

STATE OF NORTH CAROLINA

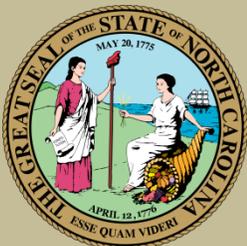
OFFICE OF THE STATE AUDITOR
BETH A. WOOD, CPA



NORTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES

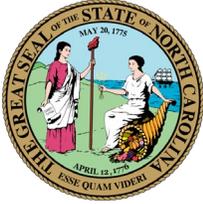
RALEIGH, NORTH CAROLINA
FINANCIAL STATEMENT AUDIT REPORT
FOR THE YEARS ENDED
JUNE 30, 2021 AND 2020

A DEPARTMENT OF THE STATE OF NORTH CAROLINA



NCOSA
The Taxpayers' Watchdog

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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

AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
The General Assembly of North Carolina

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

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

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

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

Beth A. Wood, CPA
State Auditor

AN OVERVIEW OF HOW TO USE THIS REPORT

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

The Department is comprised of 10 divisions. The “divisions” presented herein may not represent actual formal divisions within the Department, but are representative of the major functions within the Department (see Note 1-A in the “Notes to the Financial Statements” for further explanation).

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

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

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

The **Management’s Discussion and Analysis** presents a discussion of the reasons for significant financial changes between years. The Management’s Discussion and Analysis is prepared by the Department and has not been subjected to the same auditing procedures performed on the financial statements.

“A” Exhibits present the Balance Sheet as of June 30, 2021 and 2020, and the Statement of Revenues, Expenditures, and Changes in Fund Balances for fiscal years ended June 30, 2021 and 2020 for the **Department as a whole**.

“B” Exhibits present the Balance Sheet as of June 30, 2021 and 2020, and the Statement of Revenues, Expenditures, and Changes in Fund Balances for fiscal years ended June 30, 2021 and 2020 for the **Department by division**.

“C” through “L” Exhibits present the Balance Sheet as of June 30, 2021 and 2020, and the Statement of Revenues, Expenditures, and Changes in Fund Balances for fiscal years ended June 30, 2021 and 2020 individually for **each division**.

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

“M” Exhibits present a budget and actual comparison for the General Fund for the fiscal years ended June 30, 2021 and 2020 of the **Department and each division**. These schedules have not been subjected to the same auditing procedures performed on the financial statements.

Supplementary Information:

“**N**” Exhibits present details of one expenditure line item on the financial statements classified as “Grants, State Aid, and Subsidies” for all divisions with further breakdown for selected divisions.

Required Information:

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



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

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
DEPARTMENT	
A-1 BALANCE SHEET – GOVERNMENTAL FUNDS	23
A-2 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	24
DEPARTMENT BY DIVISION	
B-1 BALANCE SHEET BY DIVISION – GOVERNMENTAL FUNDS.....	25
B-2 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BY DIVISION – GOVERNMENTAL FUNDS	27
DIVISION OF CENTRAL ADMINISTRATION	
C-1 BALANCE SHEET – GOVERNMENTAL FUNDS	29
C-2 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	30
DIVISION OF HEALTH BENEFITS	
D-1 BALANCE SHEET – GOVERNMENTAL FUNDS	31
D-2 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS	32
DIVISION OF CHILD DEVELOPMENT AND EARLY EDUCATION	
E-1 BALANCE SHEET – GOVERNMENTAL FUNDS	33
E-2 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	34
DIVISION OF HEALTH SERVICE REGULATION	
F-1 BALANCE SHEET – GOVERNMENTAL FUNDS	35
F-2 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS	36

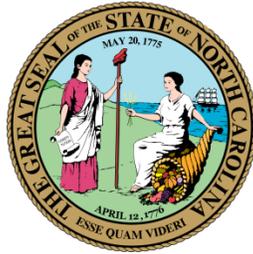
TABLE OF CONTENTS

DIVISION OF PUBLIC HEALTH	
G-1	BALANCE SHEET – GOVERNMENTAL FUNDS37
G-2	STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS38
DIVISION OF AGING AND ADULT SERVICES	
H-1	BALANCE SHEET – GOVERNMENTAL FUNDS39
H-2	STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS40
DIVISION OF SERVICES FOR THE BLIND/DEAF AND HARD OF HEARING	
I-1	BALANCE SHEET – GOVERNMENTAL FUNDS41
I-2	STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS42
DIVISION OF VOCATIONAL REHABILITATION	
J-1	BALANCE SHEET – GOVERNMENTAL FUNDS43
J-2	STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS44
DIVISION OF SOCIAL SERVICES	
K-1	BALANCE SHEET – GOVERNMENTAL FUNDS45
K-2	STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS46
DIVISION OF MENTAL HEALTH/DEVELOPMENTAL DISABILITIES AND SUBSTANCE ABUSE SERVICES	
L-1	BALANCE SHEET – GOVERNMENTAL FUNDS47
L-2	STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS48
NOTES TO THE FINANCIAL STATEMENTS49	
REQUIRED SUPPLEMENTARY INFORMATION	
M-1	SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (BUDGETARY BASIS-NON-GAAP) GENERAL FUND – DEPARTMENT94
M-2	SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (BUDGETARY BASIS-NON-GAAP) GENERAL FUND – DIVISION OF CENTRAL ADMINISTRATION96

M-3	SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (BUDGETARY BASIS-NON-GAAP) GENERAL FUND – DIVISION OF HEALTH BENEFITS.....	98
M-4	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	100
M-5	SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (BUDGETARY BASIS-NON-GAAP) GENERAL FUND – DIVISION OF HEALTH SERVICE REGULATION	102
M-6	SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (BUDGETARY BASIS-NON-GAAP) GENERAL FUND – DIVISION OF PUBLIC HEALTH	104
M-7	SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (BUDGETARY BASIS-NON-GAAP) GENERAL FUND – DIVISION OF AGING AND ADULT SERVICES.....	106
M-8	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	108
M-9	SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (BUDGETARY BASIS-NON-GAAP) GENERAL FUND – DIVISION OF VOCATIONAL REHABILITATION	110
M-10	SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (BUDGETARY BASIS-NON-GAAP) GENERAL FUND – DIVISION OF SOCIAL SERVICES	112
M-11	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	114
	NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY INFORMATION.....	116
OTHER SUPPLEMENTARY INFORMATION		
N-1	SCHEDULE OF GRANTS, STATE AID, AND SUBSIDIES EXPENDITURES BY DIVISION.....	117
N-2	SCHEDULE OF GRANTS, STATE AID, AND SUBSIDIES EXPENDITURES – DIVISION OF HEALTH BENEFITS.....	119

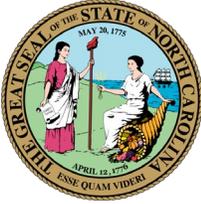
TABLE OF CONTENTS

N-3	SCHEDULE OF GRANTS, STATE AID, AND SUBSIDIES EXPENDITURES – DIVISION OF CHILD DEVELOPMENT AND EARLY EDUCATION	120
N-4	SCHEDULE OF GRANTS, STATE AID, AND SUBSIDIES EXPENDITURES – DIVISION OF PUBLIC HEALTH.....	121
N-5	SCHEDULE OF GRANTS, STATE AID, AND SUBSIDIES EXPENDITURES – DIVISION OF SOCIAL SERVICES	122
N-6	SCHEDULE OF GRANTS, STATE AID, AND SUBSIDIES EXPENDITURES – DIVISION OF MENTAL HEALTH/DEVELOPMENTAL DISABILITIES AND SUBSTANCE ABUSE SERVICES	123
	INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	124
	ORDERING INFORMATION	126



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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

INDEPENDENT AUDITOR'S REPORT

Kody H. Kinsley, Secretary
and Management of the North Carolina Department of Health and Human Services

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental funds, the divisions of Central Administration, Health Benefits, 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 years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental funds, the divisions of Central Administration, Health Benefits, 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, 2021 and 2020, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

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

Emphasis of Matter

As discussed in Note 1, the financial statements of the North Carolina Department of Health and Human Services are intended to present the financial position and changes in financial position that are only attributable to the transactions of the North Carolina Department of Health and Human Services. They do not purport to, and do not, present fairly the financial position of the State of North Carolina as of June 30, 2021 or 2020, or the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Department's 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the Department's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The accompanying supplementary schedules of grants, state aid, and subsidies expenditures are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules of grants, state aid, and subsidies expenditures are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

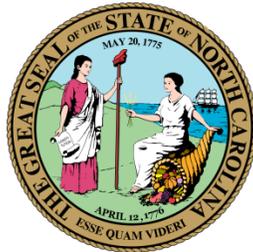
In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2022 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

May 31, 2022



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) for the fiscal years ended June 30, 2021 and 2020. This discussion should be read in conjunction with the financial statements and related notes to the financial statements.

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 *Annual Comprehensive Financial Report (ACFR)* 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 Board (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 Department only has governmental funds, which consist of the General Fund, Special Revenue Fund, and Capital Projects Fund. The Department's fund financial statements provide detailed information about each fund. The General Fund is presented separately on the overall Department's financial statements since it is the Department's most significant governmental fund. Data for all other governmental funds is combined into a single aggregated presentation on the overall Department's financial statements. All governmental funds are presented separately in the individual division financial statements.

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

Notes to the Financial Statements

Notes to the financial statements are provided to give the reader additional information concerning the Department and further support 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 year-end.

Other Supplementary Information

Other supplementary information includes the schedules of grants, state aid, and subsidies expenditures.

Financial Analysis of the Department

The following is comparative condensed financial information and a financial analysis for balances reported as of June 30, 2021 and 2020.

North Carolina Department of Health and Human Services		
Condensed Balance Sheets		
Governmental Funds		
	2021	2020
Assets	\$ 1,644,080,830	\$ 1,714,795,470
Deferred Outflows of Resources		8,524,872
Total Assets and Deferred Outflows	\$ 1,644,080,830	\$ 1,723,320,342
Liabilities	\$ 1,687,609,265	\$ 1,756,644,730
Deferred Inflows of Resources	14,388,492	15,231,535
Fund Balances		
Nonspendable	12,744,492	11,894,447
Restricted	89,487,566	70,603,879
Committed	111,795,094	264,161,267
Assigned	3,995,866	4,593,541
Unassigned	(275,939,945)	(399,809,057)
Total Fund Balances	(57,916,927)	(48,555,923)
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 1,644,080,830	\$ 1,723,320,342

Total assets decreased \$70.7 million or 4.1%, compared to fiscal year 2020. This primarily related to a decrease in cash and cash equivalents of \$138.9 million due to increased expenditures of unspent COVID relief funds on hand at the end of fiscal year 2020. There was a \$68.0 million increase in accounts receivables at the Division of Health Benefits due to the medical claims rate increase and reprocessing of point-of-sell claims in the drug rebate program, Medicaid investigative and recovery audit case claims, cost settlements and third-party recovery claims.

Total liabilities decreased \$69.0 million or 3.9% compared to fiscal year 2020. This decrease is primarily related to a decrease of \$135.3 million in amounts due to other funds related to unspent COVID-19 funds on hand at the end of 2020. There was a decrease of \$69.0 million in medical claims payable primarily related to a decrease of \$92.0 million for a retroactive rate adjustment awarded to providers in fiscal year 2020 due to the COVID-19 pandemic but not paid until early fiscal year 2021, and an increase of \$35.0 million in the actuarial calculation for Medicaid's Incurred But Not Reported (IBNR) claims.

There was an increase of \$69.5 million of accounts payable for \$46.0 million in accrued payments for technology and temporary employment to assist with the COVID-19 response, and \$20.0 million at the Division of Child Development to further subsidize day care providers during the pandemic. Additionally, there was an increase of \$63.1 million in intergovernmental payables due to \$54.0 million at the Division of Health Benefits for payments to vendors, providers, managed care administration, and training.

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

	<u>2021</u>	<u>2020</u>
Revenues		
Federal Funds	\$ 19,396,145,909	\$ 16,068,767,218
Other Revenues	1,051,458,056	617,146,288
Total Revenues	<u>20,447,603,965</u>	<u>16,685,913,506</u>
Expenditures		
Salaries and Benefits	1,309,170,814	1,225,420,313
Contracted Personal Services	935,813,993	507,463,010
Supplies and Materials	87,058,799	60,622,478
Travel	1,740,419	6,176,547
Communication	13,921,176	10,596,645
Utilities	16,246,480	16,073,560
Data Processing Services	18,190,397	18,451,084
Other Services	22,062,921	18,182,189
Other Fixed Charges	48,946,721	31,672,514
Capital Outlay	39,917,103	40,078,836
Grants, State Aid, and Subsidies	23,213,510,705	19,684,444,254
Expenditures to Other State Agencies	232,086,050	204,502,372
Other Expenditures	41,294,462	43,320,718
Total Expenditures	<u>25,979,960,040</u>	<u>21,867,004,520</u>
Excess Expenditures Over Revenues	<u>(5,532,356,075)</u>	<u>(5,181,091,014)</u>
Other Financing Sources (Uses)		
State Appropriations	5,442,278,900	5,332,171,221
Transfers In	647,903,676	485,990,437
Transfers Out	(647,903,676)	(485,990,437)
Transfers from State Reserve Fund	547,875,551	208,660,716
Transfers to State Reserve Fund	(467,282,170)	(265,405,555)
Other	122,790	195,246
Total Other Financing Sources	<u>5,522,995,071</u>	<u>5,275,621,628</u>
Net Change in Fund Balances	(9,361,004)	94,530,614
Fund Balances - Beginning of Year	<u>(48,555,923)</u>	<u>(143,086,537)</u>
Fund Balances - End of Year	<u>\$ (57,916,927)</u>	<u>\$ (48,555,923)</u>

Total revenues increased \$3.8 billion or 22.5%, compared to the fiscal year 2020, primarily due to an increase in federal funds of \$1.9 billion for Supplemental Nutrition Assistance Program (SNAP) benefits payments and federal COVID-19 funds of \$1.5 billion due to higher federal participation rates for COVID Medicaid, foster care, and adoption assistance programs. Federal funds have a direct relationship to grants, state aid, and subsidies, as discussed below. An increase in grants, state aid, and subsidies expenditures usually results in more federal fund reimbursements.

Total expenditures increased \$4.1 billion or 18.8%, compared to fiscal year 2020. The increase was primarily related to an increase in grants, state aid, and subsidies expenditures of \$3.5 billion primarily due to \$2.1 billion at the Division of Social Services for SNAP benefits payments and \$1.1 billion at the Division of Health Benefits for increased medical expenses related to the COVID pandemic and treatments. There was an increase of \$428.4 million in contracted personal services due to \$320.0 million for legal services and COVID-19 pandemic contractual services that directly support efforts to combat the spread of the virus. At the Division of Health Benefits, there were increases in Medicaid expenditures of \$33.8 million due to a new rate table for NC Tracks operations and enhanced managed care work and \$10.6 million in contingency fees paid. At the Divisions of Public Health and Mental Health there were increases of \$14.0 million for temporary employment and benefit facilitation services and \$10.0 million for medical care in response to the COVID-19 pandemic.

Total other financing sources increased \$247.4 million or 4.7%, compared to the prior year. State appropriations increased \$110.1 million primarily due to an increase in total grants, state aid, and subsidies expenditures. State appropriations are used to provide the non-federal share of the federal programs. Transfers from the state reserve fund increased \$339.2 million primarily due to unspent funds brought forward for obligations from fiscal year 2020. Transfers to the state reserve fund increased \$201.9 million primarily due to funds obligated but not spent at year-end that will be carried forward to fiscal year 2022. Transfers in/out increased \$161.9 million or 33.3% due primarily to increased transfers within the Division of Health Benefits resulting from state budgetary actions or approved revisions applicable to fiscal year 2021.

The following is comparative condensed financial information and a financial analysis for balances reported as of June 30, 2020 and 2019.

North Carolina Department of Health and Human Services
Condensed Balance Sheets
Governmental Funds

	2020	2019
Assets	\$ 1,714,795,470	\$ 1,408,251,493
Deferred Outflows of Resources	8,524,872	7,295,643
Total Assets and Deferred Outflows	\$ 1,723,320,342	\$ 1,415,547,136
Liabilities	\$ 1,756,644,730	\$ 1,513,896,897
Deferred Inflows of Resources	15,231,535	44,736,776
Fund Balances		
Nonspendable	11,894,447	10,010,211
Restricted	70,603,879	86,493,277
Committed	264,161,267	126,011,825
Assigned	4,593,541	5,441,132
Unassigned	(399,809,057)	(371,042,982)
Total Fund Balances	(48,555,923)	(143,086,537)
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 1,723,320,342	\$ 1,415,547,136

Total assets increased \$306.5 million or 21.8%, compared to fiscal year 2019. This increase is primarily related to an increase in cash and cash equivalents of \$163.0 million due to \$157.1 million in COVID relief funds received in the special revenue fund. The \$145.4 million increase in intergovernmental receivables is primarily related to increased grants, state aid, and subsidies expenditures discussed below.

Total liabilities increased \$242.7 million or 16.0%, compared to fiscal year 2019. This increase is primarily related to \$145.7 million of COVID relief funds (discussed above) that are due to other funds. The increase of \$78.9 million in medical claims payable primarily related to an increase of \$39.0 million in the actuarial calculation for Medicaid's Incurred But Not Reported (IBNR) claims and an increase of \$47.0 million for a rate adjustment awarded to providers in fiscal year 2020 due to the COVID-19 pandemic, but not paid until early fiscal year 2021.

Deferred inflows decreased \$29.5 million or 66.0%, compared to fiscal year 2019. This decrease is due to the federal share of medical claims payments for the retroactively applied physician rate adjustments in fiscal year 2019 but not required for fiscal year 2020.

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

	2020	2019
Revenues		
Federal Funds	\$ 16,068,767,218	\$ 14,031,121,250
Other Revenues	617,146,288	649,955,634
Total Revenues	<u>16,685,913,506</u>	<u>14,681,076,884</u>
Expenditures		
Salaries and Benefits	1,225,420,313	1,163,248,725
Contracted Personal Services	507,463,010	486,669,622
Supplies and Materials	60,622,478	55,747,833
Travel	6,176,547	8,201,806
Communication	10,596,645	9,299,598
Utilities	16,073,560	16,713,537
Data Processing Services	18,451,084	15,743,550
Other Services	18,182,189	15,651,507
Other Fixed Charges	31,672,514	32,534,138
Capital Outlay	40,078,836	57,927,651
Grants, State Aid, and Subsidies	19,684,444,254	17,827,366,948
Expenditures to Other State Agencies	204,502,372	203,311,137
Other Expenditures	43,320,718	32,381,576
Total Expenditures	<u>21,867,004,520</u>	<u>19,924,797,628</u>
Excess Expenditures Over Revenues	<u>(5,181,091,014)</u>	<u>(5,243,720,744)</u>
Other Financing Sources (Uses)		
State Appropriations	5,332,171,221	5,279,095,888
Transfers In	485,990,437	527,888,610
Transfers Out	(485,990,437)	(527,888,610)
Transfers from State Reserve Fund	208,660,716	155,533,632
Transfers to State Reserve Fund	(265,405,555)	(209,058,787)
Other	195,246	(4,632,884)
Total Other Financing Sources	<u>5,275,621,628</u>	<u>5,220,937,849</u>
Net Change in Fund Balances	94,530,614	(22,782,895)
Fund Balances - Beginning of Year	<u>(143,086,537)</u>	<u>(120,303,642)</u>
Fund Balances - End of Year	<u>\$ (48,555,923)</u>	<u>\$ (143,086,537)</u>

Total revenues increased \$2.0 billion or 13.7%, compared to fiscal year 2019, primarily due to an increase in federal funds of \$2.0 billion. Federal funds have a direct relationship to grants, state aid, and subsidies, as discussed below. An increase in grants, state aid, and subsidies expenditures usually results in more federal fund reimbursements.

Total expenditures increased \$1.9 billion or 9.8%, compared to fiscal year 2019. The increase was primarily related to an increase in grants, state aid, and subsidies expenditures of \$1.9 billion due to federal participation rate increases allowed for COVID related expenditures at the Division of Health Benefits (DHB) for health care providers, including public and private hospitals, nursing facilities, managed care groups, physicians, and other COVID Relief related expenditures. Additionally, the Divisions of Social Services and Child Development had increases of \$236.0 million and \$136.0 million, respectively, for benefits and day care subsidy payments due to the COVID pandemic.

Total other financing sources increased \$54.7 million or 1.0%, compared to fiscal year 2019. State appropriations increased \$53.1 million primarily due to the total federal participation in the COVID Relief expenditures. State appropriations are used to provide the non-federal share of the federal programs. Transfers from the state reserve fund increased \$53.1 million primarily due to unspent funds brought forward for obligations from fiscal year 2019. Transfers to the state reserve fund increased \$56.3 million, primarily due to funds obligated but not spent at year-end that will be carryforward to fiscal year 2021.

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.

As of June 30, 2021, the Department reported a fund balance deficit of \$57.9 million, an increase of \$9.4 million or 19.3% from fiscal year 2020. This increase was primarily the result of changes to committed and unassigned fund balances. Committed fund balance decreased \$152.4 million or 57.7%, resulting in an increase in the overall fund balance deficit. This decrease was the result of Coronavirus Relief Funds received in fiscal year 2020 but not spent or disbursed until fiscal year 2021, as discussed above. The decrease in committed fund balance was offset by a decrease in the unassigned fund balance deficit of \$123.9 million or 31.0% from fiscal year 2020. This was due to the combination of a \$69.2 million increase in accounts receivable and a \$69.0 million decrease in medical claims payable. The changes in both accounts receivable and medical claims payable are described in detail in the Financial Analysis of the Department section above.

As of June 30, 2020, the Department reported a fund balance deficit of \$48.6 million, a decrease of \$94.5 million or 66.1% from fiscal year 2019. The decrease in the fund balance deficit was primarily the result of an increase in committed fund balance of \$138.1 million or 109.6%. The increase in committed fund balance was the result of Coronavirus Relief Funds received in fiscal year 2020 but not spent until fiscal year 2021, as discussed above.

2021 Budget Variations

Data for the Department's budget variances is presented in Exhibit M-1: Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Budgetary

Basis-Non-GAAP) of this report. This discussion focuses on the overall Department's budget variances which correspond to the individual divisions as well.

Variances – Original and Final Budget:

The final budgeted revenues and expenditures were \$811.7 million and \$392.7 million, respectively, more than the original budget. The budgeted revenue increases are primarily comprised of \$601.8 million in the final budgeted federal funds, and \$208.4 million in local grants. The budgeted expenditure increases are primarily comprised of a \$1.9 billion increase in aid and public assistance expenditures, a \$404.0 million increase in purchased services, and \$2.0 billion decrease in reserves.

Generally, the variances between the 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. Consequently, when the original budget is compared to the final budget, it is expected that significant variances can occur.

Variances – Final Budget and Actual Results:

Actual total revenues were \$991.6 million less than the final budgeted revenue amounts. Likewise, actual total expenditures were \$1.4 billion less than budgeted expenditures. Budgeted revenues and expenditures were unrealized mostly due to a \$855.2 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. Actual federal funds revenue was \$866.8 million less than budgeted.

2020 Budget Variations

Variances – Original and Final Budget:

The final budgeted revenues and expenditures were \$2.5 billion and \$2.4 billion, respectively, more than the original budget. The budgeted revenue increases are primarily comprised of \$1.9 billion in final budgeted federal funds, \$227.0 million in fees, licenses, and fines, and \$320.9 million in local grants and provider match funds. The budgeted expenditure increases are primarily comprised of a \$2.0 billion increase in aid and public assistance expenditures, a \$330.6 million increase in purchased services, and \$45.8 million decrease in salaries and benefits.

Generally, the variances between the 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 2019-20 was prepared approximately six 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 is expected that significant variances can occur.

Variations – Final Budget and Actual Results:

Actual total revenues were \$488.0 million less than the final budgeted revenue amounts. Likewise, actual total expenditures were \$748.8 million less than budgeted expenditures. Budgeted revenues and expenditures were unrealized mostly due to a \$425.4 million decrease in aid and public assistance payments incurred versus the amount budgeted. This also causes a decrease in the federal funds received. Variations occur between the budget and actual federal funds because actual federal fund receipts are reflective of the actual expenditures. Therefore, if qualifying federal costs are not incurred, the actual receipt of federal funds could be significantly less than the budget. Actual federal funds revenue was \$360.9 million less than budgeted.

Economic Outlook

Highlights of certain divisions within the Department are listed below.

Division of Health Benefits (DHB)

- DHB's long-planned legislated transition to Managed Care has gone smoothly, but the fact that the change has occurred during the COVID-19 public health emergency (PHE) will have a major impact on DHB's financial picture for FY 2021-22.

On July 1, 2021, DHB launched Medicaid Managed Care, by shifting the majority of Medicaid beneficiaries to five Prepaid Health Plans (PHPs) that enroll approximately 1.6 million Medicaid members in Standard Plans. These PHPs receive a monthly capitation payment for each enrolled beneficiary to manage their integrated physical and behavioral health care and reimburse providers for services provided to the beneficiaries. The remaining Medicaid fee-for-service (FFS) line of business, now called Medicaid Direct, is much smaller than in previous years and will become even smaller with the launch of Tailored Plans in December 2022 (see below for details).

In FY 2021-22, DHB faces significantly increased costs from higher enrollment related to the PHE. Since March 2020, total Medicaid enrollment has increased by over 300,000 beneficiaries, most of whom now fall under Managed Care. The U.S. Centers for Medicare and Medicaid Services (CMS) has supported the State since early in the pandemic by providing flexibilities for service provision, and the U.S. Congress provided a 6.2 percentage point enhanced federal medical assistance percentage (FMAP) through the Families First Coronavirus Relief Act (FFCRA). A condition for receiving the enhanced FMAP was that states may not reduce or terminate coverage for Medicaid beneficiaries through the end of the PHE. While Medicaid was still a FFS program (in FY 2020-21), the additional federal receipts from the enhanced FMAP were far greater than the additional cost of the non-reduced/non-terminated beneficiaries, as lower average per-person service cost led to a large state surplus. Under Managed Care, however, DHB makes guaranteed monthly payments to the PHPs for these beneficiaries, regardless of their service utilization. Any savings from lower service cost will therefore accrue to the PHPs and not to DHB/the State, while higher than expected enrollment will simply increase cost for the State.

- The pandemic remains ongoing and the U.S. Department of Health and Human Services (USDHHS) has renewed its PHE declaration effective April 16, 2022, running through mid-July 2022.

- DHB has funded COVID-19 temporary rate increases for all Medicaid providers since 2020 to support them in maintaining access to care for Medicaid beneficiaries during the PHE. Faced with budget pressures caused by high enrollment (see above) and lower-than-requested legislative funding, DHB decided to end some COVID-19 temporary rate increases on December 31, 2021 (see <https://medicaid.ncdhhs.gov/blog/2021/12/15/special-bulletin-covid-19-203-nc-medicaid-revising-and-or-end-dating-all-temporary-covid-19-rate> for a complete list). Rates for Skilled Nursing Facilities and other Long-Term Care services, Local Management Entities-Managed Care Organizations (LME/MCOs), and Home and Community Based Services (HCBS) to account for recent spikes in COVID-19 cases related to the Omicron variant and, in the case of HCBS, to ensure maintenance of effort to meet CMS requirements for a separate 10 percentage point enhanced FMAP on HCBS services (funded through the American Rescue Plan Act of 2021; ARPA) ended March 31, 2022.
- Since CMS has extended the PHE into the fourth quarter of the state fiscal year, DHB will receive the FFCRA 6.2 percentage point enhanced FMAP through FY 2021-22. This additional federal funding is projected to offset the additional costs of increased enrollment under managed care, but the degree of net gain to the State will depend on whether the PHE and thus the maintenance of beneficiary eligibility requirement - is extended through fiscal year end.
- DHB is taking advantage of a provision in ARPA (as referenced above) to expand Home and Community Based Services (HCBS). Through this provision, Congress allowed state Medicaid programs to draw an additional 10 percentage point federal match on their HCBS services for the period between April 1, 2021 and March 31, 2022 to use to expand and enhance their HCBS program through March 30, 2024. DHB estimates that this additional federal draw will total approximately \$348 million. DHB submitted a plan to CMS in the summer of 2021 to lay out proposed uses for the additional federal funds. As of May 2022, DHB has secured approval of the plan as refined by the General Assembly in the State's biennial budget (Session Law 2021-180). Highlights of the refined plan include rate increases to provide for direct care worker and private duty nursing wage increases, increasing the number of slots for the Innovations waiver program and for the Community Alternative Placements for Disabled Adults (CAP/DA) program, and increasing funding for the Transitions to Community Living Initiative (TCLI).
- DHB is continuing preparations for the launch of Tailored Plans, special integrated physical and behavioral health managed care plans for Medicaid beneficiaries with intensive behavioral health needs. DHB had planned to launch these on July 1, 2022 but delayed launch until December 1, 2022 to allow more time to facilitate the transition. The Tailored Plans will replace existing LME/MCO contracts. DHB is working with its actuarial firm to develop preliminary rates to help with the long-term planning process, as well as working with the Tailored Plan entities to prepare necessary contracts and IT testing for "go live." DHB awarded contracts to seven entities in July of 2021 (though two of these have since consolidated, leaving a total of six).

Division of Health Service Regulation (DHSR)

- The Division is moving to replace seven legacy information technology systems. In the 2017-19 Biennial Budget, the Division received funding for Operations and Maintenance for phases one and two of a three-phase project. The General Assembly has approved a budget of \$6.7 million to begin the development of the new systems; however, additional funding is needed to build and maintain the systems critical to the work of DHSR during the estimated 2-3 year development of the new system. The first iterations of “live” sites were launched in the fall of 2020.
- DHSR is appealing a recent ruling adverse to DHSR awarding \$2 million in damages. Losing the appeal and having to pay \$2 million will have a significant impact on the DHSR budget. Also, DHSR lost an appeal and will have to pay out \$500 thousand in damages in FY22. The ruling of the Industrial Commission that was upheld on appeal in this case opens the door for future liability. Also, the enactment of Session Law 2021-143 (Dignity for Women Who Are Incarcerated) further creates liability for DHSR.
- An approved salary increase effective at the beginning of FY22 and FY23 will reduce DHSR's operating budget, due to the fact DHSR has approximately 383 employees that draw on average 43% of their salary from fixed federal grants. The federal grants do not add a salary increase to match the state increase. The state salary increase only provides funds for the state portion of salary, which forces DHSR to cut areas of operating budget to compensate for the shortfall.
- The potential failure of the federal government to enact a budget or continuing resolution or federal budget cuts could negatively impact DHSR's programs that are funded (in whole or in part) with federal grants/funds. Approximately 50% of DHSR's budget is based on federal funds. The absence of a budget or continuing resolution or budget cuts may necessitate the layoff and/or elimination of positions and negatively impact the licensing of facilities, health and safety inspections, and complaint investigations.

Division of Public Health (DPH)

- The Division of Public Health continues to respond to the COVID-19 public health emergency (PHE).
- The Division of Public Health has received the following new grants and grant supplements to support North Carolina's public health response to the PHE:
 - Immunization COVID-19 Vaccine Supplement in the amount of \$94.8 million (in grant Release 4) to support COVID-19 vaccination.
 - The U.S. Centers for Disease Control and Prevention (CDC) Epidemiology and Laboratory Capacity Back to School Cooperative Agreement in the amount of \$315.9 million to support testing and preventive measures in schools from kindergarten through 12th grade.
 - Cooperative Agreement for Emergency Response Public Health Crisis Response in the amount of \$62.3 million to support public health workforce.
 - CDC National Initiative to Address COVID-19 Health Disparities in the amount of \$39.6 million.

- In response to the need for additional systemic funding to support Local Health Departments, the North Carolina General Assembly (General Assembly) allocated \$36 million in nonrecurring funds from the State Fiscal Recovery Fund to the Department of Health and Human Services, Division of Public Health, to be passed through to local health departments to expand communicable disease surveillance, detection, control, and prevention activities to address the COVID-19 public health emergency and other communicable disease challenges impacted by the COVID-19 public health emergency.
- As a result of the COVID-19 pandemic, DPH anticipates a reduction in receipts collected by DPH fee-based programs where the fee is reliant on activities impacted by the pandemic such as our Forensic Tests for Alcohol, Food and Lodging, and Health and Hazards programs.
- The creation of the new Division of Child and Family Well Being at the Department is anticipated to have a significant financial impact on the Division of Public Health. The Special Supplemental Nutrition Program for Women, Children, and Infants (WIC) and Child and Adult Care Food Program (CACFP) housed in DPH's current Nutrition, Early Intervention, and Children & Youth Branches will be moving to the new division. These programs are supported in large part by federal grant funds which also support our cost allocation model.

