

**ALBEMARLE REGIONAL HEALTH SERVICES  
ELIZABETH CITY, NORTH CAROLINA**

**Independent Auditor's Report  
Financial Statements  
June 30, 2016**

**ALBEMARLE REGIONAL HEALTH SERVICES  
ELIZABETH CITY, NORTH CAROLINA**

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**ALBEMARLE REGIONAL HEALTH SERVICES  
ELIZABETH CITY, NORTH CAROLINA  
June 30, 2016**

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The Honorable Members of the Board of Directors  
and Jerry Parks, Health Director  
Albemarle Regional Health Services  
Elizabeth City, North Carolina

**Independent Auditor's Report**

**Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Albemarle Regional Health Services, as of and for the year then ended June 30, 2016, and the related notes to the financial statements which collectively comprise the Albemarle Regional Health Services' basic financial statements as listed in the table of contents.

***Managements 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***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 entity'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 entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Opinions**

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Albemarle Regional Health Services as of June 30, 2016, and the respective budgetary comparison for the General Fund, the Sanitary Fund, and the Transportation Program for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions on pages 4 through 9 and page 41, respectively, Local Government Employees' Retirement System's Schedule of the Proportionate Share of the Net Pension Asset and Contributions, on page 42 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express no opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Albemarle Regional Health Services as a whole. The combining and individual fund financial statements, budgetary schedules, other schedules, as well as the accompanying Schedule of Expenditures of Federal and State awards as required by *Title 2 U.S. Code of Federal Regulations* (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules and the accompanying Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, based on my audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Other reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated November 28, 2016 on my consideration of Albemarle Regional Health Services' internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of the report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in Albemarle Regional Health Services' internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Mark S. L. CPA". The signature is written in a cursive, flowing style.

November 28, 2016

## ALBEMARLE REGIONAL HEALTH SERVICES

### Management's Discussion and Analysis

As management of Albemarle Regional Health Services (ARHS), we offer readers of ARHS's financial statements this narrative overview and analysis of the financial activities of ARHS for the fiscal year ended June 30, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in ARHS's financial statements, which follow this narrative.

#### Financial Highlights

- The assets of ARHS exceeded its liabilities at the close of the fiscal year by \$6,310,388 (Exhibit 1 - *net position*).
- Sale of home health operations for \$4.3 Million to MSA.
- As of the close of the current fiscal year, ARHS's governmental funds (Exhibit 4) reported combined ending fund balances of \$11,009,248, a net increase of \$4,854,785. Approximately 35% of this total amount, or \$3,803,555, is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,881,654, or 31% percent of total general fund expenditures for the fiscal year.

#### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to ARHS's basic financial statements. ARHS's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of ARHS through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of ARHS.

#### Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the government-wide financial statements. They provide both short and long-term information about ARHS's financial status.

The next statements (Exhibits 3 through 6) are Fund Financial Statements. These statements focus on the activities of the individual parts of ARHS's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements. ARHS does not maintain any proprietary funds.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about ARHS's non-major governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains funding information about ARHS's other post-employment benefit plan.

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of ARHS's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about ARHS's financial status as a whole. The two government-wide statements report ARHS's net assets and how they have changed. Net assets are the difference between

ARHS's total assets and total liabilities. Measuring net assets is one way to gauge ARHS's financial condition. The government-wide statements are divided into three categories: 1) governmental activities; 2) business -type activities; and 3) component units. The governmental activities include most of ARHS's basic services such as environmental health, women, infants and children's programs, adult health programs, home health programs, other services and general administration. Women, infants and other children's programs include such programs as WIC, Family Planning, Child Health, Maternal, CDSA and Speech & Hearing. Home health programs include such programs as Home Care Services, Adult Day Care Services and Hospice. Patient fees, State and federal grant funds, and private grant funds finance most of these activities along with the other programs offered by ARHS.

ARHS does not report any business type activities and does not have any component units, and, therefore, none are reported in the government-wide statements.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

## **Fund Financial Statements**

The fund financial statements provide a more detailed look at ARHS's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. ARHS, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or ARHS's budget ordinance. All of the funds of ARHS can be divided into two categories: governmental funds and fiduciary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of ARHS's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance ARHS's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

ARHS adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the area served by ARHS, the management of ARHS, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes ARHS to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well ARHS complied with the budget ordinance and whether or not ARHS succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**Proprietary Funds** – Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. ARHS does not have any enterprise funds.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. ARHS maintains two agency funds.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 19 of this report.

**Other information** – In addition to the basic financial statements and the accompanying notes this report includes certain required supplementary information concerning ARHS's progress in funding its obligation to provide other postemployment benefits to its employees. Required supplementary information can be found beginning on page 35 of this report.

### Government -Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of ARHS exceeded liabilities by \$6,310,388 as of June 30, 2016.

ARHS's net position increased by \$3,983,710 for the fiscal year ended June 30, 2016. A large portion of ARHS's net assets, \$2,761,302, reflects ARHS's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. ARHS uses these capital assets to provide services to citizens in its coverage area; consequently, these assets are not available for future spending. Although ARHS's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the net position in the amount of \$3,803,555 (58%) represents resources that are subject to external restrictions on how they may be used. At June 30, 2016, ARHS had a negative unrestricted net position of \$(254,469).

ARHS's net assets and change in net position can be viewed in Figures 1 and 2 which follow.

