

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



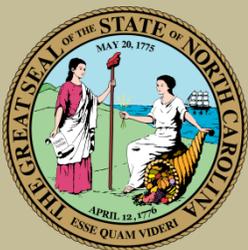
NORTH CAROLINA DEPARTMENT OF PUBLIC SAFETY

RALEIGH, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

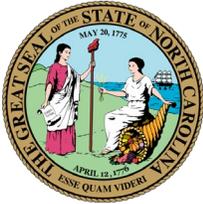
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

A DEPARTMENT OF THE STATE OF NORTH CAROLINA



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STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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

AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
The General Assembly of North Carolina
Eddie M. Buffaloe, Jr., Secretary
Department of Public Safety

We have completed a financial statement audit of the North Carolina Department of Public Safety for the years ended June 30, 2021 and 2020, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

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

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

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

Beth A. Wood, CPA
State Auditor

AN OVERVIEW OF HOW TO USE THIS REPORT

This report provides audited financial information on the North Carolina Department of Public Safety (Department) and is designed to provide the information at a summarized level in the beginning and in more detail 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 governmental funds, two proprietary funds, and five fiduciary funds. The governmental funds report most of the activity of the Department. The proprietary funds are used to report the activity of the Alcoholic Beverage Control (ABC) Commission and the Private Protective Services and the Alarm Systems Licensing Boards. The fiduciary funds are custodial funds that report funds held for inmates, an employee dental reserve, Alcohol Law Enforcement (ALE) seized assets, and escrow funds for homeowners.

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 supplementary schedules or “Notes to the Financial Statements” for the Department which are referenced next to the line item caption. Throughout the report, the term Department is used to refer to the governmental funds, proprietary funds, and fiduciary funds combined, unless otherwise specifically stated.

Required Information: (Information required to be reported per the 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. The Management’s Discussion and Analysis is prepared by the Department and has not been subjected to the same auditing procedures performed on the financial statements.

“**A**” **Exhibits** present the Balance Sheets as of June 30, 2021 and 2020 and the Statements of Revenues, Expenditures, and Changes in Fund Balances for the fiscal years ended June 30, 2021 and 2020 for the Department’s **governmental funds as a whole**.

“**B**” **Exhibits** present the Statements of Net Position as of June 30, 2021 and 2020, the Statements of Revenues, Expenses, and Changes in Net Position for the fiscal years ended June 30, 2021 and 2020, and the Statements of Cash Flows for the fiscal years ended June 30, 2021 and 2020 for the Department’s **proprietary funds as a whole**.

“**C**” **Exhibits** present the Statements of Fiduciary Net Position as of June 30, 2021 and 2020 and the Statements of Changes in Fiduciary Net Position for the fiscal years ended June 30, 2021 and 2020 for the Department’s **fiduciary 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.

Required Supplementary Information:

“D” Schedules present the budget and actual comparisons for the General Fund, Correction Enterprises Fund, and Welfare Fund (for the fiscal years ended June 30, 2021 and 2020) and the required supplementary information related to pension and other postemployment benefit plans for the Department’s proprietary funds. These schedules have not been subjected to the same auditing procedures performed on the financial statements.

Other Supplementary Information:

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

“E” Schedules presents the financial information combining the Schedule of Revenues and Expenditures for the fiscal years ended June 30, 2021 and 2020 across all the divisions in the Department.

“F” through “J” Schedules present further breakdown of each division’s revenues and expenditures for the fiscal years ended June 30, 2021 and 2020 as follows:

- **“F” Schedules** presents the Division of Administration by its functions.
- **“G-1” through “G-10” Schedules** present the Division of Adult Correction and Juvenile Justice by sub-division, and provide further breakdown of each sub-division into functions as follows:
 - G-1 and G-2 – Division of Adult Correction and Juvenile Justice by Sub-division (which includes Adult Correction, Juvenile Justice, and Correction Enterprises) for the fiscal years ended June 30, 2021 and 2020, respectively.
 - G-3 and G-4 – Sub-division of Adult Correction by its functions (which includes Prisons, Community Corrections, and Other) for the fiscal years ended June 30, 2021 and 2020, respectively.
 - G-5 and G-6 – Prisons presents information further by its functions for the fiscal years ended June 30, 2021 and 2020, respectively.
 - G-7 and G-8 – Community Corrections presents information further by its function for the fiscal years ended June 30, 2021 and 2020, respectively.
 - G-9 and G-10 – Sub-division of Juvenile Justice by its functions for the fiscal years ended June 30, 2021 and 2020, respectively.
- **“H” Schedules** present the Division of Law Enforcement by its sub-divisions.
- **“I” Schedules** present the Division of the North Carolina National Guard by its functions.
- **“J” Schedules** present the Division of Emergency Management by its functions.

Required Information:

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



Beth A. Wood, CPA
State Auditor

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
EXHIBITS	
A-1 BALANCE SHEET – GOVERNMENTAL FUNDS AS OF JUNE 30, 2021	24
A-2 BALANCE SHEET – GOVERNMENTAL FUNDS AS OF JUNE 30, 2020	25
A-3 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2021	26
A-4 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2020	27
B-1 STATEMENT OF NET POSITION – PROPRIETARY FUNDS AS OF JUNE 30, 2021	28
B-2 STATEMENT OF NET POSITION – PROPRIETARY FUNDS AS OF JUNE 30, 2020	29
B-3 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2021	30
B-4 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2020	31
B-5 STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2021	32
B-6 STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2020	33
C-1 STATEMENT OF FIDUCIARY NET POSITION AS OF JUNE 30, 2021 ...	34
C-2 STATEMENT OF FIDUCIARY NET POSITION AS OF JUNE 30, 2020 ...	35

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

C-3	STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR THE FISCAL YEAR ENDED JUNE 30, 2021	36
C-4	STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR THE FISCAL YEAR ENDED JUNE 30, 2020	37
	NOTES TO THE FINANCIAL STATEMENTS	38
REQUIRED SUPPLEMENTARY INFORMATION		
D-1	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, 2021	88
D-2	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, 2020	90
D-3	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, 2021	92
D-4	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, 2020	93
D-5	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, 2021.....	94
D-6	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, 2020.....	95
	NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY INFORMATION	96
D-7	SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – PROPRIETARY FUNDS	97
D-8	SCHEDULE OF DEPARTMENT CONTRIBUTIONS – PENSION PLAN – PROPRIETARY FUNDS	98
	NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – SCHEDULE OF DEPARTMENT CONTRIBUTIONS – PENSION PLAN – PROPRIETARY FUNDS	99
D-9	SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY OR ASSET – PROPRIETARY FUNDS	100

D-10	SCHEDULE OF DEPARTMENT CONTRIBUTIONS – OPEB PLANS – PROPRIETARY FUNDS	101
	NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – SCHEDULE OF DEPARTMENT CONTRIBUTIONS – OPEB PLANS – PROPRIETARY FUNDS.....	102
OTHER SUPPLEMENTARY INFORMATION		
E-1	COMBINING SCHEDULE OF REVENUES AND EXPENDITURES GOVERNMENTAL FUNDS BY DIVISION FOR THE FISCAL YEAR ENDED JUNE 30, 2021	103
E-2	COMBINING SCHEDULE OF REVENUES AND EXPENDITURES GOVERNMENTAL FUNDS BY DIVISION FOR THE FISCAL YEAR ENDED JUNE 30, 2020	104
F-1	SCHEDULE OF REVENUES AND EXPENDITURES GOVERNMENTAL FUNDS – DIVISION OF ADMINISTRATION BY FUNCTION FOR THE FISCAL YEAR ENDED JUNE 30, 2021.....	105
F-2	SCHEDULE OF REVENUES AND EXPENDITURES GOVERNMENTAL FUNDS – DIVISION OF ADMINISTRATION BY FUNCTION FOR THE FISCAL YEAR ENDED JUNE 30, 2020	107
G-1	SCHEDULE OF REVENUES AND EXPENDITURES GOVERNMENTAL FUNDS – DIVISION OF ADULT CORRECTION AND JUVENILE JUSTICE BY SUB-DIVISION FOR THE FISCAL YEAR ENDED JUNE 30, 2021	109
G-2	SCHEDULE OF REVENUES AND EXPENDITURES GOVERNMENTAL FUNDS – DIVISION OF ADULT CORRECTION AND JUVENILE JUSTICE BY SUB-DIVISION FOR THE FISCAL YEAR ENDED JUNE 30, 2020	110
G-3	SCHEDULE OF REVENUES AND EXPENDITURES GOVERNMENTAL FUNDS – SUB-DIVISION OF ADULT CORRECTION BY FUNCTION FOR THE FISCAL YEAR ENDED JUNE 30, 2021.....	111
G-4	SCHEDULE OF REVENUES AND EXPENDITURES GOVERNMENTAL FUNDS – SUB-DIVISION OF ADULT CORRECTION BY FUNCTION FOR THE FISCAL YEAR ENDED JUNE 30, 2020.....	112
G-5	SCHEDULE OF REVENUES AND EXPENDITURES GOVERNMENTAL FUNDS – SUB-DIVISION OF ADULT CORRECTION – PRISONS BY FUNCTION FOR THE FISCAL YEAR ENDED JUNE 30, 2021.....	113
G-6	SCHEDULE OF REVENUES AND EXPENDITURES GOVERNMENTAL FUNDS – SUB-DIVISION OF ADULT CORRECTION – PRISONS BY FUNCTION FOR THE FISCAL YEAR ENDED JUNE 30, 2020.....	115

G-7 SCHEDULE OF REVENUES AND EXPENDITURES
 GOVERNMENTAL FUNDS – SUB-DIVISION OF ADULT CORRECTION –
 COMMUNITY CORRECTIONS BY FUNCTION FOR THE FISCAL YEAR
 ENDED JUNE 30, 2021 117

G-8 SCHEDULE OF REVENUES AND EXPENDITURES
 GOVERNMENTAL FUNDS – SUB-DIVISION OF ADULT CORRECTION –
 COMMUNITY CORRECTIONS BY FUNCTION FOR THE FISCAL YEAR
 ENDED JUNE 30, 2020 118

G-9 SCHEDULE OF REVENUES AND EXPENDITURES
 GOVERNMENTAL FUNDS – SUB-DIVISION OF JUVENILE JUSTICE
 BY FUNCTION FOR THE FISCAL YEAR ENDED JUNE 30, 2021..... 119

G-10 SCHEDULE OF REVENUES AND EXPENDITURES
 GOVERNMENTAL FUNDS – SUB-DIVISION OF JUVENILE JUSTICE
 BY FUNCTION FOR THE FISCAL YEAR ENDED JUNE 30, 2020..... 121

H-1 SCHEDULE OF REVENUES AND EXPENDITURES
 GOVERNMENTAL FUNDS – DIVISION OF LAW ENFORCEMENT BY
 SUB-DIVISION FOR THE FISCAL YEAR ENDED JUNE 30, 2021 123

H-2 SCHEDULE OF REVENUES AND EXPENDITURES
 GOVERNMENTAL FUNDS – DIVISION OF LAW ENFORCEMENT BY
 SUB-DIVISION FOR THE FISCAL YEAR ENDED JUNE 30, 2020 124

I-1 SCHEDULE OF REVENUES AND EXPENDITURES
 GOVERNMENTAL FUNDS – DIVISION OF THE NORTH CAROLINA
 NATIONAL GUARD BY FUNCTION FOR THE FISCAL YEAR ENDED
 JUNE 30, 2021..... 125

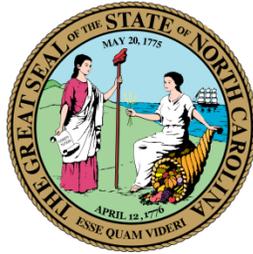
I-2 SCHEDULE OF REVENUES AND EXPENDITURES
 GOVERNMENTAL FUNDS – DIVISION OF THE NORTH CAROLINA
 NATIONAL GUARD BY FUNCTION FOR THE FISCAL YEAR ENDED
 JUNE 30, 2020..... 126

J-1 SCHEDULE OF REVENUES AND EXPENDITURES
 GOVERNMENTAL FUNDS – DIVISION OF EMERGENCY
 MANAGEMENT BY FUNCTION FOR THE FISCAL YEAR ENDED
 JUNE 30, 2021..... 127

J-2 SCHEDULE OF REVENUES AND EXPENDITURES
 GOVERNMENTAL FUNDS – DIVISION OF EMERGENCY
 MANAGEMENT BY FUNCTION FOR THE FISCAL YEAR ENDED
 JUNE 30, 2020..... 128

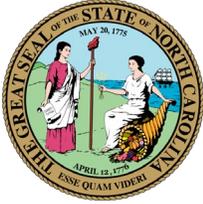
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
 FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
 BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
 ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*..... 129

ORDERING INFORMATION 131



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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

INDEPENDENT AUDITOR'S REPORT

Eddie M. Buffalo, Jr., Secretary
and Management of the North Carolina Department of Public Safety

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the North Carolina Department of Public Safety (Department) as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the North Carolina Department of Public Safety as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the North Carolina Department of Public Safety and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 of the Department's Notes to the Financial Statements, the financial statements of the North Carolina Department of Public Safety are intended to present the financial position, changes in financial position and, where applicable, cash flows of only that

portion of each fund that is attributable to transactions of the North Carolina Department of Public Safety. They do not purport to, and do not, present fairly the financial position of the State of North Carolina as of June 30, 2021 and 2020, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As discussed in Note 15 of the Department's Notes to the Financial Statements, during the years ended June 30, 2021 and 2020, the Department adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, as amended by GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Department's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAGAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAGAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Supplementary Information

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

The accompanying supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary

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

Other Reporting Required by Government Auditing Standards

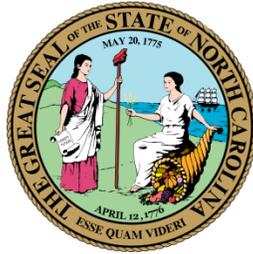
In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2022 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and 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

July 27, 2022



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, 2021 and 2020. 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, proprietary funds, and fiduciary funds. The governmental funds include the General Fund, Correction Enterprises Fund, Capital Projects Fund, and the Welfare Fund. The proprietary funds include the Alcoholic Beverage Control (ABC) Commission and Other Proprietary Funds, which include the Private Protective Services Board and the Alarm Systems Licensing Board. The fiduciary funds include the Inmate Trust Fund, Work Release Fund, Blue Cross Blue Shield (BCBS) Dental Reserve Fund, Alcohol Law Enforcement (ALE) Seized Assets Fund, and Community Development Block Grant (CDBG) Escrow Fund.

While the State Bureau of Investigation (SBI) and the ABC Commission are administratively housed under the Department, 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 Statutes 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 Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows; and the fiduciary funds consist of the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. The MD&A will only discuss governmental and proprietary fund financial statements. Condensed comparative information is not required for fiduciary activities.

Governmental Funds:

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

Proprietary Funds:

- The Statement of Net Position shows the financial position of the proprietary funds and includes all of the funds' assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

Fiduciary Funds:

- The Statement of Fiduciary Net Position shows the amount of assets and liabilities that the Department holds for the benefit of parties outside of the State.
- The Statement of Changes in Fiduciary Net Position reflects the collection and disbursement of the funds held for those outside of the State.

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

Required Supplementary Information (RSI) follows the basic financial statements and notes to the financial statements. The RSI is mandated by the Governmental Accounting Standards Board (GASB) and includes the General Fund, 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 and other postemployment benefits (OPEB) related schedules for the Department's proprietary funds.

Governmental Funds

Condensed Balance Sheets

The following Condensed Balance Sheets show the governmental funds' financial position at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Assets	\$ 554,509,696	\$ 481,854,702	\$ 72,654,994
Deferred Outflows of Resources	0	0	0
Total Assets and Deferred Outflows of Resources	<u>\$ 554,509,696</u>	<u>\$ 481,854,702</u>	<u>\$ 72,654,994</u>
Liabilities	\$ 272,246,347	\$ 182,282,334	\$ 89,964,013
Deferred Inflows of Resources	0	0	0
Fund Balances			
Nonspendable	91,015,834	71,020,636	19,995,198
Restricted	9,733,321	62,935,912	(53,202,591)
Committed	205,702,041	175,396,193	30,305,848
Unassigned	<u>(24,187,847)</u>	<u>(9,780,373)</u>	<u>(14,407,474)</u>
Total Fund Balances	<u>282,263,349</u>	<u>299,572,368</u>	<u>(17,309,019)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 554,509,696</u>	<u>\$ 481,854,702</u>	<u>\$ 72,654,994</u>

Total assets increased by \$72.7 million from June 30, 2020 to 2021, primarily due to the following:

- Intergovernmental receivables increased by \$41.8 million due to Federal Emergency Management Agency (FEMA) reimbursements for Hurricane Florence, received after June 30, 2021.
- Inventories increased by \$20.2 million as a result of increase in supplies on hand at the central warehouse for prisons resulting from a decrease in demand for food, clothing, and cleaning supplies as a result of decline in inmate population.

Total liabilities increased by \$90.0 million from June 30, 2020 to 2021, principally for the following reasons:

- Accounts payable decreased by \$58.1 million mainly due to the sharp increase in 2020 as discussed below.
- Due to other funds and state agencies increased by \$150.3 million as a result of unspent state funds for Coronavirus Relief Funds and Hope Emergency Rental Program.

Overall fund balance decreased by \$17.3 million from June 30, 2020 to 2021, due primarily to the following:

- Nonspendable fund balances increased by \$20.0 million as a direct result of an increase in the Department's inventory balance as explained above.
- Restricted fund balances decreased by \$53.2 million primarily due to the sharp increase in 2020 as discussed below.
- Committed fund balances increased by \$30.3 million as a direct result of the increase in funding for hurricane and COVID-19 disasters.

The following Condensed Balance Sheets show the governmental funds' financial position at June 30, 2020 and 2019:

	2020	2019 (as Restated)	Change
Assets	\$ 481,854,702	\$ 383,060,126	\$ 98,794,576
Deferred Outflows of Resources	0	0	0
Total Assets and Deferred Outflows of Resources	<u>\$ 481,854,702</u>	<u>\$ 383,060,126</u>	<u>\$ 98,794,576</u>
Liabilities	\$ 182,282,334	\$ 126,708,000	\$ 55,574,334
Deferred Inflows of Resources	0	0	0
Fund Balances			
Nonspendable	71,020,636	58,167,607	12,853,029
Restricted	62,935,912	15,061,068	47,874,844
Committed	175,396,193	198,045,551	(22,649,358)
Unassigned	(9,780,373)	(14,922,100)	5,141,727
Total Fund Balances	<u>299,572,368</u>	<u>256,352,126</u>	<u>43,220,242</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 481,854,702</u>	<u>\$ 383,060,126</u>	<u>\$ 98,794,576</u>

Total assets increased by \$98.8 million from June 30, 2019 to 2020, primarily due to the following:

- Cash and cash equivalents increased by \$31.7 million due to the following:
 - General Fund cash increased in the amount of \$54.3 million primarily due to \$15.4 million from the U.S. Department of Justice for the Coronavirus Emergency Supplemental Funding, \$33.3 million match funds appropriated for Hurricane Florence from S.L. 2019-250, as well as another \$5.0 million for flood mitigation studies.
 - Capital Projects Fund cash decreased by \$18.2 million primarily due to capital appropriations for legislatively approved construction projects that were completed during the period.
 - Correction Enterprises Fund cash decreased by \$3.8 million due to the general slowdown in operations related to reduced availability of prison staff and inmate labor caused by COVID-19.
- Intergovernmental receivables increased by \$55.0 million due to FEMA reimbursements for Coronavirus related expenditures received after June 30, 2020.
- Inventories increased by \$13.0 million. Correction Enterprises Fund inventory increased due to the receipt of materials to produce and sell personal protective equipment and cleaning supplies in response to COVID-19.

Total liabilities increased by \$55.4 million from June 30, 2019 to 2020, principally for the following reasons:

- Accounts payable increased by \$43.2 million mainly due to an increase in disaster recovery related payables for COVID-19 pandemic.
- Unearned revenue increased by \$15.8 million related to cash advanced from the Federal Government predominantly from the U.S. Department of Justice Coronavirus Emergency Supplemental Funding.

Overall fund balances increased by \$43.2 million from June 30, 2019 to 2020, due primarily to the following:

- Nonspendable fund balances increased by \$12.9 million as a direct result of an increase in the Department's various inventory balances as explained above.
- Restricted fund balances increased by \$47.9 million primarily due to receipt of federal funds in excess of amounts expended, as well as increase in restricted funds for the National Guard.
- Committed fund balances decreased by \$22.6 million as a direct result of the expenditure of cash in the Capital Projects Fund as discussed 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 for the years ended June 30, 2021 and 2020.

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Revenues			
Federal Funds	\$ 544,829,865	\$ 478,926,014	\$ 65,903,851
Federal COVID-19 Funds	219,769,502	110,712,202	109,057,300
Sales and Services	82,712,070	82,142,258	569,812
Intragovernmental Sales and Services	50,979,168	55,408,296	(4,429,128)
Fees, Licenses, and Fines	19,025,190	37,477,599	(18,452,409)
Contributions, Gifts, and Grants	2,800,420	6,312,202	(3,511,782)
Revenues from Other State Agencies	991,665,286	354,438,232	637,227,054
Other Revenues	12,769,114	16,872,811	(4,103,697)
Total Revenues	<u>1,924,550,615</u>	<u>1,142,289,614</u>	<u>782,261,001</u>
Expenditures			
Salaries and Benefits	1,756,176,714	1,656,523,664	99,653,050
Contracted Personal Services	266,006,896	224,308,954	41,697,942
Contracted Medical Services	122,526,433	109,856,018	12,670,415
Supplies and Materials	266,592,887	303,813,080	(37,220,193)
Purchases for Resale	69,850,744	67,560,854	2,289,890
Travel	7,200,432	7,406,264	(205,832)
Communication	10,208,108	10,424,228	(216,120)
Utilities	51,290,673	52,341,877	(1,051,204)
Data Processing Services	26,409,805	17,594,435	8,815,370
Other Services	14,940,207	13,550,369	1,389,838
Claims and Benefits	14,489,210	13,636,410	852,800
Debt Service:			
Principal Retirement	1,215,174	1,157,405	57,769
Interest and Fees	252,826	282,595	(29,769)
Other Fixed Charges	12,155,428	12,937,538	(782,110)
Capital Outlay	130,752,625	101,548,363	29,204,262
Grants, State Aid, and Subsidies	674,371,651	464,949,269	209,422,382
Insurance and Bonding	4,284,398	4,740,761	(456,363)
Expenditures to Other State Agencies	65,824,295	185,170,256	(119,345,961)
Other Expenditures	36,941,994	33,487,428	3,454,566
Total Expenditures	<u>3,531,490,500</u>	<u>3,281,289,768</u>	<u>250,200,732</u>
Excess of Revenues Under Expenditures	<u>(1,606,939,885)</u>	<u>(2,139,000,154)</u>	<u>532,060,269</u>
Other Financing Sources (Uses)			
Sale of Capital Assets	3,123,643	3,792,832	(669,189)
Insurance Recoveries	729,972	2,748,894	(2,018,922)
Transfers from ABC Commission	1,398,000		1,398,000
Transfers In	15,539,743	4,744,111	10,795,632
Transfers Out	(15,539,743)	(4,744,111)	(10,795,632)
Transfers to State Reserve Fund	(27,274,375)	(31,434,722)	4,160,347
Transfers from State Reserve Fund	31,434,722	8,139,036	23,295,686
State Appropriations	1,580,218,904	2,198,974,356	(618,755,452)
Total Other Financing Sources	<u>1,589,630,866</u>	<u>2,182,220,396</u>	<u>(592,589,530)</u>
Net Change in Fund Balances	(17,309,019)	43,220,242	(60,529,261)
Fund Balances - July 1, as Restated	<u>299,572,368</u>	<u>256,352,126</u>	<u>43,220,242</u>
Fund Balances - June 30	<u>\$ 282,263,349</u>	<u>\$ 299,572,368</u>	<u>\$ (17,309,019)</u>

Total revenues increased by \$782.3 million from June 30, 2020 to 2021 due to the net impacts of the following:

- Federal funds received increased by \$175.0 million primarily as a result of additional FEMA reimbursements of \$42.8 million for Hurricanes Florence, Isaias, and Dorian, and \$109.0 million of COVID-19 relief.
- Revenues from state agencies increased by \$637.2 million primarily due to an increase in COVID-19 Relief Funds.
- Fees, license, and fines decreased by \$18.5 million related to a decrease in application fees for beer and wine licenses collected under General Statute 18B-902.

Total expenditures increased by \$250.2 million from June 30, 2020 to 2021 mainly due to the following:

- Salaries and benefits increased by \$99.7 million primarily due to legislative increases in salaries, and increases in retirement and health benefit rates.
- Contracted personal services increased in total by \$41.7 million. This increase is primarily due to miscellaneous contract payments of \$11.1 million due to Hurricane Florence disaster recovery, \$6.0 million from FEMA for COVID-19 disaster relief, \$9.0 million in state aid for COVID-19, and CDBG Matthew Hazard Mitigation of \$6.1 million.
- Contracted medical services increased by \$12.7 million mainly due to an increase in medical claims payments for routine treatments being delayed from the prior year due to the impacts of COVID-19 on prison health care.
- Supplies and materials decreased in total by \$37.2 million due primarily to the decrease in purchases of COVID-19 related medical supplies.
- Capital outlay increased by \$29.2 million due primarily to building projects for National Guard, Juvenile Justice Youth Developments Centers, and the State Bureau of Investigation (SBI).
- Grants, state aid and subsidies increased in total by \$209.4 million. This increase is primarily due to expenditures of the following grants: Governor's Crime Control of \$11.0 million, FEMA disaster relief for COVID-19 pandemic of \$56.0 million, Community Development Block Grant – COVID-19 of \$49.0 million, and Hurricane Isaias of \$10.0 million. In addition, there was an increase in state aid for COVID-19 of \$124.0 million and a decrease in expenditures of Hurricane Florence relief of \$25.7 million.
- Expenditures to other state agencies decreased by \$119.3 million primarily due to a significant decrease in distribution of Hurricane Florence Disaster Recovery Funds per Session Law 2018-136.

Other financing sources decreased by \$592.6 million from June 30, 2020 to 2021, mainly due to a decrease in state appropriations of \$618.8 million in the General Fund, based on Session Law 2020-64, where the General Assembly required OSBM to offset state appropriations with Coronavirus Relief Funds.

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 for the years ended June 30, 2020 and 2019.

	2020	2019 (as Restated)	Change
Revenues			
Federal Funds	\$ 478,926,014	\$ 371,427,204	\$ 107,498,810
Federal COVID-19 Funds	110,712,202		110,712,202
Sales and Services	82,142,258	96,386,823	(14,244,565)
Intragovernmental Sales and Services	55,408,296	50,953,849	4,454,447
Fees, Licenses, and Fines	37,477,599	40,627,856	(3,150,257)
Contributions, Gifts, and Grants	6,312,202	7,841,327	(1,529,125)
Revenues from Other State Agencies	354,438,232	585,668,040	(231,229,808)
Other Revenues	16,872,811	18,675,917	(1,803,106)
Total Revenues	1,142,289,614	1,171,581,016	(29,291,402)
Expenditures			
Salaries and Benefits	1,656,523,664	1,570,083,313	86,440,351
Contracted Personal Services	224,308,954	236,036,673	(11,727,719)
Contracted Medical Services	109,856,018	126,884,019	(17,028,001)
Supplies and Materials	303,813,080	171,574,606	132,238,474
Purchases for Resale	67,560,854	74,525,116	(6,964,262)
Travel	7,406,264	6,312,749	1,093,515
Communication	10,424,228	10,369,528	54,700
Utilities	52,341,877	57,073,744	(4,731,867)
Data Processing Services	17,594,435	23,029,461	(5,435,026)
Other Services	13,550,369	14,656,499	(1,106,130)
Claims and Benefits	13,636,410	12,866,309	770,101
Debt Service:			
Principal Retirement	1,157,405	1,165,947	(8,542)
Interest and Fees	282,595	315,633	(33,038)
Other Fixed Charges	12,937,538	10,874,797	2,062,741
Capital Outlay	101,548,363	113,960,465	(12,412,102)
Grants, State Aid, and Subsidies	464,949,269	371,334,046	93,615,223
Insurance and Bonding	4,740,761	4,429,175	311,586
Expenditures to Other State Agencies	185,170,256	429,764,529	(244,594,273)
Other Expenditures	33,487,428	33,209,463	277,965
Total Expenditures	3,281,289,768	3,268,466,072	12,823,696
Excess of Revenues Under Expenditures	(2,139,000,154)	(2,096,885,056)	(42,115,098)
Other Financing Sources (Uses)			
Sale of Capital Assets	3,792,832	3,100,924	691,908
Insurance Recoveries	2,748,894	1,266,348	1,482,546
Transfers In	4,744,111	9,505,688	(4,761,577)
Transfers Out	(4,744,111)	(9,505,688)	4,761,577
Transfers to State Reserve Fund	(31,434,722)	(8,139,036)	(23,295,686)
Transfers from State Reserve Fund	8,139,036	9,495,845	(1,356,809)
State Appropriations	2,198,974,356	2,118,117,269	80,857,087
Total Other Financing Sources	2,182,220,396	2,123,841,350	58,379,046
Net Change in Fund Balances	43,220,242	26,956,294	16,263,948
Fund Balances - July 1, as Restated	256,352,126	229,395,832	26,956,294
Fund Balances - June 30	\$ 299,572,368	\$ 256,352,126	\$ 43,220,242

Total revenues decreased by \$29.3 million from June 30, 2019 to 2020 due to the net impacts of the following:

- Total federal funds received increased by \$218.2 million. The increase in the General Fund is a result of FEMA reimbursements of \$73.3 million for Hurricanes Florence, Dorian, and Michael, and \$110.0 million of COVID-19 relief.
- Sales and services decreased by \$14.2 million due to the COVID-19 pandemic and the governor's Executive Order shutting down the State of North Carolina, which impacted these outside sales.
- Intragovernmental sales and services increased by \$4.5 million due to the sales of COVID-19 related personal protective equipment and cleaning supplies to state prisons.
- Fees, license, and fines decreased by \$3.2 million related to a decrease in application fees for beer and wine licenses under General Statute 18B-902.
- Revenues from other state agencies decreased by \$231.2 million primarily due to the reduction in appropriations for Hurricane Florence Disaster Recovery Funds that were authorized in fiscal year 2018-19 under Session Law 2018-136.

Total expenditures increased by \$12.8 million June 30, 2019 to 2020 mainly due to the following:

- Salaries and benefits increased by \$86.4 million primarily due to legislative increases in salaries and increases in retirement rate and health benefit rate.
- Contracted personal services decreased by \$11.7 million primarily due to the net impacts of the following: reduction of \$58.7 million expenditures incurred for Hurricane Florence disaster recovery and increased expenditures of \$48.3 million incurred for the CDBG-DR for Hurricane Matthew.
- Contracted medical services decreased by \$17.0 million due to routine medical treatments being delayed due to the impacts of COVID-19 on prison health care.
- Supplies and materials increased by \$132.2 million due to purchases of COVID-19 related personal protective equipment to be disbursed for public assistance needs.
- Expenditures to other state agencies decreased by \$244.6 million primarily due to a significant decrease in distribution of Hurricane Florence Disaster Recovery Funds per Session Law 2018-136.

Other financing sources increased by \$58.4 million from the prior year, mainly due to the increase in state appropriations.

2021 Budget Variations

General Fund

Data for the year ended June 30, 2021 General Fund budget variances is presented in Schedule D-1: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis - Non-GAAP) of this report.

Variances - Original and Final Budget:

The final budgeted revenues and expenditures were \$2.1 billion and \$4.8 billion, respectively. This represents an 813.29% increase in revenues and a 78.74% increase in expenditures from the original certified budget. The increase in authorized revenues was attributable to the recognition of the aggregate grant revenue in the year of the award. This increase is related to grants from the Federal Emergency Management Agency (FEMA) as a result of the COVID-19 pandemic as well as the ongoing disaster recovery from Hurricanes Matthew, Florence, and Dorian. The increase in authorized expenditures is primarily related to an increase in projected grant expenditures for these disasters.

