

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

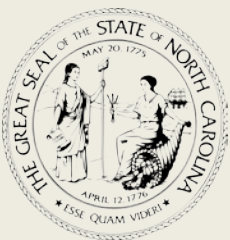


NORTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES

RALEIGH, NORTH CAROLINA

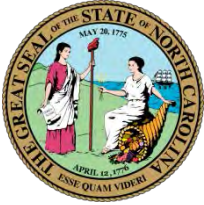
FINANCIAL STATEMENT AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2015

A DEPARTMENT OF THE STATE OF NORTH CAROLINA



NCOSA
The Taxpayers' Watchdog

STATE OF NORTH CAROLINA
Office of the State Auditor



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AUDITOR'S TRANSMITTAL

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

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

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

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

Beth A. Wood, CPA
State Auditor

AN OVERVIEW OF HOW TO USE THIS REPORT

This report provides audited financial information on the North Carolina Department of Health and Human Services (DHHS) and is designed to provide the information at a summarized level in the beginning and more details of the information further in to the report. This report is made up of various components as listed in the Table of Contents.

The Department of Health and Human Services is comprised of 10 Divisions. The “Divisions” presented may not represent actual formal divisions within DHHS but are representative of major functions within DHHS, ie; Central Administration, Medical Assistance, etc (see Note 1-A in the “Notes to the Financials” for further explanation).

The financial information in the report is presented at a summarized, department level initially, is then presented showing the combining of the Divisions’ financial information into the department level totals and finally, is presented individually for each Division. Where some numbers need further explanation, additional detail is provided in Exhibits or “Notes to the Financial Statements” and the Exhibits/Notes will be referenced next to the line item caption.

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

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

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

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

“B” Exhibit presents a budget-to-actual comparison for the General Fund (for the fiscal year ending June 30, 2015) of the DHHS **General Fund as a whole**.

“E” through “N” Exhibits present Balance Sheets, Statement of Revenues, Expenditures and Changes in Fund Balance **by Division** (for fiscal year ending June 30, 2015, with comparative totals for fiscal year ending June 30, 2014). They also present budget-to-actual comparisons for the **General Fund by Division** (for fiscal year ending June 30, 2015). This information is also tabbed by Division.

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

“C” Exhibits present the financial information combining the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance for all the Divisions in DHHS (for fiscal year ending June 30, 2015, with comparative totals for fiscal year ending June 30, 2014).

“D” Exhibit presents details of one expenditure line item on the financial statements classified “Grants, State Aid and Subsidies” as follows:

- D-1 – Details of amounts included as grants, state-aid and subsidies for each of the Divisions for June 30, 2015 as presented on Exhibit C-2
- See further breakdown of grants, state-aid and subsidies for selected Divisions at corresponding “E” through “N” Exhibits.

“O” Exhibits present Balance Sheets and Statement of Revenues, Expenditures and Changes in Fund Balance for the other governmental funds reported on “A” Exhibits (Special Revenue and Capital Projects for fiscal year ending June 30, 2015, with comparative totals for fiscal year ending June 30, 2014).

“P” Exhibits present further breakdown of transfers as follows:

- P-1 – Transfers from other state agencies to each Division
- P-2 – Transfers to other state agencies by each Division
- P-3 – Transfers between Divisions

Required Information:

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



Beth A. Wood, CPA
State Auditor

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

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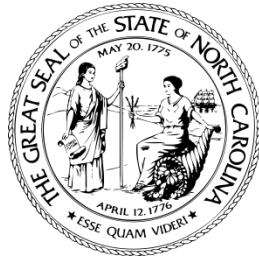
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INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



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INDEPENDENT AUDITOR'S REPORT

Mr. Richard O. Brajer, Secretary
and Management of the North Carolina Department of Health and Human Services

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the divisions of central administration, medical assistance, child development and early education, health service regulation, public health, aging and adult services, services for the blind/deaf and hard of hearing, vocational rehabilitation, social services, and mental health/developmental disabilities and substance abuse services of the North Carolina Department of Health and Human Services (Department) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the divisions of central administration, medical assistance, child development and early education, health service regulation, public health, aging and adult services, services for the blind/deaf and hard of hearing, vocational rehabilitation, social services, and mental health/developmental disabilities and substance abuse services, of the North Carolina Department of Health and Human Services, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Department of Health and Human Services and are not intended to present fairly the financial position of the State and the results of its operations in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Prior Period Information

We have previously audited the accompanying financial statements of the governmental activities of the Department as of June 30, 2014 and the respective changes in financial position for the year then ended June 30, 2014 and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 10, 2015. We previously audited the accompanying combining fund and division financial statements as of June 30, 2014 in relation to the basic financial statements taken as a whole and we expressed an unmodified opinion in relation to the basic financial statements taken as a whole in our report dated April 10, 2015.

Required Supplementary Information

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

during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The supplementary schedules of grants, state aid and subsidies expenditures, combining schedules of other governmental funds, and transfers 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. The supplementary schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2016 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

April 7, 2016



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is an overview and analysis of the financial performance of the North Carolina Department of Health and Human Services (Department) as of June 2015 and 2014 and for the fiscal year ended June 30, 2015. This discussion should be read in conjunction with the financial statements and related notes to the financial statements.

Financial Highlights

Fund Financial Statements

- The fund balance of the General Fund increased from (\$292,767,949) at June 30, 2014 to (\$161,167,074) at June 30, 2015, an increase of \$131,600,875 (or 44.95%).

Capital Assets

- The Department's investment in capital assets (net of accumulated depreciation) was \$1,265,360,370, an increase of 3.1% from the previous fiscal year-end.
- Significant year end construction in progress amounts were for software and development (\$323 million).

Overview of the Financial Statements

The Department is a part of the State of North Carolina and is not a separate legal entity. The Department's accounts and transactions are included in the State of North Carolina's *Comprehensive Annual Financial Report* (CAFR) as a part of the State's General Fund and Other Governmental Funds.

The accompanying financial statements are presented in accordance with generally accepted accounting principles (GAAP) in the United States of America as prescribed by the Governmental Accounting Standards Boards (GASB) for Governmental entities. GAAP requires the presentation of both government-wide and fund level financial statements. The financial statements presented are governmental fund financial statements of the Department. Because the Department is not a separate legal or reporting entity, government-wide financial statements are not prepared.

Fund Financial Statements

The fund financial statements provide more detailed information about the Department's most significant funds (i.e., major funds). The Department has only governmental funds, which consist of the General Fund, Special Revenue Fund, and Capital Improvement Fund. The General Fund is presented separately in these statements, since it is the only major governmental fund. Data for all other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Governmental Funds

The Department prepares the governmental fund financial statements using the modified accrual basis of accounting and a current financial resources measurement focus. Because this information does not encompass the additional long-term focus of the government-wide statements, capital assets and long-term liability accounts are not included in these financial statements. However, these amounts are reported in the notes to the financial statements.

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

Notes to the Financial Statements

Notes to the financial statements are provided to give the reader additional information concerning the Department and further supports the basic financial statements.

Required Supplementary Information

Required Supplementary Information (RSI) follows the basic financial statements and notes to the financial statements. The RSI is mandated by the GASB and includes General Fund budgetary comparison schedules reconciling the statutory to the generally accepted accounting principles fund balances at fiscal yearend.

Other Supplementary Information

Other supplementary information includes the combining financial statements for the Other Governmental Funds, schedules of grants, state aid, and subsidies as well as intercompany transfers.

Financial Analysis of the Department

The following is comparative condensed financial information and a financial analysis for balances reported as of June 30, 2015 and June 30, 2014.

North Carolina Department of Health and Human Services Condensed Balance Sheets Governmental Funds		
	6/30/2015	6/30/2014 (Restated)
Total Assets and Deferred Outflows of Resources	\$ 1,218,814,263	\$ 1,223,238,425
Liabilities, Deferred Inflows of Resources, and Net Position:		
Total Liabilities	1,345,401,607	1,473,263,172
Total Deferred Inflows of Resources	8,528,404	21,196,231
Fund Balance:		
Nonspendable	10,946,503	11,377,584
Restricted	160,216,155	59,223,023
Committed	66,440,442	52,282,830
Assigned	5,214,939	3,073,006
Unassigned	(377,933,787)	(397,177,421)
Total Fund Balance	(135,115,748)	(271,220,978)
Total Liabilities, Deferred Inflows of Resources, and Fund Balance:	\$ 1,218,814,263	\$ 1,223,238,425

Total assets decreased \$4.4 million, or 0.36%, compared to fiscal year 2014.

Total liabilities decreased \$127.9 million, or 8.68%, in the current fiscal year, due to a decrease in accounts payable and intergovernmental payables. The decrease in intergovernmental payables is attributable to a timing difference for annual payments for EMS and At-Risk cost settlements. Payments were made before year end in June 2015, whereas in the prior year, these payments were all accrued. Other decreases were attributable to the decrease in the Medical Claims Payable from SFY 2014, when AON, an actuarial company, accrued a larger amount for SFY 2014 than was originally determined by the DMA actuaries.

Deferred inflows of resources, which represent unavailable Mental Health patient revenues, decreased \$12.7 million, or 59.76%. Significant changes were implemented for determining allowance amounts for State Fiscal Year (SFY) 2015. In SFY 2015, a more proactive approach was taken in determining third party allowance amounts (Commercial, Medicaid and Medicare); patient account level review was performed to identify collectible charges and using established reimbursement rates and/or historical data, more accurately project third party deferred revenues; \$7,565,545.

A 100% allowance was taken on self-pay balances less any anticipated entitlement funds. Changes to the Cash Management Plan (AR041) for Medicaid eligible client's ages 22-64 changed the landscape for the Division of State Operated Facilities (DSOHF) self-pay billing. Clients within this age range with services rendered after 4/1/14 were generally not assessed an ability to pay rate thereby increasing the Indigency Allowance amounts, which resulted in a substantial increase of \$18,262,005 in self-pay allowances from the prior year.

North Carolina Department of Health and Human Services
 Condensed Statements of Revenues, Expenditures, and
 Changes in Fund Balance
 Governmental Funds

	6/30/2015	6/30/2014 (Restated)
Revenues:		
Federal Revenues	\$ 13,366,321,662	\$ 12,910,123,506
Other Revenues	607,526,955	623,770,694
Total Revenues	<u>13,973,848,617</u>	<u>13,533,894,200</u>
Expenditures:		
Personal Services	733,453,906	716,761,280
Employee Benefits	279,740,915	274,200,557
Contracted Personal Services	326,368,845	379,822,792
Supplies and Materials	57,144,820	56,451,780
Travel	8,010,940	9,048,260
Communication	10,749,781	11,040,222
Utilities	17,297,275	18,615,161
Data Processing Services	18,193,834	18,814,023
Other Services	14,247,338	16,144,271
Other Fixed Charges	14,292,118	11,717,970
Capital Outlay	40,757,465	71,769,836
Grants, State Aid, and Subsidies	17,146,264,339	16,617,145,548
Expenditures to Other State Agencies	132,104,570	129,004,109
Other Expenditures	49,147,417	33,319,037
Total Expenditures	<u>18,847,773,563</u>	<u>18,363,854,846</u>
Excess of Revenues Over (Under) Expenditures	(4,873,924,946)	(4,829,960,646)
Other Financing Sources (Uses):		
State Appropriations	5,010,775,878	4,893,648,878
Transfers In	426,452,209	561,928,824
Transfers Out	(426,452,209)	(561,928,824)
Other	(745,702)	9,103,301
Total Other Financing Sources	<u>5,010,030,176</u>	<u>4,902,752,179</u>
Net Change in Fund Balance	136,105,230	72,791,533
Fund Balance Beginning of Year - as Restated	<u>(271,220,978)</u>	<u>(344,012,511)</u>
Fund Balance End of Year	<u>\$ (135,115,748)</u>	<u>\$ (271,220,978)</u>

Total revenues increased \$440.0 million, or 3.25% compared to the prior year, primarily due to a significant increase of \$456.2 million in federal funds, which were slightly offset by a decrease of \$16.2 million, or 2.6%, in other revenues. See below for explanations of increased federal expenditures which are directly related to the increase in federal funds as they are reimbursed expenditures.

Total expenditures increased \$483.9 million, or 2.64% compared to the prior year. The increase is primarily due to increased spending for Medicaid (the State's largest public assistance program). The new Medicaid management information system (NCTracks, which became operational in July 2013), continues to maximize paperless processing and improve administrative efficiency. Medicaid is a federal entitlement program, which means individuals found eligible for Medicaid have legal rights to receive services and cannot be denied coverage by the State. In North Carolina, Medicaid is administered by the State and counties

and financed with federal and state funds. Medicaid serves as the State's safety net program for eligible individuals who lose jobs and health insurance coverage. As such, it is sensitive to economic volatility. Higher growth rates occur during years of economic distress and when major Medicaid expansions are enacted. Lower growth rates occur when the Medicaid eligible population is stable or declining.

The Office of Medicaid Management Information Systems (OMMIS) was dismantled during SFY 2015, resulting in a reduced reliance on contracted personal services. This function was incorporated into the Division of Information Resource Management (DIRM) staff. Also, North Carolina Families Accessing Service through Technology (NC FAST) continued to move sections from development to operation, thus requiring fewer contractors. Development costs will still be incurred until all modules of the project are fully implemented. NC FAST is designed to improve the way the Department and the 100 county departments of social services conduct business. NC FAST introduces new technological tools and business processes that will enable staff to spend less time performing administrative tasks and more time assisting families.

Presented within contracted personal services on the financial statements, the IT, miscellaneous contractual services, and other automation services decreased by more than \$40 million, which caused a reduction in temporary services payments to agencies of \$9.5 million; the Division of Mental Health (DMH) saw a reduction in contract nurse payments of \$4.6 million; and, the Division of Medical Assistance (DMA) had an approximate \$5 million increase in contracted personal services payments related to the operation of NCTracks for payments processed to Medicaid providers and the cost of using temporary employees until permanent staff could be hired. Other expenditures increased by \$15.8 million, or 47.5%, primarily due to payments made by the DMH to settle the audited Medicaid and Medicare cost reports. These were non-recurring expenditures for cost settlements that date from SFY 2008 to SFY 2014.

Total other financing sources increased \$107.3 million, or 2.2%, compared to the prior year. Of the changes occurring compared to prior year activity, most significant is the increase in state appropriations, due primarily to the total increase in expenditures for grants, state aid, and subsidies at the Division of Medical Assistance. Transfer balances increased as a result of adjustments made for receipts and disbursements related to entities outside of the Department.

Financial Analysis of the Department's Fund Balance

The Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus on the Department's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. At June 30, 2015, the Department's governmental funds reported a fund balance deficit of \$135,115,748, a decrease of \$136,105,230, or 50.2%, from the prior fiscal year-end. Of this amount, (\$369,370,779) was classified as unassigned fund balance in the General Fund (available for spending at the Department's discretion). The remainder of fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form (e.g., inventories), 2) restricted for particular purposes by external sources, 3) committed for particular purposes by the N.C. General Assembly, or 4) assigned for particular purposes by the Office of State Budget and Management. The fund balance deficit decrease is primarily attributable to the Division of Medical Assistance. This is due to the decrease in the medical claims payable accruals, of \$95.6 million for medical services

incurred by Medicaid recipients in the current fiscal year but were not submitted for reimbursement by the providers and were still considered a payable to providers as of June 30. Another factor contributing to the decrease was the decrease in Intergovernmental Payables of \$54.6 million at the DMA, which was attributable to a timing difference for Emergency Medical Services and At-Risk Cost Settlements.

General Fund

The Department has only one major governmental fund, the General Fund. The fund balance of the Department's General Fund increased \$131,600,875 (or 45%) to a negative \$161,167,074 at June 30, 2015. One of the major budget drivers for the General Fund, historically, has been the Medicaid Program. Medicaid enrollment increased 6.0% in fiscal year 2015 to 1.84 million (or 18% of North Carolina's population).

Budget Variations

Data for the budget variances is presented in Exhibit B-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 \$557 million and \$476.9 million, respectively, more than the original budget. The increases are primarily comprised of a \$429.6 million increase in federal funds. Generally, the variances between original and final budget are attributable to the timing and length of the budget preparation process and the budgeting of federal funds for the fiscal year. The original budget for fiscal year 2014-15 was prepared approximately 18 months prior to the final budget. The final budget reflects all budget revisions made throughout the fiscal year to adjust for known facts as well as supplemental adjustments approved by the General Assembly. Consequently, when the original budget is compared to the final budget, it would be expected that significant variances can occur.

Additional factors leading to variances between the original and final budgets in fiscal year 2015 include: unanticipated cost recoveries and increased receipts of Intermediate Care Facilities Assessments at the Division of Medical Assistance.

Variances – Final Budget and Actual Results:

Actual total revenues were \$403.3 million less than the final budgeted revenue amounts. Likewise, actual total expenditures were \$573.1 million less than budgeted expenditures. Budgeted revenues and expenditures were unrealized mostly due to a \$420.4 million decrease in Aid and Public Assistance 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.

Economic Outlook

The 2015 Session of the General Assembly passed SL 2015-245, HB 372, which directed DHHS to create the Division of Health Benefits (DHB). Its purpose is to transform the State's current Medicaid and NC Health Choice programs to programs that provide budget

predictability for the taxpayers of this State while ensuring quality care to those in need. DHHS is working towards making this transition. The DHB will submit the waivers and State Plan amendments required by the legislation to the Centers for Medicare and Medicaid Services (CMS) on or before June 1, 2016. Eighteen months after approval of all necessary waivers and State Plan Amendments by CMS, the capitated contracts will commence.

Other highlights of the Divisions within DHHS are listed below:

Division of Medical Assistance

One of the major budget drivers for the General Fund, historically, has been the Medicaid program. Medicaid enrollment increased 6% to 1.84 million individuals (or 18.3% of North Carolina's population). State appropriation expenditures for Medicaid increased 4.52% to \$3.56 billion. Medicaid ended the fiscal year without a budget shortfall. Prior to the fiscal year 2014 - 2015, Medicaid experienced shortfalls of nearly \$1 billion over a three-year period. N.C. Tracks, the replacement system for the Medicaid Management Information System, went live on July 1, 2013. N.C. Tracks is the first multi-payer system in the country and the largest information technology project in North Carolina history. In April 2015, the system was certified by the Centers for Medicare and Medicaid Services.

- The Division of Medical Assistance (DMA) expenditures increased by 3.6% from \$11.6 billion in SFY 2014 to \$12 billion in SFY 2015. The increase in expenditures was partially offset by higher than anticipated receipts generated from the hospital supplemental payment program and drug rebates.

Division of Health Service Regulation (DHSR)

- The continued moratorium on the licensing of Special Care Units in Adult Care and Home Care agencies that want to offer in-home Aid services could impact fee collections for the Division of Health Services Regulation.
- Potential federal budget cuts could impact the Survey and Certification (Medicare) grant award for DHSR.
- DHSR may become the Division responsible for all incoming complaints regarding Adult Care Homes across the state (currently these calls are received by county DSS offices). DHSR would potentially be responsible for receiving, screening, and referring the complaints as appropriate. The impact on DHSR resources (cost, staffing, etc.) is unknown.
- DHSR is moving to replace seven legacy IT systems. The General Assembly has approved a budget of \$2.4 million to begin the development of the new DHSR system; however, additional funding may be needed to complete the system build.
- Medicaid reform and the move to an Accountable Care Organization/Managed Care Organization (MCO/ACO) model of care could have an impact on healthcare delivery with an unknown impact on the licensure process.
- Regulatory reform changes approved by the General Assembly in SFY 15 - 16 could potentially have an impact on DHSR regulatory structure, specifically in Mental Health licensure.
- New legislative action in SFY 2015 - 2016 requires DHSR to implement within existing resources:

- Licensure of an additional 150 in-Patient Psychiatric Beds
- Office of Emergency Management Services management of additional pilot sites for the NC Community Para Medicine program
- Required posting of transparency data on healthcare costs for various provider types on the DHSR website

Division of Mental Health/Developmental Disabilities/Substance Abuse Services

- NC Senate Bill 676 requires private insurance to pay for autism services. Previously, these services might have been funded utilizing state funds to individuals on the Intellectual/Developmental Disabilities waitlist because there were no other options for funding or support.

Division of State Operated Healthcare Facilities

- In the SFY 2015/2016 Conference Report, the General Assembly eliminated the General Fund appropriations in the three Alcohol and Drug Abuse Treatment Centers (ADACT's) of the Division of State Operated Healthcare Facilities (within the Division of Mental Health). This recurring reduction of \$37,381,817 converted the ADATC's to 100% receipt supported, and required the LME/MCO's to purchase inpatient alcohol and substance abuse treatment services from the ADATC's at 100% of the same amount for SFY 2015 - 2016. The requirement for the Local Management Entity/Managed Care Organizations (LME/MCOs) during SFY 2016 - 2017 is that a minimum of 90% of the allocation be used exclusively to purchase inpatient alcohol and substance abuse treatment services from the ADATC's. The impact moving forward will be determined following a Legislative Report which was presented March 1, 2016.

Division of Child Development and Early Education (DCDEE)

- The General Assembly authorized that an additional non-recurring \$5,040,000 in expansion funds for the NC Pre-K program in SFY 2014 - 2015 be made recurring in SFY 2015 - 2016. These funds will be used to maintain and expand services.
- Funding for the Subsidized Child Care Program for SFY 2015-16 was increased by \$3 million to allow for market rate increases to be implemented in Tier 1 and Tier 2 counties, based on the 2015 Child Care Market Rate Survey. Rates for infants and toddlers in three to five star rated child care centers and three to five star rated child care homes in Tier 1 and Tier 2 counties will increase effective January 1, 2016.
- The General Assembly changed the child care subsidy family co-payment policy to allow for fees to be prorated to 75% for part-time care. All other co-payments for full time care will remain at 10% regardless of family size (except for families eligible without regard to income).
- The Child Care and Development Fund (CCDF) was reauthorized in November 2014, resulting in changes to CCDF federal regulations. To prepare a State Plan for FFY 2016 – 2018, DCDEE held a public hearing on the State Plan in November 2015. There are new requirements for how DCDEE will spend CCDF quality funds. Quality set-aside increased from 4% to 7% quality set-aside with an additional infant/toddler set aside added in subsequent years. DCDEE will need to adjust for this in the upcoming SFY 16-17 CCDF block grant plan.

- NC's Race to the Top/Early Learning Challenge grant which DCDEE oversees, was to end on December 31, 2015. However, the federal funder has approved a no-cost extension through December 2016, with additional time to liquidate the grant funds.
- The SFY 2015-2016 budget bill reduced DCDEE's administrative budget by \$507,577 and authorized DCDEE to cost-allocate 13 positions to leverage additional CCDE for partially funding these positions. In addition, the budget allows DCDEE to establish eight new CCDF funded positions for abuse and neglect investigations in child care and for implementing new subsidized child care policies resulting from CCDF reauthorization.

