

# North Carolina Department of Health and Human Services

Raleigh, NC



## Financial Statement Audit Report

For the Year Ended June 30, 2024

State Auditor  
Dave Boliek

*A Constitutional Office of the  
State of North Carolina*



# Auditor's Transmittal

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The Honorable Josh Stein, Governor  
The Honorable Phil Berger, President Pro Tempore  
The Honorable Destin Hall, Speaker of the House  
Honorable Members of the North Carolina General Assembly  
Dr. Devdutta Sangvai, Secretary  
Department of Health and Human Services

To help fulfill its mission, the North Carolina Department of Health and Human Services receives a massive amount of funds from the federal government. For Fiscal Year 2024, the Department reported federal government revenue of \$26.0 billion. Regarding spending, the bulk of Department expenses -- \$31.8 billion -- goes toward Grants, State Aid, and Subsidies.

Through financial audits of North Carolina entities and organizations, the North Carolina Office of the State Auditor assesses whether the records prepared by these entities and organizations are materially correct. Our audit of the Department of Health and Human Services' financial records show no material errors for the year ended June 30, 2024. The audited statements make for a clean opinion and can be relied upon by management.

I'd like to thank Department of Health and Human Services staff and leadership for working with our team as we conducted this financial statement audit.

Respectfully submitted,



Dave Boliek  
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 reports financial activities in three governmental funds. The governmental funds are used to report all activities of the Department.

It is important to note that while the governmental fund financial statements report all the activity of the Department, 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).

Where some numbers need further explanation, additional detail is provided in supplementary schedules or “Notes to the Financial Statements” which are 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, 2024, and the Statement of Revenues, Expenditures, and Changes in Fund Balances for fiscal year ended June 30, 2024 for the **governmental funds as a whole**.

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

**“B” Exhibit** presents the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis-Non-GAAP) for the General Fund. This schedule has not been subjected to the same auditing procedures performed on the financial statements.

**Supplementary Information:**

**“C” Exhibits** present the Balance Sheet as of June 30, 2024, and the Statement of Revenues, Expenditures, and Changes in Fund Balances for the fiscal year ended June 30, 2024 for the Department by Division.

## An Overview of How to Use this Report

**“D” through “N” Exhibits** present the Balance Sheet as of June 30, 2024, and the Statement of Revenues, Expenditures and Changes in Fund Balances for the year ended June 30, 2024 individually for each division.

**“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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# **Independent Auditor's Report**





## North Carolina Office of the State Auditor

Dave Boliek, State Auditor

# Independent Auditor's Report

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Dr. Devdutta Sangvai, Secretary  
Management of the North Carolina Department of Health and Human Services  
Raleigh, North Carolina

### **Report on the Audit of the Financial Statements**

#### *Opinions*

We have audited the accompanying financial statements of the major fund and the aggregate remaining fund information of the North Carolina Department of Health and Human Services (Department), as of and for the year ended June 30, 2024, 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 major fund and the aggregate remaining fund information of the North Carolina Department of Health and Human Services, as of June 30, 2024, 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 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, 2024, 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.

### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for 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 information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2025 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.

A handwritten signature in black ink, appearing to read "Dave Boliek", with a stylized flourish at the end.

Dave Boliek  
State Auditor

Raleigh, North Carolina

July 11, 2025



# **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, 2024. This discussion should be read in conjunction with the financial statements and related notes to the financial statements.

### **Overview of the Financial Statements**

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

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

### ***Fund Financial Statements***

The Department has governmental funds, which consist of the General Fund, Special Revenue Fund, and Capital Projects Fund. The Department's fund financial statements provide detailed information about each fund. The General Fund is presented separately on the overall Department's financial statements, since it is the Department's most significant governmental fund. Data for all other governmental funds is combined into a single aggregated presentation on the overall Department's financial statements.

### ***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. 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 the General Fund budgetary comparison schedule reconciling the statutory to the generally accepted accounting principles fund balance at fiscal year-end.

### Other Supplementary Information

Other supplementary information includes a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balance for each Division, and 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, 2024 and 2023.

North Carolina Department of Health and Human Services Condensed Balance Sheet Governmental Funds			
	2024	2023	Increase (Decrease)
Assets	\$ 5,053,546,997	\$ 4,174,800,008	\$ 878,746,989
Deferred Outflows of Resources	0	0	0
Total Assets and Deferred Outflows of Resources	\$ 5,053,546,997	\$ 4,174,800,008	\$ 878,746,989
Liabilities	\$ 5,042,006,398	\$ 3,631,337,135	\$ 1,410,669,263
Deferred Inflows of Resources	3,041,702	29,307,320	(26,265,618)
Fund Balance			
Nonspendable	14,694,707	10,637,721	4,056,986
Restricted	143,294,014	1,970,525,608	(1,827,231,594)
Committed	774,457,783	706,136,631	68,321,152
Assigned	25,267,797	10,857,071	14,410,726
Unassigned	(949,215,404)	(2,184,001,478)	1,234,786,074
Total Fund Balances	8,498,897	514,155,553	(505,656,656)
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 5,053,546,997	\$ 4,174,800,008	\$ 878,746,989

Total assets increased \$878.7 million or 21.05%, compared to fiscal year 2023. There was a \$650 million increase in intergovernmental receivables primarily related to an increase in federal shares of medical claims payable at the Division of Health Benefits. There was a \$129.7 million increase in cash and cash equivalents primarily related to \$81.0 million at the Division of Mental Health for SFRF (State Fiscal Recovery Fund) fund reserve and \$40.0 million at Central Administration for information technology and TSF (Temporary Savings Fund) provider incentives. Additionally, there was a \$106.9 million increase in accounts receivable primarily at the Division of Health Benefits due to increase in Medicaid Expansion services and Medicaid program integrity and investigative services and point-of-sell claims in drug rebates.



Total liabilities increased \$1.4 billion or 38.85% compared to fiscal year 2023. This change is primarily due to an increase of \$1.2 billion in medical claims payable related to reimbursable Healthcare Access and Stabilization Program medical claims at the Division of Health Benefits.

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

	2024	2023	Increase (Decrease)
Revenues:			
Federal Funds	\$ 26,000,282,039	\$ 25,336,708,332	\$ 663,573,707
Other Revenues	1,236,159,465	958,185,967	277,973,498
Total Revenues	27,236,441,504	26,294,894,299	941,547,205
Expenditures:			
Salaries and Benefits	1,287,279,950	1,253,226,655	34,053,295
Contracted Personal Services	992,559,259	1,130,336,116	(137,776,857)
Supplies and Materials	90,850,777	81,935,771	8,915,006
Travel	7,558,368	6,091,281	1,467,087
Communication	12,778,126	12,946,734	(168,608)
Utilities	18,404,313	18,724,593	(320,280)
Data Processing Services	16,672,353	13,734,670	2,937,683
Other Services	36,304,760	29,051,545	7,253,215
Lease/Subscription Expenditures:			-
Principal Retirement	34,422,810	40,061,979	(5,639,169)
Interest and Fees	6,285,689	3,435,262	2,850,427
Other Fixed Charges	50,716,587	26,707,659	24,008,928
Capital Outlay	82,993,248	108,224,477	(25,231,229)
Grants, State Aid, and Subsidies	31,810,822,543	29,743,266,290	2,067,556,253
Expenditures to Other State Agencies	474,687,292	295,752,606	178,934,686
Other Expenditures	96,107,897	30,279,656	65,828,241
Total Expenditures	35,018,443,972	32,793,775,294	2,224,668,678
Excess Expenditures Over Revenues	(7,782,002,468)	(6,498,880,995)	(1,283,121,473)
Other Financing Sources (Uses)			
State Appropriations	7,276,388,274	6,268,998,094	1,007,390,180
Transfers In	3,644,343,751	1,426,542,150	2,217,801,601
Transfers Out	(3,644,343,751)	(1,426,542,150)	(2,217,801,601)
Transfers from State Reserve Fund	331,168,138	507,608,505	(176,440,367)
Transfers to State Reserve Fund	(353,256,907)	(318,913,633)	(34,343,274)
Other Debt Issued	21,817,565	49,686,124	(27,868,559)
Other	228,742	535,333	(306,591)
Total Other Financing Sources	7,276,345,812	6,507,914,423	768,431,389
Net Change in Fund Balance	(505,656,656)	9,033,428	(514,690,084)
Fund Balance - July 1	514,155,553	505,122,125	9,033,428
Fund Balance - June 30	\$ 8,498,897	\$ 514,155,553	\$ (505,656,656)

Total revenues increased by \$941.5 million, or 3.58%, compared to fiscal year 2023. Federal revenues increased by \$663.6 million primarily due to an increase in Healthcare Access and Stabilization Program (HASP) and Medicaid Expansion receipts. Total expenditures increased \$2.2 billion, or 6.78%, compared to fiscal year 2023 primarily due to an increase of \$2.1 billion in Grants, State Aid, and Subsidies. Grants, State Aid, and Subsidies increased primarily due

\$2.2 billion, or 6.78%, compared to fiscal year 2023 primarily due to an increase of \$2.1 billion in Grants, State Aid, and Subsidies. Grants, State Aid, and Subsidies increased primarily due to increased HASP and Medicaid Expansion expenditures at the Division of Health Benefits for managed care payments.

Total other financing sources (uses) increased \$768.4 million or 11.81%, compared to fiscal year 2023. State appropriations increased \$1.0 billion primarily at the Division of Health Benefits for Medicaid Expansion services. State appropriations are used to provide the non-federal share of federal programs. Transfers from the state reserve fund decreased \$176.4 million primarily due to unspent funds brought forward for obligations from fiscal year 2023. Transfers to the state reserve fund decreased \$34.3 million due to funds obligated but not spent at year-end that were carried forward from fiscal year 2023 and COVID-19 funding source eliminations.

### **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, 2024, the Department reported a fund balance of \$8.5 million, a \$505.7 million or 98.4% decrease from the prior year 2023. There were significant fluctuations in the unassigned, restricted and committed fund balances. Unassigned fund balance deficit decreased by \$1.2 billion from fiscal year 2023. Restricted fund balance decreased \$1.8 billion and committed fund balance increased by \$68.3 million resulting in a decrease in the overall fund balance. These changes are primarily due to the impact of medical claims payable changes described in detail in the Financial Analysis of the Department section above and the depletion of unspent SFRF funds from prior year. Also, FEMA funds used to offset expenditures in prior year were almost eliminated in SFY24.

### **Budget Variations**

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

#### ***Variances – Original and Final Budget:***

The final budgeted revenues and expenditures were \$1.1 billion and \$874.7 million, respectively, more than the original budget. The budgeted revenue increases are primarily comprised of \$663.2 million in the final budgeted federal funds, and \$373.9 million in local grants. The budgeted expenditure increases are primarily comprised of a \$686.9 million increase in aid and public assistance expenditures, a \$380.5 million increase in purchased services and a \$169.8 million decrease in salaries and benefits.

Generally, the variances between the original and final budget are attributable to the timing and length of the budget preparation process and the budgeting of federal funds for the fiscal year. 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 \$2.4 billion less than the final budgeted revenue amounts. Actual total expenditures were \$2.7 billion less than budgeted expenditures. Budgeted revenues and expenditures were unrealized mostly due to a \$2.1 billion decrease in aid and public assistance payments incurred versus the amount budgeted. This also causes a decrease in the federal funds received.

Variances occur between the budget and actual federal funds because actual federal fund receipts are reflective of the actual expenditures. Therefore, if qualifying federal costs are incurred, the actual receipt of federal funds could be significantly less than the budget. Actual federal funds revenue was \$1.9 billion less than budgeted.

**Division Highlights and Economic Outlook**

Highlights of certain divisions within the Department are listed below.

**Division of Health Benefits (DHB)**

- DHB total expenditures increased by 20.63% from SFY 2023 to SFY 2024, from \$21.1 billion in SFY 2023 to \$25.4 billion in SFY 2024. The increased expenditures were driven primarily by four factors: (1) more gradual continuing coverage unwinding of Medicaid eligibility redeterminations since the end of the public health emergency, the addition of (2) Medicaid Expansion (\$1.7 billion) and (3) the Healthcare Access and Stabilization Program (HASP; \$2.9 billion), and (4) the transfer out of approximately \$644 million of Medicaid Expansion “bonus” to the State Temporary Savings Fund. The latter three factors did not require any increase in State General Fund expenditures, as they are fully receipt-supported. NC Medicaid also received increased State General Fund appropriations to support recurring increased reimbursement rates for long term care providers (e.g., Skilled Nursing Facilities, Adult Care Homes, Personal Care Services, Community Alternatives Programs), Behavioral Health Services, and select Home and Community-Based Services providers (e.g., Private Duty Nursing, Innovations Waiver).

The 20.63% increase in overall DHB expenditures was offset by a 18.39% increase in revenues. This increased revenue came primarily from the federal government through two mechanisms: (1) Medicaid Expansion, which launched December 1, 2023, added almost 500,000 new Medicaid members whose costs were funded 90% by federal receipts and 10% hospital and premium tax receipts, and (2) the Expansion “bonus” 5 percentage points of Federal Medical Assistance Percentage (FMAP) for states expanding Medicaid, as documented in section 9814 of the American Rescue Plan Act (ARPA) of 2021. This overall increase in revenue occurred even against two downward pressures related to FMAP: (1) the phase-down of the original 6.2 percentage point increase in FMAP enacted in the federal Families First Coronavirus Relief Act (FFCRA; the enhanced FMAP was 2.5 percentage points for the first quarter of SFY 2024, then 1.5 percentage points for the second quarter of SFY 2024) and (2) the 1.8 percentage point decrease in regular FMAP from FFY 2023 to FFY 2024.

