

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



NORTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES

RALEIGH, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

AS OF JUNE 30, 2014 AND 2013 AND

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

A COMPONENT UNIT OF THE STATE OF NORTH CAROLINA



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STATE OF NORTH CAROLINA
Office of the State Auditor



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AUDITOR'S TRANSMITTAL

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

We have completed a financial statement audit of the North Carolina Department of Health and Human Services (the "Department") as of June 30, 2014 and 2013 and for the fiscal year ended June 30, 2014, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

Our consideration of internal control over financial reporting and compliance and other matters based on an audit of the financial statements disclosed certain deficiencies and/or instances of noncompliance that are referred to in the 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*.

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

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

Beth A. Wood, CPA
State Auditor

AN OVERVIEW OF HOW TO USE THIS REPORT

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

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

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

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

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

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

“A” Exhibits present the Balance Sheets (for fiscal years ended June 30, 2014 and 2013) and the Statement of Revenues, Revenues, Expenditures, and Changes in Fund Balance (for fiscal year ending June 30, 2014) for the **DHHS as a whole**.

“B” Exhibits presents a budget-to-actual comparison for the General Fund (for the fiscal year ending June 30, 2014) of the DHHS **General Fund as a whole**.

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

“C” Exhibits present the financial information combining the Balance Sheets (one exhibit for 2014 and one for 2013) and the Statement of Revenues, Expenditures and Changes in Fund Balance (2014) for all the “Divisions” in DHHS.

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

- D-1 – Details of amounts included as grants, state-aid and subsidies for each of the Divisions for June 30, 2014 as presented on Exhibit C-3
- D-2 – Further breakdown of grants, state-aid and subsidies for Division of Medical Assistance

- D-3 – Further breakdown of grants, state-aid and subsidies for Division of Child Development
- D-4 – Further breakdown of grants, state-aid and subsidies for Division of Public Health
- D-5 – Further breakdown of grants, state-aid and subsidies for Division of Social Services
- D-6 – Further breakdown of grants, state-aid and subsidies for Division of Mental Health

“E” through “N” Exhibits present Balance Sheets and Statement of Revenues, Expenditures and Changes in Fund Balance by Division as well as other supplementary information (dependent on Division). This information is also tabbed by Division.

“O” Exhibits (not tabbed) present Balance Sheets and Statement of Revenues, Expenditures and Changes in Fund Balance for the other governmental funds reported on “A” Exhibits (Special Revenue and Capital Projects).

“P” Exhibits (not tabbed) present further breakdown of transfers as follows:

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

Required Information:

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

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT.....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	4
BASIC FINANCIAL STATEMENTS	
Exhibits	
A-1 June 30, 2014 Balance Sheet – Governmental Funds	10
A-2 June 30, 2013 Balance Sheet – Governmental Funds	11
A-3 Statement of Revenues, Expenses, and Changes in Fund Balance – Governmental Funds.....	12
Notes to the Financial Statements.....	13
REQUIRED SUPPLEMENTARY INFORMATION	
Schedules	
B-1 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual (Budgetary Basis-Non-GAAP) General Fund	38
SUPPLEMENTARY INFORMATION	
Exhibits	
Division	
C-1 Combining Balance Sheet by Division as of June 30, 2014 ..	41
C-2 Combining Balance Sheet by Division as of June 30, 2013 ..	43
C-3 Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Division for the Fiscal Year Ended June 30, 2014.....	45
Schedules Supporting Grants, State Aid & Subsidies	
D-1 Schedule Supporting the Combining Financial Statements by Division.....	49
D-2 Division of Medical Assistance	51



Beth A. Wood, CPA
State Auditor

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

	PAGE
D-3 Division of Child Development.....	52
D-4 Division of Public Health.....	53
D-5 Division of Social Services	54
D-4 Division of Mental Health.....	55
Division of Central Administration	
E-1 Combining Balance Sheet as of June 30, 2014.....	56
E-2 Combining Balance Sheet as of June 30, 2013.....	57
E-3 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance for the Fiscal Year Ended June 30, 2014	58
E-4 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, 2014.....	59
Division of Medical Assistance	
F-1 Balance Sheet as of June 30, 2014	60
F-2 Balance Sheet as of June 30, 2013	61
F-3 Statement of Revenues, Expenditures, and Changes in Fund Balance for the Fiscal Year Ended June 30, 2014	62
F-4 Schedule Supporting the Grants, State Aid and Subsidies for the Fiscal Year Ended June 30, 2014.....	63
F-5 Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual (Budgetary Basis-Non-GAAP) General Fund (All Budget Codes) for the Fiscal Year Ended June 30, 2014.....	64
F-6 Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual (Budgetary Basis-Non-GAAP) General Fund (Budget Code 24445 Only) for the Fiscal Year Ended June 30, 2014.....	65
Division of Child Development	
G-1 Combining Balance Sheet as of June 30, 2014	66
G-2 Combining Balance Sheet as of June 30, 2013	67

	PAGE
G-3 Combining Statement of Revenues, Expenditures, and Changes in Fund Balance for the Fiscal Year Ended June 30, 2014	68
G-4 Schedule Supporting the Grants, State Aid and Subsidies for the Fiscal Year Ended June 30, 2014	69
G-5 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, 2014	70
 Division of Health Services	
H-1 Balance Sheet as of June 30, 2014	72
H-2 Balance Sheet as of June 30, 2013	73
H-3 Statement of Revenues, Expenditures, and Changes in Fund Balance for the Fiscal Year Ended June 30, 2014	74
H-4 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, 2014	75
 Division of Public Health	
I-1 Combining Balance Sheet as of June 30, 2014.....	77
I-2 Combining Balance Sheet as of June 30, 2013.....	78
I-3 Combining Statement of Revenues, Expenditures, and Changes in Fund Balance for the Fiscal Year Ended June 30, 2014	79
I-4 Schedule Supporting Grants, State Aid and Subsidies for the Fiscal Year Ended June 30, 2014	80
I-5 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, 2014.....	81

	PAGE
Division of Aging	
J-1 Balance Sheet as of June 30, 2014	83
J-2 Balance Sheet as of June 30, 2013	84
J-3 Statement of Revenues, Expenditures, and Changes in Fund Balance for the Fiscal Year Ended June 30, 2014	85
J-4 Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budgeted and Actual (Budgetary Basis-Non-GAAP) General Fund for the Fiscal Year Ended June 30, 2014.....	86
Division of Blind Services	
K-1 Combining Balance Sheet as of June 30, 2014	88
K-2 Combining Balance Sheet as of June 30, 2013	89
K-3 Combining Statement of Revenues, Expenditures, and Changes in Fund Balance for the Fiscal Year Ended June 30, 2014	90
K-4 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, 2014	91
Division of Vocational Rehabilitation	
L-1 Combining Balance Sheet as of June 30, 2014.....	93
L-2 Combining Balance Sheet as of June 30, 2013.....	94
L-3 Combining Statement of Revenues, Expenditures and Changes in Fund Balance for the Fiscal Year Ended June 30, 2014	95
L-4 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, 2014	96
Division of Social Services	
M-1 Combining Balance Sheet as of June 30, 2014.....	98
M-2 Combining Balance Sheet as of June 30, 2013.....	99

	PAGE
M-3 Combining Statement of Revenues, Expenditures, and Changes in Fund Balance for the Fiscal Year Ended June 30, 2014.....	100
M-4 Schedule Supporting Grants, State Aid and Subsidies for the Fiscal Year Ended June 30, 2014	101
M-5 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, 2014.....	102
 Division of Mental Health	
N-1 Combining Balance Sheet as of June 30, 2014.....	104
N-2 Combining Balance Sheet as of June 30, 2013.....	105
N-3 Combining Statement of Revenues, Expenditures, and Changes in Fund Balance for the Fiscal Year Ended June 30, 2014.....	106
N-4 Schedule Supporting Grants, State Aid and Subsidies for the Fiscal Year Ended June 30, 2014.....	107
N-5 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, 2014	108
 Other Governmental Funds	
O-1 Combining Balance Sheet as of June 30, 2014.....	109
O-2 Combining Balance Sheet as of June 30, 2013.....	110
O-3 Statement of Revenues, Expenditures, and Changes in Fund Balance for the Fiscal Year Ended June 30, 2014.....	111
 Special Revenue Funds	
O-4 Combining Balance Sheet as of June 30, 2014.....	112
O-5 Combining Balance Sheet as of June 30, 2013.....	113
O-6 Statement of Revenues, Expenditures, and Changes in Fund Balance for the Fiscal Year Ended June 30, 2014.....	114

	PAGE
Capital Projects	
O-7 Combining Balance Sheet as of June 30, 2014.....	115
O-8 Combining Balance Sheet as of June 30, 2013.....	116
O-9 Statement of Revenues, Expenditures, and Changes in Fund Balance for the Fiscal Year Ended June 30, 2014	117
Transfers	
P-1 Revenues from Other State Agencies for the Fiscal Year Ended June 30, 2014	119
P-2 Expenditures to Other State Agencies for the Fiscal Year Ended June 30, 2014	121
P-3 Transfers By Division for the Fiscal Year Ended June 30, 2014.....	123
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	
	125

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INDEPENDENT AUDITOR'S REPORT

Dr. Aldona Wos, Secretary
and Management of the North Carolina Department of Health and Human Services

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the North Carolina Department of Health and Human Services, the "Department," as of June 30, 2014 and June 30, 2013 and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of

the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Department's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities for the North Carolina Department of Health and Human Services, as of June 30, 2014 and 2013, and the respective changes in financial position for the year then ended June 30, 2014 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

As discussed in Note 16, during the year ended June 30, 2014, the Department implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining fund and division financial statements and supplementary exhibits are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund and division financial statements and supplementary exhibits are the responsibility of management and were derived from and related 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 by us in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described previously, the combining fund and division financial statements and supplemental exhibits are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2015, on our consideration of the North Carolina Department of Health and Human Services' 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 the 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 North Carolina Department of Health and Human Services' internal control over financial reporting and compliance.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

April 10, 2015



MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is an overview and analysis of the financial performance of the North Carolina Department of Health and Human Services (Department) as of June 2014 and 2013 and for the fiscal year ended June 30, 2014. This discussion should be read in conjunction with the financial statements and related notes to the financial statements.

Financial Highlights

Fund Financial Statements

- The fund balance of the General Fund increased from (\$350,226,018) at June 30, 2013 to (\$288,960,859) at June 30, 2014, an increase of \$61,141,235 (or 18%).

Capital Assets

- The Department's investment in capital assets (net of accumulated depreciation) was \$1,227,404,628, an increase of 13.6% from the previous fiscal year-end.
- Significant year-end construction in progress amounts were for a new psychiatric hospital (\$203 million) and software and development (\$248 million).

Long-term Debt

- The Department had total long-term debt outstanding of \$84,709,359, a decrease of 2% from the previous fiscal year-end. This balance is comprised of compensated absences.

Overview of the Financial Statements

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

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

Fund Financial Statements

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

Governmental Funds

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

Other supplementary information includes the combining financial statements and budgetary comparison for each company (i.e., Division) within the Department by major and non-major funds, and combining financial statements for the Other Governmental Funds. Also included as supplementary information are schedules of grants, state aid, and subsidies as well as intercompany transfers.

Financial Analysis of the Department

The following is comparative condensed financial information and a financial analysis for balances reported as of June 30, 2014 and June 30, 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	<u>6/30/2014</u>	<u>6/30/2013</u>
Total Assets and Deferred Outflows of Resources	\$ 1,227,045,515	\$ 1,355,469,363
Liabilities, Deferred Inflows of Resources and Fund Balance:		
Total Liabilities	\$ 1,473,263,172	\$ 1,667,500,473
Total Deferred Inflows of Resources	21,196,231	31,981,401
Fund Balance:		
Nonspendable	11,377,584	12,076,310
Restricted	59,223,023	39,810,271
Committed	52,282,830	43,213,600
Assigned	3,073,006	4,795,480
Unassigned	(393,370,331)	(443,908,172)
Total Fund Balance	(267,413,888)	(344,012,511)
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,227,045,515	\$ 1,355,469,363

Total assets decreased \$128.4 million, or 9% compared to fiscal year 2013. The increase in accounts receivable is impacted by a decrease in Program Integrity (PI) collections at the Division of Medical Assistance (DMA). Another impact to the increase in accounts receivable is due to an interpretation of Senate Bill 496, Section 108c-5, which does not allow for recoupment of any overpayment due to the Department until the appeals process has been exhausted and the overpayment amount becomes final. These situations also have a direct impact on available cash balances. The decrease in intergovernmental receivables is directly related to the decrease in federal revenues. The decrease in the due from other state agencies is a result of reduced receipts coming into the Division of Child Development from the North Carolina Education Lottery for fiscal year 2014.

Total liabilities decreased \$194.2 million, or 12% in the current fiscal year, due to a decrease in accounts payable, offset by increases in medical claims payables and amounts due to UNC Hospitals. Accounts payable for June 2013 included the accrual of payments for Private Hospital Equity and Upper Payment Limits (UPL). Medical claims payable increased primarily due to an increased enrollment of providers in fiscal year 2014 by over 8.5%. Claims paid during the fiscal year were greater than fiscal year 2013.

Deferred inflows of resources, which represent unearned Mental Health patient revenues, decreased \$10.8 million. The total accounts receivable expected at yearend are adjusted by accrued receipts and allowance for doubtful accounts. The result is the expected amount to be received and is booked to deferred inflow of resources. Challenges incurred during the implementation of the managed care operations (MCO) billing in fiscal year 2013 resulted in higher than normal outstanding receipts. Improved communications and trainings since then have contributed to the decrease in outstanding receipts for fiscal year 2014. Another contributing factor was that the Center for Medicare and Medicaid (CMS) erroneously recouped payments made on accounts in fiscal year 2013. The Department was able to recover these funds in fiscal year 2014.

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

	Fiscal Year Ended 6/30/14	Fiscal Year Ended 6/30/13 (Unaudited)
Revenues:		
Federal Revenues	\$ 12,926,409,358	\$ 13,664,040,043
Other Revenues	611,291,932	474,553,441
Total Revenues	13,537,701,290	14,138,593,484
Expenditures:		
Personal Services	716,761,280	734,729,033
Employee Benefits	274,200,557	272,644,783
Contracted Personal Services	379,822,792	455,761,583
Supplies and Materials	56,451,780	63,561,980
Travel	9,048,260	9,512,225
Communication	11,040,222	10,511,241
Utilities	18,615,161	18,142,866
Data Processing Services	18,814,023	29,038,011
Other Services	16,144,271	16,771,728
Other Fixed Charges	11,717,970	9,897,871
Capital Outlay	71,769,836	105,478,633
Grants, State Aid and Subsidies	16,617,145,548	17,339,977,723
Intergovernmental Expenditures	129,004,109	-
Other Expenditures	33,319,037	56,750,808
Total Expenditures	18,363,854,846	19,122,778,485
Excess of Expenditures over Revenues	(4,826,153,556)	(4,984,185,001)
Other Financing Sources (Uses):		
State Appropriations	4,893,648,878	5,005,715,991
Transfers In	212,566,452	427,050,865
Transfers Out	(212,566,452)	(370,039,170)
Other	9,103,301	3,082,456
Total Other Financing Sources	4,902,752,179	5,065,810,142
Net Change in Fund Balance	76,598,623	81,625,141
Fund Balance beginning of year	(344,012,511)	(425,637,652)
Fund Balance end of year	\$ (267,413,888)	\$ (344,012,511)

Total revenues decreased \$601.2 million, or 4% compared to the prior year, primarily due to a significant decrease of \$737.6 million in federal funds and a combined \$4.4 million in local funds, fees and licenses, and miscellaneous revenues, slightly offset by an increase of \$140.8 million in intergovernmental revenues. Operating grants and contributions decreased primarily because of reduced spending in federally supported programs. See below for explanations of decreased federal expenditures which are directly related to the decrease in federal funds as they are reimbursed expenditures. Intergovernmental revenues increased as a result of the reclassification of intergovernmental transfers in the current year that were not done in 2013.

Total expenditures decreased \$759.2 million, or 4% compared to the prior year. The decrease is primarily due to decreased spending for Medicaid (the State's largest public assistance program). A new Medicaid management information system (NCTracks), which minimizes paperless processing and improves administrative efficiency, became operational on July 1, 2013. Medicaid is a federal entitlement program, which means individuals found eligible for Medicaid have legal rights to receive services and cannot be denied coverage by the State. In North Carolina, Medicaid is administered by the State and counties and financed with federal and state funds. Medicaid serves as the State's safety net program for eligible individuals who lose jobs and health insurance coverage. As such, it is sensitive to economic volatility. Higher growth rates occur during years of economic distress and when major Medicaid expansions are enacted. Lower growth rates occur when the Medicaid eligible population is stable or declining. DMA had an approximate \$12 million decrease in contracted personal services payments as it relates to the operation of NCTracks for payments processed to Medicaid providers. Since NCTracks became operational in fiscal year 2014, the majority of the developmental costs decreased by approximately \$46 million. Also, in fiscal year 2013, payments of approximately \$20 million were made on DMA contracts with four providers for utilization reviews and assessments. Those contracts expired in fiscal year 2013 and were not renewed. Data processing charges decreased as a result of reduced spending on the development of North Carolina Families Accessing Services Through Technology (NC FAST) software. Development costs will still be incurred until all modules of the project are fully implemented. NC FAST is designed to improve the way the Department and the 100 county departments of social services conduct business. NC FAST introduces new technological tools and business processes that will enable staff to spend less time performing administrative tasks and more time assisting families.

Total other financing sources decreased \$163.1 million, or 3% compared to the prior year. Of the changes occurring compared to prior year activity, most significant is the decrease in state appropriations as a result of the continuing decline in state resources. Transfer balances decreased as a result of adjustments made for receipts and disbursements related to entities outside of the Department. The prior year "unaudited" balance still includes those balances, which are not considered transfers within the reporting entity.

Financial Analysis of the Department's Fund Balance

The Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus on the Department's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. At June 30, 2014, the Department's governmental funds reported fund balance deficit of \$267,413,889, an increase of 22% from the prior fiscal yearend. Of this amount, negative \$393,370,331 is classified as unassigned fund balance in the General Fund (available for spending at the Department's discretion). The remainder of fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form (e.g., inventories), 2) restricted for particular purposes by external sources, 3) committed for particular purposes by the N.C. General Assembly, or 4) assigned for particular purposes by the Office of State Budget and Management. The fund balance deficit overall decrease is primarily attributable to the Division of Medical Assistance. This is due to the decrease in the accounts payable accruals of federal receipts for Private Hospital Equity and UPL in fiscal year 2014 in the amount of approximately \$420 million, which was partially offset by the \$214 million increase in medical claims payables.

General Fund - The Department has only one major governmental fund, the General Fund. The fund balance of the Department's General Fund increased \$61,265,159 (or 17.4%) to negative \$288,960,859 at June 30, 2014. One of the major budget drivers for the General Fund, historically, has been the Medicaid Program. Medicaid enrollment increased 8.5% in fiscal year

2014 to 1.73 million (or 17.4% of North Carolina's population). The enrollment growth was partially attributable to children that were transferred from the Health Insurance Program for Children to Medicaid. One of the major goals of the biennial budget passed during the 2013 Session was to avoid future Medicaid shortfalls by providing an appropriate factor for growth. However, despite efforts to avoid a budget shortfall, the General Assembly was again required to identify savings to provide additional funds for the Medicaid Program. The total estimated Medicaid budget shortfall for fiscal year 2014 of \$81.7 million was substantially less than the previous year's shortfall of \$496 million. Specific actions taken during the current period to mitigate growing population and expenditures in Medicaid included prior authorization for mental health drugs and other pharmacy improvements, rate reductions, modifications to hospital reimbursement, and increased retention of revenues generated by hospital assessments.

Economic Outlook

The 2014 Session of the General Assembly made adjustments to the second year of the General Fund biennial budget (i.e., fiscal year 2014-15). The initial biennial budget was enacted during the previous legislative session. The Appropriations Act of 2014 (Session Law 2014-100) addressed the Department's major budgetary priority by providing additional funding for the Medicaid Program.

North Carolina Department of Health and Human Services
Balance Sheet
Governmental Funds
June 30, 2014

Exhibit A-1

	<u>General Fund</u>	<u>Other Governmental Funds (1)</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash, Cash Equivalents, and Pooled Cash (Note 2)	\$ 103,155,377	\$ 32,691,457	\$ 135,846,834
Receivables, net:			
Accounts Receivable (Note 3)	134,596,586	694,461	135,291,047
Intergovernmental Receivables (Note 3)	943,425,828	-	943,425,828
Due From Other Funds	(198,219)	1,302,440	1,104,221
Inventories	11,343,483	34,102	11,377,585
	<u>1,192,323,055</u>	<u>34,722,460</u>	<u>1,227,045,515</u>
Total Assets			
LIABILITIES			
Accounts Payable and Accrued Liabilities:			
Accounts Payable (Note 5)	\$ 61,902,505	\$ 13,086,048	\$ 74,988,553
Intergovernmental Payables (Note 5)	276,888,789	37,279	276,926,068
Medical Claims Payable (Note 6)	986,720,030	-	986,720,030
Due to Other State Agencies and Funds	8,879,142	42,115	8,921,257
Due to UNC Hospitals	116,143,907	-	116,143,907
Other Liabilities	9,556,391	6,966	9,563,357
	<u>1,460,090,764</u>	<u>13,172,408</u>	<u>1,473,263,172</u>
Total Liabilities			
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue (Note 1-I)	21,193,150	3,081	21,196,231
	<u>21,193,150</u>	<u>3,081</u>	<u>21,196,231</u>
Total Deferred Inflows of Resources			
FUND BALANCE			
Fund Balance (Note 1-J and Note 11)			
Nonspendable	11,343,483	34,101	11,377,584
Restricted	57,966,810	1,256,213	59,223,023
Committed	21,583,220	30,699,610	52,282,830
Assigned	3,056,883	16,123	3,073,006
Unassigned	(382,911,255)	(10,459,076)	(393,370,331)
	<u>(288,960,859)</u>	<u>21,546,971</u>	<u>(267,413,888)</u>
Total Fund Balance			
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,192,323,055</u>	<u>\$ 34,722,460</u>	<u>\$ 1,227,045,515</u>

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

(1) See Note 1 and Exhibits O-1 through O-9

North Carolina Department of Health and Human Services
Balance Sheet
Governmental Funds
June 30, 2013

Exhibit A-2

	General Fund	Other Governmental Funds (1)	Total Governmental Funds
ASSETS			
Cash, Cash Equivalents, and Pooled Cash (Note 2)	\$ 102,688,319	\$ 16,616,231	\$ 119,304,550
Receivables, net:			
Accounts Receivable (Note 3)	116,169,780	631,911	116,801,691
Intergovernmental Receivables (Note 3)	1,088,617,970	1,424,565	1,090,042,535
Due From Other State Agencies and Funds	17,244,276	-	17,244,276
Inventories	12,036,529	39,782	12,076,311
Total Assets	\$ 1,336,756,874	\$ 18,712,489	\$ 1,355,469,363
LIABILITIES			
Accounts Payable and Accrued Liabilities:			
Accounts Payable (Note 5)	\$ 482,175,814	\$ 12,397,152	\$ 494,572,966
Intergovernmental Payables (Note 5)	275,942,452	25,475	275,967,927
Medical Claims Payable (Note 6)	780,842,959	-	780,842,959
Due to Other State Agencies and Funds	6,215,806	28,191	6,243,997
Due to UNC Hospitals	100,016,149	-	100,016,149
Other Liabilities	9,845,987	10,488	9,856,475
Total Liabilities	1,655,039,167	12,461,306	1,667,500,473
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue (Note 1-I)	31,943,725	37,676	31,981,401
Total Deferred Inflows of Resources	31,943,725	37,676	31,981,401
FUND BALANCE			
Fund Balance (Note 1-J and Note 11)			
Nonspendable	12,036,529	39,781	12,076,310
Restricted	38,367,558	1,442,713	39,810,271
Committed	28,859,697	14,353,903	43,213,600
Assigned	4,799,717	(4,237)	4,795,480
Unassigned	(434,289,519)	(9,618,653)	(443,908,172)
Total Fund Balance	(350,226,018)	6,213,507	(344,012,511)
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,336,756,874	\$ 18,712,489	\$ 1,355,469,363

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

(1) See Note 1 and exhibits O-1 through O-9

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

For the Fiscal Year Ended June 30, 2014 (With Comparative Unaudited Totals for June 30, 2013)

Exhibit A-3

	General Fund	Other Governmental Funds (1)	Total Governmental Funds	2013 (Unaudited)
REVENUES				
Federal Funds	\$ 12,867,206,092	\$ 59,203,266	\$ 12,926,409,358	\$ 13,664,040,043
Local Funds	131,499,114	-	131,499,114	133,055,112
Sales and Services	64,873,642	3,083,140	67,956,782	67,945,212
Fees, Licenses and fines (Note 8)	173,516,267	5,549,163	179,065,430	180,591,407
Revenues from Other State Agencies (Exhibit P-1)	60,436,203	80,701,143	141,137,346	317,448
Miscellaneous Revenue	90,933,792	699,468	91,633,260	92,644,262
Total Revenues	<u>13,388,465,110</u>	<u>149,236,180</u>	<u>13,537,701,290</u>	<u>14,138,593,484</u>
EXPENDITURES				
Personal Services	689,125,031	27,636,249	716,761,280	734,729,033
Employee Benefits	264,702,009	9,498,548	274,200,557	272,644,783
Contracted Personal Services	354,746,531	25,076,261	379,822,792	455,761,583
Supplies and Materials	54,978,599	1,473,181	56,451,780	63,561,980
Travel	8,820,056	228,204	9,048,260	9,512,225
Communication	10,771,505	268,717	11,040,222	10,511,241
Utilities	18,571,461	43,700	18,615,161	18,142,866
Data Processing Services	18,814,023	-	18,814,023	29,038,011
Other Services	15,049,159	1,095,112	16,144,271	16,771,728
Other Fixed Charges	11,423,991	293,979	11,717,970	9,897,871
Capital Outlay	14,347,447	57,422,389	71,769,836	105,478,633
Grants, State Aid and Subsidies (Exhibit D-1)	16,612,766,691	4,378,857	16,617,145,548	17,339,977,723
Expenditures to Other State Agencies (Exhibit P-2)	129,003,302	807	129,004,109	-
Other Expenditures	30,018,056	3,300,981	33,319,037	56,750,808
Total Expenditures	<u>18,233,137,861</u>	<u>130,716,985</u>	<u>18,363,854,846</u>	<u>19,122,778,485</u>
Excess of Revenues Over/(Under) Expenditures	<u>(4,844,672,751)</u>	<u>18,519,195</u>	<u>(4,826,153,556)</u>	<u>(4,984,185,001)</u>
OTHER FINANCING SOURCES (USES)				
State Appropriations	4,893,648,878	-	4,893,648,878	5,005,715,991
Transfers In (Note 10 & Exhibit P-3)	209,586,402	2,980,050	212,566,452	427,050,865
Transfers Out (Note 10 & Exhibit P-3)	(206,377,906)	(6,188,546)	(212,566,452)	(370,039,170)
Other	9,080,536	22,765	9,103,301	3,082,456
Total Other Financing Sources (Uses)	<u>4,905,937,910</u>	<u>(3,185,731)</u>	<u>4,902,752,179</u>	<u>5,065,810,142</u>
Net Change in Fund Balance	61,265,159	15,333,464	76,598,623	81,625,141
Fund Balance July 1, 2013	<u>(350,226,018)</u>	<u>6,213,507</u>	<u>(344,012,511)</u>	<u>(425,637,652)</u>
Fund Balance June 30, 2014	<u>\$ (288,960,859)</u>	<u>\$ 21,546,971</u>	<u>\$ (267,413,888)</u>	<u>\$ (344,012,511)</u>

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

(1) See Note 1 and Exhibits 0-1 through 0-9

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

- B. Basis of Presentation** – The Department’s records are maintained on a cash basis throughout the year, but adjustments are made at fiscal year-end to convert to generally accepted accounting principles in the United States (“U.S. GAAP”) as applicable to governmental entities. The financial statements are prepared according to GAAP as follows:

The Governmental Accounting Standards Boards (“GASB”) establishes standards of financial accounting and reporting for state and Local Governmental entities. GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* requires the presentation of both government-wide and fund level financial statements. The financial statements presented are governmental fund financial statements of the Department. Because the Department is not a separate legal or reporting entity, government-wide financial statements are not prepared.