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 2021 was prepared during the fall of 2019, nearly two years in advance of the final authorized budget. In addition, Session Law 2014-100 modified the State Budget Act (G.S. 143C) to define the base budget as the baseline for the next biennium. Using this baseline prohibits budget increases for inflation, population growth, or other factors that impact the continuation of existing programs. 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 \$1.3 billion less than budgeted revenue amounts. Likewise, actual total expenditures were \$1.4 billion less than budgeted. Budgeted revenues and expenditures were unrealized mostly due to a \$1.1 billion decrease in grants, state aid, and subsidies payments incurred versus the amount budgeted. This also causes a decrease in the federal funds received. Variances occur between the budget and actual federal funds because actual federal fund receipts are reflective of the actual expenditures. Therefore, if qualifying federal costs are not incurred, the actual receipt of federal funds could be significantly less than the budget. Actual federal funds revenue was \$1.2 billion less than the budget.

Correction Enterprises Fund

Data for the year ended June 30, 2021 Correction Enterprises Fund budget variances is presented in Schedule D-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 \$87.1 million and \$84.8 million, respectively. This represents a 5.1% decrease in revenues and an 5% decrease in expenditures from 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 2021 was prepared in the fall of 2019, nearly 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 \$8.0 million less than budgeted amounts. Variances from budgeted revenues primarily occurred due the COVID-19 pandemic, which caused a drop in receipts in outside sales, from the Department of Transportation related to budgetary constraints, and from the loss of a laundry contract with Cape Fear Valley Hospital.

Actual total expenditures were \$12.5 million less than budgeted amounts. The variances from budgeted expenditures primarily are due a decrease in salary expenditures and purchase for resale due to the COVID-19 pandemic and closing of two laundry plants operations.

Welfare Fund

Data for the year ended June 30, 2021 Welfare Fund budget variances is presented in Schedule D-5: 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 \$38.6 million and \$37.4 million, respectively. This represents a 2.1% decrease in revenues and an 2.4% decrease in expenditures from 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 2021 was prepared in the fall of 2019, nearly 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 \$23,804 less than budgeted revenue amounts. Actual total expenditures were \$1.4 million less than budgeted expenditures due to reduced extracurricular activities and repairs of Welfare funded equipment in the units, as a result of the pandemic.

2020 Budget Variations

General Fund

Data for the year ended June 30, 2020 General Fund budget variances is presented in Schedule D-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 \$897.9 million and \$3.4 billion, respectively. This represents a 325% increase in revenues and a 29% increase in expenditures

from the original certified budget. The increase in authorized revenues was attributable to the recognition of the aggregate grant revenue in the year of the award. This increase is related to grants from the Federal Emergency Management Agency (FEMA) as a result of the COVID-19 pandemic as well as the ongoing disaster recovery from Hurricanes Matthew, Florence, and Dorian. The increase in authorized expenditures is primarily related to an increase in projected grant expenditures for these disasters.

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 2020 was prepared during the fall of 2018, nearly two years in advance of the final authorized budget. In addition, Session Law 2014-100 modified the State Budget Act (G.S. 143C) to define the base budget as the baseline for the next biennium. Using this baseline prohibits budget increases for inflation, population growth, or other factors that impact the continuation of existing programs. 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 \$264.1 million less than budgeted revenue amounts, while actual total expenditures were \$456.8 million less than budgeted. Federal grant revenues were \$275.7 million below budget since grants are budgeted at the full grant award when received while the grant period of performance may span multiple state fiscal years. Variances occur between the budget and actual federal funds because actual federal fund receipts are reflective of the actual expenditures. Therefore, if qualifying federal costs are not incurred, the actual receipt of federal funds could be significantly less than the budget.

In addition, FEMA public assistance reimbursements for Hurricane Florence and the COVID-19 pandemic were not approved for disbursement by FEMA prior to the fiscal year end. The fees, licenses and fines revenue were \$23.8 million in excess of the budget due to the ABC Commission general fund revenues are not required to be budgeted.

Correction Enterprises Fund

Data for the year ended June 30, 2020 Correction Enterprises Fund budget variances is presented in Schedule D-4: 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 \$91.8 million and \$89.3 million, respectively. There was no variance between the original and final budgets for the Correction Enterprises Fund.

Variances - Final Budget and Actual Results:

Actual total revenues were \$7.8 million less than budgeted amounts while total expenditures were \$4.0 million less than budgeted amounts. Variances from budgeted revenues and expenditures primarily occurred due to the slowdown in operations due to the COVID-19

pandemic and the reduced availability of inmate labor and the staff shortages within prisons discussed in the Future Outlook section below.

Welfare Fund

Data for the year ended June 30, 2020 Welfare Fund budget variances is presented in Schedule D-6: 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 \$40.7 million and \$42.8 million, respectively. This represents a 3% increase in revenues and a 12% increase in expenditures from 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 2020 was prepared in the fall of 2018, nearly 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 \$5.0 million less than budgeted revenue amounts. Revenues decreased as a result of COVID-19, causing limited movement by the inmates in the units, and reduced spending in the canteens.

Actual total expenditures were \$7.6 million less than budgeted expenditures. Contracted personal services were reduced as a result of halted extracurricular activities. Supplies and materials normally used for making repairs to recreation room equipment was reduced due to the equipment not being in use during the pandemic.

Proprietary Funds

Condensed Statements of Net Position

The following Condensed Statements of Net Position show the proprietary funds' financial position at June 30, 2021 and 2020.

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Assets			
Current Assets	\$ 24,149,370	\$ 24,659,612	\$ (510,242)
Capital Asset, Net	1,998,289	2,152,371	(154,082)
Other Noncurrent Assets	<u>9,438</u>	<u>8,269</u>	<u>1,169</u>
Total Assets	<u>26,157,097</u>	<u>26,820,252</u>	<u>(663,155)</u>
Deferred Outflows of Resources			
Deferred Outflows for Pensions	1,152,632	1,051,401	101,231
Deferred Outflows for OPEB	<u>1,479,981</u>	<u>1,879,638</u>	<u>(399,657)</u>
Total Deferred Outflows of Resources	<u>2,632,613</u>	<u>2,931,039</u>	<u>(298,426)</u>
Liabilities			
Current:			
Compensated Absences	43,889	35,318	8,571
Other Current Liabilities	1,852,041	1,524,020	328,021
Noncurrent:			
Long-Term Liabilities	<u>8,523,364</u>	<u>8,886,360</u>	<u>(362,996)</u>
Total Liabilities	<u>10,419,294</u>	<u>10,445,698</u>	<u>(26,404)</u>
Deferred Inflows of Resources			
Deferred Inflows for Pensions	49,086	103,498	(54,412)
Deferred Inflows for OPEB	<u>3,048,417</u>	<u>3,000,520</u>	<u>47,897</u>
Total Deferred Inflows of Resources	<u>3,097,503</u>	<u>3,104,018</u>	<u>(6,515)</u>
Net Position			
Investment in Capital Assets	1,998,289	2,152,371	(154,082)
Restricted	18,830	22,558	(3,728)
Unrestricted	<u>13,255,794</u>	<u>14,026,646</u>	<u>(770,852)</u>
Total Net Position	<u>\$ 15,272,913</u>	<u>\$ 16,201,575</u>	<u>\$ (928,662)</u>

Total assets decreased by \$0.7 million from June 30, 2020 to 2021, mainly due to a \$1.0 million decrease in cash and cash equivalents as a result of transfer of funds to the Capital Projects Fund for a new roof. Unrestricted net position, which decreased by \$0.8 million was directly impacted by this.

Total deferred outflows of resources decreased by \$0.3 million primarily as a result of the effects of recognizing the Proprietary Funds' portion of the components of the State of North Carolina's pension and other postemployment benefit (OPEB) obligations. Refer to Notes 11 and 12 for further details regarding deferred outflows of resources relating to pensions and OPEB, respectively.

Other current liabilities increased by \$0.3 million from June 30, 2020 to 2021 primarily due to an increase in accounts payable as a result of increased contracted services for repairs to the existing administrative and warehouse complex. Long-term liabilities decreased by \$0.4 million primarily due to a decrease in the actuarial valuation for the OPEB liability. Total deferred inflows of resources decreased \$6,515 from prior year primarily as a result of the effects of recognizing the Proprietary Funds' portion of the components of the State of North Carolina's pension and OPEB obligations. Refer to Notes 11 and 12 for further details regarding deferred outflows of resources relating to pensions and OPEB, respectively.

Condensed Statements of Net Position

The following Condensed Statements of Net Position show the proprietary funds' financial position at June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Assets			
Current Assets	\$ 24,659,612	\$ 23,428,101	\$ 1,231,511
Capital Asset, Net	2,152,371	2,166,073	(13,702)
Other Noncurrent Assets	8,269	5,370	2,899
Total Assets	<u>26,820,252</u>	<u>25,599,544</u>	<u>1,220,708</u>
Deferred Outflows of Resources			
Deferred Outflows for Pensions	1,051,401	1,252,493	(201,092)
Deferred Outflows for OPEB	1,879,638	1,251,677	627,961
Total Deferred Outflows of Resources	<u>2,931,039</u>	<u>2,504,170</u>	<u>426,869</u>
Liabilities			
Current:			
Compensated Absences	35,318	35,111	207
Other Current Liabilities	1,524,020	1,202,441	321,579
Noncurrent:			
Long-Term Liabilities	8,886,360	7,572,613	1,313,747
Total Liabilities	<u>10,445,698</u>	<u>8,810,165</u>	<u>1,635,533</u>
Deferred Inflows of Resources			
Deferred Inflows for Pensions	103,498	169,818	(66,320)
Deferred Inflows for OPEB	3,000,520	3,596,340	(595,820)
Total Deferred Inflows of Resources	<u>3,104,018</u>	<u>3,766,158</u>	<u>(662,140)</u>
Net Position			
Investment in Capital Assets	2,152,371	2,166,073	(13,702)
Restricted	22,558	5,370	17,188
Unrestricted	14,026,646	13,355,948	670,698
Total Net Position	<u>\$ 16,201,575</u>	<u>\$ 15,527,391</u>	<u>\$ 674,184</u>

Total assets increased \$1.2 million from June 30, 2019 to 2020 mainly due to a \$1.5 million increase in cash and cash equivalents as a result of the ABC Commission's net operating income as discussed below. Unrestricted net position, which increased by \$0.7 million, was directly impacted by this increase.

Total deferred outflows of resources increased by \$0.4 million primarily as a result of the effects of recognizing the Proprietary Funds' portion of the components of the State of North Carolina's pension and other postemployment benefit (OPEB) obligations. Refer to Notes 11 and 12 for further details regarding deferred outflows of resources relating to pensions and OPEB, respectively.

Total current liabilities increased by \$0.3 million from the prior year mainly due to the timing differences of the monthly payments for the warehouse management contract. Total noncurrent liabilities increased by \$1.3 million from the prior year, mainly due to an increase in the actuarial valuation for the net other postemployment benefits liability. Total deferred inflows of resources decreased \$0.7 million from prior year primarily as a result of the effects of recognizing the Proprietary Funds' portion of the components of the State of North Carolina's pension and OPEB obligations. Refer to Notes 11 and 12 for further details regarding deferred inflows of resources relating to pensions and OPEB, respectively.

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

While the Condensed Statements of Net Position show the financial position of the proprietary funds, the following Condensed Statements of Revenues, Expenses, and Changes in Net Position provide answers to the nature and source of changes in net position for the years ended June 30, 2021 and 2020:

	2021	2020	Change
Operating Revenues			
Fees, Licenses, and Fines	\$ 23,670,417	\$ 22,211,636	\$ 1,458,781
Other Operating Revenues	83,644	97,922	(14,278)
Total Operating Revenues	<u>23,754,061</u>	<u>22,309,558</u>	<u>1,444,503</u>
Operating Expenses			
Salaries and Benefits	5,135,305	5,022,977	112,328
Contracted Personal Services	16,758,920	15,095,295	1,663,625
Supplies and Materials	465,666	566,769	(101,103)
Depreciation	154,082	125,130	28,952
Travel	20,229	65,107	(44,878)
Communication	84,102	42,128	41,974
Utilities	36,443	32,788	3,655
Data Processing Services	270,453	53,632	216,821
Other Services	120,502	167,260	(46,758)
Other Fixed Charges	69,179	78,682	(9,503)
Grants, State Aid, and Subsidies		5,545	(5,545)
Insurance and Bonding	252	19,050	(18,798)
Other Operating Expenses	270,387	401,839	(131,452)
Total Operating Expenses	<u>23,385,520</u>	<u>21,676,202</u>	<u>1,709,318</u>
Operating Income	<u>368,541</u>	<u>633,356</u>	<u>(264,815)</u>
Total Nonoperating Revenues	<u>100,797</u>	<u>40,828</u>	<u>59,969</u>
Transfer to Capital Projects Fund	<u>(1,398,000)</u>		<u>(1,398,000)</u>
Change in Net Position	<u>(928,662)</u>	<u>674,184</u>	<u>(1,602,846)</u>
Net Position - July 1	<u>16,201,575</u>	<u>15,527,391</u>	<u>674,184</u>
Net Position - June 30	<u>\$ 15,272,913</u>	<u>\$ 16,201,575</u>	<u>\$ (928,662)</u>

Total operating revenues increased by \$1.4 million, primarily due to an increase of \$1.5 million in fees, licenses, and fines from the ABC Commission as a result of increased sales volume during the pandemic.

Total operating expenses increased by \$1.7 million, primarily due to an increase of \$1.6 million in warehouse contractual services for the ABC Commission operations due to increased in repairs to existing buildings as discussed above.

Transfers to Capital Projects Fund increased by \$1.4 million since the Capital Projects Fund handles capital projects for the Department, such as this new roof on an ABC Commission building.

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

While the Condensed Statements of Net Position show the financial position of the proprietary funds, the following Condensed Statements of Revenues, Expenses, and Changes in Net Position provide answers to the nature and source of changes in net position for the years ended June 30, 2020 and 2019:

	2020	2019 (as Restated)	Change
Operating Revenues			
Fees, Licenses, and Fines	\$ 22,211,636	\$ 20,744,030	\$ 1,467,606
Other Operating Revenues	97,922	97,052	870
Total Operating Revenues	<u>22,309,558</u>	<u>20,841,082</u>	<u>1,468,476</u>
Operating Expenses			
Salaries and Benefits	5,022,977	4,487,968	535,009
Contracted Personal Services	15,095,295	11,246,363	3,848,932
Supplies and Materials	566,769	459,276	107,493
Depreciation	125,130	124,340	790
Travel	65,107	56,518	8,589
Communication	42,128	48,219	(6,091)
Utilities	32,788	42,808	(10,020)
Data Processing Services	53,632	79,612	(25,980)
Other Services	167,260	193,906	(26,646)
Other Fixed Charges	78,682	80,503	(1,821)
Grants, State Aid, and Subsidies	5,545	7,749	(2,204)
Insurance and Bonding	19,050	176	18,874
Other Operating Expenses	401,839	490,065	(88,226)
Total Operating Expenses	<u>21,676,202</u>	<u>17,317,503</u>	<u>4,358,699</u>
Operating Income	<u>633,356</u>	<u>3,523,579</u>	<u>(2,890,223)</u>
Total Nonoperating Revenues	<u>40,828</u>	<u>116,228</u>	<u>(75,400)</u>
Change in Net Position	674,184	3,639,807	(2,965,623)
Net Position - July 1	<u>15,527,391</u>	<u>11,887,584</u>	<u>3,639,807</u>
Net Position - June 30	<u>\$ 16,201,575</u>	<u>\$ 15,527,391</u>	<u>\$ 674,184</u>

Total operating revenues increased by \$1.5 million, primarily due to an increase of \$1.3 million in fees, licenses, and fines for the ABC Commission as a result of increased sales volume during the pandemic.

Total operating expenses increased by \$4.4 million primarily due to an increase of \$3.8 million in repairs to existing administrative and warehouse complex services for the ABC Commission.

Future Outlook

Department Structure

Senate Bill 105, the Current Operations Appropriations Act of 2021, includes a provision that separates the Department of Public Safety into two agencies as of January 1, 2023. The Divisions of Prisons and Community Corrections are separating into a new Department of Adult Correction. During 2022, intense work is ongoing to establish new accounting structures, separate budgets, and allocate costs for enterprise expenditures. The agency is currently working to divide the Administration Division to provide services to both agencies. As this process unfolds, the two Departments will have to hire leadership staff for their sections, so there will be significant changes and challenges for both as the Financial Backbone Replacement unfolds in 2023 and beyond.

Coronavirus Relief

On January 21, 2021, the President issued a Memorandum to extend Federal support to Governor's use of the National Guard to respond to COVID-19 and increase reimbursement and other assistance provided to States. On January 22, 2021, a memorandum was issued implementing the cost-share adjustment for vaccination-related work under Public Assistance, Category B Emergency Protective Measures. This memorandum provides guidance to adjust the cost share for all other eligible work for COVID-19 declarations. On February 2, 2021, the President issued a Memorandum on maximizing assistance from the Federal Emergency Management Agency (FEMA).

FEMA has provided some guidance on the implementation of President memoranda provisions related to safe opening and operations which increased the federal cost share from 75% to 100% for eligible work performed or to be performed from January 20, 2020, through September 30, 2021. For previously awarded projects, FEMA obligated additional funding to increase the federal funding from 75% to 100%. As part of the Consolidated Appropriations Act, 2021 Congress extended the deadline to use Treasury CARES Act funding to cover costs incurred due to COVID-19 to December 31, 2021.

The Office of State Budget Management (OSBM) required DPS to return the 25% state match due to the FEMA federal cost share change from 75% to 100% for COVID-19 in 2021.

On March 10, 2020 Governor Cooper issued Executive Order 116 in response to the Coronavirus Pandemic event. On March 25, 2020 the Department of Homeland Security, Federal Emergency Management Agency (FEMA) declared a major disaster for all counties in the state of North Carolina and on March 27, 2020, the President signed The Coronavirus Aid, Relief, and Economic Security (CARES) Act providing federal relief to states. The Department of Public Safety is the lead agency regarding the distribution of public assistance for all 100 counties in North Carolina under the FEMA declaration.

In addition, a lawsuit by inmates represented by the American Civil Liberties Union of North Carolina and other civil rights groups has been filed related to the conditions in state prisons in light of the COVID-19 pandemic. A judge ruled that the Department needed to create a plan to test all people in state prison custody for COVID-19, limit transfers between prisons and account for disparities among prison responses to COVID-19. This case was settled for nominal sums and in February of 2021 agreeing to reduce the prison population by 3,500 and to implement nonmonetary improvement in the COVID-19 management of incarcerated offenders. However, this case has not been dismissed yet and there is a possibility of additional action in this lawsuit.

Inmate Health Care and Hepatitis C

The Department is required to provide community-standard health care to prison inmates. This requirement has consistently been underfunded and the resulting structural deficit for the agency has been covered by lapsed salaries. The Department has maximized its ability to contain costs with its health care contracts. Dependence on lapsed salaries will continue. If turnover of vacancies slowed down, the Department would have less lapsed salaries with which to cover its existing projected costs.

In September 2020, the Department agreed to a proposed consent decree in the lawsuit with an inmate over provision of treatment for Hepatitis C. Under that agreement, the Department intends to increase screening and testing for hepatitis C virus, increase inmate education related to hepatitis C treatment and provide status reports to the plaintiffs' counsel. The cost of implementing the new requirements under the agreement is expected to be \$34.2 million over the next 4 years.

Prison Staffing Shortages

For the past several years, the Department has struggled with high vacancy rates for prison staffing. According to data compiled by DPS, from July 2017-June 2021, more than half of the NC Prison System's facilities have averaged vacancy rates among correctional officers of over fifteen percent. Currently, the Department has a vacancy rate of 23.46 percent for correctional officers.

Staffing shortages obviously pose safety issues and liability concerns, but the shortage and high turnover also create additional costs for the Department. Overtime becomes necessary when required staffing needs are not met due to the vacancies. Overtime pay for prison correctional staff for the 2018 fiscal year was \$50.2 million, \$61.4 million for the 2019 fiscal year, \$67.6 million for the 2020 fiscal year and \$61.1 million for the 2021 fiscal year.

Community Corrections Staffing Shortages

The Department foresees serious staffing shortages in the ranks of Probation/Parole Officers in the coming year. The Department has over 2,000 Probation/Parole Officer positions. As of October 2021, there is a 9% vacancy rate among Officers, which has doubled over the last year. Most significantly, in 2017, the General Assembly authorized a Law Enforcement Salary Continuation Supplement for Probation/Parole Officers effective in 2022. This benefit means that upon retirement, Officers would receive a supplement to their retirement compensation until they become eligible for Social Security. There are over 200 Officers who will qualify for this benefit upon its onset, and it is reasonable to assume that all of them will take it, adding another 10% to the existing vacancy rate.

Juvenile Justice Reinvestment Act

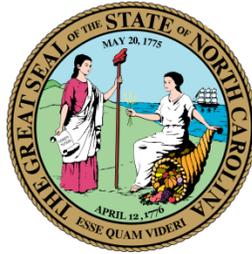
“Raise the Age” continues to have a significant impact on the budget and the operations of the Department of Public Safety. While “Raise the Age” required a significant investment in resources to implement, it also promises not only to create a system that better serves our youth for a more hopeful future, but also produces significant economic benefits over the long run. Much of the economic benefit will be a result reduced recidivism and productive citizenship/earners when served through age-appropriate services.

Session Law 2019-242 (Conforming Changes to Session Law 2019-229) provided additional resources to support implementation of the Raise the Age legislation. The sum of twenty-seven million twenty-three thousand thirty-seven dollars (\$27,023,037) for the 2019-2020 fiscal year and the sum of thirty-nine million six hundred forty-six thousand three hundred ten dollars (\$39,646,310) for 2020-2021 is appropriated for increases to all operational areas of the Division of Juvenile Justice to manage the increased population of offenders anticipated due to the change. Session Law 2019-242 created 179 new positions bringing the total to 244 positions to support Raise the Age.

Session Law 2020-15, H1187 provided \$10,440,000 in nonrecurring funding for the 2020-2021 fiscal year, including capital improvements at Perquimans Detention Center and C.A. Dillion Youth Development Center, and funding for completing construction of the Rockingham Youth Development Center. Use of funds expires 8/1/2022 or upon completion of Rockingham build.

Session Law 2021-180, S105 funded Raise the Age capital improvement to Richmond Regional Juvenile Detention Center \$10,702,952. It also provides funding (\$2,500,000 non-recurring in FY22) for the Juvenile Justice to expand wraparound services for youth who are transitioning from Youth Development Centers into their communities. Funds will expand capacity and necessary services to address the increase in youth detention following the passage of S.L. 2017-57 (Raise the Age) legislation during the COVID-19 pandemic.

Session Law 2021-180 established Juvenile Justice as a separate Division within the Department of Public Safety. Recurring funds (FY22-23) of \$1,360,898 to support 13.00 positions necessary to operate as a standalone Division within the Department.



FINANCIAL STATEMENTS

**North Carolina Department of Public Safety
Balance Sheet
Governmental Funds
June 30, 2021**

Exhibit A-1

	General Fund	Correction Enterprises Fund	Capital Projects Fund	Welfare Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents (Note 2)	\$ 200,629,523	\$ 14,886,589	\$ 71,596,949	\$ 5,601,353	\$ 292,714,414
Receivables:					
Accounts Receivable, Net (Note 4)	1,226,590	82,198			1,308,788
Intergovernmental Receivables, Net (Note 4)	153,357,372	233,483	249,715		153,840,570
Interest Receivable	6,270			71	6,341
Due from Other Funds and State Agencies	11,092,172	4,164,362			15,256,534
Inventories	73,024,883	15,633,125		2,357,826	91,015,834
Notes Receivable	367,215				367,215
Total Assets	439,704,025	34,999,757	71,846,664	7,959,250	554,509,696
DEFERRED OUTFLOWS OF RESOURCES					
Total Assets and Deferred Outflows of Resources	0	0	0	0	0
	\$ 439,704,025	\$ 34,999,757	\$ 71,846,664	\$ 7,959,250	\$ 554,509,696
LIABILITIES					
Accounts Payable and Accrued Liabilities:					
Accounts Payable	\$ 42,342,714	\$ 2,354,868	\$ 5,982,827	\$ 1,271,622	\$ 51,952,031
Medical Services Payable	6,796,406				6,796,406
Accrued Payroll	50,675	23,123			73,798
Intergovernmental Payables	27,120,317	82			27,120,399
Due to Other Funds and State Agencies	161,377,111	4,323		2,692	161,384,126
Funds Held for Others	35,972				35,972
Unearned Revenue	24,883,547			68	24,883,615
Total Liabilities	262,606,742	2,382,396	5,982,827	1,274,382	272,246,347
DEFERRED INFLOWS OF RESOURCES					
Total Liabilities, Deferred Inflows, and Fund Balances	0	0	0	0	0
FUND BALANCES (Note 8)					
Nonspendable	73,024,883	15,633,125		2,357,826	91,015,834
Restricted	9,733,321				9,733,321
Committed	114,960,546	16,984,236	69,430,217	4,327,042	205,702,041
Unassigned	(20,621,467)		(3,566,380)		(24,187,847)
Total Fund Balances	177,097,283	32,617,361	65,863,837	6,684,868	282,263,349
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 439,704,025	\$ 34,999,757	\$ 71,846,664	\$ 7,959,250	\$ 554,509,696

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, 2020**

Exhibit A-2

	<u>General Fund</u>	<u>Correction Enterprises Fund</u>	<u>Capital Projects Fund</u>	<u>Welfare Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents (Note 2)	\$ 190,490,803	\$ 10,401,199	\$ 82,276,374	\$ 4,075,229	\$ 287,243,605
Receivables:					
Accounts Receivable, Net (Note 4)	1,120,724	479,979			1,600,703
Intergovernmental Receivables, Net (Note 4)	111,381,917	455,517	200,477		112,037,911
Interest Receivable	35,586				35,586
Due from Other Funds and State Agencies	6,095,933	3,691,094			9,787,027
Inventories	49,799,166	18,855,569		2,121,572	70,776,307
Notes Receivable	373,563				373,563
Total Assets	<u>359,297,692</u>	<u>33,883,358</u>	<u>82,476,851</u>	<u>6,196,801</u>	<u>481,854,702</u>
DEFERRED OUTFLOWS OF RESOURCES					
Total Assets and Deferred Outflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 359,297,692</u>	<u>\$ 33,883,358</u>	<u>\$ 82,476,851</u>	<u>\$ 6,196,801</u>	<u>\$ 481,854,702</u>
LIABILITIES					
Accounts Payable and Accrued Liabilities:					
Accounts Payable	\$ 103,543,757	\$ 2,973,878	\$ 2,847,820	\$ 765,400	\$ 110,130,855
Medical Claims Payable	18,835,741				18,835,741
Accrued Payroll	51,020	2,928			53,948
Intergovernmental Payables	14,646,170	15,968			14,662,138
Due to Other Funds and State Agencies	11,030,890		131	8,930	11,039,951
Funds Held for Others	101,742				101,742
Unearned Revenue	27,457,959				27,457,959
Total Liabilities	<u>175,667,279</u>	<u>2,992,774</u>	<u>2,847,951</u>	<u>774,330</u>	<u>182,282,334</u>
DEFERRED INFLOWS OF RESOURCES					
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCES (Note 8)					
Nonspendable	50,043,495	18,855,569		2,121,572	71,020,636
Restricted	62,935,912				62,935,912
Committed	80,201,264	12,035,015	79,859,015	3,300,899	175,396,193
Unassigned	(9,550,258)		(230,115)		(9,780,373)
Total Fund Balances	<u>183,630,413</u>	<u>30,890,584</u>	<u>79,628,900</u>	<u>5,422,471</u>	<u>299,572,368</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 359,297,692</u>	<u>\$ 33,883,358</u>	<u>\$ 82,476,851</u>	<u>\$ 6,196,801</u>	<u>\$ 481,854,702</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, 2021

Exhibit A-3

	<u>General Fund</u>	<u>Correction Enterprises Fund</u>	<u>Capital Projects Fund</u>	<u>Welfare Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Federal Funds	\$ 544,174,474	\$ 0	\$ 655,391	\$ 0	\$ 544,829,865
Federal COVID-19 Funds	219,769,502				219,769,502
Local Funds	4,000				4,000
Investment Earnings	152,697			1,969	154,666
Sales and Services	17,408,251	28,066,589		37,237,230	82,712,070
Intragovernmental Sales and Services		50,979,168			50,979,168
Rental and Lease of Property	192,313	7,457		5,000	204,770
Fees, Licenses, and Fines	19,025,190				19,025,190
Student Tuition and Fees	78,765				78,765
Contributions, Gifts, and Grants	2,682,567			117,853	2,800,420
Revenues from Other State Agencies (Note 9)	979,316,233		12,349,053		991,665,286
Miscellaneous Income	10,435,427	44,486		1,847,000	12,326,913
Total Revenues	1,793,239,419	79,097,700	13,004,444	39,209,052	1,924,550,615
EXPENDITURES					
Salaries and Benefits	1,730,255,693	25,011,529		909,492	1,756,176,714
Contracted Personal Services	264,343,040	455,007	292,713	916,136	266,006,896
Contracted Medical Services	122,521,027	5,406			122,526,433
Supplies and Materials	261,247,674	3,415,245		1,929,968	266,592,887
Purchases for Resale		39,299,069		30,551,675	69,850,744
Travel	7,080,431	120,001			7,200,432
Communication	10,117,403	90,705			10,208,108
Utilities	48,909,380	2,194,704		186,589	51,290,673
Data Processing Services	26,054,383	355,422			26,409,805
Other Services	13,636,843	1,265,628		37,736	14,940,207
Claims and Benefits	14,489,210				14,489,210
Debt Service:					
Principal Retirement	1,215,174				1,215,174
Interest and Fees	252,826				252,826
Other Fixed Charges	11,453,802	468,153		233,473	12,155,428
Capital Outlay	89,681,843	1,148,684	39,101,025	821,073	130,752,625
Grants, State Aid, and Subsidies	674,371,651				674,371,651
Insurance and Bonding	4,216,525	67,873			4,284,398
Expenditures to Other State Agencies (Note 9)	65,824,295				65,824,295
Other Expenditures	34,574,111	1,097,549		1,270,334	36,941,994
Total Expenditures	3,380,245,311	74,994,975	39,393,738	36,856,476	3,531,490,500
Excess of Revenues Over (Under) Expenditures	(1,587,005,892)	4,102,725	(26,389,294)	2,352,576	(1,606,939,885)
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	3,079,458	44,185			3,123,643
Insurance Recoveries	729,972				729,972
Transfers from ABC Commission (Note 10)			1,398,000		1,398,000
Transfers In (Note 10)	3,111,912	701,600	11,726,231		15,539,743
Transfers Out (Note 10)	(11,827,831)	(2,121,733)	(500,000)	(1,090,179)	(15,539,743)
Transfers to State Reserve Fund	(26,274,375)	(1,000,000)			(27,274,375)
Transfers from State Reserve Fund	31,434,722				31,434,722
State Appropriations	1,580,218,904				1,580,218,904
Total Other Financing Sources (Uses)	1,580,472,762	(2,375,948)	12,624,231	(1,090,179)	1,589,630,866
Net Change in Fund Balances	(6,533,130)	1,726,777	(13,765,063)	1,262,397	(17,309,019)
Fund Balances - July 1	183,630,413	30,890,584	79,628,900	5,422,471	299,572,368
Fund Balances - June 30	\$ 177,097,283	\$ 32,617,361	\$ 65,863,837	\$ 6,684,868	\$ 282,263,349

