2015	\$ 5,404,222	\$ 5,391,195	\$ 15,043,594	\$ 9,652,399

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

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

	Welfare Fund
Fund Balance (budgetary basis) June 30, 2015	\$ 15,043,594
Reconciling Adjustments:	
Basis Differences:	
Accrued Expenditures:	
Payables	(936,632)
Other adjustments	
Inventories	1,633,158
Fund Balance (GAAP basis) June 30, 2015	\$ 15,740,120

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL (BUDGETARY BASIS-NON-GAAP) – GENERAL FUND, CORRECTION ENTERPRISES FUND, AND WELFARE FUND**A. BUDGETARY PROCESS**

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

B. RECONCILIATION OF BUDGET/GAAP REPORTING DIFFERENCES

The Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Budgetary Basis – Non-GAAP) for the General Fund, Correction Enterprises Fund, and the Welfare Fund present 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.

Department of Public Safety
Required Supplementary Information
Schedule of the Proportionate Net Pension Liability
Last Two Fiscal Years

Schedule C-4

Cost-Sharing, Multiple Employer

Teachers' and State Employees' Retirement System

	<u>2014</u>	<u>2013</u>
(1) Proportionate Share Percentage of Collective Net Pension Liability	6.92697%	7.04980%
(2) Proportionate Share of TSERS Collective Net Pension Liability	\$ 81,213,368	\$ 427,994,697
(3) Covered-Employee Payroll	\$ 969,142,546	\$ 964,927,949
(4) Net Pension Liability as a Percentage of Covered-Employee Payroll	8.38%	44.63%
(5) 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 Proprietary Funds is \$2,501,372.

Single-Employer

North Carolina National Guard Pension Fund

	<u>2014</u>	<u>2013</u>
(1) Total Net Pension Liability	\$ 30,176,000	\$ 36,267,000
(2) Covered-Employee Payroll*	N/A	N/A
(3) Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.48%	72.51%

**The North Carolina National Guard is a Nonemployer Contributing Entity*

**Department of Public Safety
Required Supplementary Information
Schedule of Department Contributions
Last Two Fiscal Years**

Schedule C-5

Cost-Sharing, Multiple Employer

Teachers' and State Employees' Retirement System

	<u>2015</u>	<u>2014</u>
(1) Contractually Required Contribution	\$ 92,499,386	\$ 84,218,487
(2) Contributions in Relation to the Contractually Determined Contribution	<u>92,499,386</u>	<u>84,218,487</u>
(3) Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
(4) Covered-Employee Payroll	\$ 1,010,922,250	\$ 969,142,546
(5) Contributions as a Percentage of Covered-Employee Payroll	9.15%	8.69%

Single-Employer

North Carolina National Guard Pension Fund *

	<u>2015</u>	<u>2014</u>
(1) Contractually Required Contribution	\$ 6,039,274	\$ 7,007,000
(2) Contributions in Relation to the Contractually Determined Contribution	<u>6,039,274</u>	<u>7,007,000</u>
(3) Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
(4) Covered-Employee Payroll	N/A	N/A
(5) Contributions as a Percentage of Covered-Employee Payroll	N/A	N/A

*The North Carolina National Guard is a Nonemployer contributing entity

Department of Public Safety
Notes to Required Supplementary Information
Schedule of Department Contributions
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>	<u>2005</u>
<u>Cost-Sharing, Multiple Employer</u>										
Teachers' and State Employees' (1)	N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%	3.00%	2.00%	1.70%
<u>Single-Employer</u>										
North Carolina National Guard (2)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(1) *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.

(2) In 2007, the National Guard Pension Fund increased basic benefits from \$75 to \$80 and total potential benefits from \$150 to \$160. In 2008, basic benefits were increased from \$80 to \$95 and total potential benefits were increased from \$160 to \$190.



OTHER SUPPLEMENTARY INFORMATION

**North Carolina Department of Public Safety
Combining Schedule of Revenues and Expenditures
Governmental Funds by Division
For the Fiscal Year Ended June 30, 2015 (With Comparative Unaudited Totals for June 30, 2014)**

	Administration (1)	Adult Correction and Juvenile Justice (2)	Law Enforcement (3)
REVENUES:			
Federal Funds	\$ 23,838,247	\$ 1,912,555	\$ 858,356
Local Funds		4,947,674	
Investment Earnings	53,876	11,190	38,154
Sales and Services		70,019,113	12,822,207
Intragovernmental Sales and Services		58,836,378	
Rental and Lease of Property		576,439	76,282
Fees, Licenses and Fines	24,201,218	26,993,105	6,756,323
Student Tuition and Fees			60,450
Contributions, Gifts and Grants	1,034,456	1,307,751	2,645,530
Revenues from Other State Agencies	444,558	20,882,714	11,442,918
Miscellaneous Income	6,625	28,012,606	583,765
Total Revenues	<u>49,578,980</u>	<u>213,499,525</u>	<u>35,283,985</u>
EXPENDITURES:			
Personal Services	37,278,397	766,458,690	147,274,130
Employee Benefits	13,409,980	316,952,326	60,668,891
Contracted Personal Services	3,595,895	142,271,918	16,504,905
Supplies and Materials	912,501	138,281,795	15,602,974
Purchases for Resale		78,582,164	
Travel	467,688	1,297,189	956,550
Communication	927,083	8,735,346	3,090,609
Utilities	387,645	48,329,217	1,041,245
Data Processing Services	1,401,404	8,589,868	1,430,251
Other Services	520,483	8,786,244	1,855,869
Claims and Benefits		25,415	10,532,269
Debt Service:			
Principal Retirement		97,816	
Interest and Fees		1,212,982	
Other Fixed Charges	565,217	4,288,819	2,164,438
Capital Outlay	5,102,110	31,414,379	18,180,426
Grants, State Aid and Subsidies	28,307,721	25,184,587	543,155
Scholarships			
Insurance and Bonding	98,192	2,777,943	1,509,706
Expenditures to Other State Agencies	15,378,669	3,462,633	156,821
Other Expenditures	2,534,663	23,396,800	6,041,302
Total Expenditures	<u>110,887,648</u>	<u>1,610,146,131</u>	<u>287,553,541</u>
Excess of Revenues Over (Under) Expenditures	<u>(61,308,668)</u>	<u>(1,396,646,606)</u>	<u>(252,269,556)</u>
OTHER FINANCING SOURCES (USES):			
Other Debt Issued		278,320	
Sale of Capital Assets	172	259,746	1,575,438
Insurance Recoveries		92,028	422,122
Transfers In	689,220	3,786,043	
Transfers Out		(4,475,263)	
Appropriations	66,520,945	1,405,496,964	245,647,400
Total Other Financing Sources	<u>67,210,337</u>	<u>1,405,437,838</u>	<u>247,644,960</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 5,901,669</u>	<u>\$ 8,791,232</u>	<u>\$ (4,624,596)</u>