The Department reports only one major fund, the General Fund, displayed in a separate column. The General Fund is the Department’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

The effect of interfund activity has been eliminated from these financial statements.

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

Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Generally, the Department considers revenues to be available if they are collected within 31 days of the end of the current fiscal period. Exceptions are federal revenues accrued for the matching share of the Medicaid Claims Payable, which the Department considers to be available if they are collected within 12 months after year-end. Other revenues are considered to be measurable and available only when cash is received by the Department. Expenditures generally are recorded when a liability is incurred, except for principal and interest on general long-term debt, claims and judgements, compensated absences, obligations for workers' compensation, which are recognized as expenditures when payment is due. Pension contributions to cost-sharing plans are recognized as expenditures in the period to which the payment relates, even if payment is not due until the subsequent period.

Since capital asset and long-term liability accounts relating to governmental funds are reported only in the governmental activities column of the government-wide financial statements these amounts are not included in the financial statements of the Department. However, amounts are reported in the Notes to the Financial Statements.

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

- D. Budgetary Control** – The State’s annual budget is prepared principally on the cash basis. The 1985 General Assembly enacted certain special provisions which state that the budget as certified in the appropriations act is the legal budget for all agencies, including the Department. These special provisions also state that agencies may spend more than was 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 authorized budget amounts.
- E. Cash and Cash Equivalents** – This classification includes petty cash and deposits held by the State Treasurer in the short-term investment fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit additional cash and may also withdraw cash at any time without prior notice or penalty.
- F. Receivables** – Receivables represents the amounts that have arisen in the ordinary course of business. Patient accounts receivable consist of unbilled (in house patients, inpatients discharged but not final billed and outpatients not final billed) and billed amounts. Payment of these charges comes primarily from Managed Care payers, Medicare, Medicaid and, to a lesser extent, the patient. These amounts are recorded in the financial statements net of contractual allowances and allowances for doubtful accounts to determine the net realizable value of accounts receivables.

The allowances recorded for these accounts are used to determine the net patient accounts receivable and are calculated based on the historical collection rates realized for the payer.

In addition to patient accounts receivable, the Department recognizes other receivables that have arisen in the ordinary course of business and are shown net of allowances for uncollectable amounts.

- G. Due to and Due from other Agencies and Funds** – Activities between funds or component units of the State of North Carolina are composed of amounts due from other funds or component units of the State of North Carolina. All amounts are considered collectible and therefore, no allowance for doubtful accounts is recorded.
- H. Inventories** – Inventories are recorded as expenditures when consumed rather than when purchased. In the fund financial statements, inventories are offset in a nonspendable fund balance account to indicate that they are not available for appropriation and are not expendable available financial resources.
- I. Deferred Inflows of Resources** – In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Department has unavailable revenues that qualify for reporting in this category. The governmental funds report unavailable revenues primarily from the following sources: sales and services, and fees, licenses, and fines. These amounts are deferred and recognized as revenues in the period that the amounts become available.
- J. Fund Balance** – Fund balance for governmental funds is reported in the following classifications depicting the relative strength of the constraints that control how specific amounts can be spent.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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

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

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

authority to perform certain powers and duties of this role as the Director of the Budget to OSBM.

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

The Department considers an expenditure to be made from the most restrictive resource (i.e., restricted, committed, assigned, and unassigned in that order) when more than one fund balance classification is available for use.

NOTE 2 - Cash and Cash Equivalents

The Department is required by *North Carolina General Statute 147-77* to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. The Department had no deposit policy concerning credit risk, as all deposits are held with the State Treasurer. At June 30, 2014 and June 30, 2013, respectively, \$135,846,834 and \$119,304,550 of the amounts shown on the Balance Sheet as cash and cash equivalents, and pooled cash represents the Department's equity position in the State Treasurer's Short Term Investment Fund. The STIF had a weighted average maturity of 1.3 and 1.6 years, as of June 30, 2014 and 2013 respectively. Assets and shares of the STIF are valued at amortized cost, which approximates fair value.

Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the STIF) are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controllers' Financial Reporting Section at (919)707-0500.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - RECEIVABLES

Receivables as of June 30, 2014, are reported net of allowances for doubtful accounts as follows:

	<u>Gross</u> <u>Accounts Receivable</u>	<u>Allowance for</u> <u>Doubtful Accounts</u>	<u>Net</u> <u>Accounts Receivable</u>
Accounts Receivable:			
Medical Assistance	\$ 156,296,215	\$ 71,336,872	\$ 84,959,343
Social Services	12,971,991	8,768,070	4,203,921
Public Health	3,464,008	343,927	3,120,081
Health Services	1,574,765	922,339	652,426
Mental Health	192,153,685	151,858,445	40,295,240
Other	1,408,547	54,990	1,353,557
	<u>367,869,211</u>	<u>233,284,643</u>	<u>134,584,568</u>
Total Accounts Receivable			
Other Accounts Receivable:			
Mental Health	703,856	-	703,856
Other	2,623	-	2,623
	<u>706,479</u>	<u>-</u>	<u>706,479</u>
Total Other Accounts Receivable			
Total Accounts Receivable	<u>\$ 368,575,690</u>	<u>\$ 233,284,643</u>	<u>\$ 135,291,047</u>

Receivables as of June 30, 2013, are reported net of allowances for doubtful accounts as follows:

	<u>Gross</u> <u>Accounts Receivable</u>	<u>Allowance for</u> <u>Doubtful Accounts</u>	<u>Net</u> <u>Accounts Receivable</u>
Accounts Receivable:			
Medical Assistance	\$ 161,136,050	\$ 97,087,951	\$ 64,048,099
Social Services	12,808,353	9,154,484	3,653,869
Public Health	3,819,695	329,857	3,489,838
Health Services	1,363,517	879,195	484,322
Mental Health	183,614,381	140,650,624	42,963,757
Other	1,560,049	67,190	1,492,859
	<u>364,302,045</u>	<u>248,169,301</u>	<u>116,132,744</u>
Total Accounts Receivable			
Other Accounts Receivable:			
Mental Health	668,430	-	668,430
Other	517	-	517
	<u>668,947</u>	<u>-</u>	<u>668,947</u>
Total Other Accounts Receivable			
Total Accounts Receivable	<u>\$ 364,970,992</u>	<u>\$ 248,169,301</u>	<u>\$ 116,801,691</u>

The accounts receivable balance is comprised of cost settlement, bed assessments, program integrity, third party recovery, drug rebates, and NCTracks (the multi-payer Medicaid Management Information System) provider overpayments. Cost settlement consists of receivables due from providers that provide Medicaid Cost Settlement Reports to DHHS verifying the actual cost of services rendered versus the amount of Medicaid claims. Bed assessment receivables consist of assessment fees due on a per-bed basis to nursing facilities and intermediate care facilities for individuals with intellectual disabilities. Program integrity receivables result from overpayments to providers due to fraud, abuse, errors, and related issues discovered during the audit process by internal staff or a third-part contractor. Third party receivables are the result of determining that an estate or private insurance policy is available to make payment on the claim. Drug rebates receivable represent the difference between the wholesale acquisition cost charged by the drug manufacturer and the net discounted price after adjusting the cost of the drug based upon the formulary tier and other related discounts to facilitate purchase of the drug. Provider overpayments from NCTracks represent balances due back from providers that were reimbursed at a rate that was higher than allowed based upon the latest reimbursement rates. All items are considered due upon receipt.

Intergovernmental receivable amounts are due from federal, County and local agencies and are considered collectible. Amounts due as of June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Due from Federal Agencies:		
Department of Health and Human Services	\$ 907,141,280	\$ 1,061,227,583
Department of Agriculture	28,136,151	17,891,685
Department of Education	2,036,959	4,797,932
Social Security Administration	1,481,285	1,394,069
Other	1,248,601	1,386,799
Due from County and Local Agencies	<u>3,381,552</u>	<u>3,344,467</u>
Total Intergovernmental Receivables	<u>\$ 943,425,828</u>	<u>\$ 1,090,042,535</u>

NOTE 4 - CAPITAL ASSETS

Capital assets, which include property, plant and equipment, are reported as expenditures in governmental funds. Consequently, capital asset balances are not reported on the face of the fund financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized. Donated capital assets are recorded at their estimated fair value at the date of donation.

Generally, capital assets are defined by the Department as assets with an initial value or cost greater than or equal to \$5,000 and an estimated useful life of two or more years, except for internally generated computer software and other intangible assets, which are capitalized when the value or cost is greater than or equal to \$1 million and \$100 thousand, respectively. The value of assets constructed by the Department units for their own use includes all material direct and indirect construction costs that are incurred as a result of the construction. The depreciation methods and estimated useful lives generally used by the Department are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

Depreciation is recorded at the statewide level. A summary of changes in capital assets of the Department for the fiscal year ended June 30, 2014 is presented below:

	July 1, 2013	Increases	Decreases	June 30, 2014
Capital Assets, Nondepreciable:				
Land	\$ 1,128,069	\$ -	\$ -	\$ 1,128,069
Construction in Progress	168,028,616	50,841,698	(7,924,209)	210,946,105
Computer Software in Development	408,867,050	120,866,711	(239,235,465)	290,498,296
Total Capital Assets, Nondepreciable	<u>578,023,735</u>	<u>171,708,409</u>	<u>(247,159,674)</u>	<u>502,572,470</u>
Capital Assets, Depreciable:				
Buildings	515,547,372	3,939,671	(443,284)	519,043,759
Machinery and Equipment	110,077,133	624,125	(6,268,897)	104,432,361
General Infrastructure	78,876,727	1,705,911	(108,563)	80,474,075
Computer Software	694,142	239,235,465	-	239,929,607
Total Capital Assets, Depreciable	<u>705,195,374</u>	<u>245,505,172</u>	<u>(6,820,744)</u>	<u>943,879,802</u>
Less Accumulated Depreciation for:				
Buildings	131,105,568	8,907,356	(182,659)	139,830,265
Machinery and Equipment	46,472,310	5,517,579	(4,219,696)	47,770,193
General Infrastructure	24,948,452	1,683,136	(26,111)	26,605,477
Computer Software	69,414	4,772,295	-	4,841,709
Total Accumulated Depreciation	<u>202,595,744</u>	<u>20,880,366</u>	<u>(4,428,466)</u>	<u>219,047,644</u>
Total Capital Assets, Depreciable, Net	<u>502,599,630</u>	<u>224,624,806</u>	<u>(2,392,278)</u>	<u>724,832,158</u>
Capital Assets, Net	<u>\$ 1,080,623,365</u>	<u>\$ 396,333,215</u>	<u>\$ (249,551,952)</u>	<u>\$ 1,227,404,628</u>

NOTE 5 - ACCOUNTS PAYABLE

Accounts payable by division as of June 30, 2014, were as follows:

	Accounts Payable	Contract Retainage	Other	Total
Mental Health	\$ 21,508,143	\$ 8,483,354	\$ 1,574,652	\$ 31,566,149
Public Health	16,444,557	908,181	129,194	17,481,932
Medical Assistance	10,149,036	-	18,657	10,167,693
Central Administration	8,793,740	-	(1,633,992)	7,159,748
Social Services	4,274,162	-	49,582	4,323,744
Other	3,947,480	55,044	286,763	4,289,287
Total Accounts Payable	<u>\$ 65,117,118</u>	<u>\$ 9,446,579</u>	<u>\$ 424,856</u>	<u>\$ 74,988,553</u>

NOTES TO THE FINANCIAL STATEMENTS

Accounts payable by division as of June 30, 2013, were as follows:

	<u>Accounts Payable</u>	<u>Contract Retainage</u>	<u>Other</u>	<u>Total</u>
Mental Health	\$ 43,006,502	\$ 6,349,202	\$ 1,111,353	\$ 50,467,057
Public Health	12,718,608	986,092	104,523	13,809,223
Medical Assistance	404,294,642	-	11,885	404,306,527
Central Administration	13,831,668	-	(1,159,390)	12,672,278
Social Services	5,639,352	-	34,123	5,673,475
Other	7,177,853	104,279	362,274	7,644,406
Total Accounts Payable	<u>\$ 486,668,625</u>	<u>\$ 7,439,573</u>	<u>\$ 464,768</u>	<u>\$ 494,572,966</u>

Intergovernmental payables include amounts due to federal agencies and North Carolina counties, primarily for administration of DHHS programs. Intergovernmental Payables as of June 30, 2014, and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Due to Federal Agencies:		
Department of Health and Human Services	\$ 128,426,432	\$ 147,825,798
Department of Education	-	1,116,135
Department of Agriculture	3,299,210	2,716,944
Other	192,022	70,919
Due to North Carolina Counties	<u>145,008,404</u>	<u>124,238,131</u>
Total Intergovernmental Payables	<u>\$ 276,926,068</u>	<u>\$ 275,967,927</u>

NOTE 6 - MEDICAL CLAIMS PAYABLE

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

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

The Medicaid claims payable is offset by an intergovernmental receivable of approximately 67%, reimbursed by the U.S. Department of Health and Human Services, the Centers for Medicare and Medicaid Services.

NOTE 7 - Changes in Long-Term Liabilities

General long-term liabilities are not recognized in governmental funds until they become due. Consequently, general long-term liabilities not yet due are not reported on the face of the fund financial statements. Compensated Absences are the only significant general long-term liabilities of the Department. Employees of the Department are permitted to accumulate earned but unused vacation pay benefits. These amounts are reported only as payments come due each period upon the occurrence of relevant events such as employee resignations and retirements. Consequently, compensated absence balances are not reported on the face of the fund financial statements. When determining the vacation pay liability due within one year, leave is considered taken on a last in, first out (LIFO) basis. The Department's policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of 30 days at calendar year-end is converted to sick leave.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on December 31 is retained by employees and transferred into the next calendar year. It is not part of the 30 day maximum applicable to regular vacation leave and is not subject to conversion to sick leave.

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

A summary of changes in the Department's compensated absences for the year ended June 30, 2014 are as follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Reduction</u>	<u>June 30, 2014</u>	<u>Due within One Year</u>
Compensated Absences	<u>\$ 86,240,819</u>	<u>\$ 58,783,676</u>	<u>\$ 60,315,136</u>	<u>\$ 84,709,359</u>	<u>\$ 8,115,266</u>

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NOTE 8 - FEES, LICENSES AND FINES REVENUES

The Fees, Licenses and Fines for the fiscal year ended June 30, 2014 were as follows:

Fees, Licenses, and Fines	Central Administration	Medical Assistance	Child Development	Health Services
Business License Fees	\$ -	\$ -	\$ 1,199,044	\$ 8,700,328
Non-Business Permit and License Fees	-	-	-	-
Certification Fees	-	-	-	109,885
Inspection and Examination Fees	-	-	-	-
Fines, Penalties, and Assessment Fees	-	1,308,966	23,250	2,496,478
Registration Fees	1,750	-	71,719	63,815
Other Licenses, Fees, and Permits	-	-	705,878	3,462,786
Nursing Home Assessments	-	1,536,222	-	-
Intermediate Care Facilities Assessments	-	122,859,088	-	-
Provider Enrollments Fees	-	19,325,509	-	-
Miscellaneous	589,482	-	-	25
Civil Fines and Penalties - Transfers	-	-	(22,200)	(191,032)
Totals	\$ 591,232	\$ 145,029,785	\$ 1,977,691	\$ 14,642,285

NOTES TO THE FINANCIAL STATEMENTS

Public Health	Aging	Blind Services	Vocational Rehabilitation	Social Services	Mental Health	Total Governmental
\$ 4,328,915	\$ -	\$ -	\$ -	\$ -	\$ 440,725	\$ 14,669,012
2,305,501	-	-	-	330,650	5	2,636,156
526,360	-	-	-	-	-	636,245
1,543,996	-	-	-	-	-	1,543,996
308,340	-	-	-	-	395	4,137,429
7,770	48,569	-	-	-	825	194,448
2,278,958	-	4,944,216	-	-	1,613	11,393,451
-	-	-	-	-	-	1,536,222
-	-	-	-	-	-	122,859,088
-	-	-	-	-	-	19,325,509
-	-	2	-	600	25	590,134
(242,207)	-	-	-	-	(821)	(456,260)
<u>\$ 11,057,633</u>	<u>\$ 48,569</u>	<u>\$ 4,944,218</u>	<u>\$ -</u>	<u>\$ 331,250</u>	<u>\$ 442,767</u>	<u>\$ 179,065,430</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - LEASE OBLIGATIONS – OPERATING

The Department has entered into various operating leases for office space and for communications, computers, and other equipment. Any operating leases with scheduled rent increases are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses of the related funds when incurred. For the year ended June 30, 2014, total operating lease expenditures were \$16,846,537.

Future minimum lease commitments for noncancelable operating leases as of June 30, 2014 are as follows:

Fiscal Year	Operating Leases	
2015	\$	17,144,128
2016		13,617,786
2017		11,420,803
2018		6,083,379
2019		3,621,752
2020 - Beyond		706,695
Total future minimum payments	\$	<u>52,594,543</u>

NOTE 10 - INTERFUND TRANSFERS

Transfers in/out of other funds for the fiscal year ended June 30, 2014 consisted of the following:

	Transfers In			
	General Fund	Special Revenue Fund	Capital Projects Fund	Total
Transfers Out				
General Fund	\$ 204,084,639	\$ 2,293,267	\$ -	\$ 206,377,906
Special Revenue	5,501,763	335,103	103,830	5,940,696
Capital Projects Fund	-	-	247,850	247,850
Total	<u>\$ 209,586,402</u>	<u>\$ 2,628,370</u>	<u>\$ 351,680</u>	<u>\$ 212,566,452</u>

Transfers are primarily used to (1) transfer revenues and bond proceeds from the fund required by State statute or budget to collect the revenue to the fund required by State statute or budget to expend them, (2) provide unrestricted revenues collected in the General Fund to finance operating and capital programs accounted for in other funds in accordance with budgetary authorizations, and (3) reflect reversions of State funds from other funds to the General Fund in accordance with Office of State Budget and Management or legislative requirements.

Intrafund transfers have been included in the amounts above. These were not eliminated due to the user interest in transfers at the division level. Intrafund transfers were \$204,084,639 for General Fund, \$335,106 for Special Revenue Fund, and \$247,850 for Capital Projects Funds. Intrafund transfers, for the purposes of these financial statements, are defined as those transfers that occur within the same fund, inclusive of those transfers that are between divisions in the same fund. Refer to Supplementary Schedule Transfers by Division (Exhibit P-3) for a disaggregation of these transfers by division.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 - FUND BALANCE

The details of the fund balance classifications as explained in Note 1-J for governmental funds as of June 30, 2014 and 2013 are as follows:

	2014		
	General Fund	Other Governmental Funds	Total
Nonspendable:			
Central Administration	\$ 5,099,982	\$ -	\$ 5,099,982
Mental Health	6,243,501	34,101	6,277,602
Total Nonspendable	<u>11,343,483</u>	<u>34,101</u>	<u>11,377,584</u>
Restricted:			
Central Administration	1,268,572	-	1,268,572
Social Services	1,867,553	-	1,867,553
Medical Assistance	40,804,645	-	40,804,645
Blind Services	4,784	3,755	8,539
Health Services	14,005,966	-	14,005,966
Vocational Rehabilitation	-	423,416	423,416
Public Health	15,290	-	15,290
Mental Health	-	829,042	829,042
Total Restricted	<u>57,966,810</u>	<u>1,256,213</u>	<u>59,223,023</u>
Committed:			
Central Administration	15,026,084	128,102	15,154,186
Aging	38,825	-	38,825
Child Development	644,657	655,811	1,300,468
Social Services	1,532,244	-	1,532,244
Medical Assistance	278,171	-	278,171
Blind Services	-	7,493,520	7,493,520
Health Services	2,296,577	-	2,296,577
Vocational Rehabilitation	340,772	255,456	596,228
Public Health	251,428	2,145,164	2,396,592
Mental Health	1,174,462	20,021,557	21,196,019
Total Committed	<u>21,583,220</u>	<u>30,699,610</u>	<u>52,282,830</u>
Assigned:			
Central Administration	3,056,883	-	3,056,883
Aging	-	-	-
Blind Services	-	16,123	16,123
Total Assigned	<u>3,056,883</u>	<u>16,123</u>	<u>3,073,006</u>
Unassigned:			
Central Administration	418,778	-	418,778
Aging	(2,386,952)	-	(2,386,952)
Child Development	(4,802,440)	(857)	(4,803,297)
Social Services	(3,147,015)	(38,859)	(3,185,874)
Medical Assistance	(391,108,074)	-	(391,108,074)
Blind Services	(65,586)	-	(65,586)
Health Services	1,539,739	-	1,539,739
Vocational Rehabilitation	129,917	-	129,917
Public Health	2,339,202	(1,001,617)	1,337,585
Mental Health	14,171,176	(9,417,743)	4,753,433
Total Unassigned	<u>(382,911,255)</u>	<u>(10,459,076)</u>	<u>(393,370,331)</u>
Total Fund Balance	<u>\$ (288,960,859)</u>	<u>\$ 21,546,971</u>	<u>\$ (267,413,888)</u>

NOTES TO THE FINANCIAL STATEMENTS

2013		
General Fund	Other Governmental Funds	Total
\$ 5,802,929	\$ -	\$ 5,802,929
6,233,600	39,781	6,273,381
<u>12,036,529</u>	<u>39,781</u>	<u>12,076,310</u>
823,393	-	823,393
2,323,090	-	2,323,090
22,674,758	-	22,674,758
5,790	51,343	57,133
12,424,180	-	12,424,180
108,918	514,154	514,154
7,429	-	108,918
<u>38,367,558</u>	<u>877,216</u>	<u>884,645</u>
<u>38,367,558</u>	<u>1,442,713</u>	<u>39,810,271</u>
19,405,430	444,806	19,850,236
-	-	-
510,475	654,508	1,164,983
1,743,819	-	1,743,819
-	-	-
-	2,652,470	2,652,470
4,276,028	-	4,276,028
454,875	366,632	821,507
464,525	2,062,167	2,526,692
2,004,545	8,173,320	10,177,865
<u>28,859,697</u>	<u>14,353,903</u>	<u>43,213,600</u>
4,664,842	-	4,664,842
134,875	-	134,875
-	(4,237)	(4,237)
<u>4,799,717</u>	<u>(4,237)</u>	<u>4,795,480</u>
(2,196,276)	-	(2,196,276)
(2,571,391)	-	(2,571,391)
10,485,746	-	10,485,746
(2,062,428)	157,096	(1,905,332)
(431,245,597)	-	(431,245,597)
(35,910)	-	(35,910)
(352,338)	-	(352,338)
(1,461,390)	-	(1,461,390)
7,329,487	(958,182)	6,371,305
(12,179,422)	(8,817,567)	(20,996,989)
<u>(434,289,519)</u>	<u>(9,618,653)</u>	<u>(443,908,172)</u>
<u>\$ (350,226,018)</u>	<u>\$ 6,213,507</u>	<u>\$ (344,012,511)</u>

NOTE 12 - RETIREMENT PLANS

Teachers' and State Employees' Retirement System - Each permanent full-time employee, as a condition of employment, is a member of the Teachers' and State Employees' Retirement System. The Teachers' and State Employees' Retirement System (TSERS) is a cost-sharing multiple-employer defined benefit pension plan established by the State to provide pension benefits for employees of the State, its component units, and local boards of education. TSERS is administered by a 14-member Board of Trustees, with the State Treasurer serving as Chairman of the Board.