- Medicaid ended SFY 2024 with approximately \$4 million cash on hand that reverted to the State General Fund.

- As shown in the point-in-time enrollment counts published on DHB's website, Medicaid's enrollment grew by 40,005, or 1.36%, from a total of 2,931,557 members at the end of SFY 2023 to 2,971,562 members as of June 30, 2024. Changes in Medicaid enrollment for SFY 2024 were related to two competing factors: (1) The FFCRA requirement that, as a condition of receiving the enhanced FMAP described above, States not drop or reduce to a lesser benefit category the coverage for any beneficiary during the Public Health Emergency (the Federal government ended the PHE on May 11, 2023, and DHB restarted terminations as of July 1, 2023) and (2) Medicaid Expansion, which started on December 1, 2023; as of June 30, 2024, Medicaid enrolled 479,150 members in Medicaid Expansion, many of whom had switched from a limited-benefit NC Medicaid program, such as Family Planning.
- DHB's gross direct spending on pharmacy stayed relatively flat from SFY 2023 to SFY 2024 at \$0.9 billion in both SFYs, as much of the spending continues to flow through our Prepaid Hospital Plans (PHPs). While the PHP's pharmacy spending was covered through capitation payments, DHB still collected the drug rebates related to the pharmacy claims paid by the PHPs. DHB's drug rebates decreased slightly from \$1.78 billion in SFY 2023 to \$1.63 billion in SFY 2024.

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

- DHSR is working with the Information Technology Division to replace seven Legacy FoxPro IT systems, which are no longer supported by Microsoft, but they will continue to be critical to the work of DHSR during the estimated 1-2 years remaining to develop the new system (Enterprise) and conversion of the data from the Legacy IT system to Enterprise. The General Assembly has approved a budget of \$6.7 million for the development of the new systems; however, additional funding will be needed to operate and maintain the systems critical to the work of DHSR.

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

- DPH received a no-cost extension on several grants related to and awarded during the COVID-19 pandemic. DPH will face a funding cliff when these grants end:
  - COVID-19 CDC Epidemiology and Laboratory Capacity for Prevention and Control of Emerging Infections Diseases Supplements issued prior to 2023 including CARES, Enhancing Detection, Enhancing Detection Expansion, and Infection Prevention and Control have been extended until July 31, 2026.
  - COVID-19 CDC Epidemiology and Laboratory Capacity for Prevention and Control of Emerging Infections Diseases Supplements issued in 2023 and 2024 such as National Wastewater Surveillance Systems, Data Modernization, Strengthening HAI & AR Program Capacity, and AMD Sequencing & Analytics have been extended until July 31, 2027.
- DPH is the recipient of several new grants and supplements, which include:
  - Epidemiology and Laboratory Capacity for Prevention and Control of Emerging Infectious Diseases (ELC) Supplements totaling \$8,184,731.
  - Strengthening U.S. Public Health Infrastructure, Workforce, and Data Systems (PH Infrastructure) Supplements totaling \$6,229,435.

- Impacts of Hurricane Helene on DPH:
  - Activation of Public Health Preparedness and Response teams.
  - Deployment of Environmental Health Specialists.
  - Increase in well water testing.
  - Suspension of certain fees for North Carolina Vital Records in accordance with Executive Order No. 318.
  - Support of a family resource center in Buncombe County.

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

- The NC Office of State Budget and Management, State Population Projections (Vintage 2021) shows that for those 60 and older the population is projected to increase by 22% in the next 10 years and by 37% in the next 20 years. Projections also showed that beginning in the year 2023, the population of older adults will surpass those of those 19 years and younger in North Carolina. The Division continues to use state appropriations in the Home and Community Care Block Grant to service the increasing population.
- The Division also received \$15,000,000 in non-recurring 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; and to enable eligible vulnerable seniors ages 60 and older to make home improvements and home repairs necessary to maintain safe and decent housing, and such that they can remain in their own home. The project started in January 2024 and will run through September of 2026, with project closeout to occur prior to December 31, 2026.

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

- As outlined in S.L. 2022-74, the Division used a portion of the \$503,793,711 awarded through the Childcare and Development Block Grant under the American Rescue Plan Act (ARPA) 2021 [P.L. 117-002] to support several key initiatives during the fiscal year ending June 30, 2024. These funds have been directed towards reducing the waitlist for subsidized childcare and increasing childcare subsidy rates as recommended by the Childcare Market Rate Study. Additionally, the Division has used these funds to extend the compensation grants component of the childcare stabilization program and to support systems development and technology infrastructure enhancements, as authorized under Section 3.2(a) of S.L. 2021-25. While the fiscal year ends on June 30, 2024, the Division will continue using the remaining portion of these funds through September 30, 2024, when the funds are expected to be fully expended.

### **Division of Child and Family Well-Being (DCFW)**

- For FY23-24, DCFW implemented the Summer EBT program authorized by USDA. Funding for the required state match of \$3,325,000 was provided by Philanthropic organizations, but future programmatic availability depends on the appropriation of state general fund revenue to continue the program on a recurring basis.

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

- NCGS 62-157 authorizes the NC Utilities Commission (NCUC) to impose a surcharge on wireline and wireless connections to support DSDHH operations. Effective June 1, 2023, the surcharge amount was increased from \$0.08 to \$0.16. DSDHH now has the funds to not only sustain operations but to also expand programmatically in response to the projected growth in the hearing loss population over the next several years. However, in anticipation of a significant decline in funding from the surcharge on wireline connections (which are being phased out industry-wide), DSDHH plans to propose an amendment to NCGS 62-157 during the 2025 legislative session to add Voice-over Internet Protocol (VoIP) as a funding source along with wireless connections. Having two reliable funding sources (wireless and VoIP) would help to ensure long-term stability in funding for DSDHH as well as lower the burden on each individual rate payer in North Carolina.

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

- For FY23-24, DSS continued its effort to replace antiquated, legacy IT systems with new, state-of-the-art applications in Child Welfare (CWIS), Child Support (ACTS) and County DSS Reimbursement (CARS) that are critical to meeting current and future data demands. The General Assembly has approved funding to cover the non-federal share for systems development, acquisition and implementation for each of these projects. The projected budget for CARS for SFY25 is \$19,186,674. Implementation of the CARS system replacement is projected to result in a net increase in federal funding, thereby reducing state/county costs, potentially resulting in those funds being reinvested in additional services.

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

- DMH/DD/SUS has been awarded funds in the 2024-2025 Budget that significantly impact the State's finances over the next year, including:
  - Session Law 2023 -134 (HB 259) appropriated \$10,000,000 in ARPA Temporary Savings to establish a workforce training center, providing no-cost training to public sector behavioral health providers, and to administer grants to community colleges to enhance behavioral health workforce training programs.
  - Session Law 2023 -134 (HB 259) appropriated \$50,000,000 in ARPA Temporary Savings for crisis system improvements, including the creation of new mobile crisis teams and crisis and respite facilities.
  - Session Law 2023 -134 (HB 259) appropriated an additional \$80,000,000 in ARPA Temporary Savings for further crisis system improvements, focusing on expanding mobile crisis teams and crisis and respite facilities.
  - Session Law 2023 -134 (HB 259) appropriated \$70,000,000 in ARPA Temporary Savings to support re-entry and diversion programs, as well as detention centers or community-based capacity restoration programs, with a focus on increasing crisis stabilization beds for children at facilities statewide.
- Substance Abuse and Mental Health Services Administration awarded \$14,434,100 in federal funds for FY 23-24. These funds were utilized to improve substance use and mental



health services throughout North Carolina, supporting comprehensive, community-based mental health and substance use services to adults, youth and children with serious mental health and substance use disorders.

### **Office of Rural Health (ORH)**

- ORH received \$20 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 Team.
- ORH received \$50 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.
- ORH received a five-year, \$10 million grant from the National Institutes of Health that focuses on digital inclusion of agricultural workers in the state.

### **Central Administration (CA)**

- As predicted, the expiration of Federal grant funding related to the COVID-19 Pandemic, as well as the discontinuation of FEMA reimbursement during the first quarter of calendar year 2023, contributed to the significant decrease in Central Administration contributions, and grants revenue in fiscal year 2023-24. As a result, expenditures decreased significantly in Central Administration and are projected to maintain at lower levels in fiscal year 2024-25. The decrease from SFY22-SFY23 to SFY23-SFY24 was 49.24%. The Division projects another 5% decrease for SFY25.

### **Disability Determination Services (DDS)**

- Effective June 8, 2024, Social Security Administration [SSA] announced a final rule that revises the definition of past relevant work [PRW] and reduces the relevant work period from 15 to 5 years. The NC DDS shares SSA anticipation that this update to PRW will:
  - reduce the burden on claimants to provide information on a full 15 years of past work.
  - reduce the number of DDS recontacts that must be made to gather additional work information and clarification.
  - see a decrease in analyst overall average processing time and a decrease in the number of disability appeals.





# Financial Statements

**North Carolina Department of Health and Human Services**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2024**

**Exhibit A-1**

	<b>General Fund</b>	<b>Other Governmental Funds <sup>1</sup></b>	<b>Total Governmental Funds <sup>2</sup></b>
<b>ASSETS</b>			
Cash and Cash Equivalents (Note 2)	\$ 1,019,605,719	\$ 120,388,534	\$ 1,139,994,253
Receivables:			
Accounts Receivable, Net (Note 4)	220,330,436	667,357	220,997,793
Intergovernmental Receivables (Note 4)	3,676,333,168	17,537	3,676,350,705
Other Receivables	225,298	87,540	312,838
Due from Other Funds	1,002,718		1,002,718
Inventories	14,605,932	97,012	14,702,944
Advances to Outside Entities	185,746		185,746
Total Assets	4,932,289,017	121,257,980	5,053,546,997
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	0	0	0
Total Assets and Deferred Outflows	\$ 4,932,289,017	\$ 121,257,980	\$ 5,053,546,997
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities:			
Accounts Payable	\$ 160,822,340	\$ 4,139,957	\$ 164,962,297
Intergovernmental Payables (Note 5)	565,117,219	9,554	565,126,773
Medical Claims Payable (Note 6)	4,036,249,812		4,036,249,812
Due to Other State Agencies and Funds	17,520,987	3,935,232	21,456,219
Due to State of North Carolina Component Units	254,204,977		254,204,977
Other Liabilities		6,320	6,320
Total Liabilities	5,033,915,335	8,091,063	5,042,006,398
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	3,041,702	0	3,041,702
<b>FUND BALANCES</b>			
Nonspendable Inventories	14,605,932	88,775	14,694,707
Restricted for Health and Human Services	141,815,404	1,478,610	143,294,014
Committed to Health and Human Services	664,005,975	110,451,808	774,457,783
Assigned to Health and Human Services	23,501,188	1,766,609	25,267,797
Unassigned	(948,596,519)	(618,885)	(949,215,404)
Total Fund Balances	(104,668,020)	113,166,917	8,498,897
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 4,932,289,017	\$ 121,257,980	\$ 5,053,546,997

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

<sup>1</sup> Other Governmental Funds include Special Revenue Funds and Capital Projects Fund.

<sup>2</sup> See supplementary schedules C-1 through N-1 for detailed information by Division.

**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, 2024**

**Exhibit A-2**

	<b>General Fund</b>	<b>Other Governmental Funds <sup>1</sup></b>	<b>Total Governmental Funds <sup>2</sup></b>
<b>REVENUES</b>			
Federal Funds	\$ 24,844,412,134	\$ 75,852,518	\$ 24,920,264,652
Federal COVID-19 Funds	1,080,017,387		1,080,017,387
Local Funds	124,775,929		124,775,929
Sales and Services	2,161,281	2,110,056	4,271,337
Patient Service Revenue, Net (Note 7)	37,558,094		37,558,094
Fees, Licenses, and Fines (Note 8)	649,252,783	4,065,653	653,318,436
Contributions, Gifts and Grants	34,811,504	295,150	35,106,654
Revenues from Other State Agencies (Note 9)	207,832,512	43,686,684	251,519,196
Miscellaneous Revenues	129,251,867	357,952	129,609,819
Total Revenues	27,110,073,491	126,368,013	27,236,441,504
<b>EXPENDITURES</b>			
Salaries and Benefits	1,230,696,283	56,583,667	1,287,279,950
Contracted Personal Services	964,342,018	28,217,241	992,559,259
Supplies and Materials	89,850,778	999,999	90,850,777
Travel	7,493,017	65,351	7,558,368
Communication	12,247,034	531,092	12,778,126
Utilities	18,397,163	7,150	18,404,313
Data Processing Services	16,670,197	2,156	16,672,353
Other Services	35,617,070	687,690	36,304,760
Lease/Subscription Expenditures:			
Principal Payments	32,230,317	2,192,493	34,422,810
Interest and Fees	5,802,093	483,596	6,285,689
Other Fixed Charges	50,554,116	162,471	50,716,587
Capital Outlay	65,838,949	17,154,299	82,993,248
Grants, State Aid, and Subsidies (Exhibit O-1)	31,792,693,738	18,128,805	31,810,822,543
Expenditures to Other State Agencies (Note 9)	474,687,292		474,687,292
Other Expenditures	95,829,126	278,771	96,107,897
Total Expenditures	34,892,949,191	125,494,781	35,018,443,972
Excess of Revenues Over (Under) Expenditures	(7,782,875,700)	873,232	(7,782,002,468)
<b>OTHER FINANCING SOURCES (USES)</b>			
State Appropriations	7,276,088,274	300,000	7,276,388,274
Transfers In (Note 10)	3,630,593,847	13,749,904	3,644,343,751
Transfers Out (Note 10)	(3,630,250,558)	(14,093,193)	(3,644,343,751)
Transfers from State Reserve Fund	331,168,138		331,168,138
Transfers to State Reserve Fund	(353,256,907)		(353,256,907)
Leases/Subscriptions Issued	21,817,565		21,817,565
Other	105,112	123,630	228,742
Total Other Financing Sources	7,276,265,471	80,341	7,276,345,812
Net Change in Fund Balances	(506,610,229)	953,573	(505,656,656)
Fund Balances - Beginning of Year	401,942,209	112,213,344	514,155,553
Fund Balances - End of Year	\$ (104,668,020)	\$ 113,166,917	\$ 8,498,897

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

<sup>1</sup> Other Governmental Funds include Special Revenue Funds and Capital Projects Fund.