Division of Social Services (DSS)

- Increase in funding for the support of Foster Care caseload growth of \$4.5 million in SFY 2015-2016 and \$7.5 million in SFY 2016-2017.
- Foster Care was expanded to provide services to children who reach the age of 21 (previously 18 years of age). The amount of \$50,000 was allotted for a new position beginning in SFY 2015-2016 as well as \$1,000,000 increase in funds beginning in SFY 2016-2017.
- Funds were allotted to support a demonstration project with services provided by Youth Villages to improve outcomes for youths transitioning from foster care in the amount of \$1.3 million for SFY 2015 - 2016 and \$1.75 million for SFY 2016 - 2017. The intent of the General Assembly is to fund and support transitional living services to provide positive outcomes for youth and attract funding from the private sector that will lead to evidence-based programs to serve the at-risk population of transitioning foster care youth.
- The DSS has been allowed to retain up to 15% Child Support Enforcement incentive payments received. These retained dollars will be used to enhance centralized child support services.

Division of Public Health

- Recently enacted legislation by the NC General Assembly and/or the US Congress approved changes in fees to program recipients.
- Office of the Chief Medical Examiner (OCME)
 - North Carolina General Statute (G.S.) 130A-389(a) was amended to increase the autopsy fee from \$1,250 to \$2,800 to be paid as rewritten: The fee shall be two thousand eight hundred dollars (\$2,800) to be paid as follows: (1) Except as provided in subdivision (2) of this subsection, the county in which the deceased resided shall pay a fee of one thousand seven hundred fifty dollars (\$1,750) and the State shall pay the remaining balance of one thousand fifty dollars (\$1,050). (2) If the death or fatal injury occurred outside the county in which the deceased resided, the State shall pay the entire fee in the amount of two thousand eight hundred dollars (\$2,800). SECTION 12E.5(b) Subsection (a) of this section becomes effective October 1, 2015, and applies to fees imposed for autopsies performed on or after that date.
 - G.S. 130A-387 was amended to increase the medical examiner fees from \$100 to \$200 for each investigation and prompt filing of the required report. This new fee

becomes effective October 1, 2015, and applies to fees imposed for investigations and reports filed on or after that date.

- New legislation was introduced to increase the transportation rate for death investigations and autopsies – G.S. 130A-SECTION 12E.7. Of the fund appropriated in this act to the DHHS, Division of Public Health, OCME, the sum of four hundred thousand dollars (\$400,000) for the 2015-2016 fiscal year and the sum of four hundred thousand dollars (\$400,000) for the 2016 - 2017 fiscal year shall be used to increase the current base contract rate paid by the Department to transport bodies for death investigations or autopsies to one hundred ninety dollars (\$190.00) for the first 40 miles and then one dollar (\$1.00) per mile thereafter.
- State Lab
 - G.S. 130-125(c) was amended to increase the Newborn Screening Fee from \$19 to \$24 to pay for adding Severe Combined Immunodeficiency (SCID) to the panel of Newborn Screening tests performed at the NC State Laboratory of Public Health.
- Decisions to eliminate, curtail, or expand current programs or start new ones:
 - State Lab - Effective June 30, 2015, the Cancer Cytology Testing Unit of the NC State Laboratory of Public Health (NCSLPH) was eliminated. Due to the requirement to charge a fee to Local Health Departments (LHDs) for the cost of Pap testing, the volume of Pap test specimens dramatically reduced as LHDs found less expensive private laboratories to conduct their Pap testing. Consequently, the Cancer Cytology Unit costs far exceeded the revenues to support the program and the test unit was eliminated.
 - Women's Health - The Project, Redefining & Empowering Adolescent and Community Health (REACH), grant award was received on 7/1/2015. REACH is a five year grant totaling \$4,999,995 related to teen pregnancy prevention. REACH will serve over 2,000 unduplicated youth annually.
 - Children and Youth Branch - A recurring appropriation of \$250,000 was added to previous funding to support the Nurse Family Partnership programs in NC by the General Assembly.
 - Women's and Children's Health was appropriated \$2.5 million to support evidence-based programs through local health departments.
- Epidemiology
 - The AIDS Drug Assistance Program suffered a recurring reduction in the SFY15-17 budget of \$6,268,646. As described in the budget legislation, the potential impact of this reduction is offset by the expected receipt of additional drug rebate receipts. It is not clear at this time that a programmatic problem would result from this reduction.

Division of Aging and Adult Services (DAAS)

- Waiting lists for services provided through our local partners under the Home and Community Care Block Grant continue to grow as the state's population growth outpaces available resources. The Older Americans Act grant awards

for FFY 2016 increased by 1% from the previous year; however remained 3% lower than 2011 pre-sequestration funding amounts.

- State Law (S.L.) 2015-241 restored \$969,549 non-recurring in the Home and Community Care Block Grant (HCCBG) over the next two years that was previously reduced in S.L. 2014-100. Combined with the local match, service funding for HCCBG has increased by \$1,077,277 non-recurring over the next two years. DAAS's budget funded by the Social Services Block Grant (SSBG) also increased by 4% resulting in an additional \$128,672 for Guardianship services and \$91,269 (\$101,410 combined with local match) for State In-Home services.

Division of Vocational Rehabilitation Services (DVRS)

- In July 2014, DVRS & Division of Services for the Blind and Deaf and Hard of Hearing launched a new case management and payment system Business Electronic Access and Management (BEAM). Minor modifications have been made the first year, but overall the system is functioning as designed.
- The Rehabilitation Services Administration is finalizing the federal rules implementing the Workforce Innovation and Opportunities Act (WIOA) that reauthorized the Basic Support vocational rehabilitation program. WIOA requires more program coordination among employment programs receiving federal funds and places more emphasis on working with youth transitioning to the workforce.

Office of Rural Health

- S.L. 2015-241 eliminated the Health Net program by reducing \$2.25 million in appropriations and repurposing the remaining \$2.25 million to the Community Health Grant Program. To ensure continuity of care for patients, health care safety-net agencies receiving Health Net funds at the end of SFY 2015 were eligible to apply for and receive Community Health Grant funds at their current level of funding for SFY 2016 and SFY 2017. After SFY 2017, these agencies must submit an application for funding through the competitive Community Health Grant process.
- S.L. 2015-241 expanded the use of Rural Health Loan Repayment funds to include general surgeons practicing in Critical Access Hospitals (CAHs) located across the State. Loan Repayment funds were also expanded to include eligible providers residing in North Carolina who use telemedicine in rural and underserved areas.



FINANCIAL STATEMENTS

**North Carolina Department of Health and Human Services
Balance Sheet
Governmental Funds
June 30, 2015 (With Comparative Totals for June 30, 2014)**

Exhibit A-1

	General Fund	Other Governmental Funds (1)	Total Governmental Funds 2015	Total 2014 (Restated)
ASSETS				
Cash and Cash Equivalents (Note 2)	\$ 228,176,733	\$ 29,318,212	\$ 257,494,945	\$ 135,846,834
Receivables:				
Accounts Receivable, Net (Note 3)	86,122,101	789,738	86,911,839	131,483,957
Intergovernmental Receivables (Note 3)	861,673,761	1,471,187	863,144,948	943,425,828
Due From Other Funds	316,028		316,028	1,104,221
Inventories	10,912,971	33,532	10,946,503	11,377,585
Total Assets	<u>1,187,201,594</u>	<u>31,612,669</u>	<u>1,218,814,263</u>	<u>1,223,238,425</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Assets and Deferred Outflows of Resources	<u>\$ 1,187,201,594</u>	<u>\$ 31,612,669</u>	<u>\$ 1,218,814,263</u>	<u>\$ 1,223,238,425</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities:				
Accounts Payable	\$ 74,041,392	\$ 5,460,608	\$ 79,502,000	\$ 74,988,553
Intergovernmental Payables (Note 5)	229,351,559	49,202	229,400,761	276,926,068
Medical Claims Payable (Note 6)	890,913,768		890,913,768	986,720,030
Due to Other State Agencies and Funds	8,236,050	13,559	8,249,609	8,921,257
Due to UNC Hospitals	137,324,273		137,324,273	116,143,907
Other Liabilities	7,341	3,855	11,196	9,563,357
Total Liabilities	<u>1,339,874,383</u>	<u>5,527,224</u>	<u>1,345,401,607</u>	<u>1,473,263,172</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	<u>8,494,285</u>	<u>34,119</u>	<u>8,528,404</u>	<u>21,196,231</u>
FUND BALANCE				
Nonspendable	10,912,971	33,532	10,946,503	11,377,584
Restricted for Health and Human Services	158,916,416	1,299,739	160,216,155	59,223,023
Committed for Health and Human Services	34,300,330	32,140,112	66,440,442	52,282,830
Assigned for Health and Human Services	4,073,988	1,140,951	5,214,939	3,073,006
Unassigned	<u>(369,370,779)</u>	<u>(8,563,008)</u>	<u>(377,933,787)</u>	<u>(397,177,421)</u>
Total Fund Balance	<u>(161,167,074)</u>	<u>26,051,326</u>	<u>(135,115,748)</u>	<u>(271,220,978)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 1,187,201,594</u>	<u>\$ 31,612,669</u>	<u>\$ 1,218,814,263</u>	<u>\$ 1,223,238,425</u>

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

(1) See Note 1 and Exhibits O-1 through O-6

**North Carolina Department of Health and Human Services
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds**

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

Exhibit A-2

	General Fund	Other Governmental Funds (1)	Total Governmental Funds 2015	Total 2014 (Restated)
REVENUES				
Federal Funds	\$ 13,302,598,378	\$ 63,723,284	\$ 13,366,321,662	\$ 12,910,123,506
Local Funds	148,623,350	23,529	148,646,879	131,499,114
Sales and Services, Net	58,552,752	3,147,996	61,700,748	64,149,177
Fees, Licenses and fines (Note 9)	170,768,790	5,376,478	176,145,268	179,065,430
Revenues from Other State Agencies (Exhibit P-1)	84,507,704	35,968,066	120,475,770	141,137,346
Miscellaneous Revenue	99,411,263	1,147,027	100,558,290	107,919,627
Total Revenues	13,864,462,237	109,386,380	13,973,848,617	13,533,894,200
EXPENDITURES				
Personal Services	703,392,551	30,061,355	733,453,906	716,761,280
Employee Benefits	269,242,241	10,498,674	279,740,915	274,200,557
Contracted Personal Services	302,290,599	24,078,246	326,368,845	379,822,792
Supplies and Materials	55,353,171	1,791,649	57,144,820	56,451,780
Travel	7,813,089	197,851	8,010,940	9,048,260
Communication	10,463,414	286,367	10,749,781	11,040,222
Utilities	17,220,768	76,507	17,297,275	18,615,161
Data Processing Services	18,193,834		18,193,834	18,814,023
Other Services	13,196,894	1,050,444	14,247,338	16,144,271
Other Fixed Charges	13,771,910	520,208	14,292,118	11,717,970
Capital Outlay	15,229,225	25,528,240	40,757,465	71,769,836
Grants, State Aid and Subsidies (Exhibit D-1)	17,141,871,324	4,393,015	17,146,264,339	16,617,145,548
Expenditures to Other State Agencies (Exhibit P-2)	132,104,570		132,104,570	129,004,109
Other Expenditures	46,231,356	2,916,061	49,147,417	33,319,037
Total Expenditures	18,746,374,946	101,398,617	18,847,773,563	18,363,854,846
Excess of Revenues Over (Under) Expenditures	(4,881,912,709)	7,987,763	(4,873,924,946)	(4,829,960,646)
OTHER FINANCING SOURCES (USES)				
State Appropriations	5,010,775,878		5,010,775,878	4,893,648,878
Transfers In (Note 11 & Exhibit P-3)	423,543,577	2,908,632	426,452,209	561,928,824
Transfers Out (Note 11 & Exhibit P-3)	(420,006,426)	(6,445,783)	(426,452,209)	(561,928,824)
Other	(799,445)	53,743	(745,702)	9,103,301
Total Other Financing Sources (Uses)	5,013,513,584	(3,483,408)	5,010,030,176	4,902,752,179
Net Change in Fund Balance	131,600,875	4,504,355	136,105,230	72,791,533
Fund Balance - Beginning of Year, as Restated (Note 16)	(292,767,949)	21,546,971	(271,220,978)	(344,012,511)
Fund Balance - End of Year	<u>\$ (161,167,074)</u>	<u>\$ 26,051,326</u>	<u>\$ (135,115,748)</u>	<u>\$ (271,220,978)</u>

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

(1) See Note 1 and Exhibits O-1 through O-6



NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization** – The North Carolina Department of Health and Human Services (Department) is a part of the State of North Carolina and is not a separate legal or reporting entity. The Department's accounts and transactions are included in the State of North Carolina's *Comprehensive Annual Financial Report* as a part of the State's General Fund and Other Governmental Funds.

For the purposes of these financial statements, the Department is reporting information for the following individual divisions: Central Administration, Medical Assistance, Child Development and Early Education (Child Development), Health Service Regulation (Health Services), Public Health, Aging and Adult Services (Aging), Services for the Blind/Deaf and Hard of Hearing (Blind and Deaf Services), Vocational Rehabilitation, Social Services, Disability Determination, and Mental Health/Developmental Disabilities and Substance Abuse Services (Mental Health). The division of Child Development also includes any remaining activity of the Office of Educational Services. The division of Social Services also includes the disability determination activity. The division of Mental Health also includes the activity of the 14 mental health facilities that are operated by the Department.

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

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

- 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 as applicable to governmental 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 Government*, requires the presentation of both government-wide and fund level financial statements. The financial statements presented are

governmental fund financial statements of the Department. Because the Department is not a separate legal or reporting entity, government-wide financial statements are not prepared.

The Department reports only one major fund, the General Fund, displayed in a separate column. The General 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.

All remaining governmental funds are aggregated and reported as non-major funds in a separate column labeled "Other Governmental Funds." The Other Governmental Funds are Special Revenue Funds and Capital Project Funds. Special Revenue Funds account for the proceeds of specific revenue sources (other than special assessments or capital projects) that are legally restricted to expenditures for specified purposes. Capital Project Funds account for financial resources to be used for the acquisition or construction of major capital facilities.

- D. Measurement Focus and Basis of Accounting** - Governmental fund financial statements are reported 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. Generally, the Department considers revenues to be available if they are collected within 31 days of the end of the current fiscal period. Exceptions are federal revenues accrued for the matching share of the Medicaid Claims Payable, which the Department considers to be available if they are collected within 12 months after year-end. Other revenues are considered to be measurable and available only when cash is received by the Department.

Expenditures generally are recorded when a liability is incurred, except for principal and interest on general long-term debt, claims and judgements, compensated absences, and obligations for workers' compensation, which are recognized as expenditures when payment is due. Pension contributions to cost-sharing plans are recognized as expenditures in the period to which the payment relates, even if payment is not due until the subsequent period.

Since capital asset and long-term liability accounts relating to governmental funds are reported only in the governmental activities column of the government-wide financial statements, these amounts are

not included in the financial statements of the Department. However, amounts are reported in the Notes to the Financial Statements.

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

- E. Budgetary Control** - 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 budget amounts.
- F. Cash and Cash Equivalents** - This classification includes petty cash 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.
- G. Receivables** – Accounts receivable represents amounts that have arisen during the ordinary course of business and are recorded net of estimated uncollectible amounts.

For the Division of Mental Health, accounts receivable primarily consists of patient accounts receivable, which are unbilled (in-house patients, inpatients discharged but not final billed and outpatients not final billed) and billed amounts. Payment of these charges comes primarily from Managed Care payers, Medicare, Medicaid and, to a lesser extent, the patient. These amounts are recorded in the financial statements net of contractual allowances and allowances for bad debt to determine the net realizable value of accounts receivable. The allowances recorded for these accounts are used to determine the net patient accounts receivable and are calculated based on the historical collection rates realized for the payer.

Intergovernmental receivables include amounts due from the federal government and county and local governments. All amounts are considered collectible and therefore, no allowance for doubtful accounts is recorded.

- H. **Due From Other Funds and Due To Other State Agencies and Funds** - Activities between Departmental funds or State agencies are composed of amounts due from or to other Departmental funds or State agencies. All amounts are considered collectible and therefore, no allowance for doubtful accounts is recorded.
- I. **Inventories** - All inventories are valued on the first-in, first-out, method. Inventories are recorded as expenditures when consumed rather than when purchased. In the fund financial statements, inventories are offset in a nonspendable fund balance account.
- J. **Deferred Inflows of Resources** - In addition to liabilities, the Department has Deferred Inflows of Resources, which represent an acquisition of net position applicable to a future period(s) that will not be recognized as a revenue until that time. The Department has unavailable revenues that qualify for reporting in this category. The governmental funds report unavailable revenues primarily from the following sources: sales and services, reimbursements, and fees, licenses, and fines. These amounts are deferred and will be recognized as revenues in the period the amounts become available.
- K. **Fund Balance** - Fund balance for governmental funds is reported in the following classifications depicting the relative strength of the constraints that control how specific amounts can be spent.

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

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

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

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

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

The Department considers an expenditure 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.

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

- M. Patient Service Revenue** – For the Division of Mental Health, sales and services revenue primarily consists of patient services, which is recorded at established rates and includes all charges for unbilled (in-house patients, inpatients discharged but not final billed, and outpatients not final billed) and billed amounts for services during the fiscal year. The difference between established rates and the estimated amount collectible is recognized as revenue deductions at yearend and deducted from gross patient service revenue to report service revenue at net realizable value. Revenue deductions consist of contractual allowances and allowances for bad debt.

Differences between the amounts paid for services under third party reimbursement programs and established rates are accounted for as contractual adjustments.

Patient service revenue also includes retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are recorded as final settlements are determined.

In addition to the revenue deductions above, patient service revenue is reported net of certain third party reimbursement programs in the accompanying Statement of Revenues, Expenditures, and Changes in Fund Balance for the Division of Mental Health. The Division of Medical Assistance, funded through state appropriations, is responsible for providing the non-federal share of the State Medicaid Program, whether paid to the Division of Mental Health or Managed Care Organizations. Funding from the State Medicaid Program and corresponding non-federal share are recorded as federal funds and transfers from the Division of Medical Assistance, respectively, in the accompanying Statement of Revenues, Expenditures, and Changes in Fund Balance for the Division of Mental Health. To the extent that revenues from these programs are

used to satisfy patient service charges, the Department has recorded a deduction to patient service revenue. See Note 8 for further information regarding the revenue and deductions.

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.

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; certificates of deposit and other deposit accounts of specified financial institutions; prime quality commercial paper; asset-backed securities with specified ratings, specified bills of exchange or time drafts, and corporate bonds/notes with specified ratings; general obligations of other states; general obligations of North Carolina local governments; and obligations of certain entities with specified ratings.

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

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

At June 30, 2015, the Balance Sheet reported cash and cash equivalents of \$257,494,945 which represents the Department's equity position in the State Treasurer's STIF. The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.5 years as of June 30, 2015. Assets and shares of the STIF are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

NOTE 3 - RECEIVABLES

Accounts receivable at June 30, 2015 were as follows:

	Gross Receivable	Less Allowance for Doubtful Accounts	Net Receivable
Accounts Receivable:			
Medical Assistance	\$ 104,379,134	\$ 52,016,059	\$ 52,363,075
Child Development	646,729		646,729
Social Services	16,857,744	11,411,741	5,446,003
Public Health	1,685,306	430,492	1,254,814
Health Service Regulation	405,398		405,398
Mental Health	157,235,311	131,354,865	25,880,446
Blind and Deaf Services	598,927	435	598,492
Other	329,056	12,174	316,882
Total Accounts Receivable	\$ 282,137,605	\$ 195,225,766	\$ 86,911,839

For the Division of Medical Assistance, accounts receivable primarily consists of cost settlement, bed assessments, program integrity, third party recovery, drug rebates, and NCTracks (the multi-payer Medicaid Management Information System) provider overpayments. For the Division of Mental Health, accounts receivable primarily consists of patients services including reimbursements from Medicaid, and Medicare, commercial insurance carriers, and managed care organizations.

Intergovernmental receivables at June 30, 2015 were as follows:

	Amount
Due from Federal Agencies:	
Department of Health and Human Services	\$ 824,341,292
Department of Agriculture	28,604,215
Department of Education	3,939,973
Social Security Administration	1,613,089
Other	1,056,402
Due from County and Local Agencies	3,589,977
Total Intergovernmental Receivables	\$ 863,144,948

NOTE 4 - CAPITAL ASSETS

Capital assets, which include property, plant and equipment, are reported as expenditures in governmental funds. Consequently, capital asset balances are not reported on the face of the fund financial statements.

Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

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

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

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

A summary of changes in the Department's capital asset balances for the fiscal year ended June 30, 2015 is presented below.

	Balance July 1, 2014 (as restated)	Increases	Decreases	Balance June 30, 2015
Capital Assets, Nondepreciable:				
Land	\$ 1,128,069	\$ 12,203	\$ 0	\$ 1,140,272
Construction in Progress	210,946,105	28,766,103	5,176,509	234,535,699
Computer Software in Development	290,498,296	60,013,024	27,537,614	322,973,706
Total Capital Assets, Nondepreciable	502,572,470	88,791,330	32,714,123	558,649,677
Capital Assets, Depreciable:				
Buildings	519,043,759	26,052,162	23,065,012	522,030,909
Machinery and Equipment	95,491,068	4,605,543	1,941,529	98,155,082
General Infrastructure	80,474,075	652,828	38,665	81,088,238
Computer Software	248,870,900	4,840,626		253,711,526
Total Capital Assets, Depreciable	943,879,802	36,151,159	25,045,206	954,985,755
Less Accumulated Depreciation/Amortization for:				
Buildings	139,830,265	12,396,966	647,528	151,579,703
Machinery and Equipment	47,770,193	4,077,185	1,191,593	50,655,785
General Infrastructure	26,605,477	3,759,003	21,453	30,343,027
Computer Software	4,841,709	10,854,838		15,696,547
Total Accumulated Depreciation/Amortization	219,047,644	31,087,992	1,860,574	248,275,062
Total Capital Assets, Depreciable, Net	724,832,158	5,063,167	23,184,632	706,710,693
Capital Assets, Net	\$ 1,227,404,628	\$ 93,854,497	\$ 55,898,755	\$ 1,265,360,370

The July 1, 2014 balances of Machinery and Equipment, Computer Software, and corresponding accumulated depreciation and amortization were restated to reflect reclassifications between categories made after the end of the prior fiscal year.

NOTE 5 - INTERGOVERNMENTAL PAYABLES

Intergovernmental payables include amounts due to federal agencies and North Carolina counties, primarily for administration of Department programs. Intergovernmental Payables as of June 30, 2015 were as follows:

	<u>Amount</u>
Due to Federal Agencies:	
Department of Health and Human Services	\$ 99,448,509
Department of Agriculture	6,715,231
Department of Education	138,940
Social Security Administration	122,186
Other	35,481
Due to North Carolina Counties	<u>122,940,414</u>
Total Intergovernmental Payables	<u>\$ 229,400,761</u>

NOTE 6 - MEDICAL CLAIMS PAYABLE

The Department annually estimates medical claims payable representing medical services incurred by Medicaid recipients in the current fiscal year but were not yet submitted for reimbursement by the provider and therefore still considered a payable to providers as of June 30th. This liability is also known as Incurred But Not Reported (“IBNR”).

The IBNR reported on the financial statements does not include the noncurrent portion of approximately \$39 million which is considered payable beyond the current fiscal year.

The medical claims liability balance also includes amounts due based upon specifically identified provider accounts.

The Medicaid claims payable is offset by an intergovernmental receivable of approximately 66%, reimbursed by the U.S. Department of Health and Human Services, the Centers for Medicare and Medicaid Services.