**ARHS's Net Position**  
**Figure 1**

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2016</u>
Current and other assets	\$ 8,747,173	\$ 12,423,329
Capital asset	2,881,342	2,761,302
Total assets	<u>11,628,515</u>	<u>15,184,631</u>
Deferred outflows	818,254	705,416
Long-term liabilities outstanding	6,887,871	7,923,368
Other liabilities	896,649	1,076,219
Total liabilities	<u>7,784,520</u>	<u>8,999,587</u>
Deferred inflows	<u>2,335,571</u>	<u>580,072</u>
Net position:		
Invested in capital assets, net of related debt	2,881,342	2,761,302
Restricted	993,182	3,803,555
Unrestricted	(1,547,846)	(254,469)
Total net position	<u>\$ 2,326,678</u>	<u>\$ 6,310,388</u>

## ARHS's Changes in Net Position

Figure 2

	Governmental Activities	
	2015	2016
Revenues:		
Program revenues:		
Charges for services	\$ 13,096,583	\$ 11,343,281
Operating grants and contributions	8,004,464	8,788,281
Capital grants and contributions	283,967	168,382
General revenues:		
Investment earnings	17,980	21,711
Grants and contributions not restricted to specific programs	686,340	680,916
Gain (Loss) on disposal of fixed assets	11,985	48,801
Other	15,464	55,991
Total revenues	22,116,783	21,107,363
Expenses:		
Administration	\$ 2,485,208	\$ 2,115,539
Environmental health	3,791,807	3,815,650
Women, infants, and children's programs	7,322,229	7,402,325
Adult health	1,268,196	1,535,362
Home health	5,873,643	2,737,813
Transportation	2,225,255	2,186,083
Other services	730,194	1,500,651
Interest on long-term debt	-	-
Total expenses	23,696,532	21,293,423
Increase (decrease) in net assets before transfers and special items	(1,579,749)	(186,060)
Special item – gain on sale of Home Health	-	4,169,770
Increase (decrease) in net position	(1,579,749)	3,983,710
Net position, July 1	5,041,597	2,326,678
Net position, June 30	\$ 2,326,678	\$ 6,310,388

Governmental activities increased ARHS's net position by \$3,983,710, thereby accounting for 100% of the total increase in the net position of ARHS. Although there was an increase in net position for the year, without the sale of the Home Health operations a loss of \$186,060 would have been incurred. In addition, expenses included in the calculation of the net position included depreciation in the amount of \$487,882 and post-employment benefits in the amount of \$514,353.

### Financial Analysis of ARHS's Funds

As noted earlier, ARHS uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of ARHS's governmental funds is to provide information on near-term inflows outflows, and balances of usable resources. Such information is useful in assessing ARHS's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of ARHS. At the end of the current fiscal year, ARHS's fund balance available in the General Fund was \$4,881,654, while total fund balance for the General Fund reached \$9,618,810. ARHS has an available fund balance of 31% of general fund expenditures, while total fund balance represents 61% of that same amount.

At June 30, 2016, the governmental funds of ARHS reported a combined fund balance of \$11,009,248, a 78 percent increase over last year.

**General Fund Budgetary Highlights** - During the fiscal year, ARHS revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues by \$1,268,054. This increase was primarily attributable primarily due to an increase in grant awards and additional corresponding administrative fees associated with managing the grants.

### Capital Asset and Debt Administration

**Capital assets** - ARHS's capital assets for its governmental activities as of June 30, 2016, totals \$2,761,302 (net of accumulated depreciation). These assets include buildings, land, construction in progress, other improvements, equipment, and vehicles. Assets purchased and placed in service during the year ended June 30, 2016 totaled \$396,717.

#### ARHS's Capital Assets (Net of Depreciation)

Figure 3

	Governmental Activities	
	2015	2016
Land	\$ 185,600	\$ 185,600
Buildings	786,943	758,753
Other improvements	113,419	203,829
Equipment	939,246	812,330
Vehicle and motor equipment	856,134	800,790
Total	<u>\$ 2,881,342</u>	<u>\$ 2,761,302</u>

Additional information on ARHS's capital assets can be found in the Notes to the Financial Statements.

**Long-term Debt.** As of June 30, 2016, ARHS had total long-term debt outstanding of \$7,923,68 all of which is debt backed by the full faith and credit of ARHS.

**ARHS's Outstanding  
Long-Term Debt**

**Figure 4**

	<u>Governmental Activities</u>	
	2015	2016
Compensated absences	\$ 685,931	\$ 539,925
Other postemployment benefits	6,201,940	6,716,263
Net pension liability	-	667,180
Total	\$ 6,887,871	\$ 7,923,368

ARHS's total long-term debt increased by \$1,035,497 during the past fiscal year primarily related to postemployment benefits and pension liability..

Additional information regarding ARHS's long-term debt can be found in the Notes to the Financial Statements.

**Economic Factors and Next Year's Budgets and Rates**

In looking ahead to the 2016-2017 fiscal year, management made the following notes:

- From the sale of Home Health, ARHS is investigating the investment in an OPEB fund to prefund obligations for postemployment benefits. This will allow ARHS to make a long-term investment to cover these obligations, meeting actuarial liability.
- The development of a spending plan will attempt to limit increases to county appropriations by utilizing funds received from the sale of the Home Care and Hospice agencies.
- Meaningful Use funds will continue to be available as we make the transition over to an Electronic Medical Record (EMR).

**Requests for Information**

This report is designed to provide an overview of ARHS's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to ARHS Executive Director at Albemarle Regional Health Services, 711 Roanoke Avenue, Elizabeth City, North Carolina 27909.

## ALBEMARLE REGIONAL HEALTH SERVICES

Statement of Net Position  
June 30, 2016

	Primary Government
	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 8,387,203
Accounts receivable, net	3,757,285
Note receivable, net	74,841
Inventory – land for resale	4,000
Restricted asset:	
Cash held in escrow	200,000
Capital assets:	
Land and construction in progress	185,600
Other capital assets, net of depreciation	2,575,702
Total Assets	<u>15,184,631</u>
<b>DEFERRED OUTFLOWS</b>	<u>705,416</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	1,076,219
Long-term liabilities:	
Due in more than one year	7,256,188
Net pension liability	667,180
Total Liabilities	<u>8,999,587</u>
<b>DEFERRED INFLOWS</b>	<u>580,072</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	2,761,302
Restricted for State Stabilization	3,803,555
Unrestricted	(254,469)
Total Net Position	<u>\$ 6,310,388</u>