Division of Aging & Adult Services (DAAS)

- According to the North Carolina Office of State Budget and Management, Standard Population Estimates (Vintage 2019 & 2039), the State has more people 60 and older than under 18 years. In 2019, 82 counties in the State had more people 60 and older than under 18 years. By 2025, this number is expected to increase to 89 counties and by 2039 to 95 counties. The population 60 and over is projected to increase by 43%.
- In the next two decades (2019-2039), our 65 and older population will increase from 1.7 to 2.7 million, a projected growth of 56%. Population 85 and older will have the fastest growth (116%) in the next 20 years and in 2025, one in five North Carolinians will be 65 and older. The projected growth among the age groups 65-74 (29%), 75-84 (87%) and 85+ (116%) indicates that as the baby boomers continue to age, there will be an increased proportion of older adults in the State creating challenges for long-term services and support.
- Over of the past two years, the number of people experiencing homelessness has started to trend upwards after several years of declining numbers. Final data is not available yet, but this upward trend has been evident during the COVID-19 pandemic. Additionally, available affordable housing continues to decline. Even where funding is available to assist households, there's often no available housing. Rents continue to increase which causes those who are housed to no longer be able to afford the unit they are in, and there's nowhere else for them to go. The combined effects of COVID-19, rental burden, and lack of affordable housing has increased the demand for emergency shelter with many shelters using hotels for overflow space.
- Through May 2022, the Division has received \$246 million of supplemental funding for service infrastructure and delivery during the pandemic; \$192 million in federal funds targeting service for older adults and adults with disabilities; and \$54 million targeting homelessness and housing insecurity. Under this funding, services have been expanded and diversified; however, this funding is nonrecurring with no identified sustainable resources.

Division of Child Development and Early Education (DCDEE)

COVID Impacts and Funding

- The COVID-19 Pandemic has continued to impact attendance and staff at childcare programs, causing operational and financial struggles. DCDEE expects these struggles to continue throughout 2022 and has used federal funding sources for several initiatives aimed at mitigating challenges.
- DCDEE received \$335 million in Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act funds in winter/spring 2021 that were used to:
 - Provide Operational Grants to all private, licensed childcare programs from March 2021-October 2021.
 - Pay co-pays for families receiving Child Care Subsidy Assistance from March 2021 through January 2022.
 - Deliver clear masks to all licensed programs to provide masks that meet the needs of classroom teachers, increase overall safety, and reduce the spread of infection while supporting children's healthy growth and development.
- DCDEE was awarded \$805 million in the American Rescue Plan Act (ARPA) that was used for Stabilization Grants to programs to provide monetary support for both operational and fixed costs and compensation supports to staff. These quarterly awards began in October 2021 and will continue through Spring 2023.
- In December 2021, DCDEE was allocated an additional \$502 million in ARPA funds for the following purposes: decrease the childcare subsidy wait list; increase the early childhood teacher pipeline; improve technology and data reporting systems; and waive co-pays for families on the Child Care Subsidy Assistance Program. These funds will be expended between January 2022 and September 2024.

NC Pre-K

- The General Assembly has authorized an additional 2% increase to the reimbursement rate for NC Pre-K for both FY 21-22 and FY 22-23 to support pay parity for teachers working in private sites.
- NC Pre-K was also awarded \$10 million in each year of the biennium to build childcare programs' capacity to provide NC Pre-K in counties that have low access.
- NC Pre-K attendance has also been significantly impacted by the COVID-19 pandemic. Attendance has been significantly reduced in all types of programs, either due to parents not working or concerns over community spread of the virus. To mitigate this effect, DCDEE is reimbursing NC Pre-K contractors for operating based on contracted slots, not attendance.

Legislation

- Session Law 2021-127, the “Hold Harmless Star Rating/Environmental Rating Scale Assessments” Law, provides two time-limited provisions to the Star Rating and one reporting requirement of DCDEE. The time limited provisions are:
 - Programs will be held harmless from any lower Star Rating due to staff changes or staff education for 6 months past the end of the state of emergency, and
 - Programs are held to a lesser proportion of highly educated staff (50% meeting requirements rather than the standard 75%) for star rating until June 30, 2023.
- Session Law 2021-117, the “Regulatory Reform Act of 2021,” provides that DCDEE will compile and make publicly available public, charter, and voucher kindergarten options by county and will share this information with all NC Pre-K families.
- Session Law 2021-8 provides that DCDEE will work in partnership with the Department of Public Instruction to ensure all NC Pre-K teachers have training in the science of reading.

Division of Vocational Rehabilitation Services (DVRS)

The Division will complete efforts in advance of a launch to a next generation electronic case management system called ENCORE in mid to late July 2022. The ENCORE electronic case management system will replace the existing Business Electronic Access Management (BEAM) case management system currently utilized by two divisions, the Division of Services for the Blind (DSB) and the Division of Vocational Rehabilitation Services (DVRS). The ENCORE project is a web-based system that will allow Staff and Community Rehabilitation Providers (CRP) to perform case management activities in Phase 1. In Phase 2, both clients and (service) providers will have access to the system through secure portals. The project is scheduled to go-live with Phase 1 July 2022 and Phase 2 in March of 2023. The cost of this project is \$8.4 million. This is funded by pre-approved funds – 80.87% Federal and 19.13% State. The programs that will be supported by ENCORE are:

- DVRS: Vocational Rehabilitation and Independent Living Rehab Programs
- DSB: Vocational Rehabilitation, Independent Living Programs (ILR, ILS, and ILOB) and the Medical Eye Care programs.

Division of Services for the Blind (DSB)

DSB is continuing our work with DVRS on the ENCORE project. The expected go live date for Phase 1 is July 2022. The DSB Business Enterprises Program (BEP) provides legally blind participants training and certification to operate their own food service or vending facility in state and federal buildings, and private businesses. A request for proposal for an electronic business management solution for BEP was released in 2021 to which there were no responses. DSB requested and obtained the Department of Information Technology's approval to waive competition for this procurement. The agency will move forward with negotiating with known sources of supply and issue a request for quote. The cost of this project is estimated to be \$2.2 million and will be funded with DSB vocational rehabilitation federal grant carryover funds.

Division of Social Services (DSS)

- DSS has received approximately \$192 million in pandemic funding from the Consolidated Appropriations Act (CAA) and American Rescue Plan Act (ARPA). These funds exist both as General Assembly appropriations and grant awards from federal agencies. These allocations will provide support to families in need of food, economic and transportation assistance, protective services, foster care and adoption assistance support. DSS will begin disbursing these funds during FY 21-22 and continue throughout a five-year project and expenditure period lasting until December 30, 2025.
- DSS expects to be assessed a penalty during 2022 for noncompliance in the Child Welfare “National Youth in Transition Database” (NYTD) report. NYTD relies on the completion of surveys, including those of youth discharged from foster care. In its 2021 NYTD submission, DSS did not meet the required 60% survey participation rate for its youth population. It anticipates the total penalty to be 0.5% of the FY 21-22 Chafee program allotment. To mitigate further losses, the Division plans to increase survey participation through increased county communication and reminders, along with monetary participation incentives.
- The federal Family First Prevention Services Act, effective October 2021, incentivizes placements into family settings by limiting the number of days children in foster care can receive reimbursement for congregate care placements. To provide County Departments of Social Services time to make this transition, DSS received \$18 million of bridge funding that will cover federal revenue losses for the next two years.
- The federal Administration of Children and Families (ACF) will withhold \$1.5 million from DSS as part of its Child and Family Services Review (CFSR). DSS did not achieve the required level of improvement for a single CFSR measure related to child permanency from 2017-2020. DSS has decided to appeal this penalty, and it will work with both its federal partners and the state Attorney General’s Office to either mediate a settlement or prove that ACF inappropriately applied the penalty.
- Since March of 2020, DSS has successfully disbursed over \$1.76 billion (\$964.4, million in FY 20-21) as part of the statewide Pandemic Electronic Benefits Transfer (P-EBT) program. These funds have helped over 1.37 million children access nutritious food during severe economic disruption. To continue these positive impacts, ARPA P-EBT funds will continue to be obligated during FY21-22, anticipated to be approximately \$67 million between January-June 2022.
- By March 2022, three teams will transition out of DSS to the newly formed Division of Child and Family Well-Being (DCFV): Food and Nutrition Services Policy (FNS), FNS Employment and Training (E&T), and Supplemental Nutrition Outreach and Education (SNAP Outreach & Ed). Two FNS support units will remain with DSS: the EBT Customer Service Call Center and the Continuous Quality Improvement (CQI) monitoring program.
- Under our General Statutes, the County Departments of Social Services are our agents for the delivery of social services programs in the county. As such, we can be held liable under the Tort Claims Act for the actions of the county and liability under that Act can be up to \$1 Million. The primary area where we face liability under this agency relationship is in Child Welfare and often those cases can be significant in cost. Currently these costs are not budgeted but this liability is ongoing for the Division.

Division of Mental Health/Developmental Disabilities and Substance Abuse Services (DMH/DD/SAS)

The Division of Mental Health/Developmental Disabilities/Substance Abuse Services was awarded a substantial supplemental allotment to both the Substance Abuse Prevention and Treatment Block Grant and the Mental Health Block Grants in FY 21. These funds will be used to provide additional mental health and substance use services and supports.

Funding available through 3/14/23 via COVID emergency Funding (P.L. 116-260)

\$36.4 million: Substance Abuse Prevention and Treatment Block Grant (SAPTBG)
 \$24.0 million: Mental Health Block Grant (MHBG) COVID emergency funding

Funding available through 9/30/25 via ARPA (P.L.117-2/H.R. 1319)

\$42.2 million: Substance abuse prevention and treatment program
 \$41.5 million: Mental health block grant
 \$1.4 million: Mental health block grant American rescue plan mitigation
 \$1.4 million: Substance abuse prevention treatment American rescue plan mitigation

Central Administration (CA)

- Budget and Analysis develops, manages, and oversees a budget of over \$20 billion, which has increased to in excess of \$26 billion, primarily as a result of additional federal funds provided throughout the COVID-19 pandemic. These include ARPA program specific funding as well as State Fiscal Recovery Funds also administered under ARPA, to address a myriad of service areas and infrastructure needs throughout the Department. Central Administration, through Budget and Analysis and the Department's Controller's Office, has had the increased responsibility of providing oversight and technical assistance in the disbursement and tracking of this funding.
- Although the Department has received significant federal funding throughout the pandemic, the needs and demands to further address the pandemic and recovery continue to outweigh availability. Without a specific end to the pandemic in sight, the need for additional resources may impact service delivery and sustainability.
- The needs to respond and recover from the pandemic are tremendous. The Department is seeking reimbursement from the Federal Emergency Management Agency (FEMA) for all allowable areas that are specific to the COVID-19 pandemic. The Department must outlay funds in advance of FEMA reimbursement to support these expenses, which requires diligent cash-flow management. This could potentially impact the ability to prioritize and meet other needs across the Department.
- The Department has limited programmatic and administrative staffing to support the influx of new and existing projects. Therefore, the Department must be strategic in ensuring sufficient capacity to implement and operate both existing and new initiatives due to the increased federal funding for services. If the staffing capacity cannot be realized timely, the ability to successfully utilize federal funds may be at risk.
- With the replacement of the NC Financial System within the next 2-3 years, the Department must ensure that multiple subsystems supporting the Department and local government entities are compatible. This may require additional funds for upgrades and/or replacement of subsystems.

Disability Determination Services (DDS)

- The biggest impact on DDS' financial picture for the 2021-2022 state fiscal year will continue to be the public health emergency stemming from COVID-19. The COVID-19 pandemic has contributed to increased retirement/turnover and challenges with hiring, most importantly the hiring of analysts who are responsible for processing cases.
- The DDS has noted that receipts for disability applications for Supplemental Security Income (SSI), Social Security Disability Insurance (SSDI), and Medicaid Disability Insurance remain lower than pre-COVID-19 averages. With improvement in health and safety in our state, the applications for SSI, SSDI, and Medicaid Disability Insurance are expected to increase as a result to those citizens impacted by COVID-19. Additionally, Social Security Administration Field Offices are anticipated to reopen in 2022 which will result in an increase in disability applications for SSI and SSDI.
- The majority of DDS funding is federal, however, this economic factor of anticipated increase in applications could have an impact on DDS Medicaid Disability Insurance workload and costs.

Other Divisions

Office of Rural Health (ORH)

- The ORH seeks to continue the Community Health Worker (CHW) initiative through identifying funds to extend contracts with existing vendors that employ nearly 700 CHWs throughout the State. The current support extends through June 30, 2022 with the option to renew the contracts for an additional year. ORH requests the extension of the current contracts to at least June 30, 2023. The CHW initiative supports long-term Medicaid Managed Care and Advanced Medical Home integration, population health, primary care in a local, culturally appropriate manner. It continues to provide local support for COVID vaccination, related health needs, and NCCARE360 usage with over 1.4 million visits to date. Within ORH, permanent CHW staffing continues to be a need. ORH did not receive approval to convert two temporary staff to full-time state employees to support communities in a regional manner. Their support is currently tied to the support for the overall CHW initiative supported by CDC funds (distributed through DPH). Without some assurance the work and progress may suffer from attrition. While ORH secured a three-year federal CDC grant to address CHW sustainability efforts (training and education, certification, and evaluation), ongoing funding is needed to ensure successful alignment with resources, community needs, and employment opportunities for this workforce.
- The passage of the FY 2022 state budget includes significant directed appropriations to ORH without additional administrative resources. ORH is challenged to develop and effectively manage the large number of resulting contracts due to timing and staff limitations. These additional appropriations are layered onto a staff that is stretched thin as it works to disseminate COVID-19, ARPA, and Coronavirus Aid, Relief, and Economic Security (CARES) Act funds without additional staffing.
- The ORH continues to seek sustained funding for its Health Information Technology (HIT) program. Currently, all ORH HIT staff are supported through the CDC Health Equity grant. This grant will end in May 2023. If no replacement funding is identified,

the ORH HIT team would dissolve. Technical assistance would no longer be available to assist in telehealth adoption/technical assistance in rural primary care, hospitals, Community Health Workers, local health departments, and other safety net organizations. Technical assistance the ORH HIT Team provides to NCCARE360 users, particularly in safety net organizations, would also cease. Technical assistance enables healthcare providers and systems connect to and utilize NC HealthConnex, North Carolina's Health Information Exchange.

- The ORH is currently working on identifying a new Contract Management software solution to replace disparate tracking systems used to support the operations and grants management across the various programs. The solution will be a web-based system that will allow staff and contractors to perform contract management activities in which both contractors and staff will have access to the system through secure portals.

Information Technology Division (ITD)

ARPA Initiatives

There are 14 ITD related initiatives identified as of December 2021 from the ARPA analysis across the following seven divisions: DCDEE, DSS, DCFW, DPH, DMH, ORH, and DAAS. Total value of known IT initiatives is around \$81.2 million to be spent and delivered between fiscal years 2022 and 2023. The team continue to discover, analyze, and determine other ARPA IT initiatives and have earmarked another \$12 million to account for new findings. Currently there is no funding for resources and maintenance after the ARPA funds runs out by end of fiscal year 2023.

Below is the breakdown of the 14 initiatives by divisions:

- DCDEE – 5 Initiatives @ \$60 million
- DSS/DCFW – 5 Initiatives @ \$14.3 million
- DPH – 1 Initiative @ \$4.0 million
- DMH – 1 Initiative @ \$1.8 million
- ORH – 1 Initiative @ \$0.8 million
- DAAS – 1 Initiative @\$ 0.3 million

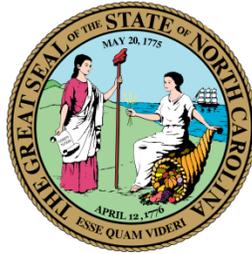
COVID Support

As the pandemic continues and until it transitions to endemic, ITD will continue to operate, enhance, and support the following COVID support systems. This requires support and associated costs of existing ITD resources, vendor contracts, and licenses. Currently there is no funding for resources and maintenance after the COVID funds run out.

- eCATR – Covid Testing lab results collection platform
- NC COVID – Test Results repository used for extracts and reporting
- CCTO – Contact Tracing platform
- SlowCovid App – Exposure Notification
- Wayfinder – Vaccine Finder tool
- CVMS – Covid Vaccine Management System
- Robotics (RPA) Apps – Data recon, reporting, and daily summary
- ServiceNow – Supports various COVID help desk activities
- NCIR – NC Immunization Registry clinical tool for immunization information
- Other Covid related systems: Dashboards, Virtual agents, eHub, Medsurge

Electronic Health Record (EHR) Initiative

In the Appropriations Act of 2021, the General Assembly has provided funding for an electronic health record (EHR) system development and technology upgrades for the three state operated hospitals (Central Regional, Broughton, and Cherry Hospitals) to enhance services and patient safety. IT costs including resources, hardware, software, and implementation vendor costs for Year 1: \$5.1 million, Year 2: \$21.4 million, and Year 3: \$23.5 million with a total cost of ownership of \$50 million.



FINANCIAL STATEMENTS

North Carolina Department of Health and Human Services
Balance Sheet
Governmental Funds
June 30, 2021 and 2020

Exhibit A-1

	2021			2020		
	General Fund	Other Governmental Funds (1)	Total Governmental Funds	General Fund	Other Governmental Funds (1)	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents (Note 2)	\$ 296,357,064	\$ 83,574,847	\$ 379,931,911	\$ 431,651,578	\$ 87,220,326	\$ 518,871,904
Receivables:						
Accounts Receivable, Net (Note 4)	190,301,935	707,071	191,009,006	121,080,613	710,245	121,790,858
Intergovernmental Receivables (Note 4)	1,050,376,665	1,361,782	1,051,738,447	1,061,286,112	394,341	1,061,680,453
Due from Other Funds	2,153,312	236,548	2,389,860	557,808		557,808
Due from Component Units	279,557		279,557			
Inventories	12,554,834	189,658	12,744,492	11,623,457	270,990	11,894,447
Advances to Outside Entities	5,987,557		5,987,557			
Total Assets	1,558,010,924	86,069,906	1,644,080,830	1,626,199,568	88,595,902	1,714,795,470
DEFERRED OUTFLOWS OF RESOURCES						
Forward Funded State Aid	0	0	0	8,524,872	0	8,524,872
Total Assets and Deferred Outflows	\$ 1,558,010,924	\$ 86,069,906	\$ 1,644,080,830	\$ 1,634,724,440	\$ 88,595,902	\$ 1,723,320,342
LIABILITIES						
Accounts Payable and Accrued Liabilities:						
Accounts Payable	\$ 210,801,849	\$ 3,410,092	\$ 214,211,941	\$ 139,586,722	\$ 5,105,979	\$ 144,692,701
Intergovernmental Payables (Note 6)	393,224,366	1,076,430	394,300,796	331,183,765	10,242	331,194,007
Medical Claims Payable (Note 7)	1,059,446,367	60,856.00	1,059,507,223	1,128,480,019		1,128,480,019
Due to Other State Agencies and Funds	16,896,182	44,143	16,940,325	152,276,502	1,501	152,278,003
Due to State of North Carolina Component Units	2,636,895		2,636,895			
Other Liabilities	3,990	8,095	12,085			
Total Liabilities	1,683,009,649	4,599,616	1,687,609,265	1,751,527,008	5,117,722	1,756,644,730
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	14,388,492	0	14,388,492	15,231,535	0	15,231,535
FUND BALANCES						
Nonspendable Inventories	12,554,834	189,658	12,744,492	11,623,457	270,990	11,894,447
Restricted for Health and Human Services	88,054,634	1,432,932	89,487,566	69,644,241	959,638	70,603,879
Committed to Health and Human Services	33,312,752	78,482,342	111,795,094	181,035,171	83,126,096	264,161,267
Assigned to Health and Human Services	2,529,115	1,466,751	3,995,866	3,143,447	1,450,094	4,593,541
Unassigned	(275,838,552)	(101,393)	(275,939,945)	(397,480,419)	(2,328,638)	(399,809,057)
Total Fund Balances	(139,387,217)	81,470,290	(57,916,927)	(132,034,103)	83,478,180	(48,555,923)
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 1,558,010,924	\$ 86,069,906	\$ 1,644,080,830	\$ 1,634,724,440	\$ 88,595,902	\$ 1,723,320,342

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

(1) Other Governmental Funds include Special Revenue Funds and Capital Projects Fund.

North Carolina Department of Health and Human Services
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Years Ended June 30, 2021 and 2020

Exhibit A-2

	2021			2020		
	General Fund	Other Governmental Funds (1)	Total Governmental Funds	General Fund	Other Governmental Funds (1)	Total Governmental Funds
REVENUES						
Federal Funds	\$ 17,656,756,495	\$ 60,104,209	\$ 17,716,860,704	\$ 15,330,818,148	\$ 54,303,010	\$ 15,385,121,158
Federal COVID-19 Funds	1,679,285,205		1,679,285,205	683,646,060		683,646,060
Local Funds	108,397,626		108,397,626	118,863,603		118,863,603
Sales and Services	1,690,258	1,716,518	3,406,776	2,012,048	1,934,231	3,946,279
Net Patient Service Revenue (Note 10)	43,993,670		43,993,670	44,559,104		44,559,104
Fees, Licenses, and Fines (Note 11)	176,625,238	3,480,254	180,105,492	199,747,275	2,923,371	202,670,646
Revenues from Other State Agencies (Note 12)	555,113,523	29,280,481	584,394,004	115,281,547	16,772,712	132,054,259
Miscellaneous Revenues	130,453,638	708,850	131,160,488	114,079,279	973,118	115,052,397
Total Revenues	20,352,315,653	95,288,312	20,447,603,965	16,609,007,064	76,906,442	16,685,913,506
EXPENDITURES						
Salaries and Benefits	1,264,442,467	44,728,347	1,309,170,814	1,187,389,299	38,031,014	1,225,420,313
Contracted Personal Services	920,340,558	15,473,435	935,813,993	490,953,336	16,509,674	507,463,010
Supplies and Materials	86,311,643	747,156	87,058,799	59,571,437	1,051,041	60,622,478
Travel	1,738,315	2,104	1,740,419	6,134,758	41,789	6,176,547
Communication	13,499,095	422,081	13,921,176	10,232,073	364,572	10,596,645
Utilities	16,228,748	17,732	16,246,480	16,055,245	18,315	16,073,560
Data Processing Services	18,188,401	1,996	18,190,397	18,449,897	1,187	18,451,084
Other Services	21,398,419	664,502	22,062,921	17,470,190	711,999	18,182,189
Other Fixed Charges	48,346,307	600,414	48,946,721	31,168,244	504,270	31,672,514
Capital Outlay	20,773,987	19,143,116	39,917,103	25,987,446	14,091,390	40,078,836
Grants, State Aid, and Subsidies (Exhibit N-1)	23,201,875,983	11,634,722	23,213,510,705	19,666,676,322	17,767,932	19,684,444,254
Expenditures to Other State Agencies (Note 12)	232,086,050		232,086,050	204,415,874	86,498	204,502,372
Other Expenditures	38,732,439	2,562,023	41,294,462	40,822,613	2,498,105	43,320,718
Total Expenditures	25,883,962,412	95,997,628	25,979,960,040	21,775,326,734	91,677,786	21,867,004,520
Excess of Revenues Over (Under) Expenditures	(5,531,646,759)	(709,316)	(5,532,356,075)	(5,166,319,670)	(14,771,344)	(5,181,091,014)
OTHER FINANCING SOURCES (USES)						
State Appropriations	5,442,278,900		5,442,278,900	5,332,171,221		5,332,171,221
Transfers In (Note 13)	633,786,801	14,116,875	647,903,676	471,236,342	14,754,095	485,990,437
Transfers Out (Note 13)	(632,419,218)	(15,484,458)	(647,903,676)	(470,167,877)	(15,822,560)	(485,990,437)
Transfers from State Reserve Fund	547,845,088	30,463	547,875,551	208,660,716		208,660,716
Transfers to State Reserve Fund	(467,282,170)		(467,282,170)	(265,405,555)		(265,405,555)
Other	84,244	38,546	122,790	149,891	45,355	195,246
Total Other Financing Sources (Uses)	5,524,293,645	(1,298,574)	5,522,995,071	5,276,644,738	(1,023,110)	5,275,621,628
Net Change in Fund Balances	(7,353,114)	(2,007,890)	(9,361,004)	110,325,068	(15,794,454)	94,530,614
Fund Balances - Beginning of Year	(132,034,103)	83,478,180	(48,555,923)	(242,359,171)	99,272,634	(143,086,537)
Fund Balances - End of Year	\$ (139,387,217)	\$ 81,470,290	\$ (57,916,927)	\$ (132,034,103)	\$ 83,478,180	\$ (48,555,923)

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

(1) Other Governmental Funds include Special Revenue Funds and Capital Projects Fund.

**North Carolina Department of Health and Human Services
Balance Sheet By Division
Governmental Funds
June 30, 2021 and 2020**

**Exhibit B-1
Page 1 of 2**

	2021										
	Central Administration (1)	Health Benefits (2)	Child Development (3)	Health Service Regulation (4)	Public Health (5)	Aging (6)	Blind/ Deaf Services (7)	Vocational Rehabilitation (8)	Social Services (9)	Mental Health (10)	Total Governmental Funds
ASSETS											
Cash and Cash Equivalents	\$ 221,877,643	\$ 30,917,353	\$ 0	\$ 41,027,668	\$ 10,553,976	\$ 0	\$ 10,453,096	\$ 855,286	\$ 3,537,512	\$ 60,709,377	\$ 379,931,911
Receivables:											
Accounts Receivable, Net (Note 4)	32,514	133,707,158	5,743,006	3,998,205	10,856,677		418,946	80,499	5,342,130	30,829,871	191,009,006
Intergovernmental Receivables	30,446,995	806,909,076	71,283,175	4,220,442	11,015,227	10,585,983	199,720	5,772,981	99,050,180	12,254,668	1,051,738,447
Due from Other Funds	36,767	1,058,285			8,112		6,958	236,548		1,043,190	2,389,860
Due from Component Units						279,557					279,557
Inventories	224,802	75,191	11,780	26,786	4,935,838	2,044	16,919	302,939	38,139	7,110,054	12,744,492
Advances to Outside Entities	962,557				5,025,000						5,987,557
Total Assets	253,581,278	972,667,063	77,037,961	49,273,101	42,394,830	10,867,584	11,095,639	7,248,253	107,967,961	111,947,160	1,644,080,830
DEFERRED OUTFLOWS OF RESOURCES											
Forward Funded State Aid	0	0	0	0	0	0	0	0	0	0	0
Total Assets and Deferred Outflows	\$ 253,581,278	\$ 972,667,063	\$ 77,037,961	\$ 49,273,101	\$ 42,394,830	\$ 10,867,584	\$ 11,095,639	\$ 7,248,253	\$ 107,967,961	\$ 111,947,160	\$ 1,644,080,830
LIABILITIES											
Accounts Payable and Accrued Liabilities:											
Accounts Payable	\$ 68,029,177	\$ 24,707,611	\$ 66,032,309	\$ 1,683,698	\$ 19,797,286	\$ 1,871,890	\$ 761,621	\$ 5,571,794	\$ 10,388,665	\$ 15,367,890	\$ 214,211,941
Intergovernmental Payables	172,701,717	92,187,222	11,238,470	1,622	12,912,484	13,145,973	5,184	1,201,751	90,556,025	350,348	394,300,796
Medical Claims Payable (Note 7)		1,050,421,389			408,407		336,249	256,379	608,057	7,476,742	1,059,507,223
Due to Other State Agencies and Funds	6,030,702	1,628,214	81,788	73,182	987,107	12,901	86,499	601,701	618,176	6,820,055	16,940,325
Due to State of North Carolina Component Units		549,683	41,774		624,672				363,336	1,057,430	2,636,895
Other Liabilities									2,079	10,006	12,085
Total Liabilities	246,761,596	1,169,494,119	77,394,341	1,758,502	34,729,956	15,030,764	1,189,553	7,631,625	102,536,338	31,082,471	1,687,609,265
DEFERRED INFLOWS OF RESOURCES											
Unavailable Revenue	0	0	9,322	1,174,666	3,225,527	0	20,087	0	705,772	9,253,118	14,388,492
FUND BALANCES											
Nonspendable Inventories	224,802	75,191	11,780	26,786	4,935,838	2,044	16,919	302,939	38,139	7,110,054	12,744,492
Restricted for Health and Human Services	259	30,091,852	5,700,100	39,231,378	8,085,408		474,731	7,680	4,937,957	958,201	89,487,566
Committed to Health and Human Services	36,517,034	549,647		3,193,346	2,652,603		10,354,583	76,849	961,434	57,489,598	111,795,094
Assigned to Health and Human Services	2,529,115						3,467			1,463,284	3,995,866
Unassigned	(32,451,528)	(227,543,746)	(6,077,582)	3,888,423	(11,234,502)	(4,165,224)	(963,701)	(770,840)	(1,211,679)	4,590,434	(275,939,945)
Total Fund Balances	6,819,682	(196,827,056)	(365,702)	46,339,933	4,439,347	(4,163,180)	9,885,999	(383,372)	4,725,851	71,611,571	(57,916,927)
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 253,581,278	\$ 972,667,063	\$ 77,037,961	\$ 49,273,101	\$ 42,394,830	\$ 10,867,584	\$ 11,095,639	\$ 7,248,253	\$ 107,967,961	\$ 111,947,160	\$ 1,644,080,830

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

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

**North Carolina Department of Health and Human Services
Balance Sheet By Division
Governmental Funds
June 30, 2021 and 2020**

**Exhibit B-1
Page 2 of 2**

	2020										
	Central Administration (1)	Health Benefits (2)	Child Development (3)	Health Service Regulation (4)	Public Health (5)	Aging (6)	Blind/ Deaf Services (7)	Vocational Rehabilitation (8)	Social Services (9)	Mental Health (10)	Total Governmental Funds
ASSETS											
Cash and Cash Equivalents	\$ 354,220,353	\$ 22,588,492	\$ 0	\$ 40,577,514	\$ 9,520,274	\$ 0	\$ 12,077,048	\$ 171,952	\$ 11,747,899	\$ 67,968,372	\$ 518,871,904
Receivables:											
Accounts Receivable, Net (Note 4)	17,347	65,677,086	4,115,024	1,238,404	8,909,435		306,369	35,696	8,053,870	33,437,627	121,790,858
Intergovernmental Receivables	22,281,091	844,168,559	66,154,713	2,759,558	22,236,255	1,594,933	502,397	4,045,422	82,761,432	15,176,093	1,061,680,453
Due from Other Funds	153,402	86,303						160,220		157,883	557,808
Inventories	233,370	46,496	17,102	6,122	4,675,586	3,473	17,189	391,470	42,336	6,461,303	11,894,447
Total Assets	376,905,563	932,566,936	70,286,839	44,581,598	45,341,550	1,598,406	12,903,003	4,644,540	102,765,757	123,201,278	1,714,795,470
DEFERRED OUTFLOWS OF RESOURCES											
Forward Funded State Aid	1,343,521	1,206,650	0	0	0	58,706	0	0	0	5,915,995	8,524,872
Total Assets and Deferred Outflows	\$ 378,249,084	\$ 933,773,586	\$ 70,286,839	\$ 44,581,598	\$ 45,341,550	\$ 1,657,112	\$ 12,903,003	\$ 4,644,540	\$ 102,765,757	\$ 129,117,273	\$ 1,723,320,342
LIABILITIES											
Accounts Payable and Accrued Liabilities:											
Accounts Payable	\$ 11,650,212	\$ 33,436,828	\$ 46,282,219	\$ 3,262,983	\$ 22,326,975	\$ 401,090	\$ 672,822	\$ 4,433,024	\$ 3,343,479	\$ 18,883,069	\$ 144,692,701
Intergovernmental Payables	192,980,203	7,781,271	23,387,789	21,991	10,853,754	9,027,973	672	158,258	86,363,492	618,604	331,194,007
Medical Claims Payable (Note 7)		1,117,773,795			374,258		254,687	330,843	629,557	9,116,879	1,128,480,019
Due to Other State Agencies and Funds	139,981,114	825,373	42,555	110,805	253,076	7,153	79,286	456,986	8,068,251	2,453,404	152,278,003
Total Liabilities	344,611,529	1,159,817,267	69,712,563	3,395,779	33,808,063	9,436,216	1,007,467	5,379,111	98,404,779	31,071,956	1,756,644,730
DEFERRED INFLOWS OF RESOURCES											
Unavailable Revenue	0	0	7,528	1,070,315	2,751,164	0	1,174	0	1,378,184	10,023,170	15,231,535
FUND BALANCES											
Nonspendable Inventories	233,370	46,496	17,102	6,122	4,675,586	3,473	17,189	391,470	42,336	6,461,303	11,894,447
Restricted for Health and Human Services	259	22,571,412	4,079,775	34,648,114	5,593,684			21,752	2,743,317	945,566	70,603,879
Committed to Health and Human Services	162,220,651	911,477		5,929,400	4,212,004	58,706	12,228,688	14,721	8,756,280	69,829,340	264,161,267
Assigned to Health and Human Services	3,143,447						3,468			1,446,626	4,593,541
Unassigned	(131,960,172)	(249,573,066)	(3,530,129)	(468,132)	(5,698,951)	(7,841,283)	(354,983)	(1,162,514)	(8,559,139)	9,339,312	(399,809,057)
Total Fund Balances	33,637,555	(226,043,681)	566,748	40,115,504	8,782,323	(7,779,104)	11,894,362	(734,571)	2,982,794	88,022,147	(48,555,923)
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 378,249,084	\$ 933,773,586	\$ 70,286,839	\$ 44,581,598	\$ 45,341,550	\$ 1,657,112	\$ 12,903,003	\$ 4,644,540	\$ 102,765,757	\$ 129,117,273	\$ 1,723,320,342