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, 2020

Exhibit A-4

	General Fund	Correction Enterprises Fund	Capital Projects Fund	Welfare Fund	Total Governmental Funds
REVENUES					
Federal Funds	\$ 478,284,084	\$ 0	\$ 641,930	\$ 0	\$ 478,926,014
Federal COVID-19 Funds	110,712,202				110,712,202
Local Funds	4,625				4,625
Investment Earnings	433,081			6,365	439,446
Sales and Services	19,216,302	28,448,210		34,477,746	82,142,258
Intragovernmental Sales and Services		55,408,296			55,408,296
Rental and Lease of Property	229,031	253,798		6,000	488,829
Fees, Licenses, and Fines	37,477,599				37,477,599
Student Tuition and Fees	102,390				102,390
Contributions, Gifts, and Grants	6,199,563			112,639	6,312,202
Revenues from Other State Agencies (Note 9)	350,084,490		4,353,742		354,438,232
Miscellaneous Income	13,923,388	117,900		1,796,233	15,837,521
Total Revenues	1,016,666,755	84,228,204	4,995,672	36,398,983	1,142,289,614
EXPENDITURES					
Salaries and Benefits	1,628,652,722	26,966,742		904,200	1,656,523,664
Contracted Personal Services	222,371,280	656,411	422,132	859,131	224,308,954
Contracted Medical Services	109,856,018				109,856,018
Supplies and Materials	296,979,136	4,288,094		2,545,850	303,813,080
Purchases for Resale		39,202,585		28,358,269	67,560,854
Travel	7,200,601	205,663			7,406,264
Communication	10,295,193	129,035			10,424,228
Utilities	49,722,833	2,415,630		203,414	52,341,877
Data Processing Services	17,237,186	357,249			17,594,435
Other Services	12,175,062	1,326,290		49,017	13,550,369
Claims and Benefits	13,636,410				13,636,410
Debt Service:					
Principal Retirement	1,157,405				1,157,405
Interest and Fees	282,595				282,595
Other Fixed Charges	12,064,822	681,942		190,774	12,937,538
Capital Outlay	76,805,814	3,340,568	20,544,638	857,343	101,548,363
Grants, State Aid, and Subsidies	464,949,269				464,949,269
Insurance and Bonding	3,849,790	887,881		3,090	4,740,761
Expenditures to Other State Agencies (Note 9)	184,670,256	500,000			185,170,256
Other Expenditures	31,259,988	1,006,796	2,758	1,217,886	33,487,428
Total Expenditures	3,143,166,380	81,964,886	20,969,528	35,188,974	3,281,289,768
Excess of Revenues Over (Under) Expenditures	(2,126,499,625)	2,263,318	(15,973,856)	1,210,009	(2,139,000,154)
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	3,702,216	90,616			3,792,832
Insurance Recoveries	2,693,067	55,827			2,748,894
Transfers In (Note 10)	3,359,031	201,600	1,183,480		4,744,111
Transfers Out (Note 10)	(1,385,080)	(2,226,932)		(1,132,099)	(4,744,111)
Transfers to State Reserve Fund	(31,434,722)				(31,434,722)
Transfers from State Reserve Fund	8,139,036				8,139,036
State Appropriations	2,198,974,356				2,198,974,356
Total Other Financing Sources (Uses)	2,184,047,904	(1,878,889)	1,183,480	(1,132,099)	2,182,220,396
Net Change in Fund Balances	57,548,279	384,429	(14,790,376)	77,910	43,220,242
Fund Balances - July 1, as Restated (Note 16)	126,082,134	30,506,155	94,419,276	5,344,561	256,352,126
Fund Balances - June 30	\$ 183,630,413	\$ 30,890,584	\$ 79,628,900	\$ 5,422,471	\$ 299,572,368

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, 2021

Exhibit B-1

	ABC Commission	Other Proprietary Funds (1)	Total Proprietary Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents (Note 2)	\$ 19,146,925	\$ 2,462,483	\$ 21,609,408
Receivables:			
Accounts Receivable (Note 4)	148,386	49,325	197,711
Intergovernmental Receivables (Note 4)	2,332,702		2,332,702
Interest Receivable		437	437
Inventories	3,318	5,794	9,112
Total Current Assets	<u>21,631,331</u>	<u>2,518,039</u>	<u>24,149,370</u>
Noncurrent Assets:			
Net Other Postemployment Benefits Asset	6,698	2,740	9,438
Capital Assets - Nondepreciable (Note 5)	550,407		550,407
Capital Assets - Depreciable, Net (Note 5)	1,445,912	1,970	1,447,882
Total Noncurrent Assets	<u>2,003,017</u>	<u>4,710</u>	<u>2,007,727</u>
Total Assets	<u>23,634,348</u>	<u>2,522,749</u>	<u>26,157,097</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	833,170	319,462	1,152,632
Deferred Outflows Related to Other Postemployment Benefits (Note 12)	922,216	557,765	1,479,981
Total Deferred Outflows of Resources	<u>1,755,386</u>	<u>877,227</u>	<u>2,632,613</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	1,703,060	134,150	1,837,210
Accrued Payroll	1,097		1,097
Intergovernmental Payables	12,369		12,369
Due to Other Funds	947		947
Unearned Revenue		418	418
Compensated Absences (Note 6)	34,488	9,401	43,889
Total Current Liabilities	<u>1,751,961</u>	<u>143,969</u>	<u>1,895,930</u>
Noncurrent Liabilities:			
Compensated Absences (Note 6)	427,818	116,619	544,437
Net Pension Liability (Note 6)	1,880,544	769,314	2,649,858
Net Other Postemployment Benefits Liability (Note 6)	3,781,920	1,547,149	5,329,069
Total Noncurrent Liabilities	<u>6,090,282</u>	<u>2,433,082</u>	<u>8,523,364</u>
Total Liabilities	<u>7,842,243</u>	<u>2,577,051</u>	<u>10,419,294</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	29,452	19,634	49,086
Deferred Inflows Related to Other Postemployment Benefits (Note 12)	2,093,242	955,175	3,048,417
Total Deferred Inflows of Resources	<u>2,122,694</u>	<u>974,809</u>	<u>3,097,503</u>
NET POSITION			
Investment in Capital Assets	1,996,319	1,970	1,998,289
Restricted for Expendable:			
Specific Purposes	13,563	5,267	18,830
Unrestricted	13,414,915	(159,121)	13,255,794
Total Net Position	<u>\$ 15,424,797</u>	<u>\$ (151,884)</u>	<u>\$ 15,272,913</u>

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

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

North Carolina Department of Public Safety
Statement of Net Position
Proprietary Funds
June 30, 2020

Exhibit B-2

	ABC Commission	Other Proprietary Funds (1)	Total Proprietary Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents (Note 2)	\$ 20,562,510	\$ 2,098,179	\$ 22,660,689
Receivables:			
Accounts Receivable (Note 4)	193,581	53,750	247,331
Intergovernmental Receivables (Note 4)	1,734,826		1,734,826
Inventories	4,450	12,316	16,766
Total Current Assets	<u>22,495,367</u>	<u>2,164,245</u>	<u>24,659,612</u>
Noncurrent Assets:			
Net Other Postemployment Benefits Asset	5,868	2,401	8,269
Capital Assets - Nondepreciable (Note 5)	550,407		550,407
Capital Assets - Depreciable, Net (Note 5)	1,592,516	9,448	1,601,964
Total Noncurrent Assets	<u>2,148,791</u>	<u>11,849</u>	<u>2,160,640</u>
Total Assets	<u>24,644,158</u>	<u>2,176,094</u>	<u>26,820,252</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	727,138	324,263	1,051,401
Deferred Outflows Related to Other Postemployment Benefits (Note 12)	1,143,546	736,092	1,879,638
Total Deferred Outflows of Resources	<u>1,870,684</u>	<u>1,060,355</u>	<u>2,931,039</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	1,437,870	54,217	1,492,087
Due to Other Funds	7,065	24,868	31,933
Compensated Absences (Note 6)	28,764	6,554	35,318
Total Current Liabilities	<u>1,473,699</u>	<u>85,639</u>	<u>1,559,338</u>
Noncurrent Liabilities:			
Compensated Absences (Note 6)	410,380	93,499	503,879
Net Pension Liability (Note 6)	1,606,820	657,336	2,264,156
Net Other Postemployment Benefits Liability (Note 6)	4,342,037	1,776,288	6,118,325
Total Noncurrent Liabilities	<u>6,359,237</u>	<u>2,527,123</u>	<u>8,886,360</u>
Total Liabilities	<u>7,832,936</u>	<u>2,612,762</u>	<u>10,445,698</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	62,683	40,815	103,498
Deferred Inflows Related to Other Postemployment Benefits (Note 12)	2,035,832	964,688	3,000,520
Total Deferred Inflows of Resources	<u>2,098,515</u>	<u>1,005,503</u>	<u>3,104,018</u>
NET POSITION			
Investment in Capital Assets	2,142,923	9,448	2,152,371
Restricted for Expendable:			
Specific Purposes	16,143	6,415	22,558
Unrestricted	14,424,325	(397,679)	14,026,646
Total Net Position	<u>\$ 16,583,391</u>	<u>\$ (381,816)</u>	<u>\$ 16,201,575</u>

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

(1) Other Proprietary Funds include 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, 2021

Exhibit B-3

	ABC Commission	Other Proprietary Funds (1)	Total Proprietary Funds
OPERATING REVENUES			
Fees, Licenses, and Fines	\$ 21,740,053	\$ 1,930,364	\$ 23,670,417
Sales and Services	1,216	92	1,308
Student Tuition and Fees		11,267	11,267
Miscellaneous Income	14,650	56,419	71,069
Total Operating Revenues	<u>21,755,919</u>	<u>1,998,142</u>	<u>23,754,061</u>
OPERATING EXPENSES			
Salaries and Benefits	3,759,853	1,375,452	5,135,305
Contracted Personal Services	16,593,335	165,585	16,758,920
Supplies and Materials	434,856	30,810	465,666
Depreciation	146,603	7,479	154,082
Travel	9,614	10,615	20,229
Communication	49,664	34,438	84,102
Utilities	36,443		36,443
Data Processing Services	242,559	27,894	270,453
Other Services	94,310	26,192	120,502
Other Fixed Charges	61,495	7,684	69,179
Grants, Aid, and Subsidies			
Insurance and Bonding	252		252
Other Expenses	152,313	118,074	270,387
Total Operating Expenses	<u>21,581,297</u>	<u>1,804,223</u>	<u>23,385,520</u>
Operating Income	<u>174,622</u>	<u>193,919</u>	<u>368,541</u>
NONOPERATING REVENUES			
Noncapital Contributions	64,784	26,503	91,287
Investment Earnings		9,510	9,510
Total Nonoperating Revenues	<u>64,784</u>	<u>36,013</u>	<u>100,797</u>
Income Before Transfers	239,406	229,932	469,338
Transfer to Capital Projects Fund	<u>(1,398,000)</u>		<u>(1,398,000)</u>
Increase (Decrease) in Net Position	<u>(1,158,594)</u>	<u>229,932</u>	<u>(928,662)</u>
NET POSITION			
Net Position - July 1	<u>16,583,391</u>	<u>(381,816)</u>	<u>16,201,575</u>
Net Position - June 30	<u>\$ 15,424,797</u>	<u>\$ (151,884)</u>	<u>\$ 15,272,913</u>

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

(1) Other Proprietary Funds include 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, 2020

Exhibit B-4

	ABC Commission	Other Proprietary Funds (1)	Total Proprietary Funds
OPERATING REVENUES			
Fees, Licenses, and Fines	\$ 20,314,814	\$ 1,896,822	\$ 22,211,636
Sales and Services	772	277	1,049
Student Tuition and Fees		15,113	15,113
Miscellaneous Income	8,027	73,733	81,760
Total Operating Revenues	<u>20,323,613</u>	<u>1,985,945</u>	<u>22,309,558</u>
OPERATING EXPENSES			
Salaries and Benefits	3,543,134	1,479,843	5,022,977
Contracted Personal Services	14,955,985	139,310	15,095,295
Supplies and Materials	505,256	61,513	566,769
Depreciation	117,442	7,688	125,130
Travel	30,008	35,099	65,107
Communication	27,693	14,435	42,128
Utilities	32,788		32,788
Data Processing Services	37,826	15,806	53,632
Other Services	141,440	25,820	167,260
Other Fixed Charges	70,318	8,364	78,682
Grants, Aid, and Subsidies		5,545	5,545
Insurance and Bonding	19,001	49	19,050
Other Expenses	271,858	129,981	401,839
Total Operating Expenses	<u>19,752,749</u>	<u>1,923,453</u>	<u>21,676,202</u>
Operating Income	<u>570,864</u>	<u>62,492</u>	<u>633,356</u>
NONOPERATING REVENUES			
Investment Earnings		40,828	40,828
Total Nonoperating Revenues		<u>40,828</u>	<u>40,828</u>
Increase in Net Position	570,864	103,320	674,184
NET POSITION			
Net Position - July 1	<u>16,012,527</u>	<u>(485,136)</u>	<u>15,527,391</u>
Net Position - June 30	<u>\$ 16,583,391</u>	<u>\$ (381,816)</u>	<u>\$ 16,201,575</u>

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

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

North Carolina Department of Public Safety
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2021

Exhibit B-5

	ABC Commission	Other Proprietary Funds (1)	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 21,188,588	\$ 1,946,565	\$ 23,135,153
Payments to Employees and Fringe Benefits	(3,803,905)	(1,277,689)	(5,081,594)
Payments to Vendors and Suppliers	(17,402,268)	(359,705)	(17,761,973)
Other Receipts		46,060	46,060
Net Cash Provided (Used) by Operating Activities	<u>(17,585)</u>	<u>355,231</u>	<u>337,646</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Transfer to Capital Projects Fund	<u>(1,398,000)</u>		<u>(1,398,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Earnings		<u>9,073</u>	<u>9,073</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,415,585)	364,304	(1,051,281)
Cash and Cash Equivalents - July 1	<u>20,562,510</u>	<u>2,098,179</u>	<u>22,660,689</u>
Cash and Cash Equivalents - June 30	<u>\$ 19,146,925</u>	<u>\$ 2,462,483</u>	<u>\$ 21,609,408</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income	\$ 174,622	\$ 193,919	\$ 368,541
Adjustments to Reconcile Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	146,603	7,479	154,082
Changes in Assets and Deferred Outflows of Resources:			
Accounts Receivable	45,196	4,425	49,621
Intergovernmental Receivables	(597,876)		(597,876)
Inventories	1,132	6,522	7,654
Net Other Postemployment Benefits Asset	(830)	(339)	(1,169)
Deferred Outflows Related to Pensions	(106,032)	4,801	(101,231)
Deferred Outflows Related to Other Postemployment Benefits	221,330	178,327	399,657
Changes in Liabilities and Deferred Inflows:			
Accounts Payable	265,190	79,933	345,123
Accrued Payroll	1,097		1,097
Intergovernmental Payables	12,369		12,369
Due to Other Funds	(6,118)	(24,868)	(30,986)
Unearned Revenue		418	418
Net Pension Liability	273,724	111,978	385,702
Net Other Postemployment Benefits Liability	(495,333)	(202,637)	(697,970)
Compensated Absences	23,162	25,967	49,129
Deferred Inflows for Pensions	(33,231)	(21,181)	(54,412)
Deferred Inflows for Other Postemployment Benefits	57,410	(9,513)	47,897
Net Cash Provided (Used) by Operating Activities	<u>\$ (17,585)</u>	<u>\$ 355,231</u>	<u>\$ 337,646</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	\$ (64,784)	\$ (26,503)	\$ (91,287)

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

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

North Carolina Department of Public Safety
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2020

Exhibit B-6

	<u>ABC Commission</u>	<u>Other Proprietary Funds (1)</u>	<u>Total Proprietary Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 20,548,007	\$ 1,898,007	\$ 22,446,014
Payments to Employees and Fringe Benefits	(3,394,980)	(1,387,288)	(4,782,268)
Payments to Vendors and Suppliers	(15,767,337)	(437,976)	(16,205,313)
Other Receipts	227	62,870	63,097
Net Cash Provided by Operating Activities	<u>1,385,917</u>	<u>135,613</u>	<u>1,521,530</u>
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	<u>(111,428)</u>		<u>(111,428)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Earnings		<u>40,828</u>	<u>40,828</u>
Net Increase in Cash and Cash Equivalents	1,274,489	176,441	1,450,930
Cash and Cash Equivalents - July 1	<u>19,288,021</u>	<u>1,921,738</u>	<u>21,209,759</u>
Cash and Cash Equivalents - June 30	<u>\$ 20,562,510</u>	<u>\$ 2,098,179</u>	<u>\$ 22,660,689</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income	\$ 570,864	\$ 62,492	\$ 633,356
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation Expense	117,442	7,688	125,130
Changes in Assets and Deferred Outflows of Resources:			
Accounts Receivable	222,624	(14,205)	208,419
Intergovernmental Receivables	9,797		9,797
Inventories	(2,600)	3,803	1,203
Net Other Postemployment Benefits Asset	(1,979)	(920)	(2,899)
Deferred Outflows Related to Pensions	161,950	39,142	201,092
Deferred Outflows Related to Other Postemployment Benefits	(387,123)	(240,838)	(627,961)
Changes in Liabilities and Deferred Inflows of Resources:			
Accounts Payable and Accrued Liabilities	330,594	6,058	336,652
Due to Other Funds	(3,157)	(11,916)	(15,073)
Net Pension Liability	141,594	99,155	240,749
Net Other Postemployment Benefits Liability	685,210	383,211	1,068,421
Compensated Absences	19,056	(14,272)	4,784
Deferred Inflows Related to Pensions	(42,008)	(24,312)	(66,320)
Deferred Inflows Related to Other Postemployment Benefits	(436,347)	(159,473)	(595,820)
Net Cash Provided by Operating Activities	<u>\$ 1,385,917</u>	<u>\$ 135,613</u>	<u>\$ 1,521,530</u>

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

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

North Carolina Department of Public Safety
Statement of Fiduciary Net Position
Fiduciary Funds - Custodial Funds
June 30, 2021

Exhibit C-1

	<u>Inmate Trust Fund</u>	<u>Work Release Fund</u>	<u>BCBS Dental Reserve Fund</u>	<u>ALE Seized Assets Fund</u>	<u>CDBG Escrow Fund</u>	<u>Total Fiduciary Funds</u>
ASSETS						
Cash and Cash Equivalents (Note 2)	\$ 18,342,553	\$ 921,365	\$ 1,415,894	\$ 221,411	\$ 376,127	\$ 21,277,350
Accounts Receivable	73,939					73,939
Interest Receivable		182				182
Total Assets	<u>18,416,492</u>	<u>921,547</u>	<u>1,415,894</u>	<u>221,411</u>	<u>376,127</u>	<u>21,351,471</u>
LIABILITIES						
Funds Held for Others	<u>16,002</u>	<u>173</u>	<u>249</u>			<u>16,424</u>
Total Liabilities	<u>16,002</u>	<u>173</u>	<u>249</u>			<u>16,424</u>
NET POSITION						
Restricted for:						
Individuals and Other Organizations	<u>\$ 18,400,490</u>	<u>\$ 921,374</u>	<u>\$ 1,415,645</u>	<u>\$ 221,411</u>	<u>\$ 376,127</u>	<u>\$ 21,335,047</u>

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

North Carolina Department of Public Safety
Statement of Fiduciary Net Position
Fiduciary Funds - Custodial Funds
June 30, 2020

Exhibit C-2

	<u>Inmate Trust Fund</u>	<u>Work Release Fund</u>	<u>BCBS Dental Reserve Fund</u>	<u>ALE Seized Assets Fund</u>	<u>CDBG Escrow Fund</u>	<u>Total Fiduciary Funds</u>
ASSETS						
Cash and Cash Equivalents (Note 2)	\$ 6,015,489	\$ 5,872,900	\$1,408,422	\$221,411	\$ 255,959	\$ 13,774,181
Accounts Receivable	81,729	6,138				87,867
Interest Receivable			1,384			1,384
Total Assets	<u>6,097,218</u>	<u>5,879,038</u>	<u>1,409,806</u>	<u>221,411</u>	<u>255,959</u>	<u>13,863,432</u>
LIABILITIES						
Funds Held for Others	6,243	231,872			15,932	254,047
Total Liabilities	<u>6,243</u>	<u>231,872</u>			<u>15,932</u>	<u>254,047</u>
NET POSITION						
Restricted for:						
Individuals and Other Organizations	<u>\$ 6,090,975</u>	<u>\$ 5,647,166</u>	<u>\$1,409,806</u>	<u>\$221,411</u>	<u>\$ 240,027</u>	<u>\$ 13,609,385</u>

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

North Carolina Department of Public Safety
Statement of Changes in Fiduciary Net Position
Fiduciary Funds - Custodial Funds
For the Fiscal Year Ended June 30, 2021

Exhibit C-3

	<u>Inmate Trust Fund</u>	<u>Work Release Fund</u>	<u>BCBS Dental Reserve Fund</u>	<u>ALE Seized Assets Fund</u>	<u>CDBG Escrow Fund</u>	<u>Total Fiduciary Funds</u>
ADDITIONS						
Participant Deposits	\$ 69,332,715	\$ 432,249	\$ 0	\$ 0	\$ 248,559	\$ 70,013,523
Interest Income		15,945	5,839			21,784
Total Additions	<u>69,332,715</u>	<u>448,194</u>	<u>5,839</u>		<u>248,559</u>	<u>70,035,307</u>
DEDUCTIONS						
Payments in Accordance with Custodial Arrangements	<u>57,023,200</u>	<u>5,173,986</u>			<u>112,459</u>	<u>62,309,645</u>
Total Deductions	<u>57,023,200</u>	<u>5,173,986</u>			<u>112,459</u>	<u>62,309,645</u>
Net Increase (Decrease) in Fiduciary Net Position	12,309,515	(4,725,792)	5,839		136,100	7,725,662
Net Position - July 1	<u>6,090,975</u>	<u>5,647,166</u>	<u>1,409,806</u>	<u>221,411</u>	<u>240,027</u>	<u>13,609,385</u>
Net Position - June 30	<u>\$ 18,400,490</u>	<u>\$ 921,374</u>	<u>\$ 1,415,645</u>	<u>\$ 221,411</u>	<u>\$ 376,127</u>	<u>\$ 21,335,047</u>

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

North Carolina Department of Public Safety
Statement of Changes in Fiduciary Net Position
Fiduciary Funds - Custodial Funds
For the Fiscal Year Ended June 30, 2020

Exhibit C-4

	Inmate Trust Fund	Work Release Fund	BCBS Dental Reserve Fund	ALE Seized Assets Fund	CDBG Escrow Fund	Total Fiduciary Funds
ADDITIONS						
Participant Deposits	\$ 52,762,715	\$ 18,520,977	\$ 0	\$ 0	\$ 274,383	\$ 71,558,075
Interest Income			26,197			26,197
Total Additions	52,762,715	18,520,977	26,197		274,383	71,584,272
DEDUCTIONS						
Payments in Accordance with Custodial Arrangements	52,356,172	21,076,065			34,356	73,466,593
Net Increase (Decrease) in Fiduciary Net Position	406,543	(2,555,088)	26,197		240,027	(1,882,321)
Net Position - July 1 - as Restated (Note 16)	5,684,432	8,202,254	1,383,609	221,411		15,491,706
Net Position - June 30	<u>\$ 6,090,975</u>	<u>\$ 5,647,166</u>	<u>\$ 1,409,806</u>	<u>\$ 221,411</u>	<u>\$ 240,027</u>	<u>\$ 13,609,385</u>

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



NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization** - The North Carolina Department of Public 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 *Annual Comprehensive Financial Report*.

The accompanying financial statements present all funds belonging to or under the stewardship of the Department. The Department's accounts and transactions are included in the State's *Annual Comprehensive Financial Report* as part of the State's governmental funds, proprietary funds, and fiduciary 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* and GASB Statement No. 84, *Fiduciary Activities*, require the presentation of government-wide and fund level financial statements. See below for a description of each fund. The financial statements presented are governmental fund, proprietary fund, and fiduciary 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, proprietary funds, and fiduciary funds, each displayed in separate columns within the fund's financial statements. Throughout the report, the term Department is used to refer to the governmental funds, proprietary funds, and fiduciary funds combined, unless otherwise specifically noted.

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 because the revenues generated are committed by specific legislation, the fund 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 fund is reported as a special revenue fund in the financial statements.

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

Alcoholic Beverage Control (ABC) Commission - This enterprise 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 appropriations from the General Assembly.

All remaining proprietary funds are aggregated and reported as Other Proprietary Funds in a separate column in the financial statements. The other proprietary funds include the Private Protective Services Board and the Alarm Systems Licensing Board, both of which are enterprise funds that charge fees to external users for services rendered for licensing purposes.

The Department's financial statements consist of the following fiduciary funds, which are custodial in nature:

Inmate Trust Fund – This fund accounts for inmate deposits in the inmate banking system. This includes safeguarding of the funds, permitting reasonable expenditures for authorized articles, preventing use for

improper purposes, assuring return of any balance remaining to the inmate upon release and limiting the amount of cash in possessions of inmates.

Work Release Fund – This fund accounts for receipts and disbursements of funds received from inmates that are eligible to participate in the Work Release Program. Any balances of earnings remaining at the time an inmate is released from prison shall be paid to them.

BCBS Dental Reserve Fund – This Blue Cross Blue Shield (BCBS) fund is a dental reserve fund for employees, which is held in an account at the Department of State Treasurer. There have been no payments processed in the past twenty years. The only activity in this fund is due to the monthly interest received for the funds held at the Department of State Treasurer.

ALE Seized Assets Fund – This fund accounts for seized assets by the Division of Alcohol Law Enforcement due to legal or illegal activity. These funds are held until a case is decided in the courts and a ruling is made on how the funds will be distributed.

CDBG Escrow Fund – This Community Development Block Grant (CDBG) fund accounts for deposits of insurance proceeds or other funds received by individuals who have been accepted by the U.S. Department of Housing and Urban Development (HUD) for the home repair program due to hurricane damage. These funds are held in escrow until the home repairs start and the funds are applied as an offset to the final amount that is needed to repair the home.

D. Measurement Focus and Basis of Accounting

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

Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within 31 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, except for compensated absences and workers' compensation, which are recognized as expenditures when payment is due. Pension and other postemployment benefit (OPEB) contributions to cost-sharing plans are recognized as expenditures in the 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 Department's Notes to the Financial Statements.

Proprietary Funds - Proprietary fund financial statements have been 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.

Fiduciary Funds - Fiduciary fund financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, additions are recorded when earned and deductions are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. These balances do not belong to the Department and are not considered to be assets or liabilities of the Department.

Nonexchange transactions, in which the Department receives (or gives) value without directly giving (or receiving) equal value in exchange, include investment earnings (or losses), state appropriations, 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.

E. Cash and Cash Equivalents - This classification includes petty cash, 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. The Department's equity position in the STIF is recorded at fair value. Additional information regarding the fair value measurement of deposits held by the State Treasurer in the STIF is disclosed in Note 3.

F. 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 for the proprietary funds include amounts due from suppliers to the ABC Commission and amounts due from fees, licenses, and fines to the Other Proprietary Funds. Accounts receivable for the fiduciary funds include amounts due from the General Fund or Welfare Fund. Accounts receivable for the governmental funds are recorded net of estimated uncollectible accounts. Accounts receivable for the proprietary and fiduciary funds are considered fully

collectible; accordingly, no allowance for doubtful accounts has been recorded.

Intergovernmental receivables for the governmental funds 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 for the proprietary funds include amounts due from the local ABC boards for bailments and surcharges to the ABC Commission. Intergovernmental receivables for the governmental funds 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 due to other funds of the Department or State agencies. All amounts are considered collectible; accordingly, no allowance for doubtful accounts has been recorded.
- H. Inventories** - Inventories, consisting of general supplies and materials, raw materials, and work-in-process, are valued at cost using the first-in, first-out (FIFO) or weighted average cost method. Finished goods and merchandise for resale are valued at the lower of cost or market. Inventories of the governmental funds are recorded as expenditures when consumed rather than when purchased.
- I. Capital Assets** - Capital assets, which include property, plant, and equipment, are reported as expenditures in the governmental funds. Consequently, capital asset balances are not reported on the face of the governmental funds' financial statements, but are reported in Note 5 of the Department's Notes to the Financial Statements. Capital assets are reported on the face of the proprietary 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 acquisition value at the date of donation except that capital assets donated prior to July 1, 2015 are recorded at their estimated fair value at the date of donation.

Generally, capital assets are defined by the Department as assets with an initial value or cost greater than or equal to \$5,000 and an estimated useful life of two or more years, except for internally generated computer software which is capitalized when the value or cost is greater than or equal to \$1,000,000. The value of assets constructed includes all material direct and indirect construction costs that are incurred as a result of the construction.

Depreciation and amortization are recorded at the statewide level for governmental funds. Depreciation and amortization 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
Equipment	2-30 years
General Infrastructure	10-75 years
Computer Software	2-30 years

The Department does not capitalize the library collection of State Highway Patrol training manuals. This collection adheres to the Department's policy to adequately maintain for training, education, or research, and require proceeds from their sale to be used to acquire other collection items. Accounting principles generally accepted in the United States of America permit collections maintained in this manner to be charged to operations at time of purchase rather than be capitalized.

- J. Payables** – Accounts payable for the governmental funds and proprietary funds include amounts due to individuals, companies, third party providers in connection with general operating expenses, supplies and materials, purchases for resale, and medical services provided to inmates.

Intergovernmental payables for the governmental funds and proprietary funds include amounts due to the federal government, state and local governments in connection with state aid, grants, contracts, Coronavirus relief funds, worker's compensation and medical services.

- K. Unearned Revenue** - Unearned revenue for the governmental funds represents the cumulative excess of cash received from the federal government over expenditures paid in connection with reimbursement of allowable expenditures made pursuant to contracts and grants.

- L. Long-Term Liabilities** - General long-term liabilities for the governmental funds are not recognized in the governmental funds until they become due. Consequently, the general long-term liabilities not yet due are not reported on the face of the governmental funds' financial statements, but are disclosed in Note 6 of the Department's Notes to the Financial Statements. Long-term liabilities for the proprietary funds are reported on the face of the proprietary funds' financial statements and disclosed in Note 6.

Noncurrent long-term liabilities include principal amounts of long-term debt and other long-term liabilities that will not be paid within the next fiscal year. Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Long-term debt includes notes from direct borrowings. Other long-term liabilities include: compensated absences, net pension liability, net other postemployment benefits (OPEB) liability, and workers' compensation liability.

Net Pension Liability - The net pension liability represents the Department's proportionate share of the collective net pension liability reported in the State of North Carolina's 2020 and 2019 *Comprehensive Annual Financial Report*. This liability represents the Department's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 11 for further information regarding the Department's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

Net OPEB Liability - The net OPEB liability represents the Department's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2020 and 2019 *Comprehensive Annual Financial Report*. This liability represents the Department's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund. See Note 12 for further information regarding the Department's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

Compensated Absences - Employees of the Department are permitted to accumulate earned but unused vacation pay benefits. In the proprietary funds, all vacation pay is accrued when incurred. When determining the vacation pay liability due within one year, leave is considered taken on a last in, first out (LIFO) basis. In the governmental funds, a liability for these amounts is reported only as payments become due each period upon the occurrence of relevant events such as employee resignations and retirements. This liability is reported in Note 6 of the Department's Notes to the Financial Statements.

The Department's policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of 30 days at calendar year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

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

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

M. Deferred Outflows/Inflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. Both are presented as separate financial statement elements on the face of the financial statements.

N. Fund Balance/Net Position

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

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

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

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

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

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.

Expendable Restricted Net Position - Expendable restricted net position includes resources for which the proprietary funds are legally or contractually obligated to spend in accordance with restrictions imposed

by external parties. It includes the net position of accrued employee benefits such as other postemployment benefits.

Unrestricted Net Position - This represents resources derived from fees, licenses, and fines, sales and services, unrestricted noncapital grants, and investment earnings. It also includes the net position of accrued employee benefits such as compensated absences, pension plans, and other postemployment benefits.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the Department. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are always used first. Both restricted and unrestricted net position include consideration of deferred outflows of resources and deferred inflows of resources. See Note 8 for further information regarding deferred outflows of resources and deferred inflows of resources that had a significant effect on unrestricted net position.

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

Restricted Net Position – Fiduciary net position includes resources held for inmates, an employee dental reserve, ALE seized assets, and escrow funds for homeowners that are not available for alternative use by the Department.