Benefit and contribution provisions for the TSERS are established by *North Carolina General Statutes* 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. For the year ended June 30, 2014, these rates were set at 8.69% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the Department had a total payroll of \$727,265,677, of which \$721,099,242 was covered under the TSERS. Total employer and employee contributions for pension benefits for the year were \$62,663,525 and \$43,265,955, respectively.

Required employer contribution rates for the fiscal years ended June 30, 2013, and 2012, were 8.33% and 7.44%, respectively, while employee contributions were 6% each year. The Department made 100% of its annual required contributions for the fiscal years ended June 30, 2014, 2013, and 2012, which were \$62,663,525, \$60,811,630, and \$53,371,697, respectively.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS

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

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

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

For the current fiscal year the Department contributed 5.40% of the covered payroll under the Teachers' and State Employees' Retirement System. Required contribution rates for the years ended June 30, 2013, and 2012, were 5.30% and 5.0%, respectively. The Department made 100% of its annual required contributions to the Plan for the years ended June 30, 2014, 2013, and 2012, which were \$38,939,359, \$38,691,673, and \$35,868,076, respectively. The Department assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

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

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

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2014, the Department made a statutory contribution of .44% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. Required contribution rates for the years ended June 30, 2013, and 2012, were .44% and .52%,

respectively. The Department made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2014, 2013, and 2012, which were \$3,172,837, \$3,212,139, and \$3,730,280, respectively. The Department assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

NOTE 14 - RISK MANAGEMENT AND INSURANCE

Automobile, Fire, and Other Property Losses

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.

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.

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

Professional Liability Insurance for State Medical Personnel

Chapter 237, Section 11.33, of the 1999 Session Laws of North Carolina authorized the Department of Health and Human Services to provide medical liability coverage on behalf of employees licensed to practice medicine or dentistry; all licensed physicians who are faculty members of the University of North Carolina who work on contract for the Division of Mental Health, Developmental Disabilities, and Substance Abuse

Services for incidents that occur in Division programs; and on behalf of medical residents from the University of North Carolina who are in training at institutions operated by the Department of Health and Human Services. The extent of coverage is a maximum of \$1 million for each individual incident and does not affect current coverage under the State Tort Claims Act. The Department of Health and Human Services purchases commercial professional liability insurance for their medical staff. Settled claims have not exceeded coverage in any of the past three fiscal years.

Public Officers' and Employees' Liability Insurance

The risk of tort claims of up to \$1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$10,000,000 via contract with a private insurance company. The Department pays the premium, based on a composite rate, directly to the private insurer.

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 \$75,000 deductible.

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. The program also includes employees of the public schools whose salaries are paid with state funds. 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.

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

Additional details on the state-administered risk management programs are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports," or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Litigation

Pashby v. Wos – Personal Care Services Program. This case is a class action lawsuit in Federal District Court involving challenges to the Personal Care Services Program (PCS) in North Carolina. The Plaintiffs have alleged violations of the ADA, Rehabilitation Act, due process, and the Medicaid Act based on a change in the eligibility criteria for a Medicaid beneficiary to receive personal care services. The Plaintiffs alleged that the eligibility criteria for PCS differed between Medicaid beneficiaries receiving PCS in their home as opposed to in an Adult Care Home and which would then force Medicaid beneficiaries into Adult Care Homes in order to receive PCS. The District Court certified the class and entered a Preliminary Injunction in December 2011 which was appealed to the Fourth Circuit Court of Appeals. The 4th Circuit entered a stay of the District Court Preliminary Injunction but in April 2013 issued an opinion upholding the Preliminary Injunction and remanded the matter. Upon remand, defendants filed a motion to dismiss which was denied and the plaintiffs filed a motion to amend their complaint and amend the class definition to expand the class to Medicaid beneficiaries affected by a subsequent change in PCS policy effective January 1, 2013. The District Court allowed both of plaintiffs' motions and defendants are in the process of answering the amended complaint. At this stage of the litigation, the likelihood of any potential liability cannot be determined as "probable" or "remote." Likewise, any potential liability to the State cannot be reasonably estimated.

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 State. As of June 30, 2014, the State is unable to estimate what liabilities may result from such audits.

Construction and Other Commitments

As of June 30, 2014, the Department had commitments of \$1,482,912 related to construction and improvements of state government facilities.

NOTE 16 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2014, the Department implemented GASB Statement No. 65, *Items previously Reported as Assets and Liabilities*. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities

and recognizes, as expenses or revenues, certain items that were previously reported as assets or liabilities. Statement No. 65 also limits the use of the term “deferred” in financial statement presentations. The implementation of Statement No. 65 resulted in reclassification of unavailable revenues in governmental funds to deferred inflows of resources.

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, 2014**

Exhibit B-1

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Certified	Authorized		
REVENUES				
Federal Grants	\$ 10,965,639,542	\$ 11,559,011,332	\$ 11,028,352,093	\$ (530,659,239)
Local Grants	707,048,262	764,683,884	734,494,040	(30,189,844)
Provider Match	349,044,017	373,384,325	331,386,579	(41,997,746)
Local Match and Program Income	10,704,701	10,001,447	9,822,667	(178,780)
Sales, Services, & Rentals	67,522,049	63,897,022	63,968,336	71,314
Fees, Licenses and Fines	659,453,732	895,162,842	882,333,030	(12,829,812)
Contributions and Donations	232,400	232,400	86,755	(145,645)
Investment Income	-	-	104,452	104,452
Miscellaneous	322,405,432	332,110,606	(8,626,640)	(340,737,246)
Total Revenues	13,082,050,135	13,998,483,858	13,041,921,312	(956,562,546)
EXPENDITURES				
Personal Services	1,050,740,393	989,251,186	938,268,996	50,982,190
Purchased Services	387,298,779	452,232,981	358,963,240	93,269,741
Supplies	60,947,593	59,128,995	54,766,169	4,362,826
Property, Plant, and Equipment	12,940,596	18,289,746	12,864,888	5,424,858
Other Expenditures & Adjustments	19,683,771	26,202,321	22,548,886	3,653,435
Aid & Public Assistance	16,270,565,309	17,199,377,454	16,672,106,298	527,271,156
Reserves	56,902,223	11,173,845	-	11,173,845
Total Expenditures	17,859,078,664	18,755,656,528	18,059,518,477	696,138,051
Excess of Revenues Over (Under) Expenditures	(4,777,028,529)	(4,757,172,670)	(5,017,597,165)	(260,424,495)
OTHER FINANCING SOURCES (USES)				
Transfers From Other Departments or Funds	604,122,627	408,076,834	518,066,608	109,989,774
Transfers to Other Departments or Funds	(825,040,921)	(648,564,348)	(394,118,321)	254,446,027
State Appropriation	4,997,946,823	4,997,660,184	4,893,648,878	(104,011,306)
Total Other Financing Sources (Uses)	4,777,028,529	4,757,172,670	5,017,597,165	260,424,495
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ -	\$ -	\$ -

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

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

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

The following table presents a reconciliation of resulting basis and timing differences in the fund balances (budgetary basis) at June 30, 2014 to the fund balances on a modified accrual basis (GAAP).

Fund Balance (budgetary basis) June 30, 2014	\$ -
Reconciling Adjustments:	
Basis Differences:	
Accrued Revenues:	
Receivable	1,089,167,678
Payable	(1,460,090,764)
Deferred Inflows	(21,193,150)
Total Accrued Expenditures	(392,116,236)
Timing Differences:	
Authorized Cash Carryforward	54,764,035
Other adjustments:	
Cash	48,391,342
Fund Balance (GAAP basis) June 30, 2014	\$ (288,960,859)

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SUPPLEMENTARY INFORMATION

North Carolina Department of Health and Human Services
Combining Balance Sheet
By Division
June 30, 2014

Exhibit C-1

	Central Administration (1)	Medical Assistance (2)	Child Development (3)	Health Services (4)
ASSETS				
Cash, Cash Equivalents, and Pooled Cash (Note 2)	\$ 25,057,997	\$ 42,369,114	\$ 701,596	\$ 18,473,879
Receivables, net:				
Accounts Receivable (Note 3)	45,792	84,959,343	651,078	652,426
Intergovernmental Receivables (Note 3)	11,262,950	800,088,158	29,898,332	1,377,553
Due From Other Funds	966,311	-	-	167
Inventories	5,099,982	-	-	-
Total Assets	\$ 42,433,032	\$ 927,416,615	\$ 31,251,006	\$ 20,504,025
LIABILITIES				
Accounts Payable and Accrued Liabilities				
Accounts Payable (Note 5)	\$ 7,159,748	\$ 10,167,693	\$ 1,230,011	\$ 1,175,039
Intergovernmental Payables (Note 5)	5,356,311	159,776,964	33,425,053	23,358
Medical Claims Payable (Note 6)	-	984,582,106	-	-
Due to Other State Agencies and Funds	5,532,963	181,191	91,998	247,014
Due to UNC Hospitals	-	116,143,907	-	-
Other Liabilities	-	6,589,406	-	-
Total Liabilities	18,049,022	1,277,441,267	34,747,062	1,445,411
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue (Note 1-1)	8,706	606	6,773	593,235
Total Deferred Inflows of Resources	8,706	606	6,773	593,235
FUND BALANCE				
Fund Balance (Note 11)	24,375,304	(350,025,258)	(3,502,829)	18,465,379
Total Fund Balance	24,375,304	(350,025,258)	(3,502,829)	18,465,379
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 42,433,032	\$ 927,416,615	\$ 31,251,006	\$ 20,504,025

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

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

Exhibit C-1

Public Health (5)	Aging (6)	Blind Services (7)	Vocational Rehabilitation (8)	Social Services (9)	Mental Health (10)	Total Governmental Funds
\$ 2,411,376	\$ 38,825	\$ 7,479,559	\$ 1,046,573	\$ 2,743,244	\$ 35,524,671	\$ 135,846,834
3,120,081	-	394,552	264,758	4,203,921	40,999,096	135,291,047
27,580,451	5,110,961	422,833	1,445,266	62,009,396	4,229,928	943,425,828
6,777	7,680	5,142	2,121	109,730	6,293	1,104,221
-	-	-	-	-	6,277,603	11,377,585
<u>\$ 33,118,685</u>	<u>\$ 5,157,466</u>	<u>\$ 8,302,086</u>	<u>\$ 2,758,718</u>	<u>\$ 69,066,291</u>	<u>\$ 87,037,591</u>	<u>\$ 1,227,045,515</u>
\$ 17,481,932	\$ 273,759	\$ 544,204	\$ 1,066,274	\$ 4,323,744	\$ 31,566,149	\$ 74,988,553
10,646,709	7,226,848	1,235	89,516	59,460,875	919,199	276,926,068
232,094	-	131,393	213,583	1,560,854	-	986,720,030
727,064	4,986	172,549	235,332	226,522	1,501,638	8,921,257
-	-	-	-	-	-	116,143,907
-	-	-	12	2,966,927	7,012	9,563,357
<u>29,087,799</u>	<u>7,505,593</u>	<u>849,381</u>	<u>1,604,717</u>	<u>68,538,922</u>	<u>33,993,998</u>	<u>1,473,263,172</u>
281,419	-	109	4,440	313,446	19,987,497	21,196,231
<u>281,419</u>	<u>-</u>	<u>109</u>	<u>4,440</u>	<u>313,446</u>	<u>19,987,497</u>	<u>21,196,231</u>
3,749,467	(2,348,127)	7,452,596	1,149,561	213,923	33,056,096	(267,413,888)
<u>3,749,467</u>	<u>(2,348,127)</u>	<u>7,452,596</u>	<u>1,149,561</u>	<u>213,923</u>	<u>33,056,096</u>	<u>(267,413,888)</u>
<u>\$ 33,118,685</u>	<u>\$ 5,157,466</u>	<u>\$ 8,302,086</u>	<u>\$ 2,758,718</u>	<u>\$ 69,066,291</u>	<u>\$ 87,037,591</u>	<u>\$ 1,227,045,515</u>

North Carolina Department of Health and Human Services
Combining Balance Sheet
By Division
June 30, 2013

Exhibit C-2

	Central Administration (1)	Medical Assistance (2)	Child Development (3)	Health Services (4)
ASSETS				
Cash, Cash Equivalents, and Pooled Cash (Note 2)	\$ 41,935,164	\$ 23,965,935	\$ 776,143	\$ 16,709,221
Receivables, net:				
Accounts Receivable (Note 3)	595,112	64,048,099	522,823	484,322
Intergovernmental Receivables (Note 3)	12,953,407	946,046,663	25,731,564	1,125,147
Due From Other State Agencies	15,910	-	17,048,291	-
Inventories	5,802,929	-	-	-
	<u>61,302,522</u>	<u>1,034,060,697</u>	<u>44,078,821</u>	<u>18,318,690</u>
Total Assets	<u>\$ 61,302,522</u>	<u>\$ 1,034,060,697</u>	<u>\$ 44,078,821</u>	<u>\$ 18,318,690</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities				
Accounts Payable (Note 5)	\$ 12,672,278	\$ 404,306,527	\$ 1,792,113	\$ 1,237,556
Intergovernmental Payables (Note 5)	17,203,907	153,685,646	30,528,462	24,139
Medical Claims Payable (Note 6)	-	777,705,351	-	-
Due to Other State Agencies and Funds	853,465	2,360,564	94,087	248,370
Due to UNC Hospitals	1,555,196	97,983,543	-	-
Other Liabilities	66,514	6,589,406	-	-
	<u>32,351,360</u>	<u>1,442,631,037</u>	<u>32,414,662</u>	<u>1,510,065</u>
Total Liabilities	<u>32,351,360</u>	<u>1,442,631,037</u>	<u>32,414,662</u>	<u>1,510,065</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue (Note 1-I)	6,038	499	13,430	460,755
	<u>6,038</u>	<u>499</u>	<u>13,430</u>	<u>460,755</u>
Total Deferred Inflows of Resources	<u>6,038</u>	<u>499</u>	<u>13,430</u>	<u>460,755</u>
FUND BALANCE				
Fund Balance (Note 11)	28,945,124	(408,570,839)	11,650,729	16,347,870
	<u>28,945,124</u>	<u>(408,570,839)</u>	<u>11,650,729</u>	<u>16,347,870</u>
Total Fund Balance	<u>28,945,124</u>	<u>(408,570,839)</u>	<u>11,650,729</u>	<u>16,347,870</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 61,302,522</u>	<u>\$ 1,034,060,697</u>	<u>\$ 44,078,821</u>	<u>\$ 18,318,690</u>

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

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

Exhibit C-2

Public Health (5)	Aging (6)	Blind Services (7)	Vocational Rehabilitation (8)	Social Services (9)	Mental Health (10)	Total Governmental Funds
\$ 2,646,792	\$ 134,875	\$ 2,896,658	\$ 1,370,109	\$ 3,125,381	\$ 25,744,272	\$ 119,304,550
3,489,838	-	365,638	9,803	3,653,869	43,632,187	116,801,691
26,779,274	4,373,972	660,415	3,946,426	65,340,737	3,084,930	1,090,042,535
534	-	-	-	26,184	153,357	17,244,276
-	-	-	-	-	6,273,382	12,076,311
\$32,916,438	\$ 4,508,847	\$ 3,922,711	\$ 5,326,338	\$ 72,146,171	\$ 78,888,128	\$ 1,355,469,363
\$13,809,223	\$ 577,874	\$ 781,846	\$ 3,255,017	\$ 5,673,475	\$ 50,467,057	\$ 494,572,966
8,957,820	6,359,707	(7,788)	672,867	58,206,646	336,521	275,967,927
-	-	455,706	1,310,977	1,370,925	-	780,842,959
314,976	7,782	22,862	208,161	1,620,881	512,849	6,243,997
476,576	-	-	834	-	-	100,016,149
8,330	-	520	-	2,692,844	498,861	9,856,475
23,566,925	6,945,363	1,253,146	5,447,856	69,564,771	51,815,288	1,667,500,473
342,598	-	109	4,211	419,823	30,733,938	31,981,401
342,598	-	109	4,211	419,823	30,733,938	31,981,401
9,006,915	(2,436,516)	2,669,456	(125,729)	2,161,577	(3,661,098)	(344,012,511)
9,006,915	(2,436,516)	2,669,456	(125,729)	2,161,577	(3,661,098)	(344,012,511)
\$32,916,438	\$ 4,508,847	\$ 3,922,711	\$ 5,326,338	\$ 72,146,171	\$ 78,888,128	\$ 1,355,469,363

North Carolina Department of Health and Human Services
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
By Division

For the Fiscal Year Ended June 30, 2014 (With Comparative Unaudited Totals for June 30, 2013) Exhibit C-3

	Central Administration (1)	Medical Assistance (2)	Child Development (3)	Health Services (4)
REVENUES				
Federal Funds	\$ 141,764,317	\$ 7,929,750,651	\$ 340,270,297	\$ 28,721,045
Local Funds	213,424	12,782	-	409,050
Sales and Services	104,881	-	515	487,461
Fees, Licenses and fines (Note 8)	591,232	145,029,785	1,977,691	14,642,285
Revenues from Other State Agencies (Exhibit P-1)	11,912	-	58,501,309	335,911
Miscellaneous Revenue	1,883,304	991,544	15,479	495,311
Total Revenues	<u>144,569,070</u>	<u>8,075,784,762</u>	<u>400,765,291</u>	<u>45,091,063</u>
EXPENDITURES				
Personal Services	48,609,096	19,389,574	12,412,231	27,372,614
Employee Benefits	15,240,944	6,658,957	4,761,647	9,652,483
Contracted Personal Services	115,059,147	118,054,498	10,365,193	4,040,496
Supplies and Materials	2,037,071	173,635	76,551	169,505
Travel	1,972,458	88,960	453,995	1,539,747
Communication	2,679,305	280,239	275,478	548,856
Utilities	3,620,363	-	-	48,490
Data Processing Services	18,055,505	-	546,947	2,795
Other Services	993,000	159,066	885,969	410,452
Other Fixed Charges	5,667,370	154,187	49,828	355,762
Capital Outlay	2,540,180	606,382	153,112	3,081,313
Grants, State Aid and Subsidies (Exhibit D-1)	24,658,563	11,367,362,837	622,951,061	5,643,270
Expenditures to Other State Agencies (Exhibit P-2)	38,900	125,921,210	18,375	2,458,874
Other Expenditures	2,310,810	757,370	4,420,812	1,368,009
Total Expenditures	<u>243,482,712</u>	<u>11,639,606,915</u>	<u>657,371,199</u>	<u>56,692,666</u>
Excess of Revenues Over (Under) Expenditures	<u>(98,913,642)</u>	<u>(3,563,822,153)</u>	<u>(256,605,908)</u>	<u>(11,601,603)</u>
OTHER FINANCING SOURCES (USES)				
State Appropriations	87,884,150	3,462,442,357	244,119,926	15,088,538
Transfers In (Note 10 & Exhibit P-3)	23,667,332	156,948,749	-	2,480,932
Transfers Out (Note 10 & Exhibit P-3)	(17,208,725)	(5,994,125)	(2,668,026)	(3,850,502)
Other	1,065	8,970,753	450	144
Total Other Financing Sources (Uses)	<u>94,343,822</u>	<u>3,622,367,734</u>	<u>241,452,350</u>	<u>13,719,112</u>
Net Change in Fund Balance	(4,569,820)	58,545,581	(15,153,558)	2,117,509
Fund Balance - July 1	28,945,124	(408,570,839)	11,650,729	16,347,870
Fund Balance - June 30	<u>\$ 24,375,304</u>	<u>(350,025,258)</u>	<u>(3,502,829)</u>	<u>18,465,379</u>

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

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

Exhibit C-3

Public Health (5)	Aging (6)	Blind Services (7)	Vocational Rehabilitation (8)	Social Services (9)	Mental Health (10)	Total Governmental Funds	2013 (Unaudited)
\$496,156,800	\$ 52,911,662	\$ 16,356,257	\$ 86,667,951	\$3,267,916,645	\$ 565,893,733	\$ 12,926,409,358	\$13,664,040,043
3,717,944	9,596,581	533,222	2,590,569	112,575,335	1,850,207	131,499,114	133,055,112
1,294,004	-	797,418	424,249	-	64,848,254	67,956,782	67,945,212
11,057,633	48,569	4,944,218	-	331,250	442,767	179,065,430	180,591,407
4,818,653	-	11,775,997	201,714	22,635	65,469,215	141,137,346	317,448
70,501,424	141,454	408,507	4,449,192	11,791,274	955,771	91,633,260	92,644,262
587,546,458	62,698,266	34,815,619	94,333,675	3,392,637,139	699,459,947	13,537,701,290	14,138,593,484
86,526,333	3,799,511	13,007,180	37,177,537	40,266,236	428,200,968	716,761,280	734,729,033
30,689,662	1,306,414	4,957,834	14,305,234	14,602,397	172,024,985	274,200,557	272,644,783
36,619,599	2,261,775	4,015,241	1,670,367	34,550,890	53,185,586	379,822,792	455,761,583
8,424,698	46,784	178,050	364,741	550,883	44,429,862	56,451,780	63,561,980
1,934,641	129,065	650,671	898,572	825,734	554,417	9,048,260	9,512,225
2,026,831	32,412	246,404	1,203,800	1,631,419	2,115,478	11,040,222	10,511,241
219,199	-	31,872	371,097	678	14,323,462	18,615,161	18,142,866
87,070	13,500	-	-	107,606	600	18,814,023	29,038,011
2,886,381	19,985	709,967	689,483	7,434,645	1,955,323	16,144,271	16,771,728
1,680,647	90,277	107,891	343,399	415,556	2,853,053	11,717,970	9,897,871
7,202,750	32,816	1,086,266	479,945	315,002	56,272,070	71,769,836	105,478,633
530,834,859	96,138,586	9,119,748	65,672,608	3,466,710,140	428,053,876	16,617,145,548	17,339,977,723
-	-	-	511,261	-	55,489	129,004,109	-
8,104,909	118,131	1,107,490	4,496,529	2,939,445	7,695,532	33,319,037	56,750,808
717,237,579	103,989,256	35,218,614	128,184,573	3,570,350,631	1,211,720,701	18,363,854,846	19,122,778,485
(129,691,121)	(41,290,990)	(402,995)	(33,850,898)	(177,713,492)	(512,260,754)	(4,826,153,556)	(4,984,185,001)
137,196,721	41,058,227	6,259,565	37,789,780	166,931,985	694,877,629	4,893,648,878	5,005,715,991
1,044,591	321,126	4,366,457	300,592	11,600,160	11,836,513	212,566,452	427,050,865
(13,828,972)	-	(5,461,717)	(2,969,589)	(2,766,307)	(157,818,489)	(212,566,452)	(370,039,170)
21,333	26	21,830	5,405	-	82,295	9,103,301	3,082,456
124,433,673	41,379,379	5,186,135	35,126,188	175,765,838	548,977,948	4,902,752,179	5,065,810,142
(5,257,448)	88,389	4,783,140	1,275,290	(1,947,654)	36,717,194	76,598,623	81,625,141
9,006,915	(2,436,516)	2,669,456	(125,729)	2,161,577	(3,661,098)	(344,012,511)	(425,637,652)
3,749,467	(2,348,127)	7,452,596	1,149,561	213,923	33,056,096	(267,413,888)	(344,012,511)

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North Carolina Department of Health and Human Services
Schedule Supporting the Combining Financial Statements
By Division

For the Fiscal Year Ended June 30, 2014

Exhibit D-1

	Central Administration	Medical Assistance (1)	Child Development (2)	Health Services
GRANTS, STATE AID AND SUBSIDIES				
Medical Assistance				
Managed Care	\$ -	\$ 2,250,388,936	\$ -	\$ -
Supplemental Expenditures	-	1,896,887,592	-	-
Skilled Nursing Facilities and Personal Care	-	1,350,654,924	-	-
Physician Services	-	1,382,576,319	-	-
Medical Services	-	1,460,596,746	-	-
Hospital	-	1,166,770,168	-	-
Pharmacy Services (Net of Rebates)	-	725,256,938	-	-
Buy-In / Dual Eligible Expenditures	-	711,634,471	-	-
Dental	-	358,347,245	-	-
Other Medical Assistance	-	64,249,498	-	-
Total Medical Assistance	-	11,367,362,837	-	-
Social Service Programs				
Food and Nutrition	-	-	-	-
Child and Family	-	-	478,540,496	-
Smart Start Programs	-	-	144,410,565	-
Support of Aging and Adult Programs	-	-	-	-
Support of Medicaid Programs	-	-	-	-
Other Social Service Programs	-	-	-	-
Total Social Service Programs	-	-	622,951,061	-
Public Health Programs				
Communicable Diseases	-	-	-	-
General Public Health	-	-	-	-
Chronic Diseases	-	-	-	-
Other Public Health Programs	-	-	-	-
Total Public Health Programs	-	-	-	-
Mental Health Programs				
Other Grants, State Aid and Subsidies	24,658,563	-	-	5,643,270
Total Grants, State Aid and Subsidies	\$ 24,658,563	\$ 11,367,362,837	\$ 622,951,061	\$ 5,643,270

