

# North Carolina Department of Health and Human Services

Raleigh, North Carolina

## Financial Statement Audit Report

For the Year Ended June 30, 2023

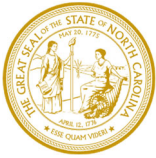
*A Department of the State of North Carolina*

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*A Department of the  
State of North Carolina*





## North Carolina Office of the State Auditor

Jessica N. Holmes, J.D., State Auditor

# Auditor's Transmittal

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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 year ended June 30, 2023, 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 "Jessica N. Holmes, J.D.".

Jessica N. Holmes, J.D.  
State Auditor

# AN OVERVIEW OF HOW TO USE THIS REPORT

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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 11 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 presented fairly in all material respects.

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, 2023, and the Statement of Revenues, Expenditures, and Changes in Fund Balances for fiscal year ended June 30, 2023 for the **Department as a whole**.

**“B” Exhibits** present the Balance Sheet as of June 30, 2023, and the Statement of Revenues, Expenditures, and Changes in Fund Balances for fiscal year ended June 30, 2023 for the **Department by division**.

**“C” through “M” Exhibits** present the Balance Sheet as of June 30, 2023, and the Statement of Revenues, Expenditures, and Changes in Fund Balances for fiscal year ended June 30, 2023 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.

**“N” Exhibits** present a budget and actual comparison for the General Fund of the **Department and each division**. These schedules have not been subjected to the same auditing procedures performed on the financial statements.

### **Supplementary Information:**

“O” 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.

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Chapter 147, Article 5A of the North Carolina General Statutes gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.

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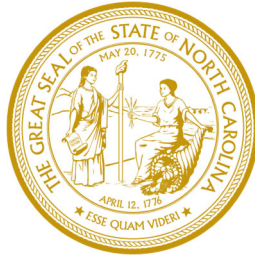
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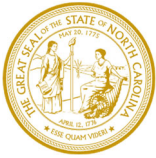
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# Independent Auditor's Report



## North Carolina Office of the State Auditor

Jessica N. Holmes, J.D., State Auditor

# Independent Auditor's Report

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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, Child and Family Well-Being Services, and Mental Health/Developmental Disabilities and Substance Use Services of the North Carolina Department of Health and Human Services (Department), as of and for the year ended June 30, 2023, 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, Child and Family Well-Being Services, and Mental Health/Developmental Disabilities and Substance Use Services of the North Carolina Department of Health and Human Services, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *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 Department. They do not purport to, and do not, present fairly the financial position of the State of North Carolina as of June 30, 2023, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As discussed in Note 1, during the year ended June 30, 2023, the Division of Child and Family Well-Being was established as a separate division by reorganizing certain operations from other Department divisions, primarily from the divisions of Public Health, Social Services, and Mental Health. 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *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**

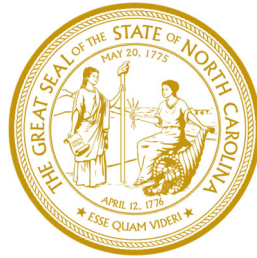
In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2024 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and 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.



Jessica N. Holmes, J.D.  
State Auditor

Raleigh, North Carolina

May 3, 2024



# 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 year ended June 30, 2023. 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 required.

***Fund Financial Statements***

The Department reports 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 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, 2023 and 2022.

North Carolina Department of Health and Human Services Condensed Balance Sheets Governmental Funds		
	2023	2022
<b>Assets</b>	\$ 4,174,800,008	\$ 2,469,761,079
<b>Deferred Outflows of Resources</b>		
<b>Total Assets and Deferred Outflows</b>	<u>\$ 4,174,800,008</u>	<u>\$ 2,469,761,079</u>
<b>Liabilities</b>	\$ 3,631,337,135	\$ 1,943,243,631
<b>Deferred Inflows of Resources</b>	<u>29,307,320</u>	<u>21,395,323</u>
<b>Fund Balances</b>		
Nonspendable	10,637,721	12,136,849
Restricted	1,970,525,608	114,541,390
Committed	706,136,631	748,204,788
Assigned	10,857,071	8,126,643
Unassigned	<u>(2,184,001,478)</u>	<u>(377,887,545)</u>
<b>Total Fund Balances</b>	<u>514,155,553</u>	<u>505,122,125</u>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<u>\$ 4,174,800,008</u>	<u>\$ 2,469,761,079</u>

Total assets increased \$1.7 billion, or 69.04%, compared to fiscal year 2022. There was a \$1.747 billion increase in intergovernmental receivables primarily related to an increase in federal reimbursements of \$1.7 billion in medical claims payable at the Division of Health Benefits. Additionally, there was a \$45.6 million decrease in accounts receivable at the Division of Health Benefits due to a combination of the reprocessing of point-of-sale claims in the drug rebate program, and increased collection efforts resulting from Medicaid investigative and recovery audit case claims, cost settlements, and third-party recovery claims.

Total liabilities increased \$1.7 billion or 86.87% compared to fiscal year 2022. This change is primarily due to an increase of \$1.7 billion in medical claims payable related to reimbursable Healthcare Access and Stabilization Program expenditures at the Division of Health Benefits for a delivery system and provider payment initiative under Medicaid managed care plan contracts. See the Division of Health Benefits portion of the Economic Outlook section below for additional information on the Healthcare Access and Stabilization Program.



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

	<u>2023</u>	<u>2022</u>
<b>Revenues</b>		
Federal Funds	\$ 25,336,708,332	\$ 24,536,862,140
Other Revenues	958,185,967	1,001,088,102
Total Revenues	<u>26,294,894,299</u>	<u>25,537,950,242</u>
<b>Expenditures</b>		
Salaries and Benefits	1,253,226,655	1,263,808,524
Contracted Personal Services	1,130,336,116	1,361,283,152
Supplies and Materials	81,935,771	106,187,209
Travel	6,091,281	4,277,797
Communication	12,946,734	13,929,842
Utilities	18,724,593	17,366,943
Data Processing Services	13,734,670	18,562,730
Other Services	29,051,545	21,984,719
Lease/Subscription Expenditures:		
Principal Payments	40,061,979	16,209,697
Interest and Fees	3,435,262	3,368,680
Other Fixed Charges	26,707,659	56,887,284
Capital Outlay	108,224,477	62,882,665
Grants, State Aid, and Subsidies	29,743,266,290	27,879,694,827
Expenditures to Other State Agencies	295,752,606	232,694,937
Other Expenditures	30,279,656	24,097,881
Total Expenditures	<u>32,793,775,294</u>	<u>31,083,236,887</u>
Excess Expenditures Over Revenues	<u>(6,498,880,995)</u>	<u>(5,545,286,645)</u>
<b>Other Financing Sources (Uses)</b>		
State Appropriations	6,268,998,094	5,709,683,356
Transfers In	1,426,542,150	664,031,105
Transfers Out	(1,426,542,150)	(664,031,105)
Transfers from State Reserve Fund	507,608,505	940,465,489
Transfers to State Reserve Fund	(318,913,633)	(520,703,862)
Leases/Subscriptions Issued	49,686,124	28,382,209
Other	535,333	236,694
Total Other Financing Sources	<u>6,507,914,423</u>	<u>6,158,063,886</u>
Net Change in Fund Balances	9,033,428	612,777,241
<b>Fund Balances - Beginning of Year</b>	<u>505,122,125</u>	<u>(107,655,116)</u>
<b>Fund Balances - End of Year</b>	<u>\$ 514,155,553</u>	<u>\$ 505,122,125</u>

Total revenues increased by \$756.9 million, or 2.96%, compared to fiscal year 2022. Total expenditures increased by \$1.7 billion, or 5.50%, compared to fiscal year 2022. This increase was primarily related to reimbursable Healthcare Access and Stabilization Program expenditures at the Division of Health Benefits for a delivery system and provider payments to vendors, providers, managed care administration and training. The increase in total expenditures was offset by a decrease of \$230.9 million, or 17.0%, in contracted personal services. This decrease was primarily due to the conclusion of certain COVID-19 programs and contracts as the related federal awards were mostly expended in prior periods.

Total other financing sources increased \$349.9 million, or 5.68%, compared to the prior year. State appropriations increased \$559.3 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 federal programs. Transfers from the state reserve fund decreased \$432.9 million primarily due to unspent prior year state funds carried forward to fund obligations from fiscal year 2022. Transfers to the state reserve fund decreased \$201.8 million due to less funds obligated but not spent at year-end that were carried forward to fiscal year 2023.

### **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, 2023, the Department reported a fund balance of \$514.2 million. While total fund balance remained consistent with fiscal year 2022, there were significant fluctuations in the unassigned and restricted fund balances. Restricted fund balance increased \$1.9 billion, resulting in an increase in the overall fund balance. Unassigned fund balance deficit increased by \$1.8 billion from fiscal year 2022. These changes are primarily due to the impact of the medical claims payable changes described in detail in the Financial Analysis of the Department section above.

### **Budget Variations**

Data for the Department's budget variances is presented in Exhibit N-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 \$1.7 billion and \$2.1 billion, respectively, more than the original budget. The budgeted revenue increases are primarily comprised of \$1.4 billion in the final budgeted federal funds, and \$187.3 million in local grants. The budgeted expenditure increases are primarily comprised of a \$1.2 billion increase in aid and public assistance expenditures and a \$712.1 million increase in purchased services.

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 \$1.3 billion less than the final budgeted revenue amounts. Actual total expenditures were \$2.1 billion less than budgeted expenditures. Budgeted revenues and

expenditures were unrealized mostly due to a \$1.1 billion difference in aid and public assistance expenditures incurred versus the amount budgeted. This also caused 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 \$1.4 billion less than budgeted.

### **Economic Outlook**

Highlights of certain divisions within the Department are listed below.

#### **Division of Health Benefits (DHB)**

- In fiscal year 2023-24, DHB expects the increased costs from higher enrollment related to the Public Health Emergency (PHE) to gradually decrease. Since March 2020, total Medicaid enrollment increased by approximately 750,000 beneficiaries. The US Department of Health and Human Services (USDHHS) ended the PHE effective May 11, 2023, and instructed states on requirements related to their Continuous Coverage Unwinding (CCU) efforts. The CCU will decrease the elevated enrollment gradually over the course of the next 12-14 months.
- In fiscal year 2023-24, the State will also experience two meaningful drops in the Federal Medical Assistance Percentage (FMAP), the federal match that pays the majority of Medicaid costs. The first decrease is related to the end of the federal PHE. The US Centers for Medicare and Medicaid Services (CMS) has supported the State since early in the pandemic by providing flexibilities for service provision, and the US Congress provided a 6.2 percentage point enhanced FMAP through the Families First Coronavirus Relief Act (FFCRA). Though the 6.2 percentage point enhanced FMAP ended March 31, 2023, to support the CCU effort, Congress implemented a phased-down enhanced FMAP that extended from April 1, 2023 through December 31, 2023. The enhanced FMAP phased down from 5.0 percent (April – June 2023) to 1.5 percent (October – December 2023). The first post-PHE disenrollments from Medicaid due to determination of ineligibility began July 1, 2023. Through standard Medicaid operations, CMS also determined that the regular FMAP for the State would be 1.8 percentage points lower than it had been the previous year (67.71% to 65.91%). This drop means that the State will require more non-federal funding (i.e., state appropriations) to provide the same level of services as in the prior year.
- Also, in fiscal year 2023-24, the passage of the Current Operations Appropriations Act of 2023 (Session Law 2023-134) met a condition set forward in S.L. 2023-7 that triggers the authorization of Medicaid Expansion, which will enable more than 600,000 North Carolinians to access new health care coverage by increasing the eligible population to include adults aged 19-64 who have incomes up to 138% of the federal poverty level. DHB worked with CMS to establish a December 1, 2023 launch date for Medicaid Expansion. Beneficiaries will get care the same way as existing Medicaid beneficiaries and be eligible for the same comprehensive benefits and copays as other non-disabled adults in Medicaid. The additional costs of these new members will increase DHB's budget by approximately \$3 to \$5 billion on an annual basis. The federal government will cover 90% of these costs, and the non-federal shares will be covered by new assessments from hospitals and increased premiums tax on prepaid health plans. There will be no State general fund dollars awarded for this program.

- Session Law 2023-7 also authorized the Health Access & Stabilization Program (HASP), a new hospital-financed direct payment program that will enable the State to draw and pay approximately \$3 to \$5 billion in additional reimbursements for hospitals, based on a comparison to average commercial rates (ACR). The non-federal share of these additional payments will be provided by the hospitals through provider assessments and intergovernmental transfers (IGT). DHB worked with CMS to get approval of this program retroactive to fiscal year 2023 and made retroactive payments in November 2023 for the prior year. DHB anticipates also beginning to make payments for fiscal year 2024 later in the fiscal year. As with Expansion, there will be no State general fund dollars awarded for this program.
- DHB is continuing preparations for the launch of Tailored Plans (TP), special integrated physical and behavioral health managed care plans for Medicaid beneficiaries with intensive behavioral health needs. The TPs will replace existing LME/MCO contracts. DHB initially planned to launch TPs during fiscal year 2022-23 but delayed the launch to allow the plans more time to prepare for the transition. Per the Current Operations Appropriations Act of 2023 [Session Law 2023-134, section 9E.16(e)(2)], TPs now must launch no later than July 1, 2024.

### **Division of Health Service Regulation (DHSR)**

- DHSR is working with the Information Technology Division to replace seven legacy IT systems but they will continue to be critical to the work of DHSR during the estimated 1-2 years necessary to develop the new system (Enterprise) and convert the data from the legacy IT systems to Enterprise. The General Assembly has approved a budget of \$6.7 million to begin the development of the new systems; however, additional funding will be needed to maintain the systems critical to the work of DHSR.

### **Division of Public Health (DPH)**

- DPH is the recipient of several new grants, including the Strengthening U.S. Public Health Infrastructure, Workforce, and Data Systems grant totaling \$72,521,026 to be awarded over a period of five years.
- The 2023 Appropriations Act allocated to DPH: JUUL Settlement Funds in the amount of \$11,250,000 for evidence-based electronic cigarette and nicotine dependence prevention and cessation.

### **Division of Aging & Adult Services (DAAS)**

- The NC Office of State Budget and Management, State Population Projections (Vintage 2021) showed that for those 60 and older the population is projected to increase by 22% over the next 10 years, and by 37% over the next 20 years. Projections also show that beginning in 2023, the population of older adults surpassed that of those 19 years and younger in North Carolina. The Division continues to use the state appropriation in the Home and Community Care Block Grant to service the increasing population.
- The Division continues to manage the \$54.0 million grant received in COVID related funding from the U.S. Department of Housing and Urban Development to support the Emergency Solutions Grant Program-CV. The project period for the initial funding amount of \$54.4 million was extended to September 30, 2023 for program activities. The funds for administration and Homeless Management Information System had a project end date of December 31, 2023. An additional \$400 thousand was awarded with a project end date of June 30, 2024. Funding is being distributed through contracts with local community-based housing and shelter

assistance programs to help mitigate the impact of COVID on homelessness. The Division also received \$15.0 million in nonrecurring funds to supplement, not supplant, existing funds for rapid rehousing services to assist individuals and families with the cost of acute needs and at risk of homelessness due to the COVID-19 public health emergency with obtaining safe housing.

- The Division will be implementing Coronavirus State and Fiscal Recovery Fund Project 6 – Rapid Rehousing / Housing & Home Improvement, to provide Rapid Rehousing services to assist individuals and families experiencing homelessness and those at risk of homelessness due to impacts of the COVID-19 public health emergency with obtaining safe housing; and to enable eligible vulnerable seniors ages 60 and older to make home improvements and home repairs necessary to maintain safe and decent housing such that they can remain in their own home. This project will utilize approximately \$8.5 million of the \$9.2 million in total funding allocated in S.L. 2021-180, with \$7.7 million to be distributed to homelessness service providers across the State and Local Area Agencies on Aging to provide direct and contracted services to eligible individuals and families. The project began in January 2024 and will continue through September of 2026, with project closeout required to occur no later than December 31, 2026.

**Division of Child Development and Early Education (DCDEE)**

- DCDEE continues to use the remainder of the appropriated \$805.8 million in American Rescue Plan Act (ARPA) Stabilization funds as outlined in S.L. 2021-25 from the American Rescue Plan Act for childcare programs to fund personnel costs, rent, facility maintenance or improvements, personal protective equipment/sanitation supplies, goods, supplies, equipment, and services. This support assists in the ability to resume services and provide mental health support for children and employees, as well as health and safety training for staff.
- As outlined in S.L. 2022-74, the Division is using a portion of the \$502.8 million awarded under the Childcare and Development Block Grant under the ARPA 2021 funding [P.L. 117-002] to reduce the waitlist for subsidized childcare. Additionally, the Division is using a portion of these funds to increase the childcare subsidy rates as recommended in the Childcare Market Rate Study. Additional funds awarded in this grant have provided bonus payments for childcare providers and will assist with systems development and technology infrastructure.

**Division of Child and Family Well-Being (DCFV)**

- During fiscal year 2023, the Department began operations for the Division of Child and Family Well-Being (DCFV) to advance the Department's mission to ensure that all children are healthy and thrive in safe, stable, and nurturing families, schools, and communities. DCFV works to integrate behavioral health, physical health, and social programs to provide coordinated and streamlined whole-family care.
- The Division has brought together programs and staff that were previously operating across multiple Department divisions — Division of Public Health (DPH), Division of Social Services (DSS), and Division of Mental Health, Developmental Disabilities, and Substance Use Services (DMH/DD/SUS). These programs include:
  - Nutrition programs for children, families, and seniors;
  - Health-related programs and services for children and youth;

- School and community behavioral health services for children and youth; and
- Early Intervention/North Carolina Infant-Toddler Program.
- DCFW's budget was established in a budget neutral fashion and is comprised of revenues, expenditures, and positions associated with programs and services reorganized into DCFW from originating divisions. These expenditures and revenues were previously reported under the originating divisions – DPH, DSS, and DMHDDSAS.
- From all sources, DCFW's budget totals \$570 million, of which approximately 90% is from federal and other receipts. Significant sources of federal funding include:
  - Supplemental Nutrition Assistance Program (SNAP) Administration (SNAP benefit payments are still expended through DSS)
  - Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
  - Child and Adult Care Food Program (CACFP)
  - Maternal and Child Health Block Grant (MCHBG)
  - Community Mental Health Services Block Grant (MHBG)
  - Individuals with Disabilities Education Act (IDEA) Part C, Program for Infants and Toddlers
- The Consolidated Appropriations Act of 2023 ended SNAP emergency allotments that were provided by Section 2302(a)(1) of the Families First Coronavirus Response Act (FFCRA). The law terminated emergency allotment issuance after the issuance of February 2023 benefits. In North Carolina, this decreased SNAP benefit issuance by approximately \$150 million per month. These additional SNAP benefits were 100% federally funded.

WIC also awarded the Infant Formula Rebate (cost containment) contract to Abbott, effective October 1, 2023. The rebate under the Abbott contract is approximately 30% less than what was previously received, with an anticipated decrease in food fund availability estimated between \$19 and \$23 million.

### **Division of Services for Deaf and Hard of Hearing (DSDHH)**

- North Carolina General Statute 62-157 authorizes the NC Utilities Commission (NCUC) to impose a surcharge on wireline and wireless connections to support DSDHH operations. Because actual revenues have been less than projected in recent years, coupled with the increase in expenditure requirements to support critical operational and programmatic needs, DSDHH's budget was at risk of no longer being able to support DSDHH operations. Therefore, DSDHH on behalf of the Department filed a petition to increase the surcharge amount from \$0.08 per connection per month to \$0.16. In February of 2023, the NCUC issued an order to increase the surcharge amount to \$0.16 effective June 1, 2023. As a result, DSDHH is now on track to not only support its critical needs but also to expand programmatically in response to the projected growth in the hearing loss population over the next several years.

### **Division of Social Services (DSS)**

- DSS as well as other units in the Department have been working through a significant, multi-year effort to review our current Child Welfare software systems and develop a strategy to move forward with a more comprehensive, effective approach. The Division is now moving forward on implementation of a new state Child Welfare Information Technology System, acting on recommendations from the Gartner study and the CWS Core Team. DSS has awarded a request for proposal to Deloitte for augmentations to overlay or replace significant components of the existing system.



- Execution of DSS's Family First Title IV-E Prevention Plan is currently underway. Effective October 1, 2021, this landmark federal legislation has realigned federal foster care services and financing. It aims to prevent removal of children from homes when evidence-based services can address safety concerns and keep families intact. The State's federal partners approved its Prevention Services Plan in August 2022, and DSS has since begun implementing five trauma-informed, evidence-based prevention programs. To support a more stable transition, the State has also allocated almost \$30.0 million over 2.75 years to cover the loss of federal reimbursement within congregate care settings.

In the last three state fiscal years, the Division of Social Services experienced a significant increase in funding to support COVID-related operations, totaling over \$200 million. At this time, all COVID-related funds have been expended and the State does not anticipate receipt of additional funding related to the pandemic.