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

- (1) See Supplementary Schedule E-1 for further details.
- (2) See Supplementary Schedule F-1 for further details.
- (3) See Supplementary Schedule G-1 for further details.
- (4) See Supplementary Schedule H-1 for further details.
- (5) See Supplementary Schedule I-1 for further details.

Schedule D-1

National Guard (4)	Emergency Management (5)	Total Divisions 2015	Total 2014 (Unaudited)
\$ 24,495,794	\$ 70,072,019	\$ 121,176,971	\$ 120,480,078
42,028		4,989,702	5,609,946
	2,929	106,149	68,583
2,276	1,130,193	83,973,789	83,482,339
		58,836,378	54,101,281
290,872		943,593	826,464
	5,283,376	63,234,022	57,078,581
		60,450	91,345
233,478		5,221,215	9,260,675
442,737	17,757,062	50,969,989	39,679,229
92,158	3,767	28,698,921	15,948,080
25,599,343	94,249,346	418,211,179	386,626,601
8,313,894	7,869,280	967,194,391	963,784,259
2,659,605	2,823,664	396,514,466	398,964,384
3,558,328	12,506,631	178,437,677	168,690,926
1,927,798	337,548	157,062,616	151,510,451
		78,582,164	77,036,525
155,221	394,376	3,271,024	3,691,210
1,559,253	193,086	14,505,377	14,645,547
4,642,715	161,988	54,562,810	58,184,821
39,628	239,775	11,700,926	7,782,159
1,663,718	197,400	13,023,714	11,946,211
		10,557,684	10,145,104
		97,816	56,370
		1,212,982	6,063
108,579	289,608	7,416,661	9,194,495
10,280,884	1,277,923	66,255,722	70,238,150
63,080	67,659,994	121,758,537	115,554,749
26,840		26,840	222,383
59,746	63,077	4,508,664	3,310,238
	4,173,847	23,171,970	29,306,432
450,171	798,612	33,221,548	32,809,469
35,509,460	98,986,809	2,143,083,589	2,127,079,946
(9,910,117)	(4,737,463)	(1,724,872,410)	(1,740,453,345)
		278,320	
6,578	16,442	1,858,376	2,085,257
2,855	71,816	588,821	195,988
4,660,731		9,135,994	6,698,140
(4,660,731)		(9,135,994)	(8,393,039)
10,458,171	3,868,961	1,731,992,441	1,724,520,027
10,467,604	3,957,219	1,734,717,958	1,725,106,373
\$ 557,487	\$ (780,244)	\$ 9,845,548	\$ (15,346,972)

**North Carolina Department of Public Safety
Statement of Revenues and Expenditures
Governmental Funds - Division of Administration by Function
For the Fiscal Year Ended June 30, 2015 (With Comparative Unaudited Totals for June 30, 2014)**

	Controller's Office	Information Technology	Human Resources	Staff Development and Training
REVENUES:				
Federal Funds	\$ 0	\$ 0	\$ 0	\$ 0
Investment Earnings				
Sales and Services				
Fees, Licenses and Fines				
Contributions, Gifts and Grants		122,689		
Revenues from Other State Agencies		388,415		
Miscellaneous Income	79	914		765
Total Revenues	79	512,018	0	765
EXPENDITURES:				
Personal Services	3,279,619	8,714,180	4,921,465	3,421,569
Employee Benefits	1,209,150	2,726,421	2,003,069	1,434,464
Contracted Personal Services	396,834	1,002,589	576,333	76,737
Supplies and Materials	36,740	58,711	191,185	90,522
Purchases for Resale				
Travel	294	52,435	17,469	319,760
Communication	18,121	706,410	15,461	55,466
Utilities	46,421	35,989	3,317	124,495
Data Processing Services	21,390	1,243,818	22,844	4,038
Other Services	87,587	30,374	37,417	104,999
Debt Service:				
Principal Retirement				
Interest and Fees				
Other Fixed Charges	14,755	390,370	25,920	21,072
Capital Outlay	24,105	1,601,734	32,367	31,607
Grants, State Aid and Subsidies				
Insurance and Bonding	5		96,801	
Expenditures to Other State Agencies				
Other Expenditures	389,552	386,138	309,640	494,432
Total Expenditures	5,524,573	16,949,169	8,253,288	6,179,161
Excess of Revenues Over (Under) Expenditures	(5,524,494)	(16,437,151)	(8,253,288)	(6,178,396)
OTHER FINANCING SOURCES (USES):				
Sale of Capital Assets				
Transfers In				
Appropriations	5,457,370	16,221,713	8,275,072	6,208,787
Total Other Financing Sources (Uses)	5,457,370	16,221,713	8,275,072	6,208,787
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (67,124)	\$ (215,438)	\$ 21,784	\$ 30,391