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

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

North Carolina Department of Health and Human Services
Statement of Revenues, Expenditures, and Changes in Fund Balances By Division
Governmental Funds
For the Fiscal Years Ended June 30, 2021 and 2020

Exhibit B-2
Page 1 of 2

	2021										
	Central Administration (1)	Health Benefits (2)	Child Development (3)	Health Service Regulation (4)	Public Health (5)	Aging (6)	Blind/ Deaf Services (7)	Vocational Rehabilitation (8)	Social Services (9)	Mental Health (10)	Total Governmental Funds
REVENUES											
Federal Funds	\$ 154,445,091	\$ 10,764,201,992	\$ 498,735,385	\$ 28,702,992	\$ 222,496,665	\$ 54,063,928	\$ 15,206,975	\$ 144,564,313	\$ 5,239,292,638	\$ 595,150,725	\$ 17,716,860,704
Federal COVID-19 Funds	136,382,167	1,004,634,793	148,992,509	3,198,007	280,270,679	32,753,044			71,380,513	1,673,493	1,679,285,205
Local Funds	403,246			719,928	2,689,491	11,338,737			88,401,120	1,916,958	108,397,626
Sales and Services				457,955	978,017				253,820	984,424	3,406,776
Net Patient Service Revenue (Note 10)										43,993,670	43,993,670
Fees, Licenses, and Fines (Note 11)	982,405	130,525,814	2,132,882	17,472,862	25,155,487				345,763	621,630	180,105,492
Revenues from Other State Agencies (Note 12)	179,505,176	49,917,970	147,252,110	524,134	14,371,905	6,343,638	7,631,234		45,877,481	132,970,356	584,394,004
Miscellaneous Revenues	264,893	25,901,690	27,444	2,772,499	73,830,853	86,151	900,974	6,828,982	10,289,552	10,257,450	131,160,488
Total Revenues	471,982,978	11,975,182,259	797,140,330	53,848,377	619,793,097	104,585,498	27,960,731	153,954,922	5,455,587,067	787,568,706	20,447,603,965
EXPENDITURES											
Salaries and Benefits	93,445,629	41,375,625	23,253,731	47,213,029	142,032,816	5,867,229	21,332,194	102,426,504	26,199,743	806,024,314	1,309,170,814
Contracted Personal Services	518,127,535	235,025,300	1,498,919	4,086,378	48,159,194	683,460	3,126,523	16,910,065	31,448,674	76,747,945	935,813,993
Supplies and Materials	5,461,918	36,999	11,777,008	201,218	12,289,419	20,272	227,582	682,381	308,467	56,053,535	87,058,799
Travel	40,499	8,786	193,942	715,275	256,230	950	151,105	134,888	42,954	195,790	1,740,419
Communication	2,381,508	461,027	455,857	514,139	2,587,017	61,410	176,254	2,561,063	814,660	3,908,241	13,921,176
Utilities	2,945,405			5,963	173,796		13,370	337,822		12,770,124	16,246,480
Data Processing Services	15,868,562	149,882	141,378	16,531	362,745			1,996	184,484	1,464,819	18,190,397
Other Services	2,135,737	337,945	118,708	614,614	5,309,548	22,602	287,433	619,250	8,849,726	3,767,358	22,062,921
Other Fixed Charges	34,821,340	322,453	1,204,246	80,668	3,636,591	26,962	85,906	809,462	264,350	7,694,743	48,946,721
Capital Outlay	8,856,487	216,108	157,951	1,627,345	5,304,557	193,070	398,927	714,614	381,860	22,069,184	39,917,103
Grants, State Aid, and Subsidies (Exhibit N-1)	128,431,844	15,177,943,861	977,294,720	7,023,093	546,604,703	138,840,591	9,576,319	55,366,867	5,554,219,178	618,209,529	23,213,510,705
Expenditures to Other State Agencies (Note 12)	7,250,000	216,009,843		3,526,207					5,000,000	300,000	232,086,050
Other Expenditures	3,215,221	123,364	5,059,701	1,160,562	8,414,245	93,656	1,124,854	7,487,789	378,058	14,237,012	41,294,462
Total Expenditures	822,981,685	15,672,011,193	1,021,156,161	66,785,022	775,130,861	145,810,202	36,500,467	188,052,701	5,628,092,154	1,623,439,594	25,979,960,040
Excess of Revenues Over (Under) Expenditures	(350,998,707)	(3,696,828,934)	(224,015,831)	(12,936,645)	(155,337,764)	(41,224,704)	(8,539,736)	(34,097,779)	(172,505,087)	(835,870,888)	(5,532,356,075)
OTHER FINANCING SOURCES (USES)											
State Appropriations	126,795,981	3,928,691,327	228,659,195	20,415,055	143,080,344	43,729,419	7,155,805	32,115,870	167,670,277	743,965,627	5,442,278,900
Transfers In	207,452,590	155,456,579		1,888,642	14,338,674	1,216,280	12,381,125	3,412,961	12,073,071	239,683,754	647,903,676
Transfers Out	(23,943,381)	(418,806,303)	(7,744,236)	(2,996,253)	(5,247,510)	(72,817)	(13,037,676)	(1,067,600)	(4,800,197)	(170,187,703)	(647,903,676)
Transfers from State Reserve Fund	18,729,292	499,426,002	4,551,864	1,546,313	1,682,909	354,966			6,324,072	15,260,133	547,875,551
Transfers to State Reserve Fund	(4,853,689)	(438,722,162)	(2,383,442)	(1,692,683)	(2,877,988)	(387,264)		(20,987)	(7,019,079)	(9,324,876)	(467,282,170)
Other	41	116			18,359	44	32,119	8,734		63,377	122,790
Total Other Financing Sources	324,180,834	3,726,045,559	223,083,381	19,161,074	150,994,788	44,840,628	6,531,373	34,448,978	174,248,144	819,460,312	5,522,995,071
Net Change in Fund Balances	(26,817,873)	29,216,625	(932,450)	6,224,429	(4,342,976)	3,615,924	(2,008,363)	351,199	1,743,057	(16,410,576)	(9,361,004)
Fund Balances - Beginning of Year	33,637,555	(226,043,681)	566,748	40,115,504	8,782,323	(7,779,104)	11,894,362	(734,571)	2,982,794	88,022,147	(48,555,923)
Fund Balances - End of Year	\$ 6,819,682	\$ (196,827,056)	\$ (365,702)	\$ 46,339,933	\$ 4,439,347	\$ (4,163,180)	\$ 9,885,999	\$ (383,372)	\$ 4,725,851	\$ 71,611,571	\$ (57,916,927)

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

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

North Carolina Department of Health and Human Services
Statement of Revenues, Expenditures, and Changes in Fund Balances By Division
Governmental Funds
For the Fiscal Years Ended June 30, 2021 and 2020

Exhibit B-2
Page 2 of 2

	2020										
	Central Administration (1)	Health Benefits (2)	Child Development (3)	Health Service Regulation (4)	Public Health (5)	Aging (6)	Blind/ Deaf Services (7)	Vocational Rehabilitation (8)	Social Services (9)	Mental Health (10)	Total Governmental Funds
REVENUES											
Federal Funds	\$ 182,468,864	\$ 10,294,597,900	\$ 504,471,640	\$ 32,721,758	\$ 422,946,104	\$ 65,075,380	\$ 16,689,129	\$ 141,206,006	\$ 3,144,552,527	\$ 580,391,850	\$ 15,385,121,158
Federal COVID-19 Funds	45,065	552,990,837	101,829,829	7,405	23,645,068				5,127,856		683,646,060
Local Funds	708,685	3,113		650,502	3,765,123	9,321,129	623,643	2,236,493	99,696,558	1,858,357	118,863,603
Sales and Services				421,085	1,247,593		724,631	290,572		1,262,398	3,946,279
Net Patient Service Revenue (Note 10)										44,559,104	44,559,104
Fees, Licenses, and Fines (Note 11)	954,809	150,014,007	2,307,092	19,538,084	26,656,547	12,461	2,293,087		323,180	571,379	202,670,646
Revenues from Other State Agencies (Note 12)	12,856,749		78,277,110	335,911	1,372,640		8,169,583		19,696,065	11,346,201	132,054,259
Miscellaneous Revenues	796,698	13,277,638	83,587	1,343,761	68,536,524	88,680	939,987	7,273,015	15,009,163	7,703,344	115,052,397
Total Revenues	197,830,870	11,010,883,495	686,969,258	55,018,506	548,169,599	74,497,650	29,440,060	151,006,086	3,284,405,349	647,692,633	16,685,913,506
EXPENDITURES											
Salaries and Benefits	86,880,061	39,533,977	22,147,263	46,658,813	136,188,145	5,940,307	20,556,708	94,447,615	24,962,489	748,104,935	1,225,420,313
Contracted Personal Services	167,993,731	169,231,852	2,644,220	3,159,142	33,860,658	625,794	3,836,942	17,929,247	23,874,220	64,307,204	507,463,010
Supplies and Materials	1,008,378	72,943	121,969	250,682	11,033,972	27,739	304,133	788,179	108,820	46,905,663	60,622,478
Travel	331,875	214,587	399,310	1,238,336	1,524,982	86,172	551,157	966,420	399,436	464,272	6,176,547
Communication	1,808,171	414,868	358,966	761,651	2,138,412	42,369	291,679	1,520,688	593,206	2,666,635	10,596,645
Utilities	3,237,616			5,928	176,966		19,439	374,798		12,258,813	16,073,560
Data Processing Services	16,176,606	189,109	134,791	38,368	473,710	2,231	10,379	29,453	117,547	1,278,890	18,451,084
Other Services	2,016,991	507,877	103,545	275,445	5,192,219	34,898	447,652	730,745	6,943,776	1,929,041	18,182,189
Other Fixed Charges	20,245,947	315,567	644,628	169,044	2,763,456	10,798	142,804	677,430	680,263	6,022,577	31,672,514
Capital Outlay	7,573,050	790,868	392,396	967,410	5,971,969	24,802	396,794	1,445,671	381,467	22,134,409	40,078,836
Grants, State Aid, and Subsidies (Exhibit N-1)	47,651,013	14,119,743,033	870,004,632	10,646,313	499,558,364	109,737,374	10,885,579	61,078,789	3,405,773,292	549,365,865	19,684,444,254
Expenditures to Other State Agencies (Note 12)	1,800	201,027,000	86,498	3,288,074			19,008	79,992			204,502,372
Other Expenditures	3,253,575	390,863	5,060,221	1,262,788	8,508,620	138,294	1,210,609	7,251,859	474,350	15,769,539	43,320,718
Total Expenditures	358,178,814	14,552,432,544	902,098,439	68,721,994	707,391,473	116,670,778	38,672,883	187,320,886	3,464,308,866	1,471,207,843	21,867,004,520
Excess of Revenues Over (Under) Expenditures	(160,347,944)	(3,541,549,049)	(215,129,181)	(13,703,488)	(159,221,874)	(42,173,128)	(9,232,823)	(36,314,800)	(179,903,517)	(823,515,210)	(5,181,091,014)
OTHER FINANCING SOURCES (USES)											
State Appropriations	124,181,961	3,804,844,136	226,597,555	19,011,898	152,328,746	42,703,199	7,357,395	37,127,360	178,894,187	739,124,784	5,332,171,221
Transfers In	56,874,942	166,835,122	34,146	1,485,934	13,579,442	755,864	13,468,607	3,476,585	11,529,700	217,950,095	485,990,437
Transfers Out	(17,779,009)	(244,545,295)	(4,760,831)	(2,525,261)	(2,996,699)	(2,566,286)	(14,672,194)	(4,886,260)	(7,711,618)	(183,546,984)	(485,990,437)
Transfers from State Reserve Fund	571,609	143,439,535	3,439,572	845,719	1,282,905	615,189	270,666	310,360	3,531,626	54,353,535	208,660,716
Transfers to State Reserve Fund	(1,198,552)	(234,486,746)	(4,551,864)	(1,546,313)	(1,682,909)	(354,966)			(6,324,072)	(15,260,133)	(265,405,555)
Other	75	9,094		21,333	64	44,121		4,999		115,560	195,246
Total Other Financing Sources	162,651,026	3,636,095,846	220,758,578	17,271,977	162,532,818	41,153,064	6,468,595	36,033,044	179,919,823	812,736,857	5,275,621,628
Net Change in Fund Balances	2,303,082	94,546,797	5,629,397	3,568,489	3,310,944	(1,020,064)	(2,764,228)	(281,756)	16,306	(10,778,353)	94,530,614
Fund Balances - Beginning of Year	31,334,473	(320,590,478)	(5,062,649)	36,547,015	5,471,379	(6,759,040)	14,658,590	(452,815)	2,966,488	98,800,500	(143,086,537)
Fund Balances - End of Year	\$ 33,637,555	\$ (226,043,681)	\$ 566,748	\$ 40,115,504	\$ 8,782,323	\$ (7,779,104)	\$ 11,894,362	\$ (734,571)	\$ 2,982,794	\$ 88,022,147	\$ (48,555,923)

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

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

**North Carolina Department of Health and Human Services
Balance Sheet - Governmental Funds
Division of Central Administration
June 30, 2021 and 2020**

Exhibit C-1

	2021			2020		
	General Fund	Capital Projects Fund	Total Central Administration	General Fund	Capital Projects Fund	Total Central Administration
ASSETS						
Cash and Cash Equivalents	\$ 212,563,791	\$ 9,313,852	\$ 221,877,643	\$ 350,858,281	\$ 3,362,072	\$ 354,220,353
Receivables:						
Accounts Receivable, Net (Note 4)	32,514		32,514	17,347		17,347
Intergovernmental Receivables	30,446,995		30,446,995	22,281,091		22,281,091
Due from Other Funds	36,767		36,767	153,402		153,402
Inventories	224,802		224,802	233,370		233,370
Advances to Outside Entities	962,557		962,557			
Total Assets	244,267,426	9,313,852	253,581,278	373,543,491	3,362,072	376,905,563
DEFERRED OUTFLOWS OF RESOURCES						
Forward Funded State Aid	0	0	0	1,343,521	0	1,343,521
Total Assets and Deferred Outflows	\$ 244,267,426	\$ 9,313,852	\$ 253,581,278	\$ 374,887,012	\$ 3,362,072	\$ 378,249,084
LIABILITIES						
Accounts Payable and Accrued Liabilities:						
Accounts Payable	\$ 67,089,802	\$ 939,375	\$ 68,029,177	\$ 11,542,485	\$ 107,727	\$ 11,650,212
Intergovernmental Payables	172,701,717		172,701,717	192,980,203		192,980,203
Due to Other State Agencies and Funds	6,030,702		6,030,702	139,981,114		139,981,114
Total Liabilities	245,822,221	939,375	246,761,596	344,503,802	107,727	344,611,529
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	0	0	0	0	0	0
FUND BALANCES						
Nonspendable Inventories	224,802		224,802	233,370		233,370
Restricted for Health and Human Services	259		259	259		259
Committed to Health and Human Services	28,142,557	8,374,477	36,517,034	158,935,843	3,284,808	162,220,651
Assigned to Health and Human Services	2,529,115		2,529,115	3,143,447		3,143,447
Unassigned	(32,451,528)		(32,451,528)	(131,929,709)	(30,463)	(131,960,172)
Total Fund Balances	(1,554,795)	8,374,477	6,819,682	30,383,210	3,254,345	33,637,555
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 244,267,426	\$ 9,313,852	\$ 253,581,278	\$ 374,887,012	\$ 3,362,072	\$ 378,249,084

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 Balances
Governmental Funds
Division of Central Administration
For the Fiscal Years Ended June 30, 2021 and 2020

Exhibit C-2

	2021			2020		
	General Fund	Capital Projects Fund	Total Central Administration	General Fund	Capital Projects Fund	Total Central Administration
REVENUES						
Federal Funds	\$ 154,445,091	\$ 0	\$ 154,445,091	\$ 182,468,864	\$ 0	\$ 182,468,864
Federal COVID-19 Funds	136,382,167		136,382,167	45,065		45,065
Local Funds	403,246		403,246	708,685		708,685
Fees, Licenses, and Fines	982,405		982,405	954,809		954,809
Revenues from Other State Agencies (Note 12)	171,157,176	8,348,000	179,505,176	12,741,954	114,795	12,856,749
Miscellaneous Revenues	264,893		264,893	796,698		796,698
Total Revenues	463,634,978	8,348,000	471,982,978	197,716,075	114,795	197,830,870
EXPENDITURES						
Salaries and Benefits	93,445,629		93,445,629	86,880,061		86,880,061
Contracted Personal Services	518,127,535		518,127,535	167,993,731		167,993,731
Supplies and Materials	5,461,918		5,461,918	1,008,378		1,008,378
Travel	40,499		40,499	331,875		331,875
Communication	2,381,508		2,381,508	1,808,171		1,808,171
Utilities	2,945,405		2,945,405	3,237,616		3,237,616
Data Processing Services	15,868,562		15,868,562	16,176,606		16,176,606
Other Services	2,135,737		2,135,737	2,016,991		2,016,991
Other Fixed Charges	34,821,340		34,821,340	20,245,947		20,245,947
Capital Outlay	5,116,846	3,739,641	8,856,487	4,347,833	3,225,217	7,573,050
Grants, State Aid, and Subsidies	128,431,844		128,431,844	47,651,013		47,651,013
Expenditures to Other State Agencies (Note 12)	7,250,000		7,250,000	1,800		1,800
Other Expenditures	3,215,221		3,215,221	3,253,575		3,253,575
Total Expenditures	819,242,044	3,739,641	822,981,685	354,953,597	3,225,217	358,178,814
Excess of Revenues Over (Under) Expenditures	(355,607,066)	4,608,359	(350,998,707)	(157,237,522)	(3,110,422)	(160,347,944)
OTHER FINANCING SOURCES (USES)						
State Appropriations	126,795,981		126,795,981	124,181,961		124,181,961
Transfers In	206,917,580	535,010	207,452,590	56,127,864	747,078	56,874,942
Transfers Out	(23,889,681)	(53,700)	(23,943,381)	(17,721,269)	(57,740)	(17,779,009)
Transfers from State Reserve Fund	18,698,829	30,463	18,729,292	571,609		571,609
Transfers to State Reserve Fund	(4,853,689)		(4,853,689)	(1,198,552)		(1,198,552)
Other	41		41	75		75
Total Other Financing Sources	323,669,061	511,773	324,180,834	161,961,688	689,338	162,651,026
Net Change in Fund Balances	(31,938,005)	5,120,132	(26,817,873)	4,724,166	(2,421,084)	2,303,082
Fund Balances - Beginning of Year	30,383,210	3,254,345	33,637,555	25,659,044	5,675,429	31,334,473
Fund Balances - End of Year	\$ (1,554,795)	\$ 8,374,477	\$ 6,819,682	\$ 30,383,210	\$ 3,254,345	\$ 33,637,555

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

North Carolina Department of Health and Human Services
Balance Sheet - Governmental Funds
Division of Health Benefits
June 30, 2021 and 2020

Exhibit D-1

	General Fund	
	2021	2020
ASSETS		
Cash and Cash Equivalents	\$ 30,917,353	\$ 22,588,492
Receivables:		
Accounts Receivable, Net (Note 4)	133,707,158	65,677,086
Intergovernmental Receivables	806,909,076	844,168,559
Due from Other Funds	1,058,285	86,303
Inventories	75,191	46,496
Total Assets	972,667,063	932,566,936
DEFERRED OUTFLOWS OF RESOURCES		
Forward Funded State Aid	0	1,206,650
Total Assets and Deferred Outflows	\$ 972,667,063	\$ 933,773,586
LIABILITIES		
Accounts Payable and Accrued Liabilities:		
Accounts Payable	\$ 24,707,611	\$ 33,436,828
Intergovernmental Payables	92,187,222	7,781,271
Medical Claims Payable (Note 7)	1,050,421,389	1,117,773,795
Due to Other State Agencies and Funds	1,628,214	825,373
Due to State of North Carolina Component Units	549,683	
Total Liabilities	1,169,494,119	1,159,817,267
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue	0	0
FUND BALANCE		
Nonspendable Inventories	75,191	46,496
Restricted for Health and Human Services	30,091,852	22,571,412
Committed to Health and Human Services	549,647	911,477
Unassigned	(227,543,746)	(249,573,066)
Total Fund Balance	(196,827,056)	(226,043,681)
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 972,667,063	\$ 933,773,586

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
Governmental Funds
Division of Health Benefits
For the Fiscal Years Ended June 30, 2021 and 2020

Exhibit D-2

	General Fund	
	2021	2020
REVENUES		
Federal Funds	\$ 10,764,201,992	\$ 10,294,597,900
Federal COVID-19 Funds	1,004,634,793	552,990,837
Local Funds		3,113
Fees, Licenses, and Fines (Note 11)	130,525,814	150,014,007
Revenues from Other State Agencies	49,917,970	
Miscellaneous Revenues	25,901,690	13,277,638
	<u>11,975,182,259</u>	<u>11,010,883,495</u>
EXPENDITURES		
Salaries and Benefits	41,375,625	39,533,977
Contracted Personal Services	235,025,300	189,231,852
Supplies and Materials	36,999	72,943
Travel	8,786	214,587
Communication	461,027	414,868
Data Processing Services	149,882	189,109
Other Services	337,945	507,877
Other Fixed Charges	322,453	315,567
Capital Outlay	216,108	790,868
Grants, State Aid, and Subsidies (Exhibit N-2)	15,177,943,861	14,119,743,033
Expenditures to Other State Agencies (Note 12)	216,009,843	201,027,000
Other Expenditures	123,364	390,863
	<u>15,672,011,193</u>	<u>14,552,432,544</u>
Excess of Revenues Over (Under) Expenditures	<u>(3,696,828,934)</u>	<u>(3,541,549,049)</u>
OTHER FINANCING SOURCES (USES)		
State Appropriations	3,928,691,327	3,804,844,136
Transfers In	155,456,579	166,835,122
Transfers Out	(418,806,303)	(244,545,295)
Transfers from State Reserve Fund	499,426,002	143,439,535
Transfers to State Reserve Fund	(438,722,162)	(234,486,746)
Other	116	9,094
	<u>3,726,045,559</u>	<u>3,636,095,846</u>
Net Change in Fund Balance	29,216,625	94,546,797
Fund Balance - Beginning of Year	<u>(226,043,681)</u>	<u>(320,590,478)</u>
Fund Balance - End of Year	<u>\$ (196,827,056)</u>	<u>\$ (226,043,681)</u>

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

**North Carolina Department of Health and Human Services
Balance Sheet - Governmental Funds
Division of Child Development and Early Education
June 30, 2021 and 2020**

Exhibit E-1

	2021		2020		
	General Fund	Total Child Development	General Fund	Capital Projects Fund	Total Child Development
ASSETS					
Receivables:					
Accounts Receivable, Net (Note 4)	\$ 5,743,006	\$ 5,743,006	\$ 4,115,024	\$ 0	\$ 4,115,024
Intergovernmental Receivables	71,283,175	71,283,175	66,154,713		66,154,713
Inventories	11,780	11,780	17,102		17,102
Total Assets	<u>77,037,961</u>	<u>77,037,961</u>	<u>70,286,839</u>	<u>0</u>	<u>70,286,839</u>
DEFERRED OUTFLOWS OF RESOURCES					
Total Assets and Deferred Outflows	<u>\$ 77,037,961</u>	<u>\$ 77,037,961</u>	<u>\$ 70,286,839</u>	<u>\$ 0</u>	<u>\$ 70,286,839</u>
LIABILITIES					
Accounts Payable and Accrued Liabilities:					
Accounts Payable	\$ 66,032,309	\$ 66,032,309	\$ 46,282,219	\$ 0	\$ 46,282,219
Intergovernmental Payables	11,238,470	11,238,470	23,387,789		23,387,789
Due to Other State Agencies and Funds	81,788	81,788	42,555		42,555
Due to State of North Carolina Component Units	41,774	41,774			
Total Liabilities	<u>77,394,341</u>	<u>77,394,341</u>	<u>69,712,563</u>	<u>0</u>	<u>69,712,563</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	<u>9,322</u>	<u>9,322</u>	<u>7,528</u>	<u>0</u>	<u>7,528</u>
FUND BALANCES					
Nonspendable Inventories	11,780	11,780	17,102		17,102
Restricted for Health and Human Services	5,700,100	5,700,100	4,079,775		4,079,775
Unassigned	<u>(6,077,582)</u>	<u>(6,077,582)</u>	<u>(3,530,129)</u>		<u>(3,530,129)</u>
Total Fund Balances	<u>(365,702)</u>	<u>(365,702)</u>	<u>566,748</u>	<u>0</u>	<u>566,748</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 77,037,961</u>	<u>\$ 77,037,961</u>	<u>\$ 70,286,839</u>	<u>\$ 0</u>	<u>\$ 70,286,839</u>

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 Balances
Governmental Funds
Division of Child Development and Early Education
For the Fiscal Years Ended June 30, 2021 and 2020

Exhibit E-2

	2021		2020		
	General Fund	Total Child Development	General Fund	Capital Projects Fund	Total Child Development
REVENUES					
Federal Funds	\$ 498,735,385	\$ 498,735,385	\$ 504,471,640	\$ 0	\$ 504,471,640
Federal COVID-19 Funds	148,992,509	148,992,509	101,829,829		101,829,829
Fees, Licenses, and Fines (Note 11)	2,132,882	2,132,882	2,307,092		2,307,092
Revenues from Other State Agencies (Note 12)	147,252,110	147,252,110	78,277,110		78,277,110
Miscellaneous Revenues	27,444	27,444	83,587		83,587
Total Revenues	<u>797,140,330</u>	<u>797,140,330</u>	<u>686,969,258</u>	<u>0</u>	<u>686,969,258</u>
EXPENDITURES					
Salaries and Benefits	23,253,731	23,253,731	22,147,263		22,147,263
Contracted Personal Services	1,498,919	1,498,919	2,644,220		2,644,220
Supplies and Materials	11,777,008	11,777,008	121,969		121,969
Travel	193,942	193,942	399,310		399,310
Communication	455,857	455,857	358,966		358,966
Data Processing Services	141,378	141,378	134,791		134,791
Other Services	118,708	118,708	103,545		103,545
Other Fixed Charges	1,204,246	1,204,246	644,628		644,628
Capital Outlay	157,951	157,951	392,396		392,396
Grants, State Aid, and Subsidies (Exhibit N-3)	977,294,720	977,294,720	870,004,632		870,004,632
Expenditures to Other State Agencies				86,498	86,498
Other Expenditures:					
Scholarships	4,018,162	4,018,162	4,144,465		4,144,465
Other	1,041,539	1,041,539	915,756		915,756
Total Expenditures	<u>1,021,156,161</u>	<u>1,021,156,161</u>	<u>902,011,941</u>	<u>86,498</u>	<u>902,098,439</u>
Excess of Revenues Over (Under) Expenditures	<u>(224,015,831)</u>	<u>(224,015,831)</u>	<u>(215,042,683)</u>	<u>(86,498)</u>	<u>(215,129,181)</u>
OTHER FINANCING SOURCES (USES)					
State Appropriations	228,659,195	228,659,195	226,597,555		226,597,555
Transfers In			34,146		34,146
Transfers Out	(7,744,236)	(7,744,236)	(4,760,831)		(4,760,831)
Transfers from State Reserve Fund	4,551,864	4,551,864	3,439,572		3,439,572
Transfers to State Reserve Fund	(2,383,442)	(2,383,442)	(4,551,864)		(4,551,864)
Total Other Financing Sources	<u>223,083,381</u>	<u>223,083,381</u>	<u>220,758,578</u>	<u>0</u>	<u>220,758,578</u>
Net Change in Fund Balances	(932,450)	(932,450)	5,715,895	(86,498)	5,629,397
Fund Balances - Beginning of Year	<u>566,748</u>	<u>566,748</u>	<u>(5,149,147)</u>	<u>86,498</u>	<u>(5,062,649)</u>
Fund Balances - End of Year	<u>\$ (365,702)</u>	<u>\$ (365,702)</u>	<u>\$ 566,748</u>	<u>\$ 0</u>	<u>\$ 566,748</u>

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

**North Carolina Department of Health and Human Services
Balance Sheet - Governmental Funds
Division of Health Service Regulation
June 30, 2021 and 2020**

Exhibit F-1

	General Fund	
	2021	2020
ASSETS		
Cash and Cash Equivalents	\$ 41,027,668	\$ 40,577,514
Receivables:		
Accounts Receivable, Net (Note 4)	3,998,205	1,238,404
Intergovernmental Receivables	4,220,442	2,759,558
Inventories	26,786	6,122
Total Assets	<u>49,273,101</u>	<u>44,581,598</u>
DEFERRED OUTFLOWS OF RESOURCES	0	0
Total Assets and Deferred Outflows	<u>\$ 49,273,101</u>	<u>\$ 44,581,598</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities:		
Accounts Payable	\$ 1,683,698	\$ 3,262,983
Intergovernmental Payables	1,622	21,991
Due to Other State Agencies and Funds	73,182	110,805
Total Liabilities	<u>1,758,502</u>	<u>3,395,779</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue	<u>1,174,666</u>	<u>1,070,315</u>
FUND BALANCE		
Nonspendable Inventories	26,786	6,122
Restricted for Health and Human Services	39,231,378	34,648,114
Committed to Health and Human Services	3,193,346	5,929,400
Unassigned	3,888,423	(468,132)
Total Fund Balance	<u>46,339,933</u>	<u>40,115,504</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 49,273,101</u>	<u>\$ 44,581,598</u>

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
Governmental Funds
Division of Health Service Regulation
For the Fiscal Years Ended June 30, 2021 and 2020