- O. **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 governmental interfund transfers. These revenues and expenditures represent nonexchange transactions and are eliminated at the statewide reporting level in the State's *Annual Comprehensive Financial Report*.
- P. **Revenues and Expenses** - The proprietary funds classify revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as fees, licenses, and fines. 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.

- Q. Transfers from/to State Reserve Fund** - These transfers are for funds obligated in the current year, but not spent at year-end, that will be carried forward to the next fiscal year. The Department must obtain authorization from the Office of State Budget and Management (OSBM) to carry forward funds. At year-end, these funds are transferred to the State Reserve Fund and held by the North Carolina Office of the State Controller until approval is granted from OSBM to return the funds to the Department in the next fiscal year.

NOTE 2 - DEPOSITS

Unless specifically exempt, the Department is required by *North Carolina General Statute 147-77* to deposit moneys received with the State Treasurer or with a depository institution in the name of the State Treasurer. *North Carolina General Statute 147-69.1* authorizes the State Treasurer to invest all deposits in the following: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; specified repurchase agreements; obligations of the State of North Carolina; time deposits with specified financial institutions; prime quality commercial paper with specified ratings; specified bills of exchange or time drafts; asset-backed securities with specified ratings; and corporate bonds and notes with specified ratings.

The amounts shown on the June 30, 2021 and 2020 governmental funds' Balance Sheet as cash and cash equivalents included cash on hand totaling \$5,200 and \$5,200, respectively, and deposits in private institutions with a carrying value and bank balance of \$1,543,430 and \$1,230,511, respectively.

The amounts shown on the June 30, 2021 and 2020 fiduciary funds' Statement of Net Position as cash and cash equivalents included cash on hand totaling \$18,900 and \$18,600, respectively. Amounts on June 30, 2021 and 2020 also include deposits in private institutions with a carrying value of \$18,323,653 and \$5,996,889, respectively, and bank balance of \$22,592,683 and \$8,778,605, respectively.

As of June 30, 2021, \$1,117,291 of the Department's bank balances was exposed to custodial credit risk as uninsured and uncollateralized. Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be returned to it. As of June 30, 2021, the Department's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

At June 30, 2021 and 2020, the governmental funds' Balance Sheets reported cash and cash equivalents of \$291,165,784 and \$286,007,894, respectively.

At June 30, 2021 and 2020, the proprietary funds' Statement of Net Position reported cash and cash equivalents of \$21,609,408 and \$22,660,689, respectively.

At June 30 2021 and 2020, the fiduciary funds' Statement of Net Position also included \$2,934,797 and \$7,758,692 respectively.

The amounts above represent the Department's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any formal oversight other than that of the legislative body) had a weighted average maturity of 1.3 years as of June 30, 2021 and 2020. Assets and shares of the STIF are valued at 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 North Carolina Department of State Treasurer Investment Programs' separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at <https://www.nctreasurer.com/> in the Audited Financial Statements section.

NOTE 3 - FAIR VALUE MEASUREMENTS

To the extent available, the Department's investments are recorded at fair value as of June 30, 2021 and 2020. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- Level 1 Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.
- Level 2 Investments with inputs - other than quoted prices included within Level 1 - that are observable for an asset, either directly or indirectly.
- Level 3 Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment.

Short-Term Investment Fund – As of June 30, 2021 and 2020, the Department's cash and cash equivalents, valued at \$315,709,989 and \$316,427,275, respectively, were held in the STIF. Ownership interests of the STIF are determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB 72. The Department's position in the pool is measured and reported at fair value and the STIF is not required to be categorized within the fair value hierarchy.

NOTE 4 - RECEIVABLES

A. ACCOUNTS RECEIVABLE

Accounts receivable for the governmental funds at June 30, 2021 and 2020 were as follows:

	2021		
	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Governmental Funds:			
General Fund:			
Due from Employees	\$ 3,105,299	\$ 2,008,595	\$ 1,096,704
SBI Security Services	32,558	4,156	28,402
State Highway Patrol	70,848		70,848
Trust Fund	10,960		10,960
Other	21,081	1,405	19,676
Total	<u>3,240,746</u>	<u>2,014,156</u>	<u>1,226,590</u>
Correction Enterprises Fund:			
Sales	94,877	12,679	82,198
Total Accounts Receivable	<u>\$ 3,335,623</u>	<u>\$ 2,026,835</u>	<u>\$ 1,308,788</u>

	2020		
	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Governmental Funds:			
General Fund:			
Due from Employees	\$ 2,871,678	\$ 1,901,223	\$ 970,455
SBI Security Services	41,696	2,992	38,704
State Highway Patrol	80,262		80,262
Other	48,058	16,755	31,303
Total	<u>3,041,694</u>	<u>1,920,970</u>	<u>1,120,724</u>
Correction Enterprises Fund:			
Sales	<u>489,378</u>	<u>9,399</u>	<u>479,979</u>
Total Accounts Receivable	<u><u>\$ 3,531,072</u></u>	<u><u>\$ 1,930,369</u></u>	<u><u>\$ 1,600,703</u></u>

Accounts receivable for the proprietary funds at June 30, 2021 and 2020 were as follows:

	2021	2020
Proprietary Funds:		
ABC Commission:		
Special Services	\$ 148,386	\$ 193,581
Other Proprietary Funds:		
Fees, Licenses, and Fines	<u>49,325</u>	<u>53,750</u>
Total Accounts Receivable	<u><u>\$ 197,711</u></u>	<u><u>\$ 247,331</u></u>

B. INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables for the governmental funds at June 30, 2021 and 2020 were as follows:

	2021		
	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Governmental Funds:			
General Fund:			
Federal Government	\$ 149,687,419	\$ 0	\$ 149,687,419
U.S. States & Territories	1,394,026		1,394,026
Local Government:			
Safekeepers	887,698	460,891	426,807
Juvenile Detention	1,515,364		1,515,364
SBI-Concealed Weapon Permits	37,856		37,856
SBI-Criminal History Record Information	254,592		254,592
Other	41,308		41,308
Total	\$ 153,818,263	\$ 460,891	\$ 153,357,372
Correction Enterprises Fund:			
Federal Government	41,091		41,091
U.S. States & Territories	7,026		7,026
Sales and Services to Local Governments	185,366		185,366
Total	233,483		233,483
Capital Projects Fund:			
Military Construction	249,715		249,715
Total Intergovernmental Receivables	\$ 154,301,461	\$ 460,891	\$ 153,840,570

	2020		
	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Governmental Funds:			
General Fund:			
Federal Government	\$ 107,153,308	\$ 0	\$ 107,153,308
U.S. States & Territories	1,394,026		1,394,026
Local Government:			
Safekeepers	1,396,811	466,769	930,042
Juvenile Detention	990,640		990,640
SBI-Concealed Weapon Permits	780,450		780,450
SBI-Criminal History Record Information	27,258	504	26,754
Other	106,964	267	106,697
Total	\$ 111,849,457	\$ 467,540	\$ 111,381,917
Correction Enterprises Fund:			
Federal Government	37,919		37,919
U.S. States & Territories	736		736
Sales and Services to Local Governments	416,862		416,862
Total	455,517		455,517
Capital Projects Fund:			
Military Construction	200,477		200,477
Total Intergovernmental Receivables	\$ 112,505,451	\$ 467,540	\$ 112,037,911

Intergovernmental receivables for the proprietary funds at June 30, 2021 and 2020 were as follows:

	2021	2020
Proprietary Funds:		
ABC Commission		
ABC Board Surcharge	\$ 969,263	\$ 776,974
ABC Board Bailment	1,292,728	892,876
Military Surcharge	31,559	28,189
Military Bailment	39,152	36,787
	<u> </u>	<u> </u>
Total Intergovernmental Receivables	<u>\$ 2,332,702</u>	<u>\$ 1,734,826</u>

NOTE 5 - CAPITAL ASSETS

A summary of changes in the governmental funds' capital assets for the years ended June 30, 2021 and 2020, is presented as follows:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Governmental Funds				
Capital Assets, Nondepreciable:				
Land	\$ 23,855,194	\$ 130,420	\$ 0	\$ 23,985,614
Literature	29,204			29,204
Construction in Progress	63,004,302	35,149,531	19,029,387	79,124,446
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Capital Assets, Nondepreciable	86,888,700	35,279,951	19,029,387	103,139,264
Capital Assets, Depreciable:				
Buildings	1,898,487,819	16,883,065	4,059,923	1,911,310,961
Equipment	356,493,787	48,558,188	36,981,505	368,070,470
General Infrastructure	162,147,881	2,012,426	1,289,109	162,871,198
Computer Software	1,337,766			1,337,766
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Capital Assets, Depreciable	2,418,467,253	67,453,679	42,330,537	2,443,590,395
Less Accumulated Depreciation/Amortization for:				
Buildings	696,022,289	35,771,132	507,037	731,286,384
Equipment	155,106,812	16,883,743	23,949,347	148,041,208
General Infrastructure	58,471,692	3,456,210	373,662	61,554,240
Computer Software	733,643	63,795		797,438
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Accumulated Depreciation/Amortization	910,334,436	56,174,880	24,830,046	941,679,270
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Capital Assets, Depreciable, Net	1,508,132,817	11,278,799	17,500,491	1,501,911,125
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital Assets, Net	<u>\$ 1,595,021,517</u>	<u>\$ 46,558,750</u>	<u>\$ 36,529,878</u>	<u>\$ 1,605,050,389</u>

NOTES TO THE FINANCIAL STATEMENTS

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Governmental Funds				
Capital Assets, Nondepreciable:				
Land	\$ 23,822,115	\$ 38,479	\$ 5,400	\$ 23,855,194
Literature	29,204			29,204
Construction in Progress	43,574,308	20,804,679	1,374,685	63,004,302
Total Capital Assets, Nondepreciable	67,425,627	20,843,158	1,380,085	86,888,700
Capital Assets, Depreciable:				
Buildings	1,897,546,265	2,501,333	1,559,779	1,898,487,819
Equipment	343,265,409	35,687,103	22,458,725	356,493,787
General Infrastructure	162,237,234	33,026	122,379	162,147,881
Computer Software	1,337,766			1,337,766
Total Capital Assets, Depreciable	2,404,386,674	38,221,462	24,140,883	2,418,467,253
Less Accumulated Depreciation/Amortization for:				
Buildings	662,105,867	34,886,587	970,165	696,022,289
Equipment	150,686,756	16,426,179	12,006,123	155,106,812
General Infrastructure	55,129,245	3,456,894	114,447	58,471,692
Computer Software	669,848	63,795		733,643
Total Accumulated Depreciation/Amortization	868,591,716	54,833,455	13,090,735	910,334,436
Total Capital Assets, Depreciable, Net	1,535,794,958	(16,611,993)	11,050,148	1,508,132,817
Capital Assets, Net	\$ 1,603,220,585	\$ 4,231,165	\$ 12,430,233	\$ 1,595,021,517

A summary of changes in the proprietary funds' capital assets for the years ended June 30, 2021 and 2020, is presented as follows:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
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
Equipment	370,720			370,720
General Infrastructure	30,000			30,000
Total Capital Assets, Depreciable	5,642,840			5,642,840
Less Accumulated Depreciation for:				
Buildings	3,826,746	104,841		3,931,587
Equipment	184,130	49,241		233,371
General Infrastructure	30,000			30,000
Total Accumulated Depreciation	4,040,876	154,082	-	4,194,958
Total Capital Assets, Depreciable, Net	1,601,964	(154,082)	-	1,447,882
Capital Assets, Net	\$ 2,152,371	\$ (154,082)	\$ 0	\$ 1,998,289

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
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
Equipment	259,292	111,428		370,720
General Infrastructure	30,000			30,000
Total Capital Assets, Depreciable	5,531,412	111,428		5,642,840
Less Accumulated Depreciation for:				
Buildings	3,721,904	104,842		3,826,746
Equipment	163,842	20,288		184,130
General Infrastructure	30,000			30,000
Total Accumulated Depreciation	3,915,746	125,130		4,040,876
Total Capital Assets, Depreciable, Net	1,615,666	(13,702)		1,601,964
Capital Assets, Net	\$ 2,166,073	\$ (13,702)	\$ 0	\$ 2,152,371

NOTE 6 - LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities for the years ended June 30, 2021 and 2020, is presented as follows:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Current Portion
Governmental Funds					
Long-Term Debt					
Notes from Direct Borrowings	\$ 10,466,215	\$ 0	\$ 1,215,174	\$ 9,251,041	\$ 1,275,425
Other Long-Term Liabilities					
Employee Benefits:					
Compensated Absences	189,977,899	92,909,110	77,879,421	205,007,588	13,967,748
Net Pension Liability ¹	728,108,699	124,034,273		852,142,972	
Net Other Postemployment Benefits Liability ²	1,967,534,773		253,809,369	1,713,725,404	
Workers' Compensation Liability ³	281,070,633	6,247,356	17,891,646	269,426,343	34,023,262
Total Other Long-Term Liabilities	3,166,692,004	223,190,739	349,580,436	3,040,302,307	47,991,010
Total Long-Term Liabilities	\$ 3,177,158,219	\$ 223,190,739	\$ 350,795,610	\$ 3,049,553,348	\$ 49,266,435
Proprietary Funds					
Employee Benefits:					
Compensated Absences	\$ 539,197	\$ 323,027	\$ 273,898	\$ 588,326	\$ 43,889
Net Pension Liability ¹	2,264,156	385,702		2,649,858	
Net Other Postemployment Benefits Liability ²	6,118,325		789,256	5,329,069	
Total Other Long-Term Liabilities	8,921,678	708,729	1,063,154	8,567,253	43,889
Total Long-Term Liabilities	\$ 8,921,678	\$ 708,729	\$ 1,063,154	\$ 8,567,253	\$ 43,889

¹Additional information regarding the net pension liability is included in Note 11.

²Additional information regarding the net other postemployment benefits liability is included in Note 12.

³Additional information regarding the workers' compensation liability is included in Note 13.

NOTES TO THE FINANCIAL STATEMENTS

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Current Portion
Governmental Funds					
Long-Term Debt					
Notes from Direct Borrowings	\$ 11,623,620	\$ 0	\$ 1,157,405	\$ 10,466,215	\$ 1,215,174
Other Long-Term Liabilities					
Employee Benefits:					
Compensated Absences	170,083,993	112,089,168	92,195,262	189,977,899	12,443,558
Net Pension Liability ¹	695,703,293	32,405,406		728,108,699	
Net Other Postemployment Benefits Liability ²	1,736,296,511	231,238,262		1,967,534,773	
Workers' Compensation Liability ³	297,055,090	24,936,563	40,921,020	281,070,633	34,259,803
Total Other Long-Term Liabilities	2,899,138,887	400,669,399	133,116,282	3,166,692,004	46,703,361
Total Long-Term Liabilities	\$ 2,910,762,507	\$ 400,669,399	\$ 134,273,687	\$ 3,177,158,219	\$ 47,918,535
Proprietary Funds					
Employee Benefits:					
Compensated Absences	\$ 534,413	\$ 340,864	\$ 336,080	\$ 539,197	\$ 35,318
Net Pension Liability ¹	2,023,407	240,749		2,264,156	
Net Other Postemployment Benefits Liability ²	5,049,904	1,068,421		6,118,325	
Total Other Long-Term Liabilities	7,607,724	1,650,034	336,080	8,921,678	35,318
Total Long-Term Liabilities	\$ 7,607,724	\$ 1,650,034	\$ 336,080	\$ 8,921,678	\$ 35,318

¹Additional information regarding the net pension liability is included in Note 11.

²Additional information regarding the net other postemployment benefits liability is included in Note 12.

³Additional information regarding the workers' compensation liability is included in Note 13.

B. Notes from Direct Borrowings - The Department was indebted for notes from direct borrowings for the purpose shown in the following table:

Purpose	Financial Institution	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2021	Principal Outstanding June 30, 2020
Energy Efficiency	Banc of America Public Capital Corp	2.53%	12/15/2027	\$ 15,801,217	\$ 9,251,041	\$ 10,466,215

C. Annual Requirements - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2021, are as follows:

Fiscal Year	Principal	Interest
2022	\$ 1,275,425	\$ 221,575
2023	1,338,221	188,779
2024	1,402,617	154,383
2025	1,469,665	118,335
2026	1,539,431	80,569
2027-2031	2,225,682	46,851
Total Requirements	\$ 9,251,041	\$ 810,492

D. Terms of Debt Agreements - The Department's debt agreements are subject to the following collateral requirements and terms with finance-related consequences:

Notes from Direct Borrowings - This agreement contains provisions related to events of default and remedies. Significant to these provisions, an event of default occurs when: (1) amounts in the Acquisition Fund are

insufficient to pay such amounts, (2) an obligation in the stated amount of disbursement request has not been incurred by the Department, (3) the Project is not insured in accordance with the Installment Financing Agreement, or (4) the Department fails to perform any warranty and covenant set forth in the Installment Financing Agreement.

Upon the occurrence of any event of default, such as amounts in the Acquisition Fund are insufficient, the Department shall provide any balance of the funds needed to complete the acquisition of the Project. Also, the Acquisition Fund could be terminated if the Lender gives written notice of the occurrence of a default or termination of the Installment Financing Agreement. Failure of submitting true and accurate invoices for reimbursement could result in denial of reimbursement request submitted by the Department.

NOTE 7 - OPERATING LEASE OBLIGATIONS

The Department entered into operating leases for copiers, equipment, and facilities. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2021:

<u>Fiscal Year</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
2022	\$ 6,581,666	\$ 45,031
2023	5,759,165	2,584
2024	5,017,304	1,708
2025	3,637,061	
2026	1,788,473	
Total Minimum Lease Payments	<u>\$ 22,783,669</u>	<u>\$ 49,323</u>

Rental expense for all operating leases during the years ended June 30, 2021 and 2020 was \$26,117,317 and \$25,791,436, respectively.

NOTE 8 - FUND BALANCE/NET POSITION

A. Fund Balance

The details of the fund balance classifications for the governmental funds at June 30, 2021 and 2020, were as follows:

	2021				Total
	General Fund	Correction Enterprises Fund	Capital Projects Fund	Welfare Fund	
Fund Balance:					
Nonspendable:					
Inventories	\$ 73,024,883	\$ 15,633,125	\$ 0	\$ 2,357,826	\$ 91,015,834
Restricted for:					
Federal Grants and Federal Drug Forfeiture Funds	9,557,181				9,557,181
National Guard Funds	176,140				176,140
Committed to:					
State Misdemeanant Confinement	9,125,271				9,125,271
Emergency Management	4,929,149				4,929,149
Law Enforcement	151,552				151,552
LiDAR Topographical Map	79				79
Nontax - ABC Board	4,454,274				4,454,274
Disaster Recovery Funds	95,714,713				95,714,713
Interstate Compact Fee	585,508				585,508
Correction Enterprises		16,984,236			16,984,236
Welfare of Inmates				4,327,042	4,327,042
Capital Projects			69,430,217		69,430,217
Unassigned	(20,621,467)		(3,566,380)		(24,187,847)
Total Fund Balance	\$ 177,097,283	\$ 32,617,361	\$ 65,863,837	\$ 6,684,868	\$ 282,263,349

	2020				Total
	General Fund	Correction Enterprises Fund	Capital Projects Fund	Welfare Fund	
Fund Balance:					
Nonspendable:					
Inventories	\$ 49,799,166	\$ 18,855,569	\$ 0	\$ 2,121,572	\$ 70,776,307
Other	244,329				244,329
Restricted for:					
Federal Grants and Federal Drug Forfeiture Funds	62,736,320				62,736,320
National Guard Funds	199,592				199,592
Committed to:					
State Misdemeanant Confinement	22,168,736				22,168,736
Emergency Management	6,965,766				6,965,766
LiDAR Topographical Map	79				79
Geodetic Survey Contracts	388,849				388,849
Disaster Recovery Funds	50,149,636				50,149,636
Interstate Compact Fee	528,198				528,198
Correction Enterprises		12,035,015			12,035,015
Welfare of Inmates				3,300,899	3,300,899
Capital Projects			79,859,015		79,859,015
Unassigned	(9,550,258)		(230,115)		(9,780,373)
Total Fund Balance	\$ 183,630,413	\$ 30,890,584	\$ 79,628,900	\$ 5,422,471	\$ 299,572,368

B. Net Position

Unrestricted net position for Other Proprietary Funds has been significantly affected by transactions resulting from the recognition of deferred outflows of resources, and deferred inflows of resources, and related long-term liabilities, as shown in the following table below:

	2021 Amount	2020 Amount
Other Proprietary Funds:		
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	\$ (469,486)	\$ (373,888)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	<u>(1,947,086)</u>	<u>(2,008,898)</u>
Effect on Unrestricted Net Position	(2,416,572)	(2,382,786)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	<u>2,257,451</u>	<u>1,985,107</u>
Total Unrestricted Net Position	<u>\$ (159,121)</u>	<u>\$ (397,679)</u>

See Notes 11 and 12 for detailed information regarding the amortization of the proprietary funds' deferred outflows of resources and deferred inflows of resources relating to pensions and OPEB, respectively.

NOTE 9 - REVENUES AND EXPENDITURES FROM/TO OTHER STATE AGENCIES

The governmental funds' revenues and expenditures from/to other state agencies by entity and purpose for the fiscal years ended June 30, 2021 and 2020 were as follows:

Revenues from Other State Agencies:		2021 Amount	2020 Amount
	Purpose		
General Fund:			
Office of State Budget and Management	Disaster Recovery Funds	\$ 81,921,945	\$ 306,664,049
	COVID-19 Relief Funds	827,821,063	27,027,745
Department of Transportation	Motor Carrier Enforcement Grant	11,431,692	10,141,071
	Specialty License Plate Revenue (National Guard)		83,172
Department of Health and Human Services	Alcohol Law Enforcement - Youth Tobacco Enforcement	300,000	
Department of State Treasurer	Floodplain Mapping Register of Deeds	5,075,877	4,068,453
North Carolina Lottery	Funds for Alcohol Law Enforcement Branch Gambling Enforcement	1,925,000	<u>2,100,000</u>
Department of Commerce	Community Development Block Grant Program - CARES (CDBG-CV)	<u>50,840,656</u>	
Total		<u>979,316,233</u>	<u>350,084,490</u>
Capital Projects Fund:			
Office of State Controller	General Repairs and Maintenance	11,538	1,204,646
Office of State Budget & Management	Capital Improvement Reserve	3,832,000	14,085
	Capital Facility Costs from Issuance of Debt	<u>8,505,515</u>	<u>3,135,011</u>
Total		<u>12,349,053</u>	<u>4,353,742</u>
Total Revenues from Other State Agencies		<u>\$ 991,665,286</u>	<u>\$ 354,438,232</u>

NOTES TO THE FINANCIAL STATEMENTS

Expenditures to Other State Agencies:		2021	2020
		Amount	Amount
		Purpose	
General Fund:			
North Carolina General Fund	Revenues Collected under G.S. 18B-902	\$ 23,233,580	\$ 26,521,850
	Transfer to Support Annual Appropriations	1,000,000	1,000,000
	Excess Surplus Property Receipts per G.S. 143-64		582,163
Department of State Treasury	Connor's Law	1,200,000	
Department of Transportation	Motor Carrier Enforcement Grants	6,339,255	16,863,750
Department of Agriculture	Hurricane Florence Recovery per General Assembly	11,051,769	65,348,325
Department of Health and Human Services	Fixed Nuclear Assessment per G.S. 166A-29	335,911	335,911
	Hurricane Florence Recovery per General Assembly		4,697,458
Department of Insurance	Hurricane Florence Recovery per General Assembly		256,864
Department of Commerce	Hurricane Florence Recovery per General Assembly	729,324	2,346,513
Office of State Budget and Management	Hurricane Florence Recovery per General Assembly	548,457	32,368,000
Department of Environmental Quality	Hurricane Florence Recovery per General Assembly	10,990,914	30,034,446
Department of Public Instruction	Hurricane Florence Recovery per General Assembly	(438,498)	
Department of Information Technology	Hurricane Florence Recovery per General Assembly	40,508	
Community Colleges	Pamlico Recidivism Project	5,512,869	410,440
	Hurricane Florence Recovery per General Assembly		3,904,536
Department of Natural and Cultural Resources	Hurricane Florence Recovery NC Aquarium	5,280,206	
Total		<u>65,824,295</u>	<u>184,670,256</u>
Correction Enterprises Fund:			
North Carolina General Fund	Transfer to Support Annual Appropriations		500,000
Total Expenditures to Other State Agencies:		<u>\$ 65,824,295</u>	<u>\$ 185,170,256</u>

NOTE 10 - INTERFUND TRANSFERS

Transfers in/out of other funds for the fiscal years ended June 30, 2021 and 2020 consisted of the following:

Transfers Out	2021			Total
	Transfers In			
	General Fund	Correction Enterprises Fund	Capital Projects Fund	
General Fund	\$ 0	\$ 201,600	\$ 11,626,231	\$ 11,827,831
Correction Enterprises Fund	2,121,733			2,121,733
Welfare Fund	990,179		100,000	1,090,179
Capital Projects Fund		500,000		500,000
ABC Commission			1,398,000	1,398,000
Total	<u>\$ 3,111,912</u>	<u>\$ 701,600</u>	<u>\$ 13,124,231</u>	<u>\$ 16,937,743</u>

Transfers Out	2020			Total
	Transfers In			
	General Fund	Correction Enterprises Fund	Capital Projects Fund	
General Fund	\$ 0	\$ 201,600	\$ 1,183,480	\$ 1,385,080
Correction Enterprises Fund	2,226,932			2,226,932
Welfare Fund	1,132,099			1,132,099
Total	\$ 3,359,031	\$ 201,600	\$ 1,183,480	\$ 4,744,111

Transfers are primarily used to (1) transfer revenues and proceeds from the fund required by State statute or budget to collect the revenue to the fund required by State statute or budget to expend them, (2) 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 11 - PENSION PLANS

A. Cost-Sharing, Multiple-Employer, Defined Benefit Plan

Pension contributions to cost sharing plans are recognized as expenditures in the period to which the payment relates, even if payment is not due until the subsequent period. Consequently, the net pension liability, discussed in Note 6 to the financial statements, is not reported on the face of the governmental funds' financial statements. However, the net pension liability for proprietary funds is reported on the face of the proprietary funds' financial statements.

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

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

member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of membership 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 membership 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.

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Effective July 1, 2019, LEO's who complete 25 years of credible service with 15 years as an officer are eligible to retire with partial retirement benefits. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service (not including sick leave) regardless of age, or have completed 15 years of creditable service as an LEO and have reached age 50, or have completed five years of creditable service as an LEO and have reached age 55, or have completed 15 years of creditable service as an LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The Department's contractually-required contribution rate for the years ended June 30, 2021 and 2020 was 14.78% and 12.97%, respectively, of covered payroll. Employee contributions to the pension plan were \$72,065,793 and \$68,378,246, and the Department's contributions were \$177,522,069 and \$147,810,976 for the years ended June 30, 2021 and 2020, respectively. Of this amount, the proprietary funds contributed \$547,324 and \$449,156 for the years ended June 30, 2021 and 2020, respectively.

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 2020 and 2019 *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North

Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

TSERS Basis of Accounting: The financial statements of the TSERS plan were prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the TSERS plan, and additions to/deductions from the TSERS plan's fiduciary net position have been determined on the same basis as they are reported by TSERS.

Methods Used to Value TSERS Investments: Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its External Investment Pool. TSERS and other pension plans of the State of North Carolina participate in the Long-Term Investment, Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Opportunistic Fixed Income Investment, and Inflation Sensitive Investment Portfolios. The Fixed Income Asset Class includes the Long-Term Investment and Fixed Income Investment Portfolios (TSERS and other pension plans of the State of North Carolina were the sole participants as of the December 31, 2018 valuation date). The Global Equity Asset Class includes the Equity Investment Portfolio. The investment balance of each pension trust fund represents its share of the fair value of the net position of the various portfolios within the External Investment Pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2020 and 2019 *Comprehensive Annual Financial Report*.

Net Pension Liability: At June 30, 2021 and 2020, the Department reported a liability of \$854,792,830 and \$730,372,855, respectively, for its proportionate share of the collective net pension liability. Of this amount, the proprietary funds reported \$2,649,858 and \$2,264,156 for the years ended June 30, 2021 and 2020, respectively. The net pension liability was measured as of June 30, 2020 and 2019, respectively. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019 and 2018, and update procedures were used to roll forward the total pension liability to June 30, 2020 and 2019, respectively. The Department's proportion of the net pension liability was based on the present value of future salaries for the Department relative to the present value of future salaries for all participating employers, actuarially-determined.

As of June 30, 2020, the Department's proportion was 7.07493%, which was an increase of 0.02973 from its proportion measured as of June 30, 2019, which was 7.04520%. Of this proportion, the proprietary funds' share was 0.02193% which was an increase of 0.00009 from its proportion measured as of June 30, 2019, which was 0.02184%.

As of June 30, 2019, the Department's proportion was 7.04520%, which was an increase of 0.03716 from its proportion measured as of June 30, 2018, which was 7.00804%. Of this proportion, the proprietary funds' share was 0.02184% which was an increase of 0.00151 from its proportion measured as of June 30, 2018, which was 0.02033%.

Actuarial Assumptions: The following table presents the actuarial assumptions used to determine the total pension liability for the TSERS plan at the actuarial valuation dates of December 31, 2019 and 2018:

Inflation	3%
Salary Increases*	3.5% - 8.1%
Investment Rate of Return**	7%

* Salary increases include 3.5% inflation and productivity factor.

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

TSERS currently 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 mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2019 and 2018 valuations were based on the results of an actuarial experience review for the period January 1, 2010 through December 31, 2014.

Future ad hoc cost of living adjustment amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return

by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 and 2019 (the valuation dates) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	1.4%
Global Equity	5.3%
Real Estate	4.3%
Alternatives	8.9%
Opportunistic Fixed Income	6.0%
Inflation Sensitive	4.0%

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected rate of return for the Bond Index Investment Pool as of June 30, 2020 and 2019, is 1.2% and 1.4%, respectively.

Discount Rate: The discount rate used to measure the total pension liability was 7.00% for the December 31, 2019 and 2018 valuations. The discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the plan at June 30, 2020 calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

Net Pension Liability						
	1% Decrease (6.00%)		Current Discount Rate (7.00%)		1% Increase (8.00%)	
Department as a Whole	\$	1,538,426,336	\$	854,792,830	\$	281,365,792
Proprietary Funds	\$	4,768,625	\$	2,649,858	\$	868,564

The following presents the net pension liability of the plan at June 30, 2019 calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

Net Pension Liability						
	1% Decrease (6.00%)		Current Discount Rate (7.00%)		1% Increase (8.00%)	
Department as a Whole	\$	1,390,102,714	\$	730,372,855	\$	176,943,580
Proprietary Funds	\$	4,309,295	\$	2,264,156	\$	548,522

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2021, the Department's proportionate share of the collective pension expense was \$253,662,182. Of this amount, the proprietary funds recognized \$793,863. At June 30, 2021, the Department's proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

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

	Department as a Whole		Proprietary Funds	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 47,103,681	\$ 0	\$ 146,021	\$ 0
Change of Assumptions	28,966,532		89,796	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	94,531,323		293,047	
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	10,495,221		76,444	49,086
Contributions Subsequent to the Measurement Date	177,522,069		547,324	
Total	\$ 358,618,826	\$ 0	\$ 1,152,632	\$ 49,086

For the year ended June 30, 2020, the Department's proportionate share of the collective pension expense was \$267,520,956. Of this amount, the proprietary funds recognized \$836,825. At June 30, 2020, the Department's proportionate share of deferred outflows of resources and

deferred inflows of resources related to pensions were from the following sources:

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

	<u>Department as a Whole</u>		<u>Proprietary Funds</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Actual and Expected Experience	\$ 61,094,847	\$ 1,462,161	\$ 189,394	\$ 4,533
Changes of Assumptions	77,824,097		241,255	
Net Difference Between Projected and Actual Earnings on Plan Investments	14,000,221		43,400	
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	8,932,423	255,292	128,196	98,965
Contributions Subsequent to the Measurement Date	147,810,976		449,156	
Total	\$ 309,662,564	\$ 1,717,453	\$ 1,051,401	\$ 103,498

The amounts reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 and 2019 measurement dates will be included as a reduction of the net pension liability in the subsequent fiscal years. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

<u>Year Ended June 30:</u>	<u>Department as a Whole</u>	<u>Proprietary Funds</u>
2022	\$ 63,856,624	\$ 170,824
2023	49,331,437	174,882
2024	39,747,008	123,215
2025	28,161,688	87,301
Total	\$ 181,096,757	\$ 556,222

B. Single-Employer, Defined Benefit Plan

1. Special Separation Allowance

Plan Administration: The Department provides a special separation allowance (SSA), a single-employer, defined benefit pension plan, for sworn law enforcement officers as defined by General

Statute 135-1(11c) or General Statute 143-166.30(a)(4) that were employed by the Department and retired on a basic service retirement under the provisions of General Statute 135-5(a). To qualify for the allowance, each retired officer must: (1) have completed 30 or more years of creditable service or have attained 55 years of age and completed five or more years of creditable service; and (2) not have attained 62 years of age; and (3) have completed at least five years of continuous service as a law enforcement officer immediately preceding a service retirement.