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

Schedule E-1

Central Engineering	Governors Crime Commission	Victims Services	ABC Board Non-Tax	Other	Total 2015	Total 2014 (Unaudited)
\$ 0	\$ 21,992,569 53,876	\$ 1,701,665	\$ 0	\$ 144,013	\$ 23,838,247 53,876	\$ 26,499,563
		136,513	24,064,705		24,201,218	221,843
	51,659	849,028		11,080	1,034,456	15,387,318
		8,898		47,245	444,558	792,154
141	759	12	450	3,505	6,625	194,909
141	22,098,863	2,696,116	24,065,155	205,843	49,578,980	11,391
6,176,756	1,061,594	810,995		8,892,219	37,278,397	36,175,485
2,119,373	420,227	420,765		3,076,511	13,409,980	12,905,725
	67,381	641,429		834,592	3,595,895	3,436,116
20,127	4,201	15,403		495,612	912,501	906,774
329	33,948	6,213		37,240	467,688	680,441
16,804	38,777	7,060		68,984	927,083	910,754
36,299	1,060			140,064	387,645	258,681
20,085	42,895	7,816		38,518	1,401,404	999,887
11,650	13,874	35,841		198,741	520,483	506,247
						56,370
						6,063
23,877	52,807	3,050		33,366	565,217	810,535
17,978	59,358	2,310		3,332,651	5,102,110	1,954,555
	21,060,098	7,247,623			28,307,721	29,361,856
337		24		1,025	98,192	78,581
			15,201,447	177,222	15,378,669	22,702,383
285,280	210,679			458,942	2,534,663	2,536,198
8,728,895	23,066,899	9,198,529	15,201,447	17,785,687	110,887,648	114,286,651
(8,728,754)	(968,036)	(6,502,413)	8,863,708	(17,579,844)	(61,308,668)	(71,179,473)
	138			34	172	2,077
		689,220			689,220	599,172
8,746,661	1,030,010	6,257,879		14,323,453	66,520,945	84,608,884
8,746,661	1,030,148	6,947,099		14,323,487	67,210,337	85,210,133
\$ 17,907	\$ 62,112	\$ 444,686	\$ 8,863,708	\$ (3,256,357)	\$ 5,901,669	\$ 14,030,660

**North Carolina Department of Public Safety
Statement of Revenues and Expenditures
Governmental Funds - Division of Adult Corrections and Juvenile Justice by Sub-Division
For the Fiscal Year Ended June 30, 2015 (With Comparative Unaudited Totals for June 30, 2014)**

Schedule F-1

	Adult Correction (1)	Juvenile Justice (2)	Correction Enterprises	Total 2015	Total 2014 (Unaudited)
REVENUES:					
Federal Funds	\$ 1,859,370	\$ 53,185	\$ 0	\$ 1,912,555	\$ 2,917,693
Local Funds		4,947,674		4,947,674	5,556,045
Investment Earnings	10,627	563		11,190	36,886
Sales and Services	35,827,415	128,211	34,063,487	70,019,113	68,590,445
Intragovernmental Sales and Services			58,836,378	58,836,378	54,101,281
Rental and Lease of Property	5,500		570,939	576,439	461,144
Fees, Licenses and Fines	26,993,017	88		26,993,105	26,183,873
Contributions, Gifts and Grants	1,028,856	269,798	9,097	1,307,751	2,879,998
Revenues from Other State Agencies	18,963,890	1,918,824		20,882,714	18,708,601
Miscellaneous Income	27,886,874	7,687	118,045	28,012,606	15,442,887
Total Revenues	112,575,549	7,326,030	93,597,946	213,499,525	194,878,853
EXPENDITURES:					
Personal Services	698,406,201	48,623,042	19,429,447	766,458,690	760,735,013
Employee Benefits	290,600,936	20,871,422	5,479,968	316,952,326	318,789,053
Contracted Personal Services	123,678,195	18,051,019	542,704	142,271,918	124,281,259
Supplies and Materials	131,768,632	2,074,046	4,439,117	138,281,795	131,540,533
Purchases for Resale	30,576,011		48,006,153	78,582,164	77,036,525
Travel	807,485	187,643	302,061	1,297,189	1,279,578
Communication	7,510,056	1,118,177	107,113	8,735,346	8,020,697
Utilities	44,231,393	1,060,512	3,037,312	48,329,217	52,464,810
Data Processing Services	8,172,628	413,649	3,591	8,589,868	6,039,562
Other Services	6,983,978	339,662	1,462,604	8,786,244	8,310,251
Claims and Benefits	25,415			25,415	27,382
Debt Service:					
Principal Retirement	97,816			97,816	
Interest and Fees	1,212,982			1,212,982	
Other Fixed Charges	3,789,871	121,453	377,495	4,288,819	5,056,171
Capital Outlay	25,691,763	2,860,383	2,862,233	31,414,379	36,428,480
Grants, State Aid and Subsidies		25,184,587		25,184,587	26,114,644
Insurance and Bonding	2,278,965	53,975	445,003	2,777,943	1,603,601
Expenditures to Other State Agencies	2,962,633		500,000	3,462,633	6,319,761
Other Expenditures	19,609,086	2,684,639	1,103,075	23,396,800	22,263,479
Total Expenditures	1,398,404,046	123,644,209	88,097,876	1,610,146,131	1,586,310,799
Excess of Revenues Over (Under) Expenditures	(1,285,828,497)	(116,318,179)	5,500,070	(1,396,646,606)	(1,391,431,946)
OTHER FINANCING SOURCES (USES):					
Other Debt Issued	278,320			278,320	
Sale of Capital Assets	217,842	2,312	39,592	259,746	410,637
Insurance Recoveries	92,028			92,028	132,191
Transfers In	3,218,103		567,940	3,786,043	4,945,049
Transfers Out	(1,509,991)		(2,965,272)	(4,475,263)	(6,954,832)
Appropriations	1,290,947,290	114,549,674		1,405,496,964	1,390,518,646
Total Other Financing Sources (Uses)	1,293,243,592	114,551,986	(2,357,740)	1,405,437,838	1,389,051,691
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 7,415,095	\$ (1,766,193)	\$ 3,142,330	\$ 8,791,232	\$ (2,380,255)

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

- (1) See Supplementary Schedule F-2 for further details.
(2) See Supplementary Schedule F-5 for further details.