NOTE 7 - CHANGES IN LONG-TERM LIABILITIES

General long-term liabilities are not recognized in governmental funds until they become due. Consequently, general long-term liabilities not yet due are not reported on the face of the fund financial statements. The Department’s net pension liability and compensated absences are the only significant general long-term liabilities of the Department.

A. 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 2014 *Comprehensive Annual Financial Report*. This liability represents the Department’s portion of the collective total pension liability less the fiduciary net position of the Teachers’ and State Employees’ Retirement System. See Note 12,

Pension Plans, for further information regarding the Department's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

- B. Compensated Absences** - The Department's policy is to record the cost of vacation leave when earned. The 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. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at yearend 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 termination or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

A summary of changes in the Department's net pension liability and compensated absences for the year ended June 30, 2015 is presented as follows:

	Balance July 1, 2014 (as restated)	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Net Pension Liability	\$ 301,219,679	\$ 0	\$ 243,518,159	\$ 57,701,520	\$ 0
Compensated Absences	84,709,359	74,750,680	66,814,719	92,645,320	12,905,496
Total Long-Term Liabilities	\$ 385,929,038	\$ 74,750,680	\$ 310,332,878	\$ 150,346,840	\$ 12,905,496

The July 1, 2014 net pension liability was restated in the government-wide presentation in accordance with the implementation of GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*.

NOTE 8 - PATIENT SERVICE REVENUE – MENTAL HEALTH FACILITIES

Medicare: The Division of Mental Health healthcare facilities (Facilities) are reimbursed for patient services under the provisions of a prospective payment system. Under the prospective payment system, payment is made at predetermined rates for treating various diagnoses and performing procedures that have been grouped into defined diagnosis-related groups applicable to each patient. The difference in the standard facility charge and the payment for such services is reflected as an adjustment from patient service revenue.

Medicaid: Medicaid reimburses patient services on an interim basis under a prospective payment system using fee schedules and per diem rates as its basis. A settlement is made at year end to adjust from the interim reimbursement to a cost-based reimbursement basis. The Division of Medical Assistance receives the Medicaid reimbursements and transfers the funds to the Division of Mental Health. Such Medicaid funding is eliminated at the Division of Medical Assistance and recorded at the Division of Mental Health where the charges for services originated.

In addition, the Facilities also receive disproportionate share hospital payments, which are special payments for hospitals which serve a disproportionate share of uninsured and low income patients.

Commercial/ Managed Care Payor Agreements: The Facilities have entered into reimbursement agreements with certain commercial insurance carriers and managed care organizations to accept patients on a discounted fee for service basis. The basis for reimbursement under these agreements includes fee schedules and per diem rates. In general, the commercial payments for patient services are subject to deductibles and co-payments that are the patient's responsibility. Insurance plans may reimburse their subscribers but make direct payment to the Facilities on an assignment of benefits basis as long as a contract remains in force.

Majority of the patients are enrolled with one of the managed care organizations (MCO). The MCOs receive Medicaid funding through the Division of Medical Assistance based on the number of patients enrolled. The MCOs reimburse the Facilities for patient services. Such Medicaid funding is eliminated at the Division of Medical Assistance and recorded at the Division of Mental Health where the charges for services originated.

A summary of the Division of Mental Health’s net patient service revenue within the general fund (presented as sales and services on Exhibit N-2) for the year ended June 30, 2015 is presented as follows:

	<u>2015</u>
Gross Patient Service Revenue	<u>\$ 738,654,957</u>
Deduct:	
Contractual Adjustments:	
Contractual Allowances	21,118,527
Disproportionate Share Hospital	(158,111,084)
Bad Debt	293,209,474
Third Party Reimbursement Programs:	
Federal Funds - State Medicaid Program	155,286,575
Federal Funds - Managed Care Organizations	190,999,389
Transfers - Non-Federal Share from DMA	<u>179,238,758</u>
Net Patient Service Revenue	<u>\$ 56,913,318</u>

NOTE 9 - FEES, LICENSES, AND FINES REVENUE

Fees, licenses, and fines for the fiscal year ended June 30, 2015 were as follows:

Fees, Licenses, and Fines	Medical Assistance	Child Development	Health Service Regulation	Public Health	Blind & Deaf Services	Mental Health	Other	Total Governmental Funds
Business License Fees	\$ 0	\$ 1,171,507	\$ 8,709,686	\$ 4,295,569	\$ 0	\$ 656,850	\$ 0	\$ 14,833,612
Non-Business Permit License Fees				2,230,291			361,125	2,591,416
Certification Fees			128,476	612,030				740,506
Inspection and Examination Fees				1,127,469				1,127,469
Fines, Penalties, and Assessment Fees	1,516,022	20,600	2,620,312	352,227		395		4,509,556
Registration Fees		68,900	74,749	10,595		813	65,666	220,723
Other Licenses, Fees, and Permits		714,000	2,651,393	1,353,105	4,785,914			9,504,412
Cost Recoveries	122,251,197					2,089		122,253,286
Intermediate Care Facility Assessments	19,690,584							19,690,584
Provider Enrollment Fees	1,064,116							1,064,116
Miscellaneous							661,884	661,884
Civil Fines and Penalties - Transfers		(16,016)	(746,759)	(289,142)		(379)		(1,052,296)
Total Fees, Licenses, and Fines	<u>\$ 144,521,919</u>	<u>\$ 1,958,991</u>	<u>\$ 13,437,857</u>	<u>\$ 9,692,144</u>	<u>\$ 4,785,914</u>	<u>\$ 659,768</u>	<u>\$ 1,088,675</u>	<u>\$ 176,145,268</u>

NOTE 10 - OPERATING LEASE OBLIGATIONS

The Department has entered into various operating leases for office space and for communications, computers, and other equipment. Any operating leases with scheduled rent increases are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses of the related funds

when incurred. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2015:

<u>Fiscal Year</u>	<u>Amount</u>
2016	\$ 15,332,313
2017	12,654,017
2018	7,042,216
2019	4,297,253
2020	1,064,118
2021-Beyond	<u>625,416</u>
Total Minimum Lease Payments	<u>\$ 41,015,333</u>

Rental expense for all operating leases during the year was \$18,655,604.

NOTE 11 - INTERFUND TRANSFERS

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

	<u>Transfers In</u>			<u>Total</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	
<u>Transfers Out</u>				
General Fund	\$ 417,602,678	\$ 2,403,748	\$ 0	\$ 420,006,426
Special Revenue	5,940,899	391,329	11,629	6,343,857
Capital Projects Fund			101,926	101,926
Total	<u>\$ 423,543,577</u>	<u>\$ 2,795,077</u>	<u>\$ 113,555</u>	<u>\$ 426,452,209</u>

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

Intrafund transfers have been included in the amounts above. These were not eliminated due to the user interest in transfers at the division level. Intrafund transfers were \$417,602,678 for General Fund, \$391,329 for Special Revenue Fund, and \$101,926 for Capital Projects Funds. Intrafund transfers, for the purposes of these financial statements, are defined as those transfers that occur within the same fund, inclusive of those transfers that are between divisions in the same fund. Refer to Supplementary Schedule Transfers by Division (Exhibit P-3) for a disaggregation of these transfers by division.

NOTE 12 - PENSION PLANS

Pension contributions to cost sharing plans are recognized as expenditures in the period to which the payment relates, even if payment is not due until the subsequent period. Consequently, the net pension liability, discussed in Note 7 to the financial statements, is not reported on the face of the fund financial statements.

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

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

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their compensation. The contribution rate for employers is set each year by the NC General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The Department's contractually-required contribution rate for the year ended June 30, 2015 was 9.15% of covered payroll. The Department's contributions to the pension plan were \$67,111,032, and employee contributions were \$44,007,234 for the year ended June 30, 2015.

The TSERS Plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2014 *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

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

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

Net Pension Liability: At June 30, 2015, the Department's proportionate share of the collective net pension liability was \$57,701,520. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013, and update procedures were used to roll forward the total pension liability to June 30, 2014. The Department's proportion of the net pension liability was based on the present value of future salaries for the Department relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2014, the Department's proportion was 4.92%, which was a decrease of .04% from its proportion measured as of June 30, 2013.

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

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

* Salary increases include 3.5% inflation and productivity factor.

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

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

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

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

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

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

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

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

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

Net Pension Liability (Asset)		
1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 414,221,527	\$ 57,701,520	\$ (243,327,687)

Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions: For the year ended June 30, 2015, the Department’s proportionate share of the collective pension expense was \$25,279,355. At June 30, 2015, the Department’s proportionate share of the collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 0	\$ 13,449,913
Changes of Assumptions		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		194,952,345
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions	2,198,807	
Contributions Subsequent to the Measurement Date	67,524,771	
Total	<u>\$ 69,723,578</u>	<u>\$ 208,402,258</u>

The Department's deferred outflows of resources related to pensions of \$67,524,771 represents a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts of deferred outflows of resources and deferred inflows of resources related to pensions included in the pension expense are as follows:

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

Year Ended June 30:	Amount
2016	\$ (51,706,747)
2017	(51,706,747)
2018	(51,706,747)
2019	(51,083,210)
Total	<u>\$ (206,203,451)</u>

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS

A. Health Benefits - The Department participates in the Comprehensive Major Medical Plan (the Plan), a cost-sharing, multiple-employer defined benefit health care plan that provides postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System (TSERS). Coverage eligibility varies depending on years of contributory membership service in their retirement system prior to disability or retirement.

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

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

For the current fiscal year the Department contributed 5.49% of the covered payroll under TSERS to the Fund. Required contribution rates for the years ended June 30, 2014, and 2013, were 5.40% and 5.30%, respectively. The Department made 100% of its annual required contributions to the Plan for the years ended June 30, 2015, 2014, and 2013, which were \$40,266,619, \$38,939,359, and \$38,691,673, respectively. The Department assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

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

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

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2015, the Department made a statutory contribution of .41% of covered payroll under TSERS to the DIPNC. Required contribution rates for the years ended June 30, 2014, and 2013, was .44% in both years. The Department made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2015, 2014, and 2013, which were \$3,007,161, \$3,172,837, and \$3,730,280, respectively. The Department assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

NOTE 14 - RISK MANAGEMENT

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

A. Employee Benefit Plans

1. State Health Plan

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

2. Death Benefit Plan of North Carolina

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

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

The Department is required to maintain fire and lightning coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Such coverage is provided at no cost to the Department for operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the coverage. Losses covered by the Fund are subject to a \$5,000 per occurrence deductible. However, some agencies have chosen a higher deductible for a reduction in premium.

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

2. Public Officers' and Employees' Liability Insurance

The risk of tort claims of up to \$1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the

State provides excess public officers' and employees' liability insurance up to \$10,000,000 via contract with a private insurance company. The Department pays the premium, based on a composite rate, directly to the private insurer.

3. Employee Dishonesty and Computer Fraud

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

4. Statewide Workers' Compensation Program

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

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

5. Professional Liability Insurance for State Medical Personnel

Chapter 237, Section 11.33, of the 1999 Session Laws of North Carolina authorized the Department of Health and Human Services to provide medical liability coverage on behalf of employees licensed to practice medicine or dentistry; all licensed physicians who are faculty members of the Department of North Carolina who work on contract for the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services for incidents that occur in Division programs; and on behalf of medical residents from the Department of North Carolina who are in training at institutions operated by the Department of Health and Human Services. The extent of coverage is a maximum of \$1 million for each individual incident and does not affect current coverage under the State Tort Claims Act. The Department of Health and Human Services purchases commercial professional liability insurance for their medical staff. Settled claims have not exceeded coverage in any of the past three fiscal years.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

A. Federal Grants - The State 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 State. As of June 30, 2015, the State is unable to estimate what liabilities may result from such audits.

For the fiscal years 2011-2013, the State received more than \$34.8 million in unallowable performance bonus payments under the Children's Health Insurance Program Reauthorization Act. The overpayments were the result of the overstatement of the enrollment numbers in their request. Once a final determination of the liability is made, the amount will be paid to Centers for Medicaid Services (CMS).

B. Authorized Cash Carryforward – The North Carolina General Assembly authorizes the Office of State Budget and Management (OSBM) to assign General Fund unexpended funds at year-end as a carryforward of budget authority to the subsequent fiscal year. As of June 30, 2015, the Department was authorized to carryforward \$134,582,852 to the subsequent fiscal year. For authorized carryforward funds associated with outstanding purchase orders as of fiscal year-end, the Department has recorded a liability of \$15,704,522 in the accompanying financial statements. For the remaining carryforward, there is no associated liability at this time. A summary of the Department's authorized cash carryforward by purpose at June 30, 2015 is presented as follows:

<u>Purpose</u>	<u>Central Administration</u>	<u>Medical Assistance</u>	<u>Mental Health</u>	<u>Other</u>	<u>Total General Fund</u>
Unallowable Performance Bonus Overpayments (CHIPRA)	\$ 0	\$ 34,800,000	\$ 0	\$ 0	\$ 34,800,000
Estimated Drug Rebate Refunds		31,017,715			31,017,715
Estimated Medicaid Dual Eligible Liability		9,700,000			9,700,000
Change in Federal Share Percentage		15,584,987			15,584,987
Undispositioned Refunds from Providers		5,633,449			5,633,449
Routine Encumbrances	855,187		13,624,438		14,479,625
Estimated Department of Justice Settlements	2,148,711	239,479	680,682	94,710	3,163,582
Estimated Extended Coverage Group Claim Refunds		802,000			802,000
Unexpended Grant Funds	1,675,227			700,000	2,375,227
Outstanding Purchase Orders - Liability Recorded			15,704,522		15,704,522
Other		307,807		1,013,938	1,321,745
Total Authorized Carryforward	\$ 4,679,125	\$ 98,085,437	\$ 30,009,642	\$ 1,808,648	\$ 134,582,852

C. Construction and Other Commitments - As of June 30, 2015, the Department had commitments of \$57,789,316 related to construction and improvements of state government facilities. \$56.53 million of these commitments are held by the Division of Mental Health.

D. Other Contingencies - The Civil Rights Division of the U.S. Department of Justice investigated the state's mental health system and found the

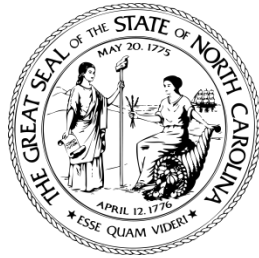
State to be in violation of Title II of the Americans with Disabilities Act of 1990 (ADA), 42 U.S.C. Sec 12131, and the following, as interpreted by the U.S. Supreme Court in *Olmstead v. L.C.*, 527 U.S. 581 (1999), and Section 504 of the Rehabilitation Act of 1973 (Rehab Act), 29 U.S.C. Sec 794(a). On August 23, 2012, the Civil Rights Division and the State entered into an agreement that addresses the corrective measures that will ensure that the State will willingly meet the requirements of the ADA, Section 504 of the Rehab Act, and the *Olmstead* decision. Through the agreement, it is intended that the goals of community integration and self-determination will be achieved. The State is responsible for determining and identifying the amount of appropriation funding that is needed to fulfill this agreement which will be phased in over the next eight years. In House Bill 950 [Session Law 2012-142 Section 10.23A.(e)], \$10.3 million was appropriated as recurring funds to support the Department of Health and Human Services in the implementation of its plan for transitioning individuals with severe mental illness to community living arrangements, including establishing a rental assistance program. In Senate Bill 402 [Session Law 2013-360], additional money was appropriated in the expansion budget for \$3.83 million for 2013-14 and \$9.39 million for 2014-15. Both parties of the agreement have selected a reviewer to monitor the State's implementation of this agreement. The reviewer will have full authority to independently assess, review, and report annually on the State's implementation of and compliance with the provisions of this agreement. The potential liability to the State cannot be reasonably estimated. If the State fails to comply with this agreement, the United States can seek an appropriate judicial remedy. To date, the State has demonstrated good faith effort in the early stage of the settlement agreement by providing sufficient funding essential to the initial development of the services.

In House Bill 97 [Session Law 2015-241], the North Carolina Housing Finance Agency, in consultation with the Department of Health and Human Services (DHHS), was authorized to administer the Community Living Housing Fund in order to provide permanent community-based housing in integrated settings appropriate for individuals with severe mental illness and severe and persistent mental illness. DHHS transferred \$2.89 million dollars to the Community Living Housing Fund.

NOTE 16 - FUND BALANCE RESTATEMENT

As of July 1, 2014, fund balance previously reported was restated as follows:

	Amount
July 1, 2014 Fund Balance as Previously Reported	\$ (267,413,888)
Restatement:	
To Correct Prior Period Accounts Receivable Error for the Division of Mental Health	(3,807,090)
July 1, 2014 Fund Balance as Restated	<u>\$ (271,220,978)</u>



REQUIRED SUPPLEMENTARY INFORMATION

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

Exhibit B-1

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Grants	\$ 11,387,111,852	\$ 11,816,752,197	\$ 11,454,832,102	\$ (361,920,095)
Local Grants	703,131,327	694,729,443	699,052,683	4,323,240
Provider Match	349,044,017	366,464,952	348,975,631	(17,489,321)
Local Match and Program Income	10,480,845	10,018,458	9,838,128	(180,330)
Sales, Services, and Rentals	67,714,947	69,969,784	60,598,745	(9,371,039)
Rental and Lease of Property				
Fees, Licenses, and Fines	683,439,656	789,324,491	798,981,042	9,656,551
Contributions and Donations	232,400	132,400	91,475	(40,925)
Investment Income			217,291	217,291
Miscellaneous	(140,557,722)	(129,769,241)	(158,230,262)	(28,461,021)
Total Revenues	13,060,597,322	13,617,622,484	13,214,356,835	(403,265,649)
EXPENDITURES				
Personal Services	1,069,223,741	1,017,255,934	960,946,255	56,309,679
Purchased Services	354,979,502	407,375,681	330,778,141	76,597,540
Supplies	61,072,707	62,228,635	54,941,172	7,287,463
Property, Plant, and Equipment	12,772,829	19,637,916	13,694,149	5,943,767
Other Expenditures and Adjustments	19,697,423	30,477,119	44,414,785	(13,937,666)
Aid and Public Assistance	16,686,734,494	17,397,331,612	16,976,920,894	(420,410,718)
Reserves	273,444,081	20,472,270		20,472,270
Total Expenditures	18,477,924,777	18,954,779,167	18,381,695,396	573,083,771
Excess of Revenues Over (Under) Expenditures	(5,417,327,455)	(5,337,156,683)	(5,167,338,561)	169,818,122
OTHER FINANCING SOURCES (USES)				
Transfers From Other Departments or Funds	805,297,166	774,322,126	730,273,362	(44,048,764)
Transfers to Other Departments or Funds	(542,209,941)	(591,046,149)	(573,710,679)	17,335,470
State Appropriation	5,154,240,230	5,153,880,706	5,010,775,878	(143,104,828)
Total Other Financing Sources (Uses)	5,417,327,455	5,337,156,683	5,167,338,561	(169,818,122)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 0	\$ 0	\$ 0	\$ 0

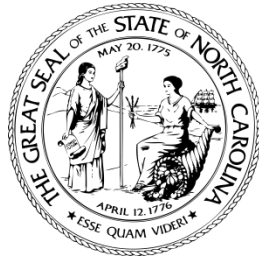
The accompanying budgetary comparison schedule discloses the annual original budget and final budget for the General Fund. Actual amounts in the schedule are presented on the budgetary basis. Accounting principles applied to develop data on a budgetary basis differ significantly from those principles used to present financial statements in conformity with generally accepted accounting principles (GAAP). The following reconciles the major differences between budgetary financial data and the GAAP financial data.

Basis differences. Budgetary funds are accounted for on the cash basis of accounting, while under GAAP the governmental funds use the modified accrual basis of accounting. Accrued revenues and expenditures are recognized in the GAAP financial statements.

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

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

Fund Balance (budgetary basis) June 30, 2015	\$ 0
Reconciling Adjustments:	
Basis Differences:	
Accrued Revenues:	
Receivable	948,111,890
Payable	(1,339,874,383)
Deferred Inflows	(8,494,285)
Total Accrued Expenditures	(400,256,778)
Timing Differences:	
Authorized Cash Carryforward	134,385,739
Other adjustments:	
Cash	93,790,994
Inventories	10,912,971
Fund Balance (GAAP basis) June 30, 2015	\$ (161,167,074)



COMBINING FINANCIAL STATEMENTS BY DIVISION

**North Carolina Department of Health and Human Services
Combining Balance Sheet
By Division
June 30, 2015 (With Comparative Totals for June 30, 2014)**

	Central Administration (1)	Medical Assistance (2)	Child Development (3)	Health Service Regulation (4)
ASSETS				
Cash and Cash Equivalents (Note 2)	\$ 31,700,137	\$ 143,100,511	\$ 761,930	\$ 19,546,136
Receivables:				
Accounts Receivable, Net (Note 3)	292,778	52,363,075	646,729	405,398
Intergovernmental Receivables (Note 3)	4,432,778	731,505,128	19,430,734	1,534,199
Due From Other Funds	173,716			
Inventories	4,878,856			
Total Assets	41,478,265	926,968,714	20,839,393	21,485,733
DEFERRED OUTFLOWS OF RESOURCES				
Total Assets and Deferred Outflows of Resources	\$ 41,478,265	\$ 926,968,714	\$ 20,839,393	\$ 21,485,733
LIABILITIES				
Accounts Payable and Accrued Liabilities				
Accounts Payable	\$ 1,311,008	\$ 23,433,809	\$ 1,924,656	\$ 1,350,857
Intergovernmental Payables (Note 5)	7,620,864	105,133,812	31,241,488	5,531
Medical Claims Payable (Note 6)		888,999,325		
Due to Other State Agencies and Funds	3,175,486	232,301	55,878	249,475
Due to UNC Hospitals		137,324,273		
Other Liabilities				
Total Liabilities	12,107,358	1,155,123,520	33,222,022	1,605,863
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	216,441		2,957	170,174
FUND BALANCE				
Nonspendable	4,878,856			
Restricted for Health and Human Services	1,560,139	140,828,873		15,417,580
Committed for Health and Human Services	17,297,142	289,479	663,431	2,702,140
Assigned for Health and Human Services	3,859,183			
Unassigned	1,559,146	(369,273,158)	(13,049,017)	1,589,976
Total Fund Balance	29,154,466	(228,154,806)	(12,385,586)	19,709,696
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 41,478,265	\$ 926,968,714	\$ 20,839,393	\$ 21,485,733

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

- (1) See Exhibit E-1
- (2) See Exhibit F-1
- (3) See Exhibit G-1
- (4) See Exhibit H-1
- (5) See Exhibit I-1
- (6) See Exhibit J-1
- (7) See Exhibit K-1
- (8) See Exhibit L-1
- (9) See Exhibit M-1
- (10) See Exhibit N-1