Exhibit F-2

	General Fund	
	2021	2020
REVENUES		
Federal Funds	\$ 28,702,992	\$ 32,721,758
Federal COVID-19 Funds	3,198,007	7,405
Local Funds	719,928	650,502
Sales and Services	457,955	421,085
Fees, Licenses, and Fines (Note 11)	17,472,862	19,538,084
Revenues from Other State Agencies (Note 12)	524,134	335,911
Miscellaneous Revenues	2,772,499	1,343,761
	<u>53,848,377</u>	<u>55,018,506</u>
Total Revenues		
EXPENDITURES		
Salaries and Benefits	47,213,029	46,658,813
Contracted Personal Services	4,086,378	3,159,142
Supplies and Materials	201,218	250,682
Travel	715,275	1,238,336
Communication	514,139	761,651
Utilities	5,963	5,928
Data Processing Services	16,531	38,368
Other Services	614,614	275,445
Other Fixed Charges	80,668	169,044
Capital Outlay	1,627,345	967,410
Grants, State Aid, and Subsidies	7,023,093	10,646,313
Expenditures to Other State Agencies (Note 12)	3,526,207	3,288,074
Other Expenditures	1,160,562	1,262,788
	<u>66,785,022</u>	<u>68,721,994</u>
Total Expenditures		
Excess of Revenues Over (Under) Expenditures	<u>(12,936,645)</u>	<u>(13,703,488)</u>
OTHER FINANCING SOURCES (USES)		
State Appropriations	20,415,055	19,011,898
Transfers In	1,888,642	1,485,934
Transfers Out	(2,996,253)	(2,525,261)
Transfers from State Reserve Fund	1,546,313	845,719
Transfers to State Reserve Fund	(1,692,683)	(1,546,313)
	<u>19,161,074</u>	<u>17,271,977</u>
Total Other Financing Sources		
Net Change in Fund Balance	6,224,429	3,568,489
Fund Balance - Beginning of Year	<u>40,115,504</u>	<u>36,547,015</u>
Fund Balance - End of Year	<u>\$ 46,339,933</u>	<u>\$ 40,115,504</u>

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

**North Carolina Department of Health and Human Services
Balance Sheet - Governmental Funds
Division of Public Health
June 30, 2021 and 2020**

Exhibit G-1

	2021			2020			
	General Fund	Other Special Revenue Fund	Total Public Health	General Fund	Other Special Revenue Fund	Capital Projects Fund	Total Public Health
ASSETS							
Cash and Cash Equivalents	\$ 8,303,060	\$ 2,250,916	\$ 10,553,976	\$ 5,871,712	\$ 3,648,562	\$ 0	\$ 9,520,274
Receivables:							
Accounts Receivable, Net (Note 4)	10,856,677		10,856,677	8,890,283	19,152		8,909,435
Intergovernmental Receivables	11,015,227		11,015,227	22,236,255			22,236,255
Due from Other Funds	8,112		8,112				
Inventories	4,935,838		4,935,838	4,675,586			4,675,586
Advances to Outside Entities	5,025,000		5,025,000				
Total Assets	40,143,914	2,250,916	42,394,830	41,673,836	3,667,714	0	45,341,550
DEFERRED OUTFLOWS OF RESOURCES	0	0	0	0	0	0	0
Total Assets and Deferred Outflows	\$ 40,143,914	\$ 2,250,916	\$ 42,394,830	\$ 41,673,836	\$ 3,667,714	\$ 0	\$ 45,341,550
LIABILITIES							
Accounts Payable and Accrued Liabilities:							
Accounts Payable	\$ 19,795,333	\$ 1,953	\$ 19,797,286	\$ 22,325,931	\$ 1,044	\$ 0	\$ 22,326,975
Intergovernmental Payables	12,912,484		12,912,484	10,853,754			10,853,754
Medical Claims Payable (Note 7)	408,407		408,407	374,258			374,258
Due to Other State Agencies and Funds	987,107		987,107	253,076			253,076
Due to State of North Carolina Component Units	624,672		624,672				
Total Liabilities	34,728,003	1,953	34,729,956	33,807,019	1,044	0	33,808,063
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue	3,225,527	0	3,225,527	2,751,164	0	0	2,751,164
FUND BALANCES							
Nonspendable Inventories	4,935,838		4,935,838	4,675,586			4,675,586
Restricted for Health and Human Services	8,085,408		8,085,408	5,593,684			5,593,684
Committed to Health and Human Services	403,640	2,248,963	2,652,603	545,334	3,666,670		4,212,004
Unassigned	(11,234,502)		(11,234,502)	(5,698,951)			(5,698,951)
Total Fund Balances	2,190,384	2,248,963	4,439,347	5,115,653	3,666,670	0	8,782,323
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 40,143,914	\$ 2,250,916	\$ 42,394,830	\$ 41,673,836	\$ 3,667,714	\$ 0	\$ 45,341,550

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 Balances
Governmental Funds
Division of Public Health
For the Fiscal Years Ended June 30, 2021 and 2020

Exhibit G-2

	2021			2020			
	General Fund	Other Special Revenue Fund	Total Public Health	General Fund	Other Special Revenue Fund	Capital Projects Fund	Total Public Health
REVENUES							
Federal Funds	\$ 222,496,665	\$ 0	\$ 222,496,665	\$ 422,946,104	\$ 0	\$ 0	\$ 422,946,104
Federal COVID-19 Funds	280,270,679		280,270,679	23,645,068			23,645,068
Local Funds	2,689,491		2,689,491	3,765,123			3,765,123
Sales and Services	978,017		978,017	1,247,593			1,247,593
Fees, Licenses, and Fines (Note 11)	24,544,067	611,420	25,155,487	26,026,357	630,190		26,656,547
Revenues from Other State Agencies (Note 12)	14,371,905		14,371,905	1,162,578		210,062	1,372,640
Miscellaneous Revenues:							
Rebates	69,214,269		69,214,269	65,587,112			65,587,112
Contributions, Gifts, and Grants	4,616,584		4,616,584	2,089,030			2,089,030
Other				860,382			860,382
Total Revenues	619,181,677	611,420	619,793,097	547,329,347	630,190	210,062	548,169,599
EXPENDITURES							
Salaries and Benefits	141,953,744	79,072	142,032,816	136,111,570	76,575		136,188,145
Contracted Personal Services	48,155,457	3,737	48,159,194	33,853,579	7,079		33,860,658
Supplies and Materials	12,283,892	5,527	12,289,419	11,031,227	2,745		11,033,972
Travel	254,653	1,577	256,230	1,520,824	4,158		1,524,982
Communication	2,585,203	1,814	2,587,017	2,137,185	1,227		2,138,412
Utilities	173,796		173,796	176,966			176,966
Data Processing Services	362,745		362,745	472,777	933		473,710
Other Services	5,305,888	3,660	5,309,548	5,188,101	4,118		5,192,219
Other Fixed Charges	3,635,784	807	3,636,591	2,763,186	270		2,763,456
Capital Outlay	5,303,157	1,400	5,304,557	5,816,862	5,124	149,983	5,971,969
Grants, State Aid, and Subsidies (Exhibit N-4)	546,604,703		546,604,703	499,558,364			499,558,364
Other Expenditures	8,413,933	312	8,414,245	8,508,612	8		8,508,620
Total Expenditures	775,032,955	97,906	775,130,861	707,139,253	102,237	149,983	707,391,473
Excess of Revenues Over (Under) Expenditures	(155,851,278)	513,514	(155,337,764)	(159,809,906)	527,953	60,079	(159,221,874)
OTHER FINANCING SOURCES (USES)							
State Appropriations	143,080,344		143,080,344	152,328,746			152,328,746
Transfers In	14,338,674		14,338,674	13,579,442			13,579,442
Transfers Out	(3,316,289)	(1,931,221)	(5,247,510)	(2,996,699)			(2,996,699)
Transfers from State Reserve Fund	1,682,909		1,682,909	1,282,905			1,282,905
Transfers to State Reserve Fund	(2,877,988)		(2,877,988)	(1,682,909)			(1,682,909)
Other	18,359		18,359	21,333			21,333
Total Other Financing Sources	152,926,009	(1,931,221)	150,994,788	162,532,818	0	0	162,532,818
Net Change in Fund Balances	(2,925,269)	(1,417,707)	(4,342,976)	2,722,912	527,953	60,079	3,310,944
Fund Balances - Beginning of Year	5,115,653	3,666,670	8,782,323	2,392,741	3,138,717	(60,079)	5,471,379
Fund Balances - End of Year	\$ 2,190,384	\$ 2,248,963	\$ 4,439,347	\$ 5,115,653	\$ 3,666,670	\$ 0	\$ 8,782,323

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

**North Carolina Department of Health and Human Services
Balance Sheet - Governmental Funds
Division of Aging and Adult Services
June 30, 2021 and 2020**

Exhibit H-1

	General Fund	
	2021	2020
ASSETS		
Receivables:		
Intergovernmental Receivables	\$ 10,585,983	\$ 1,594,933
Due from Component Units	279,557	
Inventories	2,044	3,473
Total Assets	10,867,584	1,598,406
DEFERRED OUTFLOWS OF RESOURCES		
Forward Funded State Aid	0	58,706
Total Assets and Deferred Outflows	\$ 10,867,584	\$ 1,657,112
LIABILITIES		
Accounts Payable and Accrued Liabilities:		
Accounts Payable	\$ 1,871,890	\$ 401,090
Intergovernmental Payables	13,145,973	9,027,973
Due to Other State Agencies and Funds	12,901	7,153
Total Liabilities	15,030,764	9,436,216
DEFERRED INFLOWS OF RESOURCES	0	0
FUND BALANCE		
Nonspendable Inventories	2,044	3,473
Committed to Health and Human Services		58,706
Unassigned	(4,165,224)	(7,841,283)
Total Fund Balance	(4,163,180)	(7,779,104)
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 10,867,584	\$ 1,657,112

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
Governmental Funds
Division of Aging and Adult Services
For the Fiscal Years Ended June 30, 2021 and 2020

Exhibit H-2

	General Fund	
	2021	2020
REVENUES		
Federal Funds	\$ 54,063,928	\$ 65,075,380
Federal COVID-19 Funds	32,753,044	
Local Funds	11,338,737	9,321,129
Fees, Licenses, and Fines		12,461
Revenues from Other State Agencies (Note 12)	6,343,638	
Miscellaneous Revenues	86,151	88,680
Total Revenues	104,585,498	74,497,650
EXPENDITURES		
Salaries and Benefits	5,867,229	5,940,307
Contracted Personal Services	683,460	625,794
Supplies and Materials	20,272	27,739
Travel	950	86,172
Communication	61,410	42,369
Data Processing Services		2,231
Other Services	22,602	34,898
Other Fixed Charges	26,962	10,798
Capital Outlay	193,070	24,802
Grants, State Aid, and Subsidies	138,840,591	109,737,374
Other Expenditures	93,656	138,294
Total Expenditures	145,810,202	116,670,778
Excess of Revenues Over (Under) Expenditures	(41,224,704)	(42,173,128)
OTHER FINANCING SOURCES (USES)		
State Appropriations	43,729,419	42,703,199
Transfers In	1,216,280	755,864
Transfers Out	(72,817)	(2,566,286)
Transfers from State Reserve Fund	354,966	615,189
Transfers to State Reserve Fund	(387,264)	(354,966)
Other	44	64
Total Other Financing Sources	44,840,628	41,153,064
Net Change in Fund Balance	3,615,924	(1,020,064)
Fund Balance - Beginning of Year	(7,779,104)	(6,759,040)
Fund Balance - End of Year	\$ (4,163,180)	\$ (7,779,104)

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

**North Carolina Department of Health and Human Services
Balance Sheet - Governmental Funds
Division of Services for the Blind/Deaf and Hard of Hearing
June 30, 2021 and 2020**

Exhibit I-1

	2021				2020			
	General Fund	Other Special Revenue Fund	N.C. Dual Party Relay System Fund	Total Blind/Deaf Services	General Fund	Other Special Revenue Fund	N.C. Dual Party Relay System Fund	Total Blind/Deaf Services
ASSETS								
Cash and Cash Equivalents	\$ 0	\$ 1,181,277	\$ 9,271,819	\$ 10,453,096	\$ 0	\$ 828,212	\$ 11,248,836	\$ 12,077,048
Receivables:								
Accounts Receivable, Net (Note 4)	31,973	176,028	210,945	418,946	22,840	82,460	201,069	306,369
Intergovernmental Receivables	199,720			199,720	502,397			502,397
Due from Other Funds	6,958			6,958				
Inventories	16,919			16,919	17,189			17,189
Total Assets	255,570	1,357,305	9,482,764	11,095,639	542,426	910,672	11,449,905	12,903,003
DEFERRED OUTFLOWS OF RESOURCES	0	0	0	0	0	0	0	0
Total Assets and Deferred Outflows	\$ 255,570	\$ 1,357,305	\$ 9,482,764	\$ 11,095,639	\$ 542,426	\$ 910,672	\$ 11,449,905	\$ 12,903,003
LIABILITIES								
Accounts Payable and Accrued Liabilities:								
Accounts Payable	\$ 754,848	\$ 6,773	\$ 0	\$ 761,621	\$ 544,401	\$ 124,853	\$ 3,568	\$ 672,822
Intergovernmental Payables	4,669	515		5,184	672			672
Medical Claims Payable (Note 7)	336,249			336,249	254,687			254,687
Due to Other State Agencies and Funds	86,499			86,499	79,286			79,286
Total Liabilities	1,182,265	7,288	0	1,189,553	879,046	124,853	3,568	1,007,467
DEFERRED INFLOWS OF RESOURCES	20,087	0	0	20,087	1,174	0	0	1,174
FUND BALANCES								
Nonspendable Inventories	16,919			16,919	17,189			17,189
Restricted for Health and Human Services		474,731		474,731				
Committed to Health and Human Services		871,819	9,482,764	10,354,583		782,351	11,446,337	12,228,688
Assigned to Health and Human Services		3,467		3,467		3,468		3,468
Unassigned	(963,701)			(963,701)	(354,983)			(354,983)
Total Fund Balances	(946,782)	1,350,017	9,482,764	9,885,999	(337,794)	785,819	11,446,337	11,894,362
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 255,570	\$ 1,357,305	\$ 9,482,764	\$ 11,095,639	\$ 542,426	\$ 910,672	\$ 11,449,905	\$ 12,903,003

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 Balances
Governmental Funds
Division of Services for the Blind/Deaf and Hard of Hearing
For the Fiscal Years Ended June 30, 2021 and 2020

Exhibit I-2

	2021				2020			
	General Fund	Other Special Revenue Fund	N.C. Dual Party Relay System Fund	Total Blind/Deaf Services	General Fund	Other Special Revenue Fund	N.C. Dual Party Relay System Fund	Total Blind/Deaf Services
REVENUES								
Federal Funds	\$ 15,083,804	\$ 123,171	\$ 0	\$ 15,206,975	\$ 16,294,032	\$ 395,097	\$ 0	\$ 16,689,129
Local Funds	620,339			620,339	623,643			623,643
Sales and Services	466	732,094		732,560	52,798	671,833		724,631
Fees, Licenses, and Fines (Note 11)			2,868,649	2,868,649			2,293,087	2,293,087
Revenues from Other State Agencies (Note 12)			7,631,234	7,631,234			8,169,583	8,169,583
Miscellaneous Revenues	772,160	73,260	55,554	900,974	303,579	400,618	235,790	939,987
Total Revenues	16,476,769	928,525	10,555,437	27,960,731	17,274,052	1,467,548	10,698,460	29,440,060
EXPENDITURES								
Salaries and Benefits	21,332,194			21,332,194	20,556,708			20,556,708
Employee Benefits								
Contracted Personal Services	3,117,686	8,837		3,126,523	3,829,204	7,738		3,836,942
Supplies and Materials	211,422	16,160		227,582	251,181	52,952		304,133
Travel	150,889	216		151,105	535,635	15,522		551,157
Communication	175,420	834		176,254	289,887	1,792		291,679
Utilities	13,370			13,370	19,439			19,439
Data Processing Services					10,125	254		10,379
Other Services	128,817	158,616		287,433	120,160	327,492		447,652
Other Fixed Charges	82,406	3,500		85,906	142,429	375		142,804
Capital Outlay	398,927			398,927	75,715	321,079		396,794
Grants, State Aid, and Subsidies	9,551,637	24,682		9,576,319	10,675,742	206,289	3,548	10,885,579
Expenditures to Other State Agencies (Note 12)					19,008			19,008
Other Expenditures	1,124,854			1,124,854	1,205,497	5,112		1,210,609
Total Expenditures	36,287,622	212,845	0	36,500,467	37,730,730	938,605	3,548	38,672,883
Excess of Revenues Over (Under) Expenditures	(19,810,853)	715,680	10,555,437	(8,539,736)	(20,456,678)	528,943	10,694,912	(9,232,823)
OTHER FINANCING SOURCES (USES)								
State Appropriations	7,155,805			7,155,805	7,357,395			7,357,395
Transfers In	12,381,125			12,381,125	13,468,607			13,468,607
Transfers Out	(335,065)	(183,601)	(12,519,010)	(13,037,676)	(281,900)	(406,961)	(13,983,333)	(14,672,194)
Transfers from State Reserve Fund					270,666			270,666
Other		32,119		32,119		44,121		44,121
Total Other Financing Sources (Uses)	19,201,865	(151,482)	(12,519,010)	6,531,373	20,814,768	(362,840)	(13,983,333)	6,468,595
Net Change in Fund Balances	(608,988)	564,198	(1,963,573)	(2,008,363)	358,090	166,103	(3,288,421)	(2,764,228)
Fund Balances - Beginning of Year	(337,794)	785,819	11,446,337	11,894,362	(695,884)	619,716	14,734,758	14,658,590
Fund Balances - End of Year	\$ (946,782)	\$ 1,350,017	\$ 9,482,764	\$ 9,885,999	\$ (337,794)	\$ 785,819	\$ 11,446,337	\$ 11,894,362

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

**North Carolina Department of Health and Human Services
Balance Sheet - Governmental Funds
Division of Vocational Rehabilitation
June 30, 2021 and 2020**

Exhibit J-1

	2021				2020			
	General Fund	Disability Determination Fund	Capital Projects Fund	Total Vocational Rehabilitation	General Fund	Disability Determination Fund	Capital Projects Fund	Total Vocational Rehabilitation
ASSETS								
Cash and Cash Equivalents	\$ 7,680	\$ 832,885	\$ 14,721	\$ 855,286	\$ 7,680	\$ 149,551	\$ 14,721	\$ 171,952
Receivables:								
Accounts Receivable, Net (Note 4)	80,396	103		80,499	35,696			35,696
Intergovernmental Receivables	4,411,199	1,361,782		5,772,981	3,660,521	384,901		4,045,422
Due from Other Funds		236,548		236,548				
Inventories	139,015	163,924		302,939	144,495	246,975		391,470
Total Assets	4,638,290	2,595,242	14,721	7,248,253	3,848,392	781,427	14,721	4,644,540
DEFERRED OUTFLOWS OF RESOURCES	0	0	0	0	0	0	0	0
Total Assets and Deferred Outflows	\$ 4,638,290	\$ 2,595,242	\$ 14,721	\$ 7,248,253	\$ 3,848,392	\$ 781,427	\$ 14,721	\$ 4,644,540
LIABILITIES								
Accounts Payable and Accrued Liabilities:								
Accounts Payable	\$ 4,187,976	\$ 1,383,818	\$ 0	\$ 5,571,794	\$ 4,060,297	\$ 372,727	\$ 0	\$ 4,433,024
Intergovernmental Payables	125,836	1,075,915		1,201,751	148,016	10,242		158,258
Medical Claims Payable (Note 7)	256,379			256,379	330,843			330,843
Due to Other State Agencies and Funds	557,558	44,143		601,701	455,485	1,501		456,986
Total Liabilities	5,127,749	2,503,876	0	7,631,625	4,994,641	384,470	0	5,379,111
DEFERRED INFLOWS OF RESOURCES								
Unavailable Revenue	0	0	0	0	0	0	0	0
FUND BALANCES								
Nonspendable Inventories	139,015	163,924		302,939	144,495	246,975		391,470
Restricted for Health and Human Services	7,680			7,680	7,680	14,072		21,752
Committed to Health and Human Services	62,128		14,721	76,849			14,721	14,721
Unassigned	(698,282)	(72,558)		(770,840)	(1,298,424)	135,910		(1,162,514)
Total Fund Balances	(489,459)	91,366	14,721	(383,372)	(1,146,249)	396,957	14,721	(734,571)
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 4,638,290	\$ 2,595,242	\$ 14,721	\$ 7,248,253	\$ 3,848,392	\$ 781,427	\$ 14,721	\$ 4,644,540

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 Balances
Governmental Funds
Division of Vocational Rehabilitation
For the Fiscal Years Ended June 30, 2021 and 2020

Exhibit J-2

	2021				2020			
	General Fund	Disability Determination Fund	Capital Projects Fund	Total Vocational Rehabilitation	General Fund	Disability Determination Fund	Capital Projects Fund	Total Vocational Rehabilitation
REVENUES								
Federal Funds	\$ 84,583,275	\$ 59,981,038	\$ 0	\$ 144,564,313	\$ 87,317,795	\$ 53,888,211	\$ 0	\$ 141,206,006
Local Funds	2,307,807			2,307,807	2,236,493			2,236,493
Sales and Services	253,820			253,820	290,572			290,572
Miscellaneous Revenues	6,590,118	238,864		6,828,982	7,270,226	2,789		7,273,015
Total Revenues	93,735,020	60,219,902	0	153,954,922	97,115,086	53,891,000	0	151,006,086
EXPENDITURES								
Salaries and Benefits	58,080,819	44,345,685		102,426,504	56,833,676	37,613,939		94,447,615
Contracted Personal Services	1,497,606	15,412,459		16,910,065	2,367,434	15,561,813		17,929,247
Supplies and Materials	445,031	237,350		682,381	606,739	181,440		788,179
Travel	134,733	155		134,888	949,836	16,584		966,420
Communication	2,181,145	379,918		2,561,063	1,196,213	324,475		1,520,688
Utilities	337,822			337,822	374,798			374,798
Data Processing Services		1,996		1,996	29,453			29,453
Other Services	353,896	265,354		619,250	406,322	324,423		730,745
Other Fixed Charges	215,285	594,177		809,462	195,922	481,508		677,430
Capital Outlay	623,401	91,213		714,614	1,253,495	183,748	8,428	1,445,671
Grants, State Aid, and Subsidies	55,257,912	108,955		55,366,867	60,937,216	141,573		61,078,789
Expenditures to Other State Agencies (Note 12)					79,992			79,992
Other Expenditures	5,019,740	2,468,049		7,487,789	4,852,548	2,399,311		7,251,859
Total Expenditures	124,147,390	63,905,311	0	188,052,701	130,083,644	57,228,814	8,428	187,320,886
Excess of Revenues Over (Under) Expenditures	(30,412,370)	(3,685,409)	0	(34,097,779)	(32,968,558)	(3,337,814)	(8,428)	(36,314,800)
OTHER FINANCING SOURCES (USES)								
State Appropriations	32,115,870			32,115,870	37,127,360			37,127,360
Transfers In	39,439	3,373,522		3,412,961	62,175	3,414,410		3,476,585
Transfers Out	(1,067,600)			(1,067,600)	(4,869,788)		(16,472)	(4,886,260)
Transfers from State Reserve Fund					310,360			310,360
Transfers to State Reserve Fund	(20,987)			(20,987)				
Other	2,438	6,296		8,734	4,999			4,999
Total Other Financing Sources (Uses)	31,069,160	3,379,818	0	34,448,978	32,635,106	3,414,410	(16,472)	36,033,044
Net Change in Fund Balances	656,790	(305,591)	0	351,199	(333,452)	76,596	(24,900)	(281,756)
Fund Balances - Beginning of Year	(1,146,249)	396,957	14,721	(734,571)	(812,797)	320,361	39,621	(452,815)
Fund Balances - End of Year	\$ (489,459)	\$ 91,366	\$ 14,721	\$ (383,372)	\$ (1,146,249)	\$ 396,957	\$ 14,721	\$ (734,571)

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

North Carolina Department of Health and Human Services
Balance Sheet - Governmental Funds
Division of Social Services
June 30, 2021 and 2020

Exhibit K-1

	General Fund	
	2021	2020
ASSETS		
Cash and Cash Equivalents	\$ 3,537,512	\$ 11,747,899
Receivables:		
Accounts Receivable, Net (Note 4)	5,342,130	8,053,870
Intergovernmental Receivables	99,050,180	82,761,432
Due from Other Funds		160,220
Inventories	38,139	42,336
Total Assets	<u>107,967,961</u>	<u>102,765,757</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total Assets and Deferred Outflows	<u>0</u>	<u>0</u>
	<u>\$ 107,967,961</u>	<u>\$ 102,765,757</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities:		
Accounts Payable	\$ 10,388,665	\$ 3,343,479
Intergovernmental Payables	90,556,025	86,363,492
Medical Claims Payable	608,057	629,557
Due to Other State Agencies and Funds	618,176	8,068,251
Due to State of North Carolina Component Units	363,336	
Other Liabilities	2,079	
Total Liabilities	<u>102,536,338</u>	<u>98,404,779</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue	<u>705,772</u>	<u>1,378,184</u>
FUND BALANCE		
Nonspendable Inventories	38,139	42,336
Restricted for Health and Human Services	4,937,957	2,743,317
Committed to Health and Human Services	961,434	8,756,280
Unassigned	<u>(1,211,679)</u>	<u>(8,559,139)</u>
Total Fund Balance	<u>4,725,851</u>	<u>2,982,794</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 107,967,961</u>	<u>\$ 102,765,757</u>

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
Governmental Funds
Division of Social Services
For the Fiscal Years Ended June 30, 2021 and 2020**

Exhibit K-2

	General Fund	
	2021	2020
REVENUES		
Federal Funds	\$ 5,239,292,638	\$ 3,144,552,527
Federal COVID-19 Funds	71,380,513	5,127,856
Local Funds	88,401,120	99,696,558
Fees, Licenses, and Fines	345,763	323,180
Revenues from Other State Agencies (Note 12)	45,877,481	19,696,065
Miscellaneous Revenues	10,289,552	15,009,163
Total Revenues	<u>5,455,587,067</u>	<u>3,284,405,349</u>
EXPENDITURES		
Salaries and Benefits	26,199,743	24,962,489
Contracted Personal Services	31,448,674	23,874,220
Supplies and Materials	308,467	108,820
Travel	42,954	399,436
Communication	814,660	593,206
Data Processing Services	184,484	117,547
Other Services	8,849,726	6,943,776
Other Fixed Charges	264,350	680,263
Capital Outlay	381,860	381,467
Grants, State Aid, and Subsidies (Exhibit N-5)	5,554,219,178	3,405,773,292
Expenditures to Other State Agencies (Note 12)	5,000,000	
Other Expenditures	378,058	474,350
Total Expenditures	<u>5,628,092,154</u>	<u>3,464,308,866</u>
Excess of Revenues Over (Under) Expenditures	<u>(172,505,087)</u>	<u>(179,903,517)</u>
OTHER FINANCING SOURCES (USES)		
State Appropriations	167,670,277	178,894,187
Transfers In	12,073,071	11,529,700
Transfers Out	(4,800,197)	(7,711,618)
Transfers from State Reserve Fund	6,324,072	3,531,626
Transfers to State Reserve Fund	(7,019,079)	(6,324,072)
Total Other Financing Sources	<u>174,248,144</u>	<u>179,919,823</u>
Net Change in Fund Balance	1,743,057	16,306
Fund Balance - Beginning of Year	<u>2,982,794</u>	<u>2,966,488</u>
Fund Balance - End of Year	<u>\$ 4,725,851</u>	<u>\$ 2,982,794</u>

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

North Carolina Department of Health and Human Services
Balance Sheet - Governmental Funds
Division of Mental Health/Developmental Disabilities and Substance Abuse Services
June 30, 2021 and 2020

Exhibit L-1

	2021				2020			
	General Fund	Other Special Revenue Fund	Capital Projects Fund	Total Mental Health	General Fund	Other Special Revenue Fund	Capital Projects Fund	Total Mental Health
ASSETS								
Cash and Cash Equivalents	\$ 0	\$ 57,618,584	\$ 3,090,793	\$ 60,709,377	\$ 0	\$ 57,836,548	\$ 10,131,824	\$ 67,968,372
Receivables:								
Accounts Receivable, Net (Note 4)	30,509,876	319,995		30,829,871	33,030,063	407,564		33,437,627
Intergovernmental Receivables	12,254,668			12,254,668	15,166,653	9,440		15,176,093
Due from Other Funds	1,043,190			1,043,190	157,883			157,883
Inventories	7,084,320	25,734		7,110,054	6,437,288	24,015		6,461,303
Total Assets	50,892,054	57,964,313	3,090,793	111,947,160	54,791,887	58,277,567	10,131,824	123,201,278
DEFERRED OUTFLOWS OF RESOURCES								
Forward Funded State Aid	0	0	0	0	5,915,995	0	0	5,915,995
Total Assets and Deferred Outflows	\$ 50,892,054	\$ 57,964,313	\$ 3,090,793	\$ 111,947,160	\$ 60,707,882	\$ 58,277,567	\$ 10,131,824	\$ 129,117,273
LIABILITIES								
Accounts Payable and Accrued Liabilities:								
Accounts Payable	\$ 14,289,717	\$ 298,121	\$ 780,052	\$ 15,367,890	\$ 14,387,009	\$ 88,224	\$ 4,407,836	\$ 18,883,069
Intergovernmental Payables	350,348			350,348	618,604			618,604
Medical Claims Payable (Note 7)	7,415,886	60,856		7,476,742	9,116,879			9,116,879
Due to Other State Agencies and Funds	6,820,055			6,820,055	2,453,404			2,453,404
Due to State of North Carolina Component Units	1,057,430			1,057,430				
Other Liabilities	1,911	8,095		10,006				
Total Liabilities	29,935,347	367,072	780,052	31,082,471	26,575,896	88,224	4,407,836	31,071,956
DEFERRED INFLOWS OF RESOURCES								
Unavailable Revenue	9,253,118	0	0	9,253,118	10,023,170	0	0	10,023,170
FUND BALANCES								
Nonspendable Inventories	7,084,320	25,734		7,110,054	6,437,288	24,015		6,461,303
Restricted for Health and Human Services		958,201		958,201		945,566		945,566
Committed to Health and Human Services		55,175,757	2,313,841	57,489,598	5,898,130	55,773,136	8,158,074	69,829,340
Assigned to Health and Human Services		1,463,284		1,463,284		1,446,626		1,446,626
Unassigned	4,619,269	(25,735)	(3,100)	4,590,434	11,773,398		(2,434,086)	9,339,312
Total Fund Balances	11,703,589	57,597,241	2,310,741	71,611,571	24,108,816	58,189,343	5,723,988	88,022,147
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 50,892,054	\$ 57,964,313	\$ 3,090,793	\$ 111,947,160	\$ 60,707,882	\$ 58,277,567	\$ 10,131,824	\$ 129,117,273

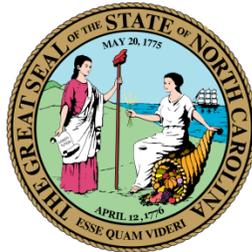
The accompanying notes to the financial statements are an integral part of this statement.