**North Carolina Department of Public Safety
Statement of Revenues and Expenditures
Governmental Funds - Sub-Division of Adult Correction by Function
For the Fiscal Year Ended June 30, 2015 (With Comparative Unaudited Totals for June 30, 2014)**

Schedule F-2

	Prisons (1)	Community Corrections (2)	Other	Total 2015	Total 2014 (Unaudited)
REVENUES:					
Federal Funds	\$ 1,859,370	\$ 0	\$ 0	\$ 1,859,370	\$ 2,917,693
Investment Earnings	7,760	2,867		10,627	36,541
Sales and Services	35,700,077	234	127,104	35,827,415	33,423,153
Rental and Lease of Property		5,500		5,500	6,000
Fees, Licenses and Fines	26,666,855	326,162		26,993,017	26,182,895
Contributions, Gifts and Grants	877,955	82,267	68,634	1,028,856	1,217,835
Revenues from Other State Agencies	18,565,967	377,636	20,287	18,963,890	18,698,743
Miscellaneous Income	27,415,125	76,166	395,583	27,886,874	15,281,843
Total Revenues	<u>111,093,109</u>	<u>870,832</u>	<u>611,608</u>	<u>112,575,549</u>	<u>97,764,703</u>
EXPENDITURES:					
Personal Services	583,960,881	109,339,603	5,105,717	698,406,201	693,143,063
Employee Benefits	245,032,912	43,626,548	1,941,476	290,600,936	291,899,975
Contracted Personal Services	113,304,552	10,037,370	336,273	123,678,195	105,493,136
Supplies and Materials	129,263,296	2,096,656	408,680	131,768,632	124,570,218
Purchases for Resale	30,576,011			30,576,011	28,481,162
Travel	539,781	218,340	49,364	807,485	749,422
Communication	3,585,928	3,885,574	38,554	7,510,056	6,913,900
Utilities	43,729,314	307,397	194,682	44,231,393	48,291,744
Data Processing Services	5,040,044	3,114,211	18,373	8,172,628	5,974,368
Other Services	6,649,896	204,783	129,299	6,983,978	6,682,220
Claims and Benefits		25,415		25,415	27,382
Debt Service:					
Principal Retirement	97,816			97,816	
Interest and Fees	1,212,982			1,212,982	
Other Fixed Charges	3,437,387	175,838	176,646	3,789,871	4,462,960
Capital Outlay	23,206,717	2,347,991	137,055	25,691,763	31,014,291
Insurance and Bonding	2,275,172	3,527	266	2,278,965	1,492,054
Expenditures to Other State Agencies	1,050,000	1,829,300	83,333	2,962,633	6,319,761
Other Expenditures	6,385,679	13,223,407		19,609,086	18,458,105
Total Expenditures	<u>1,199,348,368</u>	<u>190,435,960</u>	<u>8,619,718</u>	<u>1,398,404,046</u>	<u>1,373,973,761</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,088,255,259)</u>	<u>(189,565,128)</u>	<u>(8,008,110)</u>	<u>(1,285,828,497)</u>	<u>(1,276,209,058)</u>
OTHER FINANCING SOURCES (USES):					
Other Debt Issued	278,320			278,320	
Sale of Capital Assets			217,842	217,842	394,909
Insurance Recoveries	2,028		90,000	92,028	132,191
Transfers In	2,768,103		450,000	3,218,103	3,060,121
Transfers Out	(1,509,991)			(1,509,991)	(2,760,767)
Appropriations	1,096,212,348	187,986,549	6,748,393	1,290,947,290	1,272,821,437
Total Other Financing Sources (Uses)	<u>1,097,750,808</u>	<u>187,986,549</u>	<u>7,506,235</u>	<u>1,293,243,592</u>	<u>1,273,647,891</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 9,495,549</u>	<u>\$ (1,578,579)</u>	<u>\$ (501,875)</u>	<u>\$ 7,415,095</u>	<u>\$ (2,561,167)</u>

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

(1) See Supplementary Schedule F-3 for further details.

(2) See Supplementary Schedule F-4 for further details.

North Carolina Department of Public Safety
Statement of Revenues and Expenditures
Governmental Funds - Sub-Division of Adult Correction - Prisons by Function
For the Fiscal Year Ended June 30, 2015 (With Comparative Unaudited Totals for June 30, 2014)

	Prisons Management	Prisons Custody and Security	Prisons Food and Clothing
REVENUES:			
Federal Funds	\$ 0	\$ 619,790	\$ 0
Investment Earnings		7,760	
Sales and Services			1,011,369
Fees, Licenses and Fines		26,211,561	
Contributions, Gifts and Grants		7,454	
Revenues from Other State Agencies	4,521	6,522,963	136,090
Miscellaneous Income	3	2,179,470	5,273,492
Total Revenues	<u>4,524</u>	<u>35,548,998</u>	<u>6,420,951</u>
EXPENDITURES:			
Personal Services	7,460,323	421,926,639	16,054,463
Employee Benefits	2,759,585	184,298,040	6,869,478
Contracted Personal Services	173,795	22,846,932	6,042,150
Supplies and Materials	110,108	16,361,476	67,584,734
Purchases for Resale			
Travel	37,337	396,497	
Communication	81,835	3,422,857	
Utilities	16,684	42,980,072	
Data Processing Services	47,617	4,897,993	
Other Services	8,523	2,354,048	219,804
Debt Service:			
Principal Retirement		93,560	
Interest and Fees		1,211,440	
Other Fixed Charges	39,674	2,372,816	26,472
Capital Outlay	64,252	17,440,855	959,430
Insurance and Bonding		1,834,774	
Expenditures to Other State Agencies		1,000,000	
Other Expenditures	454,511	3,590,379	594,453
Total Expenditures	<u>11,254,244</u>	<u>727,028,378</u>	<u>98,350,984</u>
Excess of Revenues Over (Under) Expenditures	<u>(11,249,720)</u>	<u>(691,479,380)</u>	<u>(91,930,033)</u>
OTHER FINANCING SOURCES (USES):			
Other Debt Issued			
Sale of Capital Assets			
Insurance Recoveries		2,028	
Transfers In			2,768,103
Transfers Out			(201,600)
Appropriations	11,207,864	696,197,159	87,654,905
Total Other Financing Sources (Uses)	<u>11,207,864</u>	<u>696,199,187</u>	<u>90,221,408</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (41,856)</u>	<u>\$ 4,719,807</u>	<u>\$ (1,708,625)</u>