Exhibit C-1

Public Health (5)	Aging (6)	Blind/ Deaf Services (7)	Vocational Rehabilitation (8)	Social Services (9)	Mental Health (10)	Total Governmental Funds 2015	Total 2014 (Restated)
\$ 1,843,561	\$ 94,710	\$ 12,719,476	\$ 494,214	\$ 3,127,670	\$ 44,106,600	\$ 257,494,945	\$ 135,846,834
1,254,814		598,492	24,104	5,446,003	25,880,446	86,911,839	131,483,957
28,688,875	4,864,277	582,773	2,661,287	68,394,165	1,050,732	863,144,948	943,425,828
	8,538		3,621	122,210	7,943	316,028	1,104,221
					6,067,647	10,946,503	11,377,585
<u>31,787,250</u>	<u>4,967,525</u>	<u>13,900,741</u>	<u>3,183,226</u>	<u>77,090,048</u>	<u>77,113,368</u>	<u>1,218,814,263</u>	<u>1,223,238,425</u>
<u>\$ 31,787,250</u>	<u>\$ 4,967,525</u>	<u>\$ 13,900,741</u>	<u>\$ 3,183,226</u>	<u>\$ 77,090,048</u>	<u>\$ 77,113,368</u>	<u>\$ 1,218,814,263</u>	<u>\$ 1,223,238,425</u>
\$ 16,458,680	\$ 260,326	\$ 410,255	\$ 3,024,156	\$ 6,117,186	\$ 25,211,067	\$ 79,502,000	\$ 74,988,553
10,833,922	6,749,090	4,194	129,384	67,043,607	638,869	229,400,761	276,926,068
214,258			285,603	1,414,582		890,913,768	986,720,030
630,475	25,720	77,461	91,724	1,550,909	2,160,180	8,249,609	8,921,257
						137,324,273	116,143,907
					11,196	11,196	9,563,357
<u>28,137,335</u>	<u>7,035,136</u>	<u>491,910</u>	<u>3,530,867</u>	<u>76,126,284</u>	<u>28,021,312</u>	<u>1,345,401,607</u>	<u>1,473,263,172</u>
<u>328,681</u>			<u>40</u>	<u>74,180</u>	<u>7,735,931</u>	<u>8,528,404</u>	<u>21,196,231</u>
					6,067,647	10,946,503	11,377,584
11,719		23,302	48,250	1,011,556	1,314,736	160,216,155	59,223,023
1,817,104		13,180,603	428,131	2,370,164	27,692,248	66,440,442	52,282,830
		8,704		214,805	1,132,247	5,214,939	3,073,006
<u>1,492,411</u>	<u>(2,067,611)</u>	<u>196,222</u>	<u>(824,062)</u>	<u>(2,706,941)</u>	<u>5,149,247</u>	<u>(377,933,787)</u>	<u>(397,177,421)</u>
<u>3,321,234</u>	<u>(2,067,611)</u>	<u>13,408,831</u>	<u>(347,681)</u>	<u>889,584</u>	<u>41,356,125</u>	<u>(135,115,748)</u>	<u>(271,220,978)</u>
<u>\$ 31,787,250</u>	<u>\$ 4,967,525</u>	<u>\$ 13,900,741</u>	<u>\$ 3,183,226</u>	<u>\$ 77,090,048</u>	<u>\$ 77,113,368</u>	<u>\$ 1,218,814,263</u>	<u>\$ 1,223,238,425</u>

North Carolina Department of Health and Human Services
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
By Division
For the Fiscal Year Ended June 30, 2015 (With Comparative Totals for June 30, 2014)

	Central Administration (1)	Medical Assistance (2)	Child Development (3)	Health Service Regulation (4)
REVENUES				
Federal Funds	\$ 107,484,978	\$ 8,476,640,637	\$ 370,014,815	\$ 28,212,814
Local Funds	447,263			496,013
Sales and Services, Net	58,404			403,117
Fees, Licenses and fines (Note 9)	663,634	144,521,919	1,958,991	13,437,857
Revenues from Other State Agencies (Exhibit P-1)	1,653,059		75,778,884	335,911
Miscellaneous Revenue	681,200	304,787	14,532	508,798
Total Revenues	<u>110,988,538</u>	<u>8,621,467,343</u>	<u>447,767,222</u>	<u>43,394,510</u>
EXPENDITURES				
Personal Services	50,167,418	19,067,724	12,624,988	28,541,845
Employee Benefits	16,225,391	6,478,631	4,773,956	9,955,729
Contracted Personal Services	74,892,027	123,064,565	6,572,699	3,705,787
Supplies and Materials	1,487,324	5,637	66,308	187,882
Travel	580,719	159,773	543,321	1,785,821
Communication	2,537,178	274,810	263,303	527,076
Utilities	3,496,740			56,072
Data Processing Services	17,506,413		438,242	5,920
Other Services	1,110,249	228,337	170,742	414,994
Other Fixed Charges	5,270,144	151,079	66,157	388,988
Capital Outlay	3,557,774	67,485	347,255	1,578,265
Grants, State Aid and Subsidies (Exhibit D-1)	24,166,284	11,777,715,348	638,435,907	5,260,323
Expenditures to Other State Agencies (Exhibit P-2)	2,360,516	125,321,293	474	2,177,558
Other Expenditures	3,325,165	2,236,750	3,800,344	1,386,489
Total Expenditures	<u>206,683,342</u>	<u>12,054,771,432</u>	<u>668,103,696</u>	<u>55,972,749</u>
Excess of Revenues Over (Under) Expenditures	<u>(95,694,804)</u>	<u>(3,433,304,089)</u>	<u>(220,336,474)</u>	<u>(12,578,239)</u>
OTHER FINANCING SOURCES (USES)				
State Appropriations	91,859,176	3,599,353,625	217,264,044	14,667,679
Transfers In (Note 11 & Exhibit P-3)	23,065,408	157,829,943		2,269,343
Transfers Out (Note 11 & Exhibit P-3)	(14,451,943)	(199,839,865)	(5,810,801)	(3,121,217)
Other	1,325	(2,169,162)	474	6,751
Total Other Financing Sources (Uses)	<u>100,473,966</u>	<u>3,555,174,541</u>	<u>211,453,717</u>	<u>13,822,556</u>
Net Change in Fund Balance	4,779,162	121,870,452	(8,882,757)	1,244,317
Fund Balance - Beginning of Year as Restated	<u>24,375,304</u>	<u>(350,025,258)</u>	<u>(3,502,829)</u>	<u>18,465,379</u>
Fund Balance - End of Year	<u>\$ 29,154,466</u>	<u>\$ (228,154,806)</u>	<u>\$ (12,385,586)</u>	<u>\$ 19,709,696</u>

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

- (1) See Exhibit E-2
- (2) See Exhibit F-2
- (3) See Exhibit G-2
- (4) See Exhibit H-2
- (5) See Exhibit I-2
- (6) See Exhibit J-2
- (7) See Exhibit K-2
- (8) See Exhibit L-2
- (9) See Exhibit M-2
- (10) See Exhibit N-2

Public Health (5)	Aging (6)	Blind/ Deaf Services (7)	Vocational Rehabilitation (8)	Social Services (9)	Mental Health (10)	Total Governmental Funds	Total 2014 (Restated)
\$ 485,682,660	\$ 50,820,679	\$ 16,314,552	\$ 87,522,919	\$ 3,352,655,623	\$ 390,971,985	\$ 13,366,321,662	\$ 12,910,123,506
20,764,184	9,638,901	475,891	2,664,803	112,337,350	1,822,474	148,646,879	131,499,114
1,176,272		1,094,553	486,747		58,481,655	61,700,748	64,149,177
9,692,144	63,916	4,785,914		361,125	659,768	176,145,268	179,065,430
3,848,885		11,959,400	514,313	51,327	26,333,991	120,475,770	141,137,346
73,341,218	127,449	1,411,323	3,054,758	14,337,900	6,776,325	100,558,290	107,919,627
594,505,363	60,650,945	36,041,633	94,243,540	3,479,743,325	485,046,198	13,973,848,617	13,533,894,200
84,674,531	3,625,403	13,133,818	38,006,346	42,938,159	440,673,674	733,453,906	716,761,280
30,561,645	1,266,297	5,067,122	14,656,994	15,680,485	175,074,665	279,740,915	274,200,557
29,654,465	1,856,463	3,282,153	1,736,105	34,537,720	47,066,861	326,368,845	379,822,792
8,320,133	23,004	220,287	399,669	467,966	45,966,610	57,144,820	56,451,780
1,973,059	157,419	628,756	913,453	772,822	495,797	8,010,940	9,048,260
2,033,394	36,151	233,854	1,115,014	1,631,059	2,097,942	10,749,781	11,040,222
201,587		24,758	391,253	502	13,126,363	17,297,275	18,615,161
153,123		3,443		86,670	23	18,193,834	18,814,023
3,042,788	17,331	648,211	554,859	5,879,818	2,180,009	14,247,338	16,144,271
2,827,534	33,848	77,620	200,638	2,114,805	3,161,305	14,292,118	11,717,970
3,004,352	7,344	1,010,531	581,350	1,172,124	29,430,985	40,757,465	71,769,836
546,873,490	95,658,361	10,079,304	63,243,374	3,556,717,219	428,114,729	17,146,264,339	16,617,145,548
	38,825		397,468	357,832	1,450,604	132,104,570	129,004,109
8,013,659	117,702	1,237,190	4,666,880	2,843,574	21,519,664	49,147,417	33,319,037
721,333,760	102,838,148	35,647,047	126,863,403	3,665,200,755	1,210,359,231	18,847,773,563	18,363,854,846
(126,828,397)	(42,187,203)	394,586	(32,619,863)	(185,457,430)	(725,313,033)	(4,873,924,946)	(4,829,960,646)
134,347,725	42,325,463	7,862,397	35,674,091	181,693,767	685,727,911	5,010,775,878	4,893,648,878
17,445,098	258,633	4,472,452	468,664	11,672,175	208,970,493	426,452,209	561,928,824
(25,413,992)	(116,391)	(6,826,943)	(5,025,012)	(7,232,851)	(158,613,194)	(426,452,209)	(561,928,824)
21,333	14	53,743	4,878		1,334,942	(745,702)	9,103,301
126,400,164	42,467,719	5,561,649	31,122,621	186,133,091	737,420,152	5,010,030,176	4,902,752,179
(428,233)	280,516	5,956,235	(1,497,242)	675,661	12,107,119	136,105,230	72,791,533
3,749,467	(2,348,127)	7,452,596	1,149,561	213,923	29,249,006	(271,220,978)	(344,012,511)
\$ 3,321,234	\$ (2,067,611)	\$ 13,408,831	\$ (347,681)	\$ 889,584	\$ 41,356,125	\$ (135,115,748)	\$ (271,220,978)

**North Carolina Department of Health and Human Services
Schedule Supporting the Combining Financial Statements
By Division
For the Fiscal Year Ended June 30, 2015**

	<u>Central Administration</u>	<u>Medical Assistance (1)</u>	<u>Child Development (2)</u>	<u>Health Service Regulation</u>
GRANTS, STATE AID AND SUBSIDIES				
Medical Assistance				
Managed Care	\$ 0	\$ 2,435,515,071	\$ 0	\$ 0
Supplemental Expenditures		2,081,139,861		
Skilled Nursing Facilities and Personal Care		1,298,739,006		
Physician Services		1,537,681,807		
Medical Services		1,308,976,010		
Hospital		1,190,796,293		
Pharmacy Services (Net of Rebates)		790,730,632		
Buy-In / Dual Eligible Expenditures		700,347,748		
Dental		377,433,330		
Other Medical Assistance		56,355,590		
Total Medical Assistance		<u>11,777,715,348</u>		
Social Service Programs				
Food and Nutrition				
Child and Family			513,901,153	
Smart Start Programs			124,534,754	
Support of Aging and Adult Programs				
Support of Medicaid Programs				
Other Social Service Programs				
Total Social Service Programs			<u>638,435,907</u>	
Public Health Programs				
Communicable Diseases				
General Public Health				
Chronic Diseases				
Other Public Health Programs				
Total Public Health Programs				
Mental Health Programs				
Other Grants, State Aid and Subsidies	<u>24,166,284</u>			<u>5,260,323</u>
Total Grants, State Aid and Subsidies	<u>\$ 24,166,284</u>	<u>\$ 11,777,715,348</u>	<u>\$ 638,435,907</u>	<u>\$ 5,260,323</u>

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

- (1) See supplementary Exhibit F-5
- (2) See supplementary Exhibit G-4
- (3) See supplementary Exhibit I-4
- (4) See supplementary Exhibit M-4
- (5) See supplementary Exhibit N-4

<u>Public Health (3)</u>	<u>Aging</u>	<u>Blind/Deaf Services</u>	<u>Vocational Rehabilitation</u>	<u>Social Services (4)</u>	<u>Mental Health (5)</u>	<u>Total Governmental Funds</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,435,515,071
						2,081,139,861
						1,298,739,006
						1,537,681,807
						1,308,976,010
						1,190,796,293
						790,730,632
						700,347,748
						377,433,330
						56,355,590
						<u>11,777,715,348</u>
341,437,927				2,480,862,128		2,822,300,055
72,177,526				558,407,775		1,144,486,454
				147,276,039		124,534,754
				222,680,108		147,276,039
				147,491,169		222,680,108
						147,491,169
<u>413,615,453</u>				<u>3,556,717,219</u>		<u>4,608,768,579</u>
78,676,690						78,676,690
21,256,544						21,256,544
2,849,020						2,849,020
30,475,783						30,475,783
<u>133,258,037</u>						<u>133,258,037</u>
					428,114,729	428,114,729
	95,658,361	10,079,304	63,243,374			198,407,646
<u>\$ 546,873,490</u>	<u>\$ 95,658,361</u>	<u>\$ 10,079,304</u>	<u>\$ 63,243,374</u>	<u>\$ 3,556,717,219</u>	<u>\$ 428,114,729</u>	<u>\$ 17,146,264,339</u>



FINANCIAL STATEMENTS BY DIVISION

North Carolina Department of Health and Human Services
Combining Balance Sheet
Division of Central Administration
June 30, 2015 (With Comparative Totals for June 30, 2014)

Exhibit E-1

	General Fund	Non-Debt Supporting Capital Projects Fund	Total Central Administration 2015	Total 2014 ¹
ASSETS				
Cash and Cash Equivalents	\$ 31,653,288	\$ 46,849	\$ 31,700,137	\$ 25,057,997
Receivables:				
Accounts Receivable, Net (Note 3)	292,778		292,778	45,792
Intergovernmental Receivables	4,432,778		4,432,778	11,262,950
Due from Other Funds	173,716		173,716	966,311
Due from Component Units				
Inventories	4,878,856		4,878,856	5,099,982
Total Assets	<u>41,431,416</u>	<u>46,849</u>	<u>41,478,265</u>	<u>42,433,032</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Assets and Deferred Outflows of Resources	<u>\$ 41,431,416</u>	<u>\$ 46,849</u>	<u>\$ 41,478,265</u>	<u>\$ 42,433,032</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities:				
Accounts Payable	\$ 1,311,008	\$ 0	\$ 1,311,008	\$ 7,159,748
Intergovernmental Payables	7,620,864		7,620,864	5,356,311
Due to Other State Agencies and Funds	3,175,486		3,175,486	5,532,963
Total Liabilities	<u>12,107,358</u>		<u>12,107,358</u>	<u>18,049,022</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	<u>216,441</u>		<u>216,441</u>	<u>8,706</u>
FUND BALANCE				
Nonspendable	4,878,856		4,878,856	5,099,982
Restricted for Health and Human Services	1,560,139		1,560,139	1,268,572
Committed for Health and Human Services	17,250,293	46,849	17,297,142	14,531,089
Assigned for Health and Human Services	3,859,183		3,859,183	3,056,883
Unassigned	1,559,146		1,559,146	418,778
Total Fund Balance	<u>29,107,617</u>	<u>46,849</u>	<u>29,154,466</u>	<u>24,375,304</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 41,431,416</u>	<u>\$ 46,849</u>	<u>\$ 41,478,265</u>	<u>\$ 42,433,032</u>

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

¹ The prior year division-level amounts were audited in relation to the basic financial statements.

North Carolina Department of Health and Human Services
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Division of Central Administration
For the Fiscal Year Ended June 30, 2015 (With Comparative Totals for June 30, 2014)

Exhibit E-2

	General Fund	Non-Debt Supporting Capital Projects Fund	Total Central Administration 2015	Total 2014 ¹
REVENUES				
Federal Funds	\$ 107,484,978	\$ 0	\$ 107,484,978	\$ 141,764,317
Local Funds	447,263		447,263	213,424
Sales and Services, Net	58,404		58,404	104,881
Fees, Licenses and Fines	663,634		663,634	591,232
Revenues from Other State Agencies (Exhibit P-1)	1,653,059		1,653,059	11,912
Miscellaneous Revenue	681,200		681,200	1,883,304
Total Revenues	110,988,538		110,988,538	144,569,070
EXPENDITURES				
Personal Services	50,167,418		50,167,418	48,609,096
Employee Benefits	16,225,391		16,225,391	15,240,944
Contracted Personal Services	74,892,027		74,892,027	115,059,147
Supplies and Materials	1,487,324		1,487,324	2,037,071
Travel	580,719		580,719	1,972,458
Communication	2,537,178		2,537,178	2,679,305
Utilities	3,496,740		3,496,740	3,620,363
Data Processing Services	17,506,413		17,506,413	18,055,505
Other Services	1,110,249		1,110,249	993,000
Other Fixed Charges	5,270,144		5,270,144	5,667,370
Capital Outlay	3,476,521	81,253	3,557,774	2,540,180
Grants, State Aid and Subsidies	24,166,284		24,166,284	24,658,563
Expenditures to Other State Agencies (Exhibit P-2)	2,360,516		2,360,516	38,900
Other Expenditures	3,325,165		3,325,165	2,310,810
Total Expenditures	206,602,089	81,253	206,683,342	243,482,712
Excess of Revenues Over (Under) Expenditures	(95,613,551)	(81,253)	(95,694,804)	(98,913,642)
OTHER FINANCING SOURCES (USES)				
State Appropriations	91,859,176		91,859,176	87,884,150
Transfers In	23,065,408		23,065,408	23,667,332
Transfers Out	(14,451,943)		(14,451,943)	(17,208,725)
Other	1,325		1,325	1,065
Total Other Financing Sources (Uses)	100,473,966		100,473,966	94,343,822
Net Change in Fund Balance	4,860,415	(81,253)	4,779,162	(4,569,820)
Fund Balance - Beginning of Year	24,247,202	128,102	24,375,304	28,945,124
Fund Balance - End of Year	\$ 29,107,617	\$ 46,849	\$ 29,154,466	\$ 24,375,304

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

¹ The prior year division-level amounts were audited in relation to the basic financial statements.

North Carolina Department of Health and Human Services
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis-Non-GAAP) General Fund (All Budget Codes)
Division of Central Administration
For the Fiscal Year Ended June 30, 2015

Exhibit E-3

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Grants				
Medical Assistance Administration and Training	\$ 9,285,559	\$ 11,238,117	\$ 9,824,011	\$ (1,414,106)
Title IV-D / Child Support	8,528,159	8,775,234	4,467,367	(4,307,867)
Other Federal Grants	29,995,466	28,700,813	22,364,225	(6,336,588)
Local Grants	1,035,886	2,292,992	2,300,498	7,506
Sales, Services, and Rentals	29,048	24,992	75,599	50,607
Fees, Licenses, and Fines			1,750	1,750
Miscellaneous Revenue	559,374	1,333,792	1,195,173	(138,619)
Total Revenues	49,433,492	52,365,940	40,228,623	(12,137,317)
EXPENDITURES				
Personal Services	55,838,947	58,150,778	54,092,509	4,058,269
Purchased Services	43,164,468	42,784,669	38,565,252	4,219,417
Supplies	751,519	1,577,767	1,220,634	357,133
Property, Plant, and Equipment	564,151	3,732,756	3,503,431	229,325
Other Expenditures and Adjustments	486,680	1,362,034	1,149,569	212,465
Aid and Public Assistance	33,806,100	28,966,132	24,563,009	4,403,123
Reserves	29,296,225	11,714,597		11,714,597
Total Expenditures	163,908,090	148,288,733	123,094,404	25,194,329
Excess of Revenues Over (Under) Expenditures	(114,474,598)	(95,922,793)	(82,865,781)	13,057,012
OTHER FINANCING SOURCES (USES)				
Transfers from Other Departments or Funds				
Medical Assistance	14,200,000	884,959		(884,959)
Public Health	5,368,090	7,238,748	6,365,637	(873,111)
Other Transfers	12,781,781	21,656,544	11,322,562	(10,333,982)
Transfers to Other Department or Funds	(3,731,522)	(26,688,588)	(26,681,594)	6,994
State Appropriation	85,856,249	92,831,130	91,859,176	(971,954)
Total Other Financing Sources (Uses)	114,474,598	95,922,793	82,865,781	(13,057,012)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 0	\$ 0	\$ 0	\$ 0

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

Fund Balance (budgetary basis) June 30, 2015	\$ 0
Reconciling Adjustments:	
Basis Differences:	
Receivables	4,899,272
Payables	(12,107,358)
Deferred Inflows	(216,441)
Total Basis Differences	(7,424,527)
Timing Differences:	
Authorized Cash Carryforward	4,679,125
Other Adjustments:	
Cash	26,974,163
Inventories	4,878,856
Fund Balance (GAAP basis) June 30, 2015	\$ 29,107,617

North Carolina Department of Health and Human Services

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis-Non-GAAP) General Fund

Division of Central Administration (Budget Code 24410 Only - Central Management - IT Projects Fund)

For the Fiscal Year Ended June 30, 2015

Exhibit E-4

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Grants				
Medical Assistance Administration and Training	\$ 115,598,407	\$ 124,787,443	\$ 73,939,007	\$ (50,848,436)
Other Federal Grants	1,212,313	5,419,523	3,560,014	(1,859,509)
Miscellaneous Revenue			36,849	36,849
Total Revenues	<u>116,810,720</u>	<u>130,206,966</u>	<u>77,535,870</u>	<u>(52,671,096)</u>
EXPENDITURES				
Personal Services	20,201,786	18,071,669	13,171,198	4,900,471
Purchased Services				
Internal Systems Implementation/Integration Support		34,490,259	13,036,497	21,453,762
Automation Services	87,415,751	45,486,389	32,225,264	13,261,125
Application Development		8,051,808	7,935,838	115,970
Temporary Contracted Services	3,364,325	7,812,095	7,779,364	32,731
Maintenance Agreements	517,393	4,108,702	4,096,255	12,447
Communications and Data Processing	2,469,418	6,020,086	5,958,901	61,185
Rentals and Leases	857,620	2,546,856	2,513,727	33,129
Other Purchased Services	3,210,781	7,579,648	3,834,880	3,744,768
Reserves	5,016,280	11,911,108		11,911,108
Other Expenditures and Adjustments	953,781	189,840	125,365	64,475
Total Expenditures	<u>124,007,135</u>	<u>146,268,460</u>	<u>90,677,289</u>	<u>55,591,171</u>
Excess of Revenues Over (Under) Expenditures	<u>(7,196,415)</u>	<u>(16,061,494)</u>	<u>(13,141,419)</u>	<u>2,920,075</u>
OTHER FINANCING SOURCES (USES)				
Transfers from Other Departments or Funds				
Medical Assistance		422,329	422,329	
Public Health		7,100,240	7,100,240	
Other Transfers	7,280,197	11,654,063	11,644,637	(9,426)
Transfers to Other Department or Funds	(84,157)	(3,295,768)	(3,295,754)	14
Total Other Financing Sources (Uses)	<u>7,196,040</u>	<u>15,880,864</u>	<u>15,871,452</u>	<u>(9,412)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (375)</u>	<u>\$ (180,630)</u>	<u>\$ 2,730,033</u>	<u>\$ 2,910,663</u>

**North Carolina Department of Health and Human Services
Balance Sheet
Division of Medical Assistance
June 30, 2015 (With Comparative Amounts for June 30, 2014)**

Exhibit F-1

	General Fund	
	2015	2014 ¹
ASSETS		
Cash and Cash Equivalents	\$ 143,100,511	\$ 42,369,114
Receivables:		
Accounts Receivable, Net	52,363,075	84,959,343
Intergovernmental Receivables	731,505,128	800,088,158
Total Assets	<u>926,968,714</u>	<u>927,416,615</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total Assets and Deferred Outflows of Resources	<u>\$ 926,968,714</u>	<u>\$ 927,416,615</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities:		
Accounts Payable	\$ 23,433,809	\$ 10,167,693
Intergovernmental Payables	105,133,812	159,776,964
Obligation for workers compensation		
Medical Claims Payables	888,999,325	984,582,106
Due to Other State Agencies and Funds	232,301	181,191
Due to UNC Hospitals	137,324,273	116,143,907
Other Liabilities		6,589,406
Total Liabilities	<u>1,155,123,520</u>	<u>1,277,441,267</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue		606
FUND BALANCE		
Restricted for Health and Human Services	140,828,873	40,804,645
Committed for Health and Human Services	289,479	278,171
Unassigned	(369,273,158)	(391,108,074)
Total Fund Balance	<u>(228,154,806)</u>	<u>(350,025,258)</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 926,968,714</u>	<u>\$ 927,416,615</u>

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

¹ The prior year division-level amounts were audited in relation to the basic financial statements.