North Carolina Department of Health and Human Services
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Division of Mental Health/Developmental Disabilities and Substance Abuse Services
For the Fiscal Years Ended June 30, 2021 and 2020

Exhibit L-2

	2021				2020			
	General Fund	Other Special Revenue Fund	Capital Projects Fund	Total Mental Health	General Fund	Other Special Revenue Fund	Capital Projects Fund	Total Mental Health
REVENUES								
Federal Funds	\$ 595,150,725	\$ 0	\$ 0	\$ 595,150,725	\$ 580,372,148	\$ 19,702	\$ 0	\$ 580,391,850
Federal COVID-19 Funds	1,673,493			1,673,493				1,262,398
Local Funds	1,916,958			1,916,958	1,858,357			1,858,357
Sales and Services		984,424		984,424		1,262,398		1,262,398
Net Patient Service Revenue (Note 10)	43,993,670			43,993,670	44,559,104			44,559,104
Fees, Licenses, and Fines (Note 11)	621,445	185		621,630	571,285	94		571,379
Revenues from Other State Agencies (Note 12)	119,669,109	1,000,000	12,301,247	132,970,356	3,067,929	1,000,000	7,278,272	11,346,201
Miscellaneous Revenues	9,918,278	339,172		10,257,450	7,369,423	333,921		7,703,344
Total Revenues	772,943,678	2,323,781	12,301,247	787,568,706	637,798,246	2,616,115	7,278,272	647,692,633
EXPENDITURES								
Salaries and Benefits	805,720,724	303,590		806,024,314	747,764,435	340,500		748,104,935
Contracted Personal Services	76,699,543	48,402		76,747,945	63,374,160	933,044		64,307,204
Supplies and Materials	55,565,416	488,119		56,053,535	46,091,759	813,904		46,905,663
Travel	195,634	156		195,790	458,747	5,525		464,272
Communication	3,868,726	39,515		3,908,241	2,629,557	37,078		2,666,635
Utilities	12,752,392	17,732		12,770,124	12,240,498	18,315		12,258,813
Data Processing Services	1,464,819			1,464,819	1,278,890			1,278,890
Other Services	3,530,486	236,872		3,767,358	1,873,075	55,966		1,929,041
Other Fixed Charges	7,692,813	1,930		7,694,743	6,000,460	22,117		6,022,577
Capital Outlay	6,755,322	77,678	15,233,184	22,066,184	11,936,598	97,944	10,099,867	22,134,409
Grants, State Aid, and Subsidies (Exhibit N-6)	606,708,444	11,501,085		618,209,529	531,949,343	17,416,522		549,365,865
Expenditures to Other State Agencies (Note 12)	300,000			300,000				
Other Expenditures	14,143,350	93,662		14,237,012	15,675,865	93,674		15,769,539
Total Expenditures	1,595,397,669	12,808,741	15,233,184	1,623,439,594	1,441,273,387	19,834,589	10,099,867	1,471,207,843
Excess of Revenues Over (Under) Expenditures	(822,453,991)	(10,484,960)	(2,931,937)	(835,870,888)	(803,475,141)	(17,218,474)	(2,821,595)	(823,515,210)
OTHER FINANCING SOURCES (USES)								
State Appropriations	743,965,627			743,965,627	739,124,784			739,124,784
Transfers In	229,475,411	10,154,643	53,700	239,683,754	207,357,488	10,099,740	492,867	217,950,095
Transfers Out	(169,390,777)	(261,916)	(535,010)	(170,187,703)	(182,188,930)	(192,320)	(1,165,734)	(183,546,984)
Transfers from State Reserve Fund	15,260,133			15,260,133	54,353,535			54,353,535
Transfers to State Reserve Fund	(9,324,876)			(9,324,876)	(15,260,133)			(15,260,133)
Other	63,246	131		63,377	114,326	1,234		115,560
Total Other Financing Sources	810,048,764	9,892,858	(481,310)	819,460,312	803,501,070	9,908,654	(672,867)	812,736,857
Net Change in Fund Balances	(12,405,227)	(592,102)	(3,413,247)	(16,410,576)	25,929	(7,309,820)	(3,494,462)	(10,778,353)
Fund Balances - Beginning of Year	24,108,816	58,189,343	5,723,988	88,022,147	24,082,887	65,499,163	9,218,450	98,800,500
Fund Balances - End of Year	\$ 11,703,589	\$ 57,597,241	\$ 2,310,741	\$ 71,611,571	\$ 24,108,816	\$ 58,189,343	\$ 5,723,988	\$ 88,022,147

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



NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization** - The North Carolina Department of 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 *Annual Comprehensive 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 - This division provides overall support to the Department including, but not limited to, the following offices: controller, budget and analysis, general counsel, human resources, internal audit, privacy and security, procurement, property and construction, and communications. In addition, the division serves as the repository for any excess federal funds held by the Department that are due back to the federal government at the end of the fiscal year.

Health Benefits - This division was created per House Bill 372 [Session Law 2015-245 Section 10] to implement the reform of the State's current Medicaid and Health Choice programs and has supplanted and replaced the former Division of Medical Assistance. This division administers and manages the State's Medicaid and Health Choice programs. Medicaid is a health insurance program for low-income individuals and families who cannot afford health care costs. Health Choice provides funding to extend health care coverage to low-income children not eligible for Medicaid.

Child Development and Early Education (Child Development) - This division implements quality standards for childcare and increases access to families and their children across the state. The division also includes any remaining activity of the Office of Educational Services.

Health Service Regulation - This division provides regulatory oversight and remedial activities to assure state licensed and federally certified providers maintain compliance with state and federal laws governing the quality of health care rendered to recipients.

Public Health - This division promotes disease prevention and health services and administers programs that protect communities from communicable diseases, epidemics, and contaminated food and water.

Ageing and Adult Services (Ageing) - This division serves as an advocate for older adults and people with disabilities and their families, as well as residents in long-term care facilities.

Services for the Blind/Deaf and Hard of Hearing (Blind/Deaf Services) - This division provides assistance for people who are visually impaired, blind, deaf, hard of hearing, or deaf-blind. The services provided include

training, employment, community services, independent living skills, medical, and technology.

Vocational Rehabilitation - This division provides counseling, training, education, transportation, job placement, assistive technology, and other support services to people with disabilities. The division also includes the disability determination activity.

Social Services - This division provides guidance and technical assistance to agencies that provide direct services related to poverty, family violence, and exploitation of vulnerable individuals, children, and their families.

Mental Health/Developmental Disabilities and Substance Abuse Services (Mental Health) - This division provides support for individuals with intellectual and/or developmental disabilities and treatment for individuals with mental illness and substance abuse disorders. The division 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 *Annual Comprehensive 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 *Annual Comprehensive 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 for government entities. The financial statements are prepared according to GAAP as follows:

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

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

Special Revenue Funds - These 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. The majority of the activity represents Disability Determination Services for Social Security and Medicaid disability claims and the Dual Party Relay System which helps hearing or speech-impaired individuals communicate via telephone.

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

- 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. Expenditures are recorded when a liability is incurred, except for compensated absences and workers' compensation, which are recognized as expenditures when payment is due. Pension and other postemployment benefit (OPEB) contributions to cost-sharing plans are recognized as expenditures in the period to which the payment relates, even if the payment is not due until the subsequent period.

Because capital asset and long-term liability accounts relating to governmental funds are reported only at the statewide level, these amounts are not included in the Department's financial statements.

However, these amounts are reported in the Department's 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, deferred inflows of resources and the disclosures and contingencies at the date of the financial statements and revenues and expenditures recognized during the reporting period. Actual results could differ from those estimates. Should actual results differ from those estimates, changes will flow through the financial statements during the year of change and will be disclosed, if material.

- E. Cash and Cash Equivalents** - This classification includes deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty. The Department's equity position in the STIF is recorded at fair value. Additional information regarding the fair value measurement of deposits held by the State Treasurer in the STIF is disclosed in Note 3.
- F. Receivables** - Accounts receivable represents amounts that have arisen during the ordinary course of business and are recorded net of estimated uncollectable 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 payors, 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 payor.

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

- G. Payables** - Accounts payable includes amounts due to individuals, companies, and third-party providers in connection with the ordinary course of business.

Intergovernmental payables include amounts due to the federal government, and state and local governments in connection with the ordinary course of business.

- H. Due from Other Funds and Due to Other State Agencies and Funds** - Activities between the Department's funds or State agencies are composed of amounts due from or to other funds of the Department or State agencies. All amounts are considered collectible and therefore, no allowance for doubtful accounts is recorded.
- I. Inventories** - Inventories, consisting of medical supplies, pharmaceuticals, and other general supplies, are valued at cost using the first-in, first-out method. Inventories are recorded as expenditures when consumed rather than when purchased.
- J. Deferred Outflows/Inflows of Resources** - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.
- 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 - 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 - 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 - Committed fund balances can only be used for specific purposes pursuant to constraints imposed by formal action of the North Carolina General Assembly, the State's highest level of decision-making authority. The North Carolina General Assembly establishes commitments through the passage of legislation that becomes State law. Commitments may be changed or lifted only by taking the same formal action that imposed the constraint originally.

Assigned Fund Balances - Assigned fund balances are constrained by the 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 to the State Budget Director at OSBM.

Unassigned Fund Balances - Unassigned fund balances are 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 amounts that the Department obtains from or transfers to other agencies, institutions, or entities within the State of North Carolina. These transfers are not considered other financing sources or uses per GAAP, nor are they considered interfund transfers. These revenues and expenditures represent nonexchange transactions and are eliminated at the statewide reporting level in the State's *Annual Comprehensive Financial Report*.

M. Patient Service Revenue - For the Division of Mental Health, patient service revenue 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 year-end and deducted from gross patient service revenue to report 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 Balances for the Division of Mental Health. The Division of Health Benefits, 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 Health Benefits, respectively, in the accompanying Statement of Revenues, Expenditures, and Changes in Fund Balances for the Division of Mental Health. To the extent that revenues from these programs are used to satisfy patient service charges, the Department has presented a deduction

to patient service revenue. See Note 10 for further information regarding the revenue and deductions.

- N. Food and Nutrition Services** - In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the Department recognizes distributions of food and nutrition services benefits (food stamp benefits) as revenues and expenditures in the Division of Social Services' General Fund. Revenues and expenditures are recognized based on the fair market value at the time the benefits are distributed to the individual recipients. Benefits are distributed in electronic form, thus distribution takes place when the individual recipients use the benefits.
- O. Transfers from/to State Reserve Fund** - These transfers are for funds obligated in the current year, but not spent at year-end, that will be carried forward to the next fiscal year. The Department must obtain authorization from the Office of State Budget and Management (OSBM) to carry forward funds. At year-end, these funds are transferred to the State Reserve Fund and held by the North Carolina Office of the State Controller until approval is granted from OSBM to return the funds to the Department in the next fiscal year.

NOTE 2 - DEPOSITS

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

At June 30, 2021 and 2020, the Balance Sheet reported cash and cash equivalents of \$379,931,911 and \$518,871,904, respectively, which represent the Department's equity positions in the State Treasurer's Short-Term Investment portfolio (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any formal oversight other than that of the legislative body and does not have a credit rating) had a weighted average maturity of 1.3 years as of June 30, 2021 and 2020. Assets and shares of the STIF are valued at fair value.

Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the North Carolina Department of State Treasurer Investment Programs' separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or

can be accessed from the Department of State Treasurer’s website at <https://www.nctreasurer.com/> in the Audited Financial Statements section.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

Short-Term Investment Fund - At June 30, 2021 and 2020, cash and cash equivalents valued at \$379,931,911 and \$518,871,904, respectively, were held in the STIF. Ownership interests of the STIF are determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB 72. The Department’s position in the pool is measured and reported at fair value and the STIF is not required to be categorized within the fair value hierarchy.

NOTE 4 - RECEIVABLES

Accounts receivable at June 30, 2021 were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Governmental Funds:			
Accounts Receivable			
Health Benefits	\$ 355,891,708	\$ 222,184,550	\$ 133,707,158
Child Development	5,772,926	29,920	5,743,006
Health Services Regulation	7,494,362	3,496,157	3,998,205
Public Health	12,307,577	1,450,900	10,856,677
Blind/Deaf Services	427,883	8,937	418,946
Social Services	110,006,703	104,664,573	5,342,130
Mental Health	273,149,574	242,319,703	30,829,871
Central Admin	105,552	73,038	32,514
Vocational Rehab	99,177	18,678	80,499
Total Accounts Receivable	\$ 765,255,462	\$ 574,246,456	\$ 191,009,006

Accounts receivable at June 30, 2020 were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Governmental Funds:			
Accounts Receivable			
Health Benefits	\$ 192,393,366	\$ 126,716,280	\$ 65,677,086
Child Development	4,139,092	24,068	4,115,024
Health Services Regulation	3,369,346	2,130,942	1,238,404
Public Health	10,039,204	1,129,769	8,909,435
Blind/Deaf Services	312,031	5,662	306,369
Social Services	57,527,853	49,473,983	8,053,870
Mental Health	221,268,641	187,831,014	33,437,627
Central Admin	92,543	75,196	17,347
Vocational Rehab	48,724	13,028	35,696
Total Accounts Receivable	\$ 489,190,800	\$ 367,399,942	\$ 121,790,858

For the Division of Health Benefits, accounts receivable primarily consists of cost settlement, bed assessments, drug rebates, and provider overpayments. For the Division of Mental Health, accounts receivable primarily consists of patient services including reimbursements from Medicaid, Medicare, commercial insurance carriers, and managed care organizations.

Intergovernmental receivables at June 30, 2021 were as follows:

	Amount
Intergovernmental Receivables:	
Due from Federal Agencies:	
Department of Health and Human Services	\$ 1,019,350,427
Department of Agriculture	21,928,553
Department of Education	5,253,678
Social Security Administration	3,152,207
Other	1,030,736
Due from County and Local Agencies	<u>1,022,846</u>
Total Intergovernmental Receivables	<u>\$ 1,051,738,447</u>

Intergovernmental receivables at June 30, 2020 were as follows:

	Amount
Intergovernmental Receivables:	
Due from Federal Agencies:	
Department of Health and Human Services	\$ 1,016,631,595
Department of Agriculture	29,464,510
Department of Education	8,902,946
Social Security Administration	4,133,510
Other	747,242
Due from County and Local Agencies	<u>1,800,650</u>
Total Intergovernmental Receivables	<u>\$ 1,061,680,453</u>

NOTE 5 - 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 acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. The value of assets constructed includes all material direct and indirect construction costs that are incurred as a result of the construction. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

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

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

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

A summary of changes in capital assets for the year ended June 30, 2021 is presented as follows:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital Assets, Nondepreciable:				
Land	\$ 1,105,552	\$ 0	\$ 0	\$ 1,105,552
Construction in Progress	13,840,889	14,502,312	14,383,202	13,959,999
Computer Software in Development	705,496,962	87,273,855	5,226,424	787,544,393
Total Capital Assets, Nondepreciable	720,443,403	101,776,167	19,609,626	802,609,944
Capital Assets, Depreciable:				
Buildings	767,404,212	12,614,375	261,060	779,757,527
Machinery and Equipment	168,486,940	10,076,281	2,355,445	176,207,776
General Infrastructure	96,374,370	960,874	150,879	97,184,365
Computer Software	298,927,394			298,927,394
Total Capital Assets, Depreciable	1,331,192,916	23,651,530	2,767,384	1,352,077,062
Less Accumulated Depreciation/Amortization for:				
Buildings	179,634,624	13,729,706	73,468	193,290,862
Machinery and Equipment	72,584,189	8,297,826	1,646,361	79,235,654
General Infrastructure	32,509,583	2,043,429	73,524	34,479,488
Computer Software	71,547,936	11,957,096		83,505,032
Total Accumulated Depreciation/Amortization	356,276,332	36,028,057	1,793,353	390,511,036
Total Capital Assets, Depreciable, Net	974,916,584	(12,376,527)	974,031	961,566,026
Capital Assets, Net	\$ 1,695,359,987	\$ 89,399,640	\$ 20,583,657	\$ 1,764,175,970

NOTES TO THE FINANCIAL STATEMENTS

A summary of changes in capital assets for the year ended June 30, 2020 is presented as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Capital Assets, Nondepreciable:				
Land	\$ 1,105,552	\$ 0	\$ 0	\$ 1,105,552
Construction in Progress	179,703,975	6,410,334	172,273,420	13,840,889
Computer Software in Development	632,329,267	73,167,695		705,496,962
Total Capital Assets, Nondepreciable	813,138,794	79,578,029	172,273,420	720,443,403
Capital Assets, Depreciable:				
Buildings	605,934,250	170,056,114	8,586,152	767,404,212
Machinery and Equipment	159,495,183	14,004,949	5,013,192	168,486,940
General Infrastructure	90,658,319	7,028,425	1,312,374	96,374,370
Computer Software	298,927,394			298,927,394
Total Capital Assets, Depreciable	1,155,015,146	191,089,488	14,911,718	1,331,192,916
Less Accumulated Depreciation/Amortization for:				
Buildings	175,521,676	12,043,354	7,930,406	179,634,624
Machinery and Equipment	68,332,784	8,208,738	3,957,333	72,584,189
General Infrastructure	31,854,773	1,967,184	1,312,374	32,509,583
Computer Software	59,590,840	11,957,096		71,547,936
Total Accumulated Depreciation/Amortization	335,300,073	34,176,372	13,200,113	356,276,332
Total Capital Assets, Depreciable, Net	819,715,073	156,913,116	1,711,605	974,916,584
Capital Assets, Net	\$ 1,632,853,867	\$ 236,491,145	\$ 173,985,025	\$ 1,695,359,987

NOTE 6 - INTERGOVERNMENTAL PAYABLES

Intergovernmental payables include amounts due to federal agencies and North Carolina counties, primarily for administration of Department programs.

Intergovernmental payables at June 30, 2021 were as follows:

	Amount
Intergovernmental Payables:	
Due to Federal Agencies:	
Department of Health and Human Services	\$ 258,220,601
Department of Agriculture	10,325,230
Department of Education	1,354,923
Social Security Administration	812,954
Other	352,154
Due to Local Governments	123,234,934
Total Intergovernmental Payables	\$ 394,300,796

Intergovernmental payables at June 30, 2020 were as follows:

	<u>Amount</u>
Intergovernmental Payables:	
Due to Federal Agencies:	
Department of Health and Human Services	\$ 228,348,833
Department of Agriculture	6,357,666
Department of Education	1,921,021
Social Security Administration	891,903
Other	186,672
Due to Local Governments	<u>93,487,912</u>
Total Intergovernmental Payables	<u>\$ 331,194,007</u>

NOTE 7 - MEDICAL CLAIMS PAYABLE

The Department annually estimates medical claims payable which represents amounts owed to providers for medical services incurred by Medicaid recipients in the current fiscal year but not yet submitted for reimbursement as of June 30. This liability is also known as Incurred But Not Reported (IBNR).

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 74% and 71% as of June 30, 2021 and 2020, respectively, reimbursed by the U.S. Department of Health and Human Services, the Centers for Medicare and Medicaid Services.

NOTE 8 - 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, net other postemployment benefits (OPEB) liability, workers' compensation, 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 2020 and 2019 *Comprehensive Annual Financial Report*. This liability represents the Department's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 14, Pension Plans, for further information regarding the Department's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

B. Net Other Postemployment Benefits (OPEB) Liability - The net OPEB liability represents the Department's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2020 and 2019

Comprehensive Annual Financial Report. This liability represents the Department's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund. See Note 15 for further information regarding the Department's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

- C. 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 year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

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

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

A summary of changes in long-term liabilities as of June 30, 2021 is presented as follows:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Current Portion
Compensated Absences	\$ 122,868,962	\$ 63,332,628	\$ 61,774,807	\$ 124,426,783	\$ 11,372,612
Net Pension Liability	502,501,956	88,492,552		590,994,508	
Net Other Postemployment Benefits Liability	1,319,717,007		162,734,962	1,156,982,045	
Workers' Compensation Liability	115,696,685	16,675,860	11,968,519	120,404,026	20,000,000
Total Long-Term Liabilities	\$ 2,060,784,610	\$ 168,501,040	\$ 236,478,288	\$ 1,992,807,362	\$ 31,372,612

Additional information regarding the net pension liability is included in Note 14.

Additional information regarding the net other postemployment benefits liability is included in Note 15.

Additional information regarding the workers' compensation liability is included in Note 16.

A summary of changes in long-term liabilities as of June 30, 2020 is presented as follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Current Portion
Compensated Absences	\$ 106,597,650	\$ 78,922,363	\$ 62,651,051	\$ 122,868,962	\$ 9,276,609
Net Pension Liability	483,530,405	18,971,551		502,501,956	
Net Other Postemployment Benefits Liability	1,184,894,835	134,822,172		1,319,717,007	
Workers' Compensation Liability	124,353,231	1,614,024	10,270,570	115,696,685	20,000,000
Total Long-Term Liabilities	\$ 1,899,376,121	\$ 234,330,110	\$ 72,921,621	\$ 2,060,784,610	\$ 29,276,609

Additional information regarding the net pension liability is included in Note 14.

Additional information regarding the net other postemployment benefits liability is included in Note 15.

Additional information regarding the workers' compensation liability is included in Note 16.

NOTE 9 - OPERATING LEASE OBLIGATIONS

The Department entered into operating leases for office space, communications, computers, and other equipment.

Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2021:

Fiscal Year	Amount
2022	\$ 16,756,959
2023	14,591,995
2024	11,361,895
2025	8,034,170
2026	3,514,352
2027-2031	2,597,486
Total Minimum Lease Payments	\$ 56,856,857

Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2020:

Fiscal Year	Amount
2021	\$ 15,694,958
2022	14,544,301
2023	11,923,789
2024	8,853,910
2025	5,905,404
2026-2030	1,998,573
Total Minimum Lease Payments	\$ 58,920,935

Rental expense for all operating leases during the years ended June 30, 2021 and 2020 was \$20,168,591 and \$19,440,682, respectively.

NOTE 10 - 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 Health Benefits receives the Medicaid reimbursements and transfers the funds to the Division of Mental Health. Such Medicaid funding is eliminated at the Division of Health Benefits 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.

The majority of patients are enrolled with one of the managed care organizations (MCO). The MCOs receive Medicaid funding through the Division of Health Benefits based on the number of patients enrolled. The MCOs reimburse the Facilities for patient services. Such Medicaid funding is eliminated at the Division of Health Benefits 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 for the year ended June 30, 2021 is presented as follows:

	<u>Amount</u>
Gross Patient Service Revenue	\$ 878,777,579
Deduct:	
Contractual Adjustments:	
Contractual Allowances	35,645,005
Disproportionate Share Hospital	(155,456,579)
Bad Debt	313,292,585
Third Party Reimbursement Programs:	
Federal Funds - State Medicaid Program	215,189,147
Federal Funds - Managed Care Organizations	256,809,786
Transfers - Non-Federal Share from DHB	169,303,965
Net Patient Service Revenue	<u><u>\$ 43,993,670</u></u>

A summary of the Division of Mental Health's net patient service revenue for the year ended June 30, 2020 is presented as follows:

	<u>Amount</u>
Gross Patient Service Revenue	\$ 845,794,753
Deduct:	
Contractual Adjustments:	
Contractual Allowances	23,657,576
Disproportionate Share Hospital	(166,835,122)
Bad Debt	340,627,828
Third Party Reimbursement Programs:	
Federal Funds - State Medicaid Program	210,441,850
Federal Funds - Managed Care Organizations	231,710,174
Transfers - Non-Federal Share from DHB	161,633,343
Net Patient Service Revenue	<u><u>\$ 44,559,104</u></u>

NOTE 11 - FEES, LICENSES, AND FINES REVENUES

Fees, licenses, and fines for the fiscal year ended June 30, 2021 were as follows:

	Health Benefits	Child Development	Health Service Regulation	Public Health	Blind/Deaf Services	Mental Health	Other Divisions	Total
Business License Fees	\$ 0	\$ 1,085,579	\$ 10,278,851	\$ 4,790,153	\$ 0	\$ 620,960	\$ 0	\$ 16,775,543
Non-Business Permit License Fees				2,410,253			345,763	2,756,016
Certification Fees			82,801	478,050				560,851
Inspection and Examination Fees				2,470,683				2,470,683
Fines, Penalties, and Assessment Fees	479,413		3,114,693	229,430		7		3,823,543
Registration Fees		165,739	9,777	2,100				177,616
Other Licenses, Fees, and Permits		829,325	4,645,690	14,896,534	2,868,649	1,385		23,241,583
Cost Recoveries	108,924,718							108,924,718
Intermediate Care Facility Assessments	19,407,954							19,407,954
Provider Enrollment Fees	1,713,729							1,713,729
Miscellaneous		52,239	8,108				982,405	1,042,752
Civil Fines and Penalties - Transfers			(667,058)	(121,716)		(722)		(789,496)
Total Fees, Licenses, and Fines	<u><u>\$ 130,525,814</u></u>	<u><u>\$ 2,132,882</u></u>	<u><u>\$ 17,472,862</u></u>	<u><u>\$ 25,155,487</u></u>	<u><u>\$ 2,868,649</u></u>	<u><u>\$ 621,630</u></u>	<u><u>\$ 1,328,168</u></u>	<u><u>\$ 180,105,492</u></u>

NOTES TO THE FINANCIAL STATEMENTS

Fees, licenses, and fines for the fiscal year ended June 30, 2020 were as follows:

	Health Benefits	Child Development	Health Service Regulation	Public Health	Blind/Deaf Services	Mental Health	Other Divisions	Total
Business License Fees	\$ 0	\$ 1,089,009	\$ 10,280,115	\$ 4,840,954	\$ 0	\$ 570,730	\$ 0	\$ 16,780,808
Non-Business Permit License Fees				2,610,478			323,180	2,933,658
Certification Fees			100,595	493,265				593,860
Inspection and Examination Fees				2,811,062				2,811,062
Fines, Penalties, and Assessment Fees	513,378	3,000	5,994,249	223,128		20		6,733,775
Registration Fees		78,515	108,300	5,430			12,786	205,031
Other Licenses, Fees, and Permits		1,075,812	3,932,442	15,856,189	2,293,087	965		23,158,495
Cost Recoveries	125,816,151							125,816,151
Intermediate Care Facility Assessments	21,718,254							21,718,254
Provider Enrollment Fees	1,966,224							1,966,224
Miscellaneous		63,256	7,386				954,484	1,025,126
Civil Fines and Penalties - Transfers		(2,500)	(885,003)	(183,959)		(336)		(1,071,798)
Total Fees, Licenses, and Fines	\$ 150,014,007	\$ 2,307,092	\$ 19,538,084	\$ 26,656,547	\$ 2,293,087	\$ 571,379	\$ 1,290,450	\$ 202,670,646

NOTE 12 - REVENUES AND EXPENDITURES FROM/TO OTHER STATE AGENCIES

The revenues and expenditures from/to other state agencies by entity for the fiscal year ended June 30, 2021 are as follows:

Revenues from Other State Agencies

Other State Agencies	Central Administration	Child Development	Blind/ Deaf Services	Health Benefits	Social Services	Mental Health	Other Divisions	Total
Office of State Budget and Management	\$ 177,005,176	\$ 69,000,000	\$ 0	\$ 49,917,970	\$ 45,859,421	\$ 128,580,634	\$ 19,725,282	\$ 490,088,483
Department of Public Safety	2,500,000					291,661	335,911	3,127,572
Department of Transportation					18,060		581,675	599,735
Administrative Office of the Courts							596,809	596,809
Department of Information Technology			7,631,234					7,631,234
Department of Public Instruction						3,098,061		3,098,061
NC Education Lottery		78,252,110				1,000,000		79,252,110
Total Revenues from Other State Agencies	\$ 179,505,176	\$ 147,252,110	\$ 7,631,234	\$ 49,917,970	\$ 45,877,481	\$ 132,970,356	\$ 21,239,677	\$ 584,394,004

Expenditures to Other State Agencies

Other State Agencies	Central Administration	Health Service Regulation	Health Benefits	Social Services	Mental Health	Total
Office of State Budget and Management	\$ 0	\$ 3,526,207	\$ 177,606,045	\$ 0	\$ 0	\$ 181,132,252
Department of Public Safety	2,500,000					2,500,000
Department of Transportation				5,000,000		5,000,000
Department of Insurance	750,000		2,175,090			2,925,090
Department of Information Technology			6,156,052			6,156,052
Department of Public Instruction			30,072,656		300,000	30,372,656
NC Education Lottery	4,000,000					4,000,000
Total Expenditures to Other State Agencies	\$ 7,250,000	\$ 3,526,207	\$ 216,009,843	\$ 5,000,000	\$ 300,000	\$ 232,086,050

The revenues and expenditures from/to other state agencies by entity for the fiscal year ended June 30, 2020 are as follows:

Revenues from Other State Agencies

Other State Agencies	Central Administration	Child Development	Health Service Regulation	Public Health	Blind/Deaf Services	Social Services	Mental Health	Total
Office of State Budget and Management	\$ 8,132,295	\$ 0	\$ 0	\$ 210,062	\$ 0	\$ 19,679,025	\$ 7,278,272	\$ 35,299,654
Department of Public Safety	4,697,459							4,697,459
Department of Transportation			335,911	581,675		17,040		934,626
Administrative Office of the Courts				555,669				555,669
Department of Information Technology	26,995	25,000			8,169,583			8,221,578
Department of Public Instruction							3,058,240	3,058,240
NC Central University				25,234			9,689	34,923
NC Education Lottery		78,252,110					1,000,000	79,252,110
Total Revenues from Other State Agencies	\$ 12,856,749	\$ 78,277,110	\$ 335,911	\$ 1,372,640	\$ 8,169,583	\$ 19,696,065	\$ 11,346,201	\$ 132,054,259

Expenditures to Other State Agencies

Other State Agencies	Central Administration	Health Benefits	Child Development	Health Service Regulation	Blind/Deaf Services	Vocational Rehabilitation	Total
Office of State Controller (State General Fund)	\$ 0	\$ 165,300,000	\$ 0	\$ 3,288,074	\$ 0	\$ 0	\$ 168,588,074
Department of Commerce					19,008	79,992	99,000
Department of Information Technology		5,226,056					5,226,056
Department of Administration	1,800						1,800
Department of Public Instruction		30,500,944	86,498				30,587,442
Total Expenditures to Other State Agencies	\$ 1,800	\$ 201,027,000	\$ 86,498	\$ 3,288,074	\$ 19,008	\$ 79,992	\$ 204,502,372

NOTE 13 - INTERFUND TRANSFERS

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

Transfers Out	Transfers In			Total
	General Fund	Special Revenue Funds	Capital Projects Fund	
General Fund	\$ 632,419,218	\$ 0	\$ 0	\$ 632,419,218
Special Revenue Funds	1,367,583	13,528,165		14,895,748
Capital Projects Fund			588,710	588,710
Total	\$ 633,786,801	\$ 13,528,165	\$ 588,710	\$ 647,903,676

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

Transfers Out	Transfers In			Total
	General Fund	Special Revenue Funds	Capital Projects Fund	
General Fund	\$ 456,753,468	\$ 13,414,409	\$ 0	\$ 470,167,877
Special Revenue Funds	14,482,874	99,740		14,582,614
Capital Projects Fund			1,239,946	1,239,946
Total	\$ 471,236,342	\$ 13,514,149	\$ 1,239,946	\$ 485,990,437

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 for June 30, 2021 and 2020 were \$632,419,218 and \$456,753,468, respectively, for the General Fund, \$13,528,165 and \$99,740, respectively, for Special Revenue Funds, and \$588,710 and \$1,239,946, respectively, for Capital Projects Fund. 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.

NOTE 14 - PENSION PLANS**Defined Benefit Plan**

Pension contributions to cost sharing plans are recognized as expenditures in the period to which the payment relates, even if payment is not due until the subsequent period. Consequently, the net pension liability, discussed in Note 8 to the financial statements, is not reported on the face of the governmental funds' financial statements.

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

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of membership service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of membership service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also

have either completed 20 years of creditable service regardless of age, or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases.

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

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The Department's contractually-required contribution rate for the years ended June 30, 2021 and 2020 was 14.78% and 12.97%, respectively, of covered payroll. Employee contributions to the pension plan were \$55,156,880 and \$52,107,330, and the Department's contributions were \$135,869,782 and \$112,638,679 for the years ended June 30, 2021 and 2020, respectively.

The TSERS plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2020 and 2019 *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

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

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

Net Pension Liability: At June 30, 2021 and 2020, the Department reported a liability of \$590,994,508 and \$502,501,956, respectively, for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2020 and 2019. The total pension liability used to calculate the net pension liability was determined by actuarial valuations as of December 31, 2019 and 2018, and update procedures were used to roll forward the total pension liability to June 30, 2020 and 2019. The Department's proportion of the net pension liability was based on the present value of future salaries for the Department relative to the present value of future salaries for all participating employers, actuarially-determined.

As of June 30, 2020, the Department's proportion was 4.89%, which was an increase of 0.04 from its proportion measured as of June 30, 2019, which was 4.85%. The Department's proportion as of June 30, 2019 was a decrease of 0.01 from its proportion measured as of June 30, 2018, which was 4.86%.

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

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

* Salary increases include 3.5% inflation and productivity factor.