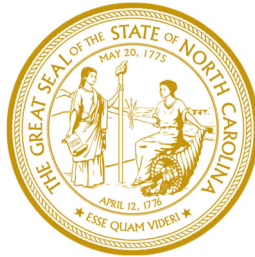
### **Division of Mental Health/Developmental Disabilities and Substance Use Services (DMH/DD/SUS)**

- DMH/DD/SUS has been awarded funds in the 2023-2025 Biennium Budget that significantly impact the State's finances over the next 2+ years, including:
  - \$20.0 million to expand the centralized bed registry, Behavioral Health Statewide Central Availability Navigator (BH SCAN) using the Medicaid Transformation Fund (ARPA) as indicated on line 182 of the Joint Conference Committee report, with \$10.0 million available in each both fiscal year 2023-24 and 2024-25.
  - \$80.0 million for crisis system improvements, including new mobile crisis teams and crisis and respite facilities.
  - \$99.0 million to provide funds for re-entry and diversion programs, and detention center or community-based capacity restoration programs for justice-involved individuals across the State.
  - \$20.0 million for a pilot program for transporting voluntary and involuntary psychiatric admissions without the involvement of law enforcement. This program will transfer individuals from hospital emergency departments and behavioral health urgent care facilities where a bed has been located. This pilot will be funded with Medicaid Transformation (ARPA) funds, as indicated on line 186 of the Joint Conference Committee report. The funds will be available \$10.0 million in each fiscal year 2023-24 and 2024-25.
- The 2023-2025 Biennium budget also allocates \$8.2 million of the Opioid Abatement Reserve from the multi-state opioid settlements to 12 community organizations to respond to the negative impacts of the opioid epidemic. These programs will provide substance use disorder treatment and recovery services, as well as support to professionals working in the field of substance use disorder, prevention, treatment, and recovery.
- In the past year, DMH/DD/SUS was awarded \$13.5 million in federal funds from the Substance Abuse and Mental Health Services Administration (SAMHSA). The funds were awarded over a period of 3 years (September 30, 2023 through September 29, 2026) to improve North Carolina's response to 988 contacts (including calls, chats, and texts) originating in the State. These funds are intended to be used for workforce development, technology, outreach for high risk and underserved populations, a comprehensive quality assurance plan, and a comprehensive 988 communications plan.

### Office of Rural Health (ORH)

- ORH received \$20.0 million in non-recurring ARPA pass-through funding for the biennium to expand telehealth efforts. This funding will create a competitive grant program with priority given to independent primary care practices and independent obstetrics and gynecology practices. ORH plans to administer this new grant program through the Health Information Technology and Telehealth Program team.
- ORH received \$50.0 million in non-recurring state appropriation for fiscal years 2024 and 2025 to address access to care through expanding ORH's loan repayment program. This additional funding will expand provider eligibility to include advanced practice providers in behavioral health, as well as registered nurses.





# Financial Statements

**North Carolina Department of Health and Human Services**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2023**

**Exhibit A-1**

	<u>General Fund</u>	<u>Other Governmental Funds (1)</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents (Note 2)	\$ 894,335,618	\$ 115,947,173	\$ 1,010,282,791
Receivables:			
Accounts Receivable, Net (Note 4)	113,589,160	492,776	114,081,936
Intergovernmental Receivables (Note 4)	3,025,148,308	1,112,766	3,026,261,074
Other Receivables	140,203	73,759	213,962
Due from Other Funds	12,442,257		12,442,257
Inventories	10,517,129	120,592	10,637,721
Advances to Outside Entities	880,267		880,267
	<u>4,057,052,942</u>	<u>117,747,066</u>	<u>4,174,800,008</u>
Total Assets			
	<u>0</u>	<u>0</u>	<u>0</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets and Deferred Outflows	<u>\$ 4,057,052,942</u>	<u>\$ 117,747,066</u>	<u>\$ 4,174,800,008</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities:			
Accounts Payable	\$ 259,790,138	\$ 4,218,944	\$ 264,009,082
Intergovernmental Payables (Note 6)	404,258,613	7,980	404,266,593
Medical Claims Payable (Note 7)	2,790,679,638	128,713.00	2,790,808,351
Due to Other State Agencies and Funds	51,489,114	1,171,765	52,660,879
Due to State of North Carolina Component Units	119,585,910		119,585,910
Other Liabilities		6,320	6,320
	<u>3,625,803,413</u>	<u>5,533,722</u>	<u>3,631,337,135</u>
Total Liabilities			
	<u>29,307,320</u>	<u>0</u>	<u>29,307,320</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	<u>29,307,320</u>	<u>0</u>	<u>29,307,320</u>
<b>FUND BALANCES</b>			
Nonspendable Inventories	10,517,129	120,592	10,637,721
Restricted for Health and Human Services	1,969,098,042	1,427,566	1,970,525,608
Committed to Health and Human Services	597,085,981	109,050,650	706,136,631
Assigned to Health and Human Services	9,197,987	1,659,084	10,857,071
Unassigned	<u>(2,183,956,930)</u>	<u>(44,548)</u>	<u>(2,184,001,478)</u>
	<u>401,942,209</u>	<u>112,213,344</u>	<u>514,155,553</u>
Total Fund Balances			
	<u>\$ 4,057,052,942</u>	<u>\$ 117,747,066</u>	<u>\$ 4,174,800,008</u>
Total Liabilities, Deferred Inflows, and Fund Balances			

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 Year Ended June 30, 2023**

**Exhibit A-2**

	<u>General Fund</u>	<u>Other Governmental Funds (1)</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Federal Funds	\$ 23,091,356,726	\$ 67,397,118	\$ 23,158,753,844
Federal COVID-19 Funds	2,177,954,488		2,177,954,488
Local Funds	107,988,270		107,988,270
Sales and Services	1,951,982	1,378,467	3,330,449
Patient Service Revenue, Net (Note 10)	35,182,085		35,182,085
Fees, Licenses, and Fines (Note 11)	234,050,757	2,743,747	236,794,504
Contributions, Gifts and Grants	134,637,472	317,805	134,955,277
Revenues from Other State Agencies (Note 12)	276,363,842	43,615,065	319,978,907
Miscellaneous Revenues	119,782,162	174,313	119,956,475
	<u>26,179,267,784</u>	<u>115,626,515</u>	<u>26,294,894,299</u>
<b>EXPENDITURES</b>			
Salaries and Benefits	1,201,623,905	51,602,750	1,253,226,655
Contracted Personal Services	1,112,060,784	18,275,332	1,130,336,116
Supplies and Materials	81,268,440	667,331	81,935,771
Travel	6,065,662	25,619	6,091,281
Communication	12,418,278	528,456	12,946,734
Utilities	18,707,077	17,516	18,724,593
Data Processing Services	13,732,514	2,156	13,734,670
Other Services	28,463,428	588,117	29,051,545
Lease/Subscription Expenditures:			
Principal Payments	38,016,090	2,045,889	40,061,979
Interest and Fees	2,883,006	552,256	3,435,262
Other Fixed Charges	26,554,620	153,039	26,707,659
Capital Outlay	96,159,928	12,064,549	108,224,477
Grants, State Aid, and Subsidies (Exhibit O-1)	29,728,759,604	14,506,686	29,743,266,290
Expenditures to Other State Agencies (Note 12)	295,752,606		295,752,606
Other Expenditures	30,199,669	79,987	30,279,656
	<u>32,692,665,611</u>	<u>101,109,683</u>	<u>32,793,775,294</u>
Excess of Revenues Over (Under) Expenditures	<u>(6,513,397,827)</u>	<u>14,516,832</u>	<u>(6,498,880,995)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
State Appropriations	6,268,998,094		6,268,998,094
Transfers In (Note 13)	1,410,809,334	15,732,816	1,426,542,150
Transfers Out (Note 13)	(1,409,236,987)	(17,305,163)	(1,426,542,150)
Transfers from State Reserve Fund	507,608,505		507,608,505
Transfers to State Reserve Fund	(318,913,633)		(318,913,633)
Leases/Subscriptions Issued	49,686,124		49,686,124
Other	512,068	23,265	535,333
	<u>6,509,463,505</u>	<u>(1,549,082)</u>	<u>6,507,914,423</u>
Net Change in Fund Balances	(3,934,322)	12,967,750	9,033,428
Fund Balances - Beginning of Year	<u>405,876,531</u>	<u>99,245,594</u>	<u>505,122,125</u>
Fund Balances - End of Year	<u>\$ 401,942,209</u>	<u>\$ 112,213,344</u>	<u>\$ 514,155,553</u>

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, 2023**

**Exhibit B-1**

	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)	Child and Family (10)	Mental Health (11)	Total Governmental Funds
<b>ASSETS</b>												
Cash and Cash Equivalents	\$ 417,188,726	\$ 396,545,129	\$ 1,478,448	\$ 39,320,750	\$ 55,072,761	\$ 30,200	\$ 5,258,203	\$ 282,887	\$ 10,332,287	\$ 0	\$ 84,773,400	\$ 1,010,282,791
Receivables:												
Accounts Receivable, Net (Note 4)	27,953	55,734,643	2,022,945	1,268,680	5,209,722	19,691	336,766	474,639	3,359,105	33,194	45,594,598	114,081,936
Intergovernmental Receivables (Note 4)	19,569,573	2,719,815,787	88,831,751	2,652,393	32,399,766	9,214,662	910,996	6,198,485	115,049,931	22,113,435	9,504,295	3,026,261,074
Other Receivables											213,962	213,962
Due from Other Funds	12,274,087	168,170										12,442,257
Inventories	221,693	50,697	11,965	19,681	2,622,886	2,832	11,774	214,310	16,150	431,027	7,034,706	10,637,721
Advances to Outside Entities	140,829										739,438	880,267
<b>Total Assets</b>	<b>449,422,861</b>	<b>3,172,314,426</b>	<b>92,345,109</b>	<b>43,261,504</b>	<b>95,305,135</b>	<b>9,267,385</b>	<b>6,517,739</b>	<b>7,170,321</b>	<b>128,757,473</b>	<b>22,577,656</b>	<b>147,860,399</b>	<b>4,174,800,008</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>												
<b>Total Assets and Deferred Outflows</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>\$ 449,422,861</b>	<b>\$ 3,172,314,426</b>	<b>\$ 92,345,109</b>	<b>\$ 43,261,504</b>	<b>\$ 95,305,135</b>	<b>\$ 9,267,385</b>	<b>\$ 6,517,739</b>	<b>\$ 7,170,321</b>	<b>\$ 128,757,473</b>	<b>\$ 22,577,656</b>	<b>\$ 147,860,399</b>	<b>\$ 4,174,800,008</b>
<b>LIABILITIES</b>												
Accounts Payable and Accrued Liabilities												
Accounts Payable	\$ 21,502,668	\$ 76,865,169	\$ 94,476,477	\$ 1,856,950	\$ 18,997,550	\$ 703,861	\$ 1,562,431	\$ 6,472,433	\$ 7,565,006	\$ 14,582,980	\$ 19,423,557	\$ 264,009,082
Intergovernmental Payables (Note 6)	232,468,929	20,210,129	11,205,527		19,478,429	12,630,823	23,426	23,317	102,392,139	5,496,168	337,706	404,266,593
Medical Claims Payable (Note 7)		2,783,052,444			328,028		159,157	311,393	885,063	117,850	5,954,416	2,790,808,351
Due to Other State Agencies and Funds	1,964,505	12,697,609	1,616,742	68,840	29,339,272	25,200	119,166	340,559	2,566,642	532,964	3,389,380	52,660,879
Due to State of North Carolina Component Units		115,135,360	145,385		2,051,433			17,982	1,417,467	214,774	603,509	119,585,910
Other Liabilities											6,320	6,320
<b>Total Liabilities</b>	<b>255,936,102</b>	<b>3,007,960,711</b>	<b>107,444,131</b>	<b>1,925,790</b>	<b>70,194,712</b>	<b>13,359,884</b>	<b>1,864,180</b>	<b>7,165,684</b>	<b>114,826,317</b>	<b>20,944,736</b>	<b>29,714,888</b>	<b>3,631,337,135</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>												
Unavailable Revenue	0	0	18,623	1,073,024	4,144,549	0	4,423	0	877,411	0	23,189,290	29,307,320
<b>FUND BALANCES</b>												
Nonspendable Inventories	221,693	50,697	11,965	19,681	2,622,886	2,832	11,774	214,310	16,150	431,027	7,034,706	10,637,721
Restricted for Health and Human Services	4,671,400	1,903,628,596	1,948,958	33,093,830	13,228,762	1,250,000	444,076	12,884	10,130,620	1,138,196	978,286	1,970,525,608
Committed to Health and Human Services	210,278,265	359,365,378	1,478,448	4,016,179	41,838,776	25,200	4,338,401	242,047	3,520,705	63,697	80,969,535	706,136,631
Assigned to Health and Human Services	6,064,987			3,133,000			3,468				1,655,616	10,857,071
Unassigned	(27,749,586)	(2,098,690,956)	(18,557,016)	(36,724,550)	(5,370,531)	(148,583)	(464,604)	(613,730)			4,318,078	(2,184,001,478)
<b>Total Fund Balances</b>	<b>193,486,759</b>	<b>164,353,715</b>	<b>(15,117,645)</b>	<b>40,262,690</b>	<b>20,965,874</b>	<b>(4,092,499)</b>	<b>4,649,136</b>	<b>4,637</b>	<b>13,053,745</b>	<b>1,632,920</b>	<b>94,956,221</b>	<b>514,155,553</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>\$ 449,422,861</b>	<b>\$ 3,172,314,426</b>	<b>\$ 92,345,109</b>	<b>\$ 43,261,504</b>	<b>\$ 95,305,135</b>	<b>\$ 9,267,385</b>	<b>\$ 6,517,739</b>	<b>\$ 7,170,321</b>	<b>\$ 128,757,473</b>	<b>\$ 22,577,656</b>	<b>\$ 147,860,399</b>	<b>\$ 4,174,800,008</b>

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
- (11) See Exhibit M-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 Year Ended June 30, 2023**

**Exhibit B-2**

	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)	Child and Family (10)	Mental Health (11)	Total Governmental Funds
<b>REVENUES</b>												
Federal Funds	\$ 255,365,347	\$ 15,024,991,646	\$ 272,366,705	\$ 30,734,742	\$ 128,784,863	\$ 74,949,091	\$ 16,182,945	\$ 155,956,311	\$ 6,171,865,563	\$ 398,243,589	\$ 629,313,042	\$ 23,158,753,844
Federal COVID-19 Funds	17,618,707	1,258,865,928	520,987,952	3,575,086	198,827,186	16,771,481		439,827	89,270,362	40,881,244	30,716,715	2,177,954,488
Local Funds	403,066			648,440		13,001,632	667,879	2,467,319	87,951,632		2,848,302	107,988,270
Sales and Services				489,735	1,132,002		521,612	225,410		104,835	856,855	3,330,449
Net Patient Service Revenue (Note 10)											35,182,085	35,182,085
Fees, Licenses, and Fines (Note 11)	32,280	184,992,170	2,169,614	19,044,685	27,362,771	8,512	2,215,667		357,398		611,407	236,794,504
Contributions, Gifts and Grants	127,892,371	699,240			2,553,715	86,000	310			1,143,238	2,580,403	134,955,277
Revenues from Other State Agencies (Note 12)	163,412,872	2,144,014	86,963,964	438,004	18,247,282	1,692,642	8,725,526	75,333	19,726,762	109,018	18,443,490	319,978,907
Miscellaneous Revenues	47,475	28,873,475	18,352	730,883	20,036,939	672	739,513	11,504,568	10,430,864	47,103,072	470,662	119,956,475
<b>Total Revenues</b>	<b>564,772,118</b>	<b>16,500,566,473</b>	<b>882,506,587</b>	<b>55,661,575</b>	<b>396,944,758</b>	<b>106,510,030</b>	<b>29,053,452</b>	<b>170,668,768</b>	<b>6,379,602,581</b>	<b>487,584,996</b>	<b>721,022,961</b>	<b>26,294,894,299</b>
<b>EXPENDITURES</b>												
Salaries and Benefits	105,548,069	46,164,797	29,098,282	48,517,127	91,364,057	6,764,261	21,292,913	109,292,601	25,053,270	64,169,272	705,962,006	1,253,226,655
Contracted Personal Services	442,098,270	402,207,536	17,381,503	3,308,870	73,089,430	1,470,154	3,896,943	19,639,051	26,568,927	15,172,232	125,503,200	1,130,336,116
Supplies and Materials	1,974,474	113,577	395,768	342,269	37,836,675	39,713	193,401	721,395	185,256	691,634	39,441,609	81,935,771
Travel	517,021	212,966	506,660	873,345	1,438,662	196,670	433,276	757,200	552,674	267,597	335,210	6,091,281
Communication	2,689,592	381,962	357,072	705,764	1,200,900	47,453	448,090	2,120,035	924,648	1,660,604	2,410,614	12,946,734
Utilities	3,920,606			166,364	546,599		16,264	405,704		199,646	14,060,339	18,724,593
Data Processing Services	10,400,028	179,065	250,384		546,599		2,948		235,627	378,928	1,741,091	13,734,670
Other Services	3,654,869	1,133,384	135,127	549,968	7,151,145	817,347	373,724	553,832	9,298,811	975,958	4,407,380	29,051,545
Lease/Subscription Expenditures:												
Principal Payments	25,917,785		456,808	170,371	3,502,985		574,565	5,544,837	203,304	2,437,748	1,253,576	40,061,979
Interest and Fees	77,171		165,792	41,674	513,375		147,565	1,673,676	60,788	739,097	16,124	3,435,262
Other Fixed Charges	11,415,905	2,905,727	1,752,099	31,138	4,016,868	44,662	203,038	243,980	194,877	120,683	5,778,682	26,707,659
Capital Outlay	62,789,025	1,354,878	125,961	1,605,200	26,887,355	330,876	837,428	2,380,697	529,170	778,305	10,605,582	108,224,477
Grants, State Aid, and Subsidies (Exhibit O-1)	79,806,991	20,467,603,666	1,059,525,725	7,566,112	266,291,252	143,458,071	10,019,947	89,635,163	6,540,121,175	466,374,565	612,863,623	29,743,266,290
Expenditures to Other State Agencies (Note 12)	125,000,000	166,329,042		4,123,564							300,000	295,752,606
Other Expenditures	555,370	251,073	4,692,747	1,053,243	921,535	121,791	496,038	736,647	307,116	1,428,157	19,715,939	30,279,656
<b>Total Expenditures</b>	<b>876,365,176</b>	<b>21,088,837,673</b>	<b>1,114,843,928</b>	<b>68,894,315</b>	<b>514,927,202</b>	<b>153,290,998</b>	<b>38,933,192</b>	<b>233,707,766</b>	<b>6,604,235,643</b>	<b>555,344,426</b>	<b>1,544,394,975</b>	<b>32,793,775,294</b>
Excess of Revenues Over (Under) Expenditures	(311,593,058)	(4,588,271,200)	(232,337,341)	(13,232,740)	(117,982,444)	(46,780,968)	(9,879,740)	(63,038,998)	(224,633,062)	(67,759,430)	(823,372,014)	(6,498,880,995)
<b>OTHER FINANCING SOURCES (USES)</b>												
State Appropriations	194,411,164	4,605,712,620	215,449,206	15,056,889	160,455,309	49,763,234	8,183,107	36,979,390	177,874,788		805,112,387	6,268,998,094
Transfers In	120,386,233	817,270,788	10,251,104	6,511,694	7,671,648	997,260	14,660,560	30,052,445	88,954,979	73,469,097	256,316,342	1,426,542,150
Transfers Out	(70,322,418)	(966,819,509)	(12,392,383)	(5,877,326)	(57,611,931)	(114,928)	(15,795,231)	(753,525)	(53,323,347)	(1,443,949)	(242,087,603)	(1,426,542,150)
Transfers from State Reserve Fund	130,322,097	332,202,811	1,590,026	515,699	6,628,794	747,633		218,609	20,293,104		15,089,832	507,608,505
Transfers to State Reserve Fund	(462,878)	(283,992,685)	(3,306,913)	(394,604)	(2,025,544)	(312,166)		(2,521,791)	(14,617,393)	(2,632,798)	(8,646,861)	(318,913,633)
Leases/Subscriptions Issued	48,674,948										1,011,176	49,686,124
Other	75		216,254	66,926	112,738	9	15,133	6,338			117,860	535,333
<b>Total Other Financing Sources</b>	<b>423,009,221</b>	<b>4,504,374,025</b>	<b>211,807,294</b>	<b>15,879,278</b>	<b>115,231,014</b>	<b>51,081,042</b>	<b>7,063,569</b>	<b>63,981,366</b>	<b>219,182,131</b>	<b>69,392,350</b>	<b>826,913,133</b>	<b>6,507,914,423</b>
Net Change in Fund Balances	111,416,163	(83,897,175)	(20,530,047)	2,646,538	(2,751,430)	4,300,074	(2,816,171)	942,368	(5,450,931)	1,632,920	3,541,119	9,033,428
Fund Balances - Beginning of Year	82,070,596	248,250,890	5,412,402	37,616,152	23,717,304	(8,392,573)	7,465,307	(937,731)	18,504,676	0	91,415,102	505,122,125
Fund Balances - End of Year	\$ 193,486,759	\$ 164,353,715	\$ (15,117,645)	\$ 40,262,690	\$ 20,965,874	\$ (4,092,499)	\$ 4,649,136	\$ 4,637	\$ 13,053,745	\$ 1,632,920	\$ 94,956,221	\$ 514,155,553