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

- (1) See supplementary Exhibit D-2
- (2) See supplementary Exhibit D-3
- (3) See supplementary Exhibit D-4
- (4) See supplementary Exhibit D-5
- (5) See supplementary Exhibit D-6

Exhibit D-1

Public Health (3)	Aging	Blind Services	Vocational Rehabilitation	Social Services (4)	Mental Health (5)	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,250,388,936.00
-	-	-	-	-	-	1,896,887,592
-	-	-	-	-	-	1,350,654,924
-	-	-	-	-	-	1,382,576,319
-	-	-	-	-	-	1,460,596,746
-	-	-	-	-	-	1,166,770,168
-	-	-	-	-	-	725,256,938
-	-	-	-	-	-	711,634,471
-	-	-	-	-	-	358,347,245
-	-	-	-	-	-	64,249,498
-	-	-	-	-	-	11,367,362,837
345,237,647	-	-	-	2,499,846,101	-	2,845,083,748
78,760,772	-	-	-	537,473,068	-	1,094,774,336
-	-	-	-	-	-	144,410,565
-	-	-	-	160,324,524	-	160,324,524
-	-	-	-	136,822,039	-	136,822,039
-	-	-	-	132,244,408	-	132,244,408
423,998,419	-	-	-	3,466,710,140	-	4,513,659,620
68,064,885	-	-	-	-	-	68,064,885
24,697,968	-	-	-	-	-	24,697,968
9,514,724	-	-	-	-	-	9,514,724
4,558,863	-	-	-	-	-	4,558,863
106,836,440	-	-	-	-	-	106,836,440
-	-	-	-	-	428,053,876	428,053,876
-	96,138,586	9,119,748	65,672,608	-	-	201,232,775
<u>\$ 530,834,859</u>	<u>\$ 96,138,586</u>	<u>\$ 9,119,748</u>	<u>\$ 65,672,608</u>	<u>\$ 3,466,710,140</u>	<u>\$ 428,053,876</u>	<u>\$ 16,617,145,548</u>

North Carolina Department of Health and Human Services
Schedule Supporting Grants, State Aid and Subsidies
Division of Medical Assistance
For the Fiscal Year Ended June 30, 2014

Exhibit D-2

Managed Care (1)	<u>\$ 2,250,388,936</u>
Supplemental Expenditures	
Gap Payment - Upper Payment Limit	692,191,787
Gap Payment - Equity Payment	435,672,960
Disproportionate Share Hospital Payment	345,149,710
Enhanced Payment	<u>423,873,135</u>
Total Supplemental Expenditures	<u>1,896,887,592</u>
Skilled Nursing Facilities and Personal Care	
Skilled Nursing Facilities	866,933,775
Personal Care Services	<u>483,721,149</u>
Total Skilled Nursing Facilities and Personal Care	<u>1,350,654,924</u>
Physician Services	
Physician Services	997,384,731
Clinics	184,858,022
Community Care of NC (N3CN)	<u>200,333,566</u>
Total Physician Services	<u>1,382,576,319</u>
Medical Services	
Client Assistant Program (CAP)	307,080,554
Equipment	182,020,636
Health Check	144,711,941
Transport	136,559,704
Short Term Care	136,186,610
Non-Physician Services	135,899,874
Standalone Lab/X-Ray	65,686,173
Hospice	64,166,783
Case Management	10,690,655
Medical - General	274,099,668
Family Planning	<u>3,494,148</u>
Total Medical Services	<u>1,460,596,746</u>
Hospital	
Hospital - Outpatient	471,934,041
Hospital - Inpatient	337,868,069
ER	<u>356,968,058</u>
Total Hospital	<u>1,166,770,168</u>
Prescribed Drugs (Net of Rebates)	
Pharmacy Services	1,438,129,973
Less Rebates	<u>(712,873,035)</u>
Total Prescribed Drugs (Net of Rebates)	<u>725,256,938</u>
Buy-In / Dual Eligible Expenditures	
Medicare Part A	53,567,156
Medicare Part B	396,366,604
Medicare Part D	<u>261,700,711</u>
Total Buy-In / Dual Eligible Expenditures	<u>711,634,471</u>
Dental	<u>358,347,245</u>
Other Medical Assistance	
Health Information Technology Funding	64,164,320
Miscellaneous	<u>85,178</u>
Total Other Medical Assistance	<u>64,249,498</u>
Total Medical Assistance	<u>\$ 11,367,362,837</u>

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

**North Carolina Department of Health and Human Services
Schedule Supporting Grants, State Aid and Subsidies
Division of Child Development
For the Fiscal Year Ended June 30, 2014**

Exhibit D-3

Child and Family	
Subsidized Child Care Services	\$ 334,530,415
Pre-K Services	133,845,814
Race to the Top	10,164,267
Total Child and Family	<u>478,540,496</u>
Smart Start Programs	
Smart Start Subsidized Child Care Services	71,860,579
Smart Start Child Care Related Activities	51,442,473
Smart Start Family Support Activities	18,127,156
Smart Start Health Related Activities	2,980,357
Total Smart Start Programs	<u>144,410,565</u>
Total Child Development	<u>\$ 622,951,061</u>

North Carolina Department of Health and Human Services
Schedule Supporting Grants, State Aid and Subsidies
Division of Public Health
For the Fiscal Year Ended June 30, 2014

Exhibit D-4

Social Service Programs	
Food and Nutrition	
Women, Infants, and Children (WIC) Program	\$ 245,602,620
Other Nutrition	99,635,027
Total Food and Nutrition	<u>345,237,647</u>
Child and Family	
Maternal and Infant Health	28,450,582
Children Health Services	20,278,645
Child and Adult Prevention	15,851,115
Early Intervention	14,180,430
Total Child and Family	<u>78,760,772</u>
Total Social Service Programs	<u>423,998,419</u>
Public Health Programs	
Communicable Diseases	68,064,885
General Public Health	24,697,968
Chronic Diseases	9,514,724
Other Public Health Programs	4,558,863
Total Public Health Programs	<u>106,836,440</u>
Total Public Health	<u>\$ 530,834,859</u>

North Carolina Department of Health and Human Services
Schedule Supporting Grants, State Aid and Subsidies
Division of Social Services
For the Fiscal Year Ended June 30, 2014

Exhibit D-5

Food and Nutrition	
Food Stamp Program	\$ 2,408,529,226
Nutrition and Food Education Programs	91,316,875
Total Food and Nutrition	<u>2,499,846,101</u>
Child and Family	
Child Services	279,315,407
Foster Care	139,904,866
Adoption	118,252,795
Total Child and Family	<u>537,473,068</u>
Support of Aging and Adult Programs	160,324,524
Support of Medicaid Programs	136,822,039
Other Social Service Programs	
Low-Income Energy Assistance Program	93,062,967
Miscellaneous	39,181,441
Total Other Social Service Programs	<u>132,244,408</u>
Total Social Services	<u>\$ 3,466,710,140</u>

North Carolina Department of Health and Human Services
Schedule Supporting Grants, State Aid and Subsidies
Division of Mental Health
For the Fiscal Year Ended June 30, 2014

Exhibit D-6

Mental Health Programs	
Local Management Entity Expenditures	\$ 412,109,041
Non-Governmental Expenditures	11,491,801
Governmental Expenditures	<u>4,453,034</u>
Total Mental Health Programs	<u>\$ 428,053,876</u>

**North Carolina Department of Health and Human Services
Combining Balance Sheet
Division of Central Administration
June 30, 2014**

Exhibit E-1

	<u>General Fund</u>	<u>Non-Debt Supporting Capital Projects Fund</u>	<u>NC Infrastructure Finance Fund Fund</u>	<u>Total Central Administration Funds</u>
ASSETS				
Cash, Cash Equivalents, and Pooled Cash	\$ 24,898,315	\$ 159,682	\$ -	\$ 25,057,997
Receivables, net				
Accounts Receivable	45,792	-	-	45,792
Intergovernmental Receivables	11,262,950	-	-	11,262,950
Due from Other Funds	966,311	-	-	966,311
Inventories	5,099,982	-	-	5,099,982
	<u>42,273,350</u>	<u>159,682</u>	<u>-</u>	<u>42,433,032</u>
Total Assets	\$ 42,273,350	\$ 159,682	\$ -	\$ 42,433,032
LIABILITIES				
Accounts Payable and Accrued Liabilities				
Accounts Payable	\$ 7,128,168	\$ 31,580	\$ -	\$ 7,159,748
Intergovernmental Payables	5,356,311	-	-	5,356,311
Due to Other State Agencies and Funds	5,532,963	-	-	5,532,963
	<u>18,017,442</u>	<u>31,580</u>	<u>-</u>	<u>18,049,022</u>
Total Liabilities	18,017,442	31,580	-	18,049,022
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	8,706	-	-	8,706
	<u>8,706</u>	<u>-</u>	<u>-</u>	<u>8,706</u>
Total Deferred Inflows of Resources	8,706	-	-	8,706
FUND BALANCE				
Fund Balance	24,247,202	128,102	-	24,375,304
	<u>24,247,202</u>	<u>128,102</u>	<u>-</u>	<u>24,375,304</u>
Total Fund Balance	24,247,202	128,102	-	24,375,304
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 42,273,350	\$ 159,682	\$ -	\$ 42,433,032

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

North Carolina Department of Health and Human Services
Combining Balance Sheet
Division of Central Administration
June 30, 2013

Exhibit E-2

	General Fund	Non-Debt Supporting Capital Projects	NC Infrastructure Finance Fund	Total Central Administration Funds
ASSETS				
Cash, Cash Equivalents, and Pooled Cash	\$ 41,479,248	\$ 455,916	\$ -	\$ 41,935,164
Receivables, net				
Accounts Receivable	595,112	-	-	595,112
Intergovernmental Receivables	12,953,407	-	-	12,953,407
Due from Other State Agencies and Funds	15,910	-	-	15,910
Inventories	5,802,929	-	-	5,802,929
	<u>60,846,606</u>	<u>455,916</u>	<u>-</u>	<u>61,302,522</u>
Total Assets	<u>\$ 60,846,606</u>	<u>455,916</u>	<u>\$ -</u>	<u>\$ 61,302,522</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities				
Accounts Payable	\$ 12,661,168	\$ 11,110	\$ -	\$ 12,672,278
Intergovernmental Payables	17,203,907	-	-	17,203,907
Due to Other State Agencies and Funds	853,465	-	-	853,465
Due to UNC Hospitals	1,555,196	-	-	1,555,196
Other Liabilities	66,514	-	-	66,514
Total Liabilities	<u>32,340,250</u>	<u>11,110</u>	<u>-</u>	<u>32,351,360</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	6,038	-	-	6,038
	<u>6,038</u>	<u>-</u>	<u>-</u>	<u>6,038</u>
Total Deferred Inflows of Resources	<u>6,038</u>	<u>-</u>	<u>-</u>	<u>6,038</u>
FUND BALANCE				
Fund Balance	28,500,318	444,806	-	28,945,124
	<u>28,500,318</u>	<u>444,806</u>	<u>-</u>	<u>28,945,124</u>
Total Fund Balance	<u>28,500,318</u>	<u>444,806</u>	<u>-</u>	<u>28,945,124</u>
	<u>\$ 60,846,606</u>	<u>\$ 455,916</u>	<u>\$ -</u>	<u>\$ 61,302,522</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 60,846,606</u>	<u>\$ 455,916</u>	<u>\$ -</u>	<u>\$ 61,302,522</u>

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

North Carolina Department of Health and Human Services
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Division of Central Administration
For the Fiscal Year Ended June 30, 2014 (With Comparative Unaudited Totals for June 30, 2013)

Exhibit E-3

	General Fund	Non-Debt Supporting Capital Projects Fund	NC Infrastructure Finance Fund	Total Central Administration	2013 (Unaudited)
REVENUES					
Federal Funds	\$ 141,764,317	\$ -	\$ -	\$ 141,764,317	\$ (376,413,441)
Local Funds	213,424	-	-	213,424	197,692
Sales and Services	104,881	-	-	104,881	4,749
Fees, Licenses and Fines	591,232	-	-	591,232	513,389
Revenues from Other State Agencies (Exhibit P-1)	-	9,714	2,198	11,912	-
Miscellaneous Revenue	1,883,304	-	-	1,883,304	10,982,560
Total Revenues	144,557,158	9,714	2,198	144,569,070	(364,715,051)
EXPENDITURES					
Personal Services	48,609,096	-	-	48,609,096	48,037,704
Employee Benefits	15,240,944	-	-	15,240,944	17,333,167
Contracted Personal Services	115,059,147	-	-	115,059,147	150,070,381
Supplies and Materials	2,037,071	-	-	2,037,071	11,559,270
Travel	1,972,458	-	-	1,972,458	1,574,025
Communication	2,679,305	-	-	2,679,305	2,362,527
Utilities	3,620,363	-	-	3,620,363	2,827,794
Data Processing Services	18,055,505	-	-	18,055,505	28,921,079
Other Services	993,000	-	-	993,000	964,379
Other Fixed Charges	5,667,370	-	-	5,667,370	3,405,787
Capital Outlay	2,302,155	235,827	2,198	2,540,180	4,156,418
Grants, State Aid and Subsidies	24,658,563	-	-	24,658,563	22,616,632
Expenditures to Other State Agencies (Exhibit P-2)	38,354.00	546	-	38,900	-
Other Expenditures	2,310,810	-	-	2,310,810	(28,465,892)
Total Expenditures	243,244,141	236,373	2,198	243,482,712	265,363,271
Excess of Revenues Over (Under) Expenditures	(98,686,983)	(226,659)	-	(98,913,642)	(630,078,322)
OTHER FINANCING SOURCES (USES)					
State Appropriations	87,884,150	-	-	87,884,150	60,956,708
Transfers In	23,667,332	-	-	23,667,332	32,768,049
Transfers Out	(17,118,680)	(90,045)	-	(17,208,725)	(5,132,830)
Other	1,065	-	-	1,065	6,056
Total Other Financing Sources (Uses)	94,433,867	(90,045)	-	94,343,822	88,597,983
Net Change in Fund Balance	(4,253,116)	(316,704)	-	(4,569,820)	(541,480,339)
Fund Balance - July 1	28,500,318	444,806	-	28,945,124	570,425,463
Fund Balance - June 30	\$ 24,247,202	\$ 128,102	\$ -	\$ 24,375,304	\$ 28,945,124

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

**North Carolina Department of Health and Human Services
Schedule of Revenues, Expenditures, and Changes in
Fund Balance-Budget and Actual (Budgetary Basis-Non-GAAP) General Fund
Division of Central Administration
For the Fiscal Year Ended June 30, 2014**

Exhibit E-4

	<u>Budgeted Amounts</u>		<u>Actual (Cash Basis)</u>	<u>Favorable (Unfavorable)</u>
	<u>Certified</u>	<u>Authorized</u>		
REVENUES				
Federal Grants				
Medical Assistance Administration and Training	\$ 9,040,856	\$ 12,398,041	\$ 11,069,814	\$ (1,328,227)
Title IV-D / Child Support	8,484,842	8,920,763	5,426,551	(3,494,212)
Other Federal Grants	29,479,216	29,165,155	22,993,978	(6,171,177)
Local Grants	1,035,886	1,445,506	1,310,286	(135,220)
Sales, Services, & Rentals	29,048	39,557	121,816	82,259
Fees, Licenses and Fines	-	-	1,750	1,750
Miscellaneous Revenue	559,374	847,253	1,641,582	794,329
Total Revenues	48,629,222	52,816,275	42,565,777	(10,250,498)
EXPENDITURES				
Personal Services	54,357,778	54,897,064	49,448,915	5,448,149
Purchased Services	40,363,924	53,855,572	47,006,036	6,849,536
Supplies	751,581	1,522,815	1,311,278	211,537
Property, Plant, and Equipment	564,151	1,531,823	1,250,466	281,357
Other Expenditures & Adjustments	486,680	876,772	710,360	166,412
Aid & Public Assistance	33,806,100	29,528,447	24,492,895	5,035,552
Reserves	21,304,400	900,543	-	900,543
Total Expenditures	151,634,614	143,113,036	124,219,950	18,893,086
Excess of Revenues Over (Under) Expenditures	(103,005,392)	(90,296,761)	(81,654,173)	8,642,588
OTHER FINANCING SOURCES (USES)				
Transfers from Other Departments or Funds				
Medical Assistance	14,200,000	5,678,907	49,940	(5,628,967)
Public Health	5,286,788	3,109,615	2,674,457	(435,158)
Other Transfers	3,481,095	12,739,444	11,610,638	(1,128,806)
Transfers to Other Department or Funds	(2,639,730)	(21,665,711)	(20,565,012)	1,100,699
State Appropriation	82,677,239	90,434,506	87,884,150	(2,550,356)
Total Other Financing Sources (Uses)	103,005,392	90,296,761	81,654,173	(8,642,588)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ -	\$ -	\$ -

The following table presents a reconciliation of resulting basis and timing differences in the fund balances (budgetary basis) at June 30, 2014 to the fund balances on a modified accrual basis (GAAP).

Fund Balance (budgetary basis) June 30, 2014	\$ -
Reconciling Adjustments:	
Basis Differences:	
Receivables	17,375,035
Payables	(18,017,442)
Deferred Inflows	(8,706)
Total Basis Differences	(651,113)
Timing Differences:	
Authorized Cash Carryforward	3,574,251
Other Adjustments:	
Cash	21,324,064
Fund Balance (GAAP basis) June 30, 2014	\$ 24,247,202

North Carolina Department of Health and Human Services
Balance Sheet
Division of Medical Assistance
June 30, 2014

Exhibit F-1

	<u>General Fund</u>
ASSETS	
Cash, Cash Equivalents, and Pooled Cash	\$ 42,369,114
Receivables, net	
Accounts Receivable	84,959,343
Intergovernmental Receivables	<u>800,088,158</u>
 Total Assets	 <u>\$ 927,416,615</u>
LIABILITIES	
Accounts Payable and Accrued Liabilities	
Accounts Payable	\$ 10,167,693
Intergovernmental Payables	159,776,964
Medical Claims Payables	984,582,106
Due to Other State Agencies and Funds	181,191
Due to UNC Hospitals	116,143,907
Other Liabilities	<u>6,589,406</u>
 Total Liabilities	 <u>1,277,441,267</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue	<u>606</u>
 Total Deferred Inflows of Resources	 <u>606</u>
FUND BALANCE	
Fund Balance	<u>(350,025,258)</u>
 Total Fund Balance	 <u>(350,025,258)</u>
 Total Liabilities, Deferred Inflows, and Fund Balance	 <u>\$ 927,416,615</u>

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

North Carolina Department of Health and Human Services
Balance Sheet
Division of Medical Assistance
June 30, 2013

Exhibit F-2

	<u>General Fund</u>
ASSETS	
Cash, Cash Equivalents, and Pooled Cash	\$ 23,965,935
Receivables, net	
Accounts Receivable	64,048,099
Intergovernmental Receivables	946,046,663
	<u>946,046,663</u>
Total Assets	<u>\$ 1,034,060,697</u>
LIABILITIES	
Accounts Payable and Accrued Liabilities	
Accounts Payable	\$ 404,306,527
Intergovernmental Payables	153,685,646
Medical Claims Payables	777,705,351
Due to Other State Agencies and Funds	2,360,564
Due to UNC Hospitals	97,983,543
Other Liabilities	6,589,406
	<u>6,589,406</u>
Total Liabilities	<u>1,442,631,037</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue	499
	<u>499</u>
Total Deferred Inflows of Resources	<u>499</u>
FUND BALANCE	
Fund Balance	<u>(408,570,839)</u>
Total Fund Balance	<u>(408,570,839)</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 1,034,060,697</u>

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

North Carolina Department of Health and Human Services
Statement of Revenues, Expenditures, and Changes in Fund Balance
Division of Medical Assistance
For the Fiscal Year Ended June 30, 2014
(With Comparative Unaudited Totals for June 30, 2013)

Exhibit F-3

	General Fund	
	2014	2013 (Unaudited)
REVENUES		
Federal Funds	\$ 7,929,750,651	\$ 8,949,649,164
Local Funds	12,782	(188,814)
Fees, Licenses and Fines	145,029,785	147,733,670
Miscellaneous Revenues	991,544	(6,798,835)
Total Revenues	<u>8,075,784,762</u>	<u>9,090,395,185</u>
EXPENDITURES		
Personal Services	19,389,574	20,799,783
Employee Benefits	6,658,957	6,855,920
Contracted Personal Services	118,054,498	160,970,154
Supplies and Materials	173,635	126,404
Travel	88,960	227,592
Communication	280,239	335,080
Other Services	159,066	344,758
Other Fixed Charges	154,187	467,323
Capital Outlay	606,382	318,535
Grants, State Aid and Subsidies (Exhibit F-4)	11,367,362,837	12,015,676,158
Expenditures to Other State Agencies (Exhibit P-2)	125,921,210	-
Other Expenditures	757,370	31,405,121
Total Expenditures	<u>11,639,606,915</u>	<u>12,237,526,828</u>
Excess of Revenues Over (Under) Expenditures	<u>(3,563,822,153)</u>	<u>(3,147,131,643)</u>
OTHER FINANCING SOURCES (USES)		
State Appropriations	3,462,442,357	3,597,027,770
Transfers In	156,948,749	164,736,251
Transfers Out	(5,994,125)	(152,056,150)
Other	8,970,753	2,470,383
Total Other Financing Sources (Uses)	<u>3,622,367,734</u>	<u>3,612,178,254</u>
Net Change in Fund Balance	58,545,581	465,046,611
Fund Balance - July 1	<u>(408,570,839)</u>	<u>(873,617,450)</u>
Fund Balance - June 30	<u>\$ (350,025,258)</u>	<u>\$ (408,570,839)</u>

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

North Carolina Department of Health and Human Services
Schedule Supporting Grants, State Aid and Subsidies
Division of Medical Assistance
For the Fiscal Year Ended June 30, 2014

Exhibit F-4

Managed Care (1)	<u>\$ 2,250,388,936</u>
Supplemental Expenditures	
Gap Payment - Upper Payment Limit	692,191,787
Gap Payment - Equity Payment	435,672,960
Disproportionate Share Hospital Payment	345,149,710
Enhanced Payment	<u>423,873,135</u>
Total Supplemental Expenditures	<u>1,896,887,592</u>
Skilled Nursing Facilities and Personal Care	
Skilled Nursing Facilities	866,933,775
Personal Care Services	<u>483,721,149</u>
Total Skilled Nursing Facilities and Personal Care	<u>1,350,654,924</u>
Physician Services	
Physician Services	997,384,731
Clinics	184,858,022
Community Care of NC (N3CN)	<u>200,333,566</u>
Total Physician Services	<u>1,382,576,319</u>
Medical Services	
Client Assistant Program (CAP)	307,080,554
Equipment	182,020,636
Health Check	144,711,941
Transport	136,559,704
Short Term Care	136,186,610
Non-Physician Services	135,899,874
Standalone Lab/X-Ray	65,686,173
Hospice	64,166,783
Case Management	10,690,655
Medical - General	274,099,668
Family Planning	<u>3,494,148</u>
Total Medical Services	<u>1,460,596,746</u>
Hospital	
Hospital - Outpatient	471,934,041
Hospital - Inpatient	337,868,069
ER	<u>356,968,058</u>
Total Hospital	<u>1,166,770,168</u>
Prescribed Drugs (Net of Rebates)	
Pharmacy Services	1,438,129,973
Less Rebates	<u>(712,873,035)</u>
Total Prescribed Drugs (Net of Rebates)	<u>725,256,938</u>
Buy-In / Dual Eligible Expenditures	
Medicare Part A	53,567,156
Medicare Part B	396,366,604
Medicare Part D	<u>261,700,711</u>
Total Buy-In / Dual Eligible Expenditures	<u>711,634,471</u>
Dental	<u>358,347,245</u>
Other Medical Assistance	
Health Information Technology Funding	64,164,320
Miscellaneous	<u>85,178</u>
Total Other Medical Assistance	<u>64,249,498</u>
Total Medical Assistance	<u>\$ 11,367,362,837</u>

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

North Carolina Department of Health and Human Services
Schedule of Revenues, Expenditures, and Changes in
Fund Balance-Budget and Actual (Budgetary Basis-Non-GAAP) General Fund (All Budget Codes)
Division of Medical Assistance
For the Fiscal Year Ended June 30, 2014 **Exhibit F-5**

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Certified	Authorized		
REVENUES				
Federal Grants				
Medical Assistance Payments	\$ 7,823,641,749	\$ 8,308,146,041	\$ 8,146,969,166	\$ (161,176,875)
Medical Assistance Administration and Training	137,115,541	135,235,142	97,797,718	(37,437,424)
CHIP	357,373,227	357,380,752	306,194,628	(51,186,124)
Other Federal Grants	100,609,300	102,867,822	69,081,207	(33,786,615)
Provider Match	349,044,017	373,384,325	331,386,579	(41,997,746)
Sales, Services, & Rentals	250,000	250,000	345,642	95,642
Fees, Licenses and Fines	636,376,775	868,235,832	858,388,949	(9,846,883)
Investment Income	-	-	104,452	104,452
Miscellaneous Revenue	234,766,015	234,766,015	(96,650,826)	(331,416,841)
Total Revenues	9,639,176,624	10,380,265,929	9,713,617,515	(666,648,414)
EXPENDITURES				
Personal Services	32,075,960	31,996,664	26,046,381	5,950,283
Purchased Services	166,776,316	166,263,485	123,377,095	42,886,390
Supplies	351,431	92,013	84,420	7,593
Property, Plant, and Equipment	351,146	624,261	619,257	5,004
Other Expenditures & Adjustments	989,989	915,735	(80,288)	996,023
Aid & Public Assistance	12,793,724,099	13,526,855,517	13,211,904,470	314,951,047
Reserves	-	10,000	-	10,000
Total Expenditures	12,994,268,941	13,726,757,675	13,361,951,335	364,806,340
Excess of Revenues Over (Under) Expenditures	(3,355,092,317)	(3,346,491,746)	(3,648,333,820)	(301,842,074)
OTHER FINANCING SOURCES (USES)				
Transfers from Other Departments or Funds				
Transfers from Mental Health	137,102,000	151,475,683	155,645,108	4,169,425
Transfers from State Universities and Colleges	66,712,973	94,228,158	94,050,632	(177,526)
Other Transfers	275,292,584	2,453,922	123,785,423	121,331,501
Transfers to Other Departments or Funds	(659,500,288)	(437,046,321)	(187,589,700)	249,456,621
State Appropriation	3,535,485,048	3,535,380,304	3,462,442,357	(72,937,947)
Total Other Financing Sources (Uses)	3,355,092,317	3,346,491,746	3,648,333,820	301,842,074
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ -	\$ -	\$ -

The following table presents a reconciliation of resulting basis and timing differences in the fund balances (budgetary basis) at June 30, 2014 to the fund balances on a modified accrual basis (GAAP).