North Carolina Department of Health and Human Services

Statement of Revenues, Expenditures, and Changes in Fund Balance

Division of Medical Assistance

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

Exhibit F-2

	General Fund	
	2015	2014 ¹ (Restated)
REVENUES		
Federal Funds	\$ 8,476,640,637	\$ 8,104,431,837
Local Funds		12,782
Fees, Licenses and Fines	144,521,919	145,029,785
Miscellaneous Revenues	304,787	991,544
Total Revenues	8,621,467,343	8,250,465,948
EXPENDITURES		
Personal Services	19,067,724	19,389,574
Employee Benefits	6,478,631	6,658,957
Contracted Personal Services	123,064,565	118,054,498
Supplies and Materials	5,637	173,635
Travel	159,773	88,960
Communication	274,810	280,239
Other Services	228,337	159,066
Other Fixed Charges	151,079	154,187
Capital Outlay	67,485	606,382
Grants, State Aid and Subsidies (Exhibit F-5)	11,777,715,348	11,367,362,837
Expenditures to Other State Agencies (Exhibit P-2)	125,321,293	125,921,210
Other Expenditures	2,236,750	757,370
Total Expenditures	12,054,771,432	11,639,606,915
Excess of Revenues Over (Under) Expenditures	(3,433,304,089)	(3,389,140,967)
OTHER FINANCING SOURCES (USES)		
State Appropriations	3,599,353,625	3,462,442,357
Transfers In	157,829,943	156,948,749
Transfers Out	(199,839,865)	(180,675,311)
Other	(2,169,162)	8,970,753
Total Other Financing Sources (Uses)	3,555,174,541	3,447,686,548
Net Change in Fund Balance	121,870,452	58,545,581
Fund Balance - Beginning of Year	(350,025,258)	(408,570,839)
Fund Balance - End of Year	\$ (228,154,806)	\$ (350,025,258)

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

¹ The prior year division-level amounts were audited in relation to the basic financial statements.

North Carolina Department of Health and Human Services
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis-Non-GAAP) General Fund (All Budget Codes)
Division of Medical Assistance
For the Fiscal Year Ended June 30, 2015

Exhibit F-3

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal grants				
Medical Assistance Program	\$ 8,219,746,053	\$ 8,434,460,033	\$ 8,388,540,656	\$ (45,919,377)
Medical Assistance Administration and Training	123,059,576	133,409,426	105,312,773	(28,096,653)
CHIP	341,191,431	347,777,070	327,047,994	(20,729,076)
Other federal grants	100,630,275	82,455,861	63,411,197	(19,044,664)
Provider match	349,044,017	366,464,952	348,975,631	(17,489,321)
Investment income			217,291	217,291
Sales, services, and rentals	250,000	250,000	88,653	(161,347)
Fees, licenses, and fines	660,191,654	762,837,559	775,162,923	12,325,364
Miscellaneous	(232,856,185)	(232,976,110)	(252,952,930)	(19,976,820)
Total Revenues	9,561,256,821	9,894,678,791	9,755,804,188	(138,874,603)
EXPENDITURES				
Personal services	32,686,450	28,356,211	25,544,716	2,811,495
Purchased services	135,831,753	143,329,338	124,547,156	18,782,182
Supplies	351,431	241,028	100,123	140,905
Property, plant, and equipment	351,146	403,843	86,782	317,061
Other expenditures and adjustments	989,989	1,032,840	641,277	391,563
Aid and public assistance	13,170,673,238	13,722,315,937	13,463,289,383	259,026,554
Reserves	238,566,460			
Total Expenditures	13,579,450,467	13,895,679,197	13,614,209,437	281,469,760
Excess of Revenues Over (Under) Expenditures	(4,018,193,646)	(4,001,000,406)	(3,858,405,249)	142,595,157
OTHER FINANCING SOURCES (USES)				
Transfers from other departments or funds				
Transfers from Mental Health	137,071,468	157,640,109	157,792,291	152,182
Transfers from state universities and colleges	66,682,440	103,837,946	96,184,944	(7,653,002)
Other transfers	466,126,880	331,539,410	310,389,374	(21,150,036)
Transfers to other departments or funds	(381,627,521)	(322,339,893)	(305,314,985)	17,024,908
State Appropriation	3,729,940,379	3,730,322,834	3,599,353,625	(130,969,209)
Total Other Financing Sources (Uses)	4,018,193,646	4,001,000,406	3,858,405,249	(142,595,157)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 0	\$ 0	\$ 0	\$ 0

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

Fund Balance (budgetary basis) June 30, 2015	\$ 0
Reconciling Adjustments:	
Basis Differences:	
Receivables	783,868,203
Payables	(1,155,123,520)
Deferred Inflows	
Total Basis Differences	(371,255,317)
Timing Differences:	
Authorized Cash Carryforward	98,085,437
Other Adjustments:	
Cash	45,015,074
Fund Balance (GAAP basis) June 30, 2015	\$ (228,154,806)

Budgeted revenues and expenditures include funding of payments for hospital services provided to Medicaid and uninsured patients that are not reflected on the Schedules of Revenues, Expenditures, and Changes in Fund Balance based on revenue recognition principles. This funding includes certified public expenditures and provider assessments that represent the State portion of these expenditures.

North Carolina Department of Health and Human Services
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis-Non-GAAP) General Fund
Division of Medical Assistance (Budget Code 24445 Only - Primarily Undispositioned Refunds)
For the Fiscal Year Ended June 30, 2015

Exhibit F-4

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Miscellaneous Revenue	\$ 233,811,100	\$ 233,811,100	\$ 250,581,952	\$ 16,770,852
Total Revenues	233,811,100	233,811,100	250,581,952	16,770,852
EXPENDITURES				
Purchased Services			42,371	(42,371)
Total Expenditures			42,371	(42,371)
Excess of Revenues Over (Under) Expenditures	233,811,100	233,811,100	250,539,581	16,728,481
OTHER FINANCING SOURCES (USES)				
Transfers from Other Departments or Funds	42,976,804			
Transfers to Other Departments or Funds	(276,872,767)	(233,811,100)	(211,747,900)	22,063,200
Total Other Financing Sources (Uses)	(233,895,963)	(233,811,100)	(211,747,900)	22,063,200
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (84,863)	\$ 0	\$ 38,791,681	\$ 38,791,681

North Carolina Department of Health and Human Services
Schedule Supporting Grants, State Aid and Subsidies
Division of Medical Assistance
For the Fiscal Year Ended June 30, 2015

Exhibit F-5

Managed Care ¹	\$ 2,435,515,071
Supplemental Expenditures	
Gap Payment - Upper Payment Limit	839,089,013
Gap Payment - Equity Payment	553,352,709
Disproportionate Share Hospital Payment	427,004,591
Enhanced Payment	461,693,548
Total Supplemental Expenditures	<u>2,081,139,861</u>
Skilled Nursing Facilities and Personal Care	
Skilled Nursing Facilities	842,263,562
Personal Care Services	456,475,444
Total Skilled Nursing Facilities and Personal Care	<u>1,298,739,006</u>
Physician Services	
Physician Services	1,115,800,782
Clinics	207,907,535
Community Care of NC (N3CN)	213,973,490
Total Physician Services	<u>1,537,681,807</u>
Medical Services	
Client Assistant Program (CAP)	333,422,035
Equipment	203,029,058
Health Check	110,687,364
Transport	148,778,508
Short Term Care	135,409,852
Non-Physician Services	135,408,153
Standalone Lab/X-Ray	93,091,546
Hospice	65,612,264
Case Management	5,608,610
Medical - General	66,748,614
Family Planning	11,180,006
Total Medical Services	<u>1,308,976,010</u>
Hospital	
Hospital - Outpatient	409,766,193
Hospital - Inpatient	375,183,285
ER	405,846,815
Total Hospital	<u>1,190,796,293</u>
Prescribed Drugs (Net of Rebates)	
Pharmacy Services	1,671,987,099
Less Rebates	(881,256,467)
Total Prescribed Drugs (Net of Rebates)	<u>790,730,632</u>
Buy-In / Dual Eligible Expenditures	
Medicare Part A	52,015,284
Medicare Part B	398,317,327
Medicare Part D	250,015,137
Total Buy-In / Dual Eligible Expenditures	<u>700,347,748</u>
Dental	<u>377,433,330</u>
Other Medical Assistance	
Health Information Technology Funding	56,535,241
Miscellaneous	(179,651)
Total Other Medical Assistance	<u>56,355,590</u>
Total Medical Assistance	<u>\$ 11,777,715,348</u>

¹ Represents monthly payments made primarily to Managed Care Organizations (also known as Local Management Entities).

**North Carolina Department of Health and Human Services
Combining Balance Sheet
Division of Child Development and Early Education
June 30, 2015 (With Comparative Totals for June 30, 2014)**

Exhibit G-1

	<u>General Fund</u>	<u>Debt Supporting Capital Projects Fund</u>	<u>Non-Debt Supporting Capital Projects Fund</u>	<u>Total Child Development 2015</u>	<u>Total 2014 ¹</u>
ASSETS					
Cash and Cash Equivalents	\$ 13,499	\$ 0	\$ 748,431	\$ 761,930	\$ 701,596
Receivables:					
Accounts Receivable, Net	646,729			646,729	651,078
Intergovernmental Receivables	19,430,734			19,430,734	29,898,332
Total Assets	<u>20,090,962</u>		<u>748,431</u>	<u>20,839,393</u>	<u>31,251,006</u>
DEFERRED OUTFLOWS OF RESOURCES					
Total Assets and Deferred Outflows of Resources	<u>\$ 20,090,962</u>	<u>\$ 0</u>	<u>\$ 748,431</u>	<u>\$ 20,839,393</u>	<u>\$ 31,251,006</u>
LIABILITIES					
Accounts Payable and Accrued Liabilities:					
Accounts Payable	\$ 1,839,656	\$ 0	\$ 85,000	\$ 1,924,656	\$ 1,230,011
Intergovernmental Payables	31,241,488			31,241,488	33,425,053
Due to Other State Agencies and Funds	55,878			55,878	91,998
Total Liabilities	<u>33,137,022</u>		<u>85,000</u>	<u>33,222,022</u>	<u>34,747,062</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	<u>2,957</u>			<u>2,957</u>	<u>6,773</u>
FUND BALANCE					
Restricted for Health and Human Services					
Committed for Health and Human Services			663,431	663,431	1,300,468
Unassigned	<u>(13,049,017)</u>			<u>(13,049,017)</u>	<u>(4,803,297)</u>
Total Fund Balance	<u>(13,049,017)</u>		<u>663,431</u>	<u>(12,385,586)</u>	<u>(3,502,829)</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 20,090,962</u>	<u>\$ 0</u>	<u>\$ 748,431</u>	<u>\$ 20,839,393</u>	<u>\$ 31,251,006</u>

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

¹ The prior year division-level amounts were audited in relation to the basic financial statements.

**North Carolina Department of Health and Human Services
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Division of Child Development and Early Education
For the Fiscal Year Ended June 30, 2015 (With Comparative Totals for June 30, 2014)**

Exhibit G-2

	General Fund	Debt Supporting Capital Projects Fund	Non-Debt Supporting Capital Projects Fund	Total Child Development 2015	Total 2014 ¹
REVENUES					
Federal Funds	\$ 370,014,815	\$ 0	\$ 0	\$ 370,014,815	\$ 340,270,297
Fees, Licenses and Fines	1,958,991			1,958,991	1,977,691
Revenues from Other State Agencies (Exhibit P-1)	75,766,330	12,554		75,778,884	58,501,309
Miscellaneous Revenues	14,532			14,532	15,994
Total Revenues	447,754,668	12,554		447,767,222	400,765,291
EXPENDITURES					
Personal Services	12,624,988			12,624,988	12,412,231
Employee Benefits	4,773,956			4,773,956	4,761,647
Contracted Personal Services	6,572,699			6,572,699	10,365,193
Supplies and Materials	66,308			66,308	76,551
Travel	543,321			543,321	453,995
Communication	263,303			263,303	275,478
Data Processing Services	438,242			438,242	546,947
Other Services	170,742			170,742	885,969
Other Fixed Charges	66,157			66,157	49,828
Capital Outlay	343,178	11,697	(7,620)	347,255	153,112
Grants, State Aid and Subsidies (Exhibit G-4)	638,435,907			638,435,907	622,951,061
Expenditures to Other State Agencies (Exhibit P-2)	474			474	18,375
Scholarships	3,407,089			3,407,089	3,666,308
Other Expenditures	393,255			393,255	754,504
Total Expenditures	668,099,619	11,697	(7,620)	668,103,696	657,371,199
Excess of Revenues Over (Under) Expenditures	(220,344,951)	857	7,620	(220,336,474)	(256,605,908)
OTHER FINANCING SOURCES (USES)					
State Appropriations	217,264,044			217,264,044	244,119,926
Transfers In					
Transfers Out	(5,810,801)			(5,810,801)	(2,668,026)
Other	474			474	450
Total Other Financing Sources (Uses)	211,453,717			211,453,717	241,452,350
Net Change in Fund Balance	(8,891,234)	857	7,620	(8,882,757)	(15,153,558)
Fund Balance - Beginning of Year	(4,157,783)	(857)	655,811	(3,502,829)	11,650,729
Fund Balance - End of Year	\$ (13,049,017)	\$ 0	\$ 663,431	\$ (12,385,586)	\$ (3,502,829)

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

¹ The prior year division-level amounts were audited in relation to the basic financial statements.

**North Carolina Department of Health and Human Services
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis-Non-GAAP) General Fund
Division of Child Development and Early Education
For the Fiscal Year Ended June 30, 2015**

Exhibit G-3

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Grants				
Child Care Development Funds	\$ 56,365,192	\$ 58,818,001	\$ 58,386,075	\$ (431,926)
TANF	163,702,179	163,702,179	163,702,179	
Other Federal Grants	147,262,188	165,675,118	158,574,083	(7,101,035)
Sales, Services, and Rentals	44,929	45,403	439	(44,964)
Fees, Licenses, and Fines	1,481,178	2,118,711	1,973,267	(145,444)
Miscellaneous Revenue			14,621	14,621
Total Revenues	<u>368,855,666</u>	<u>390,359,412</u>	<u>382,650,664</u>	<u>(7,708,748)</u>
EXPENDITURES				
Personal Services	19,342,276	18,768,945	17,410,736	1,358,209
Purchased Services	6,945,133	9,728,588	8,802,331	926,257
Supplies	91,469	98,530	69,130	29,400
Property, Plant, and Equipment	15,337	378,517	345,182	33,335
Other Expenditures and Adjustments	30,155	126,250	96,900	29,350
Aid and Public Assistance	631,491,073	648,424,440	643,117,469	5,306,971
Reserves	265,631	332,388		332,388
Total Expenditures	<u>658,181,074</u>	<u>677,857,658</u>	<u>669,841,748</u>	<u>8,015,910</u>
Excess of Revenues Over (Under) Expenditures	<u>(289,325,408)</u>	<u>(287,498,246)</u>	<u>(287,191,084)</u>	<u>307,162</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other departments or funds				
Education Lottery	75,535,253	75,535,709	75,535,709	
Other transfers		940,879	937,210	(3,669)
Transfers to other departments or funds	(3,819,872)	(6,537,224)	(6,545,879)	(8,655)
State Appropriation	217,610,027	217,558,882	217,264,044	(294,838)
Total Other Financing Sources (Uses)	<u>289,325,408</u>	<u>287,498,246</u>	<u>287,191,084</u>	<u>(307,162)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

Fund Balance (budgetary basis) June 30, 2015	\$ 0
Reconciling Adjustments:	
Basis Differences:	
Receivables	20,077,463
Payables	(33,137,022)
Deferred Inflows	(2,957)
Total Basis Differences	<u>(13,062,516)</u>
Timing Differences:	
Authorized Cash Carryforward	13,499
Fund Balance (GAAP basis) June 30, 2015	<u>\$ (13,049,017)</u>

**North Carolina Department of Health and Human Services
Schedule Supporting Grants, State Aid and Subsidies
Division of Child Development and Early Education
For the Fiscal Year Ended June 30, 2015**

Exhibit G-4

Child and Family	
Subsidized Child Care Services	\$ 352,860,266
Pre-K Services	156,454,291
Race to the Top	4,586,596
	<hr/>
Total Child and Family	513,901,153
	<hr/>
Smart Start Programs	
Smart Start Subsidized Child Care Services	19,614,363
Smart Start Child Care Related Activities	104,920,391
	<hr/>
Total Smart Start Programs	124,534,754
	<hr/>
Total Child Development	\$ 638,435,907

North Carolina Department of Health and Human Services
Balance Sheet
Division of Health Service Regulation
June 30, 2015 (With Comparative Amounts for June 30, 2014)

Exhibit H-1

	General Fund	
	2015	2014 ¹
ASSETS		
Cash and Cash Equivalents	\$ 19,546,136	\$ 18,473,879
Receivables:		
Accounts Receivable, Net	405,398	652,426
Intergovernmental Receivables	1,534,199	1,377,553
Due from Other Funds		167
Total Assets	<u>21,485,733</u>	<u>20,504,025</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total Assets and Deferred Outflows of Resources	<u>\$ 21,485,733</u>	<u>\$ 20,504,025</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities:		
Accounts Payable	\$ 1,350,857	\$ 1,175,039
Intergovernmental Payables	5,531	23,358
Due to Other State Agencies and Funds	249,475	247,014
Total Liabilities	<u>1,605,863</u>	<u>1,445,411</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue	<u>170,174</u>	<u>593,235</u>
FUND BALANCE		
Restricted for Health and Human Services	15,417,580	14,005,966
Committed for Health and Human Services	2,702,140	2,919,674
Unassigned	1,589,976	1,539,739
Total Fund Balance	<u>19,709,696</u>	<u>18,465,379</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 21,485,733</u>	<u>\$ 20,504,025</u>

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

¹ The prior year division-level amounts were audited in relation to the basic financial statements.

North Carolina Department of Health and Human Services
Statement of Revenues, Expenditures, and Changes in Fund Balance
Division of Health Service Regulation
For the Fiscal Year Ended June 30, 2015 (With Comparative Amounts for June 30, 2014)

Exhibit H-2

	General Fund	
	2015	2014 ¹
REVENUES		
Federal Funds	\$ 28,212,814	\$ 28,721,045
Local Funds	496,013	409,050
Sales and Services, Net	403,117	487,461
Fees, Licenses and Fines	13,437,857	14,642,285
Revenues from Other State Agencies (Exhibit P-1)	335,911	335,911
Miscellaneous Revenues	508,798	495,311
Total Revenues	<u>43,394,510</u>	<u>45,091,063</u>
EXPENDITURES		
Personal Services	28,541,845	27,372,614
Employee Benefits	9,955,729	9,652,483
Contracted Personal Services	3,705,787	4,040,496
Supplies and Materials	187,882	169,505
Travel	1,785,821	1,539,747
Communication	527,076	548,856
Utilities	56,072	48,490
Data Processing Services	5,920	2,795
Other Services	414,994	410,452
Other Fixed Charges	388,988	355,762
Capital Outlay	1,578,265	3,081,313
Grants, State Aid and Subsidies	5,260,323	5,643,270
Expenditures to Other State Agencies (Exhibit P-2)	2,177,558	2,458,874
Other Expenditures	1,386,489	1,368,009
Total Expenditures	<u>55,972,749</u>	<u>56,692,666</u>
Excess of Revenues Over (Under) Expenditures	<u>(12,578,239)</u>	<u>(11,601,603)</u>
OTHER FINANCING SOURCES (USES)		
State Appropriations	14,667,679	15,088,538
Transfers In	2,269,343	2,480,932
Transfers Out	(3,121,217)	(3,850,502)
Other	6,751	144
Total Other Financing Sources (Uses)	<u>13,822,556</u>	<u>13,719,112</u>
Net Change in Fund Balance	1,244,317	2,117,509
Fund Balance - Beginning of Year	<u>18,465,379</u>	<u>16,347,870</u>
Fund Balance - End of Year	<u>\$ 19,709,696</u>	<u>\$ 18,465,379</u>

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

¹ The prior year division-level amounts were audited in relation to the basic financial statements.