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

Schedule F-3

Prisons General, Mental, Dental, and Pharmacy	Prisons Education and Corrective Programs	Other	Alcoholism and Chemical Dependence	Total 2015	Total 2014 (Unaudited)
\$ 1,239,580	\$ 0	\$ 0	\$ 0	\$ 1,859,370	\$ 2,827,556
		34,688,708		7,760	34,241
455,294				35,700,077	33,366,796
	471,097		399,404	26,666,855	25,902,194
619,790	2,219,436	9,040,000	23,167	877,955	997,613
3,966,652	37	15,995,471		18,565,967	17,318,472
<u>6,281,316</u>	<u>2,690,570</u>	<u>59,724,179</u>	<u>422,571</u>	<u>111,093,109</u>	<u>14,782,451</u>
93,558,838	33,984,620	7,082,424	3,893,574	583,960,881	585,857,959
32,550,106	13,944,939	3,048,405	1,562,359	245,032,912	248,864,770
81,804,411	1,376,499	1,057,997	2,768	113,304,552	97,425,434
40,967,813	1,087,788	3,101,919	49,458	129,263,296	121,276,823
		30,576,011		30,576,011	28,481,162
61,130	43,002	166	1,649	539,781	489,004
18,045	4,529	2,014	56,648	3,585,928	3,341,046
	570,089	158,625	3,844	43,729,314	47,945,829
			94,434	5,040,044	3,800,648
244,570	3,707,459	113,002	2,490	6,649,896	6,350,626
		4,256		97,816	
		1,542		1,212,982	
763,140	32,560	191,106	11,619	3,437,387	3,694,560
2,417,024	672,397	1,651,556	1,203	23,206,717	29,625,773
439,108			1,290	2,275,172	1,489,278
	50,000			1,050,000	1,252,600
397,560	71,713	1,181,323	95,740	6,385,679	6,238,652
<u>253,221,745</u>	<u>55,545,595</u>	<u>48,170,346</u>	<u>5,777,076</u>	<u>1,199,348,368</u>	<u>1,186,134,164</u>
<u>(246,940,429)</u>	<u>(52,855,025)</u>	<u>11,553,833</u>	<u>(5,354,505)</u>	<u>(1,088,255,259)</u>	<u>(1,090,904,841)</u>
		278,320		278,320	384,037
				2,028	65,085
				2,768,103	3,060,121
243,146,170	53,127,889	(1,308,391)	4,878,361	(1,509,991)	(2,760,767)
<u>243,146,170</u>	<u>53,127,889</u>	<u>(1,030,071)</u>	<u>4,878,361</u>	<u>1,096,212,348</u>	<u>1,100,368,175</u>
				1,097,750,808	1,101,116,651
<u>\$ (3,794,259)</u>	<u>\$ 272,864</u>	<u>\$ 10,523,762</u>	<u>\$ (476,144)</u>	<u>\$ 9,495,549</u>	<u>\$ 10,211,810</u>

North Carolina Department of Public Safety
Statement of Revenues and Expenditures
Governmental Funds - Sub-Division of Adult Correction
Community Corrections by Function
For the Fiscal Year Ended June 30, 2015 (With Comparative Unaudited Totals for June 30, 2014)

	Regular Supervision	Community Supervision	Electronic Monitoring
REVENUES:			
Federal Funds	\$ 0	\$ 0	\$ 0
Investment Earnings			
Sales and Services			
Rental and Lease of Property			
Fees, Licenses and Fines			51,927
Contributions, Gifts and Grants	78,875		
Revenues from Other State Agencies		377,032	
Miscellaneous Income	27	8	5
	<u>78,902</u>	<u>377,040</u>	<u>51,932</u>
Total Revenues	78,902	377,040	51,932
EXPENDITURES:			
Personal Services	94,366,927	4,405,330	250,212
Employee Benefits	37,671,945	1,680,930	99,614
Contracted Personal Services	756,423	9,248,846	
Supplies and Materials	1,546,335	465,791	5,294
Purchases for Resale			
Travel	191,295	5,523	2,475
Communication	3,722,799	61,682	9,892
Utilities	30,203	236,253	
Data Processing Services	3,010,576	90,601	
Other Services	152,468	27,077	444
Claims and Benefits			
Other Fixed Charges	112,426	11,176	1,290
Capital Outlay	2,216,859	108,335	3,089
Insurance and Bonding	3,527		
Expenditures to Other State Agencies	1,829,300		
Other Expenditures	7,690,291	43,171	5,220,580
	<u>153,301,374</u>	<u>16,384,715</u>	<u>5,592,890</u>
Total Expenditures	153,301,374	16,384,715	5,592,890
Excess of Revenues Over (Under) Expenditures	<u>(153,222,472)</u>	<u>(16,007,675)</u>	<u>(5,540,958)</u>
OTHER FINANCING SOURCES (USES):			
Appropriations	152,123,649	16,384,715	4,555,807
	<u>152,123,649</u>	<u>16,384,715</u>	<u>4,555,807</u>
Total Other Financing Sources (Uses)	152,123,649	16,384,715	4,555,807
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (1,098,823)</u>	<u>\$ 377,040</u>	<u>\$ (985,151)</u>