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

## ALBEMARLE REGIONAL HEALTH SERVICES

Statement of Activities  
For the Year Ended June 20, 2016

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government					
Government Activities:					
Administration	\$ 2,115,539	\$ 131,863	\$ 673,347	\$ -	\$ (1,310,329)
Environmental health	3,815,650	3,640,510	135,925	-	(39,215)
Women, infants, and children's programs	7,402,325	3,686,128	4,801,567	-	1,085,370
Adult health	1,535,362	878,028	449,434	-	(207,900)
Home health	2,737,813	2,393,624	16,848	-	(327,341)
Transportation	2,186,083	610,936	1,194,519	168,382	(212,246)
Other services	1,500,651	2,192	1,516,641	-	18,182
<b>Total governmental activity</b>	<b>\$ 21,293,423</b>	<b>\$ 11,343,281</b>	<b>\$ 8,788,281</b>	<b>\$ 168,382</b>	<b>(993,479)</b>
General Revenues:					
Grants and contributions not restricted to specific programs					680,916
Gain/Loss on disposal of assets					48,801
Investment earnings					21,711
Miscellaneous, unrestricted					55,991
Total general revenues excluding special items					807,419
Special item - gain on sale of Home Health operations					4,169,770
Total general revenues and special items					4,977,189
Change in net position					3,983,710
Net position – beginning of year					2,326,678
Net position - ending of year					\$ 6,310,388

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

## ALBEMARLE REGIONAL HEALTH SERVICES

Balance Sheet  
Governmental Funds  
June 30, 2016

	Major			Non-Major	Total Governmental Funds
	General Fund	Sanitary Landfill	Transportation Program	Other Governmental Funds	
<b>ASSETS</b>					
Cash, including time deposits	\$ 7,290,974	\$ -	\$ 812,992	\$ 283,237	\$ 8,387,203
Restricted cash	200,000	-	-	-	200,000
Account receivable, net	3,289,257	253,680	124,320	90,028	3,757,285
Notes receivable, net	-	-	-	74,841	74,841
Inventory, land for resale	4,000	-	-	-	4,000
Due from other funds	71,987	-	-	-	71,987
Total Assets	\$10,856,218	\$ 253,680	\$ 937,312	\$ 448,106	\$ 12,495,316
<b>LIABILITIES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 903,795	\$ 86,377	\$ 66,987	\$ 19,060	\$ 1,076,219
Due to other funds	-	1,019	-	70,968	71,987
Total liabilities	903,795	87,396	66,987	90,028	1,148,206
<b>DEFERRED INFLOWS OF RESOURCES</b>					
	333,613	-	-	4,249	337,862
<b>FUND BALANCES</b>					
Restricted:					
Stabilization by State Statute	3,260,686	253,680	124,320	164,869	3,803,555
Transportation	-	-	732,434	-	732,434
Health Programs	-	-	-	172,926	172,926
Assigned for subsequent year's expenditures	1,476,470	-	13,571	97,884	1,587,925
Unassigned	4,881,654	(87,396)	-	(81,850)	4,712,408
Total fund balances	9,618,810	166,284	870,325	353,829	11,009,248
Total liabilities, deferred inflows of resources and fund balances	\$10,856,218	\$ 253,680	\$ 937,312	\$ 448,106	

**Amounts reported for governmental activities in the Statement of Net Assets are different because:**

Deferred income related to patient fees are not considered available and therefore are not reported in the funds	104,558
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,761,302
Net pension liability	(667,180)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of activities	591,010
Some liabilities, including post employment benefits, are not due and payable in the current period and therefore are not reported in the funds.	(7,256,188)
Pension related deferrals	(232,362)
Net assets of governmental activities	\$ 6,310,388

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

## ALBEMARLE REGIONAL HEALTH SERVICES

Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2016

	Major		Non-Major		Total
	General Fund	Sanitary Fund	Transportation Program	Other Governmental Funds	
<b>REVENUES:</b>					
Federal and State grants	\$ 7,163,331	\$ -	\$ 1,275,907	\$ -	\$ 8,439,238
Local appropriations	750,835	2,670,071	86,995	23,590	3,531,491
Other grants	256,365	3,869	-	-	260,234
Charges for services	8,086,143	233,545	610,936	384,234	9,314,858
Donations and fundraisers	8,930	-	-	-	8,930
Interest income	16,790	-	284	4,637	21,711
Miscellaneous	96,598	1,000	35,236	-	132,834
Total revenues	16,378,992	2,908,485	2,009,358	412,461	21,709,296
<b>EXPENDITURES:</b>					
Current					
General-administration	2,060,389	-	-	-	2,060,389
Environmental health	902,565	2,882,983	-	34,518	3,820,066
Women, infants, and children's programs	7,281,061	-	-	-	7,281,061
Adult health	1,151,152	-	-	356,180	1,507,332
Home health	2,770,582	-	-	-	2,770,582
Transportation	91,033	-	1,961,343	-	2,052,376
Other services	1,461,865	-	-	840	1,462,705
Debt service:					-
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	15,718,647	2,882,983	1,961,343	391,538	20,954,511
Excess (deficiency) of revenues over expenditures	660,345	25,502	48,015	20,923	754,785
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers from other funds	95,937	-	24,000	11,612	131,549
Transfers to other funds	(35,612)	(25,502)	(42,381)	(28,054)	(131,549)
Total other financing sources and uses	60,325	(25,502)	(18,381)	(16,442)	-
<b>SPECIAL ITEM:</b>					
Proceeds from sale of Albemarle Home care and Hospice operations	4,100,000	-	-	-	4,100,000
Net change in fund balance	4,820,670	-	29,634	4,481	4,854,785
Fund balances – beginning	4,798,140	166,284	840,691	349,348	6,154,463
Fund balances – ending	\$ 9,618,810	\$ 166,284	\$ 870,325	\$ 353,829	\$ 11,009,248

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

ALBEMARLE REGIONAL HEALTH SERVICES

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

Amounts reported for governmental activities in the Statement of Activities are different because:

Table with 2 columns: Description and Amount. Rows include: Net changes in fund balances - government fund (\$ 4,854,785), Governmental funds report capital outlays as expenditures... (91,165), Cost of capital assets disposed of during the year... (28,864), Contributions to the pension plan... 591,010, Revenues in the Statement of Activities that do not provide current financial resources... (573,891), Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds: Compensated absences (146,035), Other postemployment benefits (514,353), Pension expense (399,847), Total changes in net position of governmental activities (\$ 3,983,710)