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

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 and 2019 (the valuation dates) are summarized in the following table:

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

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

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

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

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

Net Pension Liability		
1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
\$ 1,063,651,312	\$ 590,994,508	\$ 194,533,262

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

Net Pension Liability		
1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
\$ 956,401,006	\$ 502,501,956	\$ 121,738,499

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2021, the Department's proportionate share of the collective pension expense was \$182,501,336. At June 30, 2021, the Department's proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 32,566,975	\$ 0
Changes of Assumptions	20,027,147	
Net Difference Between Projected and Actual Earnings on Plan Investments	65,357,934	
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	20,050,892	
Contributions Subsequent to the Measurement Date	135,869,782	
Total	\$ 273,872,730	\$ 0

For the year ended June 30, 2020, the Department's proportionate share of the collective pension expense was \$188,940,290. At June 30, 2020, the Department's proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Actual and Expected Experience	\$ 42,033,709	\$ 1,005,978
Changes of Assumptions	53,543,558	
Net Difference Between Projected and Actual Earnings on Plan Investments	9,632,256	
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	15,299,866	30,916
Contributions Subsequent to the Measurement Date	<u>112,638,679</u>	
Total	<u>\$ 233,148,068</u>	<u>\$ 1,036,894</u>

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

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

<u>Year Ending June 30:</u>	<u>Amount</u>
2022	\$ 50,186,689
2023	38,203,176
2024	30,142,395
2025	<u>19,470,688</u>
Total	<u>\$ 138,002,948</u>

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS

Other postemployment benefit (OPEB) contributions to cost sharing plans are recognized as expenditures in the period to which the payment relates, even if payment is not due until the subsequent period. Consequently, the net OPEB liability, discussed in Note 8 to the financial statements, or asset is not reported on the face of the fund financial statements.

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

A. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: The financial statements of these plans were prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of each plan, and additions to/deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by the plans.

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

B. Plan Descriptions

1. Health Benefits

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

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

By statute, RHBF is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System (TSERS). RHBF is supported by a percent of payroll contributions from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the Plan. The State Treasurer, with the approval of the Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the Plan.

Benefits Provided: Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 16. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan options or the self-funded Traditional 70/30 Preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of TSERS, the Consolidated Judicial Retirement System, the Legislative Retirement

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

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

The Plan's and RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3B of the General Statutes, and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions: Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the North Carolina General Assembly in the Appropriations Bill. The Department's contractually-required contribution rate for the years ended June 30, 2021 and 2020 was 6.68% and 6.47%, respectively, of covered payroll. The Department's contributions to the RHBF were \$61,407,993 and \$56,189,071 for the years ended June 30, 2021 and 2020, respectively.

In fiscal year 2020, the State Health Plan (the Plan) transferred \$475.2 million to RHBF as a result of cost savings to the Plan over a span of six years. For financial reporting purposes, the transfer was considered to be a nonemployer contributing entity contribution and was allocated among RHBF employers. For the fiscal year ended June 30, 2021, the contribution allocated to the Department was \$19,819,070.

2. Disability Income

Plan Administration: As discussed in Note 16, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer, defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units, and LEAs which are not part of the reporting entity, and the University Employees' ORP. By statute, DIPNC is administered by the Department of State Treasurer and the Board of Trustees of TSERS.

Benefits Provided: Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or the ORP, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing five years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

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

primary Social Security disability benefit to which the participant or beneficiary might be entitled had Social Security disability benefits been awarded. When an employee qualifies for an unreduced service retirement allowance from TSERS, the benefits payable from DIPNC will cease, and the employee will commence retirement under TSERS or the ORP.

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

Contributions: Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the North Carolina General Assembly and coincide with the State's fiscal year. The Department's contractually-required contribution rate for the years ended June 30, 2021 and 2020 was 0.09% and 0.10%, respectively, of covered payroll. The Department's contributions to DIPNC were \$827,353 and \$868,456 for the years ended June 30, 2021 and 2020, respectively.

C. Net OPEB Liability (Asset)

Net OPEB Liability: At June 30, 2021 and 2020, the Department reported a liability of \$1,156,982,045 and \$1,319,717,007, respectively, for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2020 and 2019. The total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuations as of December 31, 2019 and 2018, and update procedures were used to roll forward the total OPEB liability to June 30, 2020 and 2019. The Department's proportion of the net OPEB liability was based on the present value of future salaries for the Department relative to the present value of future salaries for all participating employers, actuarially-determined.

As of June 30, 2020, the Department's proportion was 4.17%, which was the same as its proportion measured as of June 30, 2019. The Department's proportion as of June 30, 2019 was an increase of 0.01 from its proportion measured as of June 30, 2018, which was 4.16%.

Net OPEB Asset: At June 30, 2021 and 2020, the Department reported an asset of \$2,071,422 and \$1,808,274, respectively, for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2020 and 2019. The total OPEB liability used

to calculate the net OPEB asset was determined by actuarial valuations as of December 31, 2019 and 2018, and update procedures were used to roll forward the total OPEB liability to June 30, 2020 and 2019. The Department's proportion of the net OPEB asset was based on the present value of future salaries for the Department relative to the present value of future salaries for all participating employers, actuarially-determined.

As of June 30, 2020, the Department's proportion was 4.21%, which was an increase of 0.02 from its proportion measured as of June 30, 2019, which was 4.19%. The Department's proportion as of June 30, 2018 was also 4.19%.

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

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

* Salary increases include 3.5% inflation and productivity factor.

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

N/A - Not Applicable

	Retiree Health Benefit Fund	Disability Income Plan of N. C.
Valuation Date	12/31/2018	12/31/2018
Inflation	3.00%	3.00%
Salary Increases*	3.50% - 8.10%	3.50% - 8.10%
Investment Rate of Return**	7.00%	3.75%
Healthcare Cost Trend Rate - Medical	6.50% grading down to 5.00% by 2024	6.50% grading down to 5.00% by 2024
Healthcare Cost Trend Rate - Prescription Drug	9.50% grading down to 5.00% by 2028	9.50% grading down to 5.00% by 2028
Healthcare Cost Trend Rate - Medicare Advantage	6.50% grading down to 5.00% by 2024	N/A
Healthcare Cost Trend Rate - Administrative	3.00%	N/A

* Salary increases include 3.5% inflation and productivity factor.

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

N/A - Not Applicable

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

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

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

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

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

Actuarial valuations of the plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

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

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

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

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

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

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

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

		<u>Net OPEB Liability (Asset)</u>		
		<u>1% Decrease (1.21%)</u>	<u>Current Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
RHBF	\$	1,372,107,592	\$ 1,156,982,045	\$ 983,662,719
		<u>1% Decrease (2.75%)</u>	<u>Current Discount Rate (3.75%)</u>	<u>1% Increase (4.75%)</u>
DIPNC	\$	(1,788,966)	\$ (2,071,422)	\$ (2,345,666)

The following presents the Department's proportionate share of the net OPEB liability (asset) of the plans, as well as what the plans' net OPEB liability (asset) would be if it were calculated using a discount rate that is

1-percentage point lower or 1-percentage point higher than the current discount rate for the year ended June 30, 2020:

Net OPEB Liability (Asset)			
	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
RHBF	\$ 1,568,302,531	\$ 1,319,717,007	\$ 1,120,675,732
	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
DIPNC	\$ (1,531,564)	\$ (1,808,274)	\$ (2,077,147)

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

	1% Decrease (Medical - 4 - 5.5%, Pharmacy - 4 - 8.5%, Med. Advantage - 4%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5 - 9.5%, Med. Advantage - 5%, Administrative - 3%)	1% Increase (Medical - 6 - 7.5%, Pharmacy - 6 - 10.5%, Med. Advantage - 6%, Administrative - 4%)
RHBF	\$ 932,736,798	\$ 1,156,982,045	\$ 1,456,716,217
	1% Decrease (Medical - 4% - 5.5%, Pharmacy - 4% - 8.5%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 9.5%, Administrative - 3%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 10.5%, Administrative - 4%)
DIPNC	\$ (2,074,832)	\$ (2,071,422)	\$ (2,068,432)

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

	1% Decrease (Medical - 4 - 5.5%, Pharmacy - 4 - 8.5%, Med. Advantage - 4% - 5.5%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5 - 9.5%, Med. Advantage - 5% to 6.5%, Administrative - 3%)	1% Increase (Medical - 6 - 7.5%, Pharmacy - 6 - 10.5%, Med. Advantage - 6% to 7.5%, Administrative - 4%)
RHBF	\$ 1,086,688,235	\$ 1,319,717,007	\$ 1,626,116,452
	1% Decrease (Medical - 4% - 5.5%, Pharmacy - 4% - 8.5%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 9.5%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 10.5%)
DIPNC	\$ (1,811,459)	\$ (1,808,274)	\$ (1,805,299)

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

<u>OPEB Plan</u>	<u>Amount</u>
RHBF	\$ (15,200,266)
DIPNC	1,696,094
Total OPEB Expense	<u>\$ (13,504,172)</u>

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

<u>OPEB Plan</u>	<u>Amount</u>
RHBF	\$ (3,274,263)
DIPNC	1,855,335
Total OPEB Expense	<u>\$ (1,418,928)</u>

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

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

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
Differences Between Actual and Expected Experience	\$ 1,048,142	\$ 1,500,574	\$ 2,548,716
Changes of Assumptions	50,740,266	161,060	50,901,326
Net Difference Between Projected and Actual Earnings on Plan Investments	2,437,306		2,437,306
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	43,843,958	262,462	44,106,420
Contributions Subsequent to the Measurement Date	61,407,993	827,353	62,235,346
Total	<u>\$ 159,477,665</u>	<u>\$ 2,751,449</u>	<u>\$ 162,229,114</u>

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

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
Differences Between Actual and Expected Experience	\$ 45,262,561	\$ 0	\$ 45,262,561
Changes of Assumptions	469,521,581	163,123	469,684,704
Net Difference Between Projected and Actual Earnings on Plan Investments		350,921	350,921
Total	<u>\$ 514,784,142</u>	<u>\$ 514,044</u>	<u>\$ 515,298,186</u>

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

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

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
Differences Between Actual and Expected Experience	\$ 0	\$ 1,847,289	\$ 1,847,289
Changes of Assumptions	63,431,813	200,314	63,632,127
Net Difference Between Projected and Actual Earnings on Plan Investments	878,827	344,431	1,223,258
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	53,802,819	294,345	54,097,164
Contributions Subsequent to the Measurement Date	<u>56,189,071</u>	<u>868,456</u>	<u>57,057,527</u>
Total	<u>\$ 174,302,530</u>	<u>\$ 3,554,835</u>	<u>\$ 177,857,365</u>

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

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
Differences Between Actual and Expected Experience	\$ 66,530,362	\$ 0	\$ 66,530,362
Changes of Assumptions	<u>396,764,773</u>	<u>185,521</u>	<u>396,950,294</u>
Total	<u>\$ 463,295,135</u>	<u>\$ 185,521</u>	<u>\$ 463,480,656</u>

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

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

Year Ending June 30:	RHBF	DIPNC
2022	\$ (146,457,111)	\$ 463,885
2023	(146,330,063)	322,994
2024	(64,397,008)	179,746
2025	(22,827,981)	270,949
2026	(36,702,307)	45,885
Thereafter	_____	126,593
Total	\$ (416,714,470)	\$ 1,410,052

NOTE 16 - RISK MANAGEMENT

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

A. Employee Benefit Plans

1. State Health Plan

Department employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer and employee contributions. The Plan has contracted with third parties to process claims. See Note 15, Other Postemployment Benefits, for additional information regarding retiree health benefits.

2. Death Benefit Plan of North Carolina

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

3. Disability Income Plan

Short-term and long-term disability benefits are provided to Department employees through the Disability Income Plan of North Carolina (DIPNC), part of the State's Pension and Other Employee Benefit Trust Funds. Short-term benefits are paid by the Department for up to twelve months. The Board of Trustees of the DIPNC may extend the short-term disability benefits for up to an additional twelve months. During the extended period of short-term disability benefits, payments are made directly by the DIPNC to the beneficiary. As discussed in Note 15, long-term disability benefits are payable as other postemployment benefits from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

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

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

2. Public Officers' and Employees' Liability Insurance

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

3. Employee Dishonesty and Computer Fraud

The Department is protected for losses from employee dishonesty and computer fraud. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. The

Department is charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$100,000 deductible.

4. Statewide Workers' Compensation Program

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

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

5. Professional Liability Insurance for State Medical Personnel

Chapter 237, Section 11.33, of the 1999 Session Laws of North Carolina authorized the Department to provide medical liability coverage on behalf of employees licensed to practice medicine or dentistry; all licensed physicians who are faculty members of the University 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 University of North Carolina who are in training at institutions operated by the Department. The extent of coverage is a maximum of \$1,000,000 for each individual incident and does not affect current coverage under the State Tort Claims Act. The Department purchases commercial professional liability insurance for its medical staff. Settled claims have not exceeded coverage in any of the past three fiscal years.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

- A. Federal Grants** - The Department receives significant financial assistance from the federal government in the form of grants and entitlements, which are generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Under the terms of the grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures. Any disallowance as a result of questioned costs could become a liability of the Department. As of June 30, 2021, the Department is unable to estimate what liabilities may result from such audits.

An audit conducted by the United States Department of Health and Human Services Office of Inspector General (OIG) concluded that the Department did not comply with federal and state requirements when making Medicaid claims for school-based Medicaid administrative costs for federal fiscal years 2010 through 2012. The OIG contends that the claims were not in accordance with federal requirements, specifically stating that the Division of Health Benefits (DHB) used statistically invalid random moment time sampling (RMTS) in allocating costs to Medicaid and that DHB did not maintain adequate support to validate its sample results and related extrapolations. In addition, the OIG contends that DHB claimed these costs without proper approval of its Cost Allocation Plan (CAP) by the U.S. Department of Health and Human Services, Division of Cost Allocation (DCA). The DHB's CAP was approved by the Centers for Medicare and Medicaid Services (CMS) prior to its implementation and retroactively approved by the DCA to a date prior to its implementation. Despite approval by CMS and the DCA, the OIG contends that the \$107.5 million (approximately \$53.8 million federal financial participation) the Department claimed in school-based Medicaid administrative costs for federal fiscal years 2010 through 2012 was unallowable. The OIG recommends that the Department: (1) refund approximately \$53.8 million to the Federal Government; (2) revise its implementation plan and amend its CAP to address the statistical validity issues OIG identified and incorporate CMS's sampling documentation requirements; (3) implement policies and procedures to ensure that DHB's RMTS complies with Federal requirements for statistical validity; (4) maintain adequate support, including all information necessary to reproduce and verify its sample results, for school-based administrative costs allocated to Medicaid; (5) promptly submit to DCA for review and approval DHB's future CAP amendments describing its procedures for identifying, measuring, and allocating costs to Medicaid; and (6) review school-based Medicaid administrative costs claimed after the audit period and refund unallowable amounts. The Department strongly disagrees with these findings and conclusions based upon approval of its CAP by both CMS and DCA, as well as flaws in the OIG's analysis of the statistical validity of the RMTS. The CMS has indicated they will seek recovery of the \$53.8 million but a demand letter has not yet been received. The Department will vigorously defend the action or, alternatively, seek a settlement with CMS.

An audit conducted by the OIG concluded that the Department did not comply with federal and state requirements when making Medicaid cost-sharing payments for professional medical services during fiscal years 2012 and 2013. On the basis of their sample results, the OIG estimated that the Department made at least \$63 million in improper Medicaid cost-sharing payments and claimed federal reimbursement for at least \$41.2 million for these payments. The OIG recommended that the Department refund \$41.2 million to the federal government for cost-sharing payments for professional medical services that did not comply with federal and state requirements. The Department disagrees with the findings and recommendation. Once a final determination of the liability is made, the amount will be paid to CMS. The Department received a demand letter for recovery from CMS on December 3, 2020, and is awaiting the CMS disallowance letter to begin the appeal process.

The OIG contends that for the fiscal years 2011-2013, the Division of Health Benefits (DHB) overstated the number of children enrolled in Medicaid, resulting in an overpayment of \$34.8 million in unallowable bonus payments under the Health Insurance Program Reauthorization Act. The DHB had numerous conversations with CMS regarding the calculation of these bonus payments prior to submitting its enrollment numbers to CMS, and the DHB believes the calculation was made consistent with CMS guidance and consistent with the federal law that created the bonus payments. There are a number of other states with similar OIG findings that have expressed disagreement with the OIG's analysis. The CMS issued a disallowance letter in the amount of \$34.8 million based upon OIG's analysis. The Department appealed the disallowance. Other states also appealed, and the matters were consolidated for a decision by the Departmental Appeals Board. The Department was represented by the North Carolina Attorney General's Office in this matter, and also retained outside representation. The Departmental Appeals Board issued its decision finding that CMS had erred in its interpretation of the statute, but also remanded the case to CMS to determine if there were overpayments made. The Department subsequently resubmitted baseline numbers to the CMS for review and is awaiting their response.

The OIG issued a demand letter dated November 19, 2020, for \$15.1 million based on an audit of the Division of Health Benefits reimbursement for non-emergency medical transportation services (NEMT) and compliance with federal and state requirements. The Department disputed these findings due to insufficient time during audit fieldwork to retrieve records from the counties. However, the subsequent efforts to obtain county NEMT documentation were not successful in refuting the findings. The Department intends to seek a repayment plan with CMS.

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

In May 2017, six individual plaintiffs and the plaintiff organization Disability Rights North Carolina (DRNC) filed a suit in Wake County Superior Court (the Court). They assert that the State of NC and the Department have violated the North Carolina Persons with Disabilities Act (the Act) and the State Constitution. The plaintiffs seek an injunction requiring the defendants to administer publicly funded behavioral health programs in compliance with the Act and the NC Constitution. As the plaintiffs do not seek monetary damages, it is hard to put a dollar amount on the litigation. However, if the Court does enter some sort of injunction, the Department anticipates that substantial funds would be needed for implementation of any service or systems modification. The Attorney General's staff attorneys are representing the Department and the State. The Department's motion to dismiss was denied. After the completion of discovery, all parties filed motions for summary judgement. The trial court denied the State's motion for summary judgement and granted Plaintiff's

partial motion for summary judgement by order dated February 4, 2020. The court ruled that the State was in violation of North Carolina General Statute 169A-7(b) of the North Carolina Persons with Disabilities Protection Act. The Department is awaiting further orders with additional specifics. The parties provide the Court with regular updates regarding the case. Most recently, DRNC filed a request with the court for specific relief, including the appointment of a Special Master. The Department is opposing this request.

- C. Commitments** - As of June 30, 2021 and 2020, the Department had commitments of \$6,323,744 and \$14,974,194, respectively, related to construction and improvements of state government facilities, primarily within the Division of Mental Health.
- D. Other Contingencies** - The Civil Rights Division of the United States 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. 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 eight years (2013-2020). In House Bill 950 [Session Law 2012-142 Section 10.23A.(e)], \$10.3 million was appropriated as recurring funds to support the Department 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 2017, the parties agreed to amend the agreement to extend the deadline for compliance to July 1, 2021. In March 2021, the parties agreed that the State had substantially complied with certain requirements of the agreement and the related obligations were discharged as of July 1, 2021. The parties also agreed to further extend the deadline for compliance with the remaining requirements of the agreement to July 1, 2023.

NOTE 18 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

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

GASB Statement No. 84, Fiduciary Activities

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

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

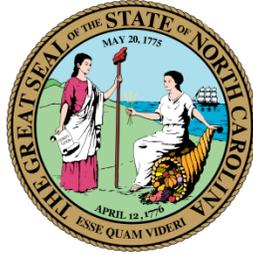
GASB Statement No. 98, The Annual Comprehensive Financial Report

GASB Statement No. 84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for 90-days or less. The Department does not have any trust or custodial funds meeting the criteria of a fiduciary activity that are required to be reported in separate fiduciary fund financial statements.

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

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

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



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
Department
For the Fiscal Years Ended June 30, 2021 and 2020

Exhibit M-1
Page 1 of 2

2021

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Grants	\$ 16,138,100,686	\$ 16,739,899,124	\$ 15,873,145,391	\$ (866,753,733)
Local Grants	1,046,356,260	1,254,722,191	1,216,506,083	(38,216,108)
Local Match and Program Income	10,446,586	11,197,820	9,460,553	(1,737,267)
Sales, Services, and Rentals	87,539,179	74,961,210	44,052,551	(30,908,659)
Rental and Lease of Property	131,982	131,982	153,107	21,125
Fees, Licenses, and Fines	692,627,079	704,137,163	660,103,976	(44,033,187)
Contributions and Donations	(2,443)	169,537	524,266	354,729
Miscellaneous Revenues	131,861,054	133,508,353	125,845,020	(7,663,333)
Total Revenues	18,107,060,383	18,918,727,380	17,929,790,947	(988,936,433)
EXPENDITURES				
Salaries and Benefits	1,340,499,630	1,316,684,195	1,263,802,336	52,881,859
Purchased Services	890,812,154	1,294,852,874	980,149,538	314,703,336
Supplies	79,365,984	145,412,143	95,329,469	50,082,674
Property, Plant, and Equipment	26,872,583	44,992,999	22,973,021	22,019,978
Other Expenditures and Adjustments	23,756,974	39,416,419	38,075,996	1,340,423
Aid and Public Assistance	20,379,286,209	22,262,643,610	21,407,429,771	855,213,839
Reserves	2,050,596,104	79,921,182		79,921,182
Total Expenditures	24,791,189,638	25,183,923,422	23,807,760,131	1,376,163,291
Excess of Revenues Over (Under) Expenditures	(6,684,129,255)	(6,265,196,042)	(5,877,969,184)	387,226,858
OTHER FINANCING SOURCES (USES)				
State Appropriations	5,719,927,548	5,719,927,548	5,442,278,901	(277,648,647)
Transfers from Other Departments or Funds	1,777,567,410	2,165,862,011	2,014,332,837	(151,529,174)
Transfers to Other Departments or Funds	(960,048,446)	(1,783,334,149)	(1,697,721,579)	85,612,570
Total Other Financing Sources	6,537,446,512	6,102,455,410	5,758,890,159	(343,565,251)
Net Change in Fund Balance	(146,682,743)	(162,740,632)	(119,079,025)	43,661,607
Fund Balance - Beginning of Year	247,715,955	247,715,955	247,715,955	
Fund Balance - End of Year	\$ 101,033,212	\$ 84,975,323	\$ 128,636,930	\$ 43,661,607

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

Fund Balance (Budgetary Basis) June 30, 2021	\$ 128,636,930
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Receivables	1,249,099,026
Payables	(1,683,009,649)
Deferred Inflows	(14,388,492)
Total Basis Differences	(448,299,115)
Other Adjustments:	
Cash	167,720,134
Inventories	12,554,834
Fund Balance (GAAP Basis) June 30, 2021	\$ (139,387,217)

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

**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
Department
For the Fiscal Years Ended June 30, 2021 and 2020**

**Exhibit M-1
Page 2 of 2**

	2020			
	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Grants	\$ 12,773,831,244	\$ 14,713,064,251	\$ 14,352,197,194	\$ (360,867,057)
Local Grants	775,484,368	908,339,108	832,919,228	(75,419,880)
Provider Match	269,161,019	457,252,150	456,885,993	(366,157)
Local Match and Program Income	10,446,586	11,257,478	10,428,305	(829,173)
Sales, Services, and Rentals	82,287,079	74,840,267	46,926,211	(27,914,056)
Rental and Lease of Property	131,982	131,982	162,517	30,535
Fees, Licenses, and Fines	748,204,812	975,234,073	979,278,398	4,044,325
Contributions and Donations	100,375	431,953	534,292	102,339
Investment Income			247,617	247,617
Miscellaneous Revenues	125,820,272	136,582,065	109,559,973	(27,022,092)
Total Revenues	14,785,467,737	17,277,133,327	16,789,139,728	(487,993,599)
EXPENDITURES				
Salaries and Benefits	1,290,734,208	1,244,971,180	1,185,499,765	59,471,415
Purchased Services	403,831,004	734,430,959	642,218,380	92,212,579
Supplies	73,182,317	70,951,567	61,277,248	9,674,319
Property, Plant, and Equipment	14,476,726	32,211,778	25,517,121	6,694,657
Other Expenditures and Adjustments	23,809,081	35,862,202	34,716,249	1,145,953
Aid and Public Assistance	18,532,367,546	20,578,556,472	20,153,148,207	425,408,265
Reserves	156,496,181	154,220,206	13,388	154,206,818
Total Expenditures	20,494,897,063	22,851,204,364	22,102,390,358	748,814,006
Excess of Revenues Over (Under) Expenditures	(5,709,429,326)	(5,574,071,037)	(5,313,250,630)	260,820,407
OTHER FINANCING SOURCES (USES)				
State Appropriations	5,486,137,975	5,486,137,975	5,332,171,221	(153,966,754)
Transfers from Other Departments or Funds	972,972,966	1,194,202,778	1,142,606,091	(51,596,687)
Transfers to Other Departments or Funds	(750,640,566)	(1,125,053,365)	(1,030,471,679)	94,581,686
Total Other Financing Sources	5,708,470,375	5,555,287,388	5,444,305,633	(110,981,755)
Net Change in Fund Balance	(958,951)	(18,783,649)	131,055,003	149,838,652
Fund Balance - Beginning of Year	116,660,952	116,660,952	116,660,952	
Fund Balance - End of Year	<u>\$ 115,702,001</u>	<u>\$ 97,877,303</u>	<u>\$ 247,715,955</u>	<u>\$ 149,838,652</u>

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

Fund Balance (Budgetary Basis) June 30, 2020	\$ 247,715,955
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Receivables	1,182,924,533
Payables	(1,751,527,008)
Deferred Inflows	(15,231,535)
Total Basis Differences	<u>(583,834,010)</u>
Other Adjustments:	
Cash	183,935,623
Inventories	11,623,457
Timing Differences:	
Forward Funded State Aid	<u>8,524,872</u>
Fund Balance (GAAP Basis) June 30, 2020	<u>\$ (132,034,103)</u>

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

**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
For the Fiscal Years Ended June 30, 2021 and 2020**

**Exhibit M-2
Page 1 of 2**

	2021			
	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Grants:				
Medical Assistance Administration and Training	\$ 232,994,784	\$ 234,471,145	\$ 112,748,627	\$ (121,722,518)
Title IV-D / Child Support	6,979,395	5,837,758	5,253,858	(583,900)
Other Federal Grants	57,442,884	229,277,326	160,603,901	(68,673,425)
Local Grants	737,461	688,213	767,722	79,509
Sales, Services, and Rentals	13,875	18,325	22,018	3,693
Miscellaneous Revenues	2,887,301	3,038,753	1,115,065	(1,923,688)
Total Revenues	301,055,700	473,331,520	280,511,191	(192,820,329)
EXPENDITURES				
Salaries and Benefits	107,945,727	106,267,713	93,340,719	12,926,994
Purchased Services	409,395,671	694,878,583	518,248,259	176,630,324
Supplies	1,405,868	5,173,629	4,878,371	295,258
Property, Plant, and Equipment	12,594,548	13,555,308	6,601,151	6,954,157
Other Expenditures and Adjustments	2,388,904	6,577,051	6,389,370	187,681
Aid and Public Assistance	103,668,783	166,834,632	125,674,168	41,160,464
Reserves	46,051,276	40,984,186		40,984,186
Total Expenditures	683,450,777	1,034,271,102	755,132,038	279,139,064
Excess of Revenues Over (Under) Expenditures	(382,395,077)	(560,939,582)	(474,620,847)	86,318,735
OTHER FINANCING SOURCES (USES)				
State Appropriations	138,222,043	139,284,760	126,795,981	(12,488,779)
Transfers from Other Departments or Funds	421,672,031	602,994,107	542,083,572	(60,910,535)
Transfers to Other Departments or Funds	(315,534,444)	(328,743,886)	(316,337,707)	12,406,179
Total Other Financing Sources	244,359,630	413,534,981	352,541,846	(60,993,135)
Net Change in Fund Balance	(138,035,447)	(147,404,601)	(122,079,001)	25,325,600
Fund Balance - Beginning of Year	166,929,910	166,929,910	166,929,910	
Fund Balance - End of Year	<u>\$ 28,894,463</u>	<u>\$ 19,525,309</u>	<u>\$ 44,850,909</u>	<u>\$ 25,325,600</u>

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

Fund Balance (Budgetary Basis) June 30, 2021	\$ 44,850,909
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Receivables	31,478,833
Payables	(245,822,221)
Deferred Inflows	
Total Basis Differences	<u>(214,343,388)</u>
Other Adjustments:	
Cash	167,712,882
Inventories	224,802
Timing Differences:	
Forward Funded State Aid	
Fund Balance (GAAP Basis) June 30, 2021	<u>\$ (1,554,795)</u>

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

**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
For the Fiscal Years Ended June 30, 2021 and 2020**

**Exhibit M-2
Page 2 of 2**

	2020			
	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Grants:				
Medical Assistance Administration and Training	\$ 27,682,778	\$ 135,031,653	\$ 135,361,065	\$ 329,412
Title IV-D / Child Support	6,811,334	6,633,961	5,078,256	(1,555,705)
Other Federal Grants	39,575,840	56,619,924	49,802,692	(6,817,232)
Local Grants	737,461	2,364,697	2,239,399	(125,298)
Sales, Services, and Rentals	13,875	13,875	18,325	4,450
Miscellaneous Revenues	2,838,450	2,838,450	2,508,095	(330,355)
Total Revenues	77,659,738	203,502,560	195,007,832	(8,494,728)
EXPENDITURES				
Salaries and Benefits	93,916,735	89,183,032	86,851,001	2,332,031
Purchased Services	59,778,650	249,225,129	220,020,208	29,204,921
Supplies	1,134,787	1,173,719	1,050,755	122,964
Property, Plant, and Equipment	389,936	4,605,078	4,465,520	139,558
Other Expenditures and Adjustments	2,365,892	3,586,791	3,552,185	34,606
Aid and Public Assistance	52,432,834	58,647,622	48,623,149	10,024,473
Reserves	111,971,810	110,815,915		110,815,915
Total Expenditures	321,990,644	517,237,286	364,562,818	152,674,468
Excess of Revenues Over (Under) Expenditures	(244,330,906)	(313,734,726)	(169,554,986)	144,179,740
OTHER FINANCING SOURCES (USES)				
State Appropriations	124,852,904	125,602,207	124,181,961	(1,420,246)
Transfers from Other Departments or Funds	169,150,822	224,115,565	214,869,007	(9,246,558)
Transfers to Other Departments or Funds	(49,848,464)	(52,249,424)	(26,530,415)	25,719,009
Total Other Financing Sources	244,155,262	297,468,348	312,520,553	15,052,205
Net Change in Fund Balance	(175,644)	(16,266,378)	142,965,567	159,231,945
Fund Balance - Beginning of Year	23,964,343	23,964,343	23,964,343	
Fund Balance - End of Year	<u>\$ 23,788,699</u>	<u>\$ 7,697,965</u>	<u>\$ 166,929,910</u>	<u>\$ 159,231,945</u>

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

Fund Balance (Budgetary Basis) June 30, 2020	\$ 166,929,910
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Receivables	22,451,840
Payables	(344,503,802)
Deferred Inflows	
Total Basis Differences	<u>(322,051,962)</u>
Other Adjustments:	
Cash	183,928,371
Inventories	233,370
Timing Differences:	
Forward Funded State Aid	<u>1,343,521</u>
Fund Balance (GAAP Basis) June 30, 2020	<u>\$ 30,383,210</u>

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

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 Benefits
For the Fiscal Years Ended June 30, 2021 and 2020

Exhibit M-3
Page 1 of 2

	2021			
	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Grants:				
Medical Assistance Program	\$ 11,907,854,185	\$ 11,497,466,053	\$ 11,637,525,132	\$ 140,059,079
Medical Assistance Administration and Training	203,599,446	204,116,845	186,071,722	(18,045,123)
CHIP	347,980,018	513,618,621	519,783,535	6,164,914
Other Federal Grants	44,613,928	79,913,613	61,792,805	(18,120,808)
Local Grants	270,410,865	362,269,378	383,132,161	20,862,783
Sales, Services, and Rentals	16,314	16,314	(1,794)	(18,108)
Fees, Licenses, and Fines	649,893,674	653,835,548	614,920,303	(38,915,245)
Miscellaneous Revenues	18,861,654	18,700,562	28,595,373	9,894,811
Total Revenues	13,443,230,084	13,329,936,934	13,431,819,237	101,882,303
EXPENDITURES				
Salaries and Benefits	48,683,556	41,703,892	41,468,714	235,178
Purchased Services	269,659,222	265,908,593	217,297,476	48,611,117
Supplies	222,602	122,676	66,861	55,815
Property, Plant, and Equipment	250,955	677,686	201,863	475,823
Other Expenditures and Adjustments	924,211	944,112	854,545	89,567
Aid and Public Assistance	15,809,196,466	17,031,881,297	16,964,924,444	66,956,853
Reserves	1,967,126,583	208,176		208,176
Total Expenditures	18,096,063,595	17,341,446,432	17,224,813,903	116,632,529
Excess of Revenues Over (Under) Expenditures	(4,652,833,511)	(4,011,509,498)	(3,792,994,666)	218,514,832
OTHER FINANCING SOURCES (USES)				
State Appropriations	4,133,128,975	4,129,609,522	3,928,691,327	(200,918,195)
Transfers from Other Departments or Funds	935,645,269	1,000,349,581	926,909,846	(73,439,735)
Transfers to Other Departments or Funds	(416,569,747)	(1,118,193,684)	(1,054,277,646)	63,916,038
Total Other Financing Sources	4,652,204,497	4,011,765,419	3,801,323,527	(210,441,892)
Net Change in Fund Balance	(629,014)	255,921	8,328,861	8,072,940
Fund Balance - Beginning of Year	22,588,492	22,588,492	22,588,492	
Fund Balance - End of Year	<u>\$ 21,959,478</u>	<u>\$ 22,844,413</u>	<u>\$ 30,917,353</u>	<u>\$ 8,072,940</u>

Budgeted revenues and expenditures include funding of payments for hospital services provided to Medicaid and uninsured patients that are not reflected on the Statement 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.