<sup>2</sup> See supplementary schedules C-2 through N-2 for detailed information by Division.



# **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 operations of the Department are led by the Secretary of Health and Human Services, a member of the Governor's cabinet.

The Department manages the delivery of health and human-related services for all North Carolinians, specifically the most vulnerable people – children, elderly, disabled, and low-income families. For the purposes of financial reporting, these services are provided through 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.

**Employment and Independence for People with Disabilities** - This division, formerly known as the Division of Vocational Rehabilitation, helps people with disabilities achieve their goals for competitive employment and more independent living in communities statewide. 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 works to promote healthy and thriving children in safe, stable and nurturing families, schools and communities. The division includes complementary programs that primarily serve children and youth to improve their health and well-being.

**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.

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 uncollectible amounts.

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** - 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. 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. 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 7 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 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, 2024 the Balance Sheet reported cash and cash equivalents of \$1,139,994,253 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 1.4 years as of June 30, 2024. 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, 2024. 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, 2024, cash and cash equivalents valued at \$1,139,994,253 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, 2024 were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
<b>Governmental Funds:</b>			
<b>Accounts Receivable:</b>			
General Fund	\$ 773,617,641	\$ 553,287,205	\$ 220,330,436
Other Governmental Funds	673,045	5,688	667,357
<b>Total Accounts Receivable</b>	<b>\$ 774,290,686</b>	<b>\$ 553,292,893</b>	<b>\$ 220,997,793</b>

General Fund accounts receivable primarily consists of cost settlements, bed assessments, drug rebates, provider overpayments, and patient services including reimbursements from Medicaid, Medicare, commercial insurance carriers, and managed care organizations.

Intergovernmental receivables at June 30, 2024 were as follows:

	General Fund	Other Governmental Funds	Total
<b>Intergovernmental Receivables:</b>			
<b>Due from Federal Agencies:</b>			
Department of Health and Human Services	\$ 3,529,131,708	\$ 16,840	\$ 3,529,148,548
Department of Agriculture	108,457,737	518	108,458,255
Department of Education	22,231,455	106	22,231,561
Social Security Administration	12,440,551	59	12,440,610
Department of Housing and Urban Development	2,108,075	10	2,108,085
Other	848,676	4	848,680
<b>Due from County and Local Agencies</b>	<b>1,114,966</b>		<b>1,114,966</b>
<b>Total Intergovernmental Receivables</b>	<b>\$ 3,676,333,168</b>	<b>\$ 17,537</b>	<b>\$ 3,676,350,705</b>

**Note 5 - 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, 2024 were as follows:

	General Fund	Other Governmental Funds	Total
<b>Intergovernmental Payables:</b>			
Due to Federal Agencies:			
Department of Health and Human Services	\$ 362,546,504	\$ 57	\$ 362,546,561
Department of Agriculture	11,141,827	2	11,141,829
Department of Education	2,283,830		2,283,830
Social Security Administration	1,278,014		1,278,014
Department of Housing and Urban Development	216,562		216,562
Other	87,182		87,182
			-
Due to Local Governments	187,563,300	9,495	187,572,795
<b>Total Intergovernmental Payables</b>	<b>\$ 565,117,219</b>	<b>\$ 9,554</b>	<b>\$ 565,126,773</b>

**Note 6 - 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 medical claims liability balance also includes amounts due to identified providers for the Healthcare Access and Stabilization Program (HASP).

The Medicaid claims payable is offset by an intergovernmental receivable of approximately 74.13% as of June 30, 2024, reimbursed by the U.S. Department of Health and Human Services, the Centers for Medicare and Medicaid Services.

**Note 7 - Patient Service Revenue – Mental Health Facilities**

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

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

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

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

The majority of patients are enrolled with one of the managed care organizations (MCO). The MCOs receive Medicaid funding through the Division of Health Benefits based on the number of patients enrolled. The MCOs reimburse the Facilities for patient services. Such Medicaid funding is eliminated at the Division of Health Benefits and recorded at the Division of Mental Health where the charges for services originated. All of this activity is recorded in the Department's General Fund.

A summary of the Division of Mental Health's net patient service revenue for the year ended June 30, 2024 is presented as follows:

	<u>General Fund</u>
Gross Patient Service Revenue	\$ 976,334,250
Deduct	
Contractual Adjustments:	
Contractual Allowances	25,367,474
Disproportionate Share Hospital	(177,898,855)
Bad Debt	367,176,701
Third Party Reimbursement Programs:	
Federal Funds - State Medicaid Program	235,977,733
Federal Funds - Managed Care Organizations	251,796,798
Transfers - Non-Federal Share from DHB	236,356,305
<b>Net Patient Service Revenue</b>	<u><u>\$ 37,558,094</u></u>



**Note 8 - Fees, Licenses, and Fines Revenues**

Fees, licenses, and fines for the fiscal year ended June 30, 2024 were as follows:

	General Fund	Other Governmental Funds	Total
Business License Fees	\$ 17,104,071	\$ 201,630	\$ 17,305,701
Non-Business Permit License Fees	1,626,967	254,806	1,881,773
Certification Fees	978,386		978,386
Inspection and Examination Fees	1,346,515	8,100	1,354,615
Fines, Penalties, and Assessment Fees	8,128,071	2,482	8,130,553
Registration Fees	455,333		455,333
Public and Private Hospital Assessments	309,645,351		309,645,351
Other Licenses, Fees, and Permits	22,191,958	3,600,933	25,792,891
Cost Recoveries	252,084,142		252,084,142
Intermediate Care Facility Assessments	34,267,838		34,267,838
Provider Enrollment Fees	3,310,600		3,310,600
Miscellaneous	66,351		66,351
Civil Fines and Penalties - Transfers	(1,952,800)	(2,298)	(1,955,098)
<b>Total Fees, Licenses, and Fines</b>	<b>\$ 649,252,783</b>	<b>\$ 4,065,653</b>	<b>\$ 653,318,436</b>

**Note 9 - 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, 2024 are as follows:

**Revenues from Other State Agencies**

Other State Agencies	General Fund	Other Governmental Funds	Total
Office of State Budget and Management	\$ 175,880,360	\$ 20,485,733	\$ 196,366,093
Office of State Controller	26,922,587	3,692,461	30,615,048
Department of Public Safety	335,911		335,911
Administrative Office of the Courts	782,830		782,830
Department of Information Technology		16,508,490	16,508,490
Department of Public Instruction	3,203,296		3,203,296
Department of Transportation	707,528		707,528
Department of Revenue		2,000,000	2,000,000
NC Education Lottery		1,000,000	1,000,000
<b>Total Revenues from Other State Agencies</b>	<b>\$ 207,832,512</b>	<b>\$ 43,686,684</b>	<b>\$ 251,519,196</b>

## Expenditures to Other State Agencies

Other State Agencies	General Fund
Office of State Budget and Management	\$ 267,257,166
Office of the State Controller	167,428,557
Department of Administration	1,700
Department of Public Safety	749,869
Department of Public Instruction	14,000,000
Community College System	25,000,000
Department of Natural and Cultural Resources	250,000
<b>Total Expenditures to Other State Agencies</b>	<b>\$ 474,687,292</b>

## Note 10 - Interfund Transfers

Transfers in/out of other funds for the fiscal year ended June 30, 2024 consisted of the following:

Transfers Out	Transfers In		
	General Fund	Special Revenue Funds	Total
General Fund	\$ 3,616,749,010	\$ 13,501,548	\$ 3,630,250,558
Special Revenue Funds	13,844,837	248,356	14,093,193
<b>Total</b>	<b>\$ 3,630,593,847</b>	<b>\$ 13,749,904</b>	<b>\$ 3,644,343,751</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, 2024 were \$3,616,749,010 for the General Fund and \$248,356 Special Revenue 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 11 - 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 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 unreduced 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 reduced 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 unreduced 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 reduced retirement benefits at age 50 with 15 years of creditable service as an officer. LEO's who complete 25 years of creditable service with 15 years as an officer are eligible to retire with reduced 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 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.

**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, 2024 was 17.64% of covered payroll. Plan members' contributions to the pension plan were \$53,077,557 and the Department's contributions were \$156,048,019 for the year ended June 30, 2024.

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 2023 *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.ncosc.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 2023 *Annual Comprehensive Financial Report*.

*Net Pension Liability:* At June 30, 2024, the Department's proportionate share of the collective net pension liability was \$754,030,444. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022, and update procedures were used to roll forward the total pension liability to June 30, 2023. 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, 2023, the Department's proportion was 4.52%, which was a decrease of 0.34 from its proportion measured as of June 30, 2022, which was 4.86%.

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

Valuation Date	12/31/2022
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 use mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. public plan population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2022 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, 2023 (the measurement date) are summarized in the following table:

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed Income	0.9%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	8.2%
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, 2023 is 0.78%.

**Discount Rate:** The discount rate used to measure the total pension liability was 6.5% for the December 31, 2022 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, 2023 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:

Net Pension Liability		
1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
\$ 1,294,493,577	\$ 754,030,444	\$ 308,165,890

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** For the year ended June 30, 2024, the Department's proportionate share of the collective pension expense was \$199,290,931. At June 30, 2024, the Department's proportionate share of deferred outflows of resources and deferred inflows of resources related to TSERS were from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 61,471,318	\$ 5,565,277
Changes of Assumptions	26,480,552	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	209,997,421	
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	14,408,661	31,513,899
Contributions Subsequent to the Measurement Date	156,048,019	
<b>Total</b>	<b>\$ 468,405,971</b>	<b>\$ 37,079,176</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, 2025. 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
2025	\$ 96,313,031
2026	39,024,408
2027	130,970,890
2028	8,970,447
<b>Total</b>	<b>\$ 275,278,776</b>

**Note 12 - 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 is not reported on the face of the governmental funds' 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 2023 *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.ncosc.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 2023 *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 13. The plan options change when 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 repeals retiree medical benefits for employees first hired on or after January 1, 2021. The legislation amends 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, 2024 was 7.14% of covered payroll. The Department's contributions to the RHBF were \$63,162,293 for the year ended June 30, 2024.

In fiscal year 2022, the Plan transferred \$180.51 million to RHBF as a result of cost savings to the Plan over a span of six years. For financial reporting purposes, the transfer was considered to be a nonemployer contributing entity contribution and was allocated among RHBF employers. For the fiscal year ended June 30, 2024, the contribution allocated to the Department was \$1,402,198.

## 2. Disability Income

*Plan Administration:* As discussed in Note 13, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer, defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units, 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, 2024 was 0.11% of covered payroll. The Department's contributions to DIPNC were \$973,089 for the year ended June 30, 2024.

### **C. Net OPEB Liability**

*Retiree Health Benefit Fund:* At June 30, 2024, the Department's proportionate share of the collective net OPEB liability for RHBF was \$1,067,366,413. The net OPEB liability was measured as of June 30, 2023. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022, and update procedures were used to roll forward the total OPEB liability to June 30, 2023. 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, 2023, the Department's proportion was 4.01%, which was a decrease of 0.28 from its proportion measured as of June 30, 2022, which was 4.29%.

*Disability Income Plan of North Carolina:* At June 30, 2024, the Department's proportionate share of the collective net OPEB liability for DIPNC was \$1,034,164. The net OPEB liability was measured as of June 30, 2023. The total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuations as of December 31, 2022, and update procedures were used to roll forward the total OPEB liability to June 30, 2023. 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, 2023, the Department's proportion was 3.89%, which was a decrease of 0.31 from its proportion measured as of June 30, 2022, which was 4.20%.