Benefits Provided: Each eligible officer is paid an annual separation allowance equal to 0.85% of the officer's most recent base rate of compensation for each year of creditable service. These benefits are funded on a pay-as-you-go basis with the Department being responsible for the benefits to its former employees. These benefits are established in General Statute 143-166.41 and may be amended only by the North Carolina General Assembly.

There is no statewide administration of the SSA. The SSA is not administered through a trust and therefore no assets are accumulated. Funds for this allowance are appropriated annually in the Department's budget. For the fiscal year ended June 30, 2021, the Department paid \$14,483,910 for 801 retired law enforcement officers. For the fiscal year ended June 30, 2020, the Department paid \$13,620,091 for 780 retired law enforcement officers.

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

2. North Carolina National Guard Pension Fund

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. The Department assumes no obligations in relation to the plan. Benefit provisions are established by the General Statute 127A-40 and may be amended only by the North Carolina General Assembly.

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

C. Defined Contribution Plan

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 years ended June 30, 2021 and 2020 were \$11,574,095 and \$11,363,215, respectively.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

Other postemployment benefit (OPEB) contributions to cost sharing plans are recognized as expenditures in the period to which the payment relates, even if payment is not due until the subsequent period. Consequently, the net other postemployment benefits liability, discussed in Note 6 to the financial statements, is not reported on the face of the governmental fund financial statements. However, the net other postemployment benefits liability and asset for proprietary funds is reported on the face of the proprietary fund financial statements.

The Department participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2020 and 2019 *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

A. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: The financial statements of these plans were prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan. For purposes of measuring the

net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of each plan, and additions to/deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by the plans.

Methods Used to Value Plan Investments: Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the other postemployment benefits funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan of North Carolina is invested in the Short-Term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool. The investment balance of each other employee benefit trust fund represents its share of the fair (market) value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2020 and 2019 *Comprehensive Annual Financial Report*.

B. Plan Descriptions

1. Health Benefits

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

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

By statute, RHBF is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System (TSERS). RHBF is supported by a percent of payroll contributions from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the Plan. The State Treasurer, with the approval of the Plan Board of Trustees, then

sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the Plan.

Benefits Provided: Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 13. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan options or the self-funded Traditional 70/30 Preferred Provider Organization plan option that is also offered to non-Medicare members. If the traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

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

Section 35.21 (c) & (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired on or after January 1, 2021. The legislation amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in the Teachers' and State Employees' Retirement System (or in an allowed local system unit), the Consolidated Judicial Retirement System, or the Legislative Retirement System prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

The Plan's and RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3B,

of the General Statutes, and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions: Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the North Carolina General Assembly in the Appropriations Bill. The Department's contractually-required contribution rate for the years ended June 30, 2021 and 2020 was 6.68% and 6.47%, respectively, of covered payroll. The Department's contributions to the RHBF were \$80,233,249 for the year ended June 30, 2021, and \$73,734,542 for the year ended June 30, 2020. Of this amount, the proprietary funds contributed \$247,370 and \$224,059, respectively.

In fiscal year 2020, the State Health Plan (the Plan) transferred \$475.2 million to RHBF as a result of cost savings to the Plan over a span of six years. For financial reporting purposes, the transfer was considered to be a nonemployer contributing entity contribution and was allocated among RHBF employers. For the fiscal year ended June 30, 2021, the contribution allocated to the Department was \$29,447,355. Of this amount, the proprietary funds recognized \$91,287.

2. Disability Income

Plan Administration: As discussed in Note 13, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units, LEAs which are not part of the reporting entity, and the ORP. By statute, DIPNC is administered by the Department of State Treasurer and the Board of Trustees of TSERS.

Benefits Provided: Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or the ORP, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled

for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing five years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

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

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

Contributions: Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the North Carolina General Assembly and coincide with the State's fiscal year. The Department's contractually-required contribution rate for the

year ended June 30, 2021 and 2020 was 0.09% and 0.10%, respectively, of covered payroll. The Department's contributions to DIPNC were \$1,080,987 for the year ended June 30, 2021 and \$1,139,637 for the year ended June 30, 2020. Of this amount, the proprietary funds contributed \$3,333 and \$3,463 for the years ended June 30, 2021 and 2020, respectively.

C. Net OPEB Liability (Asset)

Net OPEB Liability: At June 30, 2021 and 2020, the Department reported a liability of \$1,719,054,473 and \$1,973,653,098, respectively, for its proportionate share of the collective net OPEB liability for RHBF. Of that amount, the proprietary funds reported \$5,329,069 and \$6,118,325 for the years ended June 30, 2021 and 2020, respectively. The net OPEB liability was measured as of June 30, 2020 and 2019, respectively. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019 and 2018, and update procedures were used to roll forward the total OPEB liability to June 30, 2020 and 2019. The Department's proportion of the net OPEB liability was based on the present value of future salaries for the Department relative to the present value of future salaries for all participating employers, actuarially-determined.

As of June 30, 2020, the Department's proportion was 6.19683%, which was a decrease of 0.04111 from its proportion measured as of June 30, 2019, which was 6.23794%. Of this proportion, the proprietary funds' share was 0.01921%, which was a decrease of 0.00012 from its proportion measured as of June 30, 2019, which was 0.01933%.

As of June 30, 2019, the Department's proportion was 6.23794%, which was an increase of 0.12540 from its proportion measured as of June 30, 2018, which was 6.11254%. Of this proportion, the proprietary funds' share was 0.01933%, which was an increase of 0.00160 from its proportion measured as of June 30, 2018, which was 0.01773%.

Net OPEB Asset: At June 30, 2021 and 2020, the Department reported an asset of \$3,044,523 and \$2,667,382, respectively, for its proportionate share of the collective net OPEB asset for DIPNC. Of this amount, the proprietary funds reported \$9,438 and \$8,269 for the years ended June 30, 2021 and 2020, respectively. The net OPEB asset was measured as of June 30, 2020 and 2019. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019 and 2018, and update procedures were used to roll forward the total OPEB liability to June 30, 2020 and 2019. The Department's proportion of the net OPEB asset was based on the present value of future salaries for the Department relative to the present value of future salaries for all participating employers, actuarially-determined.

As of June 30, 2020, the Department's proportion was 6.18881%, which was an increase of 0.00716 from its proportion measured as of June 30, 2019, which was 6.18165%. Of this proportion, the proprietary

funds' share was 0.01919%, which was an increase of 0.00003 from its proportion measured as of June 30, 2019, which was 0.01916%.

As of June 30, 2019, the Department's proportion was 6.18165%, which was an increase of 0.08546 from its proportion measured as of June 30, 2018, which was 6.09619%. Of this proportion, the proprietary funds' share was 0.01916% which was an increase of 0.00148 from its proportion measured as of June 30, 2018, which was 0.01768%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2019 and 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities were then rolled forward to June 30, 2020 and 2019 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/2019	12/31/2019
Inflation	3%	3%
Salary Increases*	3.5% - 8.1%	3.5% - 8.1%
Investment Rate of Return**	7%	3.75%
Healthcare Cost Trend Rate - Medical	6.5% grading down to 5% by 2024	6.5% grading down to 5% by 2024
Healthcare Cost Trend Rate - Prescription Drug	9.5% grading down to 5% by 2029	9.5% grading down to 5% by 2029
Healthcare Cost Trend Rate - Medicare Advantage	5%	N/A
Healthcare Cost Trend Rate - Administrative	3%	3%

* Salary increases include 3.5% inflation and productivity factor.

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

N/A - Not Applicable

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/2018	12/31/2018
Inflation	3%	3%
Salary Increases*	3.5% - 8.1%	3.5% - 8.1%
Investment Rate of Return**	7%	3.75%
Healthcare Cost Trend Rate - Medical	6.5% grading down to 5% by 2024	6.5% grading down to 5% by 2024
Healthcare Cost Trend Rate - Prescription Drug	9.5% grading down to 5% by 2028	9.5% grading down to 5% by 2028
Healthcare Cost Trend Rate - Medicare Advantage	6.5% grading down to 5% by 2024	N/A
Healthcare Cost Trend Rate - Administrative	3%	N/A

* Salary increases include 3.5% inflation and productivity factor.

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

N/A - Not Applicable

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

The projected long-term investment returns and inflation assumptions are developed through a review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projects are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2020 and 2019.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2020 and 2019 (the valuation dates) are summarized in the following table:

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

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2020 and 2019 was 1.2% and 1.4%, respectively.

Actuarial valuations of the plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future

employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

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

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

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

The actuarial assumptions used in the December 31, 2019 and 2018 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2014, as amended for updates to certain assumptions (such as the long-term investment return, medical claims, and medical trend rate assumption) implemented based on annual reviews that have occurred since that experience study.

Discount Rate: The discount rate used to measure the total OPEB liability for RHBF was 2.21% and 3.50% for the measurement dates of June 30, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 2.21% and 3.50% was used as the discount rate used to measure the total OPEB liability for the fiscal years ended June 30, 2020 and 2019, respectively. The 2.21% and 3.50% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2020 and 2019, respectively.

The discount rate used to measure the total OPEB liability for DIPNC was 3.75% for both remeasurement dates of June 30, 2020 and 2019. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all

projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate: The following presents the Department's proportionate share of the net OPEB liability (asset) of the plans, as well as what the plans' net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate for the year ended June 30, 2021:

Net OPEB Liability (Asset)			
	<u>1% Decrease (1.21%)</u>	<u>Current Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
RHBF Net OPEB Liability:			
Department as a Whole	\$ 2,038,688,533	\$ 1,719,054,473	\$ 1,461,534,006
Proprietary Funds	\$ 6,319,878	\$ 5,329,069	\$ 4,530,715
DIPNC Net OPEB Asset:			
	<u>1% Decrease (2.75%)</u>	<u>Current Discount Rate (3.75%)</u>	<u>1% Increase (4.75%)</u>
Department as a Whole	\$ (2,629,378)	\$ (3,044,523)	\$ (3,447,600)
Proprietary Funds	\$ (8,153)	\$ (9,438)	\$ (10,690)

The following presents the Department's proportionate share of the net OPEB liability (asset) of the plans, as well as what the plans' net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate for the year ended June 30, 2020:

Net OPEB Liability (Asset)			
	<u>1% Decrease (2.5%)</u>	<u>Current Discount Rate (3.5%)</u>	<u>1% Increase (4.5%)</u>
RHBF Net OPEB Liability:			
Department as a Whole	\$ 2,345,413,353	\$ 1,973,653,098	\$ 1,675,982,647
Proprietary Funds	\$ 7,267,919	\$ 6,118,325	\$ 5,193,501
DIPNC Net OPEB Asset:			
	<u>1% Decrease (2.75%)</u>	<u>Current Discount Rate (3.75%)</u>	<u>1% Increase (4.75%)</u>
Department as a Whole	\$ (2,259,208)	\$ (2,667,382)	\$ (3,063,997)
Proprietary Funds	\$ (7,002)	\$ (8,269)	\$ (9,497)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability (asset) of the plans, as well as what the plans' net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates for the year ended June 30, 2021:

Net OPEB Liability (Asset)				
	1% Decrease (Medical - 4% - 5.5%, Pharmacy - 4% - 8.5%, Med. Advantage - 4%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 9.5%, Med. Advantage - 5%, Administrative - 3%)		1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 10.5%, Med. Advantage - 6%, Administrative - 4%)
RHBF Net OPEB Liability:				
Department as a Whole	\$ 1,385,867,861	\$ 1,719,054,473	\$	2,164,400,711
Proprietary Funds	\$ 4,296,152	\$ 5,329,069	\$	6,709,582
	1% Decrease (Medical - 4% - 5.5%, Pharmacy - 4% - 8.5%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 9.5%, Administrative - 3%)		1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 10.5%, Administrative - 4%)
DIPNC Net OPEB Asset:				
Department as a Whole	\$ (3,049,536)	\$ (3,044,523)	\$	(3,040,129)
Proprietary Funds	\$ (9,456)	\$ (9,438)	\$	(9,427)

The following presents the net OPEB liability (asset) of the plans, as well as what the plans' net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates for the year ended June 30, 2020:

Net OPEB Liability (Asset)				
	1% Decrease (Medical - 4% - 5.5%, Pharmacy - 4% - 8.5%, Med. Advantage - 4%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 9.5%, Med. Advantage - 5%, Administrative - 3%)		1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 10.5%, Med. Advantage - 6%, Administrative - 4%)
RHBF Net OPEB Liability:				
Department as a Whole	\$ 1,625,153,978	\$ 1,973,653,098	\$	2,431,874,695
Proprietary Funds	\$ 5,035,994	\$ 6,118,325	\$	7,535,843
	1% Decrease (Medical - 4% - 5.5%, Pharmacy - 4% - 8.5%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 9.5%, Administrative - 3%)		1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 10.5%, Administrative - 4%)
DIPNC Net OPEB Asset:				
Department as a Whole	\$ (2,672,080)	\$ (2,667,382)	\$	(2,662,993)
Proprietary Funds	\$ (8,282)	\$ (8,269)	\$	(8,254)

OPEB Expense: For the fiscal year ended June 30, 2021, the Department recognized OPEB expense as follows:

OPEB Expenses					
Department as a Whole			Proprietary Funds		
RHBF	DIPNC	Total	RHBF	DIPNC	Total
\$ (11,498,425)	\$ 2,360,753	\$ (9,137,672)	\$ 458	\$ 7,190	\$ 7,648

OPEB Expense: For the fiscal year ended June 30, 2020, the Department recognized OPEB expense as follows:

OPEB Expenses					
Department as a Whole			Proprietary Funds		
RHBF	DIPNC	Total	RHBF	DIPNC	Total
\$ 10,226,910	\$ 2,614,720	\$12,841,630	\$ 67,805	\$ 7,973	\$ 75,778

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2021, the Department as a whole and the proprietary fund's proportionate share of deferred outflows of resources and deferred inflows of resources related to OPEB were from the following sources:

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

	Department as a Whole			Proprietary Funds		
	RHBF	DIPNC	Total	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 1,557,338	\$ 2,205,506	\$ 3,762,844	\$ 4,828	\$ 6,837	\$ 11,665
Changes of Assumptions	75,390,350	236,722	75,627,072	233,710	734	234,444
Net Difference Between Projected and Actual Earnings on Plan Investments	3,621,372		3,621,372	11,226		11,226
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	98,896,494	134,817	99,031,311	969,880	2,063	971,943
Contributions Subsequent to the Measurement Date	80,233,249	1,080,987	81,314,236	247,370	3,333	250,703
Total	\$259,698,803	\$3,658,032	\$263,356,835	\$ 1,467,014	\$ 12,967	\$ 1,479,981

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

	Department as a Whole			Proprietary Funds		
	RHBF	DIPNC	Total	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 67,251,526	\$ 0	\$ 67,251,526	\$ 208,479	\$ 0	\$ 208,479
Changes of Assumptions	697,619,447	239,754	697,859,201	2,162,621	743	2,163,364
Net Difference Between Projected and Actual Earnings on Plan Investments		515,775	515,775		1,599	1,599
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	11,689,875	42,536	11,732,411	673,742	1,233	674,975
Total	\$ 776,560,848	\$ 798,065	\$ 777,358,913	\$ 3,044,842	\$ 3,575	\$ 3,048,417

At June 30, 2020, the Department as a whole and the proprietary fund's proportionate share of deferred outflows of resources and deferred inflows of resources related to OPEB were from the following sources:

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

	Department as a Whole			Proprietary Funds		
	RHBF	DIPNC	Total	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 0	\$ 2,724,933	\$ 2,724,933	\$ 0	\$ 8,447	\$ 8,447
Changes of Assumptions	94,863,061	295,483	95,158,544	294,076	916	294,992
Net Difference Between Projected and Actual Earnings on Plan Investments	1,314,296	508,070	1,822,366	4,074	1,575	5,649
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	138,257,457	151,699	138,409,156	1,340,502	2,526	1,343,028
Contributions Subsequent to the Measurement Date	73,734,542	1,139,637	74,874,179	224,059	3,463	227,522
Total	\$ 308,169,356	\$ 4,819,822	\$ 312,989,178	\$ 1,862,711	\$ 16,927	\$ 1,879,638

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

	Department as a Whole			Proprietary Funds		
	RHBF	DIPNC	Total	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 99,496,979	\$ 0	\$ 99,496,979	\$ 308,440	\$ 0	\$ 308,440
Changes of Assumptions	593,366,622	273,662	593,640,284	1,839,437	848	1,840,285
Net Difference Between Projected and Actual Earnings on Plan Investments						
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions		48,613	48,613	850,004	1,791	851,795
Total	\$692,863,601	\$322,275	\$693,185,876	\$ 2,997,881	\$ 2,639	\$ 3,000,520

Amounts reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 and 2019 measurement dates will be recognized as a reduction of the net OPEB liability related to RHBF and an increase of the net OPEB asset related to DIPNC in the subsequent fiscal years. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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

Year Ended June 30:	Department as a Whole		Proprietary Funds	
	RHBF	DIPNC	RHBF	DIPNC
2022	\$ (206,521,043)	\$ 640,231	\$ (604,113)	\$ 2,237
2023	(206,332,273)	433,153	(603,529)	1,595
2024	(93,744,459)	222,610	(420,059)	942
2025	(31,770,295)	356,657	(15,442)	1,363
2026	(58,727,224)	28,607	(182,055)	(69)
Thereafter		97,722		(9)
Total	\$ (597,095,294)	\$ 1,778,980	\$ (1,825,198)	\$ 6,059

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 is funded by employer and employee contributions. The Plan has contracted with third parties to process claims. See Note 12, Other Postemployment Benefits, for additional information regarding retiree health benefits.

2. Death Benefit Plan of North Carolina

Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers who enroll in the Teachers' and State Employees' Retirement System. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was 0.13% and 0.16% for the fiscal years ended June 30, 2021 and 2020, respectively.

3. Disability Income Plan

Short-term and long-term disability benefits are provided to Department employees through the Disability Income Plan of North Carolina (DIPNC), part of the State's Pension and Other Employee Benefit Trust Funds. Short-term benefits are paid by the Department up to the first six months of benefits and reimbursed by DIPNC for any additional short-term benefits. As discussed in Note 12, long-term disability benefits are payable as other postemployment benefits from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

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

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

per claim and \$10,000,000 per occurrence. The Department pays premiums to the North Carolina Department of Insurance for the coverage.

2. Public Officers' and Employees' Liability Insurance

The risk of tort claims of up to \$1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$2,000,000 per claim, and \$5,000,000 and \$10,000,000 in the aggregate for the fiscal years ended June 30, 2021 and 2020, respectively. The coverage is provided via contract with a private insurance company and the Department pays the premium, based on a composite rate, directly to the private insurer.

3. Employee Dishonesty and Computer Fraud

The Department is protected for losses from employee dishonesty and computer fraud. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. The Department is charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$100,000 deductible.

4. Statewide Workers' Compensation Program

The North Carolina Workers' Compensation Program provides benefits to workers injured on the job. All employees of the State and its component units are included in the program. 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 *Annual Comprehensive Financial Report*, issued by the Office of the State Controller.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

A. 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, 2021 the Department is unable to estimate what liabilities may result from such audits.

B. Pending Litigation and Claims

The Department is a party to other litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. Department management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the Department.

Buffkin v. Hooks - The American Civil Liberties Union (ACLU) of North Carolina and North Carolina Prisoner Legal Services, Inc., filed this class action on June 15, 2018, on behalf of three named individual offenders infected with hepatitis-C (HCV) against the Department and four individual state employees, including the Secretary of the Department. The suit seeks class certification for “all current and future prisoners in the Department’s custody who have or will have chronic hepatitis-C virus and have not been treated with direct-acting antiviral drugs.” The plaintiffs seek relief in the form of a declaratory judgment that the Department’s policy for treating inmates infected with HCV violates the Eighth Amendment, and that failure to screen all persons in the Department for the virus violates the Eighth Amendment and the Americans with Disabilities Act. To that end, plaintiffs are requesting injunctive relief from the court ordering the Department to (1) formulate and implement an HCV treatment policy that meets the current standard of medical care, including identifying and monitoring persons with HCV; (2) treat the class members with appropriate direct-acting antiviral drugs; and (3) provide named plaintiffs and class members with an appropriate and accurate assessment of their level of fibrosis or cirrhosis, counseling on drug interactions, and ongoing medical care for complications and symptoms of HCV. The three individual plaintiffs are seeking compensatory and punitive damages. If plaintiffs are successful in their suit, defendants may be responsible for costs and attorneys’ fees.

In September 2020, the Department agreed to a proposed consent decree in *Buffkin et al. v. Hooks et al.* which alleged the Department refused to provide proper treatment to inmates diagnosed with HCV. Under the agreement, which is pending judicial approval in the Eastern District federal court, the Department intends to increase screening and testing for Hepatitis C virus, increase inmate education related to HCV treatment, and provide status reports to the plaintiffs’ counsel. The cost of implementing the new requirements under the agreement is expected to be \$34.2 million over the next 5 years.

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, 2021, the Department had commitments of \$14,385,602 related to construction and improvements of state government facilities, primarily within the Capital Projects Fund.

NOTE 15 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal years ended June 30, 2021 and 2020, the Department implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 89, Accounting for Interest Costs Incurred before the End of a Construction Period

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance

GASB Statement No. 84, Fiduciary Activities

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

GASB Statement No. 98, The Annual Comprehensive Financial Report

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. Interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. Interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity. The requirements of this Statement have been applied prospectively.

GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

GASB Statement No. 84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for 90-days or less.

GASB Statement No. 97 primary objectives are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

GASB Statement No. 98 establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of the comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

NOTE 16 - FUND BALANCE / NET POSITION RESTATEMENTS

As of July 1, 2019, the fund balances of the governmental funds as previously reported was restated as follows:

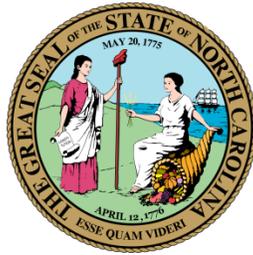
	General Fund	Total Governmental Funds
July 1, 2019 Fund Balances as Previously Reported	\$ 122,742,089	\$ 253,012,081
Restatement:		
To Correct Disaster Receivables	3,340,045	3,340,045
July 1, 2019 Fund Balances as Restated	<u>\$ 126,082,134</u>	<u>\$ 256,352,126</u>

As of July 1, 2019, the net positions of the fiduciary funds as previously reported was restated as follows:

	Inmate Trust Fund	Work Release Fund	BCBS Dental Reserve Fund	ALE Seized Assets Fund	Total Fiduciary Funds
July 1, 2019 Net Position as Previously Reported	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Restatements:					
GASB Statement No. 84 Implementation	5,684,432	8,202,254	1,383,609	221,411	15,491,706
July 1, 2019 Net Position as Restated	<u>\$ 5,684,432</u>	<u>\$ 8,202,254</u>	<u>\$ 1,383,609</u>	<u>\$ 221,411</u>	<u>\$ 15,491,706</u>

The Department's fiduciary activities for Inmate Trust Fund, Work Release Fund, and BCBS Dental Reserve Fund were previously not reported by the Department. The fiduciary activities of the ALE Seized Assets Fund was previously reported within the governmental funds. Because fiduciary assets were accompanied by offsetting liabilities, these activities previously did not report a net position balance. Following the implementation of GASB Statement No. 84, the Department's fiduciary activities are now reported on separate financial statements. As a result, fiduciary net position was restated to \$15,491,706 as of July 1, 2019. This restatement had no effect on the July 1, 2019 fund balance, of the Department's governmental funds.

There was no fiduciary net position restatement for the CDBG Escrow Fund as of July 1, 2019 as this fund was established during fiscal year 2020.



REQUIRED SUPPLEMENTARY INFORMATION

North Carolina Department of Public Safety
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis-Non-GAAP) - General Fund
For the Fiscal Year Ended June 30, 2021

Schedule D-1
Page 1 of 2

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Funds	\$ 181,445,593	\$ 1,901,534,058	\$ 718,829,507	\$(1,182,704,551)
Contributions, Gifts, and Grants	5,818,856	109,069,456	12,040,635	(97,028,821)
Sales and Services	15,736,238	22,024,121	19,410,517	(2,613,604)
Fees, Licenses, and Fines	12,215,385	16,039,488	19,489,960	3,450,472
Rental and Lease of Property	84,474	180,829	178,228	(2,601)
Investment Earnings	84,510	211,695	188,002	(23,693)
Student Tuition and Fees	55,385	78,765	78,765	
Miscellaneous Income	10,140,772	11,077,322	10,944,842	(132,480)
Total Revenues	225,581,213	2,060,215,734	781,160,456	(1,279,055,278)
EXPENDITURES				
Salaries and Benefits	1,804,968,767	1,793,858,048	1,740,167,866	53,690,182
Contracted Personal Services	150,452,817	410,961,641	262,574,696	148,386,945
Contracted Medical Services	99,379,157	125,027,341	124,934,138	93,203
Supplies and Materials	187,778,243	358,284,559	344,627,051	13,657,508
Travel	4,020,590	9,081,271	7,335,185	1,746,086
Communication	9,768,915	12,023,842	10,595,846	1,427,996
Utilities	57,130,621	49,843,579	49,643,601	199,978
Data Processing Services	11,789,374	29,201,062	25,776,203	3,424,859
Other Services	12,492,762	16,539,469	13,631,104	2,908,365
Claims and Benefits	10,152,169	14,498,919	14,498,910	9
Debt Service:				
Principal Retirement	1,101,073	1,215,174	1,215,174	
Interest and Fees	310,928	252,827	252,826	1
Other Fixed Charges	8,048,080	12,753,195	11,811,914	941,281
Capital Outlay	59,789,686	112,996,568	93,004,378	19,992,190
Grants, State Aid, and Subsidies	250,355,968	1,818,680,710	684,028,945	1,134,651,765
Insurance and Bonding	3,417,728	3,897,495	3,834,422	63,073
Other Expenditures	13,840,110	29,664,001	24,648,724	5,015,277
Total Expenditures	2,684,796,988	4,798,779,701	3,412,580,983	1,386,198,718
Excess of Revenues Over (Under) Expenditures	(2,459,215,775)	(2,738,563,967)	(2,631,420,527)	107,143,440
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	2,883,810	2,934,797	3,094,686	159,889
Insurance Recoveries	643,405	2,448,801	2,486,146	37,345
Transfers from Other Departments or Funds	1,095,725,715	1,434,757,755	1,260,644,326	(174,113,429)
Transfers to Other Departments or Funds	(235,057,152)	(421,820,559)	(204,884,815)	216,935,744
Appropriations	1,580,218,904	1,580,218,904	1,580,218,904	
Total Other Financing Sources	2,444,414,682	2,598,539,698	2,641,559,247	43,019,549
Net Change in Fund Balance	(14,801,093)	(140,024,269)	10,138,720	150,162,989
Fund Balance - July 1	190,490,803	190,490,803	190,490,803	
Fund Balance - June 30	\$ 175,689,710	\$ 50,466,534	\$ 200,629,523	\$ 150,162,989

North Carolina Department of Public Safety
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis-Non-GAAP) - General Fund
For the Fiscal Year Ended June 30, 2021

Schedule D-1
Page 2 of 2

The following table presents a reconciliation of resulting basis differences in the fund balance (budgetary basis) at June 30, 2021 to the fund balance on a modified accrual basis (GAAP).

	<u>General Fund</u>
Fund Balance (Budgetary Basis) June 30, 2021	\$ 200,629,523
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Accrued Revenues:	
Receivables	154,590,232
Due from Other Funds and State Agencies	11,092,172
Unearned Revenues	<u>(24,883,547)</u>
Total Accrued Revenues	<u>140,798,857</u>
Accrued Expenditures:	
Accounts Payable and Accrued Liabilities	(76,310,112)
Due to Other Funds and State Agencies	<u>(161,377,111)</u>
Total Accrued Expenditures	<u>(237,687,223)</u>
Other Adjustments:	
Inventories	73,024,883
Notes Receivable	367,215
Funds Held for Others	<u>(35,972)</u>
Total Other Adjustments	<u>73,356,126</u>
Fund Balance (GAAP Basis) June 30, 2021	<u>\$ 177,097,283</u>

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

**North Carolina Department of Public Safety
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis-Non-GAAP) - General Fund
For the Fiscal Year Ended June 30, 2020**

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

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Funds	\$ 167,172,324	\$ 820,715,262	\$ 545,007,520	\$ (275,707,742)
Contributions, Gifts, and Grants	5,799,699	29,262,969	16,641,723	(12,621,246)
Sales and Services	15,719,009	22,591,764	18,632,958	(3,958,806)
Fees, Licenses, and Fines	12,271,990	13,431,468	37,279,147	23,847,679
Rental and Lease of Property	84,474	153,320	153,756	436
Investment Earnings	84,510	381,596	433,473	51,877
Student Tuition and Fees	55,385	83,030	102,390	19,360
Miscellaneous Income	10,140,772	11,279,920	15,516,085	4,236,165
Total Revenues	211,328,163	897,899,329	633,767,052	(264,132,277)
EXPENDITURES				
Salaries and Benefits	1,693,997,621	1,652,871,062	1,634,781,467	18,089,595
Contracted Personal Services	183,770,344	350,997,392	239,478,448	111,518,944
Contracted Medical Services	99,379,157	114,913,907	114,725,001	188,906
Supplies and Materials	165,739,134	254,732,646	250,755,323	3,977,323
Travel	4,048,972	9,715,770	7,263,697	2,452,073
Communication	9,723,405	10,873,996	10,221,475	652,521
Utilities	57,110,988	51,062,450	50,897,494	164,956
Data Processing Services	11,532,153	22,766,194	21,781,777	984,417
Other Services	12,934,865	13,150,733	12,428,737	721,996
Claims and Benefits	11,645,418	13,636,418	13,636,409	9
Debt Service:				
Principal Retirement	1,101,073	1,157,406	1,157,405	1
Interest and Fees	310,928	282,595	282,594	1
Other Fixed Charges	8,040,516	12,689,838	12,421,422	268,416
Capital Outlay	46,997,518	116,054,709	75,691,154	40,363,555
Grants, State Aid, and Subsidies	293,974,838	739,486,395	469,034,245	270,452,150
Insurance and Bonding	3,417,734	3,985,245	3,931,762	53,483
Other Expenditures	13,531,101	16,217,690	9,262,729	6,954,961
Total Expenditures	2,617,255,765	3,384,594,446	2,927,751,139	456,843,307
Excess of Revenues Over (Under) Expenditures	(2,405,927,602)	(2,486,695,117)	(2,293,984,087)	192,711,030
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	3,465,974	3,557,620	3,557,621	1
Insurance Recoveries	643,405	812,775	852,060	39,285
Transfers from Other Departments or Funds	448,301,843	722,988,642	540,482,050	(182,506,592)
Transfers to Other Departments or Funds	(246,003,380)	(531,463,137)	(395,573,862)	135,889,275
Appropriations	2,198,974,357	2,198,974,357	2,198,974,356	(1)
Total Other Financing Sources	2,405,382,199	2,394,870,257	2,348,292,225	(46,578,032)
Net Change in Fund Balance	(545,403)	(91,824,860)	54,308,138	146,132,998
Fund Balance - July 1	136,182,665	136,182,665	136,182,665	
Fund Balance - June 30	\$ 135,637,262	\$ 44,357,805	\$ 190,490,803	\$ 146,132,998

North Carolina Department of Public Safety
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis-Non-GAAP) - General Fund
For the Fiscal Year Ended June 30, 2020

Schedule D-2
Page 2 of 2

The following table presents a reconciliation of resulting basis differences in the fund balance (budgetary basis) at June 30, 2020 to the fund balance on a modified accrual basis (GAAP).