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

## ALBEMARLE REGIONAL HEALTH SERVICES

General Fund and Annually Budgeted Major Special Revenue Funds  
 Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
 For the Year Ended June 30, 2016

	General Fund			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
<b>REVENUES:</b>				
Federal and State grants	\$ 6,836,184	\$ 7,795,919	\$ 7,163,331	\$ (632,588)
Local appropriations	780,670	780,270	750,835	(29,435)
Other grants	84,165	272,968	256,365	(16,603)
Charges for services	9,960,560	10,048,929	8,086,143	(1,962,786)
Interest income	15,000	15,000	16,790	1,790
Donations	36,225	32,725	8,930	(23,795)
Miscellaneous	1,693	36,740	96,598	59,858
Total revenues	<u>17,714,497</u>	<u>18,982,551</u>	<u>16,378,992</u>	<u>(2,603,559)</u>
<b>EXPENDITURES:</b>				
Current				
General government	2,379,776	2,506,110	2,060,389	445,721
Environmental health	921,484	964,209	902,565	61,644
Women, infants, and children	7,772,196	8,026,604	7,281,061	745,543
Adult health	1,028,507	1,236,422	1,151,152	85,270
Home health	6,281,621	6,306,721	2,770,582	3,536,139
Transportation	133,762	126,132	91,033	35,099
Other services	1,209,305	1,792,809	1,461,865	330,944
Total expenditures	<u>19,726,651</u>	<u>20,959,007</u>	<u>15,718,647</u>	<u>5,240,360</u>
Excess (deficiency) of revenues over expenditures)	<u>(2,012,154)</u>	<u>(1,976,456)</u>	<u>660,345</u>	<u>2,636,801</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	62,900	81,200	60,325	(20,875)
Total other financing sources and uses	<u>62,900</u>	<u>81,200</u>	<u>60,325</u>	<u>(20,875)</u>
<b>SPECIAL ITEM:</b>				
Proceeds from sale of Albemarle Home care and Hospice operations	-	-	4,100,000	4,100,000
Fund balance appropriated	1,949,254	1,895,256	-	(1,895,256)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>4,820,670</u>	<u>\$ 4,820,670</u>
Fund balances, beginning of year			<u>4,798,140</u>	
Fund balances, end of year			<u>\$ 9,618,810</u>	

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

## ALBEMARLE REGIONAL HEALTH SERVICES

General Fund and Annually Budgeted Major Special Revenue Funds  
 Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
 For the Year Ended June 30, 2016

	Sanitary Landfill Program			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
<b>REVENUES:</b>				
Federal and State grants	-	-	-	-
Local appropriations	\$ 2,880,779	\$ 2,880,779	\$ 2,670,071	\$ (210,708)
Other grants	2,400	2,400	3,869	1,469
Charges for services	205,000	205,000	233,545	28,545
Miscellaneous	-	-	1,000	1,000
Total revenues	<u>3,088,179</u>	<u>3,088,179</u>	<u>2,908,485</u>	<u>(179,694)</u>
<b>EXPENDITURES:</b>				
Current				
Environmental health	3,046,703	3,046,703	2,882,983	163,720
Debt				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>3,046,703</u>	<u>3,046,703</u>	<u>2,882,983</u>	<u>163,720</u>
Excess (deficiency of revenues over expenditures)	<u>41,476</u>	<u>41,476</u>	<u>25,502</u>	<u>15,974</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Total other financing sources and uses	<u>(41,476)</u>	<u>(41,476)</u>	<u>(25,502)</u>	<u>(15,974)</u>
Fund balance appropriated	<u>(41,476)</u>	<u>(41,476)</u>	<u>(25,502)</u>	<u>(15,974)</u>
Excess revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances, beginning of year			<u>166,284</u>	
Fund balances, end of year			<u>\$ 166,284</u>	

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

## ALBEMARLE REGIONAL HEALTH SERVICES

General Fund and Annually Budgeted Major Special Revenue Funds  
 Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
 For the Year Ended June 30, 2016

	Transportation Program			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
<b>REVENUES:</b>				
Federal and State grants	\$ 1,217,117	\$ 1,338,646	\$ 1,275,907	\$ (62,739)
Local appropriations	84,478	85,478	86,995	1,517
Other grants	-	-	-	-
Charges for services	618,353	616,447	610,936	(5,511)
Interest income	8	8	284	276
Miscellaneous	15,000	27,000	35,236	8,236
<b>Total revenues</b>	<b>1,934,956</b>	<b>2,067,579</b>	<b>2,009,358</b>	<b>(58,221)</b>
<b>EXPENDITURES:</b>				
Current				
Transportation	1,959,516	2,092,139	1,961,343	130,796
Debt				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>1,959,516</b>	<b>2,092,139</b>	<b>1,961,343</b>	<b>130,796</b>
Excess (deficiency of revenues over expenditures)	(24,560)	(24,560)	48,015	72,575
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	(18,381)	(18,381)	(18,381)	-
Fund balance appropriated	42,941	42,941	-	42,941
<b>Total other financing sources and uses</b>	<b>24,560</b>	<b>24,560</b>	<b>(18,381)</b>	<b>42,941</b>
Excess revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	29,634	\$ 29,634
Fund balances, beginning of year			840,691	
Fund balances, end of year			<b>\$ 870,325</b>	

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

**ALBEMARLE REGIONAL HEALTH SERVICES**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2016**

	<u>Agency Funds</u>
	<b>Totals</b>
Assets:	
Cash and cash equivalents	<u>\$ 1,347,454</u>
Liabilities:	
Due to governmental units	<u>\$ 1,347,454</u>

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

# ALBEMARLE REGIONAL HEALTH SERVICES

## Notes to the Financial Statements

June 30, 2016

### I. Summary of Significant Accounting Policies

The accounting policies of Albemarle Regional Health Services conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

#### A. Reporting Entity

Albemarle Regional Health Services (ARHS) is located in the Northeastern part of the state in the Albemarle area. ARHS is a district health department created in accordance with North Carolina General Statute 130A-36 and provides public health services to the populous of Pasquotank, Camden, Perquimans, Chowan, Currituck, Bertie and Gates Counties. The governing body is a board of directors with 18 members appointed on an equitable, area wide representative basis. The Department is funded via local, state and federal funds and charges to patients. As required by generally accepted accounting principles, the financial statements present ARHS and its component units, legally-separate entities for which ARHS is financially accountable. As of June 30, 2016, ARHS had no component units.