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
- (11) See Exhibit M-2

**North Carolina Department of Health and Human Services**  
**Balance Sheet - Governmental Funds**  
**Division of Central Administration**  
**June 30, 2023**

**Exhibit C-1**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Central Administration</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 394,221,250	\$ 22,967,476	\$ 417,188,726
Receivables:			
Accounts Receivable, Net	27,953		27,953
Intergovernmental Receivables	19,569,573		19,569,573
Due from Other Funds	12,274,087		12,274,087
Inventories	221,693		221,693
Advances to Outside Entities	140,829		140,829
	<u>426,455,385</u>	<u>22,967,476</u>	<u>449,422,861</u>
Total Assets			
	<u>426,455,385</u>	<u>22,967,476</u>	<u>449,422,861</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	0	0	0
Total Assets and Deferred Outflows	<u>\$ 426,455,385</u>	<u>\$ 22,967,476</u>	<u>\$ 449,422,861</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities:			
Accounts Payable	\$ 20,556,847	\$ 945,821	\$ 21,502,668
Intergovernmental Payables	232,468,929		232,468,929
Due to Other State Agencies and Funds	792,740	1,171,765	1,964,505
	<u>253,818,516</u>	<u>2,117,586</u>	<u>255,936,102</u>
Total Liabilities			
	<u>253,818,516</u>	<u>2,117,586</u>	<u>255,936,102</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
	0	0	0
<b>FUND BALANCES</b>			
Nonspendable Inventories	221,693		221,693
Restricted for Health and Human Services	4,671,400		4,671,400
Committed to Health and Human Services	189,428,375	20,849,890	210,278,265
Assigned to Health and Human Services	6,064,987		6,064,987
Unassigned	(27,749,586)		(27,749,586)
	<u>172,636,869</u>	<u>20,849,890</u>	<u>193,486,759</u>
Total Fund Balances			
	<u>172,636,869</u>	<u>20,849,890</u>	<u>193,486,759</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 426,455,385</u>	<u>\$ 22,967,476</u>	<u>\$ 449,422,861</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 Central Administration**  
**For the Fiscal Year Ended June 30, 2023**

**Exhibit C-2**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Central Administration</u>
<b>REVENUES</b>			
Federal Funds	\$ 255,365,347	\$ 0	\$ 255,365,347
Federal COVID-19 Funds	17,618,707		17,618,707
Local Funds	403,066		403,066
Fees, Licenses, and Fines	32,280		32,280
Contributions, Gifts and Grants	127,892,371		127,892,371
Revenues from Other State Agencies (Note 12)	139,552,637	23,860,235	163,412,872
Miscellaneous Revenues	47,475		47,475
	<u>540,911,883</u>	<u>23,860,235</u>	<u>564,772,118</u>
Total Revenues			
<b>EXPENDITURES</b>			
Salaries and Benefits	105,548,069		105,548,069
Contracted Personal Services	442,098,270		442,098,270
Supplies and Materials	1,974,474		1,974,474
Travel	517,021		517,021
Communication	2,689,592		2,689,592
Utilities	3,920,606		3,920,606
Data Processing Services	10,400,028		10,400,028
Other Services	3,654,869		3,654,869
Lease/Subscription Expenditures:			
Principal Payments	25,917,785		25,917,785
Interest and Fees	77,171		77,171
Other Fixed Charges	11,415,905		11,415,905
Capital Outlay	51,567,365	11,221,660	62,789,025
Grants, State Aid, and Subsidies	79,806,991		79,806,991
Expenditures to Other State Agencies (Note 12)	125,000,000		125,000,000
Other Expenditures	555,370		555,370
	<u>865,143,516</u>	<u>11,221,660</u>	<u>876,365,176</u>
Total Expenditures			
Excess of Revenues Over (Under) Expenditures	<u>(324,231,633)</u>	<u>12,638,575</u>	<u>(311,593,058)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
State Appropriations	194,411,164		194,411,164
Transfers In	120,350,233	36,000	120,386,233
Transfers Out	(70,322,418)		(70,322,418)
Transfers from State Reserve Fund	130,322,097		130,322,097
Transfers to State Reserve Fund	(462,878)		(462,878)
Leases/Subscriptions Issued	48,674,948		48,674,948
Other	75		75
	<u>422,973,221</u>	<u>36,000</u>	<u>423,009,221</u>
Total Other Financing Sources			
Net Change in Fund Balances	98,741,588	12,674,575	111,416,163
Fund Balances - Beginning of Year	73,895,281	8,175,315	82,070,596
Fund Balances - End of Year	<u>\$ 172,636,869</u>	<u>\$ 20,849,890</u>	<u>\$ 193,486,759</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 Benefits**  
**June 30, 2023**

**Exhibit D-1**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 396,545,129
Receivables:	
Accounts Receivable, Net (Note 4)	55,734,643
Intergovernmental Receivables	2,719,815,787
Due from Other Funds	168,170
Inventories	<u>50,697</u>
 Total Assets	 <u>3,172,314,426</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
	<u>0</u>
 Total Assets and Deferred Outflows	 <u>\$ 3,172,314,426</u>
<b>LIABILITIES</b>	
Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 76,865,169
Intergovernmental Payables	20,210,129
Medical Claims Payable (Note 7)	2,783,052,444
Due to Other State Agencies and Funds	12,697,609
Due to State of North Carolina Component Units	<u>115,135,360</u>
 Total Liabilities	 <u>3,007,960,711</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
	<u>0</u>
<b>FUND BALANCE</b>	
Nonspendable Inventories	50,697
Restricted for Health and Human Services	1,903,628,596
Committed to Health and Human Services	359,365,378
Unassigned	<u>(2,098,690,956)</u>
 Total Fund Balance	 <u>164,353,715</u>
 Total Liabilities, Deferred Inflows, and Fund Balance	 <u>\$ 3,172,314,426</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 Benefits**  
**For the Fiscal Year Ended June 30, 2023**

**Exhibit D-2**

	<u>General Fund</u>
<b>REVENUES</b>	
Federal Funds	\$ 15,024,991,646
Federal COVID-19 Funds	1,258,865,928
Fees, Licenses, and Fines (Note 11)	184,992,170
Contributions, Gifts and Grants	699,240
Revenues from Other State Agencies (Note 12)	2,144,014
Miscellaneous Revenues	<u>28,873,475</u>
Total Revenues	<u>16,500,566,473</u>
<b>EXPENDITURES</b>	
Salaries and Benefits	46,164,797
Contracted Personal Services	402,207,536
Supplies and Materials	113,577
Travel	212,966
Communication	381,962
Data Processing Services	179,065
Other Services	1,133,384
Other Fixed Charges	2,905,727
Capital Outlay	1,354,878
Grants, State Aid, and Subsidies (Exhibit O-2)	20,467,603,666
Expenditures to Other State Agencies (Note 12)	166,329,042
Other Expenditures	<u>251,073</u>
Total Expenditures	<u>21,088,837,673</u>
Excess of Revenues Over (Under) Expenditures	<u>(4,588,271,200)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
State Appropriations	4,605,712,620
Transfers In	817,270,788
Transfers Out	(966,819,509)
Transfers from State Reserve Fund	332,202,811
Transfers to State Reserve Fund	<u>(283,992,685)</u>
Total Other Financing Sources	<u>4,504,374,025</u>
Net Change in Fund Balance	(83,897,175)
Fund Balance - Beginning of Year	<u>248,250,890</u>
Fund Balance - End of Year	<u>\$ 164,353,715</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, 2023**

**Exhibit E-1**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 1,478,448
Receivables:	
Accounts Receivable, Net (Note 4)	2,022,945
Intergovernmental Receivables	88,831,751
Inventories	<u>11,965</u>
Total Assets	<u>92,345,109</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Total Assets and Deferred Outflows	<u>0</u>
Total Assets and Deferred Outflows	<u>\$ 92,345,109</u>
<b>LIABILITIES</b>	
Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 94,476,477
Intergovernmental Payables	11,205,527
Due to Other State Agencies and Funds	1,616,742
Due to State of North Carolina Component Units	<u>145,385</u>
Total Liabilities	<u>107,444,131</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable Revenue	<u>18,623</u>
<b>FUND BALANCES</b>	
Nonspendable Inventories	11,965
Restricted for Health and Human Services	1,948,958
Committed to Health and Human Services	1,478,448
Unassigned	<u>(18,557,016)</u>
Total Fund Balances	<u>(15,117,645)</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 92,345,109</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 Year Ended June 30, 2023**

**Exhibit E-2**

	<u>General Fund</u>
<b>REVENUES</b>	
Federal Funds	\$ 272,366,705
Federal COVID-19 Funds	520,987,952
Fees, Licenses, and Fines (Note 11)	2,169,614
Revenues from Other State Agencies (Note 12)	86,963,964
Miscellaneous Revenues	18,352
	<hr/>
Total Revenues	882,506,587
<b>EXPENDITURES</b>	
Salaries and Benefits	29,098,282
Contracted Personal Services	17,381,503
Supplies and Materials	395,768
Travel	506,660
Communication	357,072
Data Processing Services	250,384
Other Services	135,127
Lease/Subscription Expenditures:	
Principal Payments	456,808
Interest and Fees	165,792
Other Fixed Charges	1,752,099
Capital Outlay	125,961
Grants, State Aid, and Subsidies (Exhibit O-3)	1,059,525,725
Other Expenditures	4,692,747
	<hr/>
Total Expenditures	1,114,843,928
Excess of Revenues Over (Under) Expenditures	<hr/> (232,337,341) <hr/>
<b>OTHER FINANCING SOURCES (USES)</b>	
State Appropriations	215,449,206
Transfers In	10,251,104
Transfers Out	(12,392,383)
Transfers from State Reserve Fund	1,590,026
Transfers to State Reserve Fund	(3,306,913)
Other	216,254
	<hr/>
Total Other Financing Sources	211,807,294
Net Change in Fund Balances	(20,530,047)
Fund Balances - Beginning of Year	<hr/> 5,412,402
Fund Balances - End of Year	<hr/> <u>\$ (15,117,645)</u> <hr/>

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, 2023**

**Exhibit F-1**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 39,320,750
Receivables:	
Accounts Receivable, Net (Note 4)	1,268,680
Intergovernmental Receivables	2,652,393
Inventories	<u>19,681</u>
Total Assets	<u>43,261,504</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Total Assets and Deferred Outflows	<u>0</u>
Total Assets and Deferred Outflows	<u>\$ 43,261,504</u>
<b>LIABILITIES</b>	
Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 1,856,950
Due to Other State Agencies and Funds	<u>68,840</u>
Total Liabilities	<u>1,925,790</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable Revenue	<u>1,073,024</u>
<b>FUND BALANCE</b>	
Nonspendable Inventories	19,681
Restricted for Health and Human Services	33,093,830
Committed to Health and Human Services	4,016,179
Assigned to Health and Human Services	<u>3,133,000</u>
Total Fund Balance	<u>40,262,690</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 43,261,504</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 Year Ended June 30, 2023**

**Exhibit F-2**

	<u>General Fund</u>
<b>REVENUES</b>	
Federal Funds	\$ 30,734,742
Federal COVID-19 Funds	3,575,086
Local Funds	648,440
Sales and Services	489,735
Fees, Licenses, and Fines (Note 11)	19,044,685
Revenues from Other State Agencies	438,004
Miscellaneous Revenues	730,883
	<hr/>
Total Revenues	55,661,575
<b>EXPENDITURES</b>	
Salaries and Benefits	48,517,127
Contracted Personal Services	3,308,870
Supplies and Materials	342,269
Travel	873,345
Communication	705,764
Utilities	5,670
Other Services	549,968
Lease/Subscription Expenditures:	
Principal Payments	170,371
Interest and Fees	41,674
Other Fixed Charges	31,138
Capital Outlay	1,605,200
Grants, State Aid, and Subsidies	7,566,112
Expenditures to Other State Agencies (Note 12)	4,123,564
Other Expenditures	1,053,243
	<hr/>
Total Expenditures	68,894,315
	<hr/>
Excess of Revenues Over (Under) Expenditures	(13,232,740)
<b>OTHER FINANCING SOURCES (USES)</b>	
State Appropriations	15,056,889
Transfers In	6,511,694
Transfers Out	(5,877,326)
Transfers from State Reserve Fund	515,699
Transfers to State Reserve Fund	(394,604)
Other	66,926
	<hr/>
Total Other Financing Sources	15,879,278
	<hr/>
Net Change in Fund Balance	2,646,538
Fund Balance - Beginning of Year	37,616,152
	<hr/>
Fund Balance - End of Year	\$ 40,262,690
	<hr/> <hr/>

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, 2023**

**Exhibit G-1**

	<u>General Fund</u>	<u>Other Special Revenue Fund</u>	<u>Total Public Health</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 52,030,848	\$ 3,041,913	\$ 55,072,761
Receivables:			
Accounts Receivable, Net (Note 4)	5,209,722		5,209,722
Intergovernmental Receivables	32,399,766		32,399,766
Inventories	2,622,886		2,622,886
	<u>92,263,222</u>	<u>3,041,913</u>	<u>95,305,135</u>
Total Assets			
	<u>0</u>	<u>0</u>	<u>0</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Total Assets and Deferred Outflows	<u>\$ 92,263,222</u>	<u>\$ 3,041,913</u>	<u>\$ 95,305,135</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities:			
Accounts Payable	\$ 18,995,164	\$ 2,386	\$ 18,997,550
Intergovernmental Payables	19,478,429		19,478,429
Medical Claims Payable (Note 7)	328,028		328,028
Due to Other State Agencies and Funds	29,339,272		29,339,272
Due to State of North Carolina Component Units	2,051,433		2,051,433
	<u>70,192,326</u>	<u>2,386</u>	<u>70,194,712</u>
Total Liabilities			
	<u>4,144,549</u>	<u>0</u>	<u>4,144,549</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	<u>4,144,549</u>	<u>0</u>	<u>4,144,549</u>
<b>FUND BALANCES</b>			
Nonspendable Inventories	2,622,886		2,622,886
Restricted for Health and Human Services	13,228,762		13,228,762
Committed to Health and Human Services	38,799,249	3,039,527	41,838,776
Unassigned	(36,724,550)		(36,724,550)
	<u>17,926,347</u>	<u>3,039,527</u>	<u>20,965,874</u>
Total Fund Balances			
	<u>\$ 92,263,222</u>	<u>\$ 3,041,913</u>	<u>\$ 95,305,135</u>
Total Liabilities, Deferred Inflows, and Fund Balances			

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 Year Ended June 30, 2023**

**Exhibit G-2**

	<u>General Fund</u>	<u>Other Special Revenue Fund</u>	<u>Total Public Health</u>
<b>REVENUES</b>			
Federal Funds	\$ 128,784,863	\$ 0	\$ 128,784,863
Federal COVID-19 Funds	198,827,186		198,827,186
Sales and Services	1,132,002		1,132,002
Fees, Licenses, and Fines (Note 11)	26,835,188	527,583	27,362,771
Contributions, Gifts and Grants	2,553,715		2,553,715
Revenues from Other State Agencies (Note 12)	18,247,282		18,247,282
Miscellaneous Revenues:			
Rebates	19,102,953		19,102,953
Other	933,986		933,986
Total Revenues	<u>396,417,175</u>	<u>527,583</u>	<u>396,944,758</u>
<b>EXPENDITURES</b>			
Salaries and Benefits	91,248,455	115,602	91,364,057
Contracted Personal Services	73,081,692	7,738	73,089,430
Supplies and Materials	37,833,216	3,459	37,836,675
Travel	1,432,259	6,403	1,438,662
Communication	1,198,672	2,228	1,200,900
Utilities	166,364		166,364
Data Processing Services	546,599		546,599
Other Services	7,136,294	14,851	7,151,145
Lease/Subscription Expenditures:			
Principal Payments	3,502,985		3,502,985
Interest and Fees	513,375		513,375
Other Fixed Charges	4,016,199	669	4,016,868
Capital Outlay	26,887,255	100	26,887,355
Grants, State Aid, and Subsidies (Exhibit O-4)	266,291,252		266,291,252
Other Expenditures	921,384	151	921,535
Total Expenditures	<u>514,776,001</u>	<u>151,201</u>	<u>514,927,202</u>
Excess of Revenues Over (Under) Expenditures	<u>(118,358,826)</u>	<u>376,382</u>	<u>(117,982,444)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
State Appropriations	160,455,309		160,455,309
Transfers In	7,665,040	6,608	7,671,648
Transfers Out	(57,611,931)		(57,611,931)
Transfers from State Reserve Fund	6,628,794		6,628,794
Transfers to State Reserve Fund	(2,025,544)		(2,025,544)
Other	112,738		112,738
Total Other Financing Sources	<u>115,224,406</u>	<u>6,608</u>	<u>115,231,014</u>
Net Change in Fund Balances	(3,134,420)	382,990	(2,751,430)
Fund Balances - Beginning of Year	<u>21,060,767</u>	<u>2,656,537</u>	<u>23,717,304</u>
Fund Balances - End of Year	<u>\$ 17,926,347</u>	<u>\$ 3,039,527</u>	<u>\$ 20,965,874</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 Aging and Adult Services  
 June 30, 2023**

**Exhibit H-1**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 30,200
Receivables:	
Accounts Receivable, Net	19,691
Intergovernmental Receivables	9,214,662
Inventories	<u>2,832</u>
 Total Assets	 <u>9,267,385</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
	<u>0</u>
 Total Assets and Deferred Outflows	 <u>\$ 9,267,385</u>
<b>LIABILITIES</b>	
Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 703,861
Intergovernmental Payables	12,630,823
Due to Other State Agencies and Funds	<u>25,200</u>
 Total Liabilities	 <u>13,359,884</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
	<u>0</u>
<b>FUND BALANCE</b>	
Nonspendable Inventories	2,832
Restricted for Health and Human Services	1,250,000
Committed to Health and Human Services	25,200
Unassigned	<u>(5,370,531)</u>
 Total Fund Balance	 <u>(4,092,499)</u>
 Total Liabilities, Deferred Inflows, and Fund Balance	 <u>\$ 9,267,385</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 Aging and Adult Services**  
**For the Fiscal Year Ended June 30, 2023**

**Exhibit H-2**

	<b>General Fund</b>
<b>REVENUES</b>	
Federal Funds	\$ 74,949,091
Federal COVID-19 Funds	16,771,481
Local Funds	13,001,632
Contributions, Gifts and Grants	86,000
Revenues from Other State Agencies	1,692,642
Miscellaneous Revenues	672
	<hr/>
Total Revenues	106,510,030
	<hr/>
<b>EXPENDITURES</b>	
Salaries and Benefits	6,764,261
Contracted Personal Services	1,470,154
Supplies and Materials	39,713
Travel	196,670
Communication	47,453
Other Services	817,347
Other Fixed Charges	44,662
Capital Outlay	330,876
Grants, State Aid, and Subsidies	143,458,071
Other Expenditures	121,791
	<hr/>
Total Expenditures	153,290,998
	<hr/>
Excess of Revenues Over (Under) Expenditures	(46,780,968)
	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>	
State Appropriations	49,763,234
Transfers In	997,260
Transfers Out	(114,928)
Transfers from State Reserve Fund	747,633
Transfers to State Reserve Fund	(312,166)
Other	9
	<hr/>
Total Other Financing Sources	51,081,042
	<hr/>
Net Change in Fund Balance	4,300,074
Fund Balance - Beginning of Year	(8,392,573)
	<hr/>
Fund Balance - End of Year	\$ (4,092,499)
	<hr/> <hr/>

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, 2023**

**Exhibit I-1**

	<u>General Fund</u>	<u>Other Special Revenue Fund</u>	<u>N.C. Dual Party Relay System Fund</u>	<u>Total Blind/Deaf Services</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 0	\$ 1,829,970	\$ 3,428,233	\$ 5,258,203
Receivables:				
Accounts Receivable, Net (Note 4)	4,423	3,997	328,346	336,766
Intergovernmental Receivables	910,996			910,996
Inventories	11,774			11,774
Total Assets	<u>927,193</u>	<u>1,833,967</u>	<u>3,756,579</u>	<u>6,517,739</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Total Assets and Deferred Outflows	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 927,193</u>	<u>\$ 1,833,967</u>	<u>\$ 3,756,579</u>	<u>\$ 6,517,739</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities:				
Accounts Payable	\$ 738,106	\$ 608,134	\$ 216,191	\$ 1,562,431
Intergovernmental Payables	23,426			23,426
Medical Claims Payable (Note 7)	159,157			159,157
Due to Other State Agencies and Funds	119,166			119,166
Total Liabilities	<u>1,039,855</u>	<u>608,134</u>	<u>216,191</u>	<u>1,864,180</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	4,423	0	0	4,423
<b>FUND BALANCES</b>				
Nonspendable Inventories	11,774			11,774
Restricted for Health and Human Services		444,076		444,076
Committed to Health and Human Services	19,724	778,289	3,540,388	4,338,401
Assigned to Health and Human Services		3,468		3,468
Unassigned	(148,583)			(148,583)
Total Fund Balances	<u>(117,085)</u>	<u>1,225,833</u>	<u>3,540,388</u>	<u>4,649,136</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 927,193</u>	<u>\$ 1,833,967</u>	<u>\$ 3,756,579</u>	<u>\$ 6,517,739</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 Services for the Blind/Deaf and Hard of Hearing**  
**For the Fiscal Year Ended June 30, 2023**