*Actuarial Assumptions:* The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2022, 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, 2023 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/2022	12/31/2022
Inflation	2.5%	2.5%
Salary Increases*	3.25% - 8.05%	3.25% - 8.05%
Investment Rate of Return**	6.5%	3.00%
Healthcare Cost Trend Rate - Medical***	6.5% grading down to 5% by 2029	N/A
Healthcare Cost Trend Rate - Prescription Drug***	10% grading down to 5% by 2033	N/A
Healthcare Cost Trend Rate - Prescription Drug Rebates***	7% grading down to 5% by 2033	
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, 2023.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2023 (the measurement date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	0.9%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	8.2%
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, 2023 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. RHBF is funded solely by employer contributions and 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, 2022 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 3.65% at June 30, 2023 compared to 3.54% at June 30, 2022. 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 3.65% was used as the discount rate used to measure the total OPEB liability. The 3.65% and rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2023.

The discount rate used to measure the total OPEB liability for DIPNC was 3.00% at June 30, 2023 compared to 3.08% at June 30, 2022. The projection of cash flows 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 3.00%, 3.00% was used during the period that the plan was projected to have a fiduciary net position, and a municipal bond rate of 3.65% was used during the period that the plan was projected to have no fiduciary net position. The 3.65% rate us based on the Bond Buyer 20-year General Obligation Index as of June 30,2023.

*Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate:* The following presents the Department's proportionate share of the net OPEB liability 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:



Net OPEB Liability			
	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
RHBF	\$ 1,259,160,508	\$ 1,067,366,413	\$ 911,160,878
	1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
DIPNC	\$ 1,243,206	\$ 1,034,164	\$ 821,312

**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% - 5.5%, Pharmacy - 4% - 9%, Pharmacy Rebates - 4% - 6%, Med. Advantage - 0% - 4%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 10%, Pharmacy Rebates - 5% - 7%, Med. Advantage - 0% - 5%, Administrative - 3%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 11%, Pharmacy Rebates - 6% - 8%, Med. Advantage - 0% - 6%, Administrative - 4%)
RHBF	\$ 881,205,751	\$ 1,067,366,413	\$ 1,307,414,166

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, 2024, the Department recognized OPEB expense as follows:

OPEB Plan	Amount
RHBF	\$ (25,924,975)
DIPNC	1,569,139
<b>Total OPEB Expense</b>	<b>\$ (24,355,836)</b>

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:**  
At June 30, 2024, 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	\$ 11,753,793	\$ 906,313	\$ 12,660,106
Changes of Assumptions	115,628,274	75,358	115,703,632
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	8,526,671	1,350,759	9,877,430
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	93,639,936	487,670	94,127,606
Contributions Subsequent to the Measurement Date	63,162,293	973,089	64,135,382
<b>Total</b>	<b>\$ 292,710,967</b>	<b>\$ 3,793,189</b>	<b>\$ 296,504,156</b>

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 1,045,805	\$ 572,803	\$ 1,618,608
Changes of Assumptions	284,764,745	176,534	284,941,279
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	139,372,917	204,573	139,577,490
	-	-	-
<b>Total</b>	<b>\$ 425,183,467</b>	<b>\$ 953,910</b>	<b>\$ 426,137,377</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, 2025. 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:**

<u>Year Ending June 30:</u>	<u>RHBF</u>	<u>DIPNC</u>
2025	\$ (68,461,088)	\$ 634,517
2026	(81,858,897)	425,380
2027	(46,065,952)	515,955
2028	751,146	214,761
2029	(2)	54,342
Thereafter		21,235
<b>Total</b>	<b>\$ (195,634,793)</b>	<b>\$ 1,866,190</b>

### **Note 13 - Risk Management**

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

#### **A. Employee Benefit Plans**

##### **1. State Health Plan**

Department employees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer and employee contributions. The Plan has contracted with third parties to process claims. See Note 12, Other Postemployment Benefits, for additional information regarding retiree health benefits.

##### **2. Death Benefit Plan of North Carolina**

Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers who enroll in the 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 12, long-term disability benefits are payable as other postemployment benefits from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

### **B. Other Risk Management and Insurance Activities**

#### **1. Automobile, Fire, and Other Property Losses**

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

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 14 - Commitments and Contingencies

- A. Federal Grants** - The Department receives significant financial assistance from the federal government in the form of grants and entitlements, which are generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Under the terms of the grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures. Any disallowance as a result of questioned costs could become a liability of the Department. As of June 30, 2024, 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 would 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 judgement in favor of the Department and dismissing plaintiff claims.

- C. Commitments** – As of June 30, 2024, the Department had commitments of \$26,176,758 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 year 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 SFY 2021-22, SFY 2022-23 or SFY 2023-24 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.

DRNC v. the Department, a lawsuit was filed, April 24, 2024, in the Middle District federal court of North Carolina. DRNC, by associational standing alleges violations of the (1) Fourteenth Amendment Due Process Clause, (2) Americans with Disabilities Act, and (3) Rehabilitation Act, related to the Department's ongoing statutory obligations to (1) evaluate criminal defendants suspected of being incompetent to proceed to trial (ITP), and (2) after being determined ITP, provide restorative treatment. DRNC filed a motion for preliminary injunction and are awaiting a court date.

#### **Note 15 - Changes in Financial Accounting and Reporting**

For the fiscal year ended June 30, 2024, the College implemented the following pronouncement issued by the Governmental Accounting Standards Board (GASB):

*GASB Statement No. 100, Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*

GASB Statement No. 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. It defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity, and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for each type of accounting change and error corrections and requires disclosure in the notes to the financial statements of descriptive information about accounting changes and error corrections, such as their nature. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information and supplementary information.



# **Required Supplementary Information**



**North Carolina Department of Health and Human Services**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis-Non-GAAP) General Fund**  
**For the Fiscal Year Ended June 30, 2024**

**Exhibit B-1**

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Federal Grants	\$ 24,257,451,057	\$ 24,920,674,334	\$ 23,046,503,099	\$ (1,874,171,235)
Local Grants	1,189,548,150	1,563,418,154	1,496,090,324	(67,327,830)
Provider Match	-	-	55,563	55,563
Local Match and Program Income	10,157,414	10,741,502	11,348,348	606,846
Sales, Services, and Rentals	97,333,230	97,437,935	40,910,106	(56,527,829)
Fees, Licenses, and Fines	2,745,964,812	2,788,121,922	2,400,144,035	(387,977,887)
Contributions and Donations	341,596	341,596	374,221	32,625
Miscellaneous Revenues	186,370,421	204,167,425	218,129,088	13,961,663
Total Revenues	28,487,166,680	29,584,902,868	27,213,554,784	(2,371,348,084)
<b>EXPENDITURES</b>				
Salaries and Benefits	1,535,600,956	1,365,807,407	1,228,807,870	136,999,537
Purchased Services	1,114,043,728	1,494,525,988	1,213,468,000	281,057,988
Supplies	100,810,931	126,587,063	93,514,018	33,073,045
Property, Plant, and Equipment	77,416,707	79,228,570	47,373,159	31,855,411
Other Expenditures and Adjustments	28,677,459	92,876,843	87,214,273	5,662,570
Aid and Public Assistance	32,769,004,021	33,455,866,086	31,318,765,177	2,137,100,909
Reserves	140,015,085	25,367,849	18,313	25,349,536
Total Expenditures	35,765,568,887	36,640,259,806	33,989,160,810	2,651,098,996
Excess of Revenues Over (Under) Expenditures	(7,278,402,207)	(7,055,356,938)	(6,775,606,026)	279,750,912
<b>OTHER FINANCING SOURCES (USES)</b>				
State Appropriations	7,390,555,208	7,390,555,208	7,276,088,274	(114,466,934)
Transfers from Other Departments or Funds	2,489,734,309	4,335,238,650	3,832,140,056	(503,098,594)
Transfers to Other Departments or Funds	(2,785,064,413)	(4,711,275,091)	(4,209,263,492)	502,011,599
Total Other Financing Sources	7,095,225,104	7,014,518,767	6,898,964,838	(115,553,929)
Net Change in Fund Balance	(183,177,103)	(40,838,171)	123,358,812	164,196,983
Fund Balance - Beginning of Year	439,986,952	349,710,448	668,526,529	
Fund Balance - End of Year	\$ 256,809,849	\$ 308,872,277	\$ 791,885,341	\$ 164,196,983

The following tables present a reconciliation of resulting basis differences in the fund balance (budgetary basis) at June 30, 2024 to the fund balance on a modified accrual basis (GAAP).

Fund Balance (Budgetary Basis) June 30, 2024	\$ 791,885,341
<b>Reconciling Adjustments:</b>	
<b>Basis Differences:</b>	
Receivables	3,898,077,366
Payables	(5,033,915,335)
Deferred Inflows	(3,041,702)
Total Basis Differences	(1,138,879,671)
<b>Other Adjustments:</b>	
Cash	227,720,378
Inventories	14,605,932
Fund Balance (GAAP Basis) June 30, 2024	\$ (104,668,020)

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, 2024**

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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.



# **Supplementary Information**

**North Carolina Department of Health and Human Services**  
**Balance Sheet By Division**  
**Governmental Funds**  
**June 30, 2024**

**Exhibit C-1**

	Central Administration (1)	Health Benefits (2)	Child Development (3)	Health Service Regulation (4)	Public Health (5)	Aging (6)	Blind/ Deaf Services (7)	Employment and Independence for People with Disabilities (8)	Social Services (9)	Child and Family (10)	Mental Health (11)	Total Governmental Funds
<b>ASSETS</b>												
Cash and Cash Equivalents	\$ 473,652,992	\$ 395,137,881	\$ 79,988	\$ 44,617,442	\$ 36,881,875	\$ 1,327,211	\$ 13,377,781	\$ 83,213	\$ 11,198,449	\$ 0	\$ 163,637,421	\$ 1,139,994,253
Receivables:												
Accounts Receivable, Net	500	175,069,255	5,829,492	1,609,172	5,753,592		519,932		881,262	126,709	31,207,879	220,997,793
Intergovernmental Receivables	26,262,214	3,331,125,699	46,055,279	3,784,278	17,381,191	42,070,972	674,824	6,077,258	123,371,245	40,616,340	38,931,405	3,676,350,705
Other Receivables											312,838	312,838
Due from Other Funds		409,382				583,665					9,671	1,002,718
Inventories	204,698	48,039	12,021	11,154	2,517,776	3,002	9,407	168,522	18,143	431,489	11,278,693	14,702,944
Advances to Outside Entities						185,746						185,746
Total Assets	500,120,404	3,901,790,256	51,976,780	50,022,046	62,534,434	44,170,596	14,581,944	6,328,993	135,469,099	41,174,538	245,377,907	5,053,546,997
<b>DEFERRED OUTFLOWS OF RESOURCES</b>												
	0	0	0	0	0	0	0	0	0	0	0	0
Total Assets and Deferred Outflows	\$ 500,120,404	\$ 3,901,790,256	\$ 51,976,780	\$ 50,022,046	\$ 62,534,434	\$ 44,170,596	\$ 14,581,944	\$ 6,328,993	\$ 135,469,099	\$ 41,174,538	\$ 245,377,907	\$ 5,053,546,997
<b>LIABILITIES</b>												
Accounts Payable and Accrued Liabilities												
Accounts Payable	\$ 18,213,608	\$ 20,580,377	\$ 47,193,039	\$ 1,585,684	\$ 11,865,271	\$ 624,506	\$ 467,530	\$ 5,078,076	\$ 237,559	\$ 26,295,638	\$ 32,821,009	\$ 164,962,297
Intergovernmental Payables	235,176,003	152,456,887	7,162,748	289,456	16,864,534	25,397,463	30,543	1,277,966	106,445,719	17,261,447	2,764,007	565,126,773
Medical Claims Payable		4,026,138,560			390,590				656,340	168,565	8,895,757	4,036,249,812
Due to Other State Agencies and Funds	9,733,833	109,735	92,961	51,790	5,721,981	1,925,528	179,571	696,339	156,732	545,366	2,242,383	21,456,219
Due to State of North Carolina Component Units	32,960	246,584,663	184,929		1,106,984	4,343		188,641	5,143,675	275,613	683,169	254,204,977
Other Liabilities											6,320	6,320
Total Liabilities	263,156,404	4,445,870,222	54,633,677	1,926,930	35,949,360	27,951,840	677,644	7,241,022	112,640,025	44,546,629	47,412,645	5,042,006,398
<b>DEFERRED INFLOWS OF RESOURCES</b>												
Unavailable Revenue	0	0	22,202	1,566,326	5,058,796	0	4,423	0	954,077	0	(4,564,122)	3,041,702
<b>FUND BALANCES</b>												
Nonspendable Inventories	204,698	48,039	12,021	11,154	2,517,776	3,002	9,407	168,522	18,143	431,489	11,270,456	14,694,707
Restricted for Health and Human Services	9,066	82,277,830	5,784,077	36,110,393	3,437,839	1,135,492	458,313	19,164	12,586,529		1,475,311	143,294,014
Committed to Health and Human Services	254,363,276	312,095,667	79,988	6,060,094	24,901,655		13,697,206		1,842,032	262,924	161,154,941	774,457,783
Assigned to Health and Human Services	5,929,504		1,018,155		16,553,529		3,468				1,763,141	25,267,797
Unassigned	(23,542,544)	(938,501,502)	(9,573,340)	4,347,149	(25,884,521)	15,080,262	(268,517)	(1,099,715)	7,428,293	(4,066,504)	26,865,535	(949,215,404)
Total Fund Balances	236,964,000	(544,079,966)	(2,679,099)	46,528,790	21,526,278	16,218,756	13,899,877	(912,029)	21,874,997	(3,372,091)	202,529,384	8,498,897
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 500,120,404	\$ 3,901,790,256	\$ 51,976,780	\$ 50,022,046	\$ 62,534,434	\$ 44,170,596	\$ 14,581,944	\$ 6,328,993	\$ 135,469,099	\$ 41,174,538	\$ 245,377,907	\$ 5,053,546,997