	<u>General Fund</u>
Fund Balance (Budgetary Basis) June 30, 2020	\$ 190,490,803
Reconciling Adjustments:	
Basis Differences:	
Accrued Revenues:	
Receivables	112,538,227
Due from Other Funds and State Agencies	6,095,933
Unearned Revenues	<u>(27,457,959)</u>
Total Accrued Revenues	<u>91,176,201</u>
Accrued Expenditures:	
Accounts Payable and Accrued Liabilities	(137,076,688)
Due to Other Funds and State Agencies	<u>(11,030,890)</u>
Total Accrued Expenditures	<u>(148,107,578)</u>
Other Adjustments:	
Inventories	49,799,166
Notes Receivable	373,563
Funds Held for Others	<u>(101,742)</u>
Total Other Adjustments	<u>50,070,987</u>
Fund Balance (GAAP Basis) June 30, 2020	<u>\$ 183,630,413</u>

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

North Carolina Department of Public Safety
Required Supplementary Information
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, 2021

Schedule D-3

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Sales and Services	\$ 91,029,530	\$ 86,768,609	\$ 79,040,822	\$ (7,727,787)
Rental and Lease of Property	609,072	210,350	59,620	(150,730)
Miscellaneous Income	136,086	117,901	44,484	(73,417)
Total Revenues	91,774,688	87,096,860	79,144,926	(7,951,934)
EXPENDITURES				
Salaries and Benefits	30,898,716	30,135,246	25,102,359	5,032,887
Contracted Personal Services	410,108	532,351	415,919	116,432
Supplies and Materials	4,881,588	4,075,906	3,388,822	687,084
Purchases for Resale	42,830,458	41,433,708	35,984,966	5,448,742
Travel	368,148	154,531	122,278	32,253
Communication	130,089	118,992	98,068	20,924
Utilities	2,834,476	2,641,218	2,192,608	448,610
Data Processing Services	654,099	364,126	340,648	23,478
Other Services	1,722,611	1,398,135	1,192,987	205,148
Other Fixed Charges	509,781	658,162	483,717	174,445
Capital Outlay	2,548,098	1,671,992	1,416,544	255,448
Insurance and Bonding	468,500	481,299	424,364	56,935
Other Expenditures	1,009,445	1,131,194	1,120,308	10,886
Total Expenditures	89,266,117	84,796,860	72,283,588	12,513,272
Excess of Revenues Over Expenditures	2,508,571	2,300,000	6,861,338	4,561,338
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	26,186	58,400	44,185	(14,215)
Transfers In	201,600	201,600	201,600	
Transfers Out	(2,736,357)	(2,650,408)	(2,621,733)	28,675
Total Other Financing Uses	(2,508,571)	(2,390,408)	(2,375,948)	14,460
Net Change in Fund Balance		(90,408)	4,485,390	4,575,798
Fund Balance - July 1	10,401,199	10,401,199	10,401,199	
Fund Balance - June 30	\$ 10,401,199	\$ 10,310,791	\$ 14,886,589	\$ 4,575,798

The following table presents a reconciliation of resulting basis differences in the fund balance (budgetary basis) at June 30, 2021 to the fund balance on a modified accrual basis (GAAP).

	Correction Enterprises Fund
Fund Balance (Budgetary Basis) June 30, 2021	\$ 14,886,589
Reconciling Adjustments:	
Basis Differences:	
Accrued Revenues:	
Receivables	315,681
Due from Other Funds and State Agencies	4,164,362
Total Accrued Revenues	4,480,043
Accrued Expenditures:	
Accounts Payable and Accrued Liabilities	(2,378,073)
Due to Other Funds and State Agencies	(4,323)
Total Accrued Expenditures	(2,382,396)
Other Adjustments:	
Inventories	15,633,125
Fund Balance (GAAP Basis) June 30, 2021	\$ 32,617,361

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

North Carolina Department of Public Safety
Required Supplementary Information
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, 2020

Schedule D-4

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Sales and Services	\$ 91,029,530	\$ 91,029,530	\$ 83,648,273	\$ (7,381,257)
Rental and Lease of Property	609,072	609,072	210,348	(398,724)
Miscellaneous Income	136,086	136,086	117,900	(18,186)
Total Revenues	91,774,688	91,774,688	83,976,521	(7,798,167)
EXPENDITURES				
Salaries and Benefits	30,123,518	28,671,309	26,884,015	1,787,294
Contracted Personal Services	410,108	765,298	765,294	4
Supplies and Materials	4,881,588	4,859,301	4,488,454	370,847
Purchases for Resale	42,830,458	43,727,324	43,075,830	651,494
Travel	368,148	221,690	221,685	5
Communication	130,089	121,993	121,992	1
Utilities	2,834,476	2,615,900	2,615,898	2
Data Processing Services	729,250	720,557	371,644	348,913
Other Services	1,722,611	1,408,296	1,364,670	43,626
Other Fixed Charges	509,781	688,740	688,736	4
Capital Outlay	3,148,145	3,946,284	3,304,420	641,864
Insurance and Bonding	468,500	475,200	475,199	1
Other Expenditures	1,109,445	1,044,225	918,948	125,277
Total Expenditures	89,266,117	89,266,117	85,296,785	3,969,332
Excess of Revenues Over (Under) Expenditures	2,508,571	2,508,571	(1,320,264)	(3,828,835)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	26,186	26,186	90,616	64,430
Transfers In	201,600	201,600	201,600	
Transfers Out	(2,736,357)	(2,771,378)	(2,726,932)	44,446
Total Other Financing Uses	(2,508,571)	(2,543,592)	(2,434,716)	108,876
Net Change in Fund Balance		(35,021)	(3,754,980)	(3,719,959)
Fund Balance - July 1	14,156,179	14,156,179	14,156,179	
Fund Balance - June 30	\$ 14,156,179	\$ 14,121,158	\$ 10,401,199	\$ (3,719,959)

The following table presents a reconciliation of resulting basis differences in the fund balance (budgetary basis) at June 30, 2020 to the fund balance on a modified accrual basis (GAAP).

	Correction Enterprises Fund
Fund Balance (Budgetary Basis) June 30, 2020	\$ 10,401,199
Reconciling Adjustments:	
Basis Differences:	
Accrued Revenues:	
Receivables	935,496
Due from Other Funds and State Agencies	3,691,094
Total Accrued Revenues	4,626,590
Accrued Expenditures:	
Accounts Payable and Accrued Liabilities	(2,992,774)
Other Adjustments:	
Inventories	18,855,569
Fund Balance (GAAP Basis) June 30, 2020	\$ 30,890,584

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

North Carolina Department of Public Safety
Required Supplementary Information
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, 2021

Schedule D-5

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Investment Earnings	\$ 1,091	\$ 2,280	\$ 1,966	\$ (314)
Sales and Services	38,946,799	36,690,205	36,664,227	(25,978)
Rental and Lease of Property	6,500	6,500	5,000	(1,500)
Contributions, Gifts, and Grants	106,078	119,073	117,853	(1,220)
Miscellaneous Income	388,144	1,794,105	1,846,921	52,816
Total Revenues	39,448,612	38,612,163	38,635,967	23,804
EXPENDITURES				
Salaries and Benefits	1,158,535	981,474	911,020	70,454
Contracted Personal Services	677,737	1,372,325	817,032	555,293
Supplies and Materials	1,865,598	2,317,315	1,907,237	410,078
Purchases for Resale	33,476,115	29,867,351	29,867,350	1
Travel	750			
Communication	4,900			
Utilities	189,100	189,629	188,866	763
Data Processing Services	5,000			
Other Services	70,939	123,946	42,259	81,687
Other Fixed Charges	139,550	255,313	234,863	20,450
Capital Outlay	470,600	894,528	828,567	65,961
Insurance and Bonding	3,100			
Other Expenditures	253,931	1,388,434	1,227,603	160,831
Total Expenditures	38,315,855	37,390,315	36,024,797	1,365,518
Excess of Revenues Over (Under) Expenditures	1,132,757	1,221,848	2,611,170	1,389,322
OTHER FINANCING SOURCES (USES)				
Transfers In	7,143,576	7,860,457	8,457,493	597,036
Transfers Out	(8,289,907)	(9,542,542)	(9,542,539)	3
Total Other Financing Uses	(1,146,331)	(1,682,085)	(1,085,046)	597,039
Net Change in Fund Balance	(13,574)	(460,237)	1,526,124	1,986,361
Fund Balance - July 1	4,075,229	4,075,229	4,075,229	
Fund Balance - June 30	\$ 4,061,655	\$ 3,614,992	\$ 5,601,353	\$ 1,986,361

The following table presents a reconciliation of resulting basis differences in the fund balance (budgetary basis) at June 30, 2021 to the fund balance on a modified accrual basis (GAAP).

	<u>Welfare Fund</u>
Fund Balance (Budgetary Basis) June 30, 2021	\$ 5,601,353
Reconciling Adjustments:	
Basis Differences:	
Accrued Revenues:	
Interest Receivable	71
Unearned Revenue	(68)
Total Accrued Revenues	3
Accrued Expenditures:	
Accounts Payable	(1,271,622)
Due to Other Funds and State Agencies	(2,692)
Total Accrued Expenditures	(1,274,314)
Other Adjustments:	
Inventories	2,357,826
Fund Balance (GAAP Basis) June 30, 2021	<u>\$ 6,684,868</u>

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

**North Carolina Department of Public Safety
Required Supplementary Information
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, 2020**

Schedule D-6

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Investment Earnings	\$ 1,091	\$ 6,365	\$ 6,365	\$ 0
Sales and Services	38,946,799	38,751,239	33,736,986	(5,014,253)
Rental and Lease of Property	6,500	6,000	6,000	
Contributions, Gifts, and Grants	106,078	112,640	112,639	(1)
Miscellaneous Income	388,144	1,796,518	1,796,532	14
Total Revenues	39,448,612	40,672,762	35,658,522	(5,014,240)
EXPENDITURES				
Salaries and Benefits	1,158,535	907,153	904,651	2,502
Contracted Personal Services	677,737	996,311	903,197	93,114
Supplies and Materials	1,865,598	4,415,761	2,574,613	1,841,148
Purchases for Resale	33,476,115	32,669,572	28,253,727	4,415,845
Travel	750	750		750
Communication	4,900	400		400
Utilities	189,100	224,493	202,179	22,314
Data Processing Services	5,000	5,000		5,000
Other Services	70,939	75,713	48,337	27,376
Other Fixed Charges	139,550	256,160	201,705	54,455
Capital Outlay	470,600	1,893,974	860,383	1,033,591
Insurance and Bonding	3,100	6,190	3,090	3,100
Other Expenditures	253,931	1,356,715	1,218,067	138,648
Total Expenditures	38,315,855	42,808,192	35,169,949	7,638,243
Excess of Revenues Over (Under) Expenditures	1,132,757	(2,135,430)	488,573	2,624,003
OTHER FINANCING SOURCES (USES)				
Transfers In	7,143,576	7,871,149	7,871,150	1
Transfers Out	(8,289,907)	(9,017,482)	(9,003,249)	14,233
Total Other Financing Uses	(1,146,331)	(1,146,333)	(1,132,099)	14,234
Net Change in Fund Balance	(13,574)	(3,281,763)	(643,526)	2,638,237
Fund Balance - July 1	4,718,755	4,718,755	4,718,755	
Fund Balance - June 30	\$ 4,705,181	\$ 1,436,992	\$ 4,075,229	\$ 2,638,237

The following table presents a reconciliation of resulting basis differences in the fund balance (budgetary basis) at June 30, 2020 to the fund balance on a modified accrual basis (GAAP).

	Welfare Fund
Fund Balance (Budgetary Basis) June 30, 2020	\$ 4,075,229
Reconciling Adjustments:	
Basis Differences:	
Accrued Expenditures:	
Accounts Payable	(765,400)
Due to Other Funds and State Agencies	(8,930)
Total Accrued Expenditures	(774,330)
Other Adjustments:	
Inventories	2,121,572
Fund Balance (GAAP Basis) June 30, 2020	\$ 5,422,471

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

**North Carolina Department of Public Safety
Notes to Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
(Budgetary Basis - Non-GAAP) - General Fund, Correction Enterprises Fund, and Welfare Fund
For the Fiscal Years Ended June 30, 2021 and 2020**

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 original 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 originally certified in various line items provided the over-expenditure meets certain criteria and is authorized by the Director of the Budget. The process of approving these over-expenditures results in the final authorized budget amounts.

B. Reconciliation of Budget/GAAP Reporting Differences

The *Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis-Non-GAAP) - General Fund, Correction Enterprises Fund, and Welfare Fund*, presents comparisons of the 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 for governmental funds is accounted for on the modified accrual basis of accounting. Accrued revenues and expenditures are recognized in the GAAP financial statements.

North Carolina Department of Public Safety
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
Proprietary Funds
Last Eight Fiscal Years*

Schedule D-7

Teachers' and State Employees' Retirement System	2021	2020	2019	2018
Proportionate Share Percentage of Collective Net Pension Liability	0.02193%	0.02184%	0.02033%	0.02373%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 2,649,858	\$ 2,264,156	\$ 2,023,407	\$ 1,883,220
Covered Payroll	\$ 3,463,039	\$ 3,340,924	\$ 3,057,511	\$ 3,129,194
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	76.52%	67.77%	66.18%	60.18%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.98%	87.56%	87.61%	89.51%
	2017	2016	2015	2014
Proportionate Share Percentage of Collective Net Pension Liability	0.02072%	0.02108%	0.02078%	0.02115%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 1,904,292	\$ 776,917	\$ 243,640	\$ 1,283,984
Covered Payroll	\$ 3,129,442	\$ 3,021,054	\$ 2,890,271	\$ 2,751,580
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	60.85%	25.72%	8.43%	46.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.32%	94.64%	98.24%	90.60%

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, as amended.

*The amounts presented for each fiscal year were determined as of the prior fiscal year ended June 30.

**North Carolina Department of Public Safety
Required Supplementary Information
Schedule of Department Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
Proprietary Funds
Last Eight Fiscal Years**

Schedule D-8

Teachers' and State Employees' Retirement System	2021	2020	2019	2018
Contractually Required Contribution	\$ 547,324	\$ 449,156	\$ 410,600	\$ 329,600
Contributions in Relation to the Contractually Determined Contribution	547,324	449,156	410,600	329,600
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 3,703,136	\$ 3,463,039	\$ 3,340,924	\$ 3,057,511
Contributions as a Percentage of Covered Payroll	14.78%	12.97%	12.29%	10.78%
	2017	2016	2015	2014
Contractually Required Contribution	\$ 312,294	\$ 286,344	\$ 276,426	\$ 251,164
Contributions in Relation to the Contractually Determined Contribution	312,294	286,344	276,426	251,164
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 3,129,194	\$ 3,129,442	\$ 3,021,054	\$ 2,890,271
Contributions as a Percentage of Covered Payroll	9.98%	9.15%	9.15%	8.69%

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

**North Carolina Department of Public Safety
Notes to Required Supplementary Information
Schedule of Department Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
Proprietary Funds
For the Fiscal Years Ended June 30, 2021 and 2020**

Changes of Benefit Terms:

	<u>Cost of Living Increase</u>										
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Teachers' and State Employees' Retirement System	N/A	N/A	1.00%	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	N/A

Changes of Assumptions: In 2015, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement systems' actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent Experience Review examined each plan's experience during the period between January 1, 2010, and December 31, 2014. Based on the findings, the Board of Trustees of the Teachers' and State Employees' Retirement System adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and the mortality improvement projection scales to reflect reduced rates of mortality and significant increases in mortality improvements. These assumptions were adjusted to reflect the mortality projection scale MP-2015, released by the Society of Actuaries in 2015. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were reduced to more closely reflect actual experience. The discount rate for Teachers' and State Employees' Retirement System was lowered from 7.25% to 7.20% for the December 31, 2016 valuation. The discount rate for Teachers' and State Employees' Retirement System was lowered from 7.20% to 7.00% for the December 31, 2017 valuation. For the December 31, 2019 valuation, the discount rate was 7.00%.

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

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2020 and 2019 *Comprehensive Annual Financial Report*.

N/A - Not Applicable

**North Carolina Department of Public Safety
Required Supplementary Information
Schedule of the Proportionate Net OPEB Liability or Asset
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Proprietary Funds
Last Five Fiscal Years***

Schedule D-9

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Retiree Health Benefit Fund					
Proportionate Share Percentage of Collective Net OPEB Liability	0.01921%	0.01933%	0.01773%	0.02071%	0.01712%
Proportionate Share of Collective Net OPEB Liability	\$ 5,329,069	\$ 6,118,325	\$ 5,049,904	\$ 6,790,909	\$ 7,449,874
Covered Payroll	\$ 3,463,039	\$ 3,340,924	\$ 3,057,511	\$ 3,129,194	\$ 3,129,442
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	153.88%	183.13%	165.16%	217.02%	238.06%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.92%	4.40%	4.40%	3.52%	2.41%
Disability Income Plan of North Carolina					
Proportionate Share Percentage of Collective Net OPEB Asset	0.01919%	0.01916%	0.01768%	0.02101%	0.01852%
Proportionate Share of Collective Net OPEB Asset	\$ 9,438	\$ 8,269	\$ 5,370	\$ 12,843	\$ 11,504
Covered Payroll	\$ 3,463,039	\$ 3,340,924	\$ 3,057,511	\$ 3,129,194	\$ 3,129,442
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.27%	0.25%	0.18%	0.41%	0.37%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	115.57%	113.00%	108.47%	116.23%	116.06%

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended.

The amounts presented for each fiscal year were determined as of the prior fiscal year ended June 30.

North Carolina Department of Public Safety
Required Supplementary Information
Schedule of Department Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Proprietary Funds
Last Five Fiscal Years

Schedule D-10

Retiree Health Benefit Fund	2021	2020	2019	2018	2017
Contractually Required Contribution	\$ 247,370	\$ 224,059	\$ 209,476	\$ 184,980	\$ 181,806
Contributions in Relation to the Contractually Determined Contribution	<u>247,370</u>	<u>224,059</u>	<u>209,476</u>	<u>184,980</u>	<u>181,806</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>				
Covered Payroll	3,703,136	3,463,039	3,340,924	3,057,511	3,129,194
Contributions as a Percentage of Covered Payroll	6.68%	6.47%	6.27%	6.05%	5.81%

Disability Income Plan of North Carolina	2021	2020	2019	2018	2017
Contractually Required Contribution	\$ 3,333	\$ 3,463	\$ 4,677	\$ 4,280	\$ 11,891
Contributions in Relation to the Contractually Determined Contribution	<u>3,333</u>	<u>3,463</u>	<u>4,677</u>	<u>4,280</u>	<u>11,891</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>				
Covered Payroll	3,703,136	3,463,039	3,340,924	3,057,511	3,129,194
Contributions as a Percentage of Covered Payroll	0.09%	0.10%	0.14%	0.14%	0.38%

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

**North Carolina Department of Public Safety
Notes to Required Supplementary Information
Schedule of Department Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Proprietary Funds
For the Fiscal Years Ended June 30, 2021 and 2020**

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

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

Effective January 1, 2019, benefit terms related to copays, out-of-pockets maximums, and deductibles were changes for one of four options of the RHBF. Out of pocket maximums increased while certain specialist copays decreased related to option benefits.

Effective January 1, 2020, benefit terms related to copays, out-of-pockets maximums, and deductibles were changes for the 70/30 PPO option of the RHBF. Only the copays were adjusted for 80/20 PPO option of the RHBF.

Additionally, the December 31, 2017 Disability Income Plan of North Carolina (DIPNC) actuarial valuation includes a liability for the State's potential reimbursement of health insurance premiums paid by employers during the second six months of the short-term disability benefit period.

Method and Assumptions Used in Calculations of Actuarially Determined Contributions: An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of Department Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning six months following the date of the valuation results for the RHBF. The actuarially determined contribution rates in the Schedule of Department Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results for the DIPNC. See Note 12 for more information on the specific assumptions for each plan. The actuarially determined contributions for those items with covered payroll were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

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

For the actuarial valuation measured as of June 30, 2020, the discount rate for the RHBF was updated to 2.21%. In the prior year, disability rates were adjusted to the non-grandfathered assumptions used in the Teachers' and State Employees' Retirement System actuarial valuation to better align with the anticipated incidence of disability. Medical and prescription drug claims were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations among RHBF plan options over the next four years. For the DIPNC actuarial valuation as of December 31, 2018, for individuals who may become disabled in the future, the Social Security disability income benefit (which is an offset for the DIPNC benefit) was updated to be based on assumed Social Security calculation parameters in the year of disability. The assumed costs related to the Patient Protection and Affordable Care Act regarding the Health Insurance Provider Fee for the fully insured plans and Excise Tax were removed when those pieces were repealed December 2019.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2020 and 2019 *Comprehensive Annual Financial Report*.



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, 2021

Schedule E-1

	Administration (1)	Adult Correction and Juvenile Justice (2)	Law Enforcement (3)	National Guard (4)	Emergency Management (5)	Total Divisions
REVENUES						
Federal Funds	\$ 109,958,781	\$ 400,327	\$ 17,744,546	\$ 46,529,804	\$ 370,196,407	\$ 544,829,865
Federal COVID-19 Funds					219,769,502	219,769,502
Local Funds				4,000		4,000
Investment Earnings	116,307	5,397	30,965	1,997		154,666
Sales and Services	100,000	66,212,926	14,760,216	78,071	1,560,857	82,712,070
Intergovernmental Sales and Services		50,979,168				50,979,168
Rental and Lease of Property		12,457	178,228	14,085		204,770
Fees, Licenses, and Fines	4,621,306	1,424,067	10,280,607		2,699,210	19,025,190
Student Tuition and Fees			78,765			78,765
Contributions, Gifts, and Grants		1,510,663	2,096,600	219,105	(1,025,948)	2,800,420
Revenues from Other State Agencies	169,131	568,725,059	107,401,155	9,685,662	305,684,279	991,665,286
Miscellaneous Income	3,454	7,867,040	71,745	130,463	4,254,211	12,326,913
Total Revenues	114,968,979	697,137,104	152,642,827	56,663,187	903,138,518	1,924,550,615
EXPENDITURES						
Salaries and Benefits	47,887,729	1,395,908,308	271,500,355	14,999,568	25,880,754	1,756,176,714
Contracted Personal Services	25,153,959	102,815,822	9,549,698	10,506,416	117,981,001	266,006,896
Contracted Medical Services	714	121,741,722	547,612	236,385		122,526,433
Supplies and Materials	784,954	141,698,196	15,496,069	1,836,312	106,777,356	266,592,887
Purchases for Resale		69,850,744				69,850,744
Travel	59,706	1,623,980	780,647	49,012	4,687,087	7,200,432
Communication	716,990	4,494,287	3,205,420	1,517,888	273,523	10,208,108
Utilities	372,441	45,085,023	1,083,297	4,612,807	137,105	51,290,673
Data Processing Services	9,224,701	11,451,510	3,747,184	120,605	1,865,805	26,409,805
Other Services	581,104	6,768,546	1,876,642	5,293,601	420,314	14,940,207
Claims and Benefits		15,000	14,474,210			14,489,210
Debt Service:						
Principal Retirement		1,215,174				1,215,174
Interest and Fees		252,826				252,826
Other Fixed Charges	1,167,255	5,094,809	4,959,445	491,404	442,515	12,155,428
Capital Outlay	2,554,587	32,722,541	56,209,692	35,632,116	3,633,689	130,752,625
Grants, State Aid, and Subsidies	100,570,977	28,889,126		91,792	544,819,756	674,371,651
Insurance and Bonding	180,996	2,059,986	1,775,268	160,141	108,007	4,284,398
Expenditures to Other State Agencies	23,233,580	2,610,441	6,339,255		33,641,019	65,824,295
Other Expenditures	2,198,366	19,393,256	7,860,524	424,607	7,065,241	36,941,994
Total Expenditures	214,688,059	1,993,691,297	399,405,318	75,972,654	847,733,172	3,531,490,500
Excess of Revenues Over (Under) Expenditures	<u>(99,719,080)</u>	<u>(1,296,554,193)</u>	<u>(246,762,491)</u>	<u>(19,309,467)</u>	<u>55,405,346</u>	<u>(1,606,939,885)</u>
OTHER FINANCING SOURCES (USES)						
Sale of Capital Assets		59,622	3,016,232	14,577	33,212	3,123,643
Insurance Recoveries		51,013	626,406		52,553	729,972
Transfers from ABC Commission	1,398,000					1,398,000
Transfers In	902,117	14,623,195		14,431		15,539,743
Transfers Out		(15,525,312)		(14,431)		(15,539,743)
Transfers to State Reserve Fund	(5,384,347)	(18,033,868)	(2,790,524)	(170,403)	(895,233)	(27,274,375)
Transfers from State Reserve Fund	3,501,568	21,458,927	4,233,810	398,216	1,842,201	31,434,722
Appropriations	88,333,408	1,258,340,064	207,740,768	14,941,177	10,863,487	1,580,218,904
Total Other Financing Sources (Uses)	88,750,746	1,260,973,641	212,826,692	15,183,567	11,896,220	1,589,630,866
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (10,968,334)</u>	<u>\$ (35,580,552)</u>	<u>\$ (33,935,799)</u>	<u>\$ (4,125,900)</u>	<u>\$ 67,301,566</u>	<u>\$ (17,309,019)</u>

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

**North Carolina Department of Public Safety
Combining Schedule of Revenues and Expenditures
Governmental Funds by Division
For the Fiscal Year Ended June 30, 2020**

Schedule E-2

	Administration (1)	Adult Correction and Juvenile Justice (2)	Law Enforcement (3)	National Guard (4)	Emergency Management (5)	Total Divisions
REVENUES						
Federal Funds	\$ 85,075,949	\$ 7,525,574	\$ 24,384,828	\$ 40,133,925	\$ 321,805,738	\$ 478,926,014
Federal COVID-19 Funds					110,712,202	110,712,202
Local Funds				4,625		4,625
Investment Earnings	272,149	19,166	139,289	8,842		439,446
Sales and Services	100,000	64,044,531	15,871,929	154,705	1,971,093	82,142,258
Intragovernmental Sales and Services		55,408,296				55,408,296
Rental and Lease of Property		259,798	153,756	75,275		488,829
Fees, Licenses, and Fines	23,232,275	2,438,347	6,764,560		5,042,417	37,477,599
Student Tuition and Fees			102,390			102,390
Contributions, Gifts, and Grants		2,229,139	3,162,680	236,297	684,086	6,312,202
Revenues from Other State Agencies	1,727,673	1,961,041	12,241,071	756,700	337,751,747	354,438,232
Miscellaneous Income	26,915	10,403,348	162,876	239,187	5,005,195	15,837,521
Total Revenues	110,434,961	144,289,240	62,983,379	41,609,556	782,972,478	1,142,289,614
EXPENDITURES						
Salaries and Benefits	44,065,908	1,317,713,197	257,241,998	14,928,712	22,573,849	1,656,523,664
Contracted Personal Services	23,019,260	101,972,694	8,992,195	8,105,393	82,219,412	224,308,954
Contracted Medical Services		109,309,555	506,000	40,463		109,856,018
Supplies and Materials	780,921	153,143,704	8,698,311	2,086,592	139,103,552	303,813,080
Purchases for Resale		67,560,854				67,560,854
Travel	178,168	2,587,199	1,016,144	129,565	3,495,188	7,406,264
Communication	352,269	5,320,499	2,922,643	1,589,235	239,582	10,424,228
Utilities	352,064	46,425,593	1,066,371	4,459,440	38,409	52,341,877
Data Processing Services	2,009,186	12,505,903	2,330,886	205,750	542,710	17,594,435
Other Services	447,743	8,399,634	1,508,970	2,859,071	334,951	13,550,369
Claims and Benefits		16,319	13,620,091			13,636,410
Debt Service:						
Principal Retirement		1,157,405				1,157,405
Interest and Fees		282,595				282,595
Other Fixed Charges	766,913	5,732,259	5,680,667	428,088	329,611	12,937,538
Capital Outlay	3,415,927	37,724,072	29,947,527	21,434,122	9,026,715	101,548,363
Grants, State Aid, and Subsidies	84,292,919	26,989,299		83,172	353,583,879	464,949,269
Insurance and Bonding	138,769	2,725,066	1,761,207	53,703	62,016	4,740,761
Expenditures to Other State Agencies	27,104,013	1,910,440	16,874,823		139,280,980	185,170,256
Other Expenditures	2,211,703	20,151,280	5,937,332	430,015	4,757,098	33,487,428
Total Expenditures	189,135,763	1,921,627,567	358,105,165	56,833,321	755,587,952	3,281,289,768
Excess of Revenues Over (Under) Expenditures	(78,700,802)	(1,777,338,327)	(295,121,786)	(15,223,765)	27,384,526	(2,139,000,154)
OTHER FINANCING SOURCES (USES)						
Sale of Capital Assets		455,358	3,314,074	1,896	21,504	3,792,832
Insurance Recoveries		72,719	2,386,443		289,732	2,748,894
Transfers In	1,120,561	2,440,070		1,183,480		4,744,111
Transfers Out		(3,560,631)		(1,183,480)		(4,744,111)
Transfers to State Reserve Fund	(3,501,568)	(23,056,204)	(3,370,908)	(398,214)	(1,107,828)	(31,434,722)
Transfers from State Reserve Fund	2,102,417	3,311,183	2,072,153	280,112	373,171	8,139,036
Appropriations	77,286,284	1,779,366,674	299,142,966	12,260,069	30,918,363	2,198,974,356
Total Other Financing Sources (Uses)	77,007,694	1,759,029,169	303,544,728	12,143,863	30,494,942	2,182,220,396
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (1,693,108)	\$ (18,309,158)	\$ 8,422,942	\$ (3,079,902)	\$ 57,879,468	\$ 43,220,242

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

North Carolina Department of Public Safety
Schedule of Revenues and Expenditures
Governmental Funds - Division of Administration by Function
For the Fiscal Year Ended June 30, 2021

	<u>Controller's Office</u>	<u>Information Technology</u>	<u>Human Resources</u>	<u>Central Engineering</u>
REVENUES				
Federal Funds	\$ 0	\$ 0	\$ 0	\$ 0
Investment Earnings				
Sales and Services				
Fees, Licenses, and Fines				
Revenues from Other State Agencies				
Miscellaneous Income	2		737	252
	<u>2</u>		<u>737</u>	<u>252</u>
Total Revenues	<u>2</u>	<u>0</u>	<u>737</u>	<u>252</u>
EXPENDITURES				
Salaries and Benefits	4,917,436		13,302,753	9,799,749
Contracted Personal Services	1,545,316	17,524,024	1,561,706	29,497
Contracted Medical Services				
Supplies and Materials				
Travel		6,960	48,744	67
Communication	39,100	121,648	142,203	71,966
Utilities	27,329	23,373	13,783	20,713
Data Processing Services	74,484	8,634,250	130,779	45,510
Other Services	54,495	19,567	77,169	4,121
Other Fixed Charges	23,856	898,026	67,927	14,037
Capital Outlay	7,176	1,673,309	153,744	8,574
Grants, State Aid, and Subsidies				
Insurance and Bonding			178,094	2,466
Expenditures to Other State Agencies				
Other Expenditures	385,573	350,906	530,307	289,219
	<u>385,573</u>	<u>350,906</u>	<u>530,307</u>	<u>289,219</u>
Total Expenditures	<u>7,074,765</u>	<u>29,252,063</u>	<u>16,207,209</u>	<u>10,285,919</u>
Excess of Revenues Over (Under) Expenditures	<u>(7,074,763)</u>	<u>(29,252,063)</u>	<u>(16,206,472)</u>	<u>(10,285,667)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from ABC Commission	1,398,000			
Transfers In	347,004			
Transfers to State Reserve Fund				
Transfers from State Reserve Fund				
Appropriations	6,655,331	27,795,130	12,988,961	11,810,287
	<u>6,655,331</u>	<u>27,795,130</u>	<u>12,988,961</u>	<u>11,810,287</u>
Total Other Financing Sources (Uses)	<u>8,400,335</u>	<u>27,795,130</u>	<u>12,988,961</u>	<u>11,810,287</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 1,325,572</u>	<u>\$ (1,456,933)</u>	<u>\$ (3,217,511)</u>	<u>\$ 1,524,620</u>