North Carolina Department of Health and Human Services
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis-Non-GAAP) General Fund
Division of Health Service Regulation (All Budget Codes)
For the Fiscal Year Ended June 30, 2015

Exhibit H-3

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Grants				
Medicare	\$ 8,456,927	\$ 9,142,177	\$ 8,045,590	\$ (1,096,587)
Health Standard Quality Bureau	6,035,135	6,107,442	5,419,956	(687,486)
Medical Assistance Administration and Training	5,559,355	5,779,406	5,409,656	(369,750)
HRSA - Bioterrorism Hospital	13,693,518	13,622,581	7,554,587	(6,067,994)
Other	1,944,030	3,973,610	1,629,511	(2,344,099)
Local Grants	68,000	968,450	746,563	(221,887)
Sales, Services, and Rentals	499,242	527,586	384,463	(143,123)
Fees, Licenses, and Fines	9,610,084	11,654,193	12,085,671	431,478
Miscellaneous Revenue	1,967,676	2,143,338	1,611,209	(532,129)
Total Revenues	47,833,967	53,918,783	42,887,206	(11,031,577)
EXPENDITURES				
Personal Services	43,426,987	41,960,740	38,509,506	3,451,234
Purchased Services	8,430,423	11,312,495	7,848,781	3,463,714
Supplies	237,257	252,390	189,871	62,519
Property, Plant, and Equipment	1,314,500	2,732,923	1,229,700	1,503,223
Other Expenditures and Adjustments	2,003,120	2,060,373	926,518	1,133,855
Aid and Public Assistance	8,602,941	9,568,468	6,210,028	3,358,440
Reserves	25,049	25,049		25,049
Total Expenditures	64,040,277	67,912,438	54,914,404	12,998,034
Excess of Revenues Over (Under) Expenditures	(16,206,310)	(13,993,655)	(12,027,198)	1,966,457
OTHER FINANCING SOURCES (USES)				
Transfers from Other Departments or Funds	1,590,629	1,942,707	2,373,320	430,613
Transfers to Other Departments or Funds	(1,440,158)	(3,983,549)	(5,013,801)	(1,030,252)
State Appropriation	16,055,839	16,034,497	14,667,679	(1,366,818)
Total Other Financing Sources (Uses)	16,206,310	13,993,655	12,027,198	(1,966,457)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 0	\$ 0	\$ 0	\$ 0

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

Fund Balance (budgetary basis) June 30, 2015	\$ 0
Reconciling Adjustments:	
Basis Differences:	
Receivables	1,939,597
Payables	(1,605,863)
Deferred Inflows	(170,174)
Total Basis Differences	163,560
Timing Differences:	
Authorized Cash Carryforward	252,711
Other Adjustments:	
Cash	19,293,425
Fund Balance (GAAP basis) June 30, 2015	\$ 19,709,696

North Carolina Department of Health and Human Services
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis-Non-GAAP) General Fund
Division of Health Service Regulation (Budget Code 24470 Only -
Primarily Federal Fines and Penalties)
For the Fiscal Year Ended June 30, 2015

Exhibit H-4

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Facilities Finance Act	\$ 426,955	\$ 482,595	\$ 482,595	\$ 0
Duke Endowment	391,579	391,579	241,523	(150,056)
Federal Fines, Non-reverting	620,832	783,712	1,981,132	1,197,420
Miscellaneous Revenue		500	500	
Total Revenues	<u>1,439,366</u>	<u>1,658,386</u>	<u>2,705,750</u>	<u>1,047,364</u>
EXPENDITURES				
Purchased Services	21,000	131,500	18,395	113,105
Supplies	8,687	106,687	1,858	104,829
Capital Outlay	33,728	749,578	289,537	460,041
Other Expenditures and Adjustments	29,000	2,595		2,595
Total Expenditures	<u>92,415</u>	<u>990,360</u>	<u>309,790</u>	<u>680,570</u>
Excess of Revenues Over (Under) Expenditures	<u>1,346,951</u>	<u>668,026</u>	<u>2,395,960</u>	<u>1,727,934</u>
OTHER FINANCING SOURCES (USES)				
Transfers from Other Departments or Funds	92,415	1,158,565	592,350	(566,215)
Transfers to Other Departments or Funds	<u>(1,439,366)</u>	<u>(1,826,092)</u>	<u>(1,284,444)</u>	<u>541,648</u>
Total Other Financing Sources (Uses)	<u>(1,346,951)</u>	<u>(667,527)</u>	<u>(692,094)</u>	<u>(24,567)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 0</u>	<u>\$ 499</u>	<u>\$ 1,703,866</u>	<u>\$ 1,703,367</u>

**North Carolina Department of Health and Human Services
Combining Balance Sheet
Division of Public Health
June 30, 2015 (With Comparative Totals for June 30, 2014)**

Exhibit I-1

	General Fund	Other Special Revenue Funds	Debt Supporting Capital Projects Fund	Total Public Health 2015	Total 2014 ¹
ASSETS					
Cash and Cash Equivalents	\$ 202,813	\$ 1,640,748	\$ 0	\$ 1,843,561	\$ 2,411,376
Receivables:					
Accounts Receivable, Net	1,252,004	2,810		1,254,814	3,120,081
Intergovernmental Receivables	28,688,875			28,688,875	27,580,451
Due from Other Funds					6,777
Total Assets	<u>30,143,692</u>	<u>1,643,558</u>		<u>31,787,250</u>	<u>33,118,685</u>
DEFERRED OUTFLOWS OF RESOURCES					
Total Assets and Deferred Outflows of Resources	<u>\$ 30,143,692</u>	<u>\$ 1,643,558</u>	<u>\$ 0</u>	<u>\$ 31,787,250</u>	<u>\$ 33,118,685</u>
LIABILITIES					
Accounts Payable and Accrued Liabilities:					
Accounts Payable	\$ 16,444,328	\$ 3,569	\$ 10,783	\$ 16,458,680	\$ 17,481,932
Intergovernmental Payables	10,833,922			10,833,922	10,646,709
Medical Claims Payables	214,258			214,258	232,094
Due to Other State Agencies and Funds	630,331	144		630,475	727,064
Total Liabilities	<u>28,122,839</u>	<u>3,713</u>	<u>10,783</u>	<u>28,137,335</u>	<u>29,087,799</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	<u>328,681</u>			<u>328,681</u>	<u>281,419</u>
FUND BALANCE					
Restricted for Health and Human Services	11,719			11,719	15,290
Committed for Health and Human Services	177,259	1,639,845		1,817,104	2,396,592
Unassigned	1,503,194		(10,783)	1,492,411	1,337,585
Total Fund Balance	<u>1,692,172</u>	<u>1,639,845</u>	<u>(10,783)</u>	<u>3,321,234</u>	<u>3,749,467</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 30,143,692</u>	<u>\$ 1,643,558</u>	<u>\$ 0</u>	<u>\$ 31,787,250</u>	<u>\$ 33,118,685</u>

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

¹ The prior year division-level amounts were audited in relation to the basic financial statements.

North Carolina Department of Health and Human Services
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Division of Public Health
For the Fiscal Year Ended June 30, 2015 (With Comparative Totals for June 30, 2014)

Exhibit I-2

	General Fund	Other Special Revenue Funds	Debt Supporting Capital Projects Fund	Total Public Health 2015	Total 2014 ¹
REVENUES					
Federal Funds	\$ 485,682,660	\$ 0	\$ 0	\$ 485,682,660	\$ 496,156,800
Local Funds	20,764,184			20,764,184	3,717,944
Sales and Services, Net	1,176,272			1,176,272	1,294,004
Fees, Licenses and Fines	9,103,479	588,665		9,692,144	11,057,633
Revenues from Other State Agencies (Exhibit P-1)	2,542,240		1,306,645	3,848,885	4,818,653
Miscellaneous Revenues	73,341,218			73,341,218	70,501,424
Total Revenues	<u>592,610,053</u>	<u>588,665</u>	<u>1,306,645</u>	<u>594,505,363</u>	<u>587,546,458</u>
EXPENDITURES					
Personal Services	84,573,880	100,651		84,674,531	86,526,333
Employee Benefits	30,527,259	34,386		30,561,645	30,689,662
Contracted Personal Services	29,648,077	6,388		29,654,465	36,619,599
Supplies and Materials	8,315,196	4,937		8,320,133	8,424,698
Travel	1,963,869	9,190		1,973,059	1,934,641
Communication	2,031,807	1,587		2,033,394	2,026,831
Utilities	201,587			201,587	219,199
Data Processing Services	153,123			153,123	87,070
Other Services	3,031,368	11,420		3,042,788	2,886,381
Other Fixed Charges	2,827,034	500		2,827,534	1,680,647
Capital Outlay	2,677,449	11,092	315,811	3,004,352	7,202,750
Grants, State Aid and Subsidies (Exhibit I-4)	546,868,534	4,956		546,873,490	530,834,859
Other Expenditures	8,013,177	482		8,013,659	8,104,909
Total Expenditures	<u>720,832,360</u>	<u>185,589</u>	<u>315,811</u>	<u>721,333,760</u>	<u>717,237,579</u>
Excess of Revenues Over (Under) Expenditures	<u>(128,222,307)</u>	<u>403,076</u>	<u>990,834</u>	<u>(126,828,397)</u>	<u>(129,691,121)</u>
OTHER FINANCING SOURCES (USES)					
State Appropriations	134,347,725			134,347,725	137,196,721
Transfers In	17,445,098			17,445,098	1,044,591
Transfers Out	(24,505,598)	(908,394)		(25,413,992)	(13,828,972)
Other	21,333			21,333	21,333
Total Other Financing Sources (Uses)	<u>127,308,558</u>	<u>(908,394)</u>		<u>126,400,164</u>	<u>124,433,673</u>
Net Change in Fund Balance	(913,749)	(505,318)	990,834	(428,233)	(5,257,448)
Fund Balance - Beginning of Year	2,605,921	2,145,163	(1,001,617)	3,749,467	9,006,915
Fund Balance - End of Year	<u>\$ 1,692,172</u>	<u>\$ 1,639,845</u>	<u>\$ (10,783)</u>	<u>\$ 3,321,234</u>	<u>\$ 3,749,467</u>

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

¹ The prior year division-level amounts were audited in relation to the basic financial statements.

North Carolina Department of Health and Human Services
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis-Non-GAAP) General Fund
Division of Public Health
For the Fiscal Year Ended June 30, 2015

Exhibit I-3

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Grants				
Child/Adult Day Care	\$ 101,895,002	\$ 119,360,243	\$ 107,305,048	\$ (12,055,195)
HIV Care Grant	48,402,113	52,657,798	42,414,314	(10,243,484)
WIC	237,636,506	246,263,929	196,473,128	(49,790,801)
Medicaid	50,608,945	57,940,214	54,565,425	(3,374,789)
Other Federal Grants	135,351,234	142,674,394	101,255,732	(41,418,662)
Local Grants	24,262,105	29,658,671	24,836,892	(4,821,779)
Sales, Services, and Rentals	2,326,144	2,326,144	1,207,350	(1,118,794)
Fees, Licenses, and Fines	11,269,833	11,693,137	9,033,371	(2,659,766)
Miscellaneous Revenue	74,595,255	82,655,737	76,021,058	(6,634,679)
Total Revenues	686,347,137	745,230,267	613,112,318	(132,117,949)
EXPENDITURES				
Personal Services	138,735,010	131,767,296	114,977,092	16,790,204
Purchased Services	71,174,649	80,012,366	46,528,315	33,484,051
Supplies	13,401,474	12,806,453	8,891,630	3,914,823
Property, Plant, and Equipment	4,103,418	6,825,357	2,733,664	4,091,693
Other Expenditures and Adjustments	3,408,738	6,647,085	6,183,159	463,926
Aid and Public Assistance	592,553,994	619,791,160	547,197,709	72,593,451
Reserves	2,594,279	5,059,247		5,059,247
Total Expenditures	825,971,562	862,908,964	726,511,569	136,397,395
Excess of Revenues Over (Under) Expenditures	(139,624,425)	(117,678,697)	(113,399,251)	4,279,446
OTHER FINANCING SOURCES (USES)				
Transfers From Other Departments or Funds	4,897,718	5,464,527	3,635,492	(1,829,035)
Transfers to Other Departments or Funds	(2,761,883)	(25,324,364)	(24,583,966)	740,398
State Appropriation	137,488,590	137,538,534	134,347,725	(3,190,809)
Total Other Financing Sources (Uses)	139,624,425	117,678,697	113,399,251	(4,279,446)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 0	\$ 0	\$ 0	\$ 0

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

Fund Balance (budgetary basis) June 30, 2015	\$ 0
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Receivables	29,940,879
Payables	(28,122,839)
Deferred Inflows	(328,681)
Total Basis Differences	1,489,359
Timing Differer	
Authorized Cash Carryforward	197,113
Other Adjustments:	
Cash	5,700
Fund Balance (GAAP basis) June 30, 2015	\$ 1,692,172

**North Carolina Department of Health and Human Services
 Schedule Supporting Grants, State Aid and Subsidies
 Division of Public Health
 For the Fiscal Year Ended June 30, 2015**

Exhibit I-4

Social Service Programs	
Food and Nutrition	
Women, Infants, and Children (WIC) Program	\$ 242,229,052
Other Nutrition	99,208,875
Total Food and Nutrition	<u>341,437,927</u>
Child and Family	
Maternal and Infant Health	19,450,738
Children Health Services	12,934,515
Child and Adult Prevention	16,190,852
Early Intervention	23,601,421
Total Child and Family	<u>72,177,526</u>
Total Social Service Programs	<u>413,615,453</u>
Public Health Programs	
Communicable Diseases	78,676,690
General Public Health	21,256,544
Chronic Diseases	2,849,020
Other Public Health Programs	30,475,783
Total Public Health Programs	<u>133,258,037</u>
Total Public Health	<u>\$ 546,873,490</u>

North Carolina Department of Health and Human Services
Balance Sheet
Division of Aging and Adult Services
June 30, 2015 (With Comparative Amounts for June 30, 2014)

Exhibit J-1

	General Fund	
	2015	2014 ¹
ASSETS		
Cash and Cash Equivalents	\$ 94,710	\$ 38,825
Receivables:		
Intergovernmental Receivables	4,864,277	5,110,961
Due from Other Funds	8,538	7,680
Total Assets	<u>4,967,525</u>	<u>5,157,466</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total Assets and Deferred Outflows of Resources	<u>\$ 4,967,525</u>	<u>\$ 5,157,466</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities:		
Accounts Payable	\$ 260,326	\$ 273,759
Intergovernmental Payables	6,749,090	7,226,848
Due to Other State Agencies and Funds	25,720	4,986
Total Liabilities	<u>7,035,136</u>	<u>7,505,593</u>
DEFERRED INFLOWS OF RESOURCES		
FUND BALANCE		
Committed for Health and Human Services		38,825
Unassigned	(2,067,611)	(2,386,952)
Total Fund Balance	<u>(2,067,611)</u>	<u>(2,348,127)</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 4,967,525</u>	<u>\$ 5,157,466</u>

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

¹ The prior year division-level amounts were audited in relation to the basic financial statements.

North Carolina Department of Health and Human Services
Statement of Revenues, Expenditures, and Changes in Fund Balance
Division of Aging and Adult Services
For the Fiscal Year Ended June 30, 2015 (With Comparative Amounts for June 30, 2014)

Exhibit J-2

	General Fund	
	2015	2014 ¹
REVENUES		
Federal Funds	\$ 50,820,679	\$ 52,911,662
Local Funds	9,638,901	9,596,581
Fees, Licenses and Fines	63,916	48,569
Miscellaneous Revenues	127,449	141,454
Total Revenues	<u>60,650,945</u>	<u>62,698,266</u>
EXPENDITURES		
Personal Services	3,625,403	3,799,511
Employee Benefits	1,266,297	1,306,414
Contracted Personal Services	1,856,463	2,261,775
Supplies and Materials	23,004	46,784
Travel	157,419	129,065
Communication	36,151	32,412
Data Processing Services		13,500
Other Services	17,331	19,985
Other Fixed Charges	33,848	90,277
Capital Outlay	7,344	32,816
Grants, State Aid and Subsidies	95,658,361	96,138,586
Expenditures to Other State Agencies (Exhibit P-2)	38,825	
Other Expenditures	117,702	118,131
Total Expenditures	<u>102,838,148</u>	<u>103,989,256</u>
Excess of Revenues Over (Under) Expenditures	<u>(42,187,203)</u>	<u>(41,290,990)</u>
OTHER FINANCING SOURCES (USES)		
State Appropriations	42,325,463	41,058,227
Transfers In	258,633	321,126
Transfers Out	(116,391)	
Other	14	26
Total Other Financing Sources (Uses)	<u>42,467,719</u>	<u>41,379,379</u>
Net Change in Fund Balance	280,516	88,389
Fund Balance - Beginning of Year	<u>(2,348,127)</u>	<u>(2,436,516)</u>
Fund Balance - End of Year	<u>\$ (2,067,611)</u>	<u>\$ (2,348,127)</u>

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

¹ The prior year division-level amounts were audited in relation to the basic financial statements.

North Carolina Department of Health and Human Services
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis-Non-GAAP) General Fund
Division of Aging and Adult Services
For the Fiscal Year Ended June 30, 2015

Exhibit J-3

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal Grants				
Title III Grants	\$ 29,357,340	\$ 28,017,430	\$ 28,030,529	\$ 13,099
Nutrition Services Incentive Program	3,361,424	3,391,776	3,344,381	(47,395)
Family Caregiver Support	4,874,785	4,943,987	4,603,341	(340,646)
Other Federal Grants	13,429,446	16,794,184	15,125,300	(1,668,884)
Local Match and Program Income	10,480,845	10,018,458	9,838,128	(180,330)
Sales, Services, and Rentals	100	100	14	(86)
Fees, Licenses, and Fines	30,000	63,623	63,916	293
Contributions and Donations	232,400	132,400	85,000	(47,400)
Miscellaneous Revenue	111,809	169,956	170,356	400
Total Revenues	61,878,149	63,531,914	61,260,965	(2,270,949)
EXPENDITURES				
Personal Services	5,478,913	5,704,591	4,889,555	815,036
Purchased Services	1,706,495	3,134,129	2,265,968	868,161
Supplies	28,913	45,726	37,887	7,839
Property, Plant, and Equipment	23,950	35,238	7,871	27,367
Other Expenditures and Adjustments	91,726	359,793	238,536	121,257
Aid and Public Assistance	97,054,627	97,233,710	96,194,143	1,039,567
Total Expenditures	104,384,624	106,513,187	103,633,960	2,879,227
Excess of Revenues Over (Under) Expenditures	(42,506,475)	(42,981,273)	(42,372,995)	608,278
OTHER FINANCING SOURCES (USES)				
Transfers From Other Departments or Funds	33,503	297,458	297,458	
Transfers to Other Departments or Funds	(34,315)	(249,926)	(249,926)	
State Appropriation	42,507,287	42,933,741	42,325,463	(608,278)
Total Other Financing Sources (Uses)	42,506,475	42,981,273	42,372,995	(608,278)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 0	\$ 0	\$ 0	\$ 0

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

Fund Balance (budgetary basis) June 30, 2015	\$ 0
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Receivables	4,872,815
Payables	(7,035,136)
Total Basis Differences	(2,162,321)
Timing Differences:	
Authorized Cash Carryforward	94,710
Fund Balance (GAAP basis) June 30, 2015	\$ (2,067,611)

**North Carolina Department of Health and Human Services
Combining Balance Sheet
Division of Services for the Blind/Deaf and Hard of Hearing
June 30, 2015 (With Comparative Totals for June 30, 2014)**

Exhibit K-1

	<u>General Fund</u>	<u>Other Special Revenue Funds</u>	<u>NC Dual Party Relay System</u>	<u>Total Blind/Deaf Services 2015</u>	<u>Total 2014 ¹</u>
ASSETS					
Cash and Cash Equivalents	\$ 4,924	\$ 515,708	\$ 12,198,844	\$ 12,719,476	\$ 7,479,559
Receivables:					
Accounts Receivable, Net	31,748	140,783	425,961	598,492	394,552
Intergovernmental Receivables	582,773			582,773	422,833
Due from Other Funds					5,142
Total Assets	<u>619,445</u>	<u>656,491</u>	<u>12,624,805</u>	<u>13,900,741</u>	<u>8,302,086</u>
DEFERRED OUTFLOWS OF RESOURCES					
Total Assets and Deferred Outflows of Resources	<u>\$ 619,445</u>	<u>\$ 656,491</u>	<u>\$ 12,624,805</u>	<u>\$ 13,900,741</u>	<u>\$ 8,302,086</u>
LIABILITIES					
Accounts Payable and Accrued Liabilities:					
Accounts Payable	\$ 342,448	\$ 45,804	\$ 22,003	\$ 410,255	\$ 544,204
Intergovernmental Payables	4,194			4,194	1,235
Medical Claims Payables					131,393
Due to Other State Agencies and Funds	71,657		5,804	77,461	172,549
Total Liabilities	<u>418,299</u>	<u>45,804</u>	<u>27,807</u>	<u>491,910</u>	<u>849,381</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue					109
FUND BALANCE					
Restricted for Health and Human Services	4,924	18,378		23,302	8,539
Committed for Health and Human Services		583,605	12,596,998	13,180,603	7,493,520
Assigned for Health and Human Services		8,704		8,704	16,123
Unassigned	196,222			196,222	(65,586)
Total Fund Balance	<u>201,146</u>	<u>610,687</u>	<u>12,596,998</u>	<u>13,408,831</u>	<u>7,452,596</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 619,445</u>	<u>\$ 656,491</u>	<u>\$ 12,624,805</u>	<u>\$ 13,900,741</u>	<u>\$ 8,302,086</u>

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

¹ The prior year division-level amounts were audited in relation to the basic financial statements.

North Carolina Department of Health and Human Services
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Division of Services for the Blind/Deaf and Hard of Hearing
For the Fiscal Year Ended June 30, 2015 (With Comparative Totals for June 30, 2014)

Exhibit K-2

	General Fund	Other Special Revenue Funds	NC Dual Party Relay System	Total Blind/Deaf Services 2015	Total 2014 ¹
REVENUES					
Federal Funds	\$ 15,411,160	\$ 903,392	\$ 0	\$ 16,314,552	\$ 16,356,257
Local Funds	475,891			475,891	533,222
Sales and Services, Net		1,094,553		1,094,553	797,418
Fees, Licenses and Fines			4,785,914	4,785,914	4,944,218
Revenues from Other State Agencies (Exhibit P-1)	49,355		11,910,045	11,959,400	11,775,997
Miscellaneous Revenues	902,474	16,198	492,651	1,411,323	408,507
Total Revenues	16,838,880	2,014,143	17,188,610	36,041,633	34,815,619
EXPENDITURES					
Personal Services	12,185,298		948,520	13,133,818	13,007,180
Employee Benefits	4,684,821		382,301	5,067,122	4,957,834
Contracted Personal Services	464,942	80,853	2,736,358	3,282,153	4,015,241
Supplies and Materials	194,505	854	24,928	220,287	178,050
Travel	580,865	41,914	5,977	628,756	650,671
Communication	221,985		11,869	233,854	246,404
Utilities	23,196	1,562		24,758	31,872
Data Processing Services	3,443			3,443	
Other Services	155,575	461,355	31,281	648,211	709,967
Other Fixed Charges	70,500	3,418	3,702	77,620	107,891
Capital Outlay	328,103	598,713	83,715	1,010,531	1,086,266
Grants, State Aid and Subsidies	6,607,794	100,000	3,371,510	10,079,304	9,119,748
Other Expenditures	1,058,224	28,953	150,013	1,237,190	1,107,490
Total Expenditures	26,579,251	1,317,622	7,750,174	35,647,047	35,218,614
Excess of Revenues Over (Under) Expenditures	(9,740,371)	696,521	9,438,436	394,586	(402,995)
OTHER FINANCING SOURCES (USES)					
State Appropriations	7,862,397			7,862,397	6,259,565
Transfers In	4,212,250	260,202		4,472,452	4,366,457
Transfers Out	(2,072,329)	(824,613)	(3,930,001)	(6,826,943)	(5,461,717)
Other		53,743		53,743	21,830
Total Other Financing Sources (Uses)	10,002,318	(510,668)	(3,930,001)	5,561,649	5,186,135
Net Change in Fund Balance	261,947	185,853	5,508,435	5,956,235	4,783,140
Fund Balance - Beginning of Year	(60,801)	424,834	7,088,563	7,452,596	2,669,456
Fund Balance - End of Year	\$ 201,146	\$ 610,687	\$ 12,596,998	\$ 13,408,831	\$ 7,452,596

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

¹ The prior year division-level amounts were audited in relation to the basic financial statements.