Fund Balance (budgetary basis) June 30, 2014	\$ -
Reconciling Adjustments:	
Basis Differences:	
Receivables	885,047,501
Payables	(1,277,441,267)
Deferred Inflows	(606)
Total Basis Differences	(392,394,372)
Timing Differences:	
Authorized Cash Carryforward	36,145,722
Other Adjustments:	
Cash	6,223,392
Fund Balance (GAAP basis) June 30, 2014	\$ (350,025,258)

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

**North Carolina Department of Health and Human Services
Schedule of Revenues, Expenditures, and Changes in
Fund Balance-Budget and Actual (Budgetary Basis-Non-
GAAP) General Fund (Budget Code 24445 Only)
Division of Medical Assistance
For the Fiscal Year Ended June 30, 2014**

Exhibit F-6

	<u>Budgeted Amounts</u>		<u>Actual (Cash Basis)</u>	<u>Favorable (Unfavorable)</u>
	<u>Certified</u>	<u>Authorized</u>		
REVENUES				
Miscellaneous Revenue	\$ 233,811,100	\$ 233,811,100	\$ 104,746,637	\$ (129,064,463)
Total Revenues	233,811,100	233,811,100	104,746,637	(129,064,463)
EXPENDITURES				
Purchased Services	-	400,000	54,584	345,416
Total Expenditures	-	400,000	54,584	345,416
Excess of Revenues Over (Under) Expenditures	233,811,100	233,411,100	104,692,053	(128,719,047)
OTHER FINANCING SOURCES (USES)				
Transfers from Other Departments or Funds	42,976,804	400,000	1,303,641	903,641
Transfers to Other Departments or Funds	(276,872,767)	(233,811,100)	(123,517,501)	110,293,599
State Appropriations	-	-	17,521,807	17,521,807
Total Other Financing Sources (Uses)	(233,895,963)	(233,411,100)	(104,692,053)	128,719,047
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (84,863)	\$ -	\$ -	\$ -

North Carolina Department of Health and Human Services
Combining Balance Sheet
Division of Child Development
June 30, 2014

Exhibit G-1

	<u>General Fund</u>	<u>Debt Supporting Capital Projects Fund</u>	<u>Non-Debt Supporting Capital Projects Fund</u>	<u>Total Child Development</u>
ASSETS				
Cash, Cash Equivalents, and Pooled Cash	\$ 1,500	\$ -	\$ 700,096	\$ 701,596
Receivables, net				
Accounts Receivable	651,078	-	-	651,078
Intergovernmental Receivables	29,898,332	-	-	29,898,332
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 30,550,910</u>	<u>\$ -</u>	<u>\$ 700,096</u>	<u>\$ 31,251,006</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities				
Accounts Payable	\$ 1,184,869	857	44,285	1,230,011
Intergovernmental Payables	33,425,053	-	-	33,425,053
Due to Other State Agencies and Funds	91,998	-	-	91,998
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>34,701,920</u>	<u>857</u>	<u>44,285</u>	<u>34,747,062</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	<u>6,773</u>	<u>-</u>	<u>-</u>	<u>6,773</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u>6,773</u>	<u>-</u>	<u>-</u>	<u>6,773</u>
FUND BALANCE				
Fund Balance	<u>(4,157,783)</u>	<u>(857)</u>	<u>655,811</u>	<u>(3,502,829)</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	<u>(4,157,783)</u>	<u>(857)</u>	<u>655,811</u>	<u>(3,502,829)</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 30,550,910</u>	<u>\$ -</u>	<u>\$ 700,096</u>	<u>\$ 31,251,006</u>

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

North Carolina Department of Health and Human Services
Combining Balance Sheet
Division of Child Development
June 30, 2013

Exhibit G-2

	General Fund	Supporting Capital Projects	Supporting Capital Projects	Total Child Development
ASSETS				
Cash, Cash Equivalents, and Pooled Cash	\$ 2,750	\$ -	\$ 773,393	\$ 776,143
Receivables, net				
Accounts Receivable	522,823	-	-	522,823
Intergovernmental Receivables	25,731,564	-	-	25,731,564
Due from Other State Agencies	17,048,291	-	-	17,048,291
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 43,305,428</u>	<u>\$ -</u>	<u>\$ 773,393</u>	<u>\$ 44,078,821</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities				
Accounts Payable	\$ 1,673,227	\$ -	\$ 118,886	\$ 1,792,113
Intergovernmental Payables	30,528,462	-	-	30,528,462
Due to Other State Agencies and Funds	94,087	-	-	94,087
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>32,295,776</u>	<u>-</u>	<u>118,886</u>	<u>32,414,662</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	13,430	-	-	13,430
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u>13,430</u>	<u>-</u>	<u>-</u>	<u>13,430</u>
FUND BALANCE				
Fund Balance	10,996,222	-	654,507	11,650,729
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	<u>10,996,222</u>	<u>-</u>	<u>654,507</u>	<u>11,650,729</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 43,305,428</u>	<u>\$ -</u>	<u>\$ 773,393</u>	<u>\$ 44,078,821</u>

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

North Carolina Department of Health and Human Services
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Division of Child Development
For the Fiscal Year Ended June 30, 2014 (With Comparative Unaudited Totals for June 30, 2013)

Exhibit G-3

	General Fund	Debt Supporting Capital Projects	Non-Debt Supporting Capital Projects	NC Infrastructure Finance Fund	Total Child Development	2013 (Unaudited)
REVENUES						
Federal Funds	\$ 340,270,297	\$ -	\$ -	\$ -	\$ 340,270,297	\$ 360,706,834
Sales and Services	515	-	-	-	515	26,114
Fees, Licenses and Fines	1,977,691	-	-	-	1,977,691	1,567,245
Revenues from Other State Agencies (Exhibit P-1)	58,487,418	12,926	-	965	58,501,309	-
Miscellaneous Revenues	15,479	-	-	-	15,479	218,323
Total Revenues	400,751,400	12,926	-	965	400,765,291	362,518,516
EXPENDITURES						
Personal Services	12,412,231	-	-	-	12,412,231	13,352,292
Employee Benefits	4,761,647	-	-	-	4,761,647	4,752,681
Contracted Personal Services	10,365,193	-	-	-	10,365,193	7,775,244
Supplies and Materials	76,551	-	-	-	76,551	110,364
Travel	453,995	-	-	-	453,995	507,257
Communication	275,478	-	-	-	275,478	283,372
Data Processing Services	546,947	-	-	-	546,947	-
Other Services	885,969	-	-	-	885,969	249,686
Other Fixed Charges	49,828	-	-	-	49,828	42,306
Capital Outlay	139,920	13,783	(1,556)	965	153,112	330,813
Grants, State Aid and Subsidies (Exhibit G-4)	622,951,061	-	-	-	622,951,061	622,382,559
Expenditures to Other State Agencies (Exhibit P-2)	18,123	-	252	-	18,375	-
Other Expenditures	4,420,812	-	-	-	4,420,812	4,734,937
Total Expenditures	657,357,755	13,783	(1,304)	965	657,371,199	654,521,511
Excess of Revenues Over (Under) Expenditures	(256,606,355)	(857)	1,304	-	(256,605,908)	(292,002,995)
OTHER FINANCING SOURCES (USES)						
State Appropriations	244,119,926	-	-	-	244,119,926	257,992,941
Transfers In	-	-	-	-	-	85,672,151
Transfers Out	(2,668,026)	-	-	-	(2,668,026)	(8,364,277)
Other	450	-	-	-	450	559
Total Other Financing Sources (Uses)	241,452,350	-	-	-	241,452,350	335,301,374
Net Change in Fund Balance	(15,154,005)	(857)	1,304	-	(15,153,558)	43,298,379
Fund Balance - July 1	10,996,222	-	654,507	-	11,650,729	(31,647,650)
Fund Balance - June 30	\$ (4,157,783)	\$ (857)	\$ 655,811	\$ -	\$ (3,502,829)	\$ 11,650,729

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

**North Carolina Department of Health and Human Services
Schedule Supporting Grants, State Aid and Subsidies
Division of Child Development
For the Fiscal Year Ended June 30, 2014**

Exhibit G-4

Child and Family	
Subsidized Child Care Services	\$ 334,530,415
Pre-K Services	133,845,814
Race to the Top	10,164,267
Total Child and Family	<u>478,540,496</u>
Smart Start Programs	
Smart Start Subsidized Child Care Services	71,860,579
Smart Start Child Care Related Activities	51,442,473
Smart Start Family Support Activities	18,127,156
Smart Start Health Related Activities	2,980,357
Total Smart Start Programs	<u>144,410,565</u>
Total Child Development	<u>\$ 622,951,061</u>

**North Carolina Department of Health and Human Services
Schedule of Revenues, Expenditures, and Changes in
Fund Balance-Budget and Actual (Budgetary Basis-Non-GAAP) General Fund
Division of Child Development
For the Fiscal Year Ended June 30, 2014**

Exhibit G-5

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Certified	Authorized		
REVENUES				
Federal Grants				
Child Care Development Funds	\$ 69,639,228	\$ 53,756,800	\$ 56,767,070	\$ 3,010,270
TANF	135,297,742	144,897,223	144,534,528	(362,695)
Other Federal Grants	133,703,332	152,383,801	133,476,825	(18,906,976)
Sales, Services, & Rentals	44,929	45,379	965	(44,414)
Fees, Licenses and Fines	1,399,056	2,066,256	2,000,500	(65,756)
Miscellaneous Revenue	-	-	15,388	15,388
Total Revenues	340,084,287	353,149,459	336,795,276	(16,354,183)
EXPENDITURES				
Personal Services	19,175,385	18,751,252	17,171,612	1,579,640
Purchased Services	7,288,839	12,959,911	12,658,046	301,865
Supplies	91,731	101,215	72,926	28,289
Property, Plant, and Equipment	15,337	383,727	138,986	244,741
Other Expenditures & Adjustments	30,155	165,405	152,294	13,111
Aid & Public Assistance	621,927,919	640,757,935	623,549,953	17,207,982
Reserves	13,274,413	3,050,012	-	3,050,012
Total Expenditures	661,803,779	676,169,457	653,743,817	22,425,640
Excess of Revenues Over (Under) Expenditures	(321,719,492)	(323,019,998)	(316,948,541)	6,071,457
OTHER FINANCING SOURCES (USES)				
Transfers From Other Departments or Funds				
Education Lottery	75,535,709	76,243,803	76,009,513	(234,290)
Transfers to Other Departments or Fund	(3,819,872)	(3,232,472)	(3,180,898)	51,574
State Appropriation	250,003,655	250,008,667	244,119,926	(5,888,741)
Total Other Financing Sources (Uses)	321,719,492	323,019,998	316,948,541	(6,071,457)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ -	\$ -	\$ -

The following table presents a reconciliation of resulting basis and timing differences in the fund balances (budgetary basis) at June 30, 2014 to the fund balances on a modified accrual basis (GAAP).

Fund Balance (budgetary basis) June 30, 2014	\$ -
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Receivables	30,549,410
Payables	(34,701,920)
Deferred Inflows	(6,773)
Total Basis Differences	(4,159,283)
Timing Differences:	
Authorized Cash Carryforward	1,500
Other Adjustments:	
Cash	-
Fund Balance (GAAP basis) June 30, 2014	\$ (4,157,783)

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North Carolina Department of Health and Human Services
Balance Sheet
Division of Health Services
June 30, 2014

Exhibit H-1

	<u>General Fund</u>
ASSETS	
Cash, Cash Equivalents, and Pooled Cash	\$ 18,473,879
Receivables, net	
Accounts Receivable	652,426
Intergovernmental Receivables	1,377,553
Due from Other Funds	<u>167</u>
 Total Assets	 <u>\$ 20,504,025</u>
LIABILITIES	
Accounts Payable and Accrued Liabilities	
Accounts Payable	\$ 1,175,039
Intergovernmental Payables	23,358
Due to Other State Agencies and Funds	<u>247,014</u>
 Total Liabilities	 <u>1,445,411</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue	<u>593,235</u>
 Total Deferred Inflows of Resources	 <u>593,235</u>
FUND BALANCE	
Fund Balance	<u>18,465,379</u>
 Total Fund Balance	 <u>18,465,379</u>
 Total Liabilities, Deferred Inflows, and Fund Balance	 <u>\$ 20,504,025</u>

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

North Carolina Department of Health and Human Services
Balance Sheet
Division of Health Services
June 30, 2013

Exhibit H-2

	<u>General Fund</u>
ASSETS	
Cash, Cash Equivalents, and Pooled Cash	\$ 16,709,221
Receivables, net	
Accounts Receivable	484,322
Intergovernmental Receivables	<u>1,125,147</u>
 Total Assets	 <u>\$ 18,318,690</u>
LIABILITIES	
Accounts Payable and Accrued Liabilities	
Accounts Payable	\$ 1,237,556
Intergovernmental Payables	24,139
Due to Other State Agencies and Funds	<u>248,370</u>
 Total Liabilities	 <u>1,510,065</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue	<u>460,755</u>
 Total Deferred Inflows of Resources	 <u>460,755</u>
FUND BALANCES	
Fund Balance	<u>16,347,870</u>
 Total Fund Balance	 <u>16,347,870</u>
 Total Liabilities, Deferred Inflows, and Fund Balance	 <u>\$ 18,318,690</u>

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

North Carolina Department of Health and Human Services
Statement of Revenues, Expenditures, and Changes in Fund Balance
Division of Health Services
For the Fiscal Year Ended June 30, 2014
(With Comparative Unaudited Totals for June 30, 2013)

Exhibit H-3

	General Fund	
	2014	(Unaudited) 2013
REVENUES		
Federal Funds	\$ 28,721,045	\$ 29,661,038
Local Funds	409,050	514,383
Sales and Services	487,461	481,705
Fees, Licenses and Fines	14,642,285	14,780,754
Revenues from Other State Agencies (Exhibit P-1)	335,911	-
Miscellaneous Revenues	495,311	26,929
Total Revenues	45,091,063	45,464,809
EXPENDITURES		
Personal Services	27,372,614	27,682,141
Employee Benefits	9,652,483	9,420,375
Contracted Personal Services	4,040,496	4,152,662
Supplies and Materials	169,505	288,286
Travel	1,539,747	1,554,179
Communication	548,856	461,892
Utilities	48,490	23,924
Data Processing Services	2,795	181
Other Services	410,452	505,700
Other Fixed Charges	355,762	183,759
Capital Outlay	3,081,313	729,434
Grants, State Aid and Subsidies	5,643,270	6,958,299
Expenditures to Other State Agencies (Exhibit P-2)	2,458,874	-
Other Expenditures	1,368,009	1,359,315
Total Expenditures	56,692,666	53,320,147
Excess of Revenues Over (Under) Expenditures	(11,601,603)	(7,855,338)
OTHER FINANCING SOURCES (USES)		
State Appropriations	15,088,538	13,865,391
Transfers In	2,480,932	2,735,095
Transfers Out	(3,850,502)	(6,887,447)
Other	144	2,760
Total Other Financing Sources (Uses)	13,719,112	9,715,799
Net Change in Fund Balance	2,117,509	1,860,461
Fund Balance - July 1	16,347,870	14,487,409
Fund Balance - June 30	\$ 18,465,379	\$ 16,347,870

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

**North Carolina Department of Health and Human Services
Schedule of Revenues, Expenditures, and Changes in
Fund Balance-Budget and Actual (Budgetary Basis-Non-GAAP) General Fund
Division of Health Services
For the Fiscal Year Ended June 30, 2014**

Exhibit H-4

	<u>Budgeted Amounts</u>		<u>Actual (Cash Basis)</u>	<u>Favorable (Unfavorable)</u>
	<u>Certified</u>	<u>Authorized</u>		
REVENUES				
Federal Grants				
Medicare	\$ 8,390,756	\$ 8,462,690	\$ 7,183,299	\$ (1,279,391)
Health Standard Quality Bureau	6,035,246	6,029,405	5,017,012	(1,012,393)
Medical Assistance Administration and Training	5,308,873	5,319,650	4,533,721	(785,929)
HRSA - Bioterrorism Hospital	12,093,538	12,081,380	9,972,672	(2,108,708)
Other	1,919,731	3,591,782	1,776,150	(1,815,632)
Local Grants	68,000	968,450	873,745	(94,705)
Sales, Services, & Rentals	534,277	602,543	451,513	(151,030)
Fees, Licenses and Fines	9,547,436	11,944,924	11,204,068	(740,856)
Miscellaneous Revenue	1,967,676	1,967,676	546,121	(1,421,555)
Total Revenues	45,865,533	50,968,500	41,558,301	(9,410,199)
EXPENDITURES				
Personal Services	42,525,396	41,222,664	37,012,317	4,210,347
Purchased Services	9,176,746	10,032,335	8,429,419	1,602,916
Supplies	258,073	228,130	170,931	57,199
Property, Plant, and Equipment	1,470,025	3,699,807	2,505,940	1,193,867
Other Expenditures & Adjustments	2,013,120	1,994,847	567,754	1,427,093
Aid & Public Assistance	8,602,941	9,972,556	6,643,206	3,329,350
Reserves	25,049	25,049	-	25,049
Total Expenditures	64,071,350	67,175,388	55,329,567	11,845,821
Excess of Revenues Over (Under) Expenditures	(18,205,817)	(16,206,888)	(13,771,266)	2,435,622
OTHER FINANCING SOURCES (USES)				
Transfers from Other Departments or Funds	3,156,999	4,190,793	1,710,297	(2,480,496)
Transfers to Other Departments or Funds	(1,440,158)	(4,467,869)	(3,027,569)	1,440,300
State Appropriation	16,488,976	16,483,964	15,088,538	(1,395,426)
Total Other Financing Sources (Uses)	18,205,817	16,206,888	13,771,266	(2,435,622)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ -	\$ -	\$ -

The following table presents a reconciliation of resulting basis and timing differences in the fund balances (budgetary basis) at June 30, 2014 to the fund balances on a modified accrual basis (GAAP).

Fund Balance (budgetary basis) June 30, 2014	\$ -
Reconciling Adjustments:	
Basis Differences:	
Receivables	2,030,146
Payables	(1,445,411)
Deferred Inflows	(593,235)
Total Basis Differences	(8,500)
Timing Differences:	
Authorized Cash Carryforward	360,416
Other Adjustments:	
Cash	18,113,463
Fund Balance (GAAP basis) June 30, 2014	\$ 18,465,379

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North Carolina Department of Health and Human Services
Combining Balance Sheet
Division of Public Health
June 30, 2014

Exhibit I-1

	General Fund	Other Special Revenue Funds	Debt Supporting Capital Projects Fund	Total Public Health
ASSETS				
Cash, Cash Equivalents, and Pooled Cash	\$ 265,043	\$ 2,146,333	\$ -	\$ 2,411,376
Receivables, net				
Accounts Receivable	3,120,081	-	-	3,120,081
Intergovernmental Receivables	27,580,451	-	-	27,580,451
Due from Other Funds	6,777	-	-	6,777
Total Assets	<u>\$ 30,972,352</u>	<u>\$ 2,146,333</u>	<u>\$ -</u>	<u>\$ 33,118,685</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities				
Accounts Payable	\$ 16,479,283	\$ 1,032	\$ 1,001,617	\$ 17,481,932
Intergovernmental Payables	10,646,709	-	-	10,646,709
Medical Claims Payables	232,094	-	-	232,094
Due to Other State Agencies and Funds	726,926	138	-	727,064
Total Liabilities	<u>28,085,012</u>	<u>1,170</u>	<u>1,001,617</u>	<u>29,087,799</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	281,419	-	-	281,419
Total Deferred Inflows of Resources	<u>281,419</u>	<u>-</u>	<u>-</u>	<u>281,419</u>
FUND BALANCES				
Fund Balance	2,605,921	2,145,163	(1,001,617)	3,749,467
Total Fund Balance	<u>2,605,921</u>	<u>2,145,163</u>	<u>(1,001,617)</u>	<u>3,749,467</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 30,972,352</u>	<u>\$ 2,146,333</u>	<u>\$ -</u>	<u>\$ 33,118,685</u>

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

North Carolina Department of Health and Human Services
Combining Balance Sheet
Division of Public Health
June 30, 2013

Exhibit I-2

	General Fund	Other Special Revenue Funds	Debt Supporting Capital Projects	Total Public Health
ASSETS				
Cash, Cash Equivalents, and Pooled Cash	\$ 578,893	\$ 2,067,899	\$ -	\$ 2,646,792
Receivables, net				
Accounts Receivable	3,489,838	-	-	3,489,838
Intergovernmental Receivables	26,779,004	270	-	26,779,274
Due to Other State Agencies and Funds	534	-	-	534
	<u>534</u>	<u>-</u>	<u>-</u>	<u>534</u>
Total Assets	<u>\$ 30,848,269</u>	<u>\$ 2,068,169</u>	<u>\$ -</u>	<u>\$ 32,916,438</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities				
Accounts Payable	12,845,558	5,483	958,182	13,809,223
Intergovernmental Payables	8,957,820	-	-	8,957,820
Due to Other State Agencies and Funds	314,457	519	-	314,976
Due to UNC Hospitals	476,576	-	-	476,576
Other Liabilities	8,330	-	-	8,330
	<u>8,330</u>	<u>-</u>	<u>-</u>	<u>8,330</u>
Total Liabilities	<u>22,602,741</u>	<u>6,002</u>	<u>958,182</u>	<u>23,566,925</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	342,598	-	-	342,598
	<u>342,598</u>	<u>-</u>	<u>-</u>	<u>342,598</u>
Total Deferred Inflows of Resources	<u>342,598</u>	<u>-</u>	<u>-</u>	<u>342,598</u>
FUND BALANCES				
Fund Balance	7,902,930	2,062,167	(958,182)	9,006,915
	<u>7,902,930</u>	<u>2,062,167</u>	<u>(958,182)</u>	<u>9,006,915</u>
Total Fund Balance	<u>7,902,930</u>	<u>2,062,167</u>	<u>(958,182)</u>	<u>9,006,915</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 30,848,269</u>	<u>\$ 2,068,169</u>	<u>\$ -</u>	<u>\$ 32,916,438</u>

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

North Carolina Department of Health and Human Services
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Division of Public Health
For the Fiscal Year Ended June 30, 2014 (With Comparative Unaudited Totals for June 30, 2013)