Schedule F-1

Governor's Crime Commission	Victim Services	ABC Board Non Tax	Other	Total Administration
\$ 107,927,492 116,307	\$ 2,031,289	\$ 0	\$ 0	\$ 109,958,781
	90,582	4,530,724	100,000	116,307
			169,131	100,000
5	43		2,415	4,621,306
108,043,804	2,121,914	4,530,724	271,546	114,968,979
2,889,467	1,272,088		15,706,236	47,887,729
997,459	737,530		2,758,427	25,153,959
			714	714
44,981	8,476		731,497	784,954
88	392		3,455	59,706
46,372	16,559		279,142	716,990
1,997			285,246	372,441
151,702	13,070		174,906	9,224,701
11,236	20,689		393,827	581,104
29,813	7,485		126,111	1,167,255
32,132	4,095		675,557	2,554,587
90,107,870	6,563,107		3,900,000	100,570,977
			436	180,996
		23,233,580		23,233,580
254,100	2,346		385,915	2,198,366
94,567,217	8,645,837	23,233,580	25,421,469	214,688,059
13,476,587	(6,523,923)	(18,702,856)	(25,149,923)	(99,719,080)
				1,398,000
	202,653		352,460	902,117
	(3,761,085)		(1,623,262)	(5,384,347)
	2,984,382		517,186	3,501,568
668,602	6,176,632		22,238,465	88,333,408
668,602	5,602,582	0	21,484,849	88,750,746
<u>\$ 14,145,189</u>	<u>\$ (921,341)</u>	<u>\$ (18,702,856)</u>	<u>\$ (3,665,074)</u>	<u>\$ (10,968,334)</u>

North Carolina Department of Public Safety
Schedule of Revenues and Expenditures
Governmental Funds - Division of Administration by Function
For the Fiscal Year Ended June 30, 2020

	Controller's Office	Information Technology	Human Resources	Central Engineering
REVENUES				
Federal Funds	\$ 0	\$ 0	\$ 0	\$ 0
Investment Earnings				
Sales and Services				
Fees, Licenses, and Fines				
Revenues from Other State Agencies				
Miscellaneous Income		23,160		
		<u>23,160</u>		
Total Revenues	<u>0</u>	<u>23,160</u>	<u>0</u>	<u>0</u>
EXPENDITURES				
Salaries and Benefits	4,859,972	115	9,952,734	9,917,368
Contracted Personal Services	1,588,747	15,683,422	1,340,300	17,944
Supplies and Materials	41,236	62,334	140,894	6,410
Travel		25,528	20,365	8,011
Communication	3,977	125,180	48,627	23,682
Utilities	32,241	27,838	2,470	24,436
Data Processing Services	51,419	1,769,170	28,580	31,516
Other Services	47,792	18,222	26,919	16,828
Other Fixed Charges	32,894	536,117	38,142	8,587
Capital Outlay	50,586	467,756	74,071	53,641
Grants, State Aid, and Subsidies				
Insurance and Bonding		35,000	103,037	
Expenditures to Other State Agencies				
Other Expenditures	378,586	337,780	428,622	287,468
	<u>378,586</u>	<u>337,780</u>	<u>428,622</u>	<u>287,468</u>
Total Expenditures	<u>7,087,450</u>	<u>19,088,462</u>	<u>12,204,761</u>	<u>10,395,891</u>
Excess of Revenues Over (Under) Expenditures	<u>(7,087,450)</u>	<u>(19,065,302)</u>	<u>(12,204,761)</u>	<u>(10,395,891)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	267,581	352,460		
Transfers to State Reserve Fund				
Transfers from State Reserve Fund		17,207	5,016	
Appropriations	6,745,390	18,845,317	12,146,680	10,439,768
	<u>6,745,390</u>	<u>18,845,317</u>	<u>12,146,680</u>	<u>10,439,768</u>
Total Other Financing Sources (Uses)	<u>7,012,971</u>	<u>19,214,984</u>	<u>12,151,696</u>	<u>10,439,768</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (74,479)</u>	<u>\$ 149,682</u>	<u>\$ (53,065)</u>	<u>\$ 43,877</u>

Schedule F-2

<u>Governor's Crime Commission</u>	<u>Victim Services</u>	<u>ABC Board Non Tax</u>	<u>Other</u>	<u>Total Administration</u>
\$ 82,383,670	\$ 2,692,279	\$ 0	\$ 0	\$ 85,075,949
272,149				272,149
	75,145	23,157,130	100,000	100,000
			1,727,673	23,232,275
	44		3,711	1,727,673
				26,915
<u>82,655,819</u>	<u>2,767,468</u>	<u>23,157,130</u>	<u>1,831,384</u>	<u>110,434,961</u>
2,343,739	1,237,323		15,754,657	44,065,908
673,361	842,906		2,872,580	23,019,260
38,674	7,523		483,850	780,921
61,556	8,041		54,667	178,168
42,744	7,294		100,765	352,269
2,132			262,947	352,064
14,609	6,530		107,362	2,009,186
20,513	24,715		292,754	447,743
62,878	10,373		77,922	766,913
38,655	7,595		2,723,623	3,415,927
76,983,979	7,308,940			84,292,919
35	22		675	138,769
		26,521,850	582,163	27,104,013
<u>270,097</u>	<u>2,843</u>		<u>506,307</u>	<u>2,211,703</u>
<u>80,552,972</u>	<u>9,464,105</u>	<u>26,521,850</u>	<u>23,820,272</u>	<u>189,135,763</u>
<u>2,102,847</u>	<u>(6,696,637)</u>	<u>(3,364,720)</u>	<u>(21,988,888)</u>	<u>(78,700,802)</u>
	500,520			1,120,561
	(2,984,382)		(517,186)	(3,501,568)
12,815	2,007,777		59,602	2,102,417
<u>882,804</u>	<u>6,216,184</u>		<u>22,010,141</u>	<u>77,286,284</u>
<u>895,619</u>	<u>5,740,099</u>	<u>0</u>	<u>21,552,557</u>	<u>77,007,694</u>
<u>\$ 2,998,466</u>	<u>\$ (956,538)</u>	<u>\$ (3,364,720)</u>	<u>\$ (436,331)</u>	<u>\$ (1,693,108)</u>

**North Carolina Department of Public Safety
Schedule of Revenues and Expenditures**

**Governmental Funds - Division of Adult Correction and Juvenile Justice by Sub-Division
For the Fiscal Year Ended June 30, 2021**

Schedule G-1

	Adult Correction (1)	Juvenile Justice (2)	Correction Enterprises	Total Adult Correction and Juvenile Justice
REVENUES				
Federal Funds	\$ 383,497	\$ 16,830	\$ 0	\$ 400,327
Investment Earnings	3,428	1,969		5,397
Sales and Services	38,145,000	1,337	28,066,589	66,212,926
Intragovernmental Sales and Services			50,979,168	50,979,168
Rental and Lease of Property	5,000		7,457	12,457
Fees, Licenses, and Fines	1,424,067			1,424,067
Contributions, Gifts, and Grants	370,486	1,140,177		1,510,663
Revenues from Other State Agencies	535,268,456	33,456,603		568,725,059
Miscellaneous Income	7,808,206	14,348	44,486	7,867,040
Total Revenues	583,408,140	34,631,264	79,097,700	697,137,104
EXPENDITURES				
Salaries and Benefits	1,280,315,704	90,581,075	25,011,529	1,395,908,308
Contracted Personal Services	70,379,422	31,981,393	455,007	102,815,822
Contracted Medical Services	118,048,862	3,687,454	5,406	121,741,722
Supplies and Materials	135,641,711	2,641,240	3,415,245	141,698,196
Purchases for Resale	30,551,675		39,299,069	69,850,744
Travel	1,297,000	206,979	120,001	1,623,980
Communication	3,627,507	776,075	90,705	4,494,287
Utilities	42,201,719	688,600	2,194,704	45,085,023
Data Processing Services	8,857,822	2,238,266	355,422	11,451,510
Other Services	5,187,294	315,624	1,265,628	6,768,546
Claims and Benefits	15,000			15,000
Debt Service:				
Principal Retirement	1,215,174			1,215,174
Interest and Fees	252,826			252,826
Other Fixed Charges	4,490,105	136,551	468,153	5,094,809
Capital Outlay	24,198,352	7,366,742	1,157,447	32,722,541
Grants, State Aid, and Subsidies	325,118	28,564,008		28,889,126
Insurance and Bonding	1,941,098	51,015	67,873	2,059,986
Expenditures to Other State Agencies	2,610,441			2,610,441
Other Expenditures	15,980,172	2,315,535	1,097,549	19,393,256
Total Expenditures	1,747,137,002	171,550,557	75,003,738	1,993,691,297
Excess of Revenues Over (Under) Expenditures	(1,163,728,862)	(136,919,293)	4,093,962	(1,296,554,193)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	13,781	1,656	44,185	59,622
Insurance Recoveries	51,013			51,013
Transfers In	2,309,795	11,611,800	701,600	14,623,195
Transfers Out	(11,731,779)	(1,171,800)	(2,621,733)	(15,525,312)
Transfers to State Reserve Fund	(15,827,328)	(1,206,540)	(1,000,000)	(18,033,868)
Transfers from State Reserve Fund	19,223,736	2,235,191		21,458,927
Appropriations	1,126,043,168	132,296,896		1,258,340,064
Total Other Financing Sources (Uses)	1,120,082,386	143,767,203	(2,875,948)	1,260,973,641
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (43,646,476)	\$ 6,847,910	\$ 1,218,014	\$ (35,580,552)

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

(2) See Supplementary Schedule G-9 for further details.

**North Carolina Department of Public Safety
Schedule of Revenues and Expenditures**

**Governmental Funds - Division of Adult Correction and Juvenile Justice by Sub-Division
For the Fiscal Year Ended June 30, 2020**

Schedule G-2

	Adult Correction (1)	Juvenile Justice (2)	Correction Enterprises	Total Adult Correction and Juvenile Justice
REVENUES				
Federal Funds	\$ 7,525,574	\$ 0	\$ 0	\$ 7,525,574
Investment Earnings	12,801	6,365		19,166
Sales and Services	35,560,682	35,639	28,448,210	64,044,531
Intragovernmental Sales and Services			55,408,296	55,408,296
Rental and Lease of Property	6,000		253,798	259,798
Fees, Licenses, and Fines	2,438,347			2,438,347
Contributions, Gifts, and Grants	587,315	1,641,824		2,229,139
Revenues from Other State Agencies	1,954,434	6,607		1,961,041
Miscellaneous Income	10,279,643	5,805	117,900	10,403,348
Total Revenues	58,364,796	1,696,240	84,228,204	144,289,240
EXPENDITURES				
Salaries and Benefits	1,208,206,580	82,539,875	26,966,742	1,317,713,197
Contracted Personal Services	74,575,359	26,731,802	665,533	101,972,694
Contracted Medical Services	107,371,952	1,937,603		109,309,555
Supplies and Materials	145,903,103	2,952,507	4,288,094	153,143,704
Purchases for Resale	28,358,269		39,202,585	67,560,854
Travel	1,973,747	407,789	205,663	2,587,199
Communication	4,644,732	546,732	129,035	5,320,499
Utilities	43,250,928	759,035	2,415,630	46,425,593
Data Processing Services	10,926,430	1,222,224	357,249	12,505,903
Other Services	6,787,239	286,105	1,326,290	8,399,634
Claims and Benefits	16,319			16,319
Debt Service:				
Principal Retirement	1,157,405			1,157,405
Interest and Fees	282,595			282,595
Other Fixed Charges	4,958,235	92,082	681,942	5,732,259
Capital Outlay	28,786,019	5,288,639	3,649,414	37,724,072
Grants, State Aid, and Subsidies	323,505	26,665,794		26,989,299
Insurance and Bonding	1,796,708	40,477	887,881	2,725,066
Expenditures to Other State Agencies	1,410,440		500,000	1,910,440
Other Expenditures	16,713,140	2,431,344	1,006,796	20,151,280
Total Expenditures	1,687,442,705	151,902,008	82,282,854	1,921,627,567
Excess of Revenues Over (Under) Expenditures	<u>(1,629,077,909)</u>	<u>(150,205,768)</u>	<u>1,945,350</u>	<u>(1,777,338,327)</u>
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	360,066	4,676	90,616	455,358
Insurance Recoveries	16,892		55,827	72,719
Transfers In	2,238,470		201,600	2,440,070
Transfers Out	(1,333,699)		(2,226,932)	(3,560,631)
Transfers to State Reserve Fund	(10,822,278)	(12,233,926)		(23,056,204)
Transfers from State Reserve Fund	3,191,020	120,163		3,311,183
Appropriations	1,621,185,820	158,180,854		1,779,366,674
Total Other Financing Sources (Uses)	1,614,836,291	146,071,767	(1,878,889)	1,759,029,169
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (14,241,618)</u>	<u>\$ (4,134,001)</u>	<u>\$ 66,461</u>	<u>\$ (18,309,158)</u>

(1) See Supplementary Schedule G-4 for further details.

(2) See Supplementary Schedule G-10 for further details.

North Carolina Department of Public Safety
Schedule of Revenues and Expenditures
Governmental Funds - Sub-Division of Adult Correction by Function
For the Fiscal Year Ended June 30, 2021

Schedule G-3

	Prisons (1)	Community Corrections (2)	Other	Total Adult Correction
REVENUES				
Federal Funds	\$ 0	\$ 383,497	\$ 0	\$ 383,497
Investment Earnings		3,428		3,428
Sales and Services	37,891,116		253,884	38,145,000
Rental and Lease of Property		5,000		5,000
Fees, Licenses, and Fines	1,094,123	329,944		1,424,067
Contributions, Gifts, and Grants	364,867	4,119	1,500	370,486
Revenues from Other State Agencies	456,348,329	76,440,206	2,479,921	535,268,456
Miscellaneous Income	7,639,648	3,371	165,187	7,808,206
Total Revenues	503,338,083	77,169,565	2,900,492	583,408,140
EXPENDITURES				
Salaries and Benefits	1,072,684,516	185,536,102	22,095,086	1,280,315,704
Contracted Personal Services	40,955,863	23,222,550	6,201,009	70,379,422
Contracted Medical Services	117,969,906	72,116	6,840	118,048,862
Supplies and Materials	131,423,429	3,220,118	998,164	135,641,711
Purchases for Resale	30,551,675			30,551,675
Travel	366,766	107,467	822,767	1,297,000
Communication	1,723,819	1,767,306	136,382	3,627,507
Utilities	41,743,176	221,982	236,561	42,201,719
Data Processing Services	6,291,890	2,382,016	183,916	8,857,822
Other Services	4,738,353	194,518	254,423	5,187,294
Claims and Benefits		15,000		15,000
Debt Service:				
Principal Retirement	1,215,174			1,215,174
Interest and Fees	252,826			252,826
Other Fixed Charges	4,250,210	169,042	70,853	4,490,105
Capital Outlay	22,565,597	1,204,458	428,297	24,198,352
Grants, State Aid, and Subsidies	325,118			325,118
Insurance and Bonding	1,941,048	50		1,941,098
Expenditures to Other State Agencies	2,610,441			2,610,441
Other Expenditures	6,372,192	8,330,492	1,277,488	15,980,172
Total Expenditures	1,487,981,999	226,443,217	32,711,786	1,747,137,002
Excess of Revenues Over (Under) Expenditures	(984,643,916)	(149,273,652)	(29,811,294)	(1,163,728,862)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets			13,781	13,781
Insurance Recoveries	5,657		45,356	51,013
Transfers In	2,248,062		61,733	2,309,795
Transfers Out	(1,291,779)		(10,440,000)	(11,731,779)
Transfers to State Reserve Fund	(6,996,509)	(218,093)	(8,612,726)	(15,827,328)
Transfers from State Reserve Fund	9,959,692	602,816	8,661,228	19,223,736
Appropriations	950,427,202	146,112,928	29,503,038	1,126,043,168
Total Other Financing Sources (Uses)	954,352,325	146,497,651	19,232,410	1,120,082,386
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (30,291,591)	\$ (2,776,001)	\$ (10,578,884)	\$ (43,646,476)

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

(2) See Supplementary Schedule G-7 for further details.

**North Carolina Department of Public Safety
Schedule of Revenues and Expenditures
Governmental Funds - Sub-Division of Adult Correction by Function
For the Fiscal Year Ended June 30, 2020**

Schedule G-4

	Prisons (1)	Community Corrections (2)	Other	Total Adult Correction
REVENUES				
Federal Funds	\$ 7,277,203	\$ 248,371	\$ 0	\$ 7,525,574
Investment Earnings		12,801		12,801
Sales and Services	35,468,296		92,386	35,560,682
Rental and Lease of Property		6,000		6,000
Fees, Licenses, and Fines	2,123,991	314,356		2,438,347
Contributions, Gifts, and Grants	574,979	9,836	2,500	587,315
Revenues from Other State Agencies	1,945,934		8,500	1,954,434
Miscellaneous Income	10,008,615	9,167	261,861	10,279,643
Total Revenues	57,399,018	600,531	365,247	58,364,796
EXPENDITURES				
Salaries and Benefits	1,012,041,443	177,182,932	18,982,205	1,208,206,580
Contracted Personal Services	51,771,850	21,970,893	832,616	74,575,359
Contracted Medical Services	107,143,072	228,880		107,371,952
Supplies and Materials	141,263,467	3,602,379	1,037,257	145,903,103
Purchases for Resale	28,358,269			28,358,269
Travel	898,008	335,386	740,353	1,973,747
Communication	2,192,078	2,319,106	133,548	4,644,732
Utilities	42,706,180	288,102	256,646	43,250,928
Data Processing Services	8,320,995	2,580,714	24,721	10,926,430
Other Services	6,390,898	183,403	212,938	6,787,239
Claims and Benefits		16,319		16,319
Debt Service:				
Principal Retirement	1,157,405			1,157,405
Interest and Fees	282,595			282,595
Other Fixed Charges	4,300,384	279,661	378,190	4,958,235
Capital Outlay	26,544,482	1,586,231	655,306	28,786,019
Grants, State Aid, and Subsidies	323,505			323,505
Insurance and Bonding	1,793,681	2,772	255	1,796,708
Expenditures to Other State Agencies	1,410,440			1,410,440
Other Expenditures	6,624,895	8,965,698	1,122,547	16,713,140
Total Expenditures	1,443,523,647	219,542,476	24,376,582	1,687,442,705
Excess of Revenues Under Expenditures	(1,386,124,629)	(218,941,945)	(24,011,335)	(1,629,077,909)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	323,513		36,553	360,066
Insurance Recoveries	16,892			16,892
Transfers In	2,148,062		90,408	2,238,470
Transfers Out	(1,333,699)			(1,333,699)
Transfers to State Reserve Fund	(10,136,188)	(602,817)	(83,273)	(10,822,278)
Transfers from State Reserve Fund	2,875,858	280,736	34,426	3,191,020
Appropriations	1,389,599,989	208,200,115	23,385,716	1,621,185,820
Total Other Financing Sources (Uses)	1,383,494,427	207,878,034	23,463,830	1,614,836,291
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (2,630,202)	\$ (11,063,911)	\$ (547,505)	\$ (14,241,618)

(1) See Supplementary Schedule G-6 for further details.

(2) See Supplementary Schedule G-8 for further details.

North Carolina Department of Public Safety
Schedule of Revenues and Expenditures
Governmental Funds - Sub-Division of Adult Correction - Prisons by Function
For the Fiscal Year Ended June 30, 2021

	<u>Prisons Management</u>	<u>Prisons Custody and Security</u>	<u>Prisons Food and Clothing</u>	<u>Prisons General, Mental, Dental, and Pharmacy</u>
REVENUES				
Sales and Services	\$ 0	\$ 233	\$ 653,654	\$ 0
Fees, Licenses, and Fines		769,242		324,881
Contributions, Gifts, and Grants			32,155	
Revenues from Other State Agencies	876,092	416,968,388	13,758,114	2,067,111
Miscellaneous Income		2,420,600	728,979	2,646,329
Total Revenues	<u>876,092</u>	<u>420,158,463</u>	<u>15,172,902</u>	<u>5,038,321</u>
EXPENDITURES				
Salaries and Benefits	12,528,895	799,296,756	31,652,031	155,578,368
Contracted Personal Services	294,203	28,039,280	3,669,780	4,952,781
Contracted Medical Services		1,492,689		116,437,913
Supplies and Materials	196,388	17,315,008	72,333,565	39,097,870
Purchases for Resale				
Travel	18,251	347,337		
Communication	94,373	1,591,328		9,352
Utilities	16,961	40,950,698		
Data Processing Services	22,789	5,985,600		57,826
Other Services	392,908	2,712,303	404,874	225,696
Debt Service:				
Principal Retirement		1,215,174		
Interest and Fees		252,826		
Other Fixed Charges	66,794	2,873,523	17,283	997,125
Capital Outlay	46,587	18,771,476	1,495,156	1,206,789
Grants, State Aid, and Subsidies		325,118		
Insurance and Bonding		1,413,122		527,926
Expenditures to Other State Agencies		2,200,001		
Other Expenditures	430,030	3,054,073	1,075,565	385,711
Total Expenditures	<u>14,108,179</u>	<u>927,836,312</u>	<u>110,648,254</u>	<u>319,477,357</u>
Excess of Revenues Over (Under) Expenditures	<u>(13,232,087)</u>	<u>(507,677,849)</u>	<u>(95,475,352)</u>	<u>(314,439,036)</u>
OTHER FINANCING SOURCES (USES)				
Insurance Recoveries		5,657		
Transfers In			2,148,062	
Transfers Out			(201,600)	
Transfers to State Reserve Fund	(6,025)	(6,431,729)	(219,651)	(135,980)
Transfers from State Reserve Fund		8,932,013	327,756	699,923
Appropriations	13,156,775	460,481,610	95,339,536	328,018,568
Total Other Financing Sources (Uses)	<u>13,150,750</u>	<u>462,987,551</u>	<u>97,394,103</u>	<u>328,582,511</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (81,337)</u>	<u>\$ (44,690,298)</u>	<u>\$ 1,918,751</u>	<u>\$ 14,143,475</u>

Schedule G-5

Prisons Education and Corrective Programs	Alcoholism and Chemical Dependence	Other	Total Prisons
\$ 0	\$ 0	\$ 37,237,229	\$ 37,891,116
			1,094,123
332,712			364,867
22,678,624			456,348,329
3	614	1,843,123	7,639,648
<u>23,011,339</u>	<u>614</u>	<u>39,080,352</u>	<u>503,338,083</u>
65,272,590	6,998,417	1,357,459	1,072,684,516
2,757,298	108,134	1,134,387	40,955,863
39,304			117,969,906
238,817	164,370	2,077,411	131,423,429
		30,551,675	30,551,675
883	269	26	366,766
15,779	7,112	5,875	1,723,819
525,301		250,216	41,743,176
133,330	92,345		6,291,890
862,544	5,071	134,957	4,738,353
			1,215,174
			252,826
9,057	7,957	278,471	4,250,210
52,863	170,462	822,264	22,565,597
			325,118
			1,941,048
410,440			2,610,441
48,251	49,117	1,329,445	6,372,192
<u>70,366,457</u>	<u>7,603,254</u>	<u>37,942,186</u>	<u>1,487,981,999</u>
<u>(47,355,118)</u>	<u>(7,602,640)</u>	<u>1,138,166</u>	<u>(984,643,916)</u>
			5,657
		100,000	2,248,062
		(1,090,179)	(1,291,779)
(72,808)		(130,316)	(6,996,509)
			9,959,692
44,936,533	7,323,648	1,170,532	950,427,202
<u>44,863,725</u>	<u>7,323,648</u>	<u>50,037</u>	<u>954,352,325</u>
<u>\$ (2,491,393)</u>	<u>\$ (278,992)</u>	<u>\$ 1,188,203</u>	<u>\$ (30,291,591)</u>

North Carolina Department of Public Safety
Schedule of Revenues and Expenditures
Governmental Funds - Sub-Division of Adult Correction - Prisons by Function
For the Fiscal Year Ended June 30, 2020

	<u>Prisons Management</u>	<u>Prisons Custody and Security</u>	<u>Prisons Food and Clothing</u>	<u>Prisons General, Mental, Dental, and Pharmacy</u>
REVENUES				
Federal Funds	\$ 0	\$ 7,001,603	\$ 0	\$ 0
Sales and Services		98	990,452	
Fees, Licenses, and Fines		1,745,888		378,103
Contributions, Gifts, and Grants			98,900	
Revenues from Other State Agencies		1,786,678		159,256
Miscellaneous Income		3,284,761	907,480	4,029,562
Total Revenues	<u>0</u>	<u>13,819,028</u>	<u>1,996,832</u>	<u>4,566,921</u>
EXPENDITURES				
Salaries and Benefits	12,533,143	760,149,743	27,529,223	142,796,427
Contracted Personal Services	216,985	37,082,447	4,479,264	5,729,126
Contracted Medical Services		788,996		106,182,612
Supplies and Materials	150,991	18,473,048	62,502,254	56,693,348
Purchases for Resale				
Travel	52,490	763,837		1,615
Communication	118,760	2,022,168		13,007
Utilities	18,471	41,830,537		
Data Processing Services	28,306	7,966,636		3,785
Other Services	30,435	3,245,190	299,271	257,611
Debt Service:				
Principal Retirement		1,157,405		
Interest and Fees		282,595		
Other Fixed Charges	32,275	2,909,064	19,320	1,074,845
Capital Outlay	95,615	20,304,120	1,655,678	1,545,537
Grants, State Aid, and Subsidies		323,505		
Insurance and Bonding		1,314,905		475,463
Expenditures to Other State Agencies		1,000,000		
Other Expenditures	427,060	3,580,927	972,462	262,321
Total Expenditures	<u>13,704,531</u>	<u>903,195,123</u>	<u>97,457,472</u>	<u>315,035,697</u>
Excess of Revenues Under Expenditures	<u>(13,704,531)</u>	<u>(889,376,095)</u>	<u>(95,460,640)</u>	<u>(310,468,776)</u>
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets		323,513		
Insurance Recoveries		16,892		
Transfers In			2,148,062	
Transfers Out			(201,600)	
Transfers to State Reserve Fund		(9,108,506)	(327,757)	(699,925)
Transfers from State Reserve Fund	5,970	2,207,023	195,129	454,213
Appropriations	13,726,444	893,756,801	92,316,816	313,637,092
Total Other Financing Sources (Uses)	<u>13,732,414</u>	<u>887,195,723</u>	<u>94,130,650</u>	<u>313,391,380</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 27,883</u>	<u>\$ (2,180,372)</u>	<u>\$ (1,329,990)</u>	<u>\$ 2,922,604</u>

Schedule G-6

Prisons Education and Corrective Programs	Alcoholism and Chemical Dependence	Other	Total Prisons
\$ 275,600	\$ 0	\$ 0	\$ 7,277,203
		34,477,746	35,468,296
476,079			2,123,991
			574,979
90		1,786,722	1,945,934
90		1,786,722	10,008,615
<u>751,769</u>	<u>0</u>	<u>36,264,468</u>	<u>57,399,018</u>
61,637,340	6,022,340	1,373,227	1,012,041,443
3,126,200	120,471	1,017,357	51,771,850
171,464			107,143,072
609,615	192,674	2,641,537	141,263,467
		28,358,269	28,358,269
79,127	811	128	898,008
20,829	16,743	571	2,192,078
581,199		275,973	42,706,180
58,408	106,010	157,850	8,320,995
2,407,851	1,474	149,066	6,390,898
			1,157,405
			282,595
16,614	11,644	236,622	4,300,384
39,322	96,980	2,807,230	26,544,482
			323,505
	223	3,090	1,793,681
410,440			1,410,440
54,537	53,307	1,274,281	6,624,895
<u>69,212,946</u>	<u>6,622,677</u>	<u>38,295,201</u>	<u>1,443,523,647</u>
<u>(68,461,177)</u>	<u>(6,622,677)</u>	<u>(2,030,733)</u>	<u>(1,386,124,629)</u>
			323,513
			16,892
			2,148,062
		(1,132,099)	(1,333,699)
			(10,136,188)
6,289	7,234		2,875,858
68,642,435	6,468,796	1,051,605	1,389,599,989
<u>68,648,724</u>	<u>6,476,030</u>	<u>(80,494)</u>	<u>1,383,494,427</u>
<u>\$ 187,547</u>	<u>\$ (146,647)</u>	<u>\$ (2,111,227)</u>	<u>\$ (2,630,202)</u>

North Carolina Department of Public Safety
Schedule of Revenues and Expenditures
Governmental Funds - Sub-Division of Adult Correction
Community Corrections by Function
For the Fiscal Year Ended June 30, 2021

Schedule G-7

	Regular Supervision	Community Supervision	Electronic Monitoring	Judicial Services	Other	Total Community Corrections
REVENUES						
Federal Funds	\$ 0	\$ 383,497	\$ 0	\$ 0	\$ 0	\$ 383,497
Investment Earnings	633				2,795	3,428
Rental and Lease of Property					5,000	5,000
Fees, Licenses, and Fines			75,445		254,499	329,944
Contributions, Gifts, and Grants					4,119	4,119
Revenues from Other State Agencies	69,875,989	91,332	62,235	5,988,692	421,958	76,440,206
Miscellaneous Income	(26)				3,397	3,371
Total Revenues	69,876,596	474,829	137,680	5,988,692	691,768	77,169,565
EXPENDITURES						
Salaries and Benefits	161,231,325	7,770,462	270,752	13,197,140	3,066,423	185,536,102
Contracted Personal Services	3,749,307	12,522,666	6,943,628	640	6,309	23,222,550
Contracted Medical Services	79	72,037				72,116
Supplies and Materials	2,865,454	202,249	79,348	6,651	66,416	3,220,118
Travel	102,982	553			3,932	107,467
Communication	1,691,155	18,373	8,083	31,070	18,625	1,767,306
Utilities	36,172	159,768	1,188		24,854	221,982
Data Processing Services	2,234,869	125,528	316	16,161	5,142	2,382,016
Other Services	164,320	26,963	29	352	2,854	194,518
Claims and Benefits				15,000		15,000
Other Fixed Charges	119,107	11,651		4,361	33,923	169,042
Capital Outlay	1,163,964	27,883	132		12,479	1,204,458
Insurance and Bonding	50					50
Other Expenditures	7,958,289	25,571	13,810		332,822	8,330,492
Total Expenditures	181,317,073	20,963,704	7,317,286	13,271,375	3,573,779	226,443,217
Excess of Revenues Under Expenditures	(111,440,477)	(20,488,875)	(7,179,606)	(7,282,683)	(2,882,011)	(149,273,652)
OTHER FINANCING SOURCES (USES)						
Transfers to State Reserve Fund	(218,093)					(218,093)
Transfers from State Reserve Fund	602,816					602,816
Appropriations	108,376,826	20,564,919	7,220,322	7,008,969	2,941,892	146,112,928
Total Other Financing Sources (Uses)	108,761,549	20,564,919	7,220,322	7,008,969	2,941,892	146,497,651
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (2,678,928)	\$ 76,044	\$ 40,716	\$ (273,714)	\$ 59,881	\$ (2,776,001)

North Carolina Department of Public Safety
Schedule of Revenues and Expenditures
Governmental Funds - Sub-Division of Adult Correction
Community Corrections by Function
For the Fiscal Year Ended June 30, 2020