**North Carolina Department of Health and Human Services
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis-Non-GAAP) General Fund
Division of Services for the Blind/Deaf and Hard of Hearing
For the Fiscal Year Ended June 30, 2015**

Exhibit K-3

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Grants				
Rehab Services	\$ 14,802,802	\$ 15,224,547	\$ 11,146,318	\$ (4,078,229)
Other Federal Grants	4,451,012	4,477,561	4,106,948	(370,613)
Local Grants	608,802	608,802	475,891	(132,911)
Sales, Services, and Rentals				
Fees, Licenses, and Fines	61,237	77,098		(77,098)
Miscellaneous Revenue	434,048	1,019,175	482,995	(536,180)
Total Revenues	20,357,901	21,407,183	16,212,152	(5,195,031)
EXPENDITURES				
Personal Services	19,680,055	19,316,030	16,886,056	2,429,974
Purchased Services	3,090,994	3,486,356	2,622,172	864,184
Supplies	240,291	215,101	195,245	19,856
Property, Plant, and Equipment	126,227	978,805	377,897	600,908
Other Expenditures and Adjustments	340,804	861,157	331,157	530,000
Aid and Public Assistance	9,423,114	8,345,793	6,547,285	1,798,508
Total Expenditures	32,901,485	33,203,242	26,959,812	6,243,430
Excess of Revenues Over (Under) Expenditures	(12,543,584)	(11,796,059)	(10,747,660)	1,048,399
OTHER FINANCING SOURCES (USES)				
Transfers From Other Departments or Funds	4,366,756	5,758,368	4,957,592	(800,776)
Transfers to Other Departments or Funds	(400)	(2,072,729)	(2,072,329)	400
State Appropriation	8,177,228	8,110,420	7,862,397	(248,023)
Total Other Financing Sources (Uses)	12,543,584	11,796,059	10,747,660	(1,048,399)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 0	\$ 0	\$ 0	\$ 0

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

Fund Balance (budgetary basis) June 30, 2015	\$ 0
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Receivables	614,521
Payables	(418,299)
Total Basis Differences	196,222
Other Adjustments:	
Cash	4,924
Fund Balance (GAAP basis) June 30, 2015	\$ 201,146

**North Carolina Department of Health and Human Services
Combining Balance Sheet
Division of Vocational Rehabilitation
June 30, 2015 (With Comparative Totals for June 30, 2014)**

Exhibit L-1

	General Fund	Other Special Revenue Funds	Non-Debt Supporting Capital Projects Fund	Total Vocational Rehabilitation 2015	Total 2014 ¹
ASSETS					
Cash and Cash Equivalents	\$ 428,131	\$ 51,884	\$ 14,199	\$ 494,214	\$ 1,046,573
Receivables:					
Accounts Receivable, Net	24,104			24,104	264,758
Intergovernmental Receivables	2,661,287			2,661,287	1,445,266
Due from Other Funds	3,621			3,621	2,121
Total Assets	3,117,143	51,884	14,199	3,183,226	2,758,718
DEFERRED OUTFLOWS OF RESOURCES					
Total Assets and Deferred Outflows of Resources	<u>\$ 3,117,143</u>	<u>\$ 51,884</u>	<u>\$ 14,199</u>	<u>\$ 3,183,226</u>	<u>\$ 2,758,718</u>
LIABILITIES					
Accounts Payable and Accrued Liabilities:					
Accounts Payable	\$ 2,998,074	\$ 3,634	\$ 22,448	\$ 3,024,156	\$ 1,066,274
Intergovernmental Payables	129,384			129,384	89,516
Medical Claims Payables	285,603			285,603	213,583
Due to Other State Agencies and Funds	91,724			91,724	235,332
Other Liabilities					12
Total Liabilities	3,504,785	3,634	22,448	3,530,867	1,604,717
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	40			40	4,440
FUND BALANCE					
Restricted for Health and Human Services		48,250		48,250	423,416
Committed for Health and Human Services	428,131			428,131	596,228
Unassigned	(815,813)		(8,249)	(824,062)	129,917
Total Fund Balance	(387,682)	48,250	(8,249)	(347,681)	1,149,561
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 3,117,143</u>	<u>\$ 51,884</u>	<u>\$ 14,199</u>	<u>\$ 3,183,226</u>	<u>\$ 2,758,718</u>

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

¹ The prior year division-level amounts were audited in relation to the basic financial statements.

North Carolina Department of Health and Human Services
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Division of Vocational Rehabilitation
For the Fiscal Year Ended June 30, 2015 (With Comparative Totals for June 30, 2014)

Exhibit L-2

	General Fund	Other Special Revenue Funds	Non-Debt Supporting Capital Projects Fund	Total Vocational Rehabilitation 2015	Total 2014 ¹
REVENUES					
Federal Funds	\$ 87,522,919	\$ 0	\$ 0	\$ 87,522,919	\$ 86,667,951
Local Funds	2,664,803			2,664,803	2,590,569
Sales and Services, Net	1,641	485,106		486,747	424,249
Fees, Licenses and Fines					
Revenues from Other State Agencies (Exhibit P-1)	497,334		16,979	514,313	201,714
Miscellaneous Revenues	3,054,758			3,054,758	4,449,192
Total Revenues	93,741,455	485,106	16,979	94,243,540	94,333,675
EXPENDITURES					
Personal Services	37,838,080	168,266		38,006,346	37,177,537
Employee Benefits	14,656,994			14,656,994	14,305,234
Contracted Personal Services	1,727,749	8,356		1,736,105	1,670,367
Supplies and Materials	363,179	36,490		399,669	364,741
Travel	913,453			913,453	898,572
Communication	1,115,014			1,115,014	1,203,800
Utilities	391,253			391,253	371,097
Other Services	540,403	14,456		554,859	689,483
Other Fixed Charges	191,595	9,043		200,638	343,399
Capital Outlay	227,412	19,844	334,094	581,350	479,945
Grants, State Aid and Subsidies	63,243,374			63,243,374	65,672,608
Expenditures to Other State Agencies (Exhibit P-2)	397,468			397,468	511,261
Other Expenditures	4,465,660	201,220		4,666,880	4,496,529
Total Expenditures	126,071,634	457,675	334,094	126,863,403	128,184,573
Excess of Revenues Over (Under) Expenditures	(32,330,179)	27,431	(317,115)	(32,619,863)	(33,850,898)
OTHER FINANCING SOURCES (USES)					
State Appropriations	35,674,091			35,674,091	37,789,780
Transfers In	408,788		59,876	468,664	300,592
Transfers Out	(4,615,950)	(402,596)	(6,466)	(5,025,012)	(2,969,589)
Other	4,878			4,878	5,405
Total Other Financing Sources (Uses)	31,471,807	(402,596)	53,410	31,122,621	35,126,188
Net Change in Fund Balance	(858,372)	(375,165)	(263,705)	(1,497,242)	1,275,290
Fund Balance - Beginning of Year	470,690	423,415	255,456	1,149,561	(125,729)
Fund Balance - End of Year	<u>\$ (387,682)</u>	<u>\$ 48,250</u>	<u>\$ (8,249)</u>	<u>\$ (347,681)</u>	<u>\$ 1,149,561</u>

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

¹ The prior year division-level amounts were audited in relation to the basic financial statements.

**North Carolina Department of Health and Human Services
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis-Non-GAAP) General Fund
Division of Vocational Rehabilitation
For the Fiscal Year Ended June 30, 2015**

Exhibit L-3

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Grants				
Rehabilitation Services	\$ 89,855,119	\$ 94,431,104	\$ 82,751,399	\$ (11,679,705)
Other Federal Grants	4,770,123	5,805,170	3,613,972	(2,191,198)
Local Grants	2,737,422	2,714,229	2,667,636	(46,593)
Sales, Services, and Rentals	17,838	17,838	6,519	(11,319)
Miscellaneous Revenue	3,684,866	6,183,804	5,356,116	(827,688)
Total Revenues	101,065,368	109,152,145	94,395,642	(14,756,503)
EXPENDITURES				
Personal Services	58,186,458	56,580,075	52,407,512	4,172,563
Purchased Services	10,499,127	11,633,356	9,522,049	2,111,307
Supplies	823,902	556,616	357,076	199,540
Property, Plant, and Equipment	728,590	381,176	228,207	152,969
Other Expenditures and Adjustments	825,003	4,165,209	2,140,582	2,024,627
Aid and Public Assistance	67,986,164	69,431,387	61,219,704	8,211,683
Reserves	501	15,175		15,175
Total Expenditures	139,049,745	142,762,994	125,875,130	16,887,864
Excess of Revenues Over (Under) Expenditures	(37,984,377)	(33,610,849)	(31,479,488)	2,131,361
OTHER FINANCING SOURCES (USES)				
Transfers From Other Departments or Funds	395,300	1,295,716	1,246,946	(48,770)
Transfers to Other Departments or Funds	(224,283)	(5,479,797)	(5,441,549)	38,248
State Appropriation	37,813,360	37,794,930	35,674,091	(2,120,839)
Total Other Financing Sources (Uses)	37,984,377	33,610,849	31,479,488	(2,131,361)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 0	\$ 0	\$ 0	\$ 0

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

Fund Balance (budgetary basis) June 30, 2015	\$ 0
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Receivables	2,689,012
Payables	(3,504,785)
Deferred Inflows	(40)
Total Basis Differences	(815,813)
Timing Differences:	
Authorized Cash Carryforward	428,131
Fund Balance (GAAP basis) June 30, 2015	\$ (387,682)

North Carolina Department of Health and Human Services
Combining Balance Sheet
Division of Social Services
June 30, 2015 (With Comparative Totals for June 30, 2014)

Exhibit M-1

	General Fund	Disability Determination Fund	Total Social Services 2015	Total 2014 ¹
ASSETS				
Cash and Cash Equivalents	\$ 3,123,079	\$ 4,591	\$ 3,127,670	\$ 2,743,244
Receivables:				
Accounts Receivable, Net	5,446,003		5,446,003	4,203,921
Intergovernmental Receivables	66,922,978	1,471,187	68,394,165	62,009,396
Due from Other Funds	122,210		122,210	109,730
Total Assets	<u>75,614,270</u>	<u>1,475,778</u>	<u>77,090,048</u>	<u>69,066,291</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Assets and Deferred Outflows of Resources	<u>\$ 75,614,270</u>	<u>\$ 1,475,778</u>	<u>\$ 77,090,048</u>	<u>\$ 69,066,291</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities:				
Accounts Payable	\$ 4,859,300	\$ 1,257,886	\$ 6,117,186	\$ 4,323,744
Intergovernmental Payables	66,994,405	49,202	67,043,607	59,460,875
Medical Claims Payables	1,414,582		1,414,582	1,560,854
Due to Other State Agencies and Funds	1,550,594	315	1,550,909	226,522
Other Liabilities				2,966,927
Total Liabilities	<u>74,818,881</u>	<u>1,307,403</u>	<u>76,126,284</u>	<u>68,538,922</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	<u>74,180</u>		<u>74,180</u>	<u>313,446</u>
FUND BALANCE				
Restricted for Health and Human Services	843,181	168,375	1,011,556	1,867,553
Committed for Health and Human Services	2,370,164		2,370,164	1,532,244
Assigned for Health and Human Services	214,805		214,805	
Unassigned	<u>(2,706,941)</u>		<u>(2,706,941)</u>	<u>(3,185,874)</u>
Total Fund Balance	<u>721,209</u>	<u>168,375</u>	<u>889,584</u>	<u>213,923</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 75,614,270</u>	<u>\$ 1,475,778</u>	<u>\$ 77,090,048</u>	<u>\$ 69,066,291</u>

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

¹ The prior year division-level amounts were audited in relation to the basic financial statements.

**North Carolina Department of Health and Human Services
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Division of Social Services
For the Fiscal Year Ended June 30, 2015 (With Comparative Totals for June 30, 2014)**

Exhibit M-2

	General Fund	Disability Determination Fund	Total Social Services 2015	Total 2014 ¹
REVENUES				
Federal Funds ²	\$ 3,290,754,545	\$ 61,901,078	\$ 3,352,655,623	\$ 3,267,916,645
Local Funds	112,337,350		112,337,350	112,575,335
Sales and Services, Net				
Fees, Licenses and Fines	361,125		361,125	331,250
Revenues from Other State Agencies (Exhibit P-1)	51,327		51,327	22,635
Miscellaneous Revenue	14,336,865	1,035	14,337,900	11,791,274
Total Revenues	3,417,841,212	61,902,113	3,479,743,325	3,392,637,139
EXPENDITURES				
Personal Services	14,921,993	28,016,166	42,938,159	40,266,236
Employee Benefits	5,690,135	9,990,350	15,680,485	14,602,397
Contracted Personal Services	13,405,629	21,132,091	34,537,720	34,550,890
Supplies and Materials	140,499	327,467	467,966	550,883
Travel	727,709	45,113	772,822	825,734
Communication	1,360,847	270,212	1,631,059	1,631,419
Utilities	502		502	678
Data Processing Services	86,670		86,670	107,606
Other Services	5,561,430	318,388	5,879,818	7,434,645
Other Fixed Charges	1,614,630	500,175	2,114,805	415,556
Capital Outlay	286,160	885,964	1,172,124	315,002
Grants, State Aid and Subsidies (Exhibit M-4) ²	3,556,420,657	296,562	3,556,717,219	3,466,710,140
Intergovernmental Expenditures	357,832		357,832	
Other Expenditures	519,014	2,324,560	2,843,574	2,939,445
Total Expenditures	3,601,093,707	64,107,048	3,665,200,755	3,570,350,631
Excess of Revenues Over (Under) Expenditures	(183,252,495)	(2,204,935)	(185,457,430)	(177,713,492)
OTHER FINANCING SOURCES (USES)				
State Appropriations	181,693,767		181,693,767	166,931,985
Transfers In	9,268,427	2,403,748	11,672,175	11,600,160
Transfers Out	(7,232,851)		(7,232,851)	(2,766,307)
Other				
Total Other Financing Sources (Uses)	183,729,343	2,403,748	186,133,091	175,765,838
Net Change in Fund Balance	476,848	198,813	675,661	(1,947,654)
Fund Balance - Beginning of Year	244,361	(30,438)	213,923	2,161,577
Fund Balance - End of Year	<u>\$ 721,209</u>	<u>\$ 168,375</u>	<u>\$ 889,584</u>	<u>\$ 213,923</u>

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

¹ The prior year division-level amounts were audited in relation to the basic financial statements.

² Food stamp benefits are recognized as revenue and expenditure when recipients use the benefits. Food stamps used during the year of \$2,397,185,354 are recognized on this statement but are not recognized in the budgeted amounts on Exhibit M-3.

**North Carolina Department of Health and Human Services
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis-Non-GAAP) General Fund
Division of Social Services
For the Fiscal Year Ended June 30, 2015**

Exhibit M-3

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Grants				
Medical Assistance Administration and Training	\$ 107,383,469	\$ 219,352,797	\$ 218,115,978	\$ (1,236,819)
Title IV-D / Child Support	82,142,849	89,580,085	91,583,319	2,003,234
Title IV-E / Foster Care	114,793,392	124,571,049	118,819,648	(5,751,401)
Low Income Energy Program	112,708,178	112,708,178	96,616,393	(16,091,785)
Food Stamps	79,613,889	90,439,408	89,102,961	(1,336,447)
TANF	177,157,143	177,157,143	168,793,591	(8,363,552)
Other Federal Grants	110,821,322	117,477,679	103,354,828	(14,122,851)
Local Grants	672,950,896	655,721,299	665,495,236	9,773,937
Fees, Licenses, and Fines	6,968	6,968		(6,968)
Miscellaneous Revenue	9,390,984	7,957,816	7,998,991	41,175
Total Revenues	1,466,969,090	1,594,972,422	1,559,880,945	(35,091,477)
EXPENDITURES				
Personal Services	25,875,600	24,713,061	20,610,729	4,102,332
Purchased Services	28,827,557	27,143,263	20,234,675	6,908,588
Supplies	368,458	369,681	138,427	231,254
Property, Plant, and Equipment	367,740	414,079	230,815	183,264
Other Expenditures and Adjustments	4,184,786	3,486,567	2,957,904	528,663
Aid and Public Assistance	1,598,457,366	1,727,845,287	1,701,480,262	26,365,025
Reserves	2,681,884	209,210		209,210
Total Expenditures	1,660,763,391	1,784,181,148	1,745,652,812	38,528,336
Excess of Revenues Over (Under) Expenditures	(193,794,301)	(189,208,726)	(185,771,867)	3,436,859
OTHER FINANCING SOURCES (USES)				
Transfers From Other Departments or Funds	11,970,993	12,706,020	12,142,944	(563,076)
Transfers to Other Departments or Funds	(3,208,271)	(8,525,120)	(8,064,844)	460,276
State Appropriation	185,031,579	185,027,826	181,693,767	(3,334,059)
Total Other Financing Sources (Uses)	193,794,301	189,208,726	185,771,867	(3,436,859)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 0	\$ 0	\$ 0	\$ 0

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

Fund Balance (budgetary basis) June 30, 2015	\$ 0
Reconciling Adjustments:	
Basis Differences:	
Receivables	72,491,191
Payables	(74,818,881)
Deferred Inflows	(74,180)
Total Basis Differences	(2,401,870)
Timing Differences:	
Authorized Cash Carryforward	822,484
Other Adjustments:	
Cash	2,300,595
Fund Balance (GAAP basis) June 30, 2015	\$ 721,209

**North Carolina Department of Health and Human Services
Schedule Supporting Grants, State Aid and Subsidies
Division of Social Services
For the Fiscal Year Ended June 30, 2015**

Exhibit M-4

Food and Nutrition	
Food Stamp Program	\$ 2,397,185,354
Nutrition and Food Education Programs	83,676,774
	<hr/>
Total Food and Nutrition	2,480,862,128
	<hr/>
Child and Family	
Child Services	372,292,011
Foster Care	72,819,444
Adoption	113,296,320
	<hr/>
Total Child and Family	558,407,775
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Support of Aging and Adult Programs	147,276,039
	<hr/>
Support of Medicaid Programs	222,680,108
	<hr/>
Other Social Service Programs	
Low-Income Energy Assistance Program	98,470,314
Miscellaneous	49,020,855
	<hr/>
Total Other Social Service Programs	147,491,169
	<hr/>
Total Social Services	\$ 3,556,717,219
	<hr/>

**North Carolina Department of Health and Human Services
Combining Balance Sheet
Division of Mental Health/Developmental Disabilities and Substance Abuse Services
June 30, 2015 (With Comparative Totals for June 30, 2014)**

Exhibit N-1

	General Fund	Other Special Revenue Funds	Debt Supporting Capital Projects Fund	Non-Debt Supporting Capital Projects Fund	NC Infrastructure Finance Fund	Total Mental Health 2015	Total 2014 ¹ (Restated)
ASSETS							
Cash and Cash Equivalents	\$ 30,009,642	\$ 3,650,944	\$ 0	\$ 10,446,014	\$ 0	\$ 44,106,600	\$ 35,524,671
Receivables:							
Accounts Receivable, Net	25,660,262	220,184				25,880,446	37,192,006
Intergovernmental Receivables	1,050,732					1,050,732	4,229,928
Due from Other Funds	7,943					7,943	6,293
Inventories	6,034,115	33,532				6,067,647	6,277,603
Total Assets	62,762,694	3,904,660		10,446,014		77,113,368	83,230,501
DEFERRED OUTFLOWS OF RESOURCES							
Total Assets and Deferred Outflows of Resources	\$ 62,762,694	\$ 3,904,660	\$ 0	\$ 10,446,014	\$ 0	\$ 77,113,368	\$ 83,230,501
LIABILITIES							
Accounts Payable and Accrued Liabilities:							
Accounts Payable	\$ 21,201,586	\$ 91,473	\$ 2,714,355	\$ 1,192,110	\$ 11,543	\$ 25,211,067	\$ 31,566,149
Intergovernmental Payables	638,869					638,869	919,199
Due to Other State Agencies and Funds	2,152,884	1,184	6,112			2,160,180	1,501,638
Other Liabilities	7,341	3,855				11,196	7,012
Total Liabilities	24,000,680	96,512	2,720,467	1,192,110	11,543	28,021,312	33,993,998
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue	7,701,812	34,119				7,735,931	19,987,497
FUND BALANCE							
Nonspendable	6,034,115	33,532				6,067,647	6,277,602
Restricted for Health and Human Services	250,000	1,064,736				1,314,736	896,528
Committed for Health and Human Services	11,082,864	1,543,514		15,065,870		27,692,248	19,897,713
Assigned for Health and Human Services		1,132,247				1,132,247	1,230,820
Unassigned	13,693,223		(2,720,467)	(5,811,966)	(11,543)	5,149,247	946,343
Total Fund Balance	31,060,202	3,774,029	(2,720,467)	9,253,904	(11,543)	41,356,125	29,249,006
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 62,762,694	\$ 3,904,660	\$ 0	\$ 10,446,014	\$ 0	\$ 77,113,368	\$ 83,230,501

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

¹ The prior year division-level amounts were audited in relation to the basic financial statements.

**North Carolina Department of Health and Human Services
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Division of Mental Health/Developmental Disabilities and Substance Abuse Services
For the Fiscal Year Ended June 30, 2015 (With Comparative Totals for June 30, 2014)**

Exhibit N-2

	General Fund	Other Special Revenue Funds	Debt Supporting Capital Projects Fund	Non-Debt Supporting Capital Projects Fund	NC Infrastructure Finance Fund	Total Mental Health 2015	Total 2014 ¹ (Restated)
REVENUES							
Federal Funds	\$ 390,053,171	\$ 918,814	\$ 0	\$ 0	\$ 0	\$ 390,971,985	\$ 383,069,621
Local Funds	1,798,945	23,529				1,822,474	1,850,207
Sales and Services, Net (Note 8)	56,913,318	1,568,337				58,481,655	61,041,164
Fees, Licenses and Fines	657,869	1,899				659,768	442,767
Revenues from Other State Agencies (Exhibit P-1)	3,612,148	1,000,000	21,433,749	259,182	28,912	26,333,991	65,469,215
Miscellaneous Revenues	6,139,182	637,143				6,776,325	9,098,697
Total Revenues	<u>459,174,633</u>	<u>4,149,722</u>	<u>21,433,749</u>	<u>259,182</u>	<u>28,912</u>	<u>485,046,198</u>	<u>520,971,671</u>
EXPENDITURES							
Personal Services	439,845,922	827,752				440,673,674	428,200,968
Employee Benefits	174,983,028	91,637				175,074,665	172,024,985
Contracted Personal Services	46,952,661	114,200				47,066,861	53,185,586
Supplies and Materials	44,569,637	1,396,973				45,966,610	44,429,862
Travel	400,140	95,657				495,797	554,417
Communication	2,095,243	2,699				2,097,942	2,115,478
Utilities	13,051,418	74,945				13,126,363	14,323,462
Data Processing Services	23					23	600
Other Services	1,966,465	213,544				2,180,009	1,955,323
Other Fixed Charges	3,157,935	3,370				3,161,305	2,853,053
Capital Outlay	6,237,308	213,441	14,731,055	8,211,726	37,455	29,430,985	56,272,070
Grants, State Aid and Subsidies (Exhibit N-4)	427,494,742	619,987				428,114,729	428,053,876
Expenditures to Other State Agencies (Exhibit P-2)	1,450,604					1,450,604	55,489
Other Expenditures	21,308,831	210,833				21,519,664	7,695,532
Total Expenditures	<u>1,183,513,957</u>	<u>3,865,038</u>	<u>14,731,055</u>	<u>8,211,726</u>	<u>37,455</u>	<u>1,210,359,231</u>	<u>1,211,720,701</u>
Excess of Revenues Over (Under) Expenditures	<u>(724,339,324)</u>	<u>284,684</u>	<u>6,702,694</u>	<u>(7,952,544)</u>	<u>(8,543)</u>	<u>(725,313,033)</u>	<u>(690,749,030)</u>
OTHER FINANCING SOURCES (USES)							
State Appropriations	685,727,911					685,727,911	694,877,629
Transfers In	208,785,687	131,127		53,679		208,970,493	186,517,699
Transfers Out	(158,239,481)	(278,253)		(95,460)		(158,613,194)	(157,818,489)
Other	1,334,942					1,334,942	82,295
Total Other Financing Sources (Uses)	<u>737,609,059</u>	<u>(147,126)</u>		<u>(41,781)</u>		<u>737,420,152</u>	<u>723,659,134</u>
Net Change in Fund Balance	13,269,735	137,558	6,702,694	(7,994,325)	(8,543)	12,107,119	32,910,104
Fund Balance - Beginning of Year as Restated	17,790,467	3,636,471	(9,423,161)	17,248,229	(3,000)	29,249,006	(3,661,098)
Fund Balance - End of Year	<u>\$ 31,060,202</u>	<u>\$ 3,774,029</u>	<u>\$ (2,720,467)</u>	<u>\$ 9,253,904</u>	<u>\$ (11,543)</u>	<u>\$ 41,356,125</u>	<u>\$ 29,249,006</u>

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

¹ The prior year division-level amounts were audited in relation to the basic financial statements.