**Exhibit I-2**

	General Fund	Other Special Revenue Fund	N.C. Dual Party Relay System Fund	Total Blind/Deaf Services
<b>REVENUES</b>				
Federal Funds	\$ 15,558,956	\$ 623,989	\$ 0	\$ 16,182,945
Local Funds	667,879			667,879
Sales and Services		521,612		521,612
Fees, Licenses, and Fines (Note 11)			2,215,667	2,215,667
Contributions, Gifts and Grants		310		310
Revenues from Other State Agencies (Note 12)	17,237		8,708,289	8,725,526
Miscellaneous Revenues	644,692		94,821	739,513
Total Revenues	<u>16,888,764</u>	<u>1,145,911</u>	<u>11,018,777</u>	<u>29,053,452</u>
<b>EXPENDITURES</b>				
Salaries and Benefits	21,292,913			21,292,913
Contracted Personal Services	3,867,147	29,796		3,896,943
Supplies and Materials	173,808	19,593		193,401
Travel	426,437	6,839		433,276
Communication	446,868	1,222		448,090
Utilities	16,264			16,264
Other Services	100,683	273,041		373,724
Lease/Subscription Expenditures:				
Principal Payments	574,565			574,565
Interest and Fees	147,565			147,565
Other Fixed Charges	203,038			203,038
Capital Outlay	111,738	725,690		837,428
Grants, State Aid, and Subsidies	9,891,066	128,000	881	10,019,947
Other Expenditures	492,953	3,085		496,038
Total Expenditures	<u>37,745,045</u>	<u>1,187,266</u>	<u>881</u>	<u>38,933,192</u>
Excess of Revenues Over (Under) Expenditures	<u>(20,856,281)</u>	<u>(41,355)</u>	<u>11,017,896</u>	<u>(9,879,740)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
State Appropriations	8,183,107			8,183,107
Transfers In	14,521,535	139,025		14,660,560
Transfers Out	(1,787,024)	(388,440)	(13,619,767)	(15,795,231)
Other		15,133		15,133
Total Other Financing Sources (Uses)	<u>20,917,618</u>	<u>(234,282)</u>	<u>(13,619,767)</u>	<u>7,063,569</u>
Net Change in Fund Balances	61,337	(275,637)	(2,601,871)	(2,816,171)
Fund Balances - Beginning of Year	<u>(178,422)</u>	<u>1,501,470</u>	<u>6,142,259</u>	<u>7,465,307</u>
Fund Balances - End of Year	<u>\$ (117,085)</u>	<u>\$ 1,225,833</u>	<u>\$ 3,540,388</u>	<u>\$ 4,649,136</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 Vocational Rehabilitation**  
**June 30, 2023**

**Exhibit J-1**

	<u>General Fund</u>	<u>Disability Determination Fund</u>	<u>Total Vocational Rehabilitation</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 7,680	\$ 275,207	\$ 282,887
Receivables:			
Accounts Receivable, Net	474,639		474,639
Intergovernmental Receivables	5,085,719	1,112,766	6,198,485
Inventories	116,839	97,471	214,310
Total Assets	<u>5,684,877</u>	<u>1,485,444</u>	<u>7,170,321</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Total Assets and Deferred Outflows	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 5,684,877</u>	<u>\$ 1,485,444</u>	<u>\$ 7,170,321</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities:			
Accounts Payable	\$ 5,339,691	\$ 1,132,742	\$ 6,472,433
Intergovernmental Payables	15,337	7,980	23,317
Medical Claims Payable (Note 7)	311,393		311,393
Due to Other State Agencies and Funds	340,559		340,559
Due to Component Units	17,982		17,982
Total Liabilities	<u>6,024,962</u>	<u>1,140,722</u>	<u>7,165,684</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Total Liabilities, Deferred Inflows, and Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCES</b>			
Nonspendable Inventories	116,839	97,471	214,310
Restricted for Health and Human Services	7,680	5,204	12,884
Committed to Health and Human Services		242,047	242,047
Unassigned	(464,604)		(464,604)
Total Fund Balances	<u>(340,085)</u>	<u>344,722</u>	<u>4,637</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 5,684,877</u>	<u>\$ 1,485,444</u>	<u>\$ 7,170,321</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 Vocational Rehabilitation**  
**For the Fiscal Year Ended June 30, 2023**

**Exhibit J-2**

	<u>General Fund</u>	<u>Disability Determination Fund</u>	<u>Total Vocational Rehabilitation</u>
<b>REVENUES</b>			
Federal Funds	\$ 89,183,182	\$ 66,773,129	\$ 155,956,311
Federal COVID-19 Funds	439,827		439,827
Local Funds	2,467,319		2,467,319
Sales and Services	225,410		225,410
Revenues from Other State Agencies	75,333		75,333
Miscellaneous Revenues	<u>11,504,568</u>		<u>11,504,568</u>
Total Revenues	<u>103,895,639</u>	<u>66,773,129</u>	<u>170,668,768</u>
<b>EXPENDITURES</b>			
Salaries and Benefits	58,139,879	51,152,722	109,292,601
Contracted Personal Services	3,036,413	16,602,638	19,639,051
Supplies and Materials	487,609	233,786	721,395
Travel	748,887	8,313	757,200
Communication	1,634,825	485,210	2,120,035
Utilities	405,704		405,704
Data Processing Services	792	2,156	2,948
Other Services	261,590	292,242	553,832
Lease/Subscription Expenditures:			
Principal Payments	3,498,948	2,045,889	5,544,837
Interest and Fees	1,121,420	552,256	1,673,676
Other Fixed Charges	159,932	84,048	243,980
Capital Outlay	2,348,515	32,182	2,380,697
Grants, State Aid, and Subsidies	89,489,788	145,375	89,635,163
Other Expenditures	<u>719,864</u>	<u>16,783</u>	<u>736,647</u>
Total Expenditures	<u>162,054,166</u>	<u>71,653,600</u>	<u>233,707,766</u>
Excess of Revenues Over (Under) Expenditures	<u>(58,158,527)</u>	<u>(4,880,471)</u>	<u>(63,038,998)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
State Appropriations	36,979,390		36,979,390
Transfers In	24,611,782	5,440,663	30,052,445
Transfers Out	(113,525)	(640,000)	(753,525)
Transfers from State Reserve Fund	218,509		218,509
Transfers to State Reserve Fund	(2,521,791)		(2,521,791)
Other	<u>5,926</u>	<u>412</u>	<u>6,338</u>
Total Other Financing Sources (Uses)	<u>59,180,291</u>	<u>4,801,075</u>	<u>63,981,366</u>
Net Change in Fund Balances	1,021,764	(79,396)	942,368
Fund Balances - Beginning of Year	<u>(1,361,849)</u>	<u>424,118</u>	<u>(937,731)</u>
Fund Balances - End of Year	<u>\$ (340,085)</u>	<u>\$ 344,722</u>	<u>\$ 4,637</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 Social Services**  
**June 30, 2023**

**Exhibit K-1**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 10,332,287
Receivables:	
Accounts Receivable, Net (Note 4)	3,359,105
Intergovernmental Receivables	115,049,931
Inventories	<u>16,150</u>
Total Assets	<u>128,757,473</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Total Assets and Deferred Outflows	<u>0</u>
Total Assets and Deferred Outflows	<u>\$ 128,757,473</u>
<b>LIABILITIES</b>	
Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 7,565,006
Intergovernmental Payables	102,392,139
Medical Claims Payable (Note 7)	885,063
Due to Other State Agencies and Funds	2,566,642
Due to State of North Carolina Component Units	<u>1,417,467</u>
Total Liabilities	<u>114,826,317</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable Revenue	<u>877,411</u>
<b>FUND BALANCE</b>	
Nonspendable Inventories	16,150
Restricted for Health and Human Services	10,130,620
Committed to Health and Human Services	3,520,705
Unassigned	<u>(613,730)</u>
Total Fund Balance	<u>13,053,745</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 128,757,473</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 Year Ended June 30, 2023**

**Exhibit K-2**

	<u>General Fund</u>
<b>REVENUES</b>	
Federal Funds	\$ 6,171,865,563
Federal COVID-19 Funds	89,270,362
Local Funds	87,951,632
Fees, Licenses, and Fines	357,398
Revenues from Other State Agencies (Note 12)	19,726,762
Miscellaneous Revenues	<u>10,430,864</u>
Total Revenues	<u>6,379,602,581</u>
<b>EXPENDITURES</b>	
Salaries and Benefits	25,053,270
Contracted Personal Services	26,568,927
Supplies and Materials	185,256
Travel	552,674
Communication	924,648
Data Processing Services	235,627
Other Services	9,298,811
Lease/Subscription Expenditures:	
Principal Payments	203,304
Interest and Fees	60,788
Other Fixed Charges	194,877
Capital Outlay	529,170
Grants, State Aid, and Subsidies (Exhibit O-5)	6,540,121,175
Other Expenditures	<u>307,116</u>
Total Expenditures	<u>6,604,235,643</u>
Excess of Revenues Over (Under) Expenditures	<u>(224,633,062)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
State Appropriations	177,874,788
Transfers In	88,954,979
Transfers Out	(53,323,347)
Transfers from State Reserve Fund	20,293,104
Transfers to State Reserve Fund	<u>(14,617,393)</u>
Total Other Financing Sources	<u>219,182,131</u>
Net Change in Fund Balance	(5,450,931)
Fund Balance - Beginning of Year	<u>18,504,676</u>
Fund Balance - End of Year	<u>\$ 13,053,745</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 and Family Well-Being  
June 30, 2023**

**Exhibit L-1**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 0
Receivables:	
Accounts Receivable, Net	33,194
Intergovernmental Receivables	22,113,435
Inventories	<u>431,027</u>
Total Assets	<u>22,577,656</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>0</u>
Total Assets and Deferred Outflows	<u>\$ 22,577,656</u>
<b>LIABILITIES</b>	
Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 14,582,980
Intergovernmental Payables	5,496,168
Medical Claims Payable (Note 7)	117,850
Due to Other State Agencies and Funds	532,964
Due to State of North Carolina Component Units	<u>214,774</u>
Total Liabilities	<u>20,944,736</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>0</u>
<b>FUND BALANCE</b>	
Nonspendable Inventories	431,027
Restricted for Health and Human Services	1,138,196
Committed to Health and Human Services	<u>63,697</u>
Total Fund Balance	<u>1,632,920</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 22,577,656</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 Child and Family Well-Being**  
**For the Fiscal Year Ended June 30, 2023**

**Exhibit L-2**

	<u>General Fund</u>
<b>REVENUES</b>	
Federal Funds	\$ 398,243,589
Federal COVID-19 Funds	40,881,244
Sales and Services	104,835
Contributions, Gifts, and Grants	1,143,238
Revenues from Other State Agencies	109,018
Miscellaneous Revenues:	
Rebates	47,103,072
	<hr/>
Total Revenues	487,584,996
	<hr/>
<b>EXPENDITURES</b>	
Salaries and Benefits	64,169,272
Contracted Personal Services	15,172,232
Supplies and Materials	691,634
Travel	267,597
Communication	1,660,604
Utilities	149,646
Data Processing Services	378,928
Other Services	975,958
Lease/Subscription Expenditures:	
Principal Payments	2,437,748
Interest and Fees	739,097
Other Fixed Charges	120,683
Capital Outlay	778,305
Grants, State Aid, and Subsidies (Exhibit O-6)	466,374,565
Other Expenditures	1,428,157
	<hr/>
Total Expenditures	555,344,426
	<hr/>
Excess of Revenues Over (Under) Expenditures	(67,759,430)
	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers In	73,469,097
Transfers Out	(1,443,949)
Transfers to State Reserve Fund	(2,632,798)
	<hr/>
Total Other Financing Sources	69,392,350
	<hr/>
Net Change in Fund Balance	1,632,920
	<hr/>
Fund Balance - Beginning of Year	0
	<hr/>
Fund Balance - End of Year	\$ 1,632,920
	<hr/> <hr/>

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 Use Services  
June 30, 2023**

**Exhibit M-1**

	General Fund	Other Special Revenue Fund	Capital Projects Fund	Total Mental Health
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 369,026	\$ 84,352,194	\$ 52,180	\$ 84,773,400
Receivables:				
Accounts Receivable, Net (Note 4)	45,434,165	160,433		45,594,598
Intergovernmental Receivables	9,504,295			9,504,295
Other Receivables	140,203	73,759		213,962
Inventories	7,011,585	23,121		7,034,706
Advances to Outside Entities	739,438			739,438
	<u>63,198,712</u>	<u>84,609,507</u>	<u>52,180</u>	<u>147,860,399</u>
Total Assets				
	<u>63,198,712</u>	<u>84,609,507</u>	<u>52,180</u>	<u>147,860,399</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
	0	0	0	0
Total Assets and Deferred Outflows	<u>\$ 63,198,712</u>	<u>\$ 84,609,507</u>	<u>\$ 52,180</u>	<u>\$ 147,860,399</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities:				
Accounts Payable	\$ 18,109,887	\$ 1,300,995	\$ 12,675	\$ 19,423,557
Intergovernmental Payables	337,706			337,706
Medical Claims Payable (Note 7)	5,825,703	128,713		5,954,416
Due to Other State Agencies and Funds	3,389,380			3,389,380
Due to State of North Carolina Component Units	603,509			603,509
Other Liabilities		6,320		6,320
	<u>28,266,185</u>	<u>1,436,028</u>	<u>12,675</u>	<u>29,714,888</u>
Total Liabilities				
	<u>28,266,185</u>	<u>1,436,028</u>	<u>12,675</u>	<u>29,714,888</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	<u>23,189,290</u>	<u>0</u>	<u>0</u>	<u>23,189,290</u>
<b>FUND BALANCES</b>				
Nonspendable Inventories	7,011,585	23,121		7,034,706
Restricted for Health and Human Services		978,286		978,286
Committed to Health and Human Services	369,026	80,561,004	39,505	80,969,535
Assigned to Health and Human Services		1,655,616		1,655,616
Unassigned	<u>4,362,626</u>	<u>(44,548)</u>		<u>4,318,078</u>
	<u>11,743,237</u>	<u>83,173,479</u>	<u>39,505</u>	<u>94,956,221</u>
Total Fund Balances				
	<u>11,743,237</u>	<u>83,173,479</u>	<u>39,505</u>	<u>94,956,221</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 63,198,712</u>	<u>\$ 84,609,507</u>	<u>\$ 52,180</u>	<u>\$ 147,860,399</u>

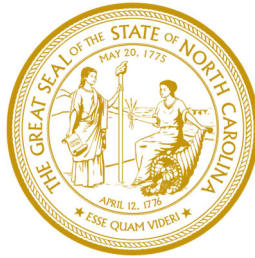
The accompanying notes to the financial statements are an integral part of this statement.

**North Carolina Department of Health and Human Services**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Division of Mental Health/Developmental Disabilities and**  
**Substance Use Services**  
**For the Fiscal Year Ended June 30, 2023**

**Exhibit M-2**

	General Fund	Other Special Revenue Fund	Capital Projects Fund	Total Mental Health
<b>REVENUES</b>				
Federal Funds	\$ 629,313,042	\$ 0	\$ 0	\$ 629,313,042
Federal COVID-19 Funds	30,716,715			30,716,715
Local Funds	2,848,302			2,848,302
Sales and Services		856,855		856,855
Patient Service Revenue, Net (Note 10)	35,182,085			35,182,085
Fees, Licenses, and Fines (Note 11)	610,910	497		611,407
Contributions, Gifts and Grants	2,262,908	317,495		2,580,403
Revenues from Other State Agencies (Note 12)	7,396,949	11,037,250	9,291	18,443,490
Miscellaneous Revenues	391,170	79,492		470,662
Total Revenues	<u>708,722,081</u>	<u>12,291,589</u>	<u>9,291</u>	<u>721,022,961</u>
<b>EXPENDITURES</b>				
Salaries and Benefits	705,627,580	334,426		705,962,006
Contracted Personal Services	123,868,040	1,635,160		125,503,200
Supplies and Materials	39,031,116	410,493		39,441,609
Travel	331,146	4,064		335,210
Communication	2,370,818	39,796		2,410,614
Utilities	14,042,823	17,516		14,060,339
Data Processing Services	1,741,091			1,741,091
Other Services	4,399,397	7,983		4,407,380
Lease/Subscription Expenditures:				
Principal Payments	1,253,576			1,253,576
Interest and Fees	16,124			16,124
Other Fixed Charges	5,710,360	68,322		5,778,682
Capital Outlay	10,520,665	75,865	9,052	10,605,582
Grants, State Aid, and Subsidies (Exhibit O-7)	598,631,193	14,232,430		612,863,623
Expenditures to Other State Agencies (Note 12)	300,000			300,000
Other Expenditures	19,655,971	59,968		19,715,939
Total Expenditures	<u>1,527,499,900</u>	<u>16,886,023</u>	<u>9,052</u>	<u>1,544,394,975</u>
Excess of Revenues Over (Under) Expenditures	<u>(818,777,819)</u>	<u>(4,594,434)</u>	<u>239</u>	<u>(823,372,014)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
State Appropriations	805,112,387			805,112,387
Transfers In	246,205,822	10,110,520		256,316,342
Transfers Out	(239,430,647)	(2,620,956)	(36,000)	(242,087,603)
Transfers from State Reserve Fund	15,089,832			15,089,832
Transfers to State Reserve Fund	(8,646,861)			(8,646,861)
Leases/Subscriptions Issued	1,011,176			1,011,176
Other	110,140	7,720		117,860
Total Other Financing Sources	<u>819,451,849</u>	<u>7,497,284</u>	<u>(36,000)</u>	<u>826,913,133</u>
Net Change in Fund Balances	674,030	2,902,850	(35,761)	3,541,119
Fund Balances - Beginning of Year	<u>11,069,207</u>	<u>80,270,629</u>	<u>75,266</u>	<u>91,415,102</u>
Fund Balances - End of Year	<u>\$ 11,743,237</u>	<u>\$ 83,173,479</u>	<u>\$ 39,505</u>	<u>\$ 94,956,221</u>

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



# Notes to the Financial Statements

## Note 1 - Significant Accounting Policies

**A. Organization** - The North Carolina Department of 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 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.

**Aging and Adult Services (Aging)** - 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.

**Child and Family Well-Being** - This division was created and approved for operations beginning July 1, 2023 per House Bill 911 (S.L. 2022-75) to strengthen care for families and children by promoting healthy and thriving children in safe, stable, and nurturing families, schools, and communities. The division was formed by reorganizing certain operations primarily from the divisions of Public Health, Social Services, and Mental Health. Because budgeted appropriations were not available for the new division until the approval of House Bill 855 on May 30, 2023, the division was funded through transfers from other divisions. As a result, the division reported no beginning fund balance.

**Mental Health/Developmental Disabilities and Substance Use 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 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 are reported under the following classifications for the proceeds of specific revenue sources (other than special assessments or capital projects) that are legally restricted to expenditures for specified purposes.

- **North Carolina Dual Party System Fund** - This fund helps hearing or speech-impaired individuals communicate via telephone.

- **Disability Determination Fund** - This fund represents Disability Determination Services for Social Security and Medicaid disability claims.
- **Other Special Revenue Funds** - These funds account for all other proceeds of specific revenue sources not separately identified above.

**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. For this purpose, the Department considers revenues to be available if they are collected within 31 days of the end of the current fiscal period. 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 the governmental funds are reported only at the statewide level, these amounts are not included in the Department's governmental fund financial statements. However, these amounts are reported in the Department's Notes to the Financial Statements.

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, 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 adjustments 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, and are considered fully collectible; accordingly, no allowance for doubtful accounts has been recorded.

- G. 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 due to other funds of the Department or state agencies. All amounts are considered collectible; accordingly, no allowance for doubtful accounts has been recorded.

- H. Inventories** - Inventories, consisting of 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.

- I. Deferred Outflows/Inflows of Resources** - Deferred outflows of resources represent a consumption of net assets 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

- J. 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.