(1) See Supplementary Exhibit D-1

(2) See Supplementary Exhibit E-1

(3) See Supplementary Exhibit F-1

(4) See Supplementary Exhibit G-1

(5) See Supplementary Exhibit H-1

(6) See Supplementary Exhibit I-1

(7) See Supplementary Exhibit J-1

(8) See Supplementary Exhibit K-1

(9) See Supplementary Exhibit L-1

(10) See Supplementary Exhibit M-1

(11) See Supplementary Exhibit N-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, 2024**

**Exhibit C-2**

	Central Administration (1)	Health Benefits (2)	Child Development (3)	Health Service Regulation (4)	Public Health (5)	Aging (6)	Blind/Deaf Services (7)	Employment and Independence for People with Disabilities (8)	Social Services (9)	Child and Family (10)	Mental Health (11)	Total Governmental Funds
<b>REVENUES</b>												
Federal Funds	\$ 212,902,009	\$ 18,390,975,380	\$ 428,615,198	\$ 16,388,099	\$ 197,849,351	\$ 90,483,596	\$ 16,613,320	\$ 196,263,689	\$ 4,260,886,840	\$ 501,373,121	\$ 607,914,049	\$ 24,920,264,652
Federal COVID-19 Funds	6,926,815	485,371,499	339,202,996	15,662,233	64,909,828	33,802,737		20,976	18,888,595	15,905,754	99,325,954	1,080,017,387
Local Funds	578,471			684,412		12,322,003		2,461,104	105,146,853		2,836,333	124,775,929
Sales and Services				559,166	1,305,770		1,132,357	199,586		96,759	977,699	4,271,337
Net Patient Service Revenue											37,558,094	37,558,094
Fees, Licenses, and Fines	42,797	601,882,488	2,016,873	20,261,849	24,496,200	18,820	3,600,658		357,307		641,444	653,318,436
Contributions, Gifts and Grants	25,714,118	415,749			1,907,129	85,000	67,525			4,875,142	2,041,991	35,106,654
Revenues from Other State Agencies	39,576,825	12,515,815	102,667,940	540,375	43,086,306	890,349	16,542,769	149,757	18,874,253	648,321	16,026,486	251,519,196
Miscellaneous Revenues	244,970	43,326,160	25,514	905,093	20,670,309	603	260,093	2,425,939	16,476,626	44,847,488	427,024	129,609,819
Total Revenues	285,986,005	19,534,487,091	872,528,521	55,001,227	354,224,893	137,603,108	38,963,475	201,521,051	4,420,630,474	567,746,585	767,749,074	27,236,441,504
<b>EXPENDITURES</b>												
Salaries and Benefits	109,974,190	48,498,686	31,165,497	50,904,153	100,362,379	7,327,177	21,221,644	115,770,858	26,938,101	71,423,930	703,693,335	1,287,279,950
Contracted Personal Services	255,918,160	377,288,358	22,562,427	3,534,036	93,027,836	3,493,679	3,782,035	23,240,508	25,903,469	29,111,062	154,697,689	992,559,259
Supplies and Materials	1,877,476	134,104	111,186	1,523,190	13,157,842	32,100	296,653	918,217	234,764	34,955,426	37,609,819	90,850,777
Travel	571,509	362,457	576,063	1,528,036	1,728,430	196,471	424,468	851,636	633,192	340,321	345,785	7,558,368
Communication	2,734,119	746,584	473,581	328,171	1,251,679	93,382	464,871	2,362,156	660,230	1,334,236	2,329,117	12,778,126
Utilities	3,324,726		43	4,734	180,035	266	25,353	411,999	455	167,899	14,288,803	18,404,313
Data Processing Services	12,252,900	535,039	105,319		922,528			2,156	237,626	573,739	2,043,046	16,672,353
Other Services	3,230,210	2,658,019	197,010	426,035	10,014,063	935,876	393,433	538,401	10,270,697	1,343,999	6,297,017	36,304,760
Lease/Subscription Expenditures:												
Principal Payments	19,891,129		561,496	180,966	3,230,725		734,073	5,844,040	191,527	2,997,776	791,078	34,422,810
Interest and Fees	2,680,152		188,176	36,267	296,477		402,386	1,682,103	55,341	904,072	40,715	6,285,689
Other Fixed Charges	20,714,655	14,840,856	2,408,785	30,659	3,776,665	66,352	304,932	307,499	1,232,895	78,857	6,954,432	50,716,587
Capital Outlay	42,598,149	515,284	89,676	705,565	26,146,236	142,328	412,391	1,393,123	125,541	858,487	10,006,468	82,993,248
Grants, State Aid, and Subsidies	77,250,790	24,482,013,401	1,025,862,321	6,229,121	224,404,346	158,113,585	8,497,714	95,471,015	4,572,004,418	516,534,404	644,441,428	31,810,822,543
Expenditures to Other State Agencies	1,700	471,042,854		2,888,183		449,869					304,686	474,687,292
Other Expenditures	371,329	40,756,859	5,929,750	868,611	1,238,939	144,096	321,097	766,427	2,614,358	1,053,152	42,043,279	96,107,897
Total Expenditures	553,391,194	25,439,392,501	1,090,231,330	69,187,727	479,738,180	170,995,181	37,281,050	249,560,138	4,641,102,614	661,677,360	1,625,886,697	35,018,443,972
Excess of Revenues Over (Under) Expenditures	(267,405,189)	(5,904,905,410)	(217,702,809)	(14,186,500)	(125,513,287)	(33,392,073)	1,682,425	(48,039,087)	(220,472,140)	(93,930,775)	(858,137,623)	(7,782,002,468)
<b>OTHER FINANCING SOURCES (USES)</b>												
State Appropriations	214,494,333	5,467,617,617	230,402,661	20,919,296	123,581,230	53,413,468	7,334,978	42,410,389	250,853,751	57,151,737	808,208,814	7,276,388,274
Transfers In	183,631,283	2,766,920,023	23,980,368	6,468,019	43,904,463	3,218,458	13,112,731	7,511,302	38,051,876	35,016,125	522,529,103	3,644,343,751
Transfers Out	(101,237,582)	(3,062,543,410)	(26,984,598)	(6,468,019)	(36,355,686)	(2,934,972)	(12,962,164)	(5,008,274)	(42,590,601)		(347,258,445)	(3,644,343,751)
Transfers from State Reserve Fund	462,878	297,028,731	3,306,913	394,604	2,025,544	312,166		2,521,791	14,617,393	2,632,798	7,865,320	331,168,138
Transfers to State Reserve Fund	(7,426,161)	(272,551,232)	(564,451)	(898,632)	(7,103,587)	(305,792)		(318,804)	(31,639,030)	(5,874,896)	(26,574,322)	(353,256,907)
Leases/Subscriptions Issued	20,957,604										859,961	21,817,565
Other	75		462	37,332	21,727		82,771	6,017	3		80,355	228,742
Total Other Financing Sources	310,882,430	5,196,471,729	230,141,355	20,452,600	126,073,691	53,703,328	7,568,316	47,122,421	229,293,392	88,925,764	965,710,786	7,276,345,812
Net Change in Fund Balances	43,477,241	(708,433,681)	12,438,546	6,266,100	560,404	20,311,255	9,250,741	(916,666)	8,821,252	(5,005,011)	107,573,163	(505,656,656)
Fund Balances - Beginning 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
Fund Balances - End of Year	\$ 236,964,000	\$ (544,079,966)	\$ (2,679,099)	\$ 46,528,790	\$ 21,526,278	\$ 16,218,756	\$ 13,899,877	\$ (912,029)	\$ 21,874,997	\$ (3,372,091)	\$ 202,529,384	\$ 8,498,897

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

**North Carolina Department of Health and Human Services**  
**Balance Sheet - Governmental Funds**  
**Division of Central Administration**  
**June 30, 2024**

**Exhibit D-1**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total Central Administration</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 441,312,788	\$ 32,340,204	\$ 473,652,992
Receivables:			
Accounts Receivable, Net	500		500
Intergovernmental Receivables	26,262,214		26,262,214
Inventories	204,698		204,698
Total Assets	467,780,200	32,340,204	500,120,404
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	0	0	0
Total Assets and Deferred Outflows	\$ 467,780,200	\$ 32,340,204	\$ 500,120,404
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities:			
Accounts Payable	\$ 14,450,780	\$ 3,762,828	\$ 18,213,608
Intergovernmental Payables	235,176,003		235,176,003
Due to Other State Agencies and Funds	5,798,601	3,935,232	9,733,833
Due to Component Units	32,960		32,960
Total Liabilities	255,458,344	7,698,060	263,156,404
<b>DEFERRED INFLOWS OF RESOURCES</b>	0	0	0
<b>FUND BALANCES</b>			
Nonspendable Inventories	204,698	0	204,698
Restricted for Health and Human Services	9,066		9,066
Committed to Health and Human Services	229,721,132	24,642,144	254,363,276
Assigned to Health and Human Services	5,929,504		5,929,504
Unassigned	(23,542,544)		(23,542,544)
Total Fund Balances	212,321,856	24,642,144	236,964,000
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 467,780,200	\$ 32,340,204	\$ 500,120,404

**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, 2024**

**Exhibit D-2**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total Central Administration</b>
<b>REVENUES</b>			
Federal Funds	\$ 212,902,009	\$ 0	\$ 212,902,009
Federal COVID-19 Funds	6,926,815		6,926,815
Local Funds	578,471		578,471
Fees, Licenses, and Fines	42,797		42,797
Contributions, Gifts and Grants	25,714,118		25,714,118
Revenues from Other State Agencies	19,182,610	20,394,215	39,576,825
Miscellaneous Revenues	244,970		244,970
Total Revenues	265,591,790	20,394,215	285,986,005
<b>EXPENDITURES</b>			
Salaries and Benefits	109,974,190		109,974,190
Contracted Personal Services	255,918,160		255,918,160
Supplies and Materials	1,877,476		1,877,476
Travel	571,509		571,509
Communication	2,734,119		2,734,119
Utilities	3,324,726		3,324,726
Data Processing Services	12,252,900		12,252,900
Other Services	3,230,210		3,230,210
Lease/Subscription Expenditures:			
Principal Payments	19,891,129		19,891,129
Interest and Fees	2,680,152		2,680,152
Other Fixed Charges	20,714,655		20,714,655
Capital Outlay	25,696,188	16,901,961	42,598,149
Grants, State Aid, and Subsidies	77,250,790		77,250,790
Expenditures to Other State Agencies	1,700		1,700
Other Expenditures	371,329		371,329
Total Expenditures	536,489,233	16,901,961	553,391,194
Excess of Revenues Over (Under) Expenditures	(270,897,443)	3,492,254	(267,405,189)
<b>OTHER FINANCING SOURCES (USES)</b>			
State Appropriations	214,194,333	300,000	214,494,333
Transfers In	183,631,283		183,631,283
Transfers Out	(101,237,582)		(101,237,582)
Transfers from State Reserve Fund	462,878		462,878
Transfers to State Reserve Fund	(7,426,161)		(7,426,161)
Leases/Subscriptions Issued	20,957,604		20,957,604
Other	75		75
Total Other Financing Sources	310,582,430	300,000	310,882,430
Net Change in Fund Balances	39,684,987	3,792,254	43,477,241
Fund Balances - Beginning of Year	172,636,869	20,849,890	193,486,759
Fund Balances - End of Year	\$ 212,321,856	\$ 24,642,144	\$ 236,964,000

**North Carolina Department of Health and Human Services**  
**Balance Sheet - Governmental Funds**  
**Division of Health Benefits**  
**June 30, 2024**

**Exhibit E-1**

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 395,137,881
Receivables:	
Accounts Receivable, Net	175,069,255
Intergovernmental Receivables	3,331,125,699
Due from Other Funds	409,382
Inventories	48,039
	<hr/>
Total Assets	3,901,790,256
	<hr/>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	0
	<hr/>
Total Assets and Deferred Outflows	\$ 3,901,790,256
	<hr/> <hr/>
<b>LIABILITIES</b>	
Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 20,580,377
Intergovernmental Payables	152,456,887
Medical Claims Payable	4,026,138,560
Due to Other State Agencies and Funds	109,735
Due to State of North Carolina Component Units	246,584,663
	<hr/>
Total Liabilities	4,445,870,222
	<hr/>
<b>DEFERRED INFLOWS OF RESOURCES</b>	0
	<hr/>
<b>FUND BALANCE</b>	
Nonspendable Inventories	48,039
Restricted for Health and Human Services	82,277,830
Committed to Health and Human Services	312,095,667
Unassigned	(938,501,502)
	<hr/>
Total Fund Balances	(544,079,966)
	<hr/>
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 3,901,790,256
	<hr/> <hr/>