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

Schedule F-4

<u>Judicial Services</u>	<u>Other</u>	<u>Total 2015</u>	<u>Total 2014 (Unaudited)</u>
\$ 0	\$ 0	\$ 0	\$ 90,137
	2,867	2,867	2,300
	234	234	7,148
	5,500	5,500	6,000
	274,235	326,162	280,701
	3,392	82,267	35,169
	604	377,636	14,466
	76,126	76,166	64,242
<u>0</u>	<u>362,958</u>	<u>870,832</u>	<u>500,163</u>
8,400,745	1,916,389	109,339,603	104,457,232
3,460,027	714,032	43,626,548	42,050,174
	32,101	10,037,370	7,828,790
21,371	57,865	2,096,656	2,952,259
	19,047	218,340	239,032
52,422	38,779	3,885,574	3,555,575
	40,941	307,397	259,234
	13,034	3,114,211	2,171,931
1,372	23,422	204,783	197,861
25,415		25,415	27,382
8,281	42,665	175,838	224,690
229	19,479	2,347,991	1,208,980
		3,527	2,776
		1,829,300	5,067,161
	269,365	13,223,407	11,866,282
<u>11,969,862</u>	<u>3,187,119</u>	<u>190,435,960</u>	<u>182,109,359</u>
<u>(11,969,862)</u>	<u>(2,824,161)</u>	<u>(189,565,128)</u>	<u>(181,609,196)</u>
<u>11,981,822</u>	<u>2,940,556</u>	<u>187,986,549</u>	<u>177,237,759</u>
<u>11,981,822</u>	<u>2,940,556</u>	<u>187,986,549</u>	<u>177,237,759</u>
<u>\$ 11,960</u>	<u>\$ 116,395</u>	<u>\$ (1,578,579)</u>	<u>\$ (4,371,437)</u>

**North Carolina Department of Public Safety
Statement of Revenues and Expenditures
Governmental Funds - Sub-Division of Juvenile Justice by Function
For the Fiscal Year Ended June 30, 2015 (With Comparative Unaudited Totals for June 30, 2014)**

	<u>Detention Center Services</u>	<u>Development Center Services</u>	<u>Treatment Services</u>	<u>Education Services</u>
REVENUES:				
Federal Funds	\$ 0	\$ 0	\$ 0	\$ 53,185
Local Funds	4,947,674			
Investment Earnings				
Sales and Services	22,002	106,209		
Fees, Licenses and Fines	88			
Contributions, Gifts and Grants		73,920		
Revenues from Other State Agencies	246,477	799,632		868,326
Miscellaneous Income	1,875	1,640	685	1,253
Total Revenues	<u>5,218,116</u>	<u>981,401</u>	<u>685</u>	<u>922,764</u>
EXPENDITURES:				
Personal Services	6,362,266	8,071,243	9,276,179	3,421,901
Employee Benefits	3,077,324	4,671,293	3,619,454	1,317,156
Contracted Personal Services	390,856	570,181	1,523,468	176,853
Supplies and Materials	339,918	960,888	556,091	72,629
Purchases for Resale				
Travel	6,959	6,494	6,683	46,782
Communication	104,270	188,980	5,623	8,240
Utilities	229,328	792,225	4,183	8,322
Data Processing Services	22,471	47,546	1,389	1,901
Other Services	141,918	46,264	4,188	32,509
Other Fixed Charges	14,100	18,330	1,190	21,207
Capital Outlay	156,303	2,060,906	1,254	182,968
Grants, State Aid and Subsidies	2,996,772			
Insurance and Bonding	12,519	40,377	300	93
Other Expenditures	404,359	134,445	82,920	90,720
Total Expenditures	<u>14,259,363</u>	<u>17,609,172</u>	<u>15,082,922</u>	<u>5,381,281</u>
Excess of Revenues Over (Under) Expenditures	<u>(9,041,247)</u>	<u>(16,627,771)</u>	<u>(15,082,237)</u>	<u>(4,458,517)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In				
Sale of Capital Assets		2,237		
Appropriations	8,977,011	14,925,827	15,102,730	4,468,110
Total Other Financing Sources (Uses)	<u>8,977,011</u>	<u>14,928,064</u>	<u>15,102,730</u>	<u>4,468,110</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (64,236)</u>	<u>\$ (1,699,707)</u>	<u>\$ 20,493</u>	<u>\$ 9,593</u>

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

Schedule F-5

Community Program Services	Juvenile Crime Prevention Council	Juvenile Court Services	Other	Total 2015	Total 2014 (Unaudited)
\$ 0	\$ 0	\$ 0	\$ 0	\$ 53,185	\$ 0
				4,947,674	5,556,045
			563	563	345
				128,211	30,599
				88	978
25,551			170,327	269,798	1,628,525
		4,389		1,918,824	459,160
1,906		325	3	7,687	9,791
27,457	0	4,714	170,893	7,326,030	7,685,443
1,079,421		20,370,231	41,801	48,623,042	48,700,650
388,235		7,783,115	14,845	20,871,422	21,512,274
15,141,941		119,423	128,297	18,051,019	18,492,356
27,378		96,482	20,660	2,074,046	1,991,550
7,031		106,167	7,527	187,643	208,855
14,918		796,146		1,118,177	1,000,284
5,179		21,275		1,060,512	1,115,000
4,969		335,362	11	413,649	64,981
13,571		84,692	16,520	339,662	262,565
319		66,207	100	121,453	110,673
399,674		56,824	2,454	2,860,383	3,332,177
	22,187,815			25,184,587	26,114,644
27		659		53,975	47,484
180,830		1,785,278	6,087	2,684,639	2,659,727
17,263,493	22,187,815	31,621,861	238,302	123,644,209	125,613,220
(17,236,036)	(22,187,815)	(31,617,147)	(67,409)	(116,318,179)	(117,927,777)
					49,971
		75		2,312	3,720
16,810,370	22,621,227	31,644,399		114,549,674	117,697,208
16,810,370	22,621,227	31,644,474	0	114,551,986	117,750,899
\$ (425,666)	\$ 433,412	\$ 27,327	\$ (67,409)	\$ (1,766,193)	\$ (176,878)

**North Carolina Department of Public Safety
Statement of Revenues and Expenditures
Governmental Funds - Division of Law Enforcement by Sub-Division
For the Fiscal Year Ended June 30, 2015 (With Comparative Unaudited Totals for June 30, 2014)**