- K. Fund Balance** - Fund balance 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 adjustments 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 the 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. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, 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, the Department is required by North Carolina General Statute 147-77 to deposit moneys received with the State Treasurer or with a depository institution in the name of the State Treasurer. General Statute 147-69.1 authorizes the State Treasurer to invest all deposits in the following: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; specified repurchase agreements; obligations of the State of North Carolina; 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, 2023 the Balance Sheet reported cash and cash equivalents of \$1,010,282,791, which represents the Department's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any formal oversight other than that of the legislative body) had a weighted average maturity of 0.7 years as of June 30, 2023. 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, 2023. 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, 2023, cash and cash equivalents valued at \$1,010,282,791 were held in the STIF. Ownership interest of the STIF is 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 Statement No. 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, 2023 were as follows:

	Gross	Less	Net
	Receivables	Allowance for Doubtful Accounts	Receivables
<b>Accounts Receivable:</b>			
Health Benefits	\$ 435,854,382	\$ 380,119,739	\$ 55,734,643
Child Development	2,080,767	57,822	2,022,945
Health Services Regulation	4,495,325	3,226,645	1,268,680
Public Health	7,365,003	2,155,281	5,209,722
Blind/Deaf Services	354,238	17,472	336,766
Social Services	125,853,044	122,493,939	3,359,105
Mental Health	350,157,392	304,562,794	45,594,598
Other Divisions	642,949	87,472	555,477
<b>Total Accounts Receivable</b>	<u>\$ 926,803,100</u>	<u>\$ 812,721,164</u>	<u>\$ 114,081,936</u>

For the Division of Health Benefits, accounts receivable primarily consists of cost settlements, 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, 2023 were as follows:

	<u>Amount</u>
<b>Intergovernmental Receivables:</b>	
<b>Due from Federal Agencies:</b>	
Department of Health and Human Services	\$ 2,951,981,542
Department of Agriculture	60,364,083
Department of Education	7,371,651
Social Security Administration	4,103,089
Department of Housing and Urban Development	1,240,199
Other	197,041
<b>Due from County and Local Agencies</b>	<u>1,003,469</u>
<b>Total Intergovernmental Receivables</b>	<u><u>\$ 3,026,261,074</u></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. 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. Right-to-use leased and subscription assets are recorded at the present value of payments expected to be made during the lease or subscription term, plus any upfront payments and ancillary charges paid to place the underlying right-to-use asset into service.

Generally, capital assets are defined by the Department as assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year, except for internally generated computer software which is capitalized when the value or cost is \$1,000,000 or greater. Lease liabilities are capitalized as a right-to-use asset when the underlying leased asset has a cost of \$10,000 or greater and an estimated useful life of more than one year. Subscription liabilities are capitalized as a right-to-use asset when the underlying subscription asset has a cost of \$1,000,000 or greater and an estimated useful life of more than one year.

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

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

Amortization for right-to-use leased and subscription assets is computed using the straight-line method over the shorter of the lease/subscription term or the underlying asset's estimated useful life, unless the lease contains a purchase option the Department is reasonably certain will be exercised. If a lease agreement contains a purchase option the Department is reasonably certain will be exercised, the right-to-use leased asset is amortized over the asset's estimated useful life.

A summary of changes in capital assets for the year ended June 30, 2023 is presented as follows:

	Balance July 1, 2022 (As Restated)*	Increases	Decreases	Balance June 30, 2023
<b>Capital Assets, Nondepreciable:</b>				
Land	\$ 1,105,552	\$ 0	\$ 0	\$ 1,105,552
Construction in Progress	4,229,456	71,678	2,469,429	1,831,705
Computer Software in Development	886,317,656	90,800,856		977,118,512
<b>Total Capital Assets, Nondepreciable</b>	<b>891,652,664</b>	<b>90,872,534</b>	<b>2,469,429</b>	<b>980,055,769</b>
<b>Capital Assets, Depreciable:</b>				
Buildings	792,205,245	4,153,905	254,583	796,104,567
Right-to-Use Leased Buildings	124,708,365	16,036,269	5,631,589	135,113,045
Machinery and Equipment	177,672,220	11,629,268	7,376,954	181,924,534
Right-to-Use Leased Machinery and Equipment	808,200	2,464,629	94,855	3,177,974
General Infrastructure	97,347,248	5,793,122	241,320	102,899,050
Computer Software	304,153,819			304,153,819
Right-to-Use Subscription Assets	42,568,343	31,185,226		73,753,569
<b>Total Capital Assets, Depreciable</b>	<b>1,539,463,440</b>	<b>71,262,419</b>	<b>13,599,301</b>	<b>1,597,126,558</b>
<b>Less Accumulated Depreciation/Amortization for:</b>				
Buildings	206,928,479	13,674,471	196,210	220,406,740
Right-to-Use Leased Buildings	17,357,909	19,026,426	1,775,262	34,609,073
Machinery and Equipment	83,539,469	9,559,385	5,004,226	88,094,628
Right-to-Use Leased Machinery and Equipment	356,577	2,822,282	782,202	2,396,657
General Infrastructure	36,081,241	2,137,885	187,800	38,031,326
Computer Software	95,775,713	12,166,153		107,941,866
Right-to-Use Subscription Assets		20,413,143		20,413,143
<b>Total Accumulated Depreciation/Amortization</b>	<b>440,039,388</b>	<b>79,799,745</b>	<b>7,945,700</b>	<b>511,893,433</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>1,099,424,052</b>	<b>(8,537,326)</b>	<b>5,653,601</b>	<b>1,085,233,125</b>
<b>Capital Assets, Net</b>	<b>\$ 1,991,076,716</b>	<b>\$ 82,335,208</b>	<b>\$ 8,123,030</b>	<b>\$ 2,065,288,894</b>

\* The restatement of July 1, 2022 balances was due to the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. See Note 18 for additional information.

As of June 30, 2023, the total amount of right-to-use leased and subscription assets was \$138,291,019 and \$73,753,569 and the related accumulated amortization was \$37,005,730 and \$20,413,143, respectively.

**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, 2023 were as follows:

	<u>Amount</u>
<b>Intergovernmental Payables:</b>	
Due to Federal Agencies:	
Department of Health and Human Services	\$ 246,864,829
Department of Agriculture	13,724,375
Department of Education	1,676,018
Social Security Administration	932,878
Department of Housing and Urban Development	281,972
Other	44,799
Due to Local Governments	<u>140,741,722</u>
<b>Total Intergovernmental Payables</b>	<u><u>\$ 404,266,593</u></u>

**Note 7 - Medical Claims Payable**

The Department annually estimates medical claims payable which represent 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 73% as of June 30, 2023, 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 governmental fund's financial statements. The Department's net pension liability, net other postemployment benefits (OPEB) liability, workers' compensation, lease liabilities, subscription liabilities, 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 2022 *Annual Comprehensive 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 2022 *Annual Comprehensive 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 and Disability Income Plan of North Carolina. 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.

**D. Changes in Long-Term Liabilities** - A summary of changes in long-term liabilities for the year ended June 30, 2023, is presented as follows:

	Balance July 1, 2022 (As Restated)*	Additions	Reductions	Balance June 30, 2023	Current Portion
Compensated Absences	\$ 114,155,571	\$ 60,094,270	\$ 61,363,045	\$ 112,886,796	\$ 11,040,329
Net Pension Liability	252,724,190	469,239,372		721,963,562	
Net Other Postemployment Benefits Liability	1,427,472,154	1,249,937	409,475,490	1,019,246,601	
Lease Liabilities	110,407,133	18,500,898	24,639,067	104,268,964	13,715,660
Subscription (SBITA) Liabilities	42,568,343	31,185,226	22,948,084	50,805,485	17,702,638
Workers' Compensation Liability	108,500,523	3,293,232	12,700,716	99,093,039	20,000,000
<b>Total Long-Term Liabilities</b>	<b>\$ 2,055,827,914</b>	<b>\$ 583,562,935</b>	<b>\$ 531,126,402</b>	<b>\$ 2,108,264,447</b>	<b>\$ 62,458,627</b>

Additional information regarding lease and subscription (SBITA) liabilities is included in Note 9.

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.

\* The restatement of July 1, 2022 balances was due to the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. See Note 18 for additional information.



**Note 9 - Leases and Subscription-Based Information Technology Arrangements**

As discussed in Note 8, general long-term liabilities are not recognized in governmental funds until they become due. Consequently, leases and SBITA liabilities not yet due are not reported on the face of the financial statements.

**A. Lessee Arrangements** - The Department has lease agreements for the right to use office space and equipment from external parties. The leases expire at various dates, and some have renewal options. Lease liabilities and right-to-use leased assets are recorded based on the present value of payments expected to be made during the lease term, plus any upfront payments and ancillary charges paid to place the leased asset into service. The expected payments are discounted using the interest rate stated per the lease contract, or the Department’s estimated incremental borrowing rate if there is no stated contractual interest rate.

During the year the Department did not recognize any variable payment amounts.

The Department’s lessee arrangements at June 30, 2023, are summarized below (excluding short-term leases):

Classification:	Number of Lease Contracts	Lease Liabilities June 30, 2023	Current Portion	Lease Terms (1)	Interest Rate/ Ranges
Lessee:					
Right-to-Use Leased Buildings	142	\$ 102,780,906	\$ 13,095,635	1 - 20 years	3.30% - 3.90%
Right-to-Use Leased Machinery and Equipment	1	1,488,058	620,025	1 year	3.30%
<b>Total</b>	<b>143</b>	<b>\$ 104,268,964</b>	<b>\$ 13,715,660</b>		

(1) The lease terms were calculated using weighted averages based on lease payable amounts.

**B. Subscription-Based Information Technology Arrangements (SBITAs)** - The Department enters SBITAs for the right to use information technology software and cloud computing arrangement (network) assets from external parties. The SBITAs expire at various dates, and some have renewal options. Subscription liabilities and the related right-to-use subscription assets are recorded based on the present value of expected payments over the term of the respective SBITA. The expected payments are discounted using the interest rate stated per the SBITA contract, or the Department’s estimated incremental borrowing rate if there is no stated contractual interest rate.

During the year the Department did not recognize any variable payment amounts.

The Department’s SBITAs at June 30, 2023 are summarized below (excluding short-term SBITAs):

SBITA	Subscription (SBITA) Liabilities June 30, 2023	Current Portion	SBITA Terms and Conditions	Interest Rate Range
Right-to-Use Subscription Assets	\$ 50,805,485	\$ 17,702,638	1-5 years	4.85% - 8.95%



**C. Annual Requirements** - The annual requirements to pay principal and interest on leases and SBITAs as of June 30, 2023 are as follows:

Fiscal Year	Annual Requirements			
	Lease Liabilities		Subscription (SBITA) Liabilities	
	Principal	Interest	Principal	Interest
2024	\$ 13,715,660	\$ 3,104,104	\$ 17,702,638	\$ 2,464,066
2025	13,204,776	2,682,972	18,561,217	1,605,488
2026	10,074,196	2,311,178	7,098,672	705,269
2027	10,169,500	1,986,180	7,442,958	360,983
2028	10,027,739	1,656,609		
2029-2033	34,560,433	4,317,112		
2034-2038	8,557,744	1,238,210		
2039-2043	3,958,917	200,106		
<b>Total Requirements</b>	<b>\$ 104,268,964</b>	<b>\$ 17,496,471</b>	<b>\$ 50,805,485</b>	<b>\$ 5,135,806</b>

#### 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.

## Notes to the Financial Statements

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, 2023 is presented as follows:

	<u>Amount</u>
Gross Patient Service Revenue	\$ 864,949,023
Deduct:	
Contractual Adjustments:	
Contractual Allowances	21,930,234
Disproportionate Share Hospital	(176,125,961)
Bad Debt	322,343,500
Third Party Reimbursement Programs:	
Federal Funds - State Medicaid Program	234,160,488
Federal Funds - Managed Care Organizations	252,791,218
Transfers - Non-Federal Share from DHB	174,667,460
<b>Net Patient Service Revenue</b>	<b><u><u>\$ 35,182,085</u></u></b>

### Note 11 - Fees, Licenses, and Fines Revenues

Fees, licenses, and fines for the fiscal year ended June 30, 2023 were as follows:

	<u>Health Benefits</u>	<u>Child Development</u>	<u>Health Service Regulation</u>	<u>Public Health</u>	<u>Blind/Deaf Services</u>	<u>Mental Health</u>	<u>Other Divisions</u>	<u>Total</u>
Business License Fees	\$ 0	\$ 1,105,474	\$ 10,606,995	\$ 4,817,611	\$ 0	\$ 610,285	\$ 0	\$ 17,140,365
Non-Business Permit License Fees				1,945,250			357,398	2,302,648
Certification Fees			44,625	436,786				481,411
Inspection and Examination Fees				2,167,618				2,167,618
Fines, Penalties, and Assessment Fees	317,497		5,201,025	248,640		84		5,767,246
Registration Fees		157,002	160,883	3,790			8,512	330,187
Other Licenses, Fees, and Permits		885,436	4,531,408	17,914,805	2,215,667	1,105		25,548,421
Cost Recoveries	156,501,402							156,501,402
Intermediate Care Facility Assessments	27,657,391							27,657,391
Provider Enrollment Fees	515,880							515,880
Miscellaneous		21,702	10,185				32,280	64,168
Civil Fines and Penalties - Transfers			(1,510,437)	(171,728)		(67)		(1,682,232)
<b>Total Fees, Licenses, and Fines</b>	<b><u><u>\$ 184,992,170</u></u></b>	<b><u><u>\$ 2,169,614</u></u></b>	<b><u><u>\$ 19,044,685</u></u></b>	<b><u><u>\$ 27,362,771</u></u></b>	<b><u><u>\$ 2,215,667</u></u></b>	<b><u><u>\$ 611,407</u></u></b>	<b><u><u>\$ 398,190</u></u></b>	<b><u><u>\$ 236,794,504</u></u></b>

**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, 2023 are as follows:

**Revenues from Other State Agencies**

Other State Agencies	Central Administration	Health Benefits	Child Development	Public Health	Blind/Deaf Services	Social Services	Mental Health	Other Divisions	Total
Office of State Budget and Management	\$ 160,268,508	\$ 194,448	\$ 8,521,552	\$ 14,130,691	\$ 0	\$ 18,489,125	\$ 440,280	\$ 136,318	\$ 202,180,922
Office of State Controller	3,144,364	88,602	60,612	2,820,093	17,237	1,221,362	13,803,210	1,842,768	22,998,248
Department of Public Safety								335,911	335,911
Department of Transportation				692,555		16,275			708,830
Administrative Office of the Courts				603,943					603,943
Department of Information Technology					8,708,289				8,708,289
Department of Public Instruction		1,860,964	129,690				3,200,000		5,190,654
NC Education Lottery			78,252,110				1,000,000		79,252,110
<b>Total Revenues from Other State Agencies</b>	<b>\$ 163,412,872</b>	<b>\$ 2,144,014</b>	<b>\$ 86,963,964</b>	<b>\$ 18,247,282</b>	<b>\$ 8,725,526</b>	<b>\$ 19,726,762</b>	<b>\$ 18,443,490</b>	<b>\$ 2,314,997</b>	<b>\$ 319,978,907</b>

**Expenditures to Other State Agencies**

Other State Agencies	Central Administration	Health Benefits	Health Service Regulation	Mental Health	Total
Office of State Budget and Management	\$ 125,000,000	\$ 4,666,154	\$ 0	\$ 0	\$ 129,666,154
Office of the State Controller		161,540,003	4,123,564		165,663,567
Department of Public Safety				300,000	300,000
Department of Justice		122,885			122,885
<b>Total Expenditures to Other State Agencies</b>	<b>\$ 125,000,000</b>	<b>\$ 166,329,042</b>	<b>\$ 4,123,564</b>	<b>\$ 300,000</b>	<b>\$ 295,752,606</b>

**Note 13 - Interfund Transfers**

Transfers in/out of other funds for the fiscal year ended June 30, 2023 consisted of the following:

Transfers Out	Transfers In			Total
	General Fund	Special Revenue Funds	Capital Projects Funds	
General Fund	\$1,394,423,108	\$ 14,813,879	\$ 0	\$1,409,236,987
Special Revenue Funds	16,386,226	882,937		17,269,163
Capital Projects Funds			36,000	36,000
<b>Total</b>	<b>\$1,410,809,334</b>	<b>\$ 15,696,816</b>	<b>\$ 36,000</b>	<b>\$1,426,542,150</b>

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 the 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 during the year ended

June 30, 2023 were \$1,394,423,108 for the General Fund, \$882,937 for Special Revenue Funds, and \$36,000 for Capital Projects Funds. Intrafund transfers, for the purposes of these financial statements, are defined as those transfers that occur within the same fund, inclusive of those transfers that are between divisions in the same fund.

### **Note 14 - Pension Plans**

#### **Cost-Sharing, Multiple-Employer, Defined Benefit Plan**

Pension contributions to cost sharing plans are recognized as expenditures in the period to which the payment relates, even if payment is not due until the subsequent period. Consequently, the net pension liability, discussed in Note 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 in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members. 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. 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. Plan members 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 and may not be less than the contribution rate required of plan members. The TSERS Board of Trustees establishes a funding policy from which an accrued liability rate and a normal contribution rate are developed by the consulting actuary. The sum of those two rates developed under the funding policy is the actuarially determined contribution rate (ADC). The TSERS Board of Trustees may further adopt a contribution rate policy that is higher than the ADC known as the required employer contribution to be recommended to the North Carolina General Assembly. The Department's contractually-required contribution rate for the year ended June 30, 2023 was 17.38% of covered payroll. Plan members' contributions to the pension plan were \$51,711,664, and the Department's contributions were \$149,791,453 for the year ended June 30, 2023.

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 2022 *Annual Comprehensive Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at 919-707-0500.

*TSERS Basis of Accounting:* The financial statements of the TSERS plan are 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. 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 2022 *Annual Comprehensive Financial Report*.

*Net Pension Liability:* At June 30, 2023, the Department's proportionate share of the collective net pension liability was \$721,963,562. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021, and update procedures were used to roll forward the total pension liability to June 30, 2022. The Department's proportion of the net pension liability was based on a projection of the present value of future salaries for the Department relative to the projected present value of future salaries for all participating

employers, actuarially-determined. As of June 30, 2022, the Department’s proportion was 4.86%, which was a decrease of 0.54 from its proportion measured as of June 30, 2021, which was 5.40%.

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

Valuation Date	12/31/2021
Inflation	2.5%
Salary Increases*	3.25% - 8.05%
Investment Rate of Return**	6.5%

\* Salary increases include 3.25% inflation and productivity factor.

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

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

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

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, 2022 (the measurement date) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	1.1%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	7.5%
Opportunistic Fixed Income	5.0%
Inflation Sensitive	2.7%

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, 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 2.25%. 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, 2022 is 0.78%.

**Discount Rate:** The discount rate used to measure the total pension liability was 6.5% for the December 31, 2021 valuation. 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, 2022 calculated using the discount rate of 6.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5%) or 1-percentage-point higher (7.5%) than the current rate:

<b>Net Pension Liability</b>		
1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
\$ 1,276,468,362	\$ 721,963,562	\$ 264,264,196

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** For the year ended June 30, 2023, the Department’s proportionate share of the collective pension expense was \$162,764,289. At June 30, 2023, the Department’s proportionate share of deferred outflows of resources and deferred inflows of resources related to TSERS were from the following sources:

<b>Employer Balances of Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions by Classification:</b>		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 3,143,473	\$ 9,840,475
Changes of Assumptions	56,960,173	
Net Difference Between Projected and Actual Earnings on Plan Investments	237,121,778	
Change in Proportion and Differences Between Employer’s Contributions and Proportionate Share of Contributions	32,927,583	28,465,017
Contributions Subsequent to the Measurement Date	149,791,453	
<b>Total</b>	<b>\$ 479,944,460</b>	<b>\$ 38,305,492</b>



The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to TSERS 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:**

Year Ending June 30:	Amount
2024	\$ 86,658,225
2025	76,023,107
2026	15,496,638
2027	113,669,545
<b>Total</b>	<b>\$ 291,847,515</b>

**Note 15 - Other Postemployment Benefits**

Other postemployment benefit contributions to cost sharing plans are recognized as expenditures in the period to which the payment relates, even if payment is not due until the subsequent period. Consequently, the net other postemployment benefits liability, discussed in Note 8 to the financial statements, is not reported on the face of the governmental 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 2022 *Annual Comprehensive Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at 919-707-0500.

**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 other postemployment benefits (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 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 *2022 Annual Comprehensive 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 by Chapter 135-7, Article 1 of the General Statutes as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of 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 contribution 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 the former employees become eligible for Medicare. The benefits provided include medical and pharmacy coverage for employees and their dependents. Non-Medicare eligible members have two self-funded options administered by the State Health Plan while Medicare members have three options, including one self-funded option and two fully-insured Medicare Advantage/Prescription Drug Plan options. Self-funded medical and pharmacy claims costs are shared between the covered member and the State Health Plan. If the self-funded plan is elected by a Medicare eligible member, the coverage is secondary to Medicare. Fully-insured claims include cost sharing from covered members with the remaining balance paid by the fully-insured carrier.