**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, 2024**

**Exhibit E-2**

	<b>General Fund</b>
<b>REVENUES</b>	
Federal Funds	\$ 18,390,975,380
Federal COVID-19 Funds	485,371,499
Fees, Licenses, and Fines	601,882,488
Contributions, Gifts and Grants	415,749
Revenues from Other State Agencies	12,515,815
Miscellaneous Revenues	43,326,160
	<hr/>
Total Revenues	19,534,487,091
	<hr/>
<b>EXPENDITURES</b>	
Salaries and Benefits	48,498,686
Contracted Personal Services	377,288,358
Supplies and Materials	134,104
Travel	362,457
Communication	746,584
Data Processing Services	535,039
Other Services	2,658,019
Other Fixed Charges	14,840,856
Capital Outlay	515,284
Grants, State Aid, and Subsidies (Exhibit O-2)	24,482,013,401
Expenditures to Other State Agencies	471,042,854
Other Expenditures	40,756,859
	<hr/>
Total Expenditures	25,439,392,501
	<hr/>
Excess of Revenues Over (Under) Expenditures	(5,904,905,410)
	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>	
State Appropriations	5,467,617,617
Transfers In	2,766,920,023
Transfers Out	(3,062,543,410)
Transfers from State Reserve Fund	297,028,731
Transfers to State Reserve Fund	(272,551,232)
	<hr/>
Total Other Financing Sources	5,196,471,729
	<hr/>
Net Change in Fund Balance	(708,433,681)
	<hr/>
Fund Balance - Beginning of Year	164,353,715
	<hr/>
Fund Balance - End of Year	\$ (544,079,966)
	<hr/>

**North Carolina Department of Health and Human Services**  
**Balance Sheet - Governmental Funds**  
**Division of Child Development and Early Education**  
**June 30, 2024**

**Exhibit F-1**

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 79,988
Receivables:	
Accounts Receivable, Net	5,829,492
Intergovernmental Receivables	46,055,279
Inventories	12,021
	<hr/>
Total Assets	51,976,780
	<hr/>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	0
	<hr/>
Total Assets and Deferred Outflows	\$ 51,976,780
	<hr/> <hr/>
<b>LIABILITIES</b>	
Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 47,193,039
Intergovernmental Payables	7,162,748
Due to Other State Agencies and Funds	92,961
Due to State of North Carolina Component Units	184,929
	<hr/>
Total Liabilities	54,633,677
	<hr/>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable Revenue	22,202
	<hr/>
<b>FUND BALANCES</b>	
Nonspendable Inventories	12,021
Restricted for Health and Human Services	5,784,077
Committed to Health and Human Services	79,988
Assigned to Health and Human Services	1,018,155
Unassigned	(9,573,340)
	<hr/>
Total Fund Balances	(2,679,099)
	<hr/>
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 51,976,780
	<hr/> <hr/>

**North Carolina Department of Health and Human Services**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**Division of Child Development and Early Education**  
**For the Fiscal Year Ended June 30, 2024**

**Exhibit F-2**

	<b>General Fund</b>
<b>REVENUES</b>	
Federal Funds	\$ 428,615,198
Federal COVID-19 Funds	339,202,996
Fees, Licenses, and Fines	2,016,873
Revenues from Other State Agencies	102,667,940
Miscellaneous Revenues	25,514
	<hr/>
Total Revenues	872,528,521
	<hr/>
<b>EXPENDITURES</b>	
Salaries and Benefits	31,165,497
Contracted Personal Services	22,562,427
Supplies and Materials	111,186
Travel	576,063
Communication	473,581
Utilities	43
Data Processing Services	105,319
Other Services	197,010
Lease/Subscription Expenditures:	
Principal Payments	561,496
Interest and Fees	188,176
Other Fixed Charges	2,408,785
Capital Outlay	89,676
Grants, State Aid, and Subsidies (Exhibit O-3)	1,025,862,321
Other Expenditures	5,929,750
	<hr/>
Total Expenditures	1,090,231,330
	<hr/>
Excess of Revenues Over (Under) Expenditures	(217,702,809)
	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>	
State Appropriations	230,402,661
Transfers In	23,980,368
Transfers Out	(26,984,598)
Transfers from State Reserve Fund	3,306,913
Transfers to State Reserve Fund	(564,451)
Other	462
	<hr/>
Total Other Financing Sources	230,141,355
	<hr/>
Net Change in Fund Balances	12,438,546
Fund Balances - Beginning of Year	(15,117,645)
	<hr/>
Fund Balances - End of Year	\$ (2,679,099)
	<hr/>

**North Carolina Department of Health and Human Services**  
**Balance Sheet - Governmental Funds**  
**Division of Health Service Regulation**  
**June 30, 2024**

**Exhibit G-1**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 44,617,442
Receivables:	
Accounts Receivable, Net	1,609,172
Intergovernmental Receivables	3,784,278
Inventories	<u>11,154</u>
Total Assets	<u>50,022,046</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>0</u>
Total Assets and Deferred Outflows	<u><u>\$ 50,022,046</u></u>
<b>LIABILITIES</b>	
Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 1,585,684
Intergovernmental Payables	289,456
Due to Other State Agencies and Funds	<u>51,790</u>
Total Liabilities	<u>1,926,930</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable Revenue	<u>1,566,326</u>
<b>FUND BALANCE</b>	
Nonspendable Inventories	11,154
Restricted for Health and Human Services	36,110,393
Committed to Health and Human Services	6,060,094
Unassigned	<u>4,347,149</u>
Total Fund Balance	<u>46,528,790</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u><u>\$ 50,022,046</u></u>

**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, 2024**

**Exhibit G-2**

	<b>General Fund</b>
<b>REVENUES</b>	
Federal Funds	\$ 16,388,099
Federal COVID-19 Funds	15,662,233
Local Funds	684,412
Sales and Services	559,166
Fees, Licenses, and Fines	20,261,849
Revenues from Other State Agencies	540,375
Miscellaneous Revenues	905,093
	<hr/>
Total Revenues	55,001,227
	<hr/>
<b>EXPENDITURES</b>	
Salaries and Benefits	50,904,153
Contracted Personal Services	3,534,036
Supplies and Materials	1,523,190
Travel	1,528,036
Communication	328,171
Utilities	4,734
Other Services	426,035
Lease/Subscription Expenditures:	
Principal Payments	180,966
Interest and Fees	36,267
Other Fixed Charges	30,659
Capital Outlay	705,565
Grants, State Aid, and Subsidies	6,229,121
Expenditures to Other State Agencies	2,888,183
Other Expenditures	868,611
	<hr/>
Total Expenditures	69,187,727
	<hr/>
Excess of Revenues Over (Under) Expenditures	(14,186,500)
	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>	
State Appropriations	20,919,296
Transfers In	6,468,019
Transfers Out	(6,468,019)
Transfers from State Reserve Fund	394,604
Transfers to State Reserve Fund	(898,632)
Other	37,332
	<hr/>
Total Other Financing Sources	20,452,600
	<hr/>
Net Change in Fund Balance	6,266,100
	<hr/>
Fund Balance - Beginning of Year	40,262,690
	<hr/>
Fund Balance - End of Year	\$ 46,528,790
	<hr/> <hr/>

**North Carolina Department of Health and Human Services**  
**Balance Sheet - Governmental Funds**  
**Division of Public Health**  
**June 30, 2024**

**Exhibit H-1**

	<b>General Fund</b>	<b>Other Special Revenue Fund</b>	<b>Total Public Health</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 33,583,865	\$ 3,298,010	\$ 36,881,875
Receivables:			
Accounts Receivable, Net	5,753,592		5,753,592
Intergovernmental Receivables	17,381,191		17,381,191
Inventories	2,517,776		2,517,776
<b>Total Assets</b>	<b>59,236,424</b>	<b>3,298,010</b>	<b>62,534,434</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Assets and Deferred Outflows</b>	<b>\$ 59,236,424</b>	<b>\$ 3,298,010</b>	<b>\$ 62,534,434</b>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities:			
Accounts Payable	\$ 11,865,193	\$ 78	\$ 11,865,271
Intergovernmental Payables	16,864,534		16,864,534
Medical Claims Payable	390,590		390,590
Due to Other State Agencies and Funds	5,721,981		5,721,981
Due to State of North Carolina Component Units	1,106,984		1,106,984
<b>Total Liabilities</b>	<b>35,949,282</b>	<b>78</b>	<b>35,949,360</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	5,058,796	0	5,058,796
<b>FUND BALANCES</b>			
Nonspendable Inventories	2,517,776		2,517,776
Restricted for Health and Human Services	3,437,839		3,437,839
Committed to Health and Human Services	21,603,723	3,297,932	24,901,655
Assigned to Health and Human Services	16,553,529		16,553,529
Unassigned	(25,884,521)		(25,884,521)
<b>Total Fund Balances</b>	<b>18,228,346</b>	<b>3,297,932</b>	<b>21,526,278</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>\$ 59,236,424</b>	<b>\$ 3,298,010</b>	<b>\$ 62,534,434</b>

**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, 2024**

**Exhibit H-2**

	<b>General Fund</b>	<b>Other Special Revenue Fund</b>	<b>Total Public Health</b>
<b>REVENUES</b>			
Federal Funds	\$ 197,849,351	\$ 0	\$ 197,849,351
Federal COVID-19 Funds	64,909,828		64,909,828
Sales and Services	1,305,770		1,305,770
Fees, Licenses, and Fines	24,031,504	464,696	24,496,200
Contributions, Gifts and Grants	1,907,129		1,907,129
Revenues from Other State Agencies	43,086,306		43,086,306
Miscellaneous Revenues:			
Rebates	20,670,309		20,670,309
Total Revenues	353,760,197	464,696	354,224,893
<b>EXPENDITURES</b>			
Salaries and Benefits	100,185,877	176,502	100,362,379
Contracted Personal Services	93,023,520	4,316	93,027,836
Supplies and Materials	13,154,677	3,165	13,157,842
Travel	1,719,501	8,929	1,728,430
Communication	1,249,070	2,609	1,251,679
Utilities	180,035		180,035
Data Processing Services	922,528		922,528
Other Services	10,003,914	10,149	10,014,063
Lease/Subscription Expenditures:			
Principal Payments	3,230,725		3,230,725
Interest and Fees	296,477		296,477
Other Fixed Charges	3,776,194	471	3,776,665
Capital Outlay	26,146,236		26,146,236
Grants, State Aid, and Subsidies (Exhibit O-4)	224,404,346		224,404,346
Other Expenditures	1,238,789	150	1,238,939
Total Expenditures	479,531,889	206,291	479,738,180
Excess of Revenues Over (Under) Expenditures	(125,771,692)	258,405	(125,513,287)
<b>OTHER FINANCING SOURCES (USES)</b>			
State Appropriations	123,581,230		123,581,230
Transfers In	43,904,463		43,904,463
Transfers Out	(36,355,686)		(36,355,686)
Transfers from State Reserve Fund	2,025,544		2,025,544
Transfers to State Reserve Fund	(7,103,587)		(7,103,587)
Other	21,727		21,727
Total Other Financing Sources	126,073,691	0	126,073,691
Net Change in Fund Balances	301,999	258,405	560,404
Fund Balances - Beginning of Year	17,926,347	3,039,527	20,965,874
Fund Balances - End of Year	\$ 18,228,346	\$ 3,297,932	\$ 21,526,278

**North Carolina Department of Health and Human Services**  
**Balance Sheet - Governmental Funds**  
**Division of Aging and Adult Services**  
**June 30, 2024**

**Exhibit I-1**

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 1,327,211
Receivables:	
Intergovernmental Receivables	42,070,972
Due from Other Funds	583,665
Inventories	3,002
Advances to outside Entities	185,746
	<hr/>
Total Assets	44,170,596
	<hr/>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
	0
	<hr/>
Total Assets and Deferred Outflows	\$ 44,170,596
	<hr/>
<b>LIABILITIES</b>	
Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 624,506
Intergovernmental Payables	25,397,463
Due to Other State Agencies and Funds	1,925,528
Due to State of North Carolina Component Units	4,343
	<hr/>
Total Liabilities	27,951,840
	<hr/>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
	0
	<hr/>
<b>FUND BALANCE</b>	
Nonspendable Inventories	3,002
Restricted for Health and Human Services	1,135,492
Unassigned	15,080,262
	<hr/>
Total Fund Balance	16,218,756
	<hr/>
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 44,170,596
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**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, 2024**

**Exhibit I-2**

	<b>General Fund</b>
<b>REVENUES</b>	
Federal Funds	\$ 90,483,596
Federal COVID-19 Funds	33,802,737
Local Funds	12,322,003
Fees, Licenses, and Fines	18,820
Contributions, Gifts and Grants	85,000
Revenues from Other State Agencies	890,349
Miscellaneous Revenues	603
	<hr/>
Total Revenues	137,603,108
	<hr/>
<b>EXPENDITURES</b>	
Salaries and Benefits	7,327,177
Contracted Personal Services	3,493,679
Supplies and Materials	32,100
Travel	196,471
Communication	93,382
Utilities	266
Other Services	935,876
Other Fixed Charges	66,352
Capital Outlay	142,328
Grants, State Aid, and Subsidies	158,113,585
Expenditures to Other State Agencies	449,869
Other Expenditures	144,096
	<hr/>
Total Expenditures	170,995,181
	<hr/>
Excess of Revenues Over (Under) Expenditures	(33,392,073)
	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>	
State Appropriations	53,413,468
Transfers In	3,218,458
Transfers Out	(2,934,972)
Transfers from State Reserve Fund	312,166
Transfers to State Reserve Fund	(305,792)
	<hr/>
Total Other Financing Sources	53,703,328
	<hr/>
Net Change in Fund Balance	20,311,255
Fund Balance - Beginning of Year	(4,092,499)
	<hr/>
Fund Balance - End of Year	\$ 16,218,756
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**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, 2024**