Exhibit I-3

	General Fund	Other Special Revenue Funds	Debt Supporting Capital Projects Fund	Total Public Health	2013 (Unaudited)
REVENUES					
Federal Funds	\$ 496,156,800	\$ -	\$ -	\$ 496,156,800	\$ 540,245,660
Local Funds	3,717,944	-	-	3,717,944	4,396,470
Sales and Services	1,294,004	-	-	1,294,004	1,449,808
Fees, Licenses and Fines	10,453,762	603,871	-	11,057,633	9,864,257
Revenues from Other State Agencies (Exhibit P-1)	1,419,447	-	3,399,206	4,818,653	-
Miscellaneous Revenues	70,501,424	-	-	70,501,424	65,838,183
Total Revenues	583,543,381	603,871	3,399,206	587,546,458	621,794,378
EXPENDITURES					
Personal Services	86,176,868	349,465	-	86,526,333	90,051,795
Employee Benefits	30,583,099	106,563	-	30,689,662	31,077,191
Contracted Personal Services	36,619,599	-	-	36,619,599	41,304,829
Supplies and Materials	8,413,206	11,492	-	8,424,698	8,699,990
Travel	1,925,654	8,987	-	1,934,641	2,268,973
Communication	2,024,672	2,159	-	2,026,831	2,129,667
Utilities	219,199	-	-	219,199	190,000
Data Processing Services	87,070	-	-	87,070	8,847
Other Services	2,874,534	11,847	-	2,886,381	3,373,710
Other Fixed Charges	1,680,117	530	-	1,680,647	2,159,250
Capital Outlay	3,759,016	1,093	3,442,641	7,202,750	24,119,927
Grants, State Aid and Subsidies (Exhibit I-4)	530,829,859	5,000	-	530,834,859	525,296,258
Other Expenditures	8,103,825	1,084	-	8,104,909	7,962,439
Total Expenditures	713,296,718	498,220	3,442,641	717,237,579	738,642,876
Excess of Revenues Over (Under) Expenditures	(129,753,337)	105,651	(43,435)	(129,691,121)	(116,848,498)
OTHER FINANCING SOURCES (USES)					
State Appropriations	137,196,721	-	-	137,196,721	141,275,947
Transfers In	1,044,591	-	-	1,044,591	26,350,237
Transfers Out	(13,806,317)	(22,655)	-	(13,828,972)	(23,627,093)
Other	21,333	-	-	21,333	21,333
Total Other Financing Sources (Uses)	124,456,328	(22,655)	-	124,433,673	144,020,424
Net Change in Fund Balance	(5,297,009)	82,996	(43,435)	(5,257,448)	27,171,926
Fund Balance - July 1	7,902,930	2,062,167	(958,182)	9,006,915	(18,165,011)
Fund Balance - June 30	\$ 2,605,921	\$ 2,145,163	\$ (1,001,617)	\$ 3,749,467	\$ 9,006,915

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

North Carolina Department of Health and Human Services
Schedule Supporting Grants, State Aid and Subsidies
Division of Public Health
For the Fiscal Year Ended June 30, 2014 **Exhibit I-4**

Social Service Programs	
Food and Nutrition	
Women, Infants, and Children (WIC) Program	\$ 245,602,620
Other Nutrition	99,635,027
Total Food and Nutrition	<u>345,237,647</u>
Child and Family	
Maternal and Infant Health	28,450,582
Children Health Services	20,278,645
Child and Adult Prevention	15,851,115
Early Intervention	14,180,430
Total Child and Family	<u>78,760,772</u>
 Total Social Service Programs	 <u>423,998,419</u>
 Public Health Programs	
Communicable Diseases	68,064,885
General Public Health	24,697,968
Chronic Diseases	9,514,724
Other Public Health Programs	4,558,863
 Total Public Health Programs	 <u>106,836,440</u>
 Total Public Health	 <u><u>\$ 530,834,859</u></u>

**North Carolina Department of Health and Human Services
Schedule of Revenues, Expenditures, and Changes in
Fund Balance-Budget and Actual (Budgetary Basis-Non-GAAP) General Fund
Division of Public Health
For the Fiscal Year Ended June 30, 2014**

Exhibit I-5

	<u>Budgeted Amounts</u>		<u>Actual (Cash Basis)</u>	<u>Favorable (Unfavorable)</u>
	<u>Certified</u>	<u>Authorized</u>		
REVENUES				
Federal Grants				
Child/Adult Day Care	\$ 78,333,137	\$ 86,333,137	\$ 79,982,473	\$ (6,350,664)
HIV Care Grant	41,162,572	43,256,175	35,299,351	(7,956,824)
WIC	225,095,513	224,858,330	191,189,409	(33,668,921)
Other Federal Grants	181,330,448	205,302,455	146,639,188	(58,663,267)
Medicaid	45,891,052	45,557,038	40,080,264	(5,476,774)
Local Grants	24,261,250	27,480,696	25,877,746	(1,602,950)
Sales, Services, & Rentals	2,104,596	2,104,596	1,326,216	(778,380)
Fees, Licenses and Fines	11,243,558	11,994,495	10,247,528	(1,746,967)
Miscellaneous Revenue	70,289,183	78,675,105	71,891,295	(6,783,810)
Total Revenues	679,711,309	725,562,027	602,533,470	(123,028,557)
EXPENDITURES				
Personal Services	140,748,338	135,993,429	116,719,762	19,273,667
Purchased Services	70,743,046	90,305,680	53,843,639	36,462,041
Supplies	13,068,327	13,314,875	8,330,601	4,984,274
Property, Plant, and Equipment	4,150,090	6,053,571	3,906,347	2,147,224
Other Expenditures & Adjustments	3,338,740	3,589,407	2,426,741	1,162,666
Aid & Public Assistance	591,046,604	608,072,710	544,073,910	63,998,800
Reserves	2,599,364	2,634,514	-	2,634,514
Total Expenditures	825,694,509	859,964,186	729,301,000	130,663,186
Excess of Revenues Over (Under) Expenditures	(145,983,200)	(134,402,159)	(126,767,530)	7,634,629
OTHER FINANCING SOURCES (USES)				
Transfers From Other Departments or Funds	4,880,568	4,744,084	3,455,039	(1,289,045)
Transfers to Other Departments or Funds	(2,813,231)	(14,307,732)	(13,884,230)	423,502
State Appropriation	143,915,863	143,965,807	137,196,721	(6,769,086)
Total Other Financing Sources (Uses)	145,983,200	134,402,159	126,767,530	(7,634,629)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ -	\$ -	\$ -

The following table presents a reconciliation of resulting basis and timing differences in the fund balances (budgetary basis) at June 30, 2014 to the fund balances on a modified accrual basis (GAAP).

Fund Balance (budgetary basis) June 30, 2014	\$ -
Reconciling Adjustments:	
Basis Differences:	
Receivables	30,707,309
Payables	(28,085,012)
Deferred Inflows	(281,419)
Total Basis Differences	<u>2,340,878</u>
Timing Differences:	
Authorized Cash Carryforward	<u>265,043</u>
Other Adjustments:	
Cash	<u>-</u>
Fund Balance (GAAP basis) June 30, 2014	<u>\$ 2,605,921</u>

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North Carolina Department of Health and Human Services
Balance Sheet
Division of Aging
June 30, 2014

Exhibit J-1

	General Fund
ASSETS	
Cash, Cash Equivalents, and Pooled Cash	\$ 38,825
Receivables, net	
Intergovernmental Receivables	5,110,961
Due from Other Funds	7,680
	<hr/>
Total Assets	\$ 5,157,466
	<hr/> <hr/>
LIABILITIES	
Accounts Payable and Accrued Liabilities	
Accounts Payable	\$ 273,759
Intergovernmental Payables	7,226,848
Due to Other State Agencies and Funds	4,986
	<hr/>
Total Liabilities	7,505,593
	<hr/>
FUND BALANCE	
Fund Balance	(2,348,127)
	<hr/>
Total Fund Balance	(2,348,127)
	<hr/>
Total Liabilities and Fund Balance	\$ 5,157,466
	<hr/> <hr/>

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

North Carolina Department of Health and Human Services
Balance Sheet
Division of Aging
June 30, 2013

Exhibit J-2

	General Fund
ASSETS	
Cash, Cash Equivalents, and Pooled Cash	\$ 134,875
Receivables, net	
Intergovernmental Receivables	4,373,972
	<hr/>
Total Assets	\$ 4,508,847
	<hr/> <hr/>
LIABILITIES	
Accounts Payable and Accrued Liabilities	
Accounts Payable	\$ 577,874
Intergovernmental Payables	6,359,707
Due to Other State Agencies and Funds	7,782
	<hr/>
Total Liabilities	6,945,363
	<hr/> <hr/>
FUND BALANCE	
Fund Balance	(2,436,516)
	<hr/>
Total Fund Balance	(2,436,516)
	<hr/> <hr/>
Total Liabilities and Fund Balance	\$ 4,508,847
	<hr/> <hr/>

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

North Carolina Department of Health and Human Services
Statement of Revenues, Expenditures, and Changes in Fund Balance
Division of Aging
For the Fiscal Year Ended June 30, 2014
(With Comparative Unaudited Totals for June 30, 2013)

Exhibit J-3

	General Fund	
	2014	2013 (Unaudited)
REVENUES		
Federal Funds	\$ 52,911,662	\$ 56,441,605
Local Funds	9,596,581	10,046,775
Fees, Licenses and Fines	48,569	36,670
Miscellaneous Revenues	141,454	317,448
Total Revenues	<u>62,698,266</u>	<u>66,842,498</u>
EXPENDITURES		
Personal Services	3,799,511	3,804,004
Employee Benefits	1,306,414	1,269,109
Contracted Personal Services	2,261,775	2,289,805
Supplies and Materials	46,784	28,680
Travel	129,065	146,178
Communication	32,412	41,855
Data Processing Services	13,500	-
Other Services	19,985	53,753
Other Fixed Charges	90,277	21,509
Capital Outlay	32,816	10,430
Grants, State Aid and Subsidies	96,138,586	97,520,191
Other Expenditures	118,131	124,080
Total Expenditures	<u>103,989,256</u>	<u>105,309,594</u>
Excess of Revenues Over (Under) Expenditures	<u>(41,290,990)</u>	<u>(38,467,096)</u>
OTHER FINANCING SOURCES (USES)		
State Appropriations	41,058,227	43,775,629
Transfers In	321,126	204,778
Transfers Out	-	(308,280)
Other	26	29
Total Other Financing Sources (Uses)	<u>41,379,379</u>	<u>43,672,156</u>
Net Change in Fund Balance	88,389	5,205,060
Fund Balance - July 1	<u>(2,436,516)</u>	<u>(7,641,576)</u>
Fund Balance - June 30	<u>\$ (2,348,127)</u>	<u>\$ (2,436,516)</u>

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

North Carolina Department of Health and Human Services
Schedule of Revenues, Expenditures, and Changes in
Fund Balance-Budget and Actual (Budgetary Basis-Non-GAAP) General Fund
Division of Aging
For the Fiscal Year Ended June 30, 2014

Exhibit J-4

	Budgeted Amounts		Actual (Cash Basis)	Favorable (Unfavorable)
	Certified	Authorized		
REVENUES				
Federal Grants				
Title III Grants	\$ 29,324,792	\$ 30,047,468	\$ 28,742,583	\$ (1,304,885)
Nutrition Services Incentive Program	3,361,424	3,419,808	3,256,481	(163,327)
Family Caregiver Support	4,870,525	4,629,350	4,618,673	(10,677)
Other Federal Grants	11,058,199	17,169,370	15,655,934	(1,513,436)
Local Match and Program Income	10,704,701	10,001,447	9,822,667	(178,780)
Sales, Services, & Rentals	100	100	23	(77)
Fees, Licenses and Fines	30,000	48,568	48,569	1
Contributions and Donations	232,400	232,400	86,755	(145,645)
Miscellaneous Revenue	111,809	160,571	127,183	(33,388)
Total Revenues	59,693,950	65,709,082	62,358,868	(3,350,214)
EXPENDITURES				
Personal Services	5,488,769	5,383,851	5,105,631	278,220
Purchased Services	2,176,851	3,334,265	2,603,666	730,599
Supplies	28,963	41,880	30,993	10,887
Property, Plant, and Equipment	23,950	45,843	34,165	11,678
Other Expenditures & Adjustments	91,726	404,918	318,535	86,383
Aid & Public Assistance	96,306,702	98,127,851	95,606,406	2,521,445
Reserves	-	2,875,329	-	2,875,329
Total Expenditures	104,116,961	110,213,937	103,699,396	6,514,541
Excess of Revenues Over (Under) Expenditures	(44,423,011)	(44,504,855)	(41,340,528)	3,164,327
OTHER FINANCING SOURCES (USES)				
Transfers From Other Departments or Funds	318,671	440,152	321,126	(119,026)
Transfers to Other Departments or Funds	(33,503)	(73,140)	(38,825)	34,315
State Appropriation	44,137,843	44,137,843	41,058,227	(3,079,616)
Total Other Financing Sources (Uses)	44,423,011	44,504,855	41,340,528	(3,164,327)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ -	\$ -	\$ -

The following table presents a reconciliation of resulting basis and timing differences in the fund balances (budgetary basis) at June 30, 2014 to the fund balances on a modified accrual basis (GAAP).

Fund Balance (budgetary basis) June 30, 2014	\$ -
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Receivables	5,118,641
Payables	(7,505,593)
Deferred Inflows	-
Total Basis Differences	(2,386,952)
Timing Differences:	
Authorized Cash Carryforward	38,825
Other Adjustments:	
Cash	-
Fund Balance (GAAP basis) June 30, 2014	\$ (2,348,127)

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North Carolina Department of Health and Human Services
Combining Balance Sheet
Division of Blind Services
June 30, 2014

Exhibit K-1

	General Fund	Other Special Revenue Funds	NC Dual Party Relay System	Total Blind Services
ASSETS				
Cash, Cash Equivalents, and Pooled Cash	\$ 4,800	\$ 519,633	\$ 6,955,126	\$ 7,479,559
Receivables, net				
Accounts Receivable	470	-	394,082	394,552
Intergovernmental Receivables	422,833	-	-	422,833
Due from Other Funds	-	5,142	-	5,142
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 428,103</u>	<u>\$ 524,775</u>	<u>\$ 7,349,208</u>	<u>\$ 8,302,086</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities				
Accounts Payable	\$ 199,964	\$ 94,799	\$ 249,441	\$ 544,204
Intergovernmental Payables	1,235	-	-	1,235
Medical Claims Payables	131,393	-	-	131,393
Due to Other State Agencies and Funds	156,203	5,142	11,204	172,549
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>488,795</u>	<u>99,941</u>	<u>260,645</u>	<u>849,381</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	109	-	-	109
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u>109</u>	<u>-</u>	<u>-</u>	<u>109</u>
FUND BALANCE				
Fund Balance	(60,801)	424,834	7,088,563	7,452,596
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	<u>(60,801)</u>	<u>424,834</u>	<u>7,088,563</u>	<u>7,452,596</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 428,103</u>	<u>\$ 524,775</u>	<u>\$ 7,349,208</u>	<u>\$ 8,302,086</u>

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

**North Carolina Department of Health and Human Services
Combining Balance Sheet
Division of Blind Services
June 30, 2013**

Exhibit K-2

	General Fund	Other Special Revenue Funds	NC Dual Party Relay System	Total Blind Services
ASSETS				
Cash, Cash Equivalents, and Pooled Cash	\$ 6,326	\$ 696,377	\$ 2,193,955	\$ 2,896,658
Receivables, net				
Accounts Receivable	109	-	365,529	365,638
Intergovernmental Receivables	660,415	-	-	660,415
	<u>666,850</u>	<u>696,377</u>	<u>2,559,484</u>	<u>3,922,711</u>
Total Assets	<u>\$ 666,850</u>	<u>\$ 696,377</u>	<u>\$ 2,559,484</u>	<u>\$ 3,922,711</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities				
Accounts Payable	\$ 246,461	\$ 137,013	\$ 398,372	\$ 781,846
Intergovernmental Payables	(7,788)	-	-	(7,788)
Medical Claims Payables	455,706	-	-	455,706
Due to Other State Agencies and Funds	21,780	-	1,082	22,862
Other Liabilities	520	-	-	520
	<u>716,679</u>	<u>137,013</u>	<u>399,454</u>	<u>1,253,146</u>
Total Liabilities	<u>716,679</u>	<u>137,013</u>	<u>399,454</u>	<u>1,253,146</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	109	-	-	109
	<u>109</u>	<u>-</u>	<u>-</u>	<u>109</u>
Total Deferred Inflows of Resources	<u>109</u>	<u>-</u>	<u>-</u>	<u>109</u>
FUND BALANCES				
Fund Balance	(49,938)	559,364	2,160,030	2,669,456
	<u>(49,938)</u>	<u>559,364</u>	<u>2,160,030</u>	<u>2,669,456</u>
Total Fund Balance	<u>(49,938)</u>	<u>559,364</u>	<u>2,160,030</u>	<u>2,669,456</u>
	<u>\$ 666,850</u>	<u>\$ 696,377</u>	<u>\$ 2,559,484</u>	<u>\$ 3,922,711</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 666,850</u>	<u>\$ 696,377</u>	<u>\$ 2,559,484</u>	<u>\$ 3,922,711</u>

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

North Carolina Department of Health and Human Services
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Division of Blind Services
For the Fiscal Year Ended June 30, 2014 (With Comparative Unaudited Totals for June 30, 2013) Exhibit K-3

	General Fund	Other Special Revenue Funds	NC Dual Party Relay System	Total Blind Services	2013 (Unaudited)
REVENUES					
Federal Funds	\$ 15,406,190	\$ 950,067	\$ -	\$ 16,356,257	\$ 18,074,011
Local Funds	533,222	-	-	533,222	538,205
Sales and Services	-	797,418	-	797,418	886,349
Fees, Licenses and Fines	2	-	4,944,216	4,944,218	5,168,723
Revenues from Other State Agencies (Exhibit P-1)	-	-	11,775,997	11,775,997	-
Miscellaneous Revenues	104,666	7,309	296,532	408,507	148,065
Total Revenues	16,044,080	1,754,794	17,016,745	34,815,619	24,815,353
EXPENDITURES					
Personal Services	12,043,226	-	963,954	13,007,180	13,702,309
Employee Benefits	4,598,350	-	359,484	4,957,834	5,095,608
Contracted Personal Services	494,380	54,558	3,466,303	4,015,241	3,752,635
Supplies and Materials	170,062	3,401	4,587	178,050	243,571
Travel	564,930	79,656	6,085	650,671	714,818
Communication	234,419	-	11,985	246,404	219,271
Utilities	29,297	2,575	-	31,872	27,408
Other Services	233,204	455,312	21,451	709,967	663,720
Other Fixed Charges	51,048	56,408	435	107,891	34,544
Capital Outlay	464,456	580,107	41,703	1,086,266	515,602
Grants, State Aid and Subsidies	5,783,051	65,000	3,271,697	9,119,748	12,935,022
Other Expenditures	959,328	67,460	80,702	1,107,490	1,088,078
Total Expenditures	25,625,751	1,364,477	8,228,386	35,218,614	38,992,586
Excess of Revenues Over (Under) Expenditures	(9,581,671)	390,317	8,788,359	(402,995)	(14,177,233)
OTHER FINANCING SOURCES (USES)					
State Appropriations	6,259,565	-	-	6,259,565	8,178,615
Transfers In	4,139,504	226,960	(7)	4,366,457	13,019,976
Transfers Out	(828,261)	(773,637)	(3,859,819)	(5,461,717)	(6,251,660)
Other	-	21,830	-	21,830	24,185
Total Other Financing Sources (Uses)	9,570,808	(524,847)	(3,859,826)	5,186,135	14,971,116
Net Change in Fund Balance	(10,863)	(134,530)	4,928,533	4,783,140	793,883
Fund Balance - July 1	(49,938)	559,364	2,160,030	2,669,456	1,875,573
Fund Balance - June 30	\$ (60,801)	\$ 424,834	\$ 7,088,563	\$ 7,452,596	\$ 2,669,456

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

**North Carolina Department of Health and Human Services
Schedule of Revenues, Expenditures, and Changes in
Fund Balance-Budget and Actual (Budgetary Basis-Non-GAAP) General Fund
Division of Blind Services
For the Fiscal Year Ended June 30, 2014**

Exhibit K-4

	<u>Budgeted Amounts</u>		<u>Actual (Cash Basis)</u>	<u>Favorable (Unfavorable)</u>
	<u>Certified</u>	<u>Authorized</u>		
REVENUES				
Federal Grants				
Rehab Services	\$ 14,728,454	\$ 15,769,306	\$ 11,534,165	\$ (4,235,141)
Other Federal Grants	4,482,417	4,498,598	4,118,946	(379,652)
Local Grants	595,897	595,897	533,222	(62,675)
Sales, Services, & Rentals	-	193,534	-	(193,534)
Fees, Licenses and Fines	61,237	77,097	-	(77,097)
Miscellaneous Revenue	346,025	500,867	272,980	(227,887)
Total Revenues	20,214,030	21,635,299	16,459,313	(5,175,986)
EXPENDITURES				
Personal Services	19,426,497	19,430,558	16,616,272	2,814,286
Purchased Services	3,090,994	3,565,360	2,424,389	1,140,971
Supplies	240,974	257,038	164,598	92,440
Property, Plant, and Equipment	126,227	1,209,336	403,514	805,822
Other Expenditures & Adjustments	340,814	247,351	190,812	56,539
Aid & Public Assistance	9,453,492	9,453,492	6,230,533	3,222,959
Reserves	25,337	122,369	-	122,369
Total Expenditures	32,704,335	34,285,504	26,030,118	8,255,386
Excess of Revenues Over (Under) Expenditures	(12,490,305)	(12,650,205)	(9,570,805)	3,079,400
OTHER FINANCING SOURCES (USES)				
Transfers From Other Departments or Funds	4,298,359	5,286,520	4,139,504	(1,147,016)
Transfers to Other Departments or Funds	(400)	(828,661)	(828,264)	397
State Appropriation	8,192,346	8,192,346	6,259,565	(1,932,781)
Total Other Financing Sources (Uses)	12,490,305	12,650,205	9,570,805	(3,079,400)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ -	-	\$ -

The following table presents a reconciliation of resulting basis and timing differences in the fund balances (budgetary basis) at June 30, 2014 to the fund balances on a modified accrual basis (GAAP).

Fund Balance (budgetary basis) June 30, 2014	\$ -
<u>Reconciling Adjustments:</u>	
Basis Differences:	
Receivables	423,303
Payables	(488,795)
Deferred Inflows	(109)
Total Basis Differences	(65,601)
Timing Differences:	
Authorized Cash Carryforward	4,800
Other Adjustments:	
Cash	-
Fund Balance (GAAP basis) June 30, 2014	\$ (60,801)

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North Carolina Department of Health and Human Services
Combining Balance Sheet
Division of Vocational Rehabilitation
June 30, 2014

Exhibit L-1

	General Fund	Other Special Revenue Funds	Supporting Capital Projects Fund	Total Vocational Rehabilitation
ASSETS				
Cash, Cash Equivalents, and Pooled Cash	\$ 340,772	\$ 438,717	\$ 267,084	\$ 1,046,573
Receivables, net				
Accounts Receivable	264,758	-	-	264,758
Intergovernmental Receivables	1,445,266	-	-	1,445,266
Due from Other Funds	2,065	56	-	2,121
	<u>2,052,861</u>	<u>438,773</u>	<u>267,084</u>	<u>2,758,718</u>
Total Assets	<u>\$ 2,052,861</u>	<u>\$ 438,773</u>	<u>\$ 267,084</u>	<u>\$ 2,758,718</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities				
Accounts Payable	\$ 1,039,593	\$ 15,053	\$ 11,628	\$ 1,066,274
Intergovernmental Payables	89,516	-	-	89,516
Medical Claims Payables	213,583	-	-	213,583
Due to Other State Agencies and Funds	235,027	305	-	235,332
Other Liabilities	12	-	-	12
	<u>1,577,731</u>	<u>15,358</u>	<u>11,628</u>	<u>1,604,717</u>
Total Liabilities	<u>1,577,731</u>	<u>15,358</u>	<u>11,628</u>	<u>1,604,717</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	4,440	-	-	4,440
	<u>4,440</u>	<u>-</u>	<u>-</u>	<u>4,440</u>
Total Deferred Inflows of Resources	<u>4,440</u>	<u>-</u>	<u>-</u>	<u>4,440</u>
FUND BALANCE				
Fund Balance	470,690	423,415	255,456	1,149,561
	<u>470,690</u>	<u>423,415</u>	<u>255,456</u>	<u>1,149,561</u>
Total Fund Balance	<u>470,690</u>	<u>423,415</u>	<u>255,456</u>	<u>1,149,561</u>
	<u>\$ 2,052,861</u>	<u>\$ 438,773</u>	<u>\$ 267,084</u>	<u>\$ 2,758,718</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 2,052,861</u>	<u>\$ 438,773</u>	<u>\$ 267,084</u>	<u>\$ 2,758,718</u>

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

North Carolina Department of Health and Human Services
Combining Balance Sheet
Division of Vocational Rehabilitation
June 30, 2013

Exhibit L-2

	<u>General Fund</u>	<u>Other Special Revenue Funds</u>	<u>Non-Debt Supporting Capital Projects Fund</u>	<u>Total Vocational Rehabilitation</u>
ASSETS				
Cash, Cash Equivalents, and Pooled Cash	\$ 454,875	\$ 542,322	\$ 372,912	\$ 1,370,109
Receivables, net				
Accounts Receivable	9,803	-	-	9,803
Intergovernmental Receivables	3,946,426	-	-	3,946,426
	<u>4,411,104</u>	<u>542,322</u>	<u>372,912</u>	<u>5,326,338</u>
Total Assets	<u>\$ 4,411,104</u>	<u>\$ 542,322</u>	<u>\$ 372,912</u>	<u>\$ 5,326,338</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities				
Accounts Payable	\$ 3,221,071	\$ 27,666	\$ 6,280	\$ 3,255,017
Intergovernmental Payables	672,867	-	-	672,867
Medical Claims Payables	1,310,977	-	-	1,310,977
Due to Other State Agencies and Funds	207,658	503	-	208,161
Due to UNC Hospitals	834	-	-	834
	<u>5,413,407</u>	<u>28,169</u>	<u>6,280</u>	<u>5,447,856</u>
Total Liabilities	<u>5,413,407</u>	<u>28,169</u>	<u>6,280</u>	<u>5,447,856</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	4,211	-	-	4,211
	<u>4,211</u>	<u>-</u>	<u>-</u>	<u>4,211</u>
Total Deferred Inflows of Resources	<u>4,211</u>	<u>-</u>	<u>-</u>	<u>4,211</u>
FUND BALANCES				
Fund Balance	(1,006,514)	514,153	366,632	(125,729)
	<u>(1,006,514)</u>	<u>514,153</u>	<u>366,632</u>	<u>(125,729)</u>
Total Fund Balance	<u>(1,006,514)</u>	<u>514,153</u>	<u>366,632</u>	<u>(125,729)</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 4,411,104</u>	<u>\$ 542,322</u>	<u>\$ 372,912</u>	<u>\$ 5,326,338</u>