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 (CJRS), the Legislative Retirement System (LRS), the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or

retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the North Carolina General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the North Carolina General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the North Carolina General Assembly first taking office on or after February 1, 2007 with 10 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 Plan's total noncontributory premium. 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 five but less than 10 years of retirement service credit are eligible for coverage on a fully contributory basis.

Section 35.21 (c) & (d) of Session Law 2017-57 repealed retiree medical benefits for employees first hired on or after January 1, 2021. The legislation amended Chapter 135, Article 3B of the General Statutes to require that retirees must earn contributory retirement service in the TSERS (or in an allowed local system unit), CJRS, or LRS 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.

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 Act. The Department's contractually-required contribution rate for the year ended June 30, 2023 was 6.89% of covered payroll. The Department's contributions to the RHBF were \$59,382,227 for the year ended June 30, 2023.

In fiscal year 2021, the Plan transferred \$187.0 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 the RHBF employers. For the fiscal year ended June 30, 2023, the contribution allocated to the Department was \$7,738,058.

## 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 State's 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, while the employee is disabled and does not meet the TSERS conditions for unreduced service retirement. 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 University Employees' ORP, earned within 96 months prior to becoming disabled 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. A general 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; (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, by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee be at least age 62, 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 University Employees' 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, benefits are calculated in the same manner as described above except that after the first 36 months of the long-term disability, no further long-term disability benefits are payable unless the employee has been approved and is in receipt of primary Social Security disability benefits.

Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases.

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

year ended June 30, 2023 was 0.10% of covered payroll. The Department's contributions to DIPNC were \$861,861 for the year ended June 30, 2023.

**A. Net OPEB Liability**

*Retiree Health Benefit Fund:* At June 30, 2023, the Department's proportionate share of the collective net OPEB liability for RHBF was \$1,017,996,664. The net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021, and update procedures were used to roll forward the total OPEB liability to June 30, 2022. The Department's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the Department relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2022, the Department's proportion was 4.29%, which was a decrease of 0.32 from its proportion measured as of June 30, 2021, which was 4.61%.

*Disability Income Plan of North Carolina:* At June 30, 2023, the Department's proportionate share of the collective net OPEB liability for DIPNC was \$1,249,937. The net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021, and update procedures were used to roll forward the total OPEB liability to June 30, 2022. The Department's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the Department relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2022, the Department's proportion was 4.20%, which was a decrease of 0.50 from its proportion measured as of June 30, 2021, which was 4.70%.

*Actuarial Assumptions:* The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2021, 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, 2022 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/2021	12/31/2021
Inflation	2.5%	2.5%
Salary Increases*	3.25% - 8.05%	3.25% - 8.05%
Investment Rate of Return**	6.5%	3.0%
Healthcare Cost Trend Rate - Medical***	6% grading down to 5% by 2027	N/A
Healthcare Cost Trend Rate - Prescription Drug***	9.5% grading down to 5% by 2031	N/A
Healthcare Cost Trend Rate - Medicare Advantage***	0% through 2025, 5% thereafter	N/A
Healthcare Cost Trend Rate - Administrative***	3%	N/A

\* Salary increases include 3.25% inflation and productivity factor.

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

\*\*\* Disability Income Plan of NC eliminated employer reimbursements from the Plan (which included State Health Plan Premiums) effective July 1, 2019.

N/A - Not Applicable

The OPEB plans currently use mortality tables that vary by age, gender, employee group (i.e. teacher, other educational employee, general employee, or law enforcement officer) and health status (i.e. disabled or not disabled). The current mortality rates are based on

published tables and studies that cover significant portions of the U.S. public plan 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 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. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2022.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2022 (the measurement date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	1.1%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	7.5%
Opportunistic Fixed Income	5.0%
Inflation Sensitive	2.7%

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, 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 2.25%. 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, 2022 is 0.78%.

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. The results of the valuations fluctuate from year to year as actual experience differs from assumptions. This includes demographic experiences (i.e., mortality and retirement) that differ from expected. This also includes financial experiences (i.e., member medical costs and contributions) that vary from expected trends. 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 the historical pattern of



sharing of benefit costs between the employer and plan members to that point. Historically, the benefits have been funded solely by employer contributions applied equally to all retirees. Currently, as described above, 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. Prior to July 1, 2019, employers received a reimbursement from DIPNC for employer costs, including the employer’s share of the State health Plan premiums, incurred during the second six month of the first year of a member’s short-term disability coverage. With the elimination of the reimbursement to employers, State Health Plan premiums are no longer reimbursed by DIPNC for the benefits that were effective on or after July 1, 2019.

The actuarial assumptions used in the December 31, 2021 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2019, as amended for updates to certain assumptions (such as 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 3.54% at June 30, 2022 compared to 2.16% at June 30, 2021. The projection of cash flow used to determine the discount rate assumed that contributions from employers would 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 to current plan members. As a result, a municipal bond rate of 3.54% was used as the discount rate used to measure the total OPEB liability. The 3.54% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2022.

The discount rate used to measure the total OPEB liability for DIPNC was 3.08% at June 30, 2022 compared to 3.0% at June 30, 2021. The projection of cash flow used to determine the discount rate assumed that contributions from plan members would be made at the current contribution rate and that contributions from employers would be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan’s fiduciary net position was not projected to be available to make all projected future benefit payments to the current plan members. In order to develop the blended discount rate of 3.08%, 3.0% was used during the period that the plan was projected to have a fiduciary net position, and a municipal bond rate of 3.54% was used during the period that the plan was projected to have no fiduciary net position. The 3.54% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2022.

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate:* The following presents the Department’s proportionate share of the net OPEB liability of the plans, as well as what the plans’ net OPEB liability 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:

		<u>Net OPEB Liability</u>		
		<u>1% Decrease (2.54%)</u>	<u>Current Discount Rate (3.54%)</u>	<u>1% Increase (4.54%)</u>
RHBF	\$	1,199,082,765	\$ 1,017,996,664	\$ 870,098,459
		<u>1% Decrease (2.08%)</u>	<u>Current Discount Rate (3.08%)</u>	<u>1% Increase (4.08%)</u>
DIPNC	\$	1,539,143	\$ 1,249,937	\$ 960,016

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates:* The following presents the net OPEB liability of the plans, as well as what the plans' net OPEB liability 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:

	Net OPEB Liability		
	1% Decrease (Medical - 4% - 5%, Pharmacy - 4% - 8.5%, Med. Advantage - 0% - 4% Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6%, Pharmacy - 5% - 9.5%, Med. Advantage - 0% - 5% Administrative - 3%)	1% Increase (Medical - 6% - 7%, Pharmacy - 6% - 10.5%, Med. Advantage - 0% - 6% Administrative - 4%)
RHBF	\$ 837,974,113	\$ 1,017,996,664	\$ 1,250,701,567

Effective with the actuarial valuation as of December 31, 2021, the liability for the State's potential reimbursement of costs incurred by employers was removed because the reimbursement by DIPNC was eliminated for disabilities occurring on or after July 1, 2019. Thus sensitivity to changes in the healthcare cost trend rates is not applicable for DIPNC.

*OPEB Expense:* For the fiscal year ended June 30, 2023, the Department's proportionate share of the collective OPEB expense was as follows:

OPEB Plan	Amount
RHBF	\$ 730,210
DIPNC	1,833,445
<b>Total OPEB Expense</b>	<b>\$ 2,563,655</b>

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:* At June 30, 2023, 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:**

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 9,883,400	\$ 1,401,074	\$ 11,284,474
Changes of Assumptions	81,503,846	80,337	81,584,183
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	8,815,409	1,322,039	10,137,448
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	127,997,024	458,087	128,455,111
Contributions Subsequent to the Measurement Date	59,382,227	861,861	60,244,088
<b>Total</b>	<b>\$ 287,581,906</b>	<b>\$ 4,123,398</b>	<b>\$ 291,705,304</b>

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 2,816,901	\$ 0	\$ 2,816,901
Changes of Assumptions	463,314,177	231,558	463,545,735
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	93,800,220	238,668	94,038,888
<b>Total</b>	<b>\$ 559,931,298</b>	<b>\$ 470,226</b>	<b>\$ 560,401,524</b>

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as reductions of the net OPEB liabilities related to RHBF and DIPNC in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as 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
2024	\$ (117,503,500)	\$ 716,453
2025	(74,734,639)	807,462
206	(88,944,182)	582,839
2027	(50,549,298)	461,871
2028		136,406
Thereafter		86,280
<b>Total</b>	<b>\$ (331,731,619)</b>	<b>\$ 2,791,311</b>

**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 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 TSERS. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was 0.13% for the current fiscal year.

## **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.

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

### **2. Public Officers' and Employees' Liability Insurance**

The risk of tort claims of up to \$1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$2,000,000 per claim and \$10,000,000 in the aggregate per fiscal year via contract with private insurance companies. 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 Use 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, 2023, 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. CMS has not demanded any recovery of these funds.

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. A subsequent request for clarification was answered and the DHB is awaiting further communication from 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 opposed this request. The Court directed the parties to submit a proposed order adopting specific and measurable goals along the lines of the proposal submitted by DRNC, as the Court will also consider the State's proposal. The State's proposal was filed in August 2022. An order was issued on October 31, 2022 adopting the proposal submitted by DRNC. This order will require significant resources and system changes. In December 2022, the Department filed for an appeal to the NC Court of Appeals of the Court's order. In February 2023, the Judge who issued the order granted the Department's motion to stay implementation of the terms of the order during the pendency of the order during the appeal process. Plaintiffs filed a motion in March 2023 to amend the scheduling order, asking to take new discovery relating to their substantive dues process claim. In April 2023, the Department opposed the motion and it is pending before the Court. The parties have filed the record on appeal with the NC Court of Appeals. The parties also agreed to mediation through the appellate court, which began in August 2023. On April 10, 2024, the parties filed a joint motion and proposed consent order with the Superior Court which reflects the parties' agreement to resolve the appeal and outstanding claims in the litigation. The parties appeared before the Superior Court on April 17, 2024. The Superior Court approved the parties' plan, and upon receipt of a signed court order, the Department will dismiss the appeal and the case will continue with Superior Court continuing to monitor the parties' compliance with the proposed consent order.

Two State Constitutional claims are asserted against the Department: 1) Violation of Substantive Due Process (Art. I, Sec. 19); and 2) Violation of Equal Protection (Art. I, Sec. 19). The plaintiffs also sued two Department employees in their individual capacities. Damages requested are in excess of \$100,000,000. The Department disputes the claims and damages. Motions to Dismiss and Answers were filed on behalf of the Department and two employees. The hearing on the Motions to Dismiss occurred on November 18, 2020. Per the judge's request, the Defendants submitted supplemental briefing on December 16, 2020, and the Plaintiffs submitted supplemental briefing on January 4, 2021. The Department served Plaintiffs with its discovery responses on January 6, 2021. The case management order issued on October 7, 2020, set discovery deadlines throughout 2021 and a trial date for fall 2021. The trial court granted in part the Department's motions to dismiss, but many claims remain. The Department and two employees are represented by the Attorney General's Office. The parties filed a joint motion to extend discovery 90 days until November 1, 2021. On August 31, 2021, the Business Court transferred the matter from Judge Adam Conrad to Judge Michael Robinson without explanation. A Motion for Summary Judgment was filed on December 1, 2021, on behalf of the Department and employees. The Plaintiff's Memorandum in Opposition to Motion for Summary Judgment was filed on January 10, 2022. The court granted a motion for extension of time to file the Reply Brief and to increase the word limit for the Defendant. The Defendant filed the Reply

Brief on January 27, 2022. Hearing on Motion for Summary Judgment was heard on April 12, 2022. The court granted the Department's Motion on Summary Judgment on September 26, 2022, with respect to the Department and employees. The Plaintiff filed an appeal, but only as to the constitutional claims against the Department. The Plaintiff did not appeal the causes of action against the Department employees. On October 27, 2022, Notice of Appeal was filed with the North Carolina Supreme Court. The Plaintiff filed its brief on the appeal in April 2023, and the Department filed its brief in June 2023. Oral arguments occurred on March 13, 2024. On March 22, 2024, the North Carolina Supreme Court affirmed the trial court's order granting summary judgment in favor of the Department and dismissed the Plaintiff's claims.

- C. Commitments** - As of June 30, 2023, the Department had commitments of \$6,168,184 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. Funding has continued each budget year at appropriate levels to meet the terms of the agreement. In Session Law 2015-241, the North Carolina Housing Finance Agency (NCHFA), in consultation with the Department, was authorized to administer the Community Living Housing Fund (CLHF) in order to provide permanent community-based housing in integrated settings appropriate for individuals with severe mental illness and severe and persistent mental illness. The funds are first transferred from the Department and then must be appropriated by the General Assembly in order for the NCHFA to expend the funds. DHHS transferred \$2.89 million to the Community Living Housing Fund in fiscal 2015. House Bill 1030 authorized the NCHFA to expend receipts of \$5.52 million transferred from the Department to the CLHF in fiscal 2017. Session Law 2017-57 and Session Law 2018-5 provided funds of \$4.2 million and \$3.96 million, respectively, transferred from the Department to the CLHF. In fiscal years 2019 through 2021, the Department transferred \$10.47 million to the CLHF and Session Law 2020-97 appropriated those funds for the State to meet its commitment to the supported housing requirements of the agreement. At present, the work continues with the funds available through continuing budget provisions. The Department did not transfer any funds to the CLHF for fiscal year 2021-22 or fiscal year 2022-23 as no funds remained in accordance with the law. 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.

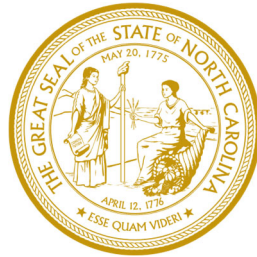
In 2017, the parties agreed to amend the agreement to extend the deadline for compliance to July 1, 2021. In March 2021, the parties agreed that the State had substantially complied with certain requirements of the agreement and the related obligations were discharged as of July 1, 2021. The parties also agreed to further extend the deadline for compliance with the remaining requirements of the agreement to July 1, 2023. In March 2023, the parties entered into another two-year extension of the agreement, which included the development and approval of an Implementation Plan to outline how the State will come into substantial compliance by July 2025.

### **Note 18 - Changes in Financial Accounting and Reporting**

For the fiscal year ended June 30, 2023, the Department implemented the following pronouncement issued by the Governmental Accounting Standards Board (GASB):

#### *GASB Statement No. 96, Subscription-Based Information Technology Arrangements*

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding SBITAs.



# 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 Year Ended June 30, 2023**

**Exhibit N-1**

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Federal Grants	\$ 18,651,805,054	\$ 20,083,252,585	\$ 18,661,486,166	\$ (1,421,766,419)
Local Grants	1,226,153,111	1,413,489,325	1,522,989,776	109,500,451
Local Match and Program Income	11,349,063	13,666,611	13,388,534	(278,077)
Sales, Services, and Rentals	96,980,319	96,315,093	36,957,047	(59,358,046)
Rental and Lease of Property	19,616,257	17,404,302	17,588,403	184,101
Fees, Licenses, and Fines	960,790,346	960,666,469	1,038,640,686	77,974,217
Contributions and Donations	95,375	709,704	744,963	35,259
Miscellaneous Revenues	139,533,425	199,753,843	180,949,287	(18,804,556)
Total Revenues	21,106,322,950	22,785,257,932	21,472,744,862	(1,312,513,070)
<b>EXPENDITURES</b>				
Salaries and Benefits	1,446,098,884	1,374,168,190	1,200,101,906	174,066,284
Purchased Services	1,081,619,130	1,793,687,114	1,274,671,620	519,015,494
Supplies	112,829,989	132,159,323	87,152,638	45,006,685
Property, Plant, and Equipment	69,291,470	89,707,876	44,990,441	44,717,435
Other Expenditures and Adjustments	26,273,387	48,683,301	42,999,508	5,683,793
Aid and Public Assistance	25,375,520,114	26,616,451,146	25,474,894,487	1,141,556,659
Reserves	36,997,008	192,160,872		192,160,872
Total Expenditures	28,148,629,982	30,247,017,822	28,124,810,600	2,122,207,222
Excess of Revenues Over (Under) Expenditures	(7,042,307,032)	(7,461,759,890)	(6,652,065,738)	809,694,152
<b>OTHER FINANCING SOURCES (USES)</b>				
State Appropriations	6,548,320,542	6,548,320,542	6,268,998,094	(279,322,448)
Transfers from Other Departments or Funds	1,437,732,310	2,949,855,617	2,145,527,724	(804,327,893)
Transfers to Other Departments or Funds	(1,243,493,426)	(2,426,440,379)	(1,833,668,109)	592,772,270
Total Other Financing Sources	6,742,559,426	7,071,735,780	6,580,857,709	(490,878,071)
Net Change in Fund Balance	(299,747,606)	(390,024,110)	(71,208,029)	318,816,081
Fund Balance - Beginning of Year	739,734,558	739,734,558	739,734,558	
Fund Balance - End of Year	\$ 439,986,952	\$ 349,710,448	\$ 668,526,529	\$ 318,816,081

The following tables present a reconciliation of resulting basis differences in the fund balance (budgetary basis) at June 30, 2023 to the fund balance on a modified accrual basis (GAAP).

Fund Balance (Budgetary Basis) June 30, 2023	\$ 668,526,529
<u>Reconciling Adjustments:</u>	
<b>Basis Differences:</b>	
Receivables	3,152,200,195
Payables	(3,625,803,413)
Deferred Inflows	(29,307,320)
Total Basis Differences	(502,910,538)
<b>Other Adjustments:</b>	
Cash	225,809,089
Inventories	10,517,129
Fund Balance (GAAP Basis) June 30, 2023	\$ 401,942,209

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 Year Ended June 30, 2023**

**Exhibit N-2**

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Federal Grants:				
Medical Assistance Administration and Training	\$ 208,321,495	\$ 234,208,517	\$ 98,485,837	\$ (135,722,680)
Title IV-D / Child Support	6,055,829	6,292,801	5,134,454	(1,158,347)
Other Federal Grants	120,555,745	210,037,907	(148,127,612)	(358,165,519)
Local Grants	688,213	284,189,626	468,682,659	184,493,033
Sales, Services, and Rentals	18,325	18,325	17,565	(760)
Miscellaneous Revenues	3,077,590	2,658,942	2,779,663	120,721
<b>Total Revenues</b>	<b>338,717,197</b>	<b>737,406,118</b>	<b>426,972,566</b>	<b>(310,433,552)</b>
<b>EXPENDITURES</b>				
Salaries and Benefits	120,809,114	122,322,862	105,524,593	16,798,269
Purchased Services	478,015,610	901,064,158	539,696,267	361,367,891
Supplies	1,154,946	2,529,146	1,988,845	540,301
Property, Plant, and Equipment	41,031,183	35,515,657	2,902,939	32,612,718
Other Expenditures and Adjustments	2,523,523	4,299,062	3,863,855	435,207
Aid and Public Assistance	73,914,451	128,201,284	105,762,143	22,439,141
Reserves	1,074,587	26,079,911		26,079,911
<b>Total Expenditures</b>	<b>718,523,414</b>	<b>1,220,012,080</b>	<b>759,738,642</b>	<b>460,273,438</b>
Excess of Revenues Over (Under) Expenditures	(379,806,217)	(482,605,962)	(332,766,076)	149,839,886
<b>OTHER FINANCING SOURCES (USES)</b>				
State Appropriations	192,500,322	197,238,736	194,411,164	(2,827,572)
Transfers from Other Departments or Funds	210,702,892	466,593,208	390,582,537	(76,010,671)
Transfers to Other Departments or Funds	(23,621,495)	(221,886,597)	(195,785,296)	26,101,301
<b>Total Other Financing Sources</b>	<b>379,581,719</b>	<b>441,945,347</b>	<b>389,208,405</b>	<b>(52,736,942)</b>
Net Change in Fund Balance	(224,498)	(40,660,615)	56,442,329	97,102,944
Fund Balance - Beginning of Year	111,977,083	111,977,083	111,977,083	
<b>Fund Balance - End of Year</b>	<b>\$ 111,752,585</b>	<b>\$ 71,316,468</b>	<b>\$ 168,419,412</b>	<b>\$ 97,102,944</b>

The following tables present a reconciliation of resulting basis differences in the fund balance (budgetary basis) at June 30, 2023 to the fund balance on a modified accrual basis (GAAP).