**Exhibit J-1**

	<b>General Fund</b>	<b>Other Special Revenue Fund</b>	<b>N.C. Dual Party Relay System Fund</b>	<b>Total Blind/Deaf Services</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 0	\$ 1,733,921	\$ 11,643,860	\$ 13,377,781
Receivables:				
Accounts Receivable, Net	4,423	243,071	272,438	519,932
Intergovernmental Receivables	674,824			674,824
Inventories	9,407			9,407
Total Assets	688,654	1,976,992	11,916,298	14,581,944
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	0	0	0	0
Total Assets and Deferred Outflows	\$ 688,654	\$ 1,976,992	\$ 11,916,298	\$ 14,581,944
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities:				
Accounts Payable	\$ 466,846	\$ 684	\$ 0	\$ 467,530
Intergovernmental Payables	30,543			30,543
Due to Other State Agencies and Funds	179,571			179,571
Total Liabilities	676,960	684	0	677,644
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	4,423	0	0	4,423
<b>FUND BALANCES</b>				
Nonspendable Inventories	9,407			9,407
Restricted for Health and Human Services	22,780	435,533		458,313
Committed to Health and Human Services		1,780,908	11,916,298	13,697,206
Assigned to Health and Human Services		3,468		3,468
Unassigned	(24,916)	(243,601)		(268,517)
Total Fund Balances	7,271	1,976,308	11,916,298	13,899,877
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 688,654	\$ 1,976,992	\$ 11,916,298	\$ 14,581,944

**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, 2024**

**Exhibit J-2**

	<b>General Fund</b>	<b>Other Special Revenue Fund</b>	<b>N.C. Dual Party Relay System Fund</b>	<b>Total Blind/Deaf Services</b>
<b>REVENUES</b>				
Federal Funds	\$ 16,224,998	\$ 388,322	\$ 0	\$ 16,613,320
Local Funds	746,753			746,753
Sales and Services		1,132,357		1,132,357
Fees, Licenses, and Fines			3,600,658	3,600,658
Contributions, Gifts and Grants		67,525		67,525
Revenues from Other State Agencies	34,279		16,508,490	16,542,769
Miscellaneous Revenues	4,201	379	255,513	260,093
Total Revenues	17,010,231	1,588,583	20,364,661	38,963,475
<b>EXPENDITURES</b>				
Salaries and Benefits	21,221,644			21,221,644
Contracted Personal Services	3,766,894	15,141		3,782,035
Supplies and Materials	283,294	13,359		296,653
Travel	420,912	3,556		424,468
Communication	464,871			464,871
Utilities	25,353			25,353
Other Services	135,576	257,857		393,433
Lease/Subscription Expenditures:				
Principal Payments	734,073			734,073
Interest and Fees	402,386			402,386
Other Fixed Charges	304,932			304,932
Capital Outlay	285,759	126,632		412,391
Grants, State Aid, and Subsidies	8,089,714	408,000		8,497,714
Other Expenditures	320,986	111		321,097
Total Expenditures	36,456,394	824,656	0	37,281,050
Excess of Revenues Over (Under) Expenditures	(19,446,163)	763,927	20,364,661	1,682,425
<b>OTHER FINANCING SOURCES (USES)</b>				
State Appropriations	7,334,978			7,334,978
Transfers In	12,959,472	153,259		13,112,731
Transfers Out	(723,931)	(249,482)	(11,988,751)	(12,962,164)
Other		82,771		82,771
Total Other Financing Sources (Uses)	19,570,519	(13,452)	(11,988,751)	7,568,316
Net Change in Fund Balances	124,356	750,475	8,375,910	9,250,741
Fund Balances - Beginning of Year	(117,085)	1,225,833	3,540,388	4,649,136
Fund Balances - End of Year	\$ 7,271	\$ 1,976,308	\$ 11,916,298	\$ 13,899,877

**North Carolina Department of Health and Human Services**  
**Balance Sheet - Governmental Funds**  
**Division of Employment and Independence for People**  
**with Disabilities**  
**June 30, 2024**

**Exhibit K-1**

	<b>General Fund</b>	<b>Disability Determination Fund</b>	<b>Total Employment and Independence for People with Disabilities</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 7,680	\$ 75,533	\$ 83,213
Receivables:			
Intergovernmental Receivables	6,059,721	17,537	6,077,258
Inventories	102,868	65,654	168,522
Total Assets	6,170,269	158,724	6,328,993
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	0	0	0
Total Assets and Deferred Outflows	\$ 6,170,269	\$ 158,724	\$ 6,328,993
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities:			
Accounts Payable	\$ 4,949,001	\$ 129,075	\$ 5,078,076
Intergovernmental Payables	1,268,412	9,554	1,277,966
Due to Other State Agencies and Funds	696,339		696,339
Due to Component Units	188,641		188,641
Total Liabilities	7,102,393	138,629	7,241,022
<b>DEFERRED INFLOWS OF RESOURCES</b>	0	0	0
<b>FUND BALANCES</b>			
Nonspendable Inventories	102,868	65,654	168,522
Restricted for Health and Human Services	7,680	11,484	19,164
Unassigned	(1,042,672)	(57,043)	(1,099,715)
Total Fund Balances	(932,124)	20,095	(912,029)
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 6,170,269	\$ 158,724	\$ 6,328,993

**North Carolina Department of Health and Human Services**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Division of Employment and Independence for People**  
**with Disabilities**  
**For the Fiscal Year Ended June 30, 2024**

**Exhibit K-2**

	General Fund	Disability Determination Fund	Total Employment and Independence for People with Disabilities
<b>REVENUES</b>			
Federal Funds	\$ 120,799,493	\$ 75,464,196	\$ 196,263,689
Federal COVID-19 Funds	20,976		20,976
Local Funds	2,461,104		2,461,104
Sales and Services	199,586		199,586
Revenues from Other State Agencies	149,757		149,757
Miscellaneous Revenues	2,423,679	2,260	2,425,939
Total Revenues	126,054,595	75,466,456	201,521,051
<b>EXPENDITURES</b>			
Salaries and Benefits	59,704,616	56,066,242	115,770,858
Contracted Personal Services	4,309,151	18,931,357	23,240,508
Supplies and Materials	663,760	254,457	918,217
Travel	803,998	47,638	851,636
Communication	1,860,497	501,659	2,362,156
Utilities	411,999		411,999
Data Processing Services		2,156	2,156
Other Services	315,520	222,881	538,401
Lease/Subscription Expenditures:			
Principal Payments	3,651,547	2,192,493	5,844,040
Interest and Fees	1,198,507	483,596	1,682,103
Other Fixed Charges	146,873	160,626	307,499
Capital Outlay	1,379,064	14,059	1,393,123
Grants, State Aid, and Subsidies	95,291,989	179,026	95,471,015
Other Expenditures	534,849	231,578	766,427
Total Expenditures	170,272,370	79,287,768	249,560,138
Excess of Revenues Over (Under) Expenditures	(44,217,775)	(3,821,312)	(48,039,087)
<b>OTHER FINANCING SOURCES (USES)</b>			
State Appropriations	42,410,389		42,410,389
Transfers In	4,004,559	3,506,743	7,511,302
Transfers Out	(4,997,507)	(10,767)	(5,008,274)
Transfers from State Reserve Fund	2,521,791		2,521,791
Transfers to State Reserve Fund	(318,804)		(318,804)
Other	5,308	709	6,017
Total Other Financing Sources	43,625,736	3,496,685	47,122,421
Net Change in Fund Balances	(592,039)	(324,627)	(916,666)
Fund Balances - Beginning of Year	(340,085)	344,722	4,637
Fund Balances - End of Year	\$ (932,124)	\$ 20,095	\$ (912,029)

**North Carolina Department of Health and Human Services**  
**Balance Sheet - Governmental Funds**  
**Division of Social Services**  
**June 30, 2024**

**Exhibit L-1**

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 11,198,449
Receivables:	
Accounts Receivable, Net	881,262
Intergovernmental Receivables	123,371,245
Inventories	18,143
Total Assets	135,469,099
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	0
Total Assets and Deferred Outflows	\$ 135,469,099
<b>LIABILITIES</b>	
Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 237,559
Intergovernmental Payables	106,445,719
Medical Claims Payable	656,340
Due to Other State Agencies and Funds	156,732
Due to State of North Carolina Component Units	5,143,675
Total Liabilities	112,640,025
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable Revenue	954,077
<b>FUND BALANCE</b>	
Nonspendable Inventories	18,143
Restricted for Health and Human Services	12,586,529
Committed to Health and Human Services	1,842,032
Unassigned	7,428,293
Total Fund Balance	21,874,997
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 135,469,099

**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, 2024**

**Exhibit L-2**

	<b>General Fund</b>
<b>REVENUES</b>	
Federal Funds	\$ 4,260,886,840
Federal COVID-19 Funds	18,888,595
Local Funds	105,146,853
Fees, Licenses, and Fines	357,307
Revenues from Other State Agencies	18,874,253
Miscellaneous Revenues	16,476,626
	<hr/>
Total Revenues	4,420,630,474
	<hr/>
<b>EXPENDITURES</b>	
Salaries and Benefits	26,938,101
Contracted Personal Services	25,903,469
Supplies and Materials	234,764
Travel	633,192
Communication	660,230
Utilities	455
Data Processing Services	237,626
Other Services	10,270,697
Lease/Subscription Expenditures:	
Principal Payments	191,527
Interest and Fees	55,341
Other Fixed Charges	1,232,895
Capital Outlay	125,541
Grants, State Aid, and Subsidies (Exhibit O-5)	4,572,004,418
Other Expenditures	2,614,358
	<hr/>
Total Expenditures	4,641,102,614
	<hr/>
Excess of Revenues Over (Under) Expenditures	(220,472,140)
	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>	
State Appropriations	250,853,751
Transfers In	38,051,876
Transfers Out	(42,590,601)
Transfers from State Reserve Fund	14,617,393
Transfers to State Reserve Fund	(31,639,030)
Other	3
	<hr/>
Total Other Financing Sources	229,293,392
	<hr/>
Net Change in Fund Balance	8,821,252
	<hr/>
Fund Balance - Beginning of Year	13,053,745
	<hr/>
Fund Balance - End of Year	\$ 21,874,997
	<hr/>

**North Carolina Department of Health and Human Services**  
**Balance Sheet - Governmental Funds**  
**Division of Child and Family Well-Being**  
**June 30, 2024**

**Exhibit M-1**

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 0
Receivables:	
Accounts Receivable, Net	126,709
Intergovernmental Receivables	40,616,340
Inventories	431,489
Total Assets	41,174,538
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	0
Total Assets and Deferred Outflows	\$ 41,174,538
<b>LIABILITIES</b>	
Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 26,295,638
Intergovernmental Payables	17,261,447
Medical Claims Payable	168,565
Due to Other State Agencies and Funds	545,366
Due to State of North Carolina Component Units	275,613
Total Liabilities	44,546,629
<b>DEFERRED INFLOWS OF RESOURCES</b>	0
<b>FUND BALANCE</b>	
Nonspendable Inventories	431,489
Committed to Health and Human Services	262,924
Unassigned	(4,066,504)
Total Fund Balance	(3,372,091)
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 41,174,538



**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, 2024**

**Exhibit M-2**

	<b>General Fund</b>
<b>REVENUES</b>	
Federal Funds	\$ 501,373,121
Federal COVID-19 Funds	15,905,754
Sales and Services	96,759
Contributions, Gifts, and Grants	4,875,142
Revenues from Other State Agencies	648,321
Miscellaneous Revenues:	
Rebates	44,847,488
Total Revenues	<u>567,746,585</u>
<b>EXPENDITURES</b>	
Salaries and Benefits	71,423,930
Contracted Personal Services	29,111,062
Supplies and Materials	34,955,426
Travel	340,321
Communication	1,334,236
Utilities	167,899
Data Processing Services	573,739
Other Services	1,343,999
Lease/Subscription Expenditures:	
Principal Payments	2,997,776
Interest and Fees	904,072
Other Fixed Charges	78,857
Capital Outlay	858,487
Grants, State Aid, and Subsidies (Exhibit O-6)	516,534,404
Other Expenditures	1,053,152
Total Expenditures	<u>661,677,360</u>
Excess of Revenues Over (Under) Expenditures	<u>(93,930,775)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
State Appropriations	57,151,737
Transfers In	35,016,125
Transfers from State Reserve Fund	2,632,798
Transfers to State Reserve Fund	<u>(5,874,896)</u>
Total Other Financing Sources	<u>88,925,764</u>
Net Change in Fund Balance	(5,005,011)
Fund Balance - Beginning of Year	<u>1,632,920</u>
Fund Balance - End of Year	<u><u>\$ (3,372,091)</u></u>