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

North Carolina Department of Health and Human Services
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Division of Vocational Rehabilitation
For the Fiscal Year Ended June 30, 2014 (With Comparative Unaudited Totals for June 30, 2013) **Exhibit L-3**

	General Fund	Other Special Revenue Funds	Non-Debt Supporting Capital Projects Fund	Total Vocational Rehabilitation	2013 (Unaudited)
REVENUES					
Federal Funds	\$ 86,667,951	\$ -	\$ -	\$ 86,667,951	\$ 100,438,055
Local Funds	2,590,569	-	-	2,590,569	2,371,288
Sales and Services	-	424,249	-	424,249	411,764
Fees, Licenses and Fines	-	-	-	-	25
Revenues from Other State Agencies (Exhibit P-1)	-	-	201,714	201,714	-
Miscellaneous Revenues	4,449,192	-	-	4,449,192	3,636,488
Total Revenues	93,707,712	424,249	201,714	94,333,675	106,857,620
EXPENDITURES					
Personal Services	37,053,051	124,486	-	37,177,537	38,990,696
Employee Benefits	14,305,234	-	-	14,305,234	14,761,257
Contracted Personal Services	1,646,666	23,701	-	1,670,367	1,849,586
Supplies and Materials	333,091	31,650	-	364,741	450,082
Travel	898,572	-	-	898,572	1,222,937
Communication	1,203,800	-	-	1,203,800	1,155,816
Utilities	371,097	-	-	371,097	330,843
Other Services	674,020	15,463	-	689,483	594,594
Other Fixed Charges	336,714	6,685	-	343,399	214,386
Capital Outlay	41,060	22,165	416,720	479,945	733,408
Grants, State Aid and Subsidies	65,672,608	-	-	65,672,608	72,075,654
Expenditures to Other State Agencies (Exhibit P-2)	511,261	-	-	511,261	-
Other Expenditures	4,308,587	187,942	-	4,496,529	4,432,883
Total Expenditures	127,355,761	412,092	416,720	128,184,573	136,812,142
Excess of Revenues Over (Under) Expenditures	(33,648,049)	12,157	(215,006)	(33,850,898)	(29,954,522)
OTHER FINANCING SOURCES (USES)					
State Appropriations	37,789,780	-	-	37,789,780	32,646,949
Transfers In	196,762	-	103,830	300,592	1,439,627
Transfers Out	(2,865,759)	(103,830)	-	(2,969,589)	(1,286,632)
Other	4,470	935	-	5,405	3,232
Total Other Financing Sources (Uses)	35,125,253	(102,895)	103,830	35,126,188	32,803,176
Net Change in Fund Balance	1,477,204	(90,738)	(111,176)	1,275,290	2,848,654
Fund Balance - July 1	(1,006,514)	514,153	366,632	(125,729)	(2,974,383)
Fund Balance - June 30	\$ 470,690	\$ 423,415	\$ 255,456	\$ 1,149,561	\$ (125,729)

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

**North Carolina Department of Health and Human Services
Schedule of Revenues, Expenditures, and Changes in
Fund Balance-Budget and Actual (Budgetary Basis-Non-GAAP) General Fund
Division of Vocational Rehabilitation
For the Fiscal Year Ended June 30, 2014**

Exhibit L-4

	<u>Budgeted Amounts</u>		<u>Actual (Cash Basis)</u>	<u>Favorable (Unfavorable)</u>
	<u>Certified</u>	<u>Authorized</u>		
REVENUES				
Federal Grants				
Rehabilitation Services	\$ 89,817,320	\$ 96,908,390	\$ 84,175,114	\$ (12,733,276)
Other Federal Grants	4,750,690	5,423,047	4,022,436	(1,400,611)
Local Grants	2,682,884	2,780,373	2,659,036	(121,337)
Sales, Services, & Rentals	17,838	17,838	4,470	(13,368)
Miscellaneous Revenue	3,419,915	6,067,192	5,615,912	(451,280)
Total Revenues	100,688,647	111,196,840	96,476,968	(14,719,872)
EXPENDITURES				
Personal Services	58,435,137	57,554,560	51,085,584	6,468,976
Purchased Services	10,544,075	11,280,990	9,850,410	1,430,580
Supplies	823,902	399,423	327,843	71,580
Property, Plant, and Equipment	732,642	238,802	34,123	204,679
Other Expenditures & Adjustments	826,003	2,323,078	1,946,015	377,063
Aid & Public Assistance	67,986,164	75,679,108	68,835,557	6,843,551
Reserves	501	501	-	501
Total Expenditures	139,348,424	147,476,462	132,079,532	15,396,930
Excess of Revenues Over (Under) Expenditures	(38,659,777)	(36,279,622)	(35,602,564)	677,058
OTHER FINANCING SOURCES (USES)				
Transfers From Other Departments or Funds	393,748	1,166,330	1,152,785	(13,545)
Transfers to Other Departments or Funds	(224,283)	(3,377,020)	(3,340,001)	37,019
State Appropriation	38,490,312	38,490,312	37,789,780	(700,532)
Total Other Financing Sources (Uses)	38,659,777	36,279,622	35,602,564	(677,058)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ -	\$ -	\$ -

The following table presents a reconciliation of resulting basis and timing differences in the fund balances (budgetary basis) at June 30, 2014 to the fund balances on a modified accrual basis (GAAP).

Fund Balance (budgetary basis) June 30, 2014	\$ -
Reconciling Adjustments:	
Basis Differences:	
Receivables	1,712,089
Payables	(1,577,731)
Deferred Inflows	(4,440)
Total Basis Differences	129,918
Timing Differences:	
Authorized Cash Carryforward	340,772
Other Adjustments:	
Cash	-
Fund Balance (GAAP basis) June 30, 2014	\$ 470,690

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North Carolina Department of Health and Human Services
Combining Balance Sheet
Division of Social Services
June 30, 2014

Exhibit M-1

	<u>General Fund</u>	<u>Disability Determination Fund</u>	<u>Total Social Services</u>
ASSETS			
Cash, Cash Equivalents, and Pooled Cash	\$ 2,737,675	\$ 5,569	\$ \$ 2,743,244
Receivables, net			
Accounts Receivable	4,202,744	1,177	4,203,921
Intergovernmental Receivables	60,712,154	1,297,242	62,009,396
Due from Other Funds	109,730	-	109,730
	<u>67,762,303</u>	<u>1,303,988</u>	<u>\$ \$ 69,066,291</u>
Total Assets			
LIABILITIES			
Accounts Payable and Accrued Liabilities			
Accounts Payable	\$ 3,049,571	\$ 1,274,173	\$ 4,323,744
Intergovernmental Payables	59,426,018	34,857	59,460,875
Medical Claims Payables	1,560,854	-	1,560,854
Due to Other State Agencies and Funds	202,303	24,219	226,522
Other Liabilities	2,966,927	-	2,966,927
	<u>67,205,673</u>	<u>1,333,249</u>	<u>68,538,922</u>
Total Liabilities			
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	312,269	1,177	313,446
	<u>312,269</u>	<u>1,177</u>	<u>313,446</u>
Total Deferred Inflows of Resources			
FUND BALANCES			
Fund Balance	244,361	(30,438)	213,923
	<u>244,361</u>	<u>(30,438)</u>	<u>213,923</u>
Total Fund Balance			
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 67,762,303</u>	<u>\$ 1,303,988</u>	<u>\$ 69,066,291</u>

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

**North Carolina Department of Health and Human Services
Combining Balance Sheet
Division of Social Services
June 30, 2013**

Exhibit M-2

	<u>General Fund</u>	<u>Disability Determination Fund</u>	<u>Total Social Services</u>
ASSETS			
Cash, Cash Equivalents, and Pooled Cash	\$ 3,110,819	\$ 14,562	\$ 3,125,381
Receivables, net			
Accounts Receivable	3,652,274	1,595	3,653,869
Intergovernmental Receivables	63,916,442	1,424,295	65,340,737
Due from Other State Agencies and Funds	26,184	-	26,184
	<u>70,705,719</u>	<u>1,440,452</u>	<u>72,146,171</u>
Total Assets	<u>\$ 70,705,719</u>	<u>\$ 1,440,452</u>	<u>\$ 72,146,171</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities			
Accounts Payable	\$ 4,449,838	\$ 1,223,637	\$ 5,673,475
Intergovernmental Payables	58,181,171	25,475	58,206,646
Medical Claims Payables	1,370,925	-	1,370,925
Due to Other State Agencies and Funds	1,599,523	21,358	1,620,881
Other Liabilities	2,691,950	894	2,692,844
	<u>68,293,407</u>	<u>1,271,364</u>	<u>69,564,771</u>
Total Liabilities	<u>68,293,407</u>	<u>1,271,364</u>	<u>69,564,771</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	418,633	1,190	419,823
	<u>418,633</u>	<u>1,190</u>	<u>419,823</u>
Total Deferred Inflows of Resources	<u>418,633</u>	<u>1,190</u>	<u>419,823</u>
FUND BALANCES			
Fund Balance	1,993,679	167,898	2,161,577
	<u>1,993,679</u>	<u>167,898</u>	<u>2,161,577</u>
Total Fund Balance	<u>1,993,679</u>	<u>167,898</u>	<u>2,161,577</u>
	<u>\$ 70,705,719</u>	<u>\$ 1,440,452</u>	<u>\$ 72,146,171</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 70,705,719</u>	<u>\$ 1,440,452</u>	<u>\$ 72,146,171</u>

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

North Carolina Department of Health and Human Services
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Division of Social Services
For the Fiscal Year Ended June 30, 2014 (With Comparative Unaudited Totals for June 30, 2013)

Exhibit M-3

	General Fund	Disability Determination Fund	Total Social Services	2013 (Unaudited)
REVENUES				
Federal Funds (1)	\$ 3,210,599,663	\$ 57,316,982	\$ 3,267,916,645	\$ 3,390,566,085
Local Funds	112,575,335	-	112,575,335	113,362,118
Fees, Licenses and Fines	331,250	-	331,250	351,695
Revenues from Other State Agencies (Exhibit P-1)	22,635	-	22,635	-
Miscellaneous Revenue	11,791,274	-	11,791,274	17,434,051
Total Revenues	3,335,320,157	57,316,982	3,392,637,139	3,521,713,949
EXPENDITURES				
Personal Services	14,827,798	25,438,438	40,266,236	42,919,669
Employee Benefits	5,656,695	8,945,702	14,602,397	15,490,937
Contracted Personal Services	13,133,488	21,417,402	34,550,890	34,461,021
Supplies and Materials	326,286	224,597	550,883	360,007
Travel	780,022	45,712	825,734	760,363
Communication	1,380,842	250,577	1,631,419	1,527,778
Utilities	678	-	678	-
Data Processing Services	107,606	-	107,606	79,437
Other Services	7,011,474	423,171	7,434,645	7,863,922
Other Fixed Charges	189,528	226,028	415,556	452,753
Capital Outlay	226,420	88,582	315,002	382,748
Grants, State Aid and Subsidies (Exhibit M-4) (1)	3,466,351,257	358,883	3,466,710,140	3,516,532,726
Other Expenditures	609,952	2,329,493	2,939,445	4,367,139
Total Expenditures	3,510,602,046	59,748,585	3,570,350,631	3,625,198,500
Excess of Revenues Over (Under) Expenditures	(175,281,889)	(2,431,603)	(177,713,492)	(103,484,551)
OTHER FINANCING SOURCES (USES)				
State Appropriations	166,931,985	-	166,931,985	165,603,209
Transfers In	9,366,893	2,233,267	11,600,160	14,704,007
Transfers Out	(2,766,307)	-	(2,766,307)	(11,585,488)
Other	-	-	-	1,939
Total Other Financing Sources (Uses)	173,532,571	2,233,267	175,765,838	168,723,667
Net Change in Fund Balance	(1,749,318)	(198,336)	(1,947,654)	65,239,116
Fund Balance - July 1	1,993,679	167,898	2,161,577	(63,077,539)
Fund Balance - June 30	\$ 244,361	\$ (30,438)	\$ 213,923	\$ 2,161,577

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

(1) Food stamp benefits are recognized as revenue and expenditure when recipients use the benefits. Food stamps used during the year of \$2,409,132,037 are recognized on this statement but are not recognized in the budgeted amounts on Exhibit M-5.

North Carolina Department of Health and Human Services
Schedule Supporting Grants, State Aid and Subsidies
Division of Social Services
For the Fiscal Year Ended June 30, 2014

Exhibit M-4

Food and Nutrition	
Food Stamp Program	\$ 2,408,529,226
Nutrition and Food Education Programs	91,316,875
Total Food and Nutrition	<u>2,499,846,101</u>
Child and Family	
Child Services	279,315,407
Foster Care	139,904,866
Adoption	118,252,795
Total Child and Family	<u>537,473,068</u>
Support of Aging and Adult Programs	<u>160,324,524</u>
Support of Medicaid Programs	<u>136,822,039</u>
Other Social Service Programs	
Low-Income Energy Assistance Program	93,062,967
Miscellaneous	39,181,441
Total Other Social Service Programs	<u>132,244,408</u>
Total Social Services	<u>\$ 3,466,710,140</u>

**North Carolina Department of Health and Human Services
Schedule of Revenues, Expenditures, and Changes in
Fund Balance-Budget and Actual (Budgetary Basis-Non-GAAP) General Fund
Division of Social Services
For the Fiscal Year Ended June 30, 2014**

Exhibit M-5

	<u>Budgeted Amounts</u>		<u>Actual (Cash Basis)</u>	<u>Favorable (Unfavorable)</u>
	<u>Certified</u>	<u>Authorized</u>		
REVENUES				
Federal Grants				
Medical Assistance Administration and Training	\$ 110,841,000	\$ 132,198,944	\$ 131,082,459	\$ (1,116,485)
Title IV-D / Child Support	82,125,430	93,174,077	91,578,697	(1,595,380)
Title IV-E / Foster Care	106,346,974	119,733,058	114,505,971	(5,227,087)
Low Income Energy	114,480,982	120,113,569	94,305,624	(25,807,945)
Food Stamps	79,681,503	98,803,391	95,460,983	(3,342,408)
TANF	182,321,460	175,771,991	170,829,711	(4,942,280)
Other Federal Grants	101,992,898	124,415,713	105,679,537	(18,736,176)
Local Grants	676,936,129	729,616,724	701,254,377	(28,362,347)
Fees, Licenses and Fines	6,968	6,968	-	(6,968)
Miscellaneous Revenue	9,390,984	7,511,276	7,213,518	(297,758)
Total Revenues	1,464,124,328	1,601,345,711	1,511,910,877	(89,434,834)
EXPENDITURES				
Personal Services	25,435,574	24,983,626	20,479,355	4,504,271
Purchased Services	28,528,848	27,507,050	21,153,268	6,353,782
Supplies	526,030	572,094	325,501	246,593
Property, Plant, and Equipment	329,258	478,170	225,915	252,255
Other Expenditures & Adjustments	4,179,305	1,278,431	1,194,847	83,584
Aid & Public Assistance	1,574,952,097	1,731,077,984	1,645,934,050	85,143,934
Reserves	6,898,640	305,528	-	305,528
Total Expenditures	1,640,849,752	1,786,202,883	1,689,312,936	96,889,947
Excess of Revenues Over (Under) Expenditures	(176,725,424)	(184,857,172)	(177,402,059)	7,455,113
OTHER FINANCING SOURCES (USES)				
Transfers From Other Departments or Funds	11,970,514	16,008,206	14,562,542	(1,445,664)
Transfers to Other Departments or Funds	(9,457,740)	(5,357,429)	(4,092,468)	1,264,961
State Appropriation	174,212,650	174,206,395	166,931,985	(7,274,410)
Total Other Financing Sources (Uses)	176,725,424	184,857,172	177,402,059	(7,455,113)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ -	\$ -	\$ -

The following table presents a reconciliation of resulting basis and timing differences in the fund balances (budgetary basis) at June 30, 2014 to the fund balances on a modified accrual basis (GAAP).

Fund Balance (budgetary basis) June 30, 2014	\$ -
Reconciling Adjustments:	
Basis Differences:	
Receivables	65,024,628
Payables	(67,205,673)
Deferred Inflows	(312,269)
Total Basis Differences	(2,493,314)
Timing Differences:	
Authorized Cash Carryforward	7,252
Other Adjustments:	
Cash	2,730,423
Fund Balance (GAAP basis) June 30, 2014	\$ 244,361

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North Carolina Department of Health and Human Services
Combining Balance Sheet
Division of Mental Health
June 30, 2014

Exhibit N-1

	General Fund	Other Special Revenue Funds	Supporting Capital Projects Fund	Supporting Capital Projects Fund	NC Infrastructure Finance Fund	Total Mental Health
ASSETS						
Cash, Cash Equivalents, and Pooled Cash	\$ 14,025,454	\$ 3,471,454	\$ -	\$ 18,027,763	\$ -	\$ 35,524,671
Receivables, net						
Accounts Receivable	40,699,894	299,202	-	-	-	40,999,096
Intergovernmental Receivables	4,229,928	-	-	-	-	4,229,928
Due from Other Funds	6,293	-	-	-	-	6,293
Inventories	6,243,501	34,102	-	-	-	6,277,603
Total Assets	<u>\$ 65,205,070</u>	<u>\$ 3,804,758</u>	<u>\$ -</u>	<u>\$ 18,027,763</u>	<u>\$ -</u>	<u>\$ 87,037,591</u>
LIABILITIES						
Accounts Payable and Accrued Liabilities						
Accounts Payable	\$ 21,204,566	\$ 155,888	\$ 9,423,161	\$ 779,534	\$ 3,000	\$ 31,566,149
Intergovernmental Payables	916,777	2,422	-	-	-	919,199
Due to Other State Agencies and Funds	1,500,531	1,107	-	-	-	1,501,638
Other Liabilities	46	6,966	-	-	-	7,012
Total Liabilities	<u>23,621,920</u>	<u>166,383</u>	<u>9,423,161</u>	<u>779,534</u>	<u>3,000</u>	<u>33,993,998</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	19,985,593	1,904	-	-	-	19,987,497
Total Deferred Inflows of Resources	<u>19,985,593</u>	<u>1,904</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,987,497</u>
FUND BALANCES						
Fund Balance	21,597,557	3,636,471	(9,423,161)	17,248,229	(3,000)	33,056,096
Total Fund Balance	<u>21,597,557</u>	<u>3,636,471</u>	<u>(9,423,161)</u>	<u>17,248,229</u>	<u>(3,000)</u>	<u>33,056,096</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 65,205,070</u>	<u>\$ 3,804,758</u>	<u>\$ -</u>	<u>\$ 18,027,763</u>	<u>\$ -</u>	<u>\$ 87,037,591</u>

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

North Carolina Department of Health and Human Services
Combining Balance Sheet
Division of Mental Health
June 30, 2013

Exhibit N-2

	<u>General Fund</u>	<u>Other Special Revenue Funds</u>	<u>Debt Supporting Capital Projects Fund</u>	<u>Non-Debt Supporting Capital Projects Fund</u>	<u>NC Infrastructure Finance Fund</u>	<u>Total Mental Health</u>
ASSETS						
Cash, Cash Equivalents, and Pooled Cash	\$ 16,245,377	\$ 4,324,062	\$ -	\$ 5,174,833	\$ -	\$ 25,744,272
Receivables, net						
Accounts Receivable	43,367,400	264,787	-	-	-	43,632,187
Intergovernmental Receivables	3,084,930	-	-	-	-	3,084,930
Due from Other State Agencies and Funds	153,357	-	-	-	-	153,357
Inventories	6,233,600	39,782	-	-	-	6,273,382
Total Assets	<u>\$ 69,084,664</u>	<u>\$ 4,628,631</u>	<u>\$ -</u>	<u>\$ 5,174,833</u>	<u>\$ -</u>	<u>\$ 78,888,128</u>
LIABILITIES						
Accounts Payable and Accrued Liabilities						
Accounts Payable	\$ 40,956,534	\$ 241,462	\$ 8,652,583	\$ 444,552	\$ 171,926	\$ 50,467,057
Intergovernmental Payables	336,521	-	-	-	-	336,521
Due to Other State Agencies and Funds	508,120	872	3,857	-	-	512,849
Other Liabilities	489,267	9,594	-	-	-	498,861
Total Liabilities	<u>42,290,442</u>	<u>251,928</u>	<u>8,656,440</u>	<u>444,552</u>	<u>171,926</u>	<u>51,815,288</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	30,697,452	36,486	-	-	-	30,733,938
Total Deferred Inflows of Resources	<u>30,697,452</u>	<u>36,486</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,733,938</u>
FUND BALANCES						
Fund Balance	(3,903,230)	4,340,217	(8,656,440)	4,730,281	(171,926)	(3,661,098)
Total Fund Balance	<u>(3,903,230)</u>	<u>4,340,217</u>	<u>(8,656,440)</u>	<u>4,730,281</u>	<u>(171,926)</u>	<u>(3,661,098)</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 69,084,664</u>	<u>\$ 4,628,631</u>	<u>\$ -</u>	<u>\$ 5,174,833</u>	<u>\$ -</u>	<u>\$ 78,888,128</u>

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

North Carolina Department of Health and Human Services
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Division of Mental Health
For the Fiscal Year Ended June 30, 2014 (With Comparative Unaudited Totals for June 30, 2013)

Exhibit N-3

	General Fund	Other Special Revenue Funds	Supporting Capital Projects Fund	Supporting Capital Projects Fund	NC Infrastructure Finance Fund	Total Mental Health	2013 (Unaudited)
REVENUES							
Federal Funds	\$ 564,957,516	\$ 936,217	\$ -	\$ -	\$ -	565,893,733	\$ 594,671,032
Local Funds	1,850,207	-	-	-	-	1,850,207	1,816,995
Sales and Services	62,986,781	1,861,473	-	-	-	64,848,254	64,684,723
Fees, Licenses and Fines	441,691	1,076	-	-	-	442,767	574,979
Revenues from Other State Agencies (Exhibit P-1)	169,827	1,000,000	47,973,099	16,124,252	202,037	65,469,215	-
Miscellaneous Revenues	560,144	395,627	-	-	-	955,771	1,158,498
Total Revenues	630,966,166	4,194,393	47,973,099	16,124,252	202,037	699,459,947	662,906,227
EXPENDITURES							
Personal Services	427,441,062	759,906	-	-	-	428,200,968	435,388,640
Employee Benefits	171,938,186	86,799	-	-	-	172,024,985	166,588,538
Contracted Personal Services	53,071,289	114,297	-	-	-	53,185,586	49,135,266
Supplies and Materials	43,232,408	1,197,454	-	-	-	44,429,862	41,695,326
Travel	466,653	87,764	-	-	-	554,417	535,903
Communication	2,111,482	3,996	-	-	-	2,115,478	1,993,983
Utilities	14,282,337	41,125	-	-	-	14,323,462	14,742,897
Data Processing Services	600	-	-	-	-	600	28,467
Other Services	1,787,455	167,868	-	-	-	1,955,323	2,157,506
Other Fixed Charges	2,849,160	3,893	-	-	-	2,853,053	2,916,254
Capital Outlay	3,692,944	109,855	48,739,820	3,696,340	33,111	56,272,070	74,181,318
Grants, State Aid and Subsidies (Exhibit N-4)	427,375,599	678,277	-	-	-	428,053,876	447,984,224
Expenditures to Other State Agencies (Exhibit P-2)	55,480	-	-	9	-	55,489	-
Other Expenditures	7,061,232	634,300	-	-	-	7,695,532	29,742,708
Total Expenditures	1,155,365,887	3,885,534	48,739,820	3,696,349	33,111	1,211,720,701	1,267,091,030
Excess of Revenues Over (Under) Expenditures	(524,399,721)	308,859	(766,721)	12,427,903	168,926	(512,260,754)	(604,184,803)
OTHER FINANCING SOURCES (USES)							
State Appropriations	694,877,629	-	-	-	-	694,877,629	684,392,832
Transfers In	11,420,513	168,150	-	247,850	-	11,836,513	85,420,694
Transfers Out	(156,479,929)	(1,180,755)	-	(157,805)	-	(157,818,489)	(154,539,313)
Other	82,295	-	-	-	-	82,295	551,980
Total Other Financing Sources (Uses)	549,900,508	(1,012,605)	-	90,045	-	548,977,948	615,826,193
Net Change in Fund Balance	25,500,787	(703,746)	(766,721)	12,517,948	168,926	36,717,194	11,641,390
Fund Balance - July 1	(3,903,230)	4,340,217	(8,656,440)	4,730,281	(171,926)	(3,661,098)	(15,302,488)
Fund Balance - June 30	\$ 21,597,557	\$ 3,636,471	\$ (9,423,161)	\$ 17,248,229	\$ (3,000)	\$ 33,056,096	\$ (3,661,098)

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

**North Carolina Department of Health and Human Services
Schedule Supporting Grants, State Aid and Subsidies**

Division of Mental Health

For the Fiscal Year Ended June 30, 2014

Exhibit N-4

Mental Health Programs	
Local Management Entity Expenditures	\$ 412,109,041
Non-Governmental Expenditures	11,491,801
Governmental Expenditures	4,453,034
Total Mental Health Programs	<u>\$ 428,053,876</u>

**North Carolina Department of Health and Human Services
Schedule of Revenues, Expenditures, and Changes in
Fund Balance-Budget and Actual (Budgetary Basis-Non-GAAP) General Fund
Division of Mental Health
For the Fiscal Year Ended June 30, 2014**

Exhibit N-5

	<u>Budgeted Amounts</u>		<u>Actual (Cash Basis)</u>	<u>Favorable (Unfavorable)</u>
	<u>Certified</u>	<u>Authorized</u>		
REVENUES				
Federal Grants				
Medical Assistance Administration and Training	\$ 37,875,505	\$ 5,845,639	\$ 7,486,851	\$ 1,641,212
Reimbursements to Facilities	3,590,026	3,585,298	3,754,065	168,767
Medicaid	511,464,662	508,574,760	502,423,927	(6,150,833)
SAPT Block Grant	36,761,751	36,761,751	30,590,992	(6,170,759)
Other Federal Grants	25,817,631	16,224,222	8,543,919	(7,680,303)
Local Grants	1,468,216	1,796,238	1,985,628	189,390
Sales, Services, & Rentals	64,541,261	60,643,475	61,717,691	1,074,216
Fees, Licenses and Fines	788,702	788,702	441,666	(347,036)
Miscellaneous	1,554,451	1,614,651	700,208	(914,443)
Total Revenues	<u>683,862,205</u>	<u>635,834,736</u>	<u>617,644,947</u>	<u>(18,189,789)</u>
EXPENDITURES				
Personal Services	653,071,559	599,037,518	598,583,167	454,351
Purchased Services	48,609,140	73,128,333	77,617,272	(4,488,939)
Supplies	44,806,581	42,599,512	43,947,078	(1,347,566)
Property, Plant, and Equipment	5,177,770	4,024,406	3,746,175	278,231
Other Expenditures & Adjustments	7,387,239	14,406,377	15,121,816	(715,439)
Aid & Public Assistance	472,759,191	469,851,854	444,835,318	25,016,536
Miscellaneous Expenditures	12,774,519	1,250,000	-	1,250,000
Total Expenditures	<u>1,244,585,999</u>	<u>1,204,298,000</u>	<u>1,183,850,826</u>	<u>20,447,174</u>
Excess of Revenues Over (Under) Expenditures	<u>(560,723,794)</u>	<u>(568,463,264)</u>	<u>(566,205,879)</u>	<u>2,257,385</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Departments or Funds	1,492,619	30,311,217	28,899,604	(1,411,613)
Transfers to Other Departments or Funds				
Medical Assistance	(145,111,716)	(158,207,993)	(157,571,354)	636,639
State Appropriation	704,342,891	696,360,040	694,877,629	(1,482,411)
Total Other Financing Sources (Uses)	<u>560,723,794</u>	<u>568,463,264</u>	<u>566,205,879</u>	<u>(2,257,385)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The following table presents a reconciliation of resulting basis and timing differences in the fund balances (budgetary basis) at June 30, 2014 to the fund balances on a modified accrual basis (GAAP).