	<u>State Capital Police</u>	<u>State Highway Patrol</u>	<u>Alcohol Law Enforcement</u>
REVENUES:			
Federal Funds	\$ 0	\$ 531,187	\$ 0
Local Funds			
Investment Earnings		3,818	15,951
Sales and Services	2,888,023	2,019,189	1,104,350
Rental and Lease of Property		76,282	
Fees, Licenses and Fines		104,776	205,416
Student Tuition and Fees		60,450	
Contributions, Gifts and Grants	10,237	617,049	715,846
Revenues from Other State Agencies		11,306,095	15,224
Miscellaneous Income	1,656	350,643	198,050
Total Revenues	<u>2,899,916</u>	<u>15,069,489</u>	<u>2,254,837</u>
EXPENDITURES:			
Personal Services	3,065,082	116,912,172	5,516,942
Employee Benefits	1,347,862	48,177,417	2,404,684
Contracted Personal Services	54,342	14,611,722	48,867
Supplies and Materials	63,510	14,361,069	428,479
Purchases for Resale			
Travel	422	527,475	45,719
Communication	7,978	2,238,160	137,190
Utilities	652	895,182	12,614
Data Processing Services	18,091	1,071,573	59,803
Other Services	2,705	803,424	15,029
Claims and Benefits	105,844	8,240,492	506,657
Other Fixed Charges	29,232	763,698	4,623
Capital Outlay	36,563	15,376,694	601,411
Grants, State Aid and Subsidies		543,155	
Insurance and Bonding	6,466	1,362,474	36,496
Expenditures to Other State Agencies			
Other Expenditures	244	427,828	213,475
Total Expenditures	<u>4,738,993</u>	<u>226,312,535</u>	<u>10,031,989</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,839,077)</u>	<u>(211,243,046)</u>	<u>(7,777,152)</u>
OTHER FINANCING SOURCES (USES):			
Sale of Capital Assets	76	1,524,385	18,599
Insurance Recoveries		422,122	
Transfers Out			
Appropriations	1,539,577	203,587,731	7,646,794
Total Other Financing Sources (Uses)	<u>1,539,653</u>	<u>205,534,238</u>	<u>7,665,393</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (299,424)</u>	<u>\$ (5,708,808)</u>	<u>\$ (111,759)</u>

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

Schedule G-1

State Bureau of Investigation	Other	Total 2015	Total 2014 (Unaudited)
\$ 327,169	\$ 0	\$ 858,356	\$ 1,313,926
18,385		38,154	12,059
6,794,850	15,795	12,822,207	31,697
		76,282	10,058,913
6,445,970	161	6,756,323	71,344
		60,450	11,830,857
1,087,872	214,526	2,645,530	91,345
121,599		11,442,918	5,419,157
33,416		583,765	11,722,903
<u>14,829,261</u>	<u>230,482</u>	<u>35,283,985</u>	<u>334,943</u>
21,505,186	274,748	147,274,130	150,571,039
8,566,224	172,704	60,668,891	62,182,367
1,511,006	278,968	16,504,905	23,894,446
743,788	6,128	15,602,974	17,192,041
363,037	19,897	956,550	1,191,056
704,242	3,039	3,090,609	3,486,407
131,329	1,468	1,041,245	1,040,787
276,546	4,238	1,430,251	643,172
1,002,822	31,889	1,855,869	1,582,917
1,517,185	162,091	10,532,269	10,117,722
1,364,350	2,535	2,164,438	2,922,063
2,163,479	2,279	18,180,426	19,801,295
		543,155	3,287,406
104,265	5	1,509,706	1,533,679
156,821		156,821	284,288
<u>4,961,995</u>	<u>437,760</u>	<u>6,041,302</u>	<u>6,769,004</u>
<u>45,072,275</u>	<u>1,397,749</u>	<u>287,553,541</u>	<u>306,499,689</u>
<u>(30,243,014)</u>	<u>(1,167,267)</u>	<u>(252,269,556)</u>	<u>(265,612,545)</u>
32,378		1,575,438	1,623,649
		422,122	21,396
<u>32,259,994</u>	<u>613,304</u>	<u>245,647,400</u>	<u>(284,288)</u>
<u>32,292,372</u>	<u>613,304</u>	<u>247,644,960</u>	<u>231,450,092</u>
<u>\$ 2,049,358</u>	<u>\$ (553,963)</u>	<u>\$ (4,624,596)</u>	<u>\$ (32,801,696)</u>

**North Carolina Department of Public Safety
Statement of Revenues and Expenditures
Governmental Funds - Division of the North Carolina National Guard by Function
For the Fiscal Year Ended June 30, 2015 (With Comparative Unaudited Totals for June 30, 2014)**

Schedule H-1

	<u>Army Guard</u>	<u>Air Guard</u>	<u>Youth Programs</u>	<u>Other</u>	<u>Total 2015</u>	<u>Total 2014 (Unaudited)</u>
REVENUES:						
Federal Funds	\$ 17,573,475	\$ 3,680,760	\$ 3,241,559	\$ 0	\$ 24,495,794	\$ 26,667,466
Local Funds				42,028	42,028	41,842
Sales and Services			1,640	636	2,276	2,437
Rental and Lease of Property				290,872	290,872	293,976
Contributions, Gifts and Grants				233,478	233,478	136,004
Revenues from Other State Agencies	111,972		124,856	205,909	442,737	282,669
Miscellaneous Income	23		45,262	46,873	92,158	158,171
Total Revenues	<u>17,685,470</u>	<u>3,680,760</u>	<u>3,413,317</u>	<u>819,796</u>	<u>25,599,343</u>	<u>27,582,565</u>
EXPENDITURES:						
Personal Services	2,859,286	2,143,623	2,304,927	1,006,058	8,313,894	8,604,041
Employee Benefits	859,584	775,716	550,777	473,528	2,659,605	2,363,900
Contracted Personal Services	2,550,886	518,066	115,091	374,285	3,558,328	3,090,356
Supplies and Materials	806,239	50,360	829,571	241,628	1,927,798	1,595,310
Travel	48,725	9,993	86,975	9,528	155,221	115,000
Communication	1,330,515		35,274	193,464	1,559,253	1,963,094
Utilities	2,951,273	765,970	94,428	831,044	4,642,715	4,243,614
Data Processing Services				39,628	39,628	2,747
Other Services	939,338	3,279	106,296	614,805	1,663,718	1,237,678
Other Fixed Charges	36,708	17,874	22,662	31,335	108,579	81,341
Capital Outlay	9,741,610		135,986	403,288	10,280,884	10,891,527
Grants, State Aid and Subsidies				63,080	63,080	51,560
Scholarships			26,840		26,840	222,383
Insurance and Bonding	16,518			43,228	59,746	34,311
Other Expenditures	131,650	3,863	42,838	271,820	450,171	556,567
Total Expenditures	<u>22,272,332</u>	<u>4,288,744</u>	<u>4,351,665</u>	<u>4,596,719</u>	<u>35,509,460</u>	<u>35,053,429</u>
Excess of Revenues Over (Under) Expenditures	<u>(4,586,862)</u>	<u>(607,984)</u>	<u>(938,348)</u>	<u>(3,776,923)</u>	<u>(9,910,117)</u>	<u>(7,470,864)</u>
OTHER FINANCING SOURCES (USES):						
Sale of Capital Assets				6,578	6,578	20,415
Insurance Recoveries				2,855	2,855	3,366
Transfers In	4,660,731				4,660,731	1,153,919
Transfers Out	(4,660,731)				(4,660,731)	(1,153,919)
Appropriations	4,976,061	707,723	1,051,482	3,722,905	10,458,171	13,206,508
Total Other Financing Sources (Uses)	<u>4,976,061</u>	<u>707,723</u>	<u>1,051,482</u>	<u>3,732,338</u>	<u>10,467,604</u>	<u>13,230,289</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 389,199</u>	<u>\$ 99,739</u>	<u>\$ 113,134</u>	<u>\$ (44,585)</u>	<u>\$ 557,487</u>	<u>\$ 5,759,425</u>