Fund Balance (Budgetary Basis) June 30, 2023	\$ 168,419,412
<u>Reconciling Adjustments:</u>	
<b>Basis Differences:</b>	
Receivables	32,012,442
Payables	(253,818,516)
Total Basis Differences	(221,806,074)
<b>Other Adjustments:</b>	
Cash	225,801,838
Inventories	221,693
Fund Balance (GAAP Basis) June 30, 2023	<u>\$ 172,636,869</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 Year Ended June 30, 2023**

**Exhibit N-3**

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Federal Grants:				
Medical Assistance Program	\$ 13,556,332,522	\$ 14,088,446,604	\$ 13,923,035,581	\$ (165,411,023)
Medical Assistance Administration and Training	261,230,057	345,646,849	293,596,542	(52,050,307)
CHIP	857,772,888	810,131,662	645,978,546	(164,153,116)
Other Federal Grants	42,000,279	19,273,205	20,025,239	752,034
Local Grants	411,649,313	194,960,668	179,258,655	(15,702,013)
Sales, Services, and Rentals			13,317	13,317
Fees, Licenses, and Fines	930,380,808	930,380,808	1,007,982,554	77,601,746
Miscellaneous Revenues	18,861,654	22,543,872	31,118,906	8,575,034
<b>Total Revenues</b>	<b>16,078,227,521</b>	<b>16,411,383,668</b>	<b>16,101,009,340</b>	<b>(310,374,328)</b>
<b>EXPENDITURES</b>				
Salaries and Benefits	53,438,706	48,342,204	46,142,919	2,199,285
Purchased Services	361,978,544	430,809,629	380,193,915	50,615,714
Supplies	191,297	183,961	109,416	74,545
Property, Plant, and Equipment	275,155	1,114,065	956,886	157,179
Other Expenditures and Adjustments	1,122,411	4,623,473	4,434,310	189,163
Aid and Public Assistance	20,771,465,314	20,968,020,897	20,468,376,680	499,644,217
Reserves	402,487	293,456		293,456
<b>Total Expenditures</b>	<b>21,188,873,914</b>	<b>21,453,387,685</b>	<b>20,900,214,126</b>	<b>553,173,559</b>
Excess of Revenues Over (Under) Expenditures	(5,110,646,393)	(5,042,004,017)	(4,799,204,786)	242,799,231
<b>OTHER FINANCING SOURCES (USES)</b>				
State Appropriations	4,714,416,758	4,724,739,496	4,605,712,620	(119,026,876)
Transfers from Other Departments or Funds	1,059,601,556	1,576,588,787	1,291,857,937	(284,730,850)
Transfers to Other Departments or Funds	(967,322,087)	(1,562,201,007)	(1,217,126,188)	345,074,819
<b>Total Other Financing Sources</b>	<b>4,806,696,227</b>	<b>4,739,127,276</b>	<b>4,680,444,369</b>	<b>(58,682,907)</b>
Net Change in Fund Balance	(303,950,166)	(302,876,741)	(118,760,417)	184,116,324
Fund Balance - Beginning of Year	515,305,546	515,305,546	515,305,546	
Fund Balance - End of Year	<u>\$ 211,355,380</u>	<u>\$ 212,428,805</u>	<u>\$ 396,545,129</u>	<u>\$ 184,116,324</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 tables present a reconciliation of resulting basis differences in the fund balance (budgetary basis) at June 30, 2023 to the fund balance on a modified accrual basis (GAAP).

Fund Balance (Budgetary Basis) June 30, 2023	\$ 396,545,129
<u>Reconciling Adjustments:</u>	
<b>Basis Differences:</b>	
Receivables	2,775,718,600
Payables	<u>(3,007,960,711)</u>
Total Basis Differences	<u>(232,242,111)</u>
<b>Other Adjustments:</b>	
Inventories	<u>50,697</u>
Fund Balance (GAAP Basis) June 30, 2023	<u>\$ 164,353,715</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 Year Ended June 30, 2023**

**Exhibit N-4**

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Federal Grants:				
Child Care Development Funds	\$ 381,200,974	\$ 391,671,058	\$ 292,286,448	\$ (99,384,610)
TANF	33,439,988	33,439,988	35,740,935	2,300,947
Other Federal Grants	269,775,331	577,752,843	566,529,485	(11,223,358)
Fees, Licenses, and Fines	2,524,076	2,871,832	2,147,911	(723,921)
Miscellaneous Revenues	514,138	186,850	376,537	189,687
<b>Total Revenues</b>	<b>687,454,507</b>	<b>1,005,922,571</b>	<b>897,081,316</b>	<b>(108,841,255)</b>
<b>EXPENDITURES</b>				
Salaries and Benefits	27,288,844	31,781,755	29,099,564	2,682,191
Purchased Services	13,286,109	42,336,463	21,382,340	20,954,123
Supplies	401,960	706,388	396,349	310,039
Property, Plant, and Equipment	38,855	210,456	125,961	84,495
Other Expenditures and Adjustments	553,598	233,449	168,028	65,421
Aid and Public Assistance	947,564,995	1,274,492,891	1,144,464,078	130,028,813
Reserves	24,335,474	2,082,685		2,082,685
<b>Total Expenditures</b>	<b>1,013,469,835</b>	<b>1,351,844,087</b>	<b>1,195,636,320</b>	<b>156,207,767</b>
Excess of Revenues Over (Under) Expenditures	(326,015,328)	(345,921,516)	(298,555,004)	47,366,512
<b>OTHER FINANCING SOURCES (USES)</b>				
State Appropriations	251,861,800	251,940,355	215,449,206	(36,491,149)
Transfers from Other Departments or Funds	78,312,722	120,283,542	100,283,542	(20,000,000)
Transfers to Other Departments or Funds	(4,159,194)	(26,302,381)	(15,699,296)	10,603,085
<b>Total Other Financing Sources</b>	<b>326,015,328</b>	<b>345,921,516</b>	<b>300,033,452</b>	<b>(45,888,064)</b>
Net Change in Fund Balance	0	0	1,478,448	1,478,448
Fund Balance - Beginning of Year	0	0	0	
Fund Balance - End of Year	\$ 0	\$ 0	\$ 1,478,448	\$ 1,478,448

The following tables present a reconciliation of resulting basis differences in the fund balance (budgetary basis) at June 30, 2023 to the fund balance on a modified accrual basis (GAAP).

Fund Balance (Budgetary Basis) June 30, 2023	\$ 1,478,448
<u>Reconciling Adjustments:</u>	
<b>Basis Differences:</b>	
Receivables	90,854,696
Payables	(107,444,131)
Deferred Inflows	(18,623)
Total Basis Differences	(16,608,058)
<b>Other Adjustments:</b>	
Inventories	11,965
Fund Balance (GAAP Basis) June 30, 2023	\$ (15,117,645)

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 Year Ended June 30, 2023**

**Exhibit N-5**

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Federal Grants:				
Medicare	\$ 9,756,720	\$ 9,814,117	\$ 10,067,101	\$ 252,984
Health Standard Quality Bureau	7,310,664	7,098,175	8,370,080	1,271,905
Medical Assistance Administration and Training	7,735,714	6,909,037	6,147,685	(761,352)
HRSA - Bioterrorism Hospital	8,237,789	9,853,280	7,895,656	(1,957,624)
Other Federal Grants	4,532,237	2,860,390	2,588,522	(271,868)
Local Grants	1,601,566	2,685,701	2,199,841	(485,860)
Sales, Services, and Rentals	497,762	554,014	557,887	3,873
Rental and Lease of Property	19,616,257	17,404,302	17,588,403	184,101
Miscellaneous Revenues	1,580,059	2,610,076	1,554,153	(1,055,923)
<b>Total Revenues</b>	<b>60,868,768</b>	<b>59,789,092</b>	<b>56,969,328</b>	<b>(2,819,764)</b>
<b>EXPENDITURES</b>				
Salaries and Benefits	58,709,552	55,056,533	48,413,704	6,642,829
Purchased Services	5,637,709	8,637,086	7,455,468	1,181,618
Supplies	245,325	353,791	320,216	33,575
Property, Plant, and Equipment	714,357	1,667,747	1,491,303	176,444
Other Expenditures and Adjustments	1,539,971	2,291,194	1,013,824	1,277,370
Aid and Public Assistance	12,424,227	13,132,564	10,989,713	2,142,851
Reserves	1,271,204	768,936		768,936
<b>Total Expenditures</b>	<b>80,542,345</b>	<b>81,907,851</b>	<b>69,684,228</b>	<b>12,223,623</b>
Excess of Revenues Over (Under) Expenditures	(19,673,577)	(22,118,759)	(12,714,900)	9,403,859
<b>OTHER FINANCING SOURCES (USES)</b>				
State Appropriations	23,202,495	23,202,495	15,056,889	(8,145,606)
Transfers from Other Departments or Funds	5,042,328	7,634,089	6,296,465	(1,337,624)
Transfers to Other Departments or Funds	(12,255,616)	(8,900,239)	(7,782,367)	1,117,872
<b>Total Other Financing Sources</b>	<b>15,989,207</b>	<b>21,936,345</b>	<b>13,570,987</b>	<b>(8,365,358)</b>
Net Change in Fund Balance	(3,684,370)	(182,414)	856,087	1,038,501
Fund Balance - Beginning of Year	38,464,663	38,464,663	38,464,663	
Fund Balance - End of Year	<u>\$ 34,780,293</u>	<u>\$ 38,282,249</u>	<u>\$ 39,320,750</u>	<u>\$ 1,038,501</u>

The following tables present a reconciliation of resulting basis differences in the fund balance (budgetary basis) at June 30, 2023 to the fund balance on a modified accrual basis (GAAP).

Fund Balance (Budgetary Basis) June 30, 2023	\$ 39,320,750
<u>Reconciling Adjustments:</u>	
<b>Basis Differences:</b>	
Receivables	3,921,073
Payables	(1,925,790)
Deferred Inflows	(1,073,024)
Total Basis Differences	<u>922,259</u>
<b>Other Adjustments:</b>	
Inventories	<u>19,681</u>
Fund Balance (GAAP Basis) June 30, 2023	<u>\$ 40,262,690</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 Year Ended June 30, 2023**

**Exhibit N-6**

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Federal Grants:				
Child/Adult Day Care	\$ 127,524,058	\$ 182,059	\$ 161,178	\$ (20,881)
HIV Care Grant	63,000,847	62,911,065	42,801,490	(20,109,575)
WIC	229,352,005	330,286	2,300,664	1,970,378
Medicaid	55,837,219	9,958,048	7,485,043	(2,473,005)
Other Federal Grants	305,554,488	483,636,108	280,184,549	(203,451,559)
Local Grants	25,379,335	26,188,977	5,019,691	(21,169,286)
Sales, Services, and Rentals	2,433,656	1,567,753	1,197,986	(369,767)
Fees, Licenses, and Fines	26,847,367	26,375,734	27,524,781	1,149,047
Contributions and Donations		613,329	613,329	0
Miscellaneous Revenues	91,231,447	35,149,517	27,169,959	(7,979,558)
<b>Total Revenues</b>	<b>927,160,422</b>	<b>646,912,876</b>	<b>394,458,670</b>	<b>(252,454,206)</b>
<b>EXPENDITURES</b>				
Salaries and Benefits	178,747,338	116,142,105	91,176,086	24,966,019
Purchased Services	87,515,276	151,398,180	88,393,896	63,004,284
Supplies	41,676,878	68,611,927	38,803,030	29,808,897
Property, Plant, and Equipment	20,039,651	33,212,970	24,554,191	8,658,779
Other Expenditures and Adjustments	7,314,588	8,428,134	7,812,698	615,436
Aid and Public Assistance	761,143,358	431,203,763	260,646,338	170,557,425
Reserves	4,481,397	140,186,018		140,186,018
<b>Total Expenditures</b>	<b>1,100,918,486</b>	<b>949,183,097</b>	<b>511,386,239</b>	<b>437,796,858</b>
Excess of Revenues Over (Under) Expenditures	(173,758,064)	(302,270,221)	(116,927,569)	185,342,652
<b>OTHER FINANCING SOURCES (USES)</b>				
State Appropriations	177,591,580	173,940,161	160,455,309	(13,484,852)
Transfers from Other Departments or Funds	9,350,250	304,959,464	17,657,670	(287,301,794)
Transfers to Other Departments or Funds	(5,183,766)	(218,086,185)	(71,905,651)	146,180,534
<b>Total Other Financing Sources</b>	<b>181,758,064</b>	<b>260,813,440</b>	<b>106,207,328</b>	<b>(154,606,112)</b>
Net Change in Fund Balance	8,000,000	(41,456,781)	(10,720,241)	30,736,540
Fund Balance - Beginning of Year	62,751,089	62,751,089	62,751,089	
Fund Balance - End of Year	<u>\$ 70,751,089</u>	<u>\$ 21,294,308</u>	<u>\$ 52,030,848</u>	<u>\$ 30,736,540</u>

The following tables present a reconciliation of resulting basis differences in the fund balance (budgetary basis) at June 30, 2023 to the fund balance on a modified accrual basis (GAAP).

Fund Balance (Budgetary Basis) June 30, 2023	\$ 52,030,848
<u>Reconciling Adjustments:</u>	
<b>Basis Differences:</b>	
Receivables	37,609,488
Payables	(70,192,326)
Deferred Inflows	(4,144,549)
Total Basis Differences	<u>(36,727,387)</u>
<b>Other Adjustments:</b>	
Inventories	2,622,886
Fund Balance (GAAP Basis) June 30, 2023	<u>\$ 17,926,347</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 Year Ended June 30, 2023**

**Exhibit N-7**

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Federal Grants:				
Title III Grants	\$ 35,207,445	\$ 41,180,324	\$ 39,184,417	\$ (1,995,907)
Nutrition Services Incentive Program	3,329,509	4,456,706	3,705,344	(751,362)
Family Caregiver Support	5,422,147	6,035,622	5,992,289	(43,333)
Other Federal Grants	24,227,625	54,238,129	41,528,785	(12,709,344)
Local Match and Program Income	11,349,063	13,666,611	13,388,534	(278,077)
Sales, Services, and Rentals	65	65	9	(56)
Fees, Licenses, and Fines	25,000	25,000	8,512	(16,488)
Contributions and Donations	85,000	86,000	86,000	0
Miscellaneous Revenues	150,752	71,177	1,321,249	1,250,072
<b>Total Revenues</b>	<b>79,796,606</b>	<b>119,759,634</b>	<b>105,215,139</b>	<b>(14,544,495)</b>
<b>EXPENDITURES</b>				
Salaries and Benefits	7,676,446	7,893,183	6,763,385	1,129,798
Purchased Services	1,463,594	5,984,341	1,992,479	3,991,862
Supplies	43,718	61,365	39,161	22,204
Property, Plant, and Equipment	304,022	2,006,751	330,876	1,675,875
Other Expenditures and Adjustments	161,347	873,215	828,639	44,576
Aid and Public Assistance	126,216,240	159,284,958	148,034,274	11,250,684
Reserves	17,545	18,569,805		18,569,805
<b>Total Expenditures</b>	<b>135,882,912</b>	<b>194,673,618</b>	<b>157,988,814</b>	<b>36,684,804</b>
Excess of Revenues Over (Under) Expenditures	(56,086,306)	(74,913,984)	(52,773,675)	22,140,309
<b>OTHER FINANCING SOURCES (USES)</b>				
State Appropriations	52,492,448	52,593,391	49,763,234	(2,830,157)
Transfers from Other Departments or Funds	3,594,670	41,227,688	3,410,235	(37,817,453)
Transfers to Other Departments or Funds	(812)	(18,959,595)	(427,094)	18,532,501
<b>Total Other Financing Sources</b>	<b>56,086,306</b>	<b>74,861,484</b>	<b>52,746,375</b>	<b>(22,115,109)</b>
Net Change in Fund Balance	0	(52,500)	(27,300)	25,200
Fund Balance - Beginning of Year	57,500	57,500	57,500	
Fund Balance - End of Year	<u>\$ 57,500</u>	<u>\$ 5,000</u>	<u>\$ 30,200</u>	<u>\$ 25,200</u>

The following tables present a reconciliation of resulting basis differences in the fund balance (budgetary basis) at June 30, 2023 to the fund balance on a modified accrual basis (GAAP).

Fund Balance (Budgetary Basis) June 30, 2023	\$ 30,200
<u>Reconciling Adjustments:</u>	
<b>Basis Differences:</b>	
Receivables	9,234,353
Payables	(13,359,884)
Total Basis Differences	(4,125,531)
<b>Other Adjustments:</b>	
Inventories	2,832
Fund Balance (GAAP Basis) June 30, 2023	<u>\$ (4,092,499)</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 Year Ended June 30, 2023**

**Exhibit N-8**

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Federal Grants:				
Rehab Services	\$ 12,625,687	\$ 16,097,433	\$ 10,103,652	\$ (5,993,781)
Other Federal Grants	5,804,660	5,546,440	4,884,502	(661,938)
Local Grants	1,112,880	1,064,873	944,649	(120,224)
Sales, Services, and Rentals	108,183			0
Miscellaneous Revenues	704,825	380,337	859,918	479,581
<b>Total Revenues</b>	<b>20,356,235</b>	<b>23,089,083</b>	<b>16,792,721</b>	<b>(6,296,362)</b>
<b>EXPENDITURES</b>				
Salaries and Benefits	27,363,230	27,077,477	21,292,118	5,785,359
Purchased Services	7,051,528	7,404,850	6,077,761	1,327,089
Supplies	409,116	200,022	179,878	20,144
Property, Plant, and Equipment	379,698	151,829	107,988	43,841
Other Expenditures and Adjustments	734,867	2,094,587	256,714	1,837,873
Aid and Public Assistance	9,331,291	11,906,804	9,813,117	2,093,687
Reserves	353,687	168,840		168,840
<b>Total Expenditures</b>	<b>45,623,417</b>	<b>49,004,409</b>	<b>37,727,576</b>	<b>11,276,833</b>
Excess of Revenues Over (Under) Expenditures	(25,267,182)	(25,915,326)	(20,934,855)	4,980,471
<b>OTHER FINANCING SOURCES (USES)</b>				
State Appropriations	9,114,073	9,109,806	8,183,107	(926,699)
Transfers from Other Departments or Funds	16,153,109	18,592,544	14,538,772	(4,053,772)
Transfers to Other Departments or Funds		(1,787,024)	(1,787,024)	0
<b>Total Other Financing Sources</b>	<b>25,267,182</b>	<b>25,915,326</b>	<b>20,934,855</b>	<b>(4,980,471)</b>
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 tables present a reconciliation of resulting basis differences in the fund balance (budgetary basis) at June 30, 2023 to the fund balance on a modified accrual basis (GAAP).

Fund Balance (Budgetary Basis) June 30, 2023	\$ 0
<u>Reconciling Adjustments:</u>	
<b>Basis Differences:</b>	
Receivables	915,419
Payables	(1,039,855)
Deferred Inflows	(4,423)
Total Basis Differences	<u>(128,859)</u>
<b>Other Adjustments:</b>	
Inventories	<u>11,774</u>
Fund Balance (GAAP Basis) June 30, 2023	<u>\$ (117,085)</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 Year Ended June 30, 2023**

**Exhibit N-9**

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Federal Grants:				
Rehabilitation Services	\$ 104,825,205	\$ 104,783,997	\$ 84,272,601	\$ (20,511,396)
Other Federal Grants	3,974,345	6,301,879	4,200,912	(2,100,967)
Local Grants	3,315,544	2,441,462	2,433,315	(8,147)
Sales, Services, and Rentals	459,591	459,591	231,322	(228,269)
Miscellaneous Revenues	7,285,465	11,751,769	12,983,115	1,231,346
<b>Total Revenues</b>	<b>119,860,150</b>	<b>125,738,698</b>	<b>104,121,265</b>	<b>(21,617,433)</b>
<b>EXPENDITURES</b>				
Salaries and Benefits	74,321,505	73,010,404	57,815,060	15,195,344
Purchased Services	10,406,443	12,418,806	11,557,878	860,928
Supplies	897,043	637,368	477,187	160,181
Property, Plant, and Equipment	1,163,278	3,373,694	2,886,394	487,300
Other Expenditures and Adjustments	1,853,403	2,182,708	1,541,841	640,867
Aid and Public Assistance	72,311,230	100,442,123	89,083,291	11,358,832
Reserves	1,402,535	1,557,489		1,557,489
<b>Total Expenditures</b>	<b>162,355,437</b>	<b>193,622,592</b>	<b>163,361,651</b>	<b>30,260,941</b>
Excess of Revenues Over (Under) Expenditures	(42,495,287)	(67,883,894)	(59,240,386)	8,643,508
<b>OTHER FINANCING SOURCES (USES)</b>				
State Appropriations	42,099,788	42,589,017	36,979,390	(5,609,627)
Transfers from Other Departments or Funds	432,518	27,930,194	24,896,312	(3,033,882)
Transfers to Other Departments or Funds	(37,019)	(2,635,317)	(2,635,316)	1
<b>Total Other Financing Sources</b>	<b>42,495,287</b>	<b>67,883,894</b>	<b>59,240,386</b>	<b>(8,643,508)</b>
Net Change in Fund Balance	0	0	0	0
Fund Balance - Beginning of Year	7,680	7,680	7,680	
Fund Balance - End of Year	<u>\$ 7,680</u>	<u>\$ 7,680</u>	<u>\$ 7,680</u>	<u>\$ 0</u>

The following tables present a reconciliation of resulting basis differences in the fund balance (budgetary basis) at June 30, 2023 to the fund balance on a modified accrual basis (GAAP).