Schedule G-8

	Regular Supervision	Community Supervision	Electronic Monitoring	Judicial Services	Other	Total Community Corrections
REVENUES						
Federal Funds	\$ 0	\$ 248,371	\$ 0	\$ 0	\$ 0	\$ 248,371
Investment Earnings	2,679				10,122	12,801
Rental and Lease of Property					6,000	6,000
Fees, Licenses, and Fines			86,361		227,995	314,356
Contributions, Gifts, and Grants	3,507				6,329	9,836
Miscellaneous Income					9,167	9,167
Total Revenues	6,186	248,371	86,361	0	259,613	600,531
EXPENDITURES						
Salaries and Benefits	154,492,112	7,538,405	203,117	12,405,934	2,543,364	177,182,932
Contracted Personal Services	1,212,007	13,097,380	7,652,551	1,345	7,610	21,970,893
Contracted Medical Services	50	228,830				228,880
Supplies and Materials	3,114,790	418,450	353	7,565	61,221	3,602,379
Travel	323,682	2,264	314	118	9,008	335,386
Communication	2,225,774	25,163	925	44,247	22,997	2,319,106
Utilities	37,046	221,238	1,401		28,417	288,102
Data Processing Services	2,528,945	48,410			3,359	2,580,714
Other Services	168,299	10,211	229	901	3,763	183,403
Claims and Benefits				16,319		16,319
Other Fixed Charges	220,690	15,254		5,389	38,328	279,661
Capital Outlay	1,427,557	143,339		10,235	5,100	1,586,231
Insurance and Bonding	2,772					2,772
Other Expenditures	8,593,981	30,835	16,290		324,592	8,965,698
Total Expenditures	174,347,705	21,779,779	7,875,180	12,492,053	3,047,759	219,542,476
Excess of Revenues Under Expenditures	(174,341,519)	(21,531,408)	(7,788,819)	(12,492,053)	(2,788,146)	(218,941,945)
OTHER FINANCING SOURCES (USES)						
Transfers to State Reserve Fund	(602,817)					(602,817)
Transfers from State Reserve Fund	280,736					280,736
Appropriations	162,696,349	21,702,978	8,481,799	12,489,722	2,829,267	208,200,115
Total Other Financing Sources (Uses)	162,374,268	21,702,978	8,481,799	12,489,722	2,829,267	207,878,034
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$(11,967,251)</u>	<u>\$ 171,570</u>	<u>\$ 692,980</u>	<u>\$ (2,331)</u>	<u>\$ 41,121</u>	<u>\$ (11,063,911)</u>

North Carolina Department of Public Safety
Schedule of Revenues and Expenditures
Governmental Funds - Sub-Division of Juvenile Justice by Function
For the Fiscal Year Ended June 30, 2021

	Detention Center Services	Development Center Services	Treatment Services
REVENUES			
Federal Funds	\$ 0	\$ 0	\$ 0
Investment Earnings			
Sales and Services	1,200	137	
Contributions, Gifts, and Grants	208,360	322,990	
Revenues from Other State Agencies	4,384,870	5,681,274	4,553,454
Miscellaneous Income	1,914	3,159	417
Total Revenues	<u>4,596,344</u>	<u>6,007,560</u>	<u>4,553,871</u>
EXPENDITURES			
Salaries and Benefits	5,278,027	14,980,568	14,542,143
Contracted Personal Services	6,512,644	542,601	805,745
Contracted Medical Services	6,454		1,940,612
Supplies and Materials	203,714	1,132,132	305,188
Travel	8,154	30,545	2,676
Communication	23,967	84,315	20,298
Utilities	94,411	524,792	4,813
Data Processing Services	56,079	172,356	66,735
Other Services	28,176	102,202	7,111
Other Fixed Charges	2,361	42,114	3,663
Capital Outlay	81,486	6,431,094	25,217
Grants, State Aid, and Subsidies			
Insurance and Bonding	365	15,583	
Other Expenditures	32,987	134,347	18,014
Total Expenditures	<u>12,328,825</u>	<u>24,192,649</u>	<u>17,742,215</u>
Excess of Revenues Under Expenditures	<u>(7,732,481)</u>	<u>(18,185,089)</u>	<u>(13,188,344)</u>
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets		345	
Transfers In	1,171,800	10,440,000	
Transfers Out	(1,171,800)		
Transfers to State Reserve Fund		(7,691)	
Transfers from State Reserve Fund	7,390	111,689	
Appropriations	9,287,331	12,187,849	12,262,620
Total Other Financing Sources (Uses)	<u>9,294,721</u>	<u>22,732,192</u>	<u>12,262,620</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 1,562,240</u>	<u>\$ 4,547,103</u>	<u>\$ (925,724)</u>

Schedule G-9

<u>Education Services</u>	<u>Community Program Services</u>	<u>Juvenile Crime Prevention Council</u>	<u>Juvenile Court Services</u>	<u>Juvenile Justice Other</u>	<u>Total Juvenile Justice</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 16,830	\$ 16,830
				1,969	1,969
490,974				117,853	1,140,177
			17,708,615	1,128,390	33,456,603
646	21		460	7,731	14,348
<u>491,620</u>	<u>21</u>	<u>0</u>	<u>17,709,075</u>	<u>1,272,773</u>	<u>34,631,264</u>
5,860,460	2,185,194		42,867,791	4,866,892	90,581,075
385,069	22,302,270		632,589	800,475	31,981,393
			391	1,739,997	3,687,454
117,538	61,955		330,555	490,158	2,641,240
6,105	22,835		122,883	13,781	206,979
11,956	23,558		592,212	19,769	776,075
9,050	41,365		14,169		688,600
33,140	230,386		1,498,553	181,017	2,238,266
7,221	70,800		66,562	33,552	315,624
1,501	4,377		42,983	39,552	136,551
340,415	284,267		45,063	159,200	7,366,742
		28,564,008			28,564,008
	92			34,975	51,015
23,933	129,682		1,305,307	671,265	2,315,535
<u>6,796,388</u>	<u>25,356,781</u>	<u>28,564,008</u>	<u>47,519,058</u>	<u>9,050,633</u>	<u>171,550,557</u>
<u>(6,304,768)</u>	<u>(25,356,760)</u>	<u>(28,564,008)</u>	<u>(29,809,983)</u>	<u>(7,777,860)</u>	<u>(136,919,293)</u>
				1,311	1,656
					11,611,800
					(1,171,800)
	(1,179,552)			(19,297)	(1,206,540)
	336,297		663,874	1,115,941	2,235,191
6,092,761	27,479,079	28,563,208	29,156,938	7,267,110	132,296,896
<u>6,092,761</u>	<u>26,635,824</u>	<u>28,563,208</u>	<u>29,820,812</u>	<u>8,365,065</u>	<u>143,767,203</u>
<u>\$ (212,007)</u>	<u>\$ 1,279,064</u>	<u>\$ (800)</u>	<u>\$ 10,829</u>	<u>\$ 587,205</u>	<u>\$ 6,847,910</u>

North Carolina Department of Public Safety
Schedule of Revenues and Expenditures
Governmental Funds - Sub-Division of Juvenile Justice by Function
For the Fiscal Year Ended June 30, 2020

	<u>Detention Center Services</u>	<u>Development Center Services</u>	<u>Treatment Services</u>
REVENUES			
Investment Earnings	\$ 0	\$ 0	\$ 0
Sales and Services	18,967	16,672	
Contributions, Gifts, and Grants	195,736	355,887	
Revenues from Other State Agencies		6,607	
Miscellaneous Income	1,252	2,443	607
Total Revenues	<u>215,955</u>	<u>381,609</u>	<u>607</u>
EXPENDITURES			
Salaries and Benefits	7,204,354	13,013,101	14,132,668
Contracted Personal Services	2,549,193	418,683	426,134
Contracted Medical Services	9,593		1,650,693
Supplies and Materials	324,230	977,983	345,481
Travel	7,163	58,942	22,975
Communication	23,083	64,564	14,340
Utilities	135,950	550,188	4,491
Data Processing Services	16,556	105,106	40,389
Other Services	57,656	73,601	15,610
Other Fixed Charges	2,107	34,960	1,941
Capital Outlay	394,430	1,743,558	110,700
Grants, State Aid, and Subsidies			
Insurance and Bonding	5,736	20,201	216
Other Expenditures	85,155	125,890	28,117
Total Expenditures	<u>10,815,206</u>	<u>17,186,777</u>	<u>16,793,755</u>
Excess of Revenues Under Expenditures	<u>(10,599,251)</u>	<u>(16,805,168)</u>	<u>(16,793,148)</u>
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	13	4,663	
Transfers to State Reserve Fund	(774,327)		(2,378,432)
Transfers from State Reserve Fund			34,653
Appropriations	11,067,547	17,982,384	16,954,371
Total Other Financing Sources (Uses)	<u>10,293,233</u>	<u>17,987,047</u>	<u>14,610,592</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (306,018)</u>	<u>\$ 1,181,879</u>	<u>\$ (2,182,556)</u>

Schedule G-10

Education Services	Community Program Services	Juvenile Crime Prevention Council	Juvenile Court Services	Juvenile Justice Other	Total Juvenile Justice
\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,365	\$ 6,365
977,562				112,639	35,639
620	80		193	610	1,641,824
978,182	80	0	193	119,614	6,607
					5,805
5,356,470	1,792,287		37,650,311	3,390,684	82,539,875
280,960	21,698,997		552,973	804,862	26,731,802
			143	277,174	1,937,603
310,340	16,696		354,647	623,130	2,952,507
19,908	41,795		166,937	90,069	407,789
7,870	15,505		404,986	16,384	546,732
8,297	46,557		13,552		759,035
100,905	35,235		673,181	250,852	1,222,224
9,625	10,781		70,271	48,561	286,105
1,543	1,640		18,123	31,768	92,082
294,895	113,066		1,377,972	1,254,018	5,288,639
		26,665,794			26,665,794
73	23		631	13,597	40,477
16,767	136,691		1,361,440	677,284	2,431,344
6,407,653	23,909,273	26,665,794	42,645,167	7,478,383	151,902,008
(5,429,471)	(23,909,193)	(26,665,794)	(42,644,974)	(7,358,769)	(150,205,768)
					4,676
(429,989)	(2,784,603)		(4,321,747)	(1,544,828)	(12,233,926)
			36,296	49,214	120,163
5,844,972	25,428,315	26,670,384	46,199,657	8,033,224	158,180,854
5,414,983	22,643,712	26,670,384	41,914,206	6,537,610	146,071,767
<u>\$ (14,488)</u>	<u>\$ (1,265,481)</u>	<u>\$ 4,590</u>	<u>\$ (730,768)</u>	<u>\$ (821,159)</u>	<u>\$ (4,134,001)</u>

**North Carolina Department of Public Safety
Schedule of Revenues and Expenditures
Governmental Funds - Division of Law Enforcement by Sub-Division
For the Fiscal Year Ended June 30, 2021**

Schedule H-1

	State Capital Police	State Highway Patrol	Alcohol Law Enforcement	State Bureau of Investigation	Other	Total Law Enforcement
REVENUES						
Federal Funds	\$ 0	\$ 13,645,328	\$ 0	\$ 4,099,218	\$ 0	\$ 17,744,546
Investment Earnings		5,324	16,942	8,699		30,965
Sales and Services	4,619,686	2,206,551	917,494	7,007,580	8,905	14,760,216
Rental and Lease of Property		178,228				178,228
Fees, Licenses, and Fines		96,567	122,532	10,061,508		10,280,607
Student Tuition and Fees		78,765				78,765
Contributions, Gifts, and Grants		628,358	596,248	871,994		2,096,600
Revenues from Other State Agencies	887,861	87,012,736	6,913,950	12,586,608		107,401,155
Miscellaneous Income	196	29,532	11,233	28,928	1,856	71,745
Total Revenues	5,507,743	103,881,389	8,578,399	34,664,535	10,761	152,642,827
EXPENDITURES						
Salaries and Benefits	6,533,917	208,656,462	11,933,137	40,466,926	3,909,913	271,500,355
Contracted Personal Services	20,020	3,323,952	79,323	1,234,195	4,892,208	9,549,698
Contracted Medical Services	10,145	396,388	9,818	131,261		547,612
Supplies and Materials	233,660	13,173,152	507,840	1,118,415	463,002	15,496,069
Travel	6,700	510,276	60,283	203,388		780,647
Communication	63,379	2,270,526	87,122	754,196	30,197	3,205,420
Utilities	2,677	464,236	71	134,026	482,287	1,083,297
Data Processing Services	172,324	1,120,016	154,812	2,287,119	12,913	3,747,184
Other Services	8,553	1,022,219	56,904	777,522	11,444	1,876,642
Claims and Benefits	154,293	11,966,430	628,776	1,669,470	55,241	14,474,210
Other Fixed Charges	24,106	1,687,182	30,575	3,214,295	3,287	4,959,445
Capital Outlay	96,509	18,668,358	1,610,743	12,421,540	23,412,542	56,209,692
Insurance and Bonding	5,438	1,043,023	107,681	108,382	510,744	1,775,268
Expenditures to Other State Agencies		6,339,255				6,339,255
Other Expenditures	3,453	341,104	119,542	7,132,584	263,841	7,860,524
Total Expenditures	7,335,174	270,982,579	15,386,627	71,653,319	34,047,619	399,405,318
Excess of Revenues Under Expenditures	(1,827,431)	(167,101,190)	(6,808,228)	(36,988,784)	(34,036,858)	(246,762,491)
OTHER FINANCING SOURCES (USES)						
Sale of Capital Assets	111	2,399,776	200,630	412,315	3,400	3,016,232
Insurance Recoveries		569,219	47,684	9,503		626,406
Transfers to State Reserve Fund		(1,753,077)	(290,850)	(746,597)		(2,790,524)
Transfers from State Reserve Fund		3,200,210	454,972	578,628		4,233,810
Appropriations	1,746,448	159,271,103	6,012,089	28,615,790	12,095,338	207,740,768
Total Other Financing Sources (Uses)	1,746,559	163,687,231	6,424,525	28,869,639	12,098,738	212,826,692
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (80,872)</u>	<u>\$ (3,413,959)</u>	<u>\$ (383,703)</u>	<u>\$ (8,119,145)</u>	<u>\$ (21,938,120)</u>	<u>\$ (33,935,799)</u>

**North Carolina Department of Public Safety
Schedule of Revenues and Expenditures
Governmental Funds - Division of Law Enforcement by Sub-Division
For the Fiscal Year Ended June 30, 2020**

Schedule H-2

	State Capital Police	State Highway Patrol	Alcohol Law Enforcement	State Bureau of Investigation	Other	Total Law Enforcement
REVENUES						
Federal Funds	\$ 0	\$ 23,466,672	\$ 0	\$ 918,156	\$ 0	\$ 24,384,828
Investment Earnings		21,870	63,109	54,310		139,289
Sales and Services	4,236,090	2,532,025	1,156,400	7,936,950	10,464	15,871,929
Rental and Lease of Property		153,756				153,756
Fees, Licenses, and Fines		165,585	175,853	6,423,122		6,764,560
Student Tuition and Fees		102,390				102,390
Contributions, Gifts, and Grants		1,782,752	906,389	473,539		3,162,680
Revenues from Other State Agencies		10,141,071	2,100,000			12,241,071
Miscellaneous Income	116	125,851	10,213	24,113	2,583	162,876
Total Revenues	4,236,206	38,491,972	4,411,964	15,830,190	13,047	62,983,379
EXPENDITURES						
Salaries and Benefits	6,051,937	198,463,116	10,883,541	38,091,631	3,751,773	257,241,998
Contracted Personal Services	29,855	2,323,412	154,287	1,966,570	4,518,071	8,992,195
Contracted Medical Services		420,266	9,855	75,879		506,000
Supplies and Materials	155,505	5,970,558	431,259	1,543,886	597,103	8,698,311
Travel	3,616	610,743	37,881	363,748	156	1,016,144
Communication	13,152	2,116,056	120,589	644,365	28,481	2,922,643
Utilities	1,330	462,742		128,102	474,197	1,066,371
Data Processing Services	12,994	1,002,692	24,860	1,286,303	4,037	2,330,886
Other Services	6,558	668,957	58,125	716,163	59,167	1,508,970
Claims and Benefits	145,235	11,188,129	634,884	1,582,185	69,658	13,620,091
Other Fixed Charges	33,321	2,125,283	20,868	3,498,513	2,682	5,680,667
Capital Outlay	127,384	20,438,355	1,186,022	5,771,498	2,424,268	29,947,527
Insurance and Bonding	5,536	1,119,295	1,600	165,789	468,987	1,761,207
Expenditures to Other State Agencies		16,863,750	11,073			16,874,823
Other Expenditures	1,000	339,234	87,192	5,301,140	208,766	5,937,332
Total Expenditures	6,587,423	264,112,588	13,662,036	61,135,772	12,607,346	358,105,165
Excess of Revenues Under Expenditures	(2,351,217)	(225,620,616)	(9,250,072)	(45,305,582)	(12,594,299)	(295,121,786)
OTHER FINANCING SOURCES (USES)						
Sale of Capital Assets	14	2,690,211	156,968	388,880	78,001	3,314,074
Insurance Recoveries		2,359,874	21,229	5,340		2,386,443
Transfers to State Reserve Fund		(2,400,604)	(391,677)	(578,627)		(3,370,908)
Transfers from State Reserve Fund		185,601	164,195	1,722,357		2,072,153
Appropriations	2,408,654	235,488,868	9,431,731	40,144,841	11,668,872	299,142,966
Total Other Financing Sources (Uses)	2,408,668	238,323,950	9,382,446	41,682,791	11,746,873	303,544,728
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 57,451	\$ 12,703,334	\$ 132,374	\$ (3,622,791)	\$ (847,426)	\$ 8,422,942

North Carolina Department of Public Safety

Schedule of Revenues and Expenditures

Governmental Funds - Division of the North Carolina National Guard by Function

For the Fiscal Year Ended June 30, 2021

Schedule I-1

	<u>Army Guard</u>	<u>Air Guard</u>	<u>Youth Programs</u>	<u>Other</u>	<u>Total National Guard</u>
REVENUES					
Federal Funds	\$ 34,523,863	\$ 4,173,007	\$ 7,177,543	\$ 655,391	\$ 46,529,804
Local Funds				4,000	4,000
Investment Earnings	226			1,771	1,997
Sales and Services			4,129	73,942	78,071
Rental and Lease of Property				14,085	14,085
Contributions, Gifts, and Grants			219,105		219,105
Revenues from Other State Agencies	9,593,870			91,792	9,685,662
Miscellaneous Income	13,260	2,082	102,896	12,225	130,463
Total Revenues	<u>44,131,219</u>	<u>4,175,089</u>	<u>7,503,673</u>	<u>853,206</u>	<u>56,663,187</u>
EXPENDITURES					
Salaries and Benefits	5,220,197	2,931,959	6,155,749	691,663	14,999,568
Contracted Personal Services	5,752,619	1,017,310	1,695,312	2,041,175	10,506,416
Contracted Medical Services			236,385		236,385
Supplies and Materials	609,734	110,840	992,443	123,295	1,836,312
Travel	7,517	3,042	35,145	3,308	49,012
Communication	1,477,352		24,592	15,944	1,517,888
Utilities	3,471,193	600,695	192,076	348,843	4,612,807
Data Processing Services	58,781		49,644	12,180	120,605
Other Services	4,997,010		224,457	72,134	5,293,601
Other Fixed Charges	348,709	20,800	24,652	97,243	491,404
Capital Outlay	30,354,667		1,886,402	3,391,047	35,632,116
Grants, State Aid, and Subsidies				91,792	91,792
Insurance and Bonding	12,721	23,838	1,125	122,457	160,141
Other Expenditures	233,867	946	100,188	89,606	424,607
Total Expenditures	<u>52,544,367</u>	<u>4,709,430</u>	<u>11,618,170</u>	<u>7,100,687</u>	<u>75,972,654</u>
Excess of Revenues Under Expenditures	<u>(8,413,148)</u>	<u>(534,341)</u>	<u>(4,114,497)</u>	<u>(6,247,481)</u>	<u>(19,309,467)</u>
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets				14,577	14,577
Transfers In	14,431				14,431
Transfers Out	(14,431)				(14,431)
Transfers to State Reserve Fund	(50,703)		(23,335)	(96,365)	(170,403)
Transfers from State Reserve Fund	137,602			260,614	398,216
Appropriations	6,354,315	1,183,822	4,086,372	3,316,668	14,941,177
Total Other Financing Sources (Uses)	<u>6,441,214</u>	<u>1,183,822</u>	<u>4,063,037</u>	<u>3,495,494</u>	<u>15,183,567</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (1,971,934)</u>	<u>\$ 649,481</u>	<u>\$ (51,460)</u>	<u>\$ (2,751,987)</u>	<u>\$ (4,125,900)</u>

North Carolina Department of Public Safety
Schedule of Revenues and Expenditures
Governmental Funds - Division of the North Carolina National Guard by Function
For the Fiscal Year Ended June 30, 2020

Schedule I-2

	<u>Army Guard</u>	<u>Air Guard</u>	<u>Youth Programs</u>	<u>Other</u>	<u>Total National Guard</u>
REVENUES					
Federal Funds	\$ 28,281,712	\$ 4,608,658	\$ 6,601,625	\$ 641,930	\$ 40,133,925
Local Funds				4,625	4,625
Investment Earnings	964			7,878	8,842
Sales and Services			4,588	150,117	154,705
Rental and Lease of Property				75,275	75,275
Contributions, Gifts, and Grants	38,396		197,901		236,297
Revenues from Other State Agencies	673,528			83,172	756,700
Miscellaneous Income	6,840	2,865	190,918	38,564	239,187
Total Revenues	<u>29,001,440</u>	<u>4,611,523</u>	<u>6,995,032</u>	<u>1,001,561</u>	<u>41,609,556</u>
EXPENDITURES					
Salaries and Benefits	5,058,045	2,987,064	6,007,040	876,563	14,928,712
Contracted Personal Services	4,940,109	1,204,696	1,413,260	547,328	8,105,393
Contracted Medical Services			40,463		40,463
Supplies and Materials	785,837	201,363	938,635	160,757	2,086,592
Travel	54,867	6,741	65,143	2,814	129,565
Communication	1,570,023		18,012	1,200	1,589,235
Utilities	3,117,372	611,948	192,051	538,069	4,459,440
Data Processing Services	172,866		30,824	2,060	205,750
Other Services	2,574,420		184,104	100,547	2,859,071
Other Fixed Charges	335,971	12,800	24,766	54,551	428,088
Capital Outlay	19,354,505		605,009	1,474,608	21,434,122
Grants, State Aid, and Subsidies				83,172	83,172
Insurance and Bonding	23,853			29,850	53,703
Other Expenditures	219,743		81,238	129,034	430,015
Total Expenditures	<u>38,207,611</u>	<u>5,024,612</u>	<u>9,600,545</u>	<u>4,000,553</u>	<u>56,833,321</u>
Excess of Revenues Under Expenditures	<u>(9,206,171)</u>	<u>(413,089)</u>	<u>(2,605,513)</u>	<u>(2,998,992)</u>	<u>(15,223,765)</u>
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets				1,896	1,896
Transfers In	1,183,480				1,183,480
Transfers Out	(1,183,480)				(1,183,480)
Transfers to State Reserve Fund	(137,600)			(260,614)	(398,214)
Transfers from State Reserve Fund			5,229	274,883	280,112
Appropriations	6,400,706	1,647,618	1,909,735	2,302,010	12,260,069
Total Other Financing Sources (Uses)	<u>6,263,106</u>	<u>1,647,618</u>	<u>1,914,964</u>	<u>2,318,175</u>	<u>12,143,863</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (2,943,065)</u>	<u>\$ 1,234,529</u>	<u>\$ (690,549)</u>	<u>\$ (680,817)</u>	<u>\$ (3,079,902)</u>

North Carolina Department of Public Safety
Schedule of Revenues and Expenditures
Governmental Funds - Division of Emergency Management by Function
For the Fiscal Year Ended June 30, 2021

Schedule J-1

	Emergency Management Performance	Disaster Response and Recovery	Homeland Security	Geospatial	Office of Recovery and Resiliency	Other	Total Emergency Management
REVENUES							
Federal Funds	\$ 9,822,985	\$ 259,958,016	\$ 11,988,072	\$ 4,854,060	\$ 82,555,467	\$ 1,017,807	\$ 370,196,407
Federal COVID-19 Funds	740,531	219,028,971					219,769,502
Sales and Services	28,558			927,001		605,298	1,560,857
Fees, Licenses, and Fines	1,264,901			173,649		1,260,660	2,699,210
Contributions, Gifts, and Grants		(597,642)				(428,306)	(1,025,948)
Revenues from Other State Agencies		225,897,578		5,075,877	72,780,911	1,929,913	305,684,279
Miscellaneous Income	9,614	1,874	146	479	4,240,853	1,245	4,254,211
Total Revenues	<u>11,866,589</u>	<u>704,288,797</u>	<u>11,988,218</u>	<u>11,031,066</u>	<u>159,577,231</u>	<u>4,386,617</u>	<u>903,138,518</u>
EXPENDITURES							
Salaries and Benefits	7,258,446	3,665,724	633,671	4,674,263	5,946,168	3,702,482	25,880,754
Contracted Personal Services	936,613	26,847,854	27,263	10,331,282	77,856,815	1,981,174	117,981,001
Supplies and Materials		106,668,258	22,078	32,444	6,570	48,006	106,777,356
Travel	33,284	1,195,718	7,729	7,294	2,313,166	1,129,896	4,687,087
Communication	130,202	73,915	2,688	37,388	19,723	9,607	273,523
Utilities	136,800					305	137,105
Data Processing Services	119,211	1,105,782	12,387	210,410	185,588	232,427	1,865,805
Other Services	77,255	277,710	3,375	10,284	28,651	23,039	420,314
Other Fixed Charges	215,935	(160)		212,731	12,446	1,563	442,515
Capital Outlay	387,709	605,838	47,947	260,090	32,983	2,299,122	3,633,689
Grants, State Aid, and Subsidies	5,258,682	471,018,349	4,694,910		62,369,300	1,478,515	544,819,756
Insurance and Bonding	51,647	138		16,996	138	39,088	108,007
Expenditures to Other State Agencies	376,419	12,392,094			20,053,813	818,693	33,641,019
Other Expenditures	1,114,814	2,608,829		143,709	389,808	2,808,081	7,065,241
Total Expenditures	<u>16,097,017</u>	<u>626,460,049</u>	<u>5,452,048</u>	<u>15,936,891</u>	<u>169,215,169</u>	<u>14,571,998</u>	<u>847,733,172</u>
Excess of Revenues Over (Under) Expenditures	<u>(4,230,428)</u>	<u>77,828,748</u>	<u>6,536,170</u>	<u>(4,905,825)</u>	<u>(9,637,938)</u>	<u>(10,185,381)</u>	<u>55,405,346</u>
OTHER FINANCING SOURCES (USES)							
Sale of Capital Assets						33,212	33,212
Insurance Recoveries						52,553	52,553
Transfers to State Reserve Fund	(884,393)					(10,840)	(895,233)
Transfers from State Reserve Fund	941,037			166,791		734,373	1,842,201
Appropriations	2,728,420	(2,629)	11,404	1,508,487	112,815	6,504,990	10,863,487
Total Other Financing Sources (Uses)	<u>2,785,064</u>	<u>(2,629)</u>	<u>11,404</u>	<u>1,675,278</u>	<u>112,815</u>	<u>7,314,288</u>	<u>11,896,220</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (1,445,364)</u>	<u>\$ 77,826,119</u>	<u>\$ 6,547,574</u>	<u>\$ (3,230,547)</u>	<u>\$ (9,525,123)</u>	<u>\$ (2,871,093)</u>	<u>\$ 67,301,566</u>

**North Carolina Department of Public Safety
Schedule of Revenues and Expenditures
Governmental Funds - Division of Emergency Management by Function
For the Fiscal Year Ended June 30, 2020**

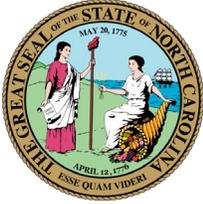
Schedule J-2

	Emergency Management Performance	Disaster Response and Recovery	Homeland Security	Geospatial	Office of Recovery and Resiliency	Other	Total Emergency Management
REVENUES							
Federal Funds	\$ 10,334,826	\$ 230,701,648	\$ 9,913,930	\$ 3,568,518	\$ 64,425,145	\$ 2,861,671	\$ 321,805,738
Federal COVID-19 Funds	12,696	110,699,506					110,712,202
Sales and Services	36,342			1,131,772		802,979	1,971,093
Fees, Licenses, and Fines	3,655,603			138,000		1,248,814	5,042,417
Contributions, Gifts, and Grants	26,953	639,579		179	17,375		684,086
Revenues from Other State Agencies		164,537,133		4,068,453	169,146,161		337,751,747
Miscellaneous Income	9,991	241	235	1,079	4,993,321	328	5,005,195
Total Revenues	14,076,411	506,578,107	9,914,165	8,908,001	238,582,002	4,913,792	782,972,478
EXPENDITURES							
Salaries and Benefits	7,351,166	3,347,143	713,781	4,552,960	4,245,807	2,362,992	22,573,849
Contracted Personal Services	617,174	19,708,687	21,390	6,105,768	54,368,652	1,397,741	82,219,412
Supplies and Materials	184,706	138,455,655	1,934	29,286	25,159	406,812	139,103,552
Travel	152,801	1,310,720	17,854	21,762	1,822,760	169,291	3,495,188
Communication	151,048	49,412	4,033	24,241	6,026	4,822	239,582
Utilities	37,659	750			0		38,409
Data Processing Services	59,156	34,522	1,021	70,275	365,609	12,127	542,710
Other Services	76,239	174,147	841	11,072	57,149	15,503	334,951
Other Fixed Charges	70,081	12,831	11	219,267	27,405	16	329,611
Capital Outlay	1,176,020	6,469,581	200,741	234,116	144,732	801,525	9,026,715
Grants, State Aid, and Subsidies	5,350,300	287,920,650	7,821,887		49,196,621	3,294,421	353,583,879
Insurance and Bonding	12,837		12	13,197	9	35,961	62,016
Expenditures to Other State Agencies	335,911				138,945,069		139,280,980
Other Expenditures	1,016,032	3,147,556	3,147	156,178	392,430	41,755	4,757,098
Total Expenditures	16,591,130	460,631,654	8,786,652	11,438,122	249,597,428	8,542,966	755,587,952
Excess of Revenues Over (Under) Expenditures	(2,514,719)	45,946,453	1,127,513	(2,530,121)	(11,015,426)	(3,629,174)	27,384,526
OTHER FINANCING SOURCES (USES)							
Sale of Capital Assets						21,504	21,504
Insurance Recoveries				12,715		277,017	289,732
Transfers to State Reserve Fund	(941,037)			(166,791)			(1,107,828)
Transfers from State Reserve Fund	340,508					32,663	373,171
Appropriations	4,242,313	(2,369)	(238,124)	1,186,409	(1,299,094)	27,029,228	30,918,363
Total Other Financing Sources (Uses)	3,641,784	(2,369)	(238,124)	1,032,333	(1,299,094)	27,360,412	30,494,942
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 1,127,065	\$ 45,944,084	\$ 889,389	\$ (1,497,788)	\$ (12,314,520)	\$ 23,731,238	\$ 57,879,468



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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

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

Eddie M. Buffaloe, Jr., 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, the major proprietary fund, and the aggregate nonmajor funds of the North Carolina Department of Public Safety, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated July 27, 2022.

As discussed in Note 1 of the Department's Notes to the Financial Statements, the financial statements of the North Carolina Department of Public Safety are intended to present the financial position, changes in financial position and, where applicable, cash flows of only that portion of each fund that is attributable to the transactions of the North Carolina Department of Public Safety. They do not purport to, and do not, present fairly the financial position of the State of North Carolina as of June 30, 2021 or 2020, the changes in its financial position, or, where applicable, its cash flows for the year then ended 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) as a basis for designing 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 financial statements. 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

July 27, 2022

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This audit required 7,448 hours at an approximate cost of \$789,488, including costs associated with the report of the Department's statewide financial statement audit procedures.