#### B. Basis of Presentation and Basis of Accounting

##### **Basis of Presentation, Measurement Focus - Basis of Accounting**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government net position (ARHS) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of ARHS. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. ARHS presents all of its activities as governmental.

The statement of activities presents a comparison between direct expenses and program revenues for each function of ARHS's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including unrestricted local county contributions, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about ARHS's funds - governmental, proprietary and fiduciary. The emphasis of fund financial statements is on major governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

ARHS reports the following major governmental funds:

*General Fund* – This is ARHS's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**ALBEMARLE REGIONAL HEALTH SERVICES**  
**Notes to the Financial Statements**

**June 30, 2016**

*Sanitary Landfill Program* - This fund accounts for the operation and maintenance of the Perquimans-Chowan-Gates trash collection activities.

*Transportation Program* – The fund accounts for the operation and maintenance of the Inter-County Transportation Authority.

ARHS reports the following fund types:

*Agency Funds.* Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets that ARHS holds on behalf of others. ARHS maintains the following agency funds: Albemarle Regional Solid Waste Management Authority (ARSWMA) and Northeastern Albemarle Group Insurance (NEAG). These funds account for revenues received and expenses paid for these entities. The fund for ARSWMA is pooled in bank accounts maintained by ARHS. The fund for NEAG is separately maintained.

*Nonmajor Funds.* ARHS maintains five legally budgeted funds. NENCPPH Program, Septic Tank Program, Community Care, and the Medical Reserve Corp, are reported as nonmajor special revenue funds.

In accordance with North Carolina General Statutes, all funds of ARHS are maintained during the year using the modified accrual basis of accounting.

*Government-wide Fund Financial Statements* - The government-wide fund financial statements are reported using the economic resources measurement focus, except for agency funds which have no measurement focus. The government-wide fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which ARHS gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

*Governmental Fund Financial Statements* - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

ARHS considers all revenues available if they are collected within 60 days after year-end, except patient fees which are not considered revenues until received. Uncollected patient fees are shown as a receivable on these financial statements and offset by deferred inflows of resources.

## ALBEMARLE REGIONAL HEALTH SERVICES

### Notes to the Financial Statements

June 30, 2016

Intergovernmental revenues and sales and services (including patient fees) are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, ARHS funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted assets available to finance the program. It is ARHS's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

*Use of Estimates* - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### C. Budgetary Data

ARHS's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and all Special Revenue Funds. All annual appropriations lapse at the fiscal year-end.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. Amendments are required for revisions that alter total expenditures of any fund. The governing board must approve all budget ordinance amendments. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

#### D. Assets, Liabilities, and Fund Equity

##### 1. Deposits and Investments

All deposits of ARHS are made in board-designated official depositories and are secured as required by G.S. 159-31. ARHS may designate as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, ARHS may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law (G.S. 159-30(c)) authorizes ARHS to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

**ALBEMARLE REGIONAL HEALTH SERVICES**

**Notes to the Financial Statements**

**June 30, 2016**

ARHS's investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

**2. Cash and Cash Equivalents**

ARHS pools moneys from several funds, including the agency funds, to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

**3. Restricted Assets**

Funds that are being held in escrow are related to the sale of Home Health operations during the year and are considered restricted cash until the funds are released. These funds have been set aside to indemnify the purchaser for any losses arising from claims by third parties (as defined in the sales agreement) and are to be held until November 24, 2018, at which time the funds will be released net of any chargebacks which may occur.

Governmental Activities	
General Fund	
Operations	<u>\$ 200,000</u>
Total Restricted Cash	<u>\$ 200,000</u>

**4. Receivables & Allowance for Doubtful Accounts**

Receivables include amounts due from other governments and customers. All receivables are current and therefore due within one year.

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

**5. Interfund Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "Due to/from other funds" (i.e. current portion of interfund loans).

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**6. Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization cost is \$1,000 for all capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of ARHS are depreciated on a straight-line basis over the following estimated useful lives:

**ALBEMARLE REGIONAL HEALTH SERVICES**

**Notes to the Financial Statements**

**June 30, 2016**

	<u>Years</u>
Buildings	40
Sanitary Landfill industrial equipment	15
Building improvements	10
Leasehold improvements	10
Heavy vehicle/equipment	10
Utility trailers	10
Operating equipment	10
Communication equipment	10
Furniture	10
Transportation fare boxes	10
Buses	9
Portable buildings	6
Appliances	6
Computer equipment	5
Sanitary Landfill operating equipment	5
Vans	4
Automobiles	3
Light trucks	3

**7. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. ARHS has one item that meet this criterion - contributions made to the pension plan in the 2016 fiscal year. In addition to liabilities, the statement of financial position can also report 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 and so will not be recognized as revenue until then. ARHS has several items that meet the criterion for this category – unearned grant funds, land held for resale, and deferrals of pension expense that result from the implementation of GASB Statement 68.

**8. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as another financing source.

## ALBEMARLE REGIONAL HEALTH SERVICES

### Notes to the Financial Statements

June 30, 2016

#### 9. Compensated Absences

The vacation policy of ARHS provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For ARHS's government-wide financial statements, an expense and a liability for compensated absences and the salary-related payments are recorded as leave is earned.

The sick leave policies of ARHS provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since ARHS does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made by ARHS.

#### 10. Net Position/Fund Balance

##### Net Position

Net position in government-wide financial statements are classified net investment in capital assets, restricted; and unrestricted. Restricted net position represents constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through state statute.

##### Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This 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.

- Inventories-portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Restricted Fund Balance – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors or imposed by laws.

- Restricted for stabilization of state statute – portion of fund balance that is restricted by state statute (G.S. 159-8(a)).
- Transportation - Portion of fund balance that is restricted to be used for transportation programs.
- Health Programs - Portion of fund balance that is restricted by revenue source for specific health services.