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

Fund Balance (Budgetary Basis) June 30, 2021	\$ 30,917,353
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Receivables	941,674,519
Payables	(1,169,494,119)
Deferred Inflows	
Total Basis Differences	<u>(227,819,600)</u>
Other Adjustments:	
Inventories	75,191
Timing Differences:	
Forward Funded State Aid	
Fund Balance (GAAP Basis) June 30, 2021	<u>\$ (196,827,056)</u>

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

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 Benefits
For the Fiscal Years Ended June 30, 2021 and 2020

Exhibit M-3
Page 2 of 2

	2020			
	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Grants:				
Medical Assistance Program	\$ 9,271,411,610	\$ 10,363,585,462	\$ 10,450,253,375	\$ 86,667,913
Medical Assistance Administration and Training	122,662,403	173,172,733	157,788,147	(15,384,586)
CHIP	276,702,846	541,374,699	526,229,488	(15,145,211)
Other Federal Grants	42,306,823	56,410,224	15,101,513	(41,308,711)
Local Grants		950,203	823,500	(126,703)
Provider Match	269,161,019	457,252,150	456,885,993	(366,157)
Sales, Services, and Rentals	14,442	11,473	28,621	17,148
Fees, Licenses, and Fines	705,535,372	927,966,360	930,473,761	2,507,401
Contributions and Donations			61,667	61,667
Investment Income			247,617	247,617
Miscellaneous Revenues	18,861,666	18,863,608	5,690,368	(13,173,240)
Total Revenues	10,706,656,181	12,539,586,912	12,543,584,050	3,997,138
EXPENDITURES				
Salaries and Benefits	45,012,725	39,952,724	39,381,206	571,518
Purchased Services	136,564,941	214,645,411	199,136,635	15,508,776
Supplies	222,602	126,308	120,102	6,206
Property, Plant, and Equipment	250,955	775,187	762,117	13,070
Other Expenditures and Adjustments	924,211	1,093,710	1,002,331	91,379
Aid and Public Assistance	14,531,355,710	16,078,671,315	16,056,657,555	22,013,760
Reserves		303,101		303,101
Total Expenditures	14,714,331,144	16,335,567,756	16,297,059,946	38,507,810
Excess of Revenues Over (Under) Expenditures	(4,007,674,963)	(3,795,980,844)	(3,753,475,896)	42,504,948
OTHER FINANCING SOURCES (USES)				
State Appropriations	3,925,856,519	3,920,793,241	3,804,844,136	(115,949,105)
Transfers from Other Departments or Funds	561,354,430	628,563,404	620,448,441	(8,114,963)
Transfers to Other Departments or Funds	(480,161,986)	(755,694,436)	(699,609,048)	56,085,388
Total Other Financing Sources	4,007,048,963	3,793,662,209	3,725,683,529	(67,978,680)
Net Change in Fund Balance	(626,000)	(2,318,635)	(27,792,367)	(25,473,732)
Fund Balance - Beginning of Year	50,380,859	50,380,859	50,380,859	
Fund Balance - End of Year	<u>\$ 49,754,859</u>	<u>\$ 48,062,224</u>	<u>\$ 22,588,492</u>	<u>\$ (25,473,732)</u>

Budgeted revenues and expenditures include funding of payments for hospital services provided to Medicaid and uninsured patients that are not reflected on the Statement 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.

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

Fund Balance (Budgetary Basis) June 30, 2020	\$ 22,588,492
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Receivables	909,931,948
Payables	(1,159,817,267)
Deferred Inflows	
Total Basis Differences	<u>(249,885,319)</u>
Other Adjustments:	
Inventories	46,496
Timing Differences:	
Forward Funded State Aid	<u>1,206,650</u>
Fund Balance (GAAP Basis) June 30, 2020	<u>\$ (226,043,681)</u>

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

**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 Years Ended June 30, 2021 and 2020**

**Exhibit M-4
Page 1 of 2**

	2021			
	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Grants:				
Child Care Development Funds	\$ 594,871,120	\$ 656,460,853	\$ 367,836,608	\$ (288,624,245)
TANF	181,926,683	186,947,958	176,128,852	(10,819,106)
Other Federal Grants	56,813,239	101,242,519	89,122,210	(12,120,309)
Local Grants		10,000	10,000	
Fees, Licenses, and Fines	2,255,963	3,079,123	2,080,643	(998,480)
Miscellaneous Revenues	315,616	440,095	322,381	(117,714)
Total Revenues	836,182,621	948,180,548	635,500,694	(312,679,854)
EXPENDITURES				
Salaries and Benefits	25,377,411	25,177,754	23,291,581	1,886,173
Purchased Services	4,930,626	16,743,439	10,123,510	6,619,929
Supplies	6,092,799	25,670,877	11,777,635	13,893,242
Property, Plant, and Equipment	38,855	292,093	247,395	44,698
Other Expenditures and Adjustments	375,360	952,353	337,501	614,852
Aid and Public Assistance	1,145,289,557	1,247,980,898	960,057,563	287,923,335
Reserves	26,480,995	1,026,593		1,026,593
Total Expenditures	1,208,585,603	1,317,844,007	1,005,835,185	312,008,822
Excess of Revenues Over (Under) Expenditures	(372,402,982)	(369,663,459)	(370,334,491)	(671,032)
OTHER FINANCING SOURCES (USES)				
State Appropriations	228,463,379	228,669,853	228,659,195	(10,658)
Transfers from Other Departments or Funds	147,266,100	151,803,975	151,803,974	(1)
Transfers to Other Departments or Funds	(3,326,497)	(10,810,369)	(10,128,678)	681,691
Total Other Financing Sources	372,402,982	369,663,459	370,334,491	671,032
Net Change in Fund Balance	0	0	0	0
Fund Balance - Beginning of Year	0	0	0	0
Fund Balance - End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

Fund Balance (Budgetary Basis) June 30, 2021	\$ 0
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Receivables	77,026,181
Payables	(77,394,341)
Deferred Inflows	(9,322)
Total Basis Differences	<u>(377,482)</u>
Other Adjustments:	
Inventories	11,780
Fund Balance (GAAP Basis) June 30, 2021	<u>\$ (365,702)</u>

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

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 Years Ended June 30, 2021 and 2020

Exhibit M-4
Page 2 of 2

	2020			
	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Grants:				
Child Care Development Funds	\$ 251,569,352	\$ 419,385,671	\$ 368,302,932	\$ (51,082,739)
TANF	180,116,058	180,357,194	171,995,766	(8,361,428)
Other Federal Grants	56,810,368	72,307,841	56,415,073	(15,892,768)
Fees, Licenses, and Fines	2,217,826	2,682,659	2,246,337	(436,322)
Miscellaneous Revenues	315,616	570,575	588,915	18,340
Total Revenues	491,029,220	675,303,940	599,549,023	(75,754,917)
EXPENDITURES				
Salaries and Benefits	24,518,806	24,073,306	22,136,189	1,937,117
Purchased Services	4,943,680	12,822,014	9,618,381	3,203,633
Supplies	92,799	126,899	126,275	624
Property, Plant, and Equipment	38,855	318,246	316,928	1,318
Other Expenditures and Adjustments	375,360	513,782	513,242	540
Aid and Public Assistance	736,999,184	916,982,803	865,393,904	51,588,899
Reserves	27,193,173	19,832,050		19,832,050
Total Expenditures	794,161,857	974,669,100	898,104,919	76,564,181
Excess of Revenues Over (Under) Expenditures	(303,132,637)	(299,365,160)	(298,555,896)	809,264
OTHER FINANCING SOURCES (USES)				
State Appropriations	228,221,014	228,420,942	226,597,555	(1,823,387)
Transfers from Other Departments or Funds	78,252,110	81,750,828	81,750,828	
Transfers to Other Departments or Funds	(3,340,487)	(10,806,610)	(9,792,487)	1,014,123
Total Other Financing Sources	303,132,637	299,365,160	298,555,896	(809,264)
Net Change in Fund Balance	0	0	0	0
Fund Balance - Beginning of Year	0	0	0	
Fund Balance - End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

Fund Balance (Budgetary Basis) June 30, 2020	\$ 0
Reconciling Adjustments:	
Basis Differences:	
Receivables	70,269,737
Payables	(69,712,563)
Deferred Inflows	(7,528)
Total Basis Differences	<u>549,646</u>
Other Adjustments:	
Inventories	<u>17,102</u>
Fund Balance (GAAP Basis) June 30, 2020	<u>\$ 566,748</u>

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

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
For the Fiscal Years Ended June 30, 2021 and 2020

Exhibit M-5
Page 1 of 2

	2021			
	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Grants:				
Medicare	\$ 9,756,393	\$ 10,412,279	\$ 9,011,754	\$ (1,400,525)
Health Standard Quality Bureau	7,004,275	6,427,694	5,806,010	(621,684)
Medical Assistance Administration and Training	7,295,756	7,224,390	6,610,153	(614,237)
HRSA - Bioterrorism Hospital	6,722,132	10,013,466	6,091,547	(3,921,919)
Other Federal Grants	10,570,926	8,435,202	2,900,282	(5,534,920)
Local Grants	1,504,810	1,984,052	1,142,621	(841,431)
Sales, Services, and Rentals	508,154	471,893	457,955	(13,938)
Fees, Licenses, and Fines	12,599,193	19,420,387	17,359,361	(2,061,026)
Miscellaneous Revenues	1,337,034	1,888,652	1,843,077	(45,575)
Total Revenues	57,298,673	66,278,015	51,222,760	(15,055,255)
EXPENDITURES				
Salaries and Benefits	54,049,885	51,609,105	47,191,699	4,417,406
Purchased Services	10,188,373	13,380,427	6,500,518	6,879,909
Supplies	331,679	398,596	205,859	192,737
Property, Plant, and Equipment	684,470	2,396,157	1,850,459	545,698
Other Expenditures and Adjustments	1,373,527	1,908,574	1,791,893	116,681
Aid and Public Assistance	9,879,800	15,565,938	9,488,604	6,077,334
Reserves	1,271,204	282,807		282,807
Total Expenditures	77,778,938	85,541,604	67,029,032	18,512,572
Excess of Revenues Over (Under) Expenditures	(20,480,265)	(19,263,589)	(15,806,272)	3,457,317
OTHER FINANCING SOURCES (USES)				
State Appropriations	20,420,222	20,420,222	20,415,055	(5,167)
Transfers from Other Departments or Funds	2,189,604	10,635,457	8,630,333	(2,005,124)
Transfers to Other Departments or Funds	(2,892,686)	(18,499,268)	(12,788,962)	5,710,306
Total Other Financing Sources	19,717,140	12,556,411	16,256,426	3,700,015
Net Change in Fund Balance	(763,125)	(6,707,178)	450,154	7,157,332
Fund Balance - Beginning of Year	40,577,514	40,577,514	40,577,514	
Fund Balance - End of Year	<u>\$ 39,814,389</u>	<u>\$ 33,870,336</u>	<u>\$ 41,027,668</u>	<u>\$ 7,157,332</u>

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

Fund Balance (Budgetary Basis) June 30, 2021	\$ 41,027,668
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Receivables	8,218,647
Payables	(1,758,502)
Deferred Inflows	(1,174,666)
Total Basis Differences	<u>5,285,479</u>
Other Adjustments:	
Inventories	<u>26,786</u>
Fund Balance (GAAP Basis) June 30, 2021	<u>\$ 46,339,933</u>

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

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
For the Fiscal Years Ended June 30, 2021 and 2020

Exhibit M-5
Page 2 of 2

	2020			
	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Grants:				
Medicare	\$ 9,756,393	\$ 10,290,153	\$ 9,467,662	\$ (822,491)
Health Standard Quality Bureau	6,800,996	6,800,996	6,274,972	(526,024)
Medical Assistance Administration and Training	7,064,307	7,086,445	6,486,922	(599,523)
HRSA - Bioterrorism Hospital	6,722,132	6,628,011	5,179,656	(1,448,355)
Other Federal Grants	6,327,177	6,180,388	3,973,879	(2,206,509)
Local Grants	1,486,515	1,742,247	1,604,237	(138,010)
Sales, Services, and Rentals	496,236	467,512	421,085	(46,427)
Fees, Licenses, and Fines	12,625,551	16,419,855	19,924,287	3,504,432
Miscellaneous Revenues	1,337,192	2,468,942	2,813,304	344,362
Total Revenues	52,616,499	58,084,549	56,146,004	(1,938,545)
EXPENDITURES				
Salaries and Benefits	52,201,794	49,671,421	46,677,174	2,994,247
Purchased Services	6,207,533	8,092,709	6,970,529	1,122,180
Supplies	265,401	435,271	269,867	165,404
Property, Plant, and Equipment	456,496	1,031,553	852,524	179,029
Other Expenditures and Adjustments	1,373,527	1,596,643	1,557,082	39,561
Aid and Public Assistance	9,879,800	10,964,435	9,527,518	1,436,917
Reserves	1,271,204	755,310		755,310
Total Expenditures	71,655,755	72,547,342	65,854,694	6,692,648
Excess of Revenues Over (Under) Expenditures	(19,039,256)	(14,462,793)	(9,708,690)	4,754,103
OTHER FINANCING SOURCES (USES)				
State Appropriations	19,571,843	19,571,843	19,011,898	(559,945)
Transfers from Other Departments or Funds	1,945,714	3,771,637	6,382,965	2,611,328
Transfers to Other Departments or Funds	(3,241,426)	(9,190,405)	(10,947,753)	(1,757,348)
Total Other Financing Sources	18,276,131	14,153,075	14,447,110	294,035
Net Change in Fund Balance	(763,125)	(309,718)	4,738,420	5,048,138
Fund Balance - Beginning of Year	35,839,094	35,839,094	35,839,094	
Fund Balance - End of Year	<u>\$ 35,075,969</u>	<u>\$ 35,529,376</u>	<u>\$ 40,577,514</u>	<u>\$ 5,048,138</u>

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

Fund Balance (Budgetary Basis) June 30, 2020	\$ 40,577,514
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Receivables	3,997,962
Payables	(3,395,779)
Deferred Inflows	(1,070,315)
Total Basis Differences	<u>(468,132)</u>
Other Adjustments:	
Inventories	<u>6,122</u>
Fund Balance (GAAP Basis) June 30, 2020	<u>\$ 40,115,504</u>

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

**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 Years Ended June 30, 2021 and 2020**

**Exhibit M-6
Page 1 of 2**

2021				
	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Grants:				
Child/Adult Day Care	\$ 127,500,874	\$ 151,770,178	\$ 86,090,419	\$ (65,679,759)
HIV Care Grant	66,656,591	64,611,870	49,724,692	(14,887,178)
WIC	229,138,197	229,120,121	148,311,252	(80,808,869)
Medicaid	52,657,272	60,699,357	48,298,157	(12,401,200)
Other Federal Grants	127,817,477	290,027,086	192,310,360	(97,716,726)
Local Grants	25,603,055	25,644,733	20,447,836	(5,196,897)
Sales, Services, and Rentals	2,438,389	2,438,381	1,005,662	(1,432,719)
Fees, Licenses, and Fines	26,672,594	26,764,010	24,793,531	(1,970,479)
Contributions and Donations	(102,818)	73,562	402,036	328,474
Miscellaneous Revenues	87,129,063	84,990,711	68,709,840	(16,280,871)
Total Revenues	745,510,694	936,140,009	640,093,785	(296,046,224)
EXPENDITURES				
Salaries and Benefits	165,309,318	159,930,321	141,929,266	18,001,055
Purchased Services	72,249,651	113,150,210	67,120,621	46,029,589
Supplies	20,157,221	45,011,435	11,205,242	33,806,193
Property, Plant, and Equipment	7,136,866	18,223,655	5,147,632	13,076,023
Other Expenditures and Adjustments	5,726,521	7,531,696	6,785,514	746,182
Aid and Public Assistance	651,189,063	762,488,336	561,119,118	201,369,218
Reserves	3,680,133	333,235		333,235
Total Expenditures	925,448,773	1,106,668,888	793,307,393	313,361,495
Excess of Revenues Over (Under) Expenditures	(179,938,079)	(170,528,879)	(153,213,608)	17,315,271
OTHER FINANCING SOURCES (USES)				
State Appropriations	157,747,369	156,872,650	143,080,345	(13,792,305)
Transfers from Other Departments or Funds	25,965,167	21,121,196	18,874,244	(2,246,952)
Transfers to Other Departments or Funds	(3,774,457)	(7,464,967)	(6,309,633)	1,155,334
Total Other Financing Sources	179,938,079	170,528,879	155,644,956	(14,883,923)
Net Change in Fund Balance	0	0	2,431,348	2,431,348
Fund Balance - Beginning of Year	5,871,712	5,871,712	5,871,712	
Fund Balance - End of Year	<u>\$ 5,871,712</u>	<u>\$ 5,871,712</u>	<u>\$ 8,303,060</u>	<u>\$ 2,431,348</u>

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

Fund Balance (Budgetary Basis) June 30, 2021	\$ 8,303,060
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Receivables	26,905,016
Payables	(34,728,003)
Deferred Inflows	(3,225,527)
Total Basis Differences	<u>(11,048,514)</u>
Other Adjustments:	
Inventories	4,935,838
Fund Balance (GAAP Basis) June 30, 2021	<u>\$ 2,190,384</u>

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

**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 Years Ended June 30, 2021 and 2020**

**Exhibit M-6
Page 2 of 2**

	2020			
	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Grants:				
Child/Adult Day Care	\$ 127,373,946	\$ 151,152,242	\$ 96,296,497	\$ (54,855,745)
HIV Care Grant	66,332,259	63,127,412	42,976,618	(20,150,794)
WIC	229,373,213	229,555,764	157,340,952	(72,214,812)
Medicaid	52,317,318	55,564,828	42,037,002	(13,527,826)
Other Federal Grants	133,696,157	162,981,536	116,100,982	(46,880,554)
Local Grants	25,586,744	25,912,599	23,342,757	(2,569,842)
Sales, Services, and Rentals	2,412,234	2,412,234	1,229,634	(1,182,600)
Fees, Licenses, and Fines	26,620,408	26,959,544	25,737,947	(1,221,597)
Contributions and Donations		331,578	331,667	89
Miscellaneous Revenues	81,136,962	82,781,657	70,245,635	(12,536,022)
Total Revenues	744,849,241	800,779,394	575,639,691	(225,139,703)
EXPENDITURES				
Salaries and Benefits	159,805,529	152,174,485	136,137,223	16,037,262
Purchased Services	73,237,211	85,741,970	55,436,591	30,305,379
Supplies	20,363,452	18,093,360	11,681,317	6,412,043
Property, Plant, and Equipment	7,171,980	11,939,204	5,993,820	5,945,384
Other Expenditures and Adjustments	5,801,317	7,957,916	7,181,969	775,947
Aid and Public Assistance	632,659,643	678,040,640	510,172,101	167,868,539
Reserves	3,074,080	3,535,682		3,535,682
Total Expenditures	902,113,212	957,483,257	726,603,021	230,880,236
Excess of Revenues Over (Under) Expenditures	(157,263,971)	(156,703,863)	(150,963,330)	5,740,533
OTHER FINANCING SOURCES (USES)				
State Appropriations	155,798,937	155,086,046	152,328,746	(2,757,300)
Transfers from Other Departments or Funds	5,018,543	12,859,101	12,109,501	(749,600)
Transfers to Other Departments or Funds	(3,553,509)	(11,241,284)	(10,899,180)	342,104
Total Other Financing Sources	157,263,971	156,703,863	153,539,067	(3,164,796)
Net Change in Fund Balance	0	0	2,575,737	2,575,737
Fund Balance - Beginning of Year	3,295,975	3,295,975	3,295,975	
Fund Balance - End of Year	<u>\$ 3,295,975</u>	<u>\$ 3,295,975</u>	<u>\$ 5,871,712</u>	<u>\$ 2,575,737</u>

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

Fund Balance (Budgetary Basis) June 30, 2020	\$ 5,871,712
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Receivables	31,126,538
Payables	(33,807,019)
Deferred Inflows	(2,751,164)
Total Basis Differences	<u>(5,431,645)</u>
Other Adjustments:	
Inventories	4,675,586
Fund Balance (GAAP Basis) June 30, 2020	<u>\$ 5,115,653</u>

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

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 Years Ended June 30, 2021 and 2020

Exhibit M-7
Page 1 of 2

	2021			
	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Grants:				
Title III Grants	\$ 33,603,699	\$ 34,327,711	\$ 29,885,956	\$ (4,441,755)
Nutrition Services Incentive Program	3,329,509	3,329,489	3,063,583	(265,906)
Family Caregiver Support	5,361,929	5,398,107	5,245,380	(152,727)
Other Federal Grants	17,598,238	84,914,958	39,710,436	(45,204,522)
Local Match and Program Income	10,446,586	11,197,820	9,460,553	(1,737,267)
Sales, Services, and Rentals	100	65	44	(21)
Fees, Licenses, and Fines	40,000	25,000		(25,000)
Contributions and Donations	90,000	85,600	85,600	
Miscellaneous Revenues	150,072	118,064	85,248	(32,816)
Total Revenues	70,620,133	139,396,814	87,536,800	(51,860,014)
EXPENDITURES				
Salaries and Benefits	6,930,983	6,790,761	5,865,698	925,063
Purchased Services	1,412,900	2,254,881	883,655	1,371,226
Supplies	33,876	61,383	18,200	43,183
Property, Plant, and Equipment	51,361	236,466	192,709	43,757
Other Expenditures and Adjustments	163,178	142,829	107,379	35,450
Aid and Public Assistance	115,104,515	183,355,915	131,653,381	51,702,534
Reserves	55,980	6,646		6,646
Total Expenditures	123,752,793	192,848,881	138,721,022	54,127,859
Excess of Revenues Over (Under) Expenditures	(53,132,660)	(53,452,067)	(51,184,222)	2,267,845
OTHER FINANCING SOURCES (USES)				
State Appropriations	44,461,336	44,281,144	43,729,419	(551,725)
Transfers from Other Departments or Funds	8,832,479	9,631,816	7,914,884	(1,716,932)
Transfers to Other Departments or Funds	(161,155)	(460,893)	(460,081)	812
Total Other Financing Sources	53,132,660	53,452,067	51,184,222	(2,267,845)
Net Change in Fund Balance	0	0	0	0
Fund Balance - Beginning of Year	0	0	0	0
Fund Balance - End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

Fund Balance (Budgetary Basis) June 30, 2021	\$ 0
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Receivables	10,865,540
Payables	(15,030,764)
Total Basis Differences	(4,165,224)
Other Adjustments:	
Inventories	2,044
Timing Differences:	
Forward Funded State Aid	
Fund Balance (GAAP Basis) June 30, 2021	<u>\$ (4,163,180)</u>

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

**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 Years Ended June 30, 2021 and 2020**

**Exhibit M-7
Page 2 of 2**

	2020			
	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Grants:				
Title III Grants	\$ 33,549,673	\$ 39,931,366	\$ 38,764,521	\$ (1,166,845)
Nutrition Services Incentive Program	3,329,509	3,589,202	3,512,159	(77,043)
Family Caregiver Support	5,354,328	5,823,040	5,288,707	(534,333)
Other Federal Grants	17,553,237	20,127,652	17,229,014	(2,898,638)
Local Match and Program Income	10,446,586	11,257,478	10,428,305	(829,173)
Sales, Services, and Rentals	100	100	64	(36)
Fees, Licenses, and Fines	40,000	40,000	12,461	(27,539)
Contributions and Donations	90,000	90,000	85,000	(5,000)
Miscellaneous Revenues	150,072	153,072	153,753	681
Total Revenues	70,513,505	81,011,910	75,473,984	(5,537,926)
EXPENDITURES				
Salaries and Benefits	6,700,803	6,598,288	5,938,265	660,023
Purchased Services	1,443,425	1,233,982	1,002,346	231,636
Supplies	35,212	43,420	27,993	15,427
Property, Plant, and Equipment	53,042	48,162	25,637	22,525
Other Expenditures and Adjustments	163,178	163,120	153,628	9,492
Aid and Public Assistance	107,290,931	114,533,507	109,479,115	5,054,392
Reserves	55,980	13,388	13,388	
Total Expenditures	115,742,571	122,633,867	116,640,372	5,993,495
Excess of Revenues Over (Under) Expenditures	(45,229,066)	(41,621,957)	(41,166,388)	455,569
OTHER FINANCING SOURCES (USES)				
State Appropriations	44,621,326	44,591,268	42,703,199	(1,888,069)
Transfers from Other Departments or Funds	814,181	1,408,522	1,371,053	(37,469)
Transfers to Other Departments or Funds	(206,441)	(4,377,833)	(2,907,864)	1,469,969
Total Other Financing Sources	45,229,066	41,621,957	41,166,388	(455,569)
Net Change in Fund Balance	0	0	0	0
Fund Balance - Beginning of Year	0	0	0	0
Fund Balance - End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

Fund Balance (Budgetary Basis) June 30, 2020	\$ 0
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Receivables	1,594,933
Payables	(9,436,216)
Total Basis Differences	<u>(7,841,283)</u>
Other Adjustments:	
Inventories	3,473
Timing Differences:	
Forward Funded State Aid	58,706
Fund Balance (GAAP Basis) June 30, 2020	<u>\$ (7,779,104)</u>

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

**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 Years Ended June 30, 2021 and 2020**

**Exhibit M-8
Page 1 of 2**

	2021			
	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Grants:				
Rehab Services	\$ 15,126,689	\$ 14,126,588	\$ 11,232,652	\$ (2,893,936)
Other Federal Grants	5,041,323	5,835,360	4,056,205	(1,779,155)
Local Grants	1,062,839	1,063,407	739,803	(323,604)
Sales, Services, and Rentals		108,183	466	(107,717)
Miscellaneous Revenues	725,786	510,217	732,422	222,205
Total Revenues	21,956,637	21,643,755	16,761,548	(4,882,207)
EXPENDITURES				
Salaries and Benefits	25,094,218	25,635,788	21,333,231	4,302,557
Purchased Services	8,076,723	7,960,455	4,643,907	3,316,548
Supplies	360,920	307,457	212,022	95,435
Property, Plant, and Equipment	374,698	533,238	371,219	162,019
Other Expenditures and Adjustments	734,867	348,949	16,601	332,348
Aid and Public Assistance	12,636,133	11,699,763	9,386,434	2,313,329
Reserves	353,687	54,050		54,050
Total Expenditures	47,631,246	46,539,700	35,963,414	10,576,286
Excess of Revenues Over (Under) Expenditures	(25,674,609)	(24,895,945)	(19,201,866)	5,694,079
OTHER FINANCING SOURCES (USES)				
State Appropriations	8,796,566	8,768,978	7,155,806	(1,613,172)
Transfers from Other Departments or Funds	16,878,043	16,462,032	12,381,125	(4,080,907)
Transfers to Other Departments or Funds		(335,065)	(335,065)	
Total Other Financing Sources	25,674,609	24,895,945	19,201,866	(5,694,079)
Net Change in Fund Balance	0	0	0	0
Fund Balance - Beginning of Year	0	0	0	
Fund Balance - End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

Fund Balance (Budgetary Basis) June 30, 2021	\$ 0
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Receivables	238,651
Payables	(1,182,265)
Deferred Inflows	(20,087)
Total Basis Differences	<u>(963,701)</u>
Other Adjustments:	
Inventories	16,919
Fund Balance (GAAP Basis) June 30, 2021	<u>\$ (946,782)</u>

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

**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 Years Ended June 30, 2021 and 2020**

**Exhibit M-8
Page 2 of 2**

	2020			
	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Grants:				
Rehab Services	\$ 14,842,172	\$ 15,197,283	\$ 11,837,374	\$ (3,359,909)
Other Federal Grants	5,012,194	5,031,808	4,209,075	(822,733)
Local Grants	1,045,951	1,045,951	791,941	(254,010)
Sales, Services, and Rentals		108,183	52,798	(55,385)
Miscellaneous Revenues	725,786	904,837	898,642	(6,195)
Total Revenues	21,626,103	22,288,062	17,789,830	(4,498,232)
EXPENDITURES				
Salaries and Benefits	24,305,092	24,475,852	20,585,336	3,890,516
Purchased Services	8,188,185	9,021,946	6,190,862	2,831,084
Supplies	360,920	426,443	253,344	173,099
Property, Plant, and Equipment	374,698	158,070	80,067	78,003
Other Expenditures and Adjustments	734,867	767,770	739,289	28,481
Aid and Public Assistance	12,636,133	13,441,567	10,736,692	2,704,875
Reserves	353,687	71,787		71,787
Total Expenditures	46,953,582	48,363,435	38,585,590	9,777,845
Excess of Revenues Over (Under) Expenditures	(25,327,479)	(26,075,373)	(20,795,760)	5,279,613
OTHER FINANCING SOURCES (USES)				
State Appropriations	8,665,475	8,638,243	7,357,395	(1,280,848)
Transfers from Other Departments or Funds	16,662,004	17,738,038	13,739,273	(3,998,765)
Transfers to Other Departments or Funds		(300,908)	(300,908)	
Total Other Financing Sources	25,327,479	26,075,373	20,795,760	(5,279,613)
Net Change in Fund Balance	0	0	0	0
Fund Balance - Beginning of Year	0	0	0	
Fund Balance - End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

Fund Balance (Budgetary Basis) June 30, 2020	\$ 0
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Receivables	525,237
Payables	(879,046)
Deferred Inflows	(1,174)
Total Basis Differences	<u>(354,983)</u>
Other Adjustments:	
Inventories	17,189
Fund Balance (GAAP Basis) June 30, 2020	<u>\$ (337,794)</u>

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

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 Years Ended June 30, 2021 and 2020

Exhibit M-9
Page 1 of 2

	2021			
	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Grants:				
Rehabilitation Services	\$ 101,265,390	\$ 100,872,167	\$ 80,174,239	\$ (20,697,928)
Other Federal Grants	4,407,119	4,894,629	3,691,637	(1,202,992)
Local Grants	3,079,017	3,079,017	2,307,808	(771,209)
Sales, Services, and Rentals	469,359	459,591	256,341	(203,250)
Miscellaneous Revenues	5,002,566	5,623,003	8,618,471	2,995,468
Total Revenues	114,223,451	114,928,407	95,048,496	(19,879,911)
EXPENDITURES				
Salaries and Benefits	68,395,816	66,849,424	58,197,643	8,651,781
Purchased Services	10,469,570	11,622,453	9,821,789	1,800,664
Supplies	865,731	607,997	425,969	182,028
Property, Plant, and Equipment	418,814	1,323,881	559,588	764,293
Other Expenditures and Adjustments	1,854,963	2,133,021	2,274,832	(141,811)
Aid and Public Assistance	71,278,281	71,211,040	54,835,397	16,375,643
Reserves	1,402,535	518,200		518,200
Total Expenditures	154,685,710	154,266,016	126,115,218	28,150,798
Excess of Revenues Over (Under) Expenditures	(40,462,259)	(39,337,609)	(31,066,722)	8,270,887
OTHER FINANCING SOURCES (USES)				
State Appropriations	40,360,602	40,317,378	32,115,870	(8,201,508)
Transfers from Other Departments or Funds	138,676	138,676	39,439	(99,237)
Transfers to Other Departments or Funds	(37,019)	(1,125,606)	(1,088,587)	37,019
Total Other Financing Sources	40,462,259	39,330,448	31,066,722	(8,263,726)
Net Change in Fund Balance	0	(7,161)	0	7,161
Fund Balance - Beginning of Year	7,680	7,680	7,680	
Fund Balance - End of Year	<u>\$ 7,680</u>	<u>\$ 519</u>	<u>\$ 7,680</u>	<u>\$ 7,161</u>