**North Carolina Department of Health and Human Services**  
**Balance Sheet - Governmental Funds**  
**Division of Mental Health/Developmental Disabilities and**  
**Substance Use Services**  
**June 30, 2024**

**Exhibit N-1**

	General Fund	Other Special Revenue Fund	Capital Projects Fund	Total Mental Health
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 92,340,415	\$ 71,244,826	\$ 52,180	\$ 163,637,421
Receivables:				
Accounts Receivable, Net	31,056,031	151,848		31,207,879
Intergovernmental Receivables	38,931,405			38,931,405
Other Receivables	225,298	87,540		312,838
Due from Other Funds	9,671			9,671
Inventories	11,247,335	31,358		11,278,693
Total Assets	173,810,155	71,515,572	52,180	245,377,907
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	0	0	0	0
Total Assets and Deferred Outflows	\$ 173,810,155	\$ 71,515,572	\$ 52,180	\$ 245,377,907
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities:				
Accounts Payable	\$ 32,573,717	\$ 234,617	\$ 12,675	\$ 32,821,009
Intergovernmental Payables	2,764,007			2,764,007
Medical Claims Payable	8,895,757			8,895,757
Due to Other State Agencies and Funds	2,242,383			2,242,383
Due to State of North Carolina Component Units	683,169			683,169
Other Liabilities		6,320		6,320
Total Liabilities	47,159,033	240,937	12,675	47,412,645
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	(4,564,122)	0	0	(4,564,122)
<b>FUND BALANCES</b>				
Nonspendable Inventories	11,247,335	23,121		11,270,456
Restricted for Health and Human Services	443,718	992,088	39,505	1,475,311
Committed to Health and Human Services	92,340,415	68,814,526		161,154,941
Assigned to Health and Human Services		1,763,141		1,763,141
Unassigned	27,183,776	(318,241)		26,865,535
Total Fund Balances	131,215,244	71,274,635	39,505	202,529,384
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 173,810,155	\$ 71,515,572	\$ 52,180	\$ 245,377,907

**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, 2024**

**Exhibit N-2**

	General Fund	Other Special Revenue Fund	Capital Projects Fund	Total Mental Health
<b>REVENUES</b>				
Federal Funds	\$ 607,914,049	\$ 0	\$ 0	\$ 607,914,049
Federal COVID-19 Funds	99,325,954			99,325,954
Local Funds	2,836,333			2,836,333
Sales and Services		977,699		977,699
Patient Service Revenue, Net	37,558,094			37,558,094
Fees, Licenses, and Fines	641,145	299		641,444
Contributions, Gifts and Grants	1,814,366	227,625		2,041,991
Revenues from Other State Agencies	9,242,507	6,692,461	91,518	16,026,486
Miscellaneous Revenues	327,224	99,800		427,024
Total Revenues	759,659,672	7,997,884	91,518	767,749,074
<b>EXPENDITURES</b>				
Salaries and Benefits	703,352,412	340,923		703,693,335
Contracted Personal Services	145,431,262	9,266,427		154,697,689
Supplies and Materials	36,880,801	729,018		37,609,819
Travel	340,557	5,228		345,785
Communication	2,302,293	26,824		2,329,117
Utilities	14,281,653	7,150		14,288,803
Data Processing Services	2,043,046			2,043,046
Other Services	6,100,214	196,803		6,297,017
Lease/Subscription Expenditures:				
Principal Payments	791,078			791,078
Interest and Fees	40,715			40,715
Other Fixed Charges	6,953,058	1,374		6,954,432
Capital Outlay	9,894,821	20,129	91,518	10,006,468
Grants, State Aid, and Subsidies (Exhibit O-7)	626,899,649	17,541,779		644,441,428
Expenditures to Other State Agencies	304,686			304,686
Other Expenditures	41,996,347	46,932		42,043,279
Total Expenditures	1,597,612,592	28,182,587	91,518	1,625,886,697
Excess of Revenues Over (Under) Expenditures	(837,952,920)	(20,184,703)	0	(858,137,623)
<b>OTHER FINANCING SOURCES (USES)</b>				
State Appropriations	808,208,814			808,208,814
Transfers In	512,439,201	10,089,902		522,529,103
Transfers Out	(345,414,252)	(1,844,193)		(347,258,445)
Transfers from State Reserve Fund	7,865,320			7,865,320
Transfers to State Reserve Fund	(26,574,322)			(26,574,322)
Leases/Subscriptions Issued	859,961			859,961
Other	40,205	40,150		80,355
Total Other Financing Sources	957,424,927	8,285,859	0	965,710,786
Net Change in Fund Balances	119,472,007	(11,898,844)		107,573,163
Fund Balances - Beginning of Year	11,743,237	83,173,479	39,505	94,956,221
Fund Balances - End of Year	\$ 131,215,244	\$ 71,274,635	\$ 39,505	\$ 202,529,384

**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, 2024**

**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	\$ 18,278,924,316	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,278,924,316
Supplemental Expenditures		(622,703,187)										(622,703,187)
Skilled Nursing Facilities and Personal Care		2,795,649,705										2,795,649,705
Physician Services		618,680,728										618,680,728
Medical Services		1,763,389,000										1,763,389,000
Hospital		542,852,639										542,852,639
Pharmacy Services (Net of Rebates)		(715,321,394)										(715,321,394)
Buy-In / Dual Eligible Expenditures		1,180,953,441										1,180,953,441
Dental		489,653,852										489,653,852
Direct Grants to Governmental Organizations		80,601,102										80,601,102
Other Medical Assistance		69,333,199										69,333,199
Total Medical Assistance	0	24,482,013,401	0	0	0	0	0	0	0	0	0	24,482,013,401
Social Service Programs:												
Food and Nutrition					176,613				3,237,691,976	162,181,383		3,400,049,972
Child and Family			787,542,205		62,602,429				662,550,500	230,784,490		1,743,479,624
Smart Start Programs			238,320,116									238,320,116
Support of Aging and Adult Programs									112,107,598			112,107,598
Support of Medicaid Programs									334,109,533			334,109,533
Other Social Service Programs									225,544,811			225,544,811
Total Social Service Programs	0	0	1,025,862,321	0	62,779,042	0	0	0	4,572,004,418	392,965,873	0	6,053,611,654
Public Health Programs:												
Communicable Diseases					108,903,933					4,931,559		113,835,492
General Public Health					16,171,291							16,171,291
Chronic Diseases					2,280,030					1,672,770		3,952,800
Other Public Health Programs					34,270,050					116,964,202		151,234,252
Total Public Health Programs	0	0	0	0	161,625,304	0	0	0	0	123,568,531	0	285,193,835
Mental Health Programs	0	0	0	0	0	0	0	0	0	0	644,441,428	644,441,428
Other Grants, State Aid, and Subsidies	77,250,790	0	0	6,229,121	0	158,113,585	8,497,714	95,471,015	0	0	0	345,562,225
Total Grants, State Aid, and Subsidies Expenditures	\$ 77,250,790	\$ 24,482,013,401	\$ 1,025,862,321	\$ 6,229,121	\$ 224,404,346	\$ 158,113,585	\$ 8,497,714	\$ 95,471,015	\$ 4,572,004,418	\$ 516,534,404	\$ 644,441,428	\$ 31,810,822,543

(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, 2024**

**Exhibit O-2**

**GRANTS, STATE AID, AND SUBSIDIES**

Managed Care <sup>1</sup>	\$ 18,278,924,316
Supplemental Expenditures:	
Gap Payment - Upper Payment Limit	12,028,548
Disproportionate Share Hospital Payment	(634,731,735)
Total Supplemental Expenditures	(622,703,187)
Skilled Nursing Facilities and Personal Care:	
Skilled Nursing Facilities	2,226,707,358
Personal Care Services	568,942,347
Total Skilled Nursing Facilities and Personal Care	2,795,649,705
Physician Services:	
Physician Services	326,270,577
Clinics	222,299,532
Community Care of NC (N3CN)	70,110,619
Total Physician Services	618,680,728
Medical Services:	
Client Assistant Program (CAP)	617,425,035
Equipment	176,619,282
Health Check	7,627,027
Transport	150,711,482
Short Term Care	207,350,034
Non-Physician Services	95,559,929
Standalone Lab/X-Ray	41,927,535
Hospice	145,742,687
Case Management	225,050
Medical - General	320,209,912
Family Planning	(8,973)
Total Medical Services	1,763,389,000
Hospital:	
Hospital - Outpatient	318,145,623
Hospital - Inpatient	43,524,382
Emergency Room	181,182,634
Total Hospital	542,852,639
Prescribed Drugs:	
Pharmacy Services	916,711,176
Less Rebates	(1,632,032,570)
Total Prescribed Drugs (Net of Rebates)	(715,321,394)
Buy-In / Dual Eligible Expenditures:	
Medicare Part A	55,124,710
Medicare Part B	727,009,368
Medicare Part D	398,819,362
Total Buy-In / Dual Eligible Expenditures	1,180,953,441
Dental	489,653,852
Direct Grants to Governmental Organizations	80,601,102
Other Medical Assistance:	
Miscellaneous	69,333,199
Total Other Medical Assistance	69,333,199
Total Grants, State Aid, and Subsidies Expenditures	\$ 24,482,013,401

<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, 2024**

**Exhibit O-3**

**GRANTS, STATE AID, AND SUBSIDIES**

Child and Family:

Subsidized Child Care Services	\$ 587,151,577
Pre-K Services	<u>200,390,628</u>
Total Child and Family	<u>787,542,205</u>

Smart Start Programs:

Smart Start Subsidized Child Care Services	116,937,164
Smart Start Child Care Related Activities	<u>121,382,952</u>
Total Smart Start Programs	<u>238,320,116</u>

Total Grants, State Aid, and Subsidies Expenditures	<u><u>\$ 1,025,862,321</u></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, 2024**

**Exhibit O-4**

**GRANTS, STATE AID, AND SUBSIDIES**

Social Service Programs:

Food and Nutrition:

Women, Infants, and Children (WIC) Program  
Other Nutrition

\$ 179,953  
(3,340)

Total Food and Nutrition

176,613

Child and Family:

Maternal and Infant Health  
Children Health Services  
Child and Adult Prevention  
Early Intervention

31,183,589  
5,428,159  
1,003,908  
24,986,773

Total Child and Family

62,602,429

Total Social Service Programs

62,779,042

Public Health Programs:

Communicable Diseases  
General Public Health  
Chronic Diseases  
Other Public Health Programs

108,903,933  
16,171,291  
2,280,030  
34,270,050

Total Public Health Programs

161,625,304

Total Grants, State Aid, and Subsidies Expenditures

\$ 224,404,346

**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, 2024**

**Exhibit O-5**

**GRANTS, STATE AID, AND SUBSIDIES**

Food and Nutrition:	
Food Stamp Program	\$ 3,106,356,982
Nutrition and Food Education Programs	131,334,994
Total Food and Nutrition	<u>3,237,691,976</u>
Child and Family:	
Child Services	378,618,539
Foster Care	140,164,436
Adoption	143,767,525
Total Child and Family	<u>662,550,500</u>
Support of Aging and Adult Programs	<u>112,107,598</u>
Support of Medicaid Programs	<u>334,109,533</u>
Other Social Service Programs:	
Low-Income Energy Assistance Program	163,972,091
Miscellaneous	61,572,720
Total Other Social Service Programs	<u>225,544,811</u>
Total Grants, State Aid, and Subsidies Expenditures	<u><u>\$ 4,572,004,418</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, 2024**

**Exhibit O-6**

**GRANTS, STATE AID, AND SUBSIDIES**

Social Service Programs:

Food and Nutrition	\$ 162,181,383
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Child and Family:

Child Public	106,048,857
Child Women Infant and Children	95,855,870
Child Services	20,930,054
Children Health	5,745,534
Child Maternal	2,204,175

Total Child and Family	230,784,490
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Total Social Service Programs	392,965,873
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Public Health Programs:

Communicable Diseases	4,931,559
Chronic Diseases	1,672,770
Other Public Health Programs	116,964,202

Total Public Health Programs	123,568,531
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Total Grants, State Aid, and Subsidies Expenditures	\$ 516,534,404
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**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, 2024**

**Exhibit O-7**

**GRANTS, STATE AID, AND SUBSIDIES**

Mental Health Programs:

Local Management Entity Expenditures	\$ 545,201,442
Non-Governmental Expenditures	83,790,510
Governmental Expenditures	<u>15,449,476</u>
Total Grants, State Aid, and Subsidies Expenditures	<u><u>\$ 644,441,428</u></u>



# **Independent Auditor's Report**



## North Carolina Office of the State Auditor

Dave Boliek, 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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Dr. Devdutta Sangvai, Secretary  
Management of the North Carolina Department of Health and Human Services  
Raleigh, North Carolina

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 major fund and the aggregate remaining fund information of the North Carolina Department of Health and Human Services (Department), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated July 11, 2025.

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, 2024, 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.



Dave Boliek  
State Auditor

Raleigh, North Carolina

July 11, 2025

# Ordering Information

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Copies of this report may be obtained by contacting:



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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)