Committed Fund Balance – Portion of fund balance that can only be used for specific purpose imposed by majority vote of ARHS's governing body (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the governing body.

Assigned Fund Balance – Portion of fund balance that ARHS's governing board has budgeted.

- Subsequent year's expenditures-portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Unassigned Fund Balance – Portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

**ALBEMARLE REGIONAL HEALTH SERVICES**

**Notes to the Financial Statements**

**June 30, 2016**

ARHS has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: federal funds, State funds, and local funds. Grant restrictions will guide how grant revenue is spent. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it's in the best interest of ARHS.

**E. Reconciliation of Government-wide and Fund Financial Statements**

**1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.**

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government – wide statement of net position. The net adjustment of \$(4,698,860) consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 7,228,925
Less accumulated depreciation	<u>(4,467,623)</u>
Net capital assets	2,761,302
Net pension liability	(667,180)
Contributions to the pension plan in the current fiscal year	591,010
Deferred inflows of resources reported in the fund statements but not in the government- wide statements	104,558
Pension related deferrals	(232,362)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Compensated absences	(539,925)
Other postemployment benefits	<u>(6,716,263)</u>
 Total adjustment	 <u><u>\$ (4,698,860)</u></u>

**2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.**

The governmental fund statement of revenues, expenditures and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$(871,075) as follows:

## ALBEMARLE REGIONAL HEALTH SERVICES

### Notes to the Financial Statements

June 30, 2016

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities, net of dispositions	\$ 396,716
Cost of disposed capital assets not recorded in the fund statements	(28,864)
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the Statement of Activities but not in the fund statements	(487,881)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	591,010
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
ARHS's portion of collective pension expense	(399,847)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	146,035
Other postemployment benefits are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	(514,353)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Increase in deferred inflows of resources - patient fees receivables	<u>(573,891)</u>
Total adjustment	<u>\$ (871,075)</u>

## II. Detail Notes on All Funds

### A. Assets

#### 1. Deposits

All of ARHS's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by ARHS's agent in ARHS's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for ARHS, these deposits are considered to be held by their agent in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with ARHS or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for ARHS under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in period of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

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The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. ARHS relies on the State Treasurer to monitor those financial institutions. ARHS analyzes the financial soundness of any other financial institutions used by ARHS. ARHS complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2016, ARHS's deposits had a carrying amount of \$8,387,203 and a bank balance of \$10,065,444. Of the bank balance, \$1,000,000 was covered by federal depository insurance and \$3,703,565 in non-interest bearing deposits and \$6,361,878 was held in interest bearing deposits covered by collateral held under the pooling method. At June 30, 2016, ARHS had \$1,960 of cash on hand.

**2. Investments**

ARHS's invests excess cash funds in the North Carolina Capital Management Trust Cash Portfolio. The N.C. Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2016. Since the Trust is a highly liquid fund, it is included as a part of cash in the balance sheet and statement of net position.

At June 30, 2016 ARHS's investment balances were as follows:

	<u>Reported</u>	<u>Fair Value</u>
NC Capital Management Trust:		
Cash Portfolio	\$2,192,988	\$2,192,988

*Risk* – ARHS has no policies with regards to interest rate risk, credit risk, custodial credit risk, or the concentration of credit risk.

**3. Receivables**

Receivables at the government-wide level at June 30, 2016, were as follows:

	<u>Accounts</u>	<u>Due From Other Government</u>	<u>Total</u>
Governmental Activities:			
General	\$ 2,362,474	\$ 926,783	\$ 3,289,257
Other Governmental	141,730	326,298	468,028
	<hr/>	<hr/>	<hr/>
Total governmental activities	\$ 2,504,204	\$ 1,253,081	\$ 3,757,285

The due from other governments that is owed to ARHS consists of the following:

State of North Carolina	\$ 958,349
Local governments	294,732
	<hr/>
	\$ 1,253,081

ARHS's General Governmental Activities accounts receivable are presented net of the allowance for doubtful accounts of \$ 649,396. The net amount for accounts receivable includes \$2,100,000 which was owed to ARHS at June 30, 2016 related to the sale of the Home Health operations during the fiscal year.

**ALBEMARLE REGIONAL HEALTH SERVICES**

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**4. Capital Assets**

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated				
Land	\$ 185,600	\$ -	\$ -	\$ 185,600
Construction in progress	-	-	-	-
<b>Total assets not being depreciated</b>	<u>185,600</u>	<u>-</u>	<u>-</u>	<u>185,600</u>
Capital assets being depreciated:				
Buildings	1,318,594	-	-	1,318,594
Other improvements	252,967	123,004	2,000	373,971
Equipment	3,248,965	37,979	348,346	2,938,598
Vehicles and motor equipment	2,425,787	235,734	249,359	2,412,162
<b>Total capital assets being depreciated</b>	<u>7,246,313</u>	<u>396,717</u>	<u>599,705</u>	<u>7,043,325</u>
Less accumulated depreciation for:				
Buildings	531,651	30,190	2,000	559,841
Other improvements	139,548	30,594	-	170,142
Equipment	2,309,719	176,704	360,155	2,126,268
Vehicle and motor equipment	1,569,653	250,393	208,674	1,611,372
<b>Total accumulated depreciation</b>	<u>4,550,571</u>	<u>487,881</u>	<u>570,829</u>	<u>4,467,623</u>
<b>Total capital assets being depreciated, net</b>	<u>2,695,742</u>			<u>2,575,702</u>
<b>Governmental activity capital assets, net</b>	<u>\$2,881,342</u>			<u>\$ 2,761,302</u>

Administration	\$ 12,436
Environmental Health	83,282
Home Health	239
Women, Infants and Children's Program	6,901
Transportation Program	346,815
Other Services	38,208
<b>Total depreciation expense</b>	<u>\$ 487,881</u>

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**B. Liabilities**

**1. Payables**

Payables at the government-wide level at June 30, 2016 were as follows:

	Vendors	Salaries and Benefits	Total
<b>Governmental activities:</b>			
General	\$ 547,042	\$ 356,753	\$ 903,795
Sanitary Landfill Program	62,274	24,103	86,377
Transportation Program	20,299	46,688	66,987
Other governmental funds	6	19,054	19,060
Total governmental activities	\$ 629,621	\$ 446,598	\$ 1,076,219

**2. Pension Plan Obligations and Postemployment Obligations**

b. Deferred Compensation Plan

ARHS offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all ARHS employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The assets of this plan are not included in these financial statements.

c. Other Postemployment Benefits (OPEB)

Healthcare Benefits

*Plan Description.* ARHS administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). This plan provides postemployment healthcare benefits to retirees of ARHS, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have a minimum of 25 years of employment with ARHS. For those employees that retire with 25 years of service and are under the age of 65, ARHS will pay insurance rates equal to the current employee coverage. For retirees age 65 and over, ARHS will pay for a secondary insurance policy to

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supplement Medicare. As of June 30, 2016, there were 35 retirees receiving post-retirement benefits. Also, ARHS's retirees can purchase coverage for their dependents at ARHS's group rates. ARHS's Board may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

	<u>MEMBERSHIP</u>
<u>Active Members</u>	
General Employees	
Number	241
<u>Retiree Members</u>	
Number	35

*Funding Policy.* ARHS pays the full cost of coverage for the healthcare benefits paid to qualified retirees. ARHS has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 4.28% of annual covered payroll. For the current year, ARHS contributed its required contribution of \$248,515 or 2.82% of its annual covered payroll for the fiscal year ending June 30, 2016. ARHS obtains insurance coverage through Blue Cross Blue Shield of North Carolina for employees under the age of 65 and AMWINS Group Benefits Inc. For those 65 and over. There were no contributions made by employees. ARHS's obligation to contribute to HCB Plan is established and may be amended by the ARHS's Board of Directors.

*Summary of Significant Accounting Policies.* Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

*Annual OPEB Cost and Net OPEB Obligation.* ARHS's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of ARHS's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare benefits:

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Annual required contribution	\$ 752,826
Interest on net OPEB obligation	224,067
Adjustment to annual required contribution	<u>(214,025)</u>
Annual OPEB cost (expense)	762,838
Contributions made	<u>(248,515)</u>
Increase (decrease) in net OPEB obligation	514,323
Net OPEB obligation, beginning of year	<u>6,201,940</u>
Net OPEB obligation, end of year	<u><u>\$6,716,263</u></u>

ARHS's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 were as follows:

<u>For Year Ended</u> <u>June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual</u> <u>OPEB Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2013	\$1,121,983	8.9%	\$4,939,568
2014	778,777	15.1%	\$5,600,923
2015	762,838	21.2%	\$6,201,940
2016	762,838	32.6%	\$6,716,263

*Funded Status and Funding Progress.* As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$11,658,828. The covered payroll (annual payroll of active employees covered by the plan) was \$9,438,131, and the ratio of the UAAL to the covered payroll was 123.5 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

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### Notes to the Financial Statements

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In the December 31, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.50%-5.00% annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at December 31, 2014, was 30 years.

d. Local Governmental Employees' Retirement System

*Plan Description* - ARHS is a participating employer in the statewide Local Governmental Employee's Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454 or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided* - LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the members average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternative Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 five years of creditable service, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age or have completed 15 years of service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

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*Contributions* - Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. AHRs employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. ARHS's contractually required contribution rate for the year ended June 30, 2016 was 6.67% for employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from ARHS were \$591,010 for the year ended June 30, 2016.

*Refunds of Contributions* - Authority employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2016 ARHS reported a liability of \$667,180 for its proportionate share of the net pension asset. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. ARHS's proportion of the net pension asset was based on a projection of ARHS's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, ARHS's proportion was 0.149% which was a decrease of .006% from its proportion measured at June 30, 2015.

For the year ended June 30, 2016, ARHS recognized pension expense of \$591,010 (fund basis) and pension expense of \$399,847 in the government-wide statements. At June 30, 2016, ARHS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 156,825
Changes of assumption		
Net difference between projected and actual earnings on pension plan investments	-	189,943
Changes in proportion and differences between ARHS contributions and proportionate share of contributions	114,406	-
ARHS contributions subsequent to measurement date	<u>591,010</u>	<u>-</u>
Total	<u>\$ 705,416</u>	<u>\$ 346,768</u>

\$591,010 is reported as deferred outflows of resources related to pensions resulting from ARHS contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2017.

## ALBEMARLE REGIONAL HEALTH SERVICES

### Notes to the Financial Statements

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Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2017	\$ (185,913)
2018	(185,913)
2019	(185,924)
2020	325,387
2021	-
Thereafter	-

*Actuarial Assumptions* - The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 per cent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment Expense, including inflation

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%

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The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

*Sensitivity of ARHS's proportionate share of the net pension asset to changes in the discount rate.* The following presents ARHS's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the ARHS's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

	1% Decrease <u>(6.25%)</u>	Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
ARHS's proportionate share of the net pension liability (asset)	\$4,652,318	\$667,177	\$(2,690,216)

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

e. Other Employee Benefits

ARHS has elected to provide death benefits to employees through the Death Benefit Plan for member of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the system at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's twelve (12) highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000, and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. ARHS has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. ARHS considers these contributions to be immaterial.

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**3. Unemployment**

ARHS is responsible to reimburse the North Carolina Employment Security Commission for any benefits paid to former employees. Beginning June 30, 2013, ARHS is required to maintain a fund with the Division of Employment Security in the amount of 1% of salaries. ARHS is making quarterly payments as billed by the Division of Employment Security to accumulate these funds.