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

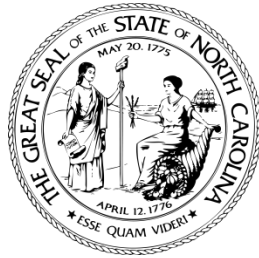
North Carolina Department of Public Safety
Statement of Revenues and Expenditures
Governmental Funds - Division of Emergency Management by Function
For the Fiscal Year Ended June 30, 2015 (With Comparative Unaudited Totals for June 30, 2014)

	Emergency Management Performance Grant	Disaster Response and Recovery	Homeland Security
REVENUES:			
Federal Funds	\$ 9,559,363	\$ 41,803,545	\$ 12,155,234
Investment Earnings			
Sales and Services	241,543		
Fees, Licenses and Fines	2,525,146		
Contributions, Gifts and Grants			
Revenues from Other State Agencies	159,307	10,620,598	
Miscellaneous Income	2,791	94	212
Total Revenues	<u>12,488,150</u>	<u>52,424,237</u>	<u>12,155,446</u>
EXPENDITURES:			
Personal Services	4,421,025	234,388	540,194
Employee Benefits	1,663,354	73,897	182,902
Contracted Personal Services	1,319,266	328,801	179,590
Supplies and Materials	191,723	42,103	57,281
Travel	180,691	66,541	87,080
Communication	167,886	3,105	3,494
Utilities	161,988		
Data Processing Services	198,469	17,289	
Other Services	154,453	1,277	4,774
Other Fixed Charges	117,405		18,800
Capital Outlay	486,279		4,208
Grants, State Aid and Subsidies	5,479,772	49,615,274	11,140,913
Insurance and Bonding	51,132		
Expenditures to Other State Agencies		2,991,828	
Other Expenditures	656,089	36,842	7,379
Total Expenditures	<u>15,249,532</u>	<u>53,411,345</u>	<u>12,226,615</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,761,382)</u>	<u>(987,108)</u>	<u>(71,169)</u>
OTHER FINANCING SOURCES (USES):			
Sale of Capital Assets	15,519		
Insurance Recoveries	71,816		
Appropriations	2,725,260		86,122
Total Other Financing Sources (Uses)	<u>2,812,595</u>		<u>86,122</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 51,213</u>	<u>\$ (987,108)</u>	<u>\$ 14,953</u>

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

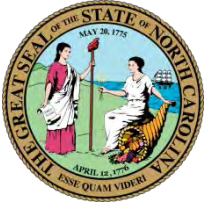
Schedule I-1

Geospatial	Other	Total 2015	Total 2014 (Unaudited)
\$ 4,822,920	\$ 1,730,957	\$ 70,072,019	\$ 63,081,430
	2,929	2,929	
888,650		1,130,193	4,608,701
831,550	1,926,680	5,283,376	3,676,533
			33,362
6,803,682	173,475	17,757,062	8,770,147
628	42	3,767	688
<u>13,347,430</u>	<u>3,834,083</u>	<u>94,249,346</u>	<u>80,170,861</u>
2,424,104	249,569	7,869,280	7,698,681
825,608	77,903	2,823,664	2,723,339
10,293,318	385,656	12,506,631	13,988,749
42,785	3,656	337,548	275,793
49,679	10,385	394,376	425,135
15,594	3,007	193,086	264,595
		161,988	176,929
22,753	1,264	239,775	96,791
34,035	2,861	197,400	293,421
153,403		289,608	324,385
386,949	400,487	1,277,923	1,162,293
	1,424,035	67,659,994	56,754,979
11,945		63,077	60,066
	1,182,019	4,173,847	
86,143	12,159	798,612	684,221
<u>14,346,316</u>	<u>3,753,001</u>	<u>98,986,809</u>	<u>84,929,377</u>
<u>(998,886)</u>	<u>81,082</u>	<u>(4,737,463)</u>	<u>(4,758,516)</u>
923		16,442	28,479
		71,816	39,035
825,371	232,208	3,868,961	4,735,897
<u>826,294</u>	<u>232,208</u>	<u>3,957,219</u>	<u>4,803,411</u>
<u>\$ (172,592)</u>	<u>\$ 313,290</u>	<u>\$ (780,244)</u>	<u>\$ 44,895</u>



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



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State Auditor

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

Frank L. Perry, Secretary
and Management of the North Carolina Department of Public Safety

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major governmental fund of the North Carolina Department of Public Safety (Department) as of June 30, 2015 and 2014 and for the year ended June 30, 2015, the major proprietary fund, and the aggregate remaining fund information of the Department as of and for the 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 August 18, 2016.

As discussed in Note 1, the financial statements present only the North Carolina Department of Public Safety 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 may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

August 18, 2016

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