North Carolina Department of Health and Human Services
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis-Non-GAAP) General Fund
Division of Mental Health/Developmental Disabilities and Substance Abuse Services
For the Fiscal Year Ended June 30, 2015

Exhibit N-3

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Grants				
Medical Assistance Administration and Training	\$ 31,734,497	\$ 5,595,701	\$ 6,812,195	\$ 1,216,494
Reimbursements to Facilities	3,590,026	3,590,438	3,509,003	(81,435)
Medicaid	521,750,444	534,627,842	522,696,499	(11,931,343)
SAPT Block Grant	44,418,890	44,418,890	27,980,617	(16,438,273)
Other Federal Grants	26,746,859	31,613,582	23,021,375	(8,592,207)
Local Grants	1,468,216	2,765,000	2,529,967	(235,033)
Sales, Services, and Rentals	64,547,646	66,777,721	58,835,708	(7,942,013)
Contributions and Donations			6,475	6,475
Fees, Licenses, and Fines	788,702	873,202	660,144	(213,058)
Miscellaneous	1,554,451	1,743,251	1,872,149	128,898
Total Revenues	<u>696,599,731</u>	<u>692,005,627</u>	<u>647,924,132</u>	<u>(44,081,495)</u>
EXPENDITURES				
Personal Services	669,973,045	631,938,207	615,617,844	16,320,363
Purchased Services	45,308,903	74,811,121	69,841,442	4,969,679
Supplies	44,777,993	46,065,343	43,741,149	2,324,194
Property, Plant, and Equipment	5,177,770	3,755,222	4,950,600	(1,195,378)
Other Expenditures and Adjustments	7,336,422	10,375,811	29,749,183	(19,373,372)
Aid and Public Assistance	476,685,877	465,409,298	427,101,902	38,307,396
Miscellaneous Expenditures	14,052	3,116,604		3,116,604
Total Expenditures	<u>1,249,274,062</u>	<u>1,235,471,606</u>	<u>1,191,002,120</u>	<u>44,469,486</u>
Excess of Revenues Over (Under) Expenditures	<u>(552,674,331)</u>	<u>(543,465,979)</u>	<u>(543,077,988)</u>	<u>387,991</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Departments or Funds	4,276,355	47,583,026	47,091,883	(491,143)
Transfers to Other Departments or Funds				
Medical Assistance	(145,361,716)	(189,844,959)	(189,741,806)	103,153
State Appropriation	693,759,692	685,727,912	685,727,911	(1)
Total Other Financing Sources (Uses)	<u>552,674,331</u>	<u>543,465,979</u>	<u>543,077,988</u>	<u>(387,991)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

Fund Balance (budgetary basis) June 30, 2015	\$ 0
Reconciling Adjustments:	
Basis Differences:	
Receivables	26,718,937
Payables	(24,000,680)
Deferred Inflows	(7,701,812)
Total Basis Differences	(4,983,555)
Timing Differences:	
Authorized Cash Carryforward	30,009,642
Other Adjustments:	
Cash	
Inventories	6,034,115
Fund Balance (GAAP basis) June 30, 2015	<u>\$ 31,060,202</u>

North Carolina Department of Health and Human Services

Schedule Supporting Grants, State Aid and Subsidies

Division of Mental Health/Developmental Disabilities and Substance Abuse Services

For the Fiscal Year Ended June 30, 2015

Exhibit N-4

Mental Health Programs	
Local Management Entity Expenditures	\$ 409,493,065
Non-Governmental Expenditures	13,960,172
Governmental Expenditures	<u>4,661,492</u>
Total Mental Health Programs	<u>\$ 428,114,729</u>



SUPPLEMENTARY INFORMATION

**North Carolina Department of Health and Human Services
Combining Balance Sheet
Other Governmental Funds
June 30, 2015 (With Comparative Totals for June 30, 2014)**

Exhibit O-1

	Special Revenue Funds	Capital Project Funds	Total Other Governmental Funds 2015	Total 2014
ASSETS				
Cash and Cash Equivalents	\$ 18,062,719	\$ 11,255,493	\$ 29,318,212	\$ 32,691,457
Receivables:				
Accounts Receivable, Net	789,738		789,738	694,461
Intergovernmental Receivables	1,471,187		1,471,187	1,302,440
Due From Other Funds				
Inventories	33,532		33,532	34,102
Total Assets	20,357,176	11,255,493	31,612,669	34,722,460
DEFERRED OUTFLOWS OF RESOURCES				
Total Assets and Deferred Outflows of Resources	\$ 20,357,176	\$ 11,255,493	\$ 31,612,669	\$ 34,722,460
LIABILITIES				
Accounts Payable and Accrued Liabilities:				
Accounts Payable	\$ 1,424,369	\$ 4,036,239	\$ 5,460,608	\$ 13,086,048
Intergovernmental Payables	49,202		49,202	37,279
Due to Other State Agencies and Funds	7,447	6,112	13,559	42,115
Other Liabilities	3,855		3,855	6,966
Total Liabilities	1,484,873	4,042,351	5,527,224	13,172,408
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	34,119		34,119	3,081
FUND BALANCE				
Nonspendable	33,532		33,532	34,101
Restricted for Health and Human Services	1,299,739		1,299,739	1,256,213
Committed for Health and Human Services	16,363,962	15,776,150	32,140,112	30,699,610
Assigned for Health and Human Services	1,140,951		1,140,951	16,123
Unassigned		(8,563,008)	(8,563,008)	(10,459,076)
Total Fund Balance	18,838,184	7,213,142	26,051,326	21,546,971
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 20,357,176	\$ 11,255,493	\$ 31,612,669	\$ 34,722,460

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

North Carolina Department of Health and Human Services
Statement of Revenues, Expenditures, and Changes in Fund Balance
Other Governmental Funds

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

Exhibit O-2

	Special Revenue Fund	Capital Project Fund	Total Other Governmental Funds 2015	Total 2014
REVENUES				
Federal Funds	\$ 63,723,284	\$ 0	\$ 63,723,284	\$ 59,203,266
Local Funds	23,529		23,529	
Sales and Services, Net	3,147,996		3,147,996	3,083,140
Fees, Licenses and fines	5,376,478		5,376,478	5,549,163
Revenues from Other State Agencies	12,910,045	23,058,021	35,968,066	80,701,143
Miscellaneous Revenue	1,147,027		1,147,027	699,468
Total Revenues	<u>86,328,359</u>	<u>23,058,021</u>	<u>109,386,380</u>	<u>149,236,180</u>
EXPENDITURES				
Personal Services	30,061,355		30,061,355	27,636,249
Employee Benefits	10,498,674		10,498,674	9,498,548
Contracted Personal Services	24,078,246		24,078,246	25,076,261
Supplies and Materials	1,791,649		1,791,649	1,473,181
Travel	197,851		197,851	228,204
Communication	286,367		286,367	268,717
Utilities	76,507		76,507	43,700
Other Services	1,050,444		1,050,444	1,095,112
Other Fixed Charges	520,208		520,208	293,979
Capital Outlay	1,812,769	23,715,471	25,528,240	57,422,389
Grants, State Aid and Subsidies	4,393,015		4,393,015	4,378,857
Expenditures to Other State Agencies				807
Other Expenditures	2,916,061		2,916,061	3,300,981
Total Expenditures	<u>77,683,146</u>	<u>23,715,471</u>	<u>101,398,617</u>	<u>130,716,985</u>
Excess of Revenues Over (Under) Expenditures	<u>8,645,213</u>	<u>(657,450)</u>	<u>7,987,763</u>	<u>18,519,195</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	2,795,077	113,555	2,908,632	2,980,050
Transfers Out	(6,343,857)	(101,926)	(6,445,783)	(6,188,546)
Other	53,743		53,743	22,765
Total Other Financing Sources (Uses)	<u>(3,495,037)</u>	<u>11,629</u>	<u>(3,483,408)</u>	<u>(3,185,731)</u>
Net Change in Fund Balance	5,150,176	(645,821)	4,504,355	15,333,464
Fund Balance - Beginning of Year	13,688,008	7,858,963	21,546,971	6,213,507
Fund Balance - End of Year	<u>\$ 18,838,184</u>	<u>\$ 7,213,142</u>	<u>\$ 26,051,326</u>	<u>\$ 21,546,971</u>

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

North Carolina Department of Health and Human Services
Combining Balance Sheet
Special Revenue Funds
June 30, 2015 (With Comparative Totals for June 30, 2014)

Exhibit O-3

	Other Special Revenue Fund	Disability Determination Fund	N.C. Dual Party Relay System Fund	Total Special Revenue Funds 2015	Total 2014
ASSETS					
Cash and Cash Equivalents	\$ 5,859,284	\$ 4,591	\$ 12,198,844	\$ 18,062,719	\$ 13,536,832
Receivables:					
Accounts Receivable, Net	363,777		425,961	789,738	694,461
Intergovernmental Receivables		1,471,187		1,471,187	1,302,440
Due From Other Funds					
Inventories	33,532			33,532	34,102
Total Assets	6,256,593	1,475,778	12,624,805	20,357,176	15,567,835
DEFERRED OUTFLOWS OF RESOURCES					
Total Assets and Deferred Outflows of Resources	\$ 6,256,593	\$ 1,475,778	\$ 12,624,805	\$ 20,357,176	\$ 15,567,835
LIABILITIES					
Accounts Payable and Accrued Liabilities:					
Accounts Payable	\$ 144,480	\$ 1,257,886	\$ 22,003	\$ 1,424,369	\$ 1,790,386
Intergovernmental Payables		49,202		49,202	37,279
Due to Other State Agencies and Funds	1,328	315	5,804	7,447	42,115
Other Liabilities	3,855			3,855	6,966
Total Liabilities	149,663	1,307,403	27,807	1,484,873	1,876,746
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	34,119			34,119	3,081
FUND BALANCE					
Nonspendable	33,532			33,532	34,101
Restricted for Health and Human Services	1,131,364	168,375		1,299,739	1,256,213
Committed for Health and Human Services	3,766,964		12,596,998	16,363,962	12,412,008
Assigned for Health and Human Services	1,140,951			1,140,951	16,123
Unassigned					(30,437)
Total Fund Balance	6,072,811	168,375	12,596,998	18,838,184	13,688,008
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 6,256,593	\$ 1,475,778	\$ 12,624,805	\$ 20,357,176	\$ 15,567,835

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

**North Carolina Department of Health and Human Services
Statement of Revenues, Expenditures, and Changes in Fund Balance
Special Revenue Funds**

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

Exhibit O-4

	Other Special Revenue Fund	Disability Determination Fund	N.C. Dual Party Relay System Fund	Total Special Revenue Funds 2015	Total 2014
REVENUES					
Federal Funds	\$ 1,822,206	\$ 61,901,078	\$ 0	\$ 63,723,284	\$ 59,203,266
Local Funds	23,529			23,529	
Sales and Services, Net	3,147,996			3,147,996	3,083,140
Fees, Licenses and fines	590,564		4,785,914	5,376,478	5,549,163
Revenues from Other State Agencies	1,000,000		11,910,045	12,910,045	12,775,997
Miscellaneous Revenue	653,341	1,035	492,651	1,147,027	699,468
Total Revenues	<u>7,237,636</u>	<u>61,902,113</u>	<u>17,188,610</u>	<u>86,328,359</u>	<u>81,311,034</u>
EXPENDITURES					
Personal Services	1,096,669	28,016,166	948,520	30,061,355	27,636,249
Employee Benefits	126,023	9,990,350	382,301	10,498,674	9,498,548
Contracted Personal Services	209,797	21,132,091	2,736,358	24,078,246	25,076,261
Supplies and Materials	1,439,254	327,467	24,928	1,791,649	1,473,181
Travel	146,761	45,113	5,977	197,851	228,204
Communication	4,286	270,212	11,869	286,367	268,717
Utilities	76,507			76,507	43,700
Other Services	700,775	318,388	31,281	1,050,444	1,095,112
Other Fixed Charges	16,331	500,175	3,702	520,208	293,979
Capital Outlay	843,090	885,964	83,715	1,812,769	843,505
Grants, State Aid and Subsidies	724,943	296,562	3,371,510	4,393,015	4,378,857
Other Expenditures	441,488	2,324,560	150,013	2,916,061	3,300,981
Total Expenditures	<u>5,825,924</u>	<u>64,107,048</u>	<u>7,750,174</u>	<u>77,683,146</u>	<u>74,137,294</u>
Excess of Revenues Over (Under) Expenditures	<u>1,411,712</u>	<u>(2,204,935)</u>	<u>9,438,436</u>	<u>8,645,213</u>	<u>7,173,740</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	391,329	2,403,748		2,795,077	2,628,370
Transfers Out	(2,413,856)		(3,930,001)	(6,343,857)	(5,940,696)
Other	53,743			53,743	22,765
Total Other Financing Sources (Uses)	<u>(1,968,784)</u>	<u>2,403,748</u>	<u>(3,930,001)</u>	<u>(3,495,037)</u>	<u>(3,289,561)</u>
Net Change in Fund Balance	(557,072)	198,813	5,508,435	5,150,176	3,884,179
Fund Balance - Beginning of Year	<u>6,629,883</u>	<u>(30,438)</u>	<u>7,088,563</u>	<u>13,688,008</u>	<u>9,803,829</u>
Fund Balance - End of Year	<u>\$ 6,072,811</u>	<u>\$ 168,375</u>	<u>\$ 12,596,998</u>	<u>\$ 18,838,184</u>	<u>\$ 13,688,008</u>

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

North Carolina Department of Health and Human Services
Combining Balance Sheet
Capital Project Funds
June 30, 2015 (With Comparative Totals for June 30, 2014)

Exhibit O-5

	Debt Supporting Capital Projects Fund	Non-Debt Supporting Capital Projects Fund	NC Infrastructure Finance Fund	Total Capital Project Funds 2015	Total 2014
ASSETS					
Cash and Cash Equivalents	\$ 0	\$ 11,255,493	\$ 0	\$ 11,255,493	\$ 19,154,625
Total Assets		11,255,493		11,255,493	19,154,625
DEFERRED OUTFLOWS OF RESOURCES					
Total Assets and Deferred Outflows of Resources	\$ 0	\$ 11,255,493	\$ 0	\$ 11,255,493	\$ 19,154,625
LIABILITIES					
Accounts Payable and Accrued Liabilities:					
Accounts Payable	\$ 2,725,138	\$ 1,299,558	\$ 11,543	\$ 4,036,239	\$ 11,295,662
Due to Other State Agencies and Funds	6,112			6,112	
Total Liabilities	2,731,250	1,299,558	11,543	4,042,351	11,295,662
DEFERRED INFLOWS OF RESOURCES					
FUND BALANCE					
Restricted for Health and Human Services		15,776,150		15,776,150	18,287,602
Committed for Health and Human Services		(5,820,215)		(8,563,008)	(10,428,639)
Unassigned	(2,731,250)		(11,543)		
Total Fund Balance	(2,731,250)	9,955,935	(11,543)	7,213,142	7,858,963
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 0	\$ 11,255,493	\$ 0	\$ 11,255,493	\$ 19,154,625

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

North Carolina Department of Health and Human Services
Statement of Revenues, Expenditures, and Changes in Fund Balance
Capital Project Funds
For the Fiscal Year Ended June 30, 2015 (With Comparative Totals for June 30, 2014)

Exhibit O-6

	Debt Supporting Capital Projects Fund	Non-Debt Supporting Capital Projects Fund	NC Infrastructure Finance Fund	Total Capital Project Funds 2015	Total 2014
REVENUES					
Revenues from Other State Agencies	\$ 22,752,948	\$ 276,161	\$ 28,912	\$ 23,058,021	\$ 67,925,146
Total Revenues	22,752,948	276,161	28,912	23,058,021	67,925,146
EXPENDITURES					
Capital Outlay	15,058,563	8,619,453	37,455	23,715,471	56,578,884
Expenditures to Other State Agencies					807
Total Expenditures	15,058,563	8,619,453	37,455	23,715,471	56,579,691
Excess of Revenues Over (Under) Expenditures	7,694,385	(8,343,292)	(8,543)	(657,450)	11,345,455
OTHER FINANCING SOURCES (USES)					
Transfers In		113,555		113,555	351,680
Transfers Out		(101,926)		(101,926)	(247,850)
Total Other Financing Sources (Uses)		11,629		11,629	103,830
Net Change in Fund Balance	7,694,385	(8,331,663)	(8,543)	(645,821)	11,449,285
Fund Balance - Beginning of Year	(10,425,635)	18,287,598	(3,000)	7,858,963	(3,590,322)
Fund Balance - End of Year	\$ (2,731,250)	\$ 9,955,935	\$ (11,543)	\$ 7,213,142	\$ 7,858,963

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

North Carolina Department of Health and Human Services
Revenues from Other State Agencies
For the Fiscal Year Ended June 30, 2015

Divisions	Other State Agencies				
	Office of State Controller	Office of State Budget and Management	Department of Public Safety	Department of Transportation	Department of State Treasurer
Central Administration	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Child Development		75,548,263			
Health Service Regulation			335,911		
Public Health		864,135		1,203,137	442,510
Blind/Deaf Services		11,910,045			
Vocational Rehabilitation	16,979			497,334	
Social Services				22,125	
Mental Health	259,182	21,269,611	72,870		200,259
Total Revenues	\$ 276,161	\$ 109,592,054	\$ 408,781	\$ 1,722,596	\$ 642,769

Other State Agencies						
Administrative Office of the Courts	Department of Information Technology	Department of Environmental Quality	State Health Plan	Department of Public Instruction	NC Education Lottery	Total Revenues
\$ 0	\$ 1,653,059 230,621	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,653,059 75,778,884 335,911
801,848	139,666 49,355	244,221	153,368			3,848,885 11,959,400 514,313
	29,202 244,510			3,287,559	1,000,000	51,327 26,333,991
<u>\$ 801,848</u>	<u>\$ 2,346,413</u>	<u>\$ 244,221</u>	<u>\$ 153,368</u>	<u>\$ 3,287,559</u>	<u>\$ 1,000,000</u>	<u>\$ 120,475,770</u>

**North Carolina Department of Health and Human Services
Expenditures to Other State Agencies
For the Fiscal Year Ended June 30, 2015**

Exhibit P-2

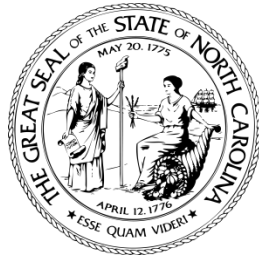
Divisions	Other State Agencies						Total Expenditures
	Office of State Controller	Department of Administration	Department of Public Instruction	Department of Information Technology	Department of Commerce	Office of Administrative Hearings	
Central Administration	\$ 38,565	\$ 2,171,951	\$ 0	\$ 150,000	\$ 0	\$ 0	\$ 2,360,516
Medical Assistance	109,000,000	208,170	16,009,901			103,222	125,321,293
Child Development	474						474
Health Service Regulation	2,177,558						2,177,558
Aging		38,825					38,825
Vocational Rehabilitation	56,696	340,772					397,468
Social Services				300,000	57,832		357,832
Mental Health	55,789	1,394,815					1,450,604
Total Expenditures	\$ 111,329,082	\$ 4,154,533	\$ 16,009,901	\$ 450,000	\$ 57,832	\$ 103,222	\$ 132,104,570

North Carolina Department of Health and Human Services
Transfers By Division
For the Fiscal Year Ended June 30, 2015

	Transfers In - By Division			
	Central Administration	Medical Assistance	Child Development	Health Service Regulation
<u>Transfers Out - By Division</u>				
Central Administration	\$ 2,997,778	\$ 37,652	\$ 0	\$ 0
Medical Assistance				
Child Development	158,366			
Health Service Regulation	288,518			2,269,343
Public Health	13,465,877			
Aging	116,391			
Blind/Deaf Services	764,329			
Vocational Rehabilitation	2,415,950			
Social Services	2,411,009			
Mental Health	447,190	157,792,291		
	<u>\$ 23,065,408</u>	<u>\$ 157,829,943</u>	<u>\$ 0</u>	<u>\$ 2,269,343</u>
Total	<u>\$ 23,065,408</u>	<u>\$ 157,829,943</u>	<u>\$ 0</u>	<u>\$ 2,269,343</u>

Note: There are transfers to and from the same divisions in the exhibit above, these represent transfers between budget codes within that division.

Transfers In - By Division						
Public Health	Aging	Blind/ Deaf Services	Vocational Rehabilitation	Social Services	Mental Health	Total
\$ 456,926	\$ 258,633	\$ 59,838	\$ 0	\$ 3,086,648	\$ 7,554,468	\$ 14,451,943
16,597,122			17,820	3,986,165	179,238,758	199,839,865
				2,352,435	3,300,000	5,810,801
					563,356	3,121,217
391,050				925,085	10,631,980	25,413,992
						116,391
		4,412,614			1,650,000	6,826,943
			402,596		2,206,466	5,025,012
				1,321,842	3,500,000	7,232,851
			48,248		325,465	158,613,194
<u>\$ 17,445,098</u>	<u>\$ 258,633</u>	<u>\$ 4,472,452</u>	<u>\$ 468,664</u>	<u>\$ 11,672,175</u>	<u>\$ 208,970,493</u>	<u>\$ 426,452,209</u>



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



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State Auditor

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

Mr. Richard O. Brajer, Secretary
and Management of the North Carolina Department of Health and Human Services

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the North Carolina Department of Health and Human Services (Department) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated April 7, 2016.

As discussed in Note 1, the financial statements present only the Department of Health and Human Services and are not intended to present fairly the financial position of the State and the results of its operations in conformity with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We previously reported significant deficiencies and material weaknesses in compliance with requirements that could have a direct and material effect on each major program in accordance with OMB Circular A-133 in the Department's Report on Statewide Federal Compliance Audit Procedures issued by the Office of the State Auditor.

The Department's Response to the Findings

The Department's response to the findings identified in our audit are included in the Department's Report on Statewide Federal Compliance Audit Procedures issued by the Office of the State Auditor. The Department's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

April 7, 2016

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