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

Fund Balance (Budgetary Basis) June 30, 2021	\$ 7,680
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Receivables	4,491,595
Payables	(5,127,749)
Deferred Inflows	
Total Basis Differences	<u>(636,154)</u>
Other Adjustments:	
Inventories	<u>139,015</u>
Fund Balance (GAAP Basis) June 30, 2021	<u>\$ (489,459)</u>

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

**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 Years Ended June 30, 2021 and 2020**

**Exhibit M-9
Page 2 of 2**

	2020			
	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Grants:				
Rehabilitation Services	\$ 99,715,090	\$ 98,529,741	\$ 84,602,614	\$ (13,927,127)
Other Federal Grants	4,371,575	4,516,673	3,406,009	(1,110,664)
Local Grants	2,993,910	2,993,910	2,236,493	(757,417)
Sales, Services, and Rentals	469,359	469,359	295,722	(173,637)
Miscellaneous Revenues	5,002,566	9,073,667	9,012,173	(61,494)
Total Revenues	112,552,500	115,583,350	99,553,011	(16,030,339)
EXPENDITURES				
Salaries and Benefits	66,183,075	64,211,544	56,438,568	7,772,976
Purchased Services	10,436,047	11,357,883	10,027,891	1,329,992
Supplies	865,731	771,849	672,708	99,141
Property, Plant, and Equipment	418,814	1,322,171	1,292,449	29,722
Other Expenditures and Adjustments	1,854,963	1,925,307	1,872,601	52,706
Aid and Public Assistance	71,278,281	70,841,446	61,827,621	9,013,825
Reserves	1,402,535	372,672		372,672
Total Expenditures	152,439,446	150,802,872	132,131,838	18,671,034
Excess of Revenues Over (Under) Expenditures	(39,886,946)	(35,219,522)	(32,578,827)	2,640,695
OTHER FINANCING SOURCES (USES)				
State Appropriations	39,785,289	39,742,963	37,127,360	(2,615,603)
Transfers from Other Departments or Funds	138,676	456,197	394,086	(62,111)
Transfers to Other Departments or Funds	(37,019)	(4,986,799)	(4,949,780)	37,019
Total Other Financing Sources	39,886,946	35,212,361	32,571,666	(2,640,695)
Net Change in Fund Balance	0	(7,161)	(7,161)	0
Fund Balance - Beginning of Year	14,841	14,841	14,841	
Fund Balance - End of Year	<u>\$ 14,841</u>	<u>\$ 7,680</u>	<u>\$ 7,680</u>	<u>\$ 0</u>

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

Fund Balance (Budgetary Basis) June 30, 2020	\$ 7,680
Reconciling Adjustments:	
Basis Differences:	
Receivables	3,696,217
Payables	(4,994,641)
Deferred Inflows	
Total Basis Differences	<u>(1,298,424)</u>
Other Adjustments:	
Inventories	<u>144,495</u>
Fund Balance (GAAP Basis) June 30, 2020	<u>\$ (1,146,249)</u>

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

**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 Years Ended June 30, 2021 and 2020**

**Exhibit M-10
Page 1 of 2**

	2021			
	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Grants:				
Medical Assistance Administration and Training	\$ 227,972,394	\$ 264,319,289	\$ 262,674,245	\$ (1,645,044)
Title IV-D / Child Support	102,094,448	116,218,085	104,991,660	(11,226,425)
Title IV-E / Foster Care	136,667,196	157,754,361	168,230,228	10,475,867
Low Income Energy Program	103,151,602	103,151,602	89,968,001	(13,183,601)
Food Stamps	105,937,719	129,891,376	109,572,413	(20,318,963)
TANF	157,753,615	159,153,052	150,761,206	(8,391,846)
Other Federal Grants	107,371,347	185,002,527	143,992,579	(41,009,948)
Local Grants	740,326,705	845,895,662	796,768,859	(49,126,803)
Fees, Licenses, and Fines	332,215	332,215	340,433	8,218
Miscellaneous Revenues	13,737,639	15,626,403	12,582,381	(3,044,022)
Total Revenues	1,695,344,880	1,977,344,572	1,839,882,005	(137,462,567)
EXPENDITURES				
Salaries and Benefits	30,930,204	30,512,786	26,233,639	4,279,147
Purchased Services	31,996,950	60,428,977	36,528,610	23,900,367
Supplies	247,090	1,783,302	304,182	1,479,120
Property, Plant, and Equipment	291,197	570,953	497,852	73,101
Other Expenditures and Adjustments	2,769,970	3,120,102	3,014,116	105,986
Aid and Public Assistance	1,873,447,855	2,125,984,085	1,989,328,044	136,656,041
Reserves	1,429,688	942,777		942,777
Total Expenditures	1,941,112,954	2,223,342,982	2,055,906,443	167,436,539
Excess of Revenues Over (Under) Expenditures	(245,768,074)	(245,998,410)	(216,024,438)	29,973,972
OTHER FINANCING SOURCES (USES)				
State Appropriations	195,077,542	194,956,725	167,670,276	(27,286,449)
Transfers from Other Departments or Funds	86,125,671	97,526,946	93,962,703	(3,564,243)
Transfers to Other Departments or Funds	(42,690,296)	(55,362,874)	(53,818,928)	1,543,946
Total Other Financing Sources	238,512,917	237,120,797	207,814,051	(29,306,746)
Net Change in Fund Balance	(7,255,157)	(8,877,613)	(8,210,387)	667,226
Fund Balance - Beginning of Year	11,740,647	11,740,647	11,740,647	
Fund Balance - End of Year	\$ 4,485,490	\$ 2,863,034	\$ 3,530,260	\$ 667,226

Food stamp benefits are recognized as revenues and expenditures when recipients use the benefits. Food stamps used during the year ended June 30, 2021 of \$4,264,803,725 are recognized on the Statement of Revenues, Expenditures, and Changes in Fund Balance, but are not recognized in the budgeted amounts on this schedule.

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

Fund Balance (Budgetary Basis) June 30, 2021	\$ 3,530,260
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Receivables	104,392,310
Payables	(102,536,338)
Deferred Inflows	(705,772)
Total Basis Differences	1,150,200
Other Adjustments:	
Cash	7,252
Inventories	38,139
Fund Balance (GAAP Basis) June 30, 2021	\$ 4,725,851

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

**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 Years Ended June 30, 2021 and 2020**

**Exhibit M-10
Page 2 of 2**

	2020			
	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Grants:				
Medical Assistance Administration and Training	\$ 227,949,311	\$ 259,032,587	\$ 258,519,581	\$ (513,006)
Title IV-D / Child Support	101,883,343	107,895,968	107,432,119	(463,849)
Title IV-E / Foster Care	137,075,720	161,510,930	165,261,480	3,750,550
Low Income Energy Program	103,581,602	103,581,602	94,149,557	(9,432,045)
Food Stamps	105,838,736	120,205,761	114,275,628	(5,930,133)
TANF	159,761,707	160,479,233	156,253,328	(4,225,905)
Other Federal Grants	110,902,690	119,514,165	104,218,608	(15,295,557)
Local Grants	740,002,990	865,142,322	793,163,880	(71,978,442)
Fees, Licenses, and Fines	332,215	332,215	312,320	(19,895)
Miscellaneous Revenues	13,737,639	16,719,916	15,263,638	(1,456,278)
Total Revenues	<u>1,701,065,953</u>	<u>1,914,414,699</u>	<u>1,808,850,139</u>	<u>(105,564,560)</u>
EXPENDITURES				
Salaries and Benefits	29,928,556	28,914,739	24,917,588	3,997,151
Purchased Services	32,227,203	39,229,977	31,247,714	7,982,263
Supplies	247,090	221,505	126,939	94,566
Property, Plant, and Equipment	290,391	397,325	284,666	112,659
Other Expenditures and Adjustments	2,770,293	3,395,522	3,131,672	263,850
Aid and Public Assistance	1,866,579,368	2,067,308,152	1,948,451,568	118,856,584
Reserves	1,429,688	169,692		169,692
Total Expenditures	<u>1,933,472,589</u>	<u>2,139,636,912</u>	<u>2,008,160,147</u>	<u>131,476,765</u>
Excess of Revenues Over (Under) Expenditures	<u>(232,406,636)</u>	<u>(225,222,213)</u>	<u>(199,310,008)</u>	<u>25,912,205</u>
OTHER FINANCING SOURCES (USES)				
State Appropriations	194,577,481	194,464,539	178,894,187	(15,570,352)
Transfers from Other Departments or Funds	71,877,486	79,399,942	66,919,159	(12,480,783)
Transfers to Other Departments or Funds	<u>(33,442,513)</u>	<u>(48,524,025)</u>	<u>(37,928,531)</u>	<u>10,595,494</u>
Total Other Financing Sources	<u>233,012,454</u>	<u>225,340,456</u>	<u>207,884,815</u>	<u>(17,455,641)</u>
Net Change in Fund Balance	605,818	118,243	8,574,807	8,456,564
Fund Balance - Beginning of Year	<u>3,165,840</u>	<u>3,165,840</u>	<u>3,165,840</u>	<u></u>
Fund Balance - End of Year	<u>\$ 3,771,658</u>	<u>\$ 3,284,083</u>	<u>\$ 11,740,647</u>	<u>\$ 8,456,564</u>

Food stamp benefits are recognized as revenues and expenditures when recipients use the benefits. Food stamps used during the year ended June 30, 2020 of \$2,155,120,641 are recognized on the Statement of Revenues, Expenditures, and Changes in Fund Balance, but are not recognized in the budgeted amounts on this schedule.

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

Fund Balance (Budgetary Basis) June 30, 2020	\$ 11,740,647
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Receivables	90,975,522
Payables	(98,404,779)
Deferred Inflows	(1,378,184)
Total Basis Differences	<u>(8,807,441)</u>
Other Adjustments:	
Cash	7,252
Inventories	42,336
Fund Balance (GAAP Basis) June 30, 2020	<u>\$ 2,982,794</u>

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

**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 Years Ended June 30, 2021 and 2020**

**Exhibit M-11
Page 1 of 2**

	2021			
	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Grants:				
Medical Assistance Administration and Training	\$ 6,214,243	\$ 5,432,582	\$ 5,285,625	\$ (146,957)
Reimbursements to Facilities	3,430,467	3,098,538	7,942,994	4,844,456
Medicaid	638,046,569	664,091,031	676,571,062	12,480,031
SAPT Block Grant	44,998,815	47,336,070	41,673,423	(5,662,647)
Other Federal Grants	38,532,800	102,657,268	62,399,991	(40,257,277)
Local Grants	3,631,508	14,087,729	11,189,273	(2,898,456)
Sales, Services, and Rentals	84,092,988	71,448,458	42,311,859	(29,136,599)
Rental and Lease of Property	131,982	131,982	153,107	21,125
Fees, Licenses, and Fines	833,440	680,880	609,705	(71,175)
Contributions and Donations	10,375	10,375	36,630	26,255
Miscellaneous Revenues	1,714,323	2,571,893	3,240,762	668,869
Total Revenues	821,637,510	911,546,806	851,414,431	(60,132,375)
EXPENDITURES				
Salaries and Benefits	807,782,512	802,206,651	804,950,146	(2,743,495)
Purchased Services	72,432,468	108,524,856	108,981,193	(456,337)
Supplies	49,648,198	66,274,791	66,235,128	39,663
Property, Plant, and Equipment	5,030,819	7,183,562	7,303,153	(119,591)
Other Expenditures and Adjustments	7,445,473	15,757,732	16,504,245	(746,513)
Aid and Public Assistance	587,595,756	645,641,706	600,962,618	44,679,088
Reserves	2,744,023	35,564,512		35,564,512
Total Expenditures	1,532,679,249	1,681,153,810	1,604,936,483	76,217,327
Excess of Revenues Over (Under) Expenditures	(711,041,739)	(769,607,004)	(753,522,052)	16,084,952
OTHER FINANCING SOURCES (USES)				
State Appropriations	753,249,514	756,746,316	743,965,627	(12,780,689)
Transfers from Other Departments or Funds	132,854,370	255,198,225	251,732,717	(3,465,508)
Transfers to Other Departments or Funds	(175,062,145)	(242,337,537)	(242,176,292)	161,245
Total Other Financing Sources	711,041,739	769,607,004	753,522,052	(16,084,952)
Net Change in Fund Balance	0	0	0	0
Fund Balance - Beginning of Year	0	0	0	0
Fund Balance - End of Year	<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 balance (budgetary basis) at June 30, 2021 to the fund balance on a modified accrual basis (GAAP).

Fund Balance (Budgetary Basis) June 30, 2021	\$ 0
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Receivables	43,807,734
Payables	(29,935,347)
Deferred Inflows	(9,253,118)
Total Basis Differences	<u>4,619,269</u>
Other Adjustments:	
Inventories	7,084,320
Timing Differences:	
Forward Funded State Aid	<u>0</u>
Fund Balance (GAAP Basis) June 30, 2021	<u>\$ 11,703,589</u>

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

**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 Years Ended June 30, 2021 and 2020**

**Exhibit M-11
Page 2 of 2**

	2020			
	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal Grants:				
Medical Assistance Administration and Training	\$ 5,763,030	\$ 5,104,722	\$ 4,847,899	\$ (256,823)
Reimbursements to Facilities	3,430,467	3,430,467	2,992,919	(437,548)
Medicaid	629,356,538	638,212,096	641,960,934	3,748,838
SAPT Block Grant	44,651,556	47,915,726	41,025,640	(6,890,086)
Other Federal Grants	38,495,456	89,187,092	69,946,579	(19,240,513)
Local Grants	3,630,797	8,187,179	8,717,021	529,842
Sales, Services, and Rentals	78,880,833	71,357,531	44,879,962	(26,477,569)
Rental and Lease of Property	131,982	131,982	162,517	30,535
Fees, Licenses, and Fines	833,440	833,440	571,285	(262,155)
Contributions and Donations	10,375	10,375	55,958	45,583
Miscellaneous Revenues	1,714,323	2,207,341	2,385,450	178,109
Total Revenues	<u>806,898,797</u>	<u>866,577,951</u>	<u>817,546,164</u>	<u>(49,031,787)</u>
EXPENDITURES				
Salaries and Benefits	788,161,093	765,715,789	746,437,215	19,278,574
Purchased Services	70,804,129	103,059,938	102,567,223	492,715
Supplies	49,594,323	49,532,793	46,947,948	2,584,845
Property, Plant, and Equipment	5,031,559	11,616,782	11,443,393	173,389
Other Expenditures and Adjustments	7,445,473	14,861,641	15,012,250	(150,609)
Aid and Public Assistance	511,255,662	569,124,985	532,278,984	36,846,001
Reserves	9,744,024	18,350,609		18,350,609
Total Expenditures	<u>1,442,036,263</u>	<u>1,532,262,537</u>	<u>1,454,687,013</u>	<u>77,575,524</u>
Excess of Revenues Over (Under) Expenditures	<u>(635,137,466)</u>	<u>(665,684,586)</u>	<u>(637,140,849)</u>	<u>28,543,737</u>
OTHER FINANCING SOURCES (USES)				
State Appropriations	744,187,187	749,226,683	739,124,784	(10,101,899)
Transfers from Other Departments or Funds	67,759,000	144,139,544	124,621,778	(19,517,766)
Transfers to Other Departments or Funds	(176,808,721)	(227,681,641)	(226,605,713)	1,075,928
Total Other Financing Sources	<u>635,137,466</u>	<u>665,684,586</u>	<u>637,140,849</u>	<u>(28,543,737)</u>
Net Change in Fund Balance	0	0	0	0
Fund Balance - Beginning of Year	0	0	0	0
Fund Balance - End of Year	<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 balance (budgetary basis) at June 30, 2020 to the fund balance on a modified accrual basis (GAAP).

Fund Balance (Budgetary Basis) June 30, 2020	\$ 0
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Receivables	48,354,599
Payables	(26,575,896)
Deferred Inflows	(10,023,170)
Total Basis Differences	<u>11,755,533</u>
Other Adjustments:	
Inventories	6,437,288
Timing Differences:	
Forward Funded State Aid	<u>5,915,995</u>
Fund Balance (GAAP Basis) June 30, 2020	<u>\$ 24,108,816</u>

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

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

A. Budgetary Process

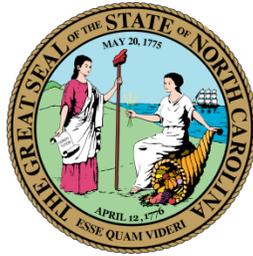
The State's annual budget is prepared principally on the cash basis. The 1985 General Assembly enacted certain special provisions which state that the original budget as certified in the appropriations act is the legal budget for all agencies. These special provisions also state that agencies may spend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

B. Reconciliation of Budget/GAAP Reporting Differences

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

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

Timing differences. A significant variance between budgetary practices and GAAP is any time-restricted appropriations. Section 8(b) of Session Law 2013-397 restricts the use of funds appropriated for the Community Living Housing Fund in the current fiscal year to the subsequent fiscal year. This time-restriction prevented the expense from being recognized on GAAP basis, which resulted in the recognition of a deferred outflow of resources (forward funded state aid).



OTHER SUPPLEMENTARY INFORMATION

**North Carolina Department of Health and Human Services
Schedule of Grants, State Aid, and Subsidies Expenditures
By Division
For the Fiscal Years Ended June 30, 2021 and 2020**

**Exhibit N-1
Page 1 of 2**

	2021										
	Central Administration	Health Benefits (1)	Child Development (2)	Health Service Regulation	Public Health (3)	Aging	Blind/Deaf Services	Vocational Rehabilitation	Social Services (4)	Mental Health (5)	Total Governmental Funds
GRANTS, STATE AID, AND SUBSIDIES											
Medical Assistance:											
Managed Care	\$ 0	\$ 3,283,045,461	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,283,045,461
Supplemental Expenditures		2,237,370,495									2,237,370,495
Skilled Nursing Facilities and Personal Care		2,257,974,250									2,257,974,250
Physician Services		1,774,931,234									1,774,931,234
Medical Services		1,792,529,472									1,792,529,472
Hospital		1,519,743,531									1,519,743,531
Pharmacy Services (Net of Rebates)		916,978,935									916,978,935
Buy-In / Dual Eligible Expenditures		873,966,788									873,966,788
Dental		433,341,918									433,341,918
Other Medical Assistance		88,061,777									88,061,777
Total Medical Assistance	0	15,177,943,861	0	0	0	0	0	0	0	0	15,177,943,861
Social Service Programs:											
Food and Nutrition					278,409,828				4,370,403,295		4,648,813,123
Child and Family			840,835,713		81,884,851				614,313,290		1,537,033,854
Smart Start Programs			136,459,007								136,459,007
Support of Aging and Adult Programs									108,343,296		108,343,296
Support of Medicaid Programs									258,879,464		258,879,464
Other Social Service Programs									202,279,833		202,279,833
Total Social Service Programs	0	0	977,294,720	0	360,294,679	0	0	0	5,554,219,178	0	6,891,808,577
Public Health Programs:											
Communicable Diseases					106,750,059						106,750,059
General Public Health					18,788,649						18,788,649
Chronic Diseases					2,454,167						2,454,167
Other Public Health Programs					58,317,149						58,317,149
Total Public Health Programs	0	0	0	0	186,310,024	0	0	0	0	0	186,310,024
Mental Health Programs	0	0	0	0	0	0	0	0	0	618,209,529	618,209,529
Other Grants, State Aid, and Subsidies	128,431,844	0	0	7,023,093	0	138,840,591	9,576,319	55,366,867	0	0	339,238,714
Total Grants, State Aid, and Subsidies Expenditures	\$ 128,431,844	\$ 15,177,943,861	\$ 977,294,720	\$ 7,023,093	\$ 546,604,703	\$ 138,840,591	\$ 9,576,319	\$ 55,366,867	\$ 5,554,219,178	\$ 618,209,529	\$ 23,213,510,705

(1) See Supplementary Exhibit N-2
(2) See Supplementary Exhibit N-3
(3) See Supplementary Exhibit N-4
(4) See Supplementary Exhibit N-5
(5) See Supplementary Exhibit N-6

**North Carolina Department of Health and Human Services
Schedule of Grants, State Aid, and Subsidies Expenditures
By Division
For the Fiscal Years Ended June 30, 2021 and 2020**

**Exhibit N-1
Page 2 of 2**

	2020										
	Central Administration	Health Benefits (1)	Child Development (2)	Health Service Regulation	Public Health (3)	Aging	Blind/Deaf Services	Vocational Rehabilitation	Social Services (4)	Mental Health (5)	Total Governmental Funds
GRANTS, STATE AID, AND SUBSIDIES											
Medical Assistance:											
Managed Care	\$ 0	\$ 2,787,964,329	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,787,964,329
Supplemental Expenditures		3,094,615,021									3,094,615,021
Skilled Nursing Facilities and Personal Care		1,602,218,131									1,602,218,131
Physician Services		1,694,731,564									1,694,731,564
Medical Services		1,827,354,938									1,827,354,938
Hospital		1,086,726,328									1,086,726,328
Pharmacy Services (Net of Rebates)		710,119,298									710,119,298
Buy-In / Dual Eligible Expenditures		946,326,556									946,326,556
Dental		366,061,959									366,061,959
Other Medical Assistance		3,624,909									3,624,909
Total Medical Assistance	0	14,119,743,033	0	0	0	0	0	0	0	0	14,119,743,033
Social Service Programs:											
Food and Nutrition					297,365,784				2,259,796,384		2,557,162,168
Child and Family					82,243,406				605,851,967		1,425,685,054
Smart Start Programs			737,589,681								132,414,951
Support of Aging and Adult Programs									115,832,340		115,832,340
Support of Medicaid Programs									253,995,641		253,995,641
Other Social Service Programs									170,296,960		170,296,960
Total Social Service Programs	0	0	870,004,632	0	379,609,190	0	0	0	3,405,773,292	0	4,655,387,114
Public Health Programs:											
Communicable Diseases					91,158,502						91,158,502
General Public Health					19,265,246						19,265,246
Chronic Diseases					2,767,683						2,767,683
Other Public Health Programs					6,757,743						6,757,743
Total Public Health Programs	0	0	0	0	119,949,174	0	0	0	0	0	119,949,174
Mental Health Programs	0	0	0	0	0	0	0	0	0	549,365,865	549,365,865
Other Grants, State Aid, and Subsidies	47,651,013	0	0	10,646,313	0	109,737,374	10,885,579	61,078,789	0	0	239,999,068
Total Grants, State Aid, and Subsidies Expenditures	\$ 47,651,013	\$ 14,119,743,033	\$ 870,004,632	\$ 10,646,313	\$ 499,558,364	\$ 109,737,374	\$ 10,885,579	\$ 61,078,789	\$ 3,405,773,292	\$ 549,365,865	\$ 19,684,444,254

(1) See Supplementary Exhibit N-2
(2) See Supplementary Exhibit N-3
(3) See Supplementary Exhibit N-4
(4) See Supplementary Exhibit N-5
(5) See Supplementary Exhibit N-6

**North Carolina Department of Health and Human Services
Schedule of Grants, State Aid, and Subsidies Expenditures
Division of Health Benefits
For the Fiscal Years Ended June 30, 2021 and 2020**

Exhibit N-2

GRANTS, STATE AID, AND SUBSIDIES	2021	2020
Managed Care ¹	\$ 3,283,045,461	\$ 2,787,964,329
Supplemental Expenditures:		
Gap Payment - Upper Payment Limit	945,204,619	1,116,313,001
Gap Payment - Equity Payment	370,311,491	856,862,738
Disproportionate Share Hospital Payment	349,219,004	372,374,018
Enhanced Payment	572,635,381	749,065,264
Total Supplemental Expenditures	<u>2,237,370,495</u>	<u>3,094,615,021</u>
Skilled Nursing Facilities and Personal Care:		
Skilled Nursing Facilities	1,974,608,735	1,103,691,325
Personal Care Services	283,365,515	498,526,806
Total Skilled Nursing Facilities and Personal Care	<u>2,257,974,250</u>	<u>1,602,218,131</u>
Physician Services:		
Physician Services	1,184,183,417	1,209,633,453
Clinics	221,490,425	261,872,209
Community Care of NC (N3CN)	369,257,392	223,225,902
Total Physician Services	<u>1,774,931,234</u>	<u>1,694,731,564</u>
Medical Services:		
Client Assistant Program (CAP)	443,443,703	378,876,641
Equipment	305,767,208	278,394,653
Health Check	119,344,740	112,640,645
Transport	184,456,313	189,677,500
Short Term Care	245,345,628	234,565,947
Non-Physician Services	186,336,250	171,554,096
Standalone Lab/X-Ray	158,939,429	108,025,617
Hospice	128,386,287	98,179,315
Case Management	651,593	1,063,964
Medical - General	16,639,117	250,414,852
Family Planning	3,219,204	3,961,708
Total Medical Services	<u>1,792,529,472</u>	<u>1,827,354,938</u>
Hospital:		
Hospital - Outpatient	615,974,916	539,021,313
Hospital - Inpatient	535,563,416	176,946,909
Emergency Room	368,205,199	370,758,106
Total Hospital	<u>1,519,743,531</u>	<u>1,086,726,328</u>
Prescribed Drugs:		
Pharmacy Services	2,212,350,945	2,098,361,241
Less Rebates	(1,295,372,010)	(1,388,241,943)
Total Prescribed Drugs (Net of Rebates)	<u>916,978,935</u>	<u>710,119,298</u>
Buy-In / Dual Eligible Expenditures:		
Medicare Part A	35,107,364	39,342,452
Medicare Part B	598,032,974	565,723,026
Medicare Part D	240,826,450	341,261,078
Total Buy-In / Dual Eligible Expenditures	<u>873,966,788</u>	<u>946,326,556</u>
Dental	433,341,918	366,061,959
Other Medical Assistance:		
Health Information Technology Funding	2,214,185	3,558,388
Miscellaneous	85,847,592	66,521
Total Other Medical Assistance	<u>88,061,777</u>	<u>3,624,909</u>
Total Grants, State Aid, and Subsidies Expenditures	<u>\$ 15,177,943,861</u>	<u>\$ 14,119,743,033</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
Schedule of Grants, State Aid, and Subsidies Expenditures
Division of Child Development and Early Education
For the Fiscal Years Ended June 30, 2021 and 2020**

Exhibit N-3

GRANTS, STATE AID, AND SUBSIDIES	2021	2020
Child and Family:		
Subsidized Child Care Services	\$ 621,835,026	\$ 557,655,513
Pre-K Services	<u>219,000,687</u>	<u>179,934,168</u>
Total Child and Family	<u>840,835,713</u>	<u>737,589,681</u>
Smart Start Programs:		
Smart Start Subsidized Child Care Services	19,263,556	18,694,567
Smart Start Child Care Related Activities	<u>117,195,451</u>	<u>113,720,384</u>
Total Smart Start Programs	<u>136,459,007</u>	<u>132,414,951</u>
Total Grants, State Aid, and Subsidies Expenditures	<u>\$ 977,294,720</u>	<u>\$ 870,004,632</u>

**North Carolina Department of Health and Human Services
Schedule of Grants, State Aid, and Subsidies Expenditures
Division of Public Health
For the Fiscal Years Ended June 30, 2021 and 2020**

Exhibit N-4

GRANTS, STATE AID, AND SUBSIDIES	2021	2020
Social Service Programs:		
Food and Nutrition:		
Women, Infants, and Children (WIC) Program	\$ 194,846,274	\$ 206,550,558
Other Nutrition	83,563,554	90,815,226
Total Food and Nutrition	<u>278,409,828</u>	<u>297,365,784</u>
Child and Family:		
Maternal and Infant Health	20,179,567	20,930,456
Children Health Services	22,559,043	22,547,853
Child and Adult Prevention	16,112,151	16,326,233
Early Intervention	23,034,090	22,438,864
Total Child and Family	<u>81,884,851</u>	<u>82,243,406</u>
Total Social Service Programs	<u>360,294,679</u>	<u>379,609,190</u>
Public Health Programs:		
Communicable Diseases	106,750,059	91,158,502
General Public Health	18,788,649	19,265,246
Chronic Diseases	2,454,167	2,767,683
Other Public Health Programs	58,317,149	6,757,743
Total Public Health Programs	<u>186,310,024</u>	<u>119,949,174</u>
Total Grants, State Aid, and Subsidies Expenditures	<u>\$ 546,604,703</u>	<u>\$ 499,558,364</u>

**North Carolina Department of Health and Human Services
Schedule of Grants, State Aid, and Subsidies Expenditures
Division of Social Services
For the Fiscal Years Ended June 30, 2021 and 2020**

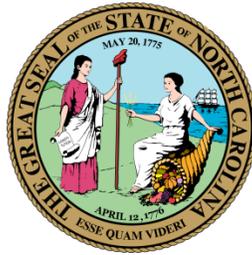
Exhibit N-5

GRANTS, STATE AID, AND SUBSIDIES	2021	2020
Food and Nutrition:		
Food Stamp Program	\$ 4,264,803,725	\$ 2,155,120,641
Nutrition and Food Education Programs	105,599,570	104,675,743
Total Food and Nutrition	<u>4,370,403,295</u>	<u>2,259,796,384</u>
Child and Family:		
Child Services	402,627,346	391,505,846
Foster Care	98,890,964	98,803,066
Adoption	112,794,980	115,543,055
Total Child and Family	<u>614,313,290</u>	<u>605,851,967</u>
Support of Aging and Adult Programs	<u>108,343,296</u>	<u>115,832,340</u>
Support of Medicaid Programs	<u>258,879,464</u>	<u>253,995,641</u>
Other Social Service Programs:		
Low-Income Energy Assistance Program	112,721,166	94,606,965
Miscellaneous	89,558,667	75,689,995
Total Other Social Service Programs	<u>202,279,833</u>	<u>170,296,960</u>
Total Grants, State Aid, and Subsidies Expenditures	<u>\$ 5,554,219,178</u>	<u>\$ 3,405,773,292</u>

**North Carolina Department of Health and Human Services
Schedule of Grants, State Aid, and Subsidies Expenditures
Division of Mental Health/Developmental Disabilities
and Substance Abuse Services
For the Fiscal Years Ended June 30, 2021 and 2020**

Exhibit N-6

GRANTS, STATE AID, AND SUBSIDIES	2021	2020
Mental Health Programs:		
Local Management Entity Expenditures	\$ 536,465,030	\$ 473,201,542
Non-Governmental Expenditures	71,732,922	73,489,083
Governmental Expenditures	<u>10,011,577</u>	<u>2,675,240</u>
Total Grants, State Aid, and Subsidies Expenditures	<u>\$ 618,209,529</u>	<u>\$ 549,365,865</u>



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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

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

Kody H. Kinsley, 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 governmental funds, the divisions of Central Administration, Health Benefits, 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 years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated May 31, 2022.

As discussed in Note 1, the financial statements of the North Carolina Department of Health and Human Services are intended to present the financial position and changes in financial position that are only attributable to the transactions of the North Carolina Department of Health and Human Services. They do not purport to, and do not, present fairly the financial position of the State of North Carolina as of June 30, 2021 or 2020, or the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

May 31, 2022

ORDERING INFORMATION

COPIES OF THIS REPORT MAY BE OBTAINED BY CONTACTING:

Office of the State Auditor
State of North Carolina
2 S. Salisbury Street
20601 Mail Service Center
Raleigh, North Carolina 27699

Telephone: 919-807-7500
Facsimile: 919-807-7647
Internet: <http://www.auditor.nc.gov>



To report alleged incidents of fraud, waste or abuse in state government contact the
Office of the State Auditor Fraud Hotline:

Telephone: 1-800-730-8477

Internet: <https://www.auditor.nc.gov/about-us/state-auditors-hotline>

For additional information contact the
North Carolina Office of the State Auditor at:

919-807-7666



This audit required 5,637 hours at an approximate cost of \$597,522, plus actuarial costs of \$50,000. The total audit cost also includes costs associated with the report on the Department's statewide financial audit procedures.