Fund Balance (Budgetary Basis) June 30, 2023	\$ 7,680
<b>Reconciling Adjustments:</b>	
<b>Basis Differences:</b>	
Receivables	5,560,358
Payables	(6,024,962)
Total Basis Differences	(464,604)
<b>Other Adjustments:</b>	
Inventories	116,839
Fund Balance (GAAP Basis) June 30, 2023	<u>\$ (340,085)</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 Year Ended June 30, 2023**

**Exhibit N-10**

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Federal Grants:				
Medical Assistance Administration and Training	\$ 228,862,652	\$ 266,401,910	\$ 275,041,731	\$ 8,639,821
Title IV-D / Child Support	103,378,410	113,642,646	113,868,909	226,263
Title IV-E / Foster Care	164,944,828	174,768,350	176,453,586	1,685,236
Low Income Energy Program	115,980,309	115,980,309	113,975,414	(2,004,895)
Food Stamps	115,720,492	110,974,267	109,990,642	(983,625)
TANF	158,106,456	158,106,456	152,485,919	(5,620,537)
Other Federal Grants	188,926,995	217,830,472	190,749,403	(27,081,069)
Local Grants	778,559,160	893,811,925	855,332,177	(38,479,748)
Fees, Licenses, and Fines	332,215	332,215	362,218	30,003
Miscellaneous Revenues	14,401,564	17,313,961	14,288,000	(3,025,961)
<b>Total Revenues</b>	<b>1,869,213,081</b>	<b>2,069,162,511</b>	<b>2,002,547,999</b>	<b>(66,614,512)</b>
<b>EXPENDITURES</b>				
Salaries and Benefits	33,947,694	29,788,359	25,054,300	4,734,059
Purchased Services	34,596,564	45,508,134	39,622,307	5,885,827
Supplies	589,476	559,292	195,398	363,894
Property, Plant, and Equipment	293,665	679,644	585,588	94,056
Other Expenditures and Adjustments	2,733,470	4,069,519	3,906,513	163,006
Aid and Public Assistance	2,037,914,461	2,288,156,732	2,170,270,931	117,885,801
Reserves	2,316,139	960,129		960,129
<b>Total Expenditures</b>	<b>2,112,391,469</b>	<b>2,369,721,809</b>	<b>2,239,635,037</b>	<b>130,086,772</b>
Excess of Revenues Over (Under) Expenditures	(243,178,388)	(300,559,298)	(237,087,038)	63,472,260
<b>OTHER FINANCING SOURCES (USES)</b>				
State Appropriations	229,402,651	227,516,458	177,874,788	(49,641,670)
Transfers from Other Departments or Funds	31,992,527	149,314,396	126,881,925	(22,432,471)
Transfers to Other Departments or Funds	(18,105,362)	(80,616,615)	(68,065,622)	12,550,993
<b>Total Other Financing Sources</b>	<b>243,289,816</b>	<b>296,214,239</b>	<b>236,691,091</b>	<b>(59,523,148)</b>
Net Change in Fund Balance	111,428	(4,345,059)	(395,947)	3,949,112
Fund Balance - Beginning of Year	10,720,982	10,720,982	10,720,982	
Fund Balance - End of Year	\$ 10,832,410	\$ 6,375,923	\$ 10,325,035	\$ 3,949,112

The following tables present a reconciliation of resulting basis differences in the fund balance (budgetary basis) at June 30, 2023 to the fund balance on a modified accrual basis (GAAP).

Fund Balance (Budgetary Basis) June 30, 2023	\$ 10,325,035
<u>Reconciling Adjustments:</u>	
<b>Basis Differences:</b>	
Receivables	118,409,036
Payables	(114,826,317)
Deferred Inflows	(877,411)
Total Basis Differences	2,705,308
<b>Other Adjustments:</b>	
Cash	7,252
Inventories	16,150
Fund Balance (GAAP Basis) June 30, 2023	\$ 13,053,745

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 and Family Well-Being  
For the Fiscal Year Ended June 30, 2023**

**Exhibit N-11**

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Federal Grants				
Child/Adult Day Care	\$ 0	110,138,430	97,090,700	\$ (13,047,730)
WIC		227,461,451	206,391,403	(21,070,048)
Other Federal Grants	559,805	101,523,657	84,976,425	(16,547,232)
Local Grants		3,622,628	3,761,140	138,512
Sales, Services, and Rentals		265,203	104,835	(160,368)
Miscellaneous Revenues		104,555,449	86,799,390	(17,756,059)
<b>Total Revenues</b>	<b>559,805</b>	<b>547,566,818</b>	<b>479,123,893</b>	<b>(68,442,925)</b>
<b>EXPENDITURES</b>				
Salaries and Benefits	75,590	71,630,746	64,159,554	7,471,192
Purchased Services		30,454,162	19,804,949	10,649,213
Supplies		2,755,865	1,122,147	1,633,718
Property, Plant, and Equipment		1,100,781	760,738	340,043
Other Expenditures and Adjustments		281,179	69,671	211,508
Aid and Public Assistance	484,215	521,416,140	464,308,262	57,107,878
Reserves		539,947		539,947
<b>Total Expenditures</b>	<b>559,805</b>	<b>628,178,820</b>	<b>550,225,321</b>	<b>77,953,499</b>
Excess of Revenues Over (Under) Expenditures	0	(80,612,002)	(71,101,428)	9,510,574
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Other Departments or Funds		84,688,749	75,178,175	(9,510,574)
Transfers to Other Departments or Funds		(4,076,747)	(4,076,747)	0
<b>Total Other Financing Sources</b>	<b>0</b>	<b>80,612,002</b>	<b>71,101,428</b>	<b>(9,510,574)</b>
Net Change in Fund Balance	0	0	0	0
Fund Balance - Beginning of Year	0	0	0	
Fund Balance - End of Year	\$ 0	\$ 0	\$ 0	\$ 0

The following tables present a reconciliation of resulting basis differences in the fund balance (budgetary basis) at June 30, 2023 to the fund balance on a modified accrual basis (GAAP).

Fund Balance (Budgetary Basis) June 30, 2023	\$ 0
<u>Reconciling Adjustments:</u>	
<b>Basis Differences:</b>	
Receivables	22,146,629
Payables	(20,944,736)
Total Basis Differences	1,201,893
<b>Other Adjustments:</b>	
Inventories	431,027
Fund Balance (GAAP Basis) June 30, 2023	\$ 1,632,920

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 Use Services  
For the Fiscal Year Ended June 30, 2023**

**Exhibit N-12**

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Federal Grants:				
Medical Assistance Administration and Training	\$ 5,659,082	\$ 5,623,101	\$ 5,752,119	\$ 129,018
Reimbursements to Facilities	3,430,467	3,462,467	3,082,863	(379,604)
Medicaid	653,141,312	660,492,536	663,296,903	2,804,367
SAPT Block Grant	81,291,702	85,534,787	54,465,033	(31,069,754)
Other Federal Grants	80,859,072	182,217,217	119,305,191	(62,912,026)
Local Grants	3,847,100	4,523,465	5,357,649	834,184
Sales, Services, and Rentals	93,462,737	93,450,142	34,834,126	(58,616,016)
Fees, Licenses, and Fines	680,880	680,880	614,710	(66,170)
Contributions and Donations	10,375	10,375	45,634	35,259
Miscellaneous Revenues	1,725,931	2,531,893	1,698,397	(833,496)
Total Revenues	924,108,658	1,038,526,863	888,452,625	(150,074,238)
<b>EXPENDITURES</b>				
Salaries and Benefits	863,720,865	791,122,562	704,660,623	86,461,939
Purchased Services	81,667,753	157,671,305	158,494,360	(823,055)
Supplies	67,220,230	55,560,198	43,521,011	12,039,187
Property, Plant, and Equipment	5,051,606	10,674,282	10,287,577	386,705
Other Expenditures and Adjustments	7,736,209	19,306,781	19,103,415	203,366
Aid and Public Assistance	562,750,332	720,192,990	603,145,660	117,047,330
Reserves	1,341,953	953,656		953,656
Total Expenditures	1,589,488,948	1,755,481,774	1,539,212,646	216,269,128
Excess of Revenues Over (Under) Expenditures	(665,380,290)	(716,954,911)	(650,760,021)	66,194,890
<b>OTHER FINANCING SOURCES (USES)</b>				
State Appropriations	855,638,627	845,450,627	805,112,387	(40,338,240)
Transfers from Other Departments or Funds	22,549,738	152,042,956	93,944,154	(58,098,802)
Transfers to Other Departments or Funds	(212,808,075)	(280,988,672)	(248,377,508)	32,611,164
Total Other Financing Sources	665,380,290	716,504,911	650,679,033	(65,825,878)
Net Change in Fund Balance	0	(450,000)	(80,988)	369,012
Fund Balance - Beginning of Year	450,015	450,015	450,015	
Fund Balance - End of Year	\$ 450,015	\$ 15	\$ 369,027	\$ 369,012

The following tables present a reconciliation of resulting basis and timing differences in the fund balance (budgetary basis) at June 30, 2023 to the fund balance on a modified accrual basis (GAAP).

Fund Balance (Budgetary Basis) June 30, 2023	\$ 369,027
<b>Reconciling Adjustments:</b>	
<b>Basis Differences:</b>	
Receivables	55,818,101
Payables	(28,266,186)
Deferred Inflows	(23,189,290)
Total Basis Differences	4,362,625
<b>Other Adjustments:</b>	
Inventories	7,011,585
Fund Balance (GAAP Basis) June 30, 2023	\$ 11,743,237

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 Year Ended June 30, 2023**

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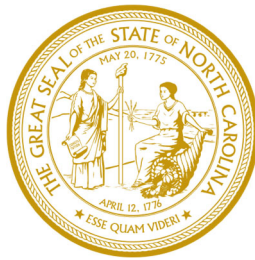
**A. Budgetary Process**

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.



# Other Supplementary Information

**North Carolina Department of Health and Human Services  
Schedule of Grants, State Aid, and Subsidies Expenditures  
By Division  
For the Fiscal Year Ended June 30, 2023**

**Exhibit O-1**

	Central Administration	Health Benefits (1)	Child Development (2)	Health Service Regulation	Public Health (3)	Aging	Blind/Deaf Services	Vocational Rehabilitation	Social Services (4)	Child and Family Well-Being (5)	Mental Health (6)	Total Governmental Funds
<b>GRANTS, STATE AID, AND SUBSIDIES</b>												
Medical Assistance:												
Managed Care	\$ 0	\$ 13,961,826,033	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,961,826,033
Supplemental Expenditures		722,179,106										722,179,106
Skilled Nursing Facilities and Personal Care		2,313,289,139										2,313,289,139
Physician Services		613,742,672										613,742,672
Medical Services		1,536,295,830										1,536,295,830
Hospital		547,411,641										547,411,641
Pharmacy Services (Net of Rebates)		(865,642,193)										(865,642,193)
Buy-In / Dual Eligible Expenditures		1,116,422,105										1,116,422,105
Dental		447,478,157										447,478,157
Other Medical Assistance		74,601,176										74,601,176
<b>Total Medical Assistance</b>	<b>0</b>	<b>20,467,603,666</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20,467,603,666</b>
Social Service Programs:												
Food and Nutrition									5,261,171,094	139,360,350		5,400,531,444
Child and Family			808,422,633		55,871,114				642,317,644	229,750,179		1,736,361,570
Smart Start Programs			251,103,092									251,103,092
Support of Aging and Adult Programs									107,347,445			107,347,445
Support of Medicaid Programs									318,924,656			318,924,656
Other Social Service Programs									210,360,336			210,360,336
<b>Total Social Service Programs</b>	<b>0</b>	<b>0</b>	<b>1,059,525,725</b>	<b>0</b>	<b>55,871,114</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,540,121,175</b>	<b>369,110,529</b>	<b>0</b>	<b>8,024,628,543</b>
Public Health Programs:												
Communicable Diseases					122,764,385					34,652,194		157,416,579
General Public Health					19,110,791							19,110,791
Chronic Diseases					2,205,801					1,993,893		4,199,694
Other Public Health Programs					66,339,161					60,617,949		126,957,110
<b>Total Public Health Programs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>210,420,138</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>97,264,036</b>	<b>0</b>	<b>307,684,174</b>
Mental Health Programs	0	0	0	0	0	0	0	0	0	0	612,863,623	612,863,623
Other Grants, State Aid, and Subsidies	79,806,991	0	0	7,566,112	0	143,458,071	10,019,947	89,635,163	0	0	0	330,486,284
<b>Total Grants, State Aid, and Subsidies Expenditures</b>	<b>\$ 79,806,991</b>	<b>\$ 20,467,603,666</b>	<b>\$ 1,059,525,725</b>	<b>\$ 7,566,112</b>	<b>\$ 266,291,252</b>	<b>\$ 143,458,071</b>	<b>\$ 10,019,947</b>	<b>\$ 89,635,163</b>	<b>\$ 6,540,121,175</b>	<b>\$ 466,374,565</b>	<b>\$ 612,863,623</b>	<b>\$ 29,743,266,290</b>

(1) See Supplementary Exhibit O-2  
(2) See Supplementary Exhibit O-3  
(3) See Supplementary Exhibit O-4  
(4) See Supplementary Exhibit O-5  
(5) See Supplementary Exhibit O-6  
(6) See Supplementary Exhibit O-7

**North Carolina Department of Health and Human Services  
Schedule of Grants, State Aid, and Subsidies Expenditures  
Division of Health Benefits  
For the Fiscal Year Ended June 30, 2023**

**Exhibit O-2**

**GRANTS, STATE AID, AND SUBSIDIES**

Managed Care <sup>1</sup>	\$ 13,961,826,033
Supplemental Expenditures:	
Gap Payment - Upper Payment Limit	91,693,946
Disproportionate Share Hospital Payment	613,008,833
Enhanced Payment	17,476,327
Total Supplemental Expenditures	<u>722,179,106</u>
Skilled Nursing Facilities and Personal Care:	
Skilled Nursing Facilities	1,729,670,081
Personal Care Services	583,619,058
Total Skilled Nursing Facilities and Personal Care	<u>2,313,289,139</u>
Physician Services:	
Physician Services	333,747,902
Clinics	195,205,416
Community Care of NC (N3CN)	84,789,354
Total Physician Services	<u>613,742,672</u>
Medical Services:	
Client Assistant Program (CAP)	588,368,933
Equipment	178,626,785
Health Check	7,319,822
Transport	146,337,327
Short Term Care	185,987,529
Non-Physician Services	92,694,316
Standalone Lab/X-Ray	48,398,102
Hospice	129,250,794
Case Management	342,932
Medical - General	157,346,632
Family Planning	1,622,658
Total Medical Services	<u>1,536,295,830</u>
Hospital:	
Hospital - Outpatient	311,131,407
Hospital - Inpatient	62,801,988
Emergency Room	173,478,246
Total Hospital	<u>547,411,641</u>
Prescribed Drugs:	
Pharmacy Services	913,430,458
Less Rebates	(1,779,072,651)
Total Prescribed Drugs (Net of Rebates)	<u>(865,642,193)</u>
Buy-In / Dual Eligible Expenditures:	
Medicare Part A	61,102,347
Medicare Part B	712,469,276
Medicare Part D	342,850,482
Total Buy-In / Dual Eligible Expenditures	<u>1,116,422,105</u>
Dental	<u>447,478,157</u>
Other Medical Assistance:	
Miscellaneous	74,601,176
Total Other Medical Assistance	<u>74,601,176</u>
Total Grants, State Aid, and Subsidies Expenditures	<u>\$ 20,467,603,666</u>

<sup>1</sup> 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 Year Ended June 30, 2023**

**Exhibit O-3**

**GRANTS, STATE AID, AND SUBSIDIES**

Child and Family:

Subsidized Child Care Services	\$ 615,497,671
Pre-K Services	<u>192,924,962</u>
Total Child and Family	<u>808,422,633</u>

Smart Start Programs:

Smart Start Subsidized Child Care Services	123,030,972
Smart Start Child Care Related Activities	<u>128,072,120</u>
Total Smart Start Programs	<u>251,103,092</u>

Total Grants, State Aid, and Subsidies Expenditures	<u>\$ 1,059,525,725</u>
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**North Carolina Department of Health and Human Services  
 Schedule of Grants, State Aid, and Subsidies Expenditures  
 Division of Public Health  
 For the Fiscal Year Ended June 30, 2023**

**Exhibit O-4**

**GRANTS, STATE AID, AND SUBSIDIES**

Social Service Programs:

Child and Family:

Maternal and Infant Health	\$ 27,579,275
Children Health Services	8,553,414
Child and Adult Prevention	27,291
Early Intervention	19,711,134

Total Child and Family	55,871,114
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Total Social Service Programs	55,871,114
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Public Health Programs:

Communicable Diseases	122,764,385
General Public Health	19,110,791
Chronic Diseases	2,205,801
Other Public Health Programs	66,339,161

Total Public Health Programs	210,420,138
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Total Grants, State Aid, and Subsidies Expenditures	\$ 266,291,252
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**North Carolina Department of Health and Human Services  
 Schedule of Grants, State Aid, and Subsidies Expenditures  
 Division of Social Services  
 For the Fiscal Year Ended June 30, 2023**

**Exhibit O-5**

**GRANTS, STATE AID, AND SUBSIDIES**

Food and Nutrition:	
Food Stamp Program	\$ 5,134,096,746
Nutrition and Food Education Programs	<u>127,074,348</u>
Total Food and Nutrition	<u>5,261,171,094</u>
Child and Family:	
Child Services	437,996,864
Foster Care	83,015,497
Adoption	<u>121,305,283</u>
Total Child and Family	<u>642,317,644</u>
Support of Aging and Adult Programs	<u>107,347,445</u>
Support of Medicaid Programs	<u>318,924,656</u>
Other Social Service Programs:	
Low-Income Energy Assistance Program	142,956,448
Miscellaneous	<u>67,403,888</u>
Total Other Social Service Programs	<u>210,360,336</u>
Total Grants, State Aid, and Subsidies Expenditures	<u><u>\$ 6,540,121,175</u></u>

**North Carolina Department of Health and Human Services  
 Schedule of Grants, State Aid, and Subsidies Expenditures  
 Division of Child and Family Well-Being  
 For the Fiscal Year Ended June 30, 2023**

**Exhibit O-6**

**GRANTS, STATE AID, AND SUBSIDIES**

Social Service Programs:

Food and Nutrition \$ 139,360,350

Child and Family:

Child Public 100,416,719

Child Women Infant and Children 99,368,044

Child Services 21,332,579

Children Health 5,076,692

Child Maternal 3,556,145

Total Child and Family 229,750,179

Total Social Service Programs 369,110,529

Public Health Programs:

Chronic Diseases 1,993,893

Communicable Diseases 34,652,194

Other Public Health Programs 60,617,949

Total Public Health Programs 97,264,036

Total Grants, State Aid, and Subsidies Expenditures \$ 466,374,565

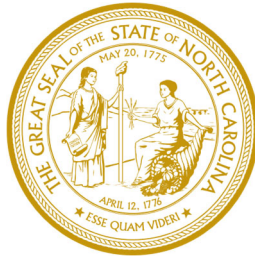
**North Carolina Department of Health and Human Services  
Schedule of Grants, State Aid, and Subsidies Expenditures  
Division of Mental Health/Developmental Disabilities and  
Substance Use Services  
For the Fiscal Year Ended June 30, 2023**

**Exhibit O-7**

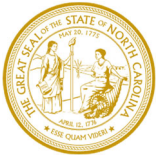
**GRANTS, STATE AID, AND SUBSIDIES**

Mental Health Programs:

Local Management Entity Expenditures	\$ 521,194,469
Non-Governmental Expenditures	75,371,656
Governmental Expenditures	<u>16,297,498</u>
Total Grants, State Aid, and Subsidies Expenditures	<u><u>\$ 612,863,623</u></u>



# Independent Auditor's Report



## North Carolina Office of the State Auditor

Jessica N. Holmes, J.D., State Auditor

# 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*

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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, Child and Family Well-Being Services, and Mental Health/Developmental Disabilities and Substance Use Services of the North Carolina Department of Health and Human Services (Department) as of and for the year ended June 30, 2023, 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 3, 2024.

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, 2023, or the changes in its financial position, for the year 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.

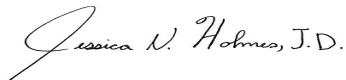
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in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



Jessica N. Holmes, J.D.  
State Auditor

Raleigh, North Carolina

May 3, 2024

# Ordering Information

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Copies of this report may be obtained by contacting:

Office of the State Auditor  
State of North Carolina  
20601 Mail Service Center  
Raleigh, North Carolina 27699

Telephone: 919-807-7500  
Fax: 919-807-7647  
Internet: [www.auditor.nc.gov](http://www.auditor.nc.gov)



To report alleged incidents of fraud, waste or abuse in state government contact the Office of the State Auditor's Tipline:

**Telephone:** 1-800-730-8477

**Internet:** [www.auditor.nc.gov/about-us/state-auditors-tipline](http://www.auditor.nc.gov/about-us/state-auditors-tipline)

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

**919-807-7666**



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This audit required 2,376 hours at an approximate cost of \$323,136, including costs associated with the report on the Department's statewide financial statement audit procedures.