Fund Balance (budgetary basis) June 30, 2014	<u>\$ -</u>
Reconciling Adjustments:	
Basis Differences:	
Receivables	51,179,616
Payables	(23,621,920)
Deferred Inflows	(19,985,593)
Total Basis Differences	<u>7,572,103</u>
Timing Differences:	
Authorized Cash Carryforward	<u>14,025,454</u>
Other Adjustments:	
Cash	<u>-</u>
Fund Balance (GAAP basis) June 30, 2014	<u>\$ 21,597,557</u>

**North Carolina Department of Health and Human Services
Combining Balance Sheet
Other Governmental Funds
June 30, 2014**

Exhibit O-1

	Special Revenue Funds	Capital Project Funds	Total Other Governmental Funds
ASSETS			
Cash, Cash Equivalents, and Pooled Cash	\$ 13,536,832	\$ 19,154,625	\$ 32,691,457
Receivables, net:			
Accounts Receivable	694,461	-	694,461
Due From Other Funds	1,302,440	-	1,302,440
Inventories	34,102	-	34,102
	<u>15,567,835</u>	<u>19,154,625</u>	<u>34,722,460</u>
Total Assets	<u>\$ 15,567,835</u>	<u>\$ 19,154,625</u>	<u>\$ 34,722,460</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities			
Accounts Payable	\$ 1,790,386	\$ 11,295,662	\$ 13,086,048
Intergovernmental Payables	37,279	-	37,279
Due to Other State Agencies and Funds	42,115	-	42,115
Other Liabilities	6,966	-	6,966
	<u>1,876,746</u>	<u>11,295,662</u>	<u>13,172,408</u>
Total Liabilities	<u>1,876,746</u>	<u>11,295,662</u>	<u>13,172,408</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	3,081	-	3,081
	<u>3,081</u>	<u>-</u>	<u>3,081</u>
Total Deferred Inflows of Resources	<u>3,081</u>	<u>-</u>	<u>3,081</u>
FUND BALANCE			
Fund Balance	13,688,008	7,858,963	21,546,971
	<u>13,688,008</u>	<u>7,858,963</u>	<u>21,546,971</u>
Total Fund Balance	<u>13,688,008</u>	<u>7,858,963</u>	<u>21,546,971</u>
	<u>\$ 15,567,835</u>	<u>\$ 19,154,625</u>	<u>\$ 34,722,460</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 15,567,835</u>	<u>\$ 19,154,625</u>	<u>\$ 34,722,460</u>

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

**North Carolina Department of Health and Human Services
Combining Balance Sheet
Other Governmental Funds
June 30, 2013**

Exhibit O-2

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total Other Governmental Funds</u>
ASSETS			
Cash, Cash Equivalents, and Pooled Cash	\$ 9,839,177	\$ 6,777,054	\$ 16,616,231
Receivables, net:			
Accounts Receivable	631,911	-	631,911
Intergovernmental Receivables	1,424,565	-	1,424,565
Inventories	39,782	-	39,782
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 11,935,435</u>	<u>\$ 6,777,054</u>	<u>\$ 18,712,489</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities			
Accounts Payable	\$ 2,033,633	\$ 10,363,519	\$ 12,397,152
Intergovernmental Payables	25,475	-	25,475
Due to Other State Agencies and Funds	24,334	3,857	28,191
Other Liabilities	10,488	-	10,488
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>2,093,930</u>	<u>10,367,376</u>	<u>12,461,306</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	37,676	-	37,676
	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u>37,676</u>	<u>-</u>	<u>37,676</u>
FUND BALANCE			
Fund Balance	9,803,829	(3,590,322)	6,213,507
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	<u>9,803,829</u>	<u>(3,590,322)</u>	<u>6,213,507</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 11,935,435</u>	<u>\$ 6,777,054</u>	<u>\$ 18,712,489</u>

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

**North Carolina Department of Health and Human Services
Statement of Revenues, Expenditures, and
Changes in Fund Balance
Other Governmental Funds
For the Fiscal Year Ended June 30, 2014**

Exhibit O-3

	Special Revenue Fund	Capital Project Fund	Total Other Governmental Funds
REVENUES			
Federal Funds	\$ 59,203,266	\$ -	\$ 59,203,266
Sales and Services	3,083,140	-	3,083,140
Fees, Licenses and fines	5,549,163	-	5,549,163
Revenues from Other State Agencies	12,775,997	67,925,146	80,701,143
Miscellaneous Revenue	699,468	-	699,468
Total Revenues	<u>81,311,034</u>	<u>67,925,146</u>	<u>149,236,180</u>
EXPENDITURES			
Personal Services	27,636,249	-	27,636,249
Employee Benefits	9,498,548	-	9,498,548
Contracted Personal Services	25,076,261	-	25,076,261
Supplies and Materials	1,473,181	-	1,473,181
Travel	228,204	-	228,204
Communication	268,717	-	268,717
Utilities	43,700	-	43,700
Other Services	1,095,112	-	1,095,112
Other Fixed Charges	293,979	-	293,979
Capital Outlay	843,505	56,578,884	57,422,389
Grants, State Aid and Subsidies	4,378,857	-	4,378,857
Expenditures to Other State Agencies	-	807	807
Other Expenditures	3,300,981	-	3,300,981
Total Expenditures	<u>74,137,294</u>	<u>56,579,691</u>	<u>130,716,985</u>
Revenues Over Expenditures	<u>7,173,740</u>	<u>11,345,455</u>	<u>18,519,195</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	2,628,370	351,680	2,980,050
Transfers Out	(5,940,696)	(247,850)	(6,188,546)
Other	22,765	-	22,765
Total Other Financing Sources (Uses)	<u>(3,289,561)</u>	<u>103,830</u>	<u>(3,185,731)</u>
Net Change in Fund Balance	3,884,179	11,449,285	15,333,464
Fund Balance - July 1	<u>9,803,829</u>	<u>(3,590,322)</u>	<u>6,213,507</u>
Fund Balance - June 30	<u>\$ 13,688,008</u>	<u>\$ 7,858,963</u>	<u>\$ 21,546,971</u>

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

North Carolina Department of Health and Human Services
Combining Balance Sheet
Special Revenue Funds
June 30, 2014

Exhibit O-4

	Other Special Revenue Fund	Disability Determination Fund	N.C. Dual Party Relay System Fund	Total Special Revenue Funds
ASSETS				
Cash, Cash Equivalents, and Pooled Cash	\$ 6,576,137	\$ 5,569	\$ 6,955,126	\$ 13,536,832
Receivables, net:				
Accounts Receivable	299,202	1,177	394,082	694,461
Due From Other Funds	5,198	1,297,242	-	1,302,440
Inventories	34,102	-	-	34,102
	<u>6,914,639</u>	<u>1,303,988</u>	<u>7,349,208</u>	<u>15,567,835</u>
Total Assets	<u>\$ 6,914,639</u>	<u>\$ 1,303,988</u>	<u>\$ 7,349,208</u>	<u>\$ 15,567,835</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities				
Accounts Payable	\$ 266,772	\$ 1,274,173	\$ 249,441	\$ 1,790,386
Intergovernmental Payables	2,422	34,857	-	37,279
Due to Other State Agencies and Funds	6,692	24,219	11,204	42,115
Other Liabilities	6,966	-	-	6,966
	<u>282,852</u>	<u>1,333,249</u>	<u>260,645</u>	<u>1,876,746</u>
Total Liabilities	<u>282,852</u>	<u>1,333,249</u>	<u>260,645</u>	<u>1,876,746</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	1,904	1,177	-	3,081
	<u>1,904</u>	<u>1,177</u>	<u>-</u>	<u>3,081</u>
Total Deferred Inflows of Resources	<u>1,904</u>	<u>1,177</u>	<u>-</u>	<u>3,081</u>
FUND BALANCE				
Fund Balance	6,629,883	(30,438)	7,088,563	13,688,008
	<u>6,629,883</u>	<u>(30,438)</u>	<u>7,088,563</u>	<u>13,688,008</u>
Total Fund Balance	<u>6,629,883</u>	<u>(30,438)</u>	<u>7,088,563</u>	<u>13,688,008</u>
	<u>\$ 6,914,639</u>	<u>\$ 1,303,988</u>	<u>\$ 7,349,208</u>	<u>\$ 15,567,835</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 6,914,639</u>	<u>\$ 1,303,988</u>	<u>\$ 7,349,208</u>	<u>\$ 15,567,835</u>

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

North Carolina Department of Health and Human Services
Combining Balance Sheet
Special Revenue Funds
June 30, 2013

Exhibit O-5

	<u>Other Special Revenue Fund</u>	<u>Disability Determination Fund</u>	<u>N.C. Dual Party Relay System Fund</u>	<u>Total Special Revenue Funds</u>
ASSETS				
Cash, Cash Equivalents, and Pooled Cash	\$ 7,630,660	\$ 14,562	\$ 2,193,955	\$ 9,839,177
Receivables, net:				
Accounts Receivable	264,787	1,595	365,529	631,911
Intergovernmental Receivables	270	1,424,295	-	1,424,565
Inventories	39,782	-	-	39,782
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 7,935,499</u>	<u>\$ 1,440,452</u>	<u>\$ 2,559,484</u>	<u>\$ 11,935,435</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities				
Accounts Payable	\$ 411,624	\$ 1,223,637	\$ 398,372	\$ 2,033,633
Intergovernmental Payables	-	25,475	-	25,475
Due to Other State Agencies and Funds	1,894	21,358	1,082	24,334
Other Liabilities	9,594	894	-	10,488
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>423,112</u>	<u>1,271,364</u>	<u>399,454</u>	<u>2,093,930</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	36,486	1,190	-	37,676
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u>36,486</u>	<u>1,190</u>	<u>-</u>	<u>37,676</u>
FUND BALANCE				
Fund Balance	7,475,901	167,898	2,160,030	9,803,829
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	<u>7,475,901</u>	<u>167,898</u>	<u>2,160,030</u>	<u>9,803,829</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 7,935,499</u>	<u>\$ 1,440,452</u>	<u>\$ 2,559,484</u>	<u>\$ 11,935,435</u>

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

North Carolina Department of Health and Human Services

Statement of Revenues, Expenditures, and

Changes in Fund Balance

Special Revenue Funds

For the Fiscal Year Ended June 30, 2014

Exhibit O-6

	Other Special Revenue Fund	Disability Determination Fund	N.C. Dual Party Relay System Fund	Total Special Revenue Funds
REVENUES				
Federal Funds	\$ 1,886,284	\$ 57,316,982	\$ -	\$ 59,203,266
Sales and Services	3,083,140	-	-	3,083,140
Fees, Licenses and fines	604,947	-	4,944,216	5,549,163
Revenues from Other State Agencies	1,000,000	-	11,775,997	12,775,997
Miscellaneous Revenue	402,936	-	296,532	699,468
Total Revenues	<u>6,977,307</u>	<u>57,316,982</u>	<u>17,016,745</u>	<u>81,311,034</u>
EXPENDITURES				
Personal Services	1,233,857	25,438,438	963,954	27,636,249
Employee Benefits	193,362	8,945,702	359,484	9,498,548
Contracted Personal Services	192,556	21,417,402	3,466,303	25,076,261
Supplies and Materials	1,243,997	224,597	4,587	1,473,181
Travel	176,407	45,712	6,085	228,204
Communication	6,155	250,577	11,985	268,717
Utilities	43,700	-	-	43,700
Other Services	650,490	423,171	21,451	1,095,112
Other Fixed Charges	67,516	226,028	435	293,979
Capital Outlay	713,220	88,582	41,703	843,505
Grants, State Aid and Subsidies	748,277	358,883	3,271,697	4,378,857
Other Expenditures	890,786	2,329,493	80,702	3,300,981
Total Expenditures	<u>6,160,323</u>	<u>59,748,585</u>	<u>8,228,386</u>	<u>74,137,294</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>816,984</u>	<u>(2,431,603)</u>	<u>8,788,359</u>	<u>7,173,740</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	395,110	2,233,267	(7)	2,628,370
Transfers Out	(2,080,877)	-	(3,859,819)	(5,940,696)
Other	22,765	-	-	22,765
Total Other Financing Sources (Uses)	<u>(1,663,002)</u>	<u>2,233,267</u>	<u>(3,859,826)</u>	<u>(3,289,561)</u>
Net Change in Fund Balance	(846,018)	(198,336)	4,928,533	3,884,179
Fund Balance - July 1	<u>7,475,901</u>	<u>167,898</u>	<u>2,160,030</u>	<u>9,803,829</u>
Fund Balance - June 30	<u>\$ 6,629,883</u>	<u>\$ (30,438)</u>	<u>\$ 7,088,563</u>	<u>\$ 13,688,008</u>

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

North Carolina Department of Health and Human Services
Combining Balance Sheet
Capital Project Funds
June 30, 2014

Exhibit O-7

	Debt Supporting Capital Projects Fund	Non-Debt Supporting Capital Projects Fund	NC Infrastructure Finance Fund	Total Capital Project Funds
ASSETS				
Cash, Cash Equivalents, and Pooled Cash	\$ -	\$ 19,154,625	\$ -	\$ 19,154,625
Total Assets	<u>\$ -</u>	<u>\$ 19,154,625</u>	<u>\$ -</u>	<u>\$ 19,154,625</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 10,425,635	\$ 867,027	\$ 3,000	\$ 11,295,662
Total Liabilities	<u>10,425,635</u>	<u>867,027</u>	<u>3,000</u>	<u>11,295,662</u>
FUND BALANCE				
Fund Balance	(10,425,635)	18,287,598	(3,000)	7,858,963
Total Fund Balance	<u>(10,425,635)</u>	<u>18,287,598</u>	<u>(3,000)</u>	<u>7,858,963</u>
Total Liabilities and Fund Balance	<u>\$ -</u>	<u>\$ 19,154,625</u>	<u>\$ -</u>	<u>\$ 19,154,625</u>

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

North Carolina Department of Health and Human Services
Combining Balance Sheet
Capital Project Funds
June 30, 2013

Exhibit O-8

	Debt Supporting Capital Projects Fund	Non-Debt Supporting Capital Projects Fund	NC Infrastructure Finance Fund	Total Capital Project Funds
ASSETS				
Cash, Cash Equivalents, and Pooled Cash	\$ -	\$ 6,777,054	\$ -	\$ 6,777,054
Total Assets	<u>\$ -</u>	<u>\$ 6,777,054</u>	<u>\$ -</u>	<u>\$ 6,777,054</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities				
Accounts Payable	\$ 9,610,765	\$ 580,828	\$ 171,926	\$ 10,363,519
Due to Other State Agencies and Funds	3,857	-	-	3,857
Total Liabilities	<u>9,614,622</u>	<u>580,828</u>	<u>171,926</u>	<u>10,367,376</u>
FUND BALANCE				
Fund Balance	<u>(9,614,622)</u>	<u>6,196,226</u>	<u>(171,926)</u>	<u>(3,590,322)</u>
Total Fund Balance	<u>(9,614,622)</u>	<u>6,196,226</u>	<u>(171,926)</u>	<u>(3,590,322)</u>
Total Liabilities and Fund Balance	<u>\$ -</u>	<u>\$ 6,777,054</u>	<u>\$ -</u>	<u>\$ 6,777,054</u>

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

North Carolina Department of Health and Human Services
Statement of Revenues, Expenditures, and Changes in Fund Balance
Capital Project Funds
For the Fiscal Year Ended June 30, 2014

Exhibit O-9

	Debt Supporting Capital Projects Fund	Non-Debt Supporting Capital Projects Fund	NC Infrastructure Finance Fund	Total Capital Project Funds
REVENUES				
Revenues from Other State Agencies	\$ 51,385,231	\$ 16,335,680	\$ 204,235	\$ 67,925,146
Total Revenues	<u>51,385,231</u>	<u>16,335,680</u>	<u>204,235</u>	<u>67,925,146</u>
EXPENDITURES				
Capital Outlay	52,196,244	4,347,331	35,309	56,578,884
Expenditures to Other State Agencies	-	807	-	807
Total Expenditures	<u>52,196,244</u>	<u>4,348,138</u>	<u>35,309</u>	<u>56,579,691</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(811,013)</u>	<u>11,987,542</u>	<u>168,926</u>	<u>11,345,455</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	351,680	-	351,680
Transfers Out	-	(247,850)	-	(247,850)
Total Other Financing Sources (Uses)	<u>-</u>	<u>103,830</u>	<u>-</u>	<u>103,830</u>
Net Change in Fund Balance	(811,013)	12,091,372	168,926	11,449,285
Fund Balance - July 1	<u>(9,614,622)</u>	<u>6,196,226</u>	<u>(171,926)</u>	<u>(3,590,322)</u>
Fund Balance - June 30	<u>\$ (10,425,635)</u>	<u>\$ 18,287,598</u>	<u>\$ (3,000)</u>	<u>\$ 7,858,963</u>

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

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North Carolina Department of Health and Human Services
Revenues from Other State Agencies
For the Fiscal Year Ended June 30, 2014

Exhibit P-1

Divisions	Other State Agencies			
	Office of State Controller	Office of State Budget and Management	Department of Public Safety	Department of Transportation
Central Administration	\$ 9,714	\$ 2,198	\$ -	\$ -
Medical Assistance	-	-	-	-
Child Development	-	58,501,309	-	-
Health Services	-	-	335,911	-
Public Health	-	3,399,206	-	575,133
Aging	-	-	-	-
Blind Services	-	11,775,997	-	-
Vocational Rehabilitation	201,714	-	-	-
Social Services	-	-	-	22,635
Mental Health	16,124,252	48,281,837	-	-
Total Revenues	\$ 16,335,680	\$ 121,960,547	\$ 335,911	\$ 597,768

Exhibit P-1

Administrative Office of the Courts	Department of Public Instruction	NC Education Lottery	Total Revenues
\$ -	\$ -	\$ -	\$ 11,912
-	-	-	-
-	-	-	58,501,309
-	-	-	335,911
844,314	-	-	4,818,653
-	-	-	-
-	-	-	11,775,997
-	-	-	201,714
-	-	-	22,635
-	63,126	1,000,000	65,469,215
<u>\$ 844,314</u>	<u>\$ 63,126</u>	<u>\$ 1,000,000</u>	<u>\$ 141,137,346</u>

North Carolina Department of Health and Human Services
Expenditures to Other State Agencies
For the Fiscal Year Ended June 30, 2014

Exhibit P-2

<u>Other State Agencies</u>					
Divisions	Office of State Controller	Department of Administration	Office of State Budget and Management	Department of Public Instruction	Total Expenditures
Central Administration	\$ 38,900	\$ -	\$ -	\$ -	\$ 38,900
Medical Assistance	110,000,000	-	-	15,921,210	125,921,210
Child Development	702	-	17,673	-	18,375
Health Services	2,458,874	-	-	-	2,458,874
Public Health	-	-	-	-	-
Aging	-	-	-	-	-
Blind Services	-	-	-	-	-
Vocational Rehabilitation	56,386	454,875	-	-	511,261
Social Services	-	-	-	-	-
Mental Health	55,489	-	-	-	55,489
Total Expenditures	\$ 112,610,351	\$ 454,875	\$ 17,673	\$ 15,921,210	\$ 129,004,109

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North Carolina Department of Health and Human Services
Transfers By Division
For the Fiscal Year Ended June 30, 2014

Exhibit P-3

	Transfers In - By Division			
	Central Administration	Medical Assistance	Child Development	Health Services
Transfers Out - By Division				
Central Administration	\$ 2,672,146	\$ -	\$ -	\$ -
Medical Assistance	49,940	1,303,641	-	-
Child Development	-	-	-	-
Health Services	1,169,925	-	-	2,480,932
Public Health	12,332,609	-	-	-
Aging	-	-	-	-
Blind Services	1,170,260	-	-	-
Vocational Rehabilitation	2,865,759	-	-	-
Social Services	2,631,871	-	-	-
Mental Health	774,822	155,645,108	-	-
Total	\$ 23,667,332	\$ 156,948,749	\$ -	\$ 2,480,932

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

Exhibit P-3

Public Health	Aging	Blind Services	Vocational Rehabilitation	Social Services	Mental Health	Total
\$ 458,163	\$ 121,481	\$ 75,000	\$ 188,263	\$ 3,375,004	\$ 10,318,668	\$ 17,208,725
-	-	-	8,499	4,632,045	-	5,994,125
-	-	-	-	2,668,026	-	2,668,026
-	199,645	-	-	-	-	3,850,502
451,992	-	-	-	925,085	119,286	13,828,972
-	-	-	-	-	-	-
-	-	4,291,457	-	-	-	5,461,717
-	-	-	103,830	-	-	2,969,589
134,436	-	-	-	-	-	2,766,307
-	-	-	-	-	1,398,559	157,818,489
<u>\$ 1,044,591</u>	<u>\$ 321,126</u>	<u>\$ 4,366,457</u>	<u>\$ 300,592</u>	<u>\$ 11,600,160</u>	<u>\$ 11,836,513</u>	<u>\$ 212,566,452</u>

STATE OF NORTH CAROLINA
Office of the State Auditor



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**INDEPENDENT AUDITOR'S REPORT
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**

Dr. Aldona Wos, Secretary
and Management of the North Carolina Department of Health and Human Services

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental funds of the North Carolina Department of Health and Human Services (the "Department") as of June 30, 2014 and 2013 and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated April 10, 2015.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies in

INDEPENDENT AUDITOR'S REPORT

Finding 3, Deficiencies in Eligibility System Access Controls (over NC FAST) and findings 15, 21, and 26, Deficiencies in NCTracks Program Change Controls, previously reported in the Department's Report on Statewide Federal Compliance Audit Procedures issued by the Office of the State Auditor, to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.


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

The Department's Response to the Findings

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

Purpose of this Report

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



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina
April 10, 2015

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For additional information contact:
Bill Holmes
Director of External Affairs
919-807-7513



This audit required 10,773 audit hours at an approximate cost of \$1,442,000.