**4. Deferred Outflows and Inflows of Resources**

Deferred outflows of resources as of June 30, 2016 consisted of:

Contributions to the pension plan subsequent to the measurement date	\$591,010
Pension-changes in proportion and differences between employer contributions and proportionate share of contributions	<u>114,406</u>
Total	<u>\$705,416</u>

The balance in deferred inflows of resources at year-end is composed of the following elements:

	<u>Modified Accrual (Ex.3)</u>	<u>Full Accrual (Ex.1)</u>
Land held for resale	\$ 4,000	\$ 4,000
Septic management fees	3,550	3,550
Grants	25,754	25,754
Patient fees receivable	104,558	-
Home Health – cash held in escrow	200,000	200,000
Pension Deferrals (see page 33)	-	346,768
Total	<u>\$ 337,862</u>	<u>\$ 580,072</u>

**5. Risk Management**

ARHS is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. ARHS participates in two self-funded risk financing pools administered by the North Carolina Association of County Commissioners. Through these pools, ARHS obtains property coverage equal to replacement cost values of owned property subject to a limit \$200 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos, at actual cash value, crime coverage of \$250,000 per occurrence, and workers' compensation coverage up to the statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to ARHS upon request. Both of these pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 retention up to a \$2 million limit for liability coverage, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property, auto physical damage and crime coverage, and \$1,750,000 of each loss in excess of \$250,000 per occurrence retention of property and auto physical damage. For workers compensation there is a per occurrence retention of \$750,000.

ARHS carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settlement claims have not exceeded coverage in any of the past three years. Flood insurance is maintained only for properties in Flood Zone A.

ARHS participates in a self-funded risk financing pool administered by the Northeast Albemarle Group. Through this pool ARHS obtains health insurance. ARHS's health insurance plan is funded by

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contributions from ARHS and employee contributions. The employee shall contribute an amount as determined by the Plan Administrator and the employer shall contribute the difference. The pool is reinsured for individual losses (specific claims) that exceed \$130,000. The pool is not audited.

In accordance with G.S. 159-29, ARHS finance officer is performance bonded through a commercial surety bond. The finance officer's bond is for \$100,000. The remaining employees that have access to funds are insured under a blanket bond for \$250,000 through the self-funded risk-financing pool administered by the North Carolina Association of County Commissioners.

**6. Long-Term Obligations**

a. Long-Term Obligation Activity

The following is a summary of changes in ARHS's long-term obligations for the fiscal year ended June 30, 2016:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 685,931	\$ 334,043	\$ 480,049	\$ 539,925	\$ -
Other postemployment benefits	6,201,940	762,838	248,515	6,716,263	
Net pension liability	-	667,180	-	667,180	
Total governmental activities	<u>\$6,887,871</u>	<u>\$1,764,061</u>	<u>\$ 728,564</u>	<u>\$7,923,368</u>	<u>\$ -</u>

Compensated absences for governmental activities typically have been liquidated in the general fund and are accounted for on a LIFO basis, assuming that employees are taking leave as it is earned.

**C. Fund Balance**

ARHS has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: federal funds, State funds, and local funds. Grant restrictions will guide how grant revenue is spent. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it's in the best interest of ARHS.

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

Total fund balance-General Fund	\$ 9,618,810
Less:	
Stabilization by State Statute	(3,260,686)
Appropriated Fund Balance in 2016 budget	<u>(1,476,470)</u>
Remaining Fund Balance	<u>\$ 4,881,654</u>

There were no outstanding encumbrances at June 30, 2016.

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**III. Interfund Balances and Activity**

Transfers to/from other funds at June 30, 2016, consisted of the following:

From the General Fund	
Transportation Fund (For other programs usage of transportation property)	\$ 24,000
NENCPPH (To fund match requirements)	<u>11,612</u>
	<u>\$ 35,612</u>
To the General Fund	
Transportation Fund (Reimbursement of overhead expenses)	\$ 42,381
Sanitary Fund (Reimbursement of overhead expenses)	25,502
Community Care Fund (Reimbursement of overhead expenses)	<u>28,054</u>
	<u>\$ 95,937</u>

At June 30, 2016, the General Fund was owed \$70,968 and \$1,019 from the Community Care Program fund and the Sanitary Landfill fund, respectively, to meet working capital requirements.

**IV. Benefit Payments Issued by the State**

The amounts listed below were paid directly to individual recipients by the State from federal and State moneys. ARHS personnel are involved with certain functions, primarily eligibility determinations that cause benefit payments to be issued by the State. These amounts disclose this additional aid to ARHS recipients that do not appear in the basic financial statements because they are not revenues and expenditures of ARHS.

	Federal
WIC	<u>\$2,139,737</u>

**V. Summary Disclosure of Significant Commitments and Contingencies**

**Federal and State Assisted Programs**

ARHS has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

**VI. Sale of Home Health Operations**

In November, 2015, ARHS entered into an agreement to sell their Home Health operations in the amount of \$4,300,000. Of this amount \$2,200,000 was received prior to the fiscal year end June 30, 2016, including \$200,000 being held in escrow (see page 22 footnote I(D)(3)), and the remainder of \$2,100,000 was owed to ARHS at fiscal year end and included in accounts receivable.

## **ALBEMARLE REGIONAL HEALTH SERVICES**

### **Notes to the Financial Statements**

**June 30, 2016**

#### **VII. Subsequent Events**

ARHS is in ongoing negotiations with the State of North Carolina with regards to Medicare cost settlements. ARHS believes it is owed in excess of \$500,000 for the years ended June 30, 2012 through June 30, 2015. The State's Division of Medical Assistance has not agreed with those cost calculations. No accrual has been made for any amount of these revenues in the financial statements pending the final settlement with the State.

**ALBEMARLE REGIONAL HEALTH SERVICES**

**June 30, 2016**

**Required  
Supplementary Financial Data**

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This section contains additional information required by generally accepted accounting principles.

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- Schedule of Funding Progress for the Other Postemployment Benefits.
- Schedule of Employer Contributions for the Other Postemployment Benefits.
- Notes to the Required Schedules for the Other Postemployment Benefits.
- Schedule of Proportionate Share of Net Pension Liability (Asset) (LGERS)
- Schedule of Contributions (LGERS)

**ALBEMARLE REGIONAL HEALTH SERVICES**

**Other Postemployment Benefits  
Required Supplementary Information  
June 30, 2016**

**Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) -Projected unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll ((b - a)/c)</u>
12/31/07	-	\$ 11,830,445	\$ 11,830,445	0%	\$ 9,586,309	123.4%
12/31/10	-	\$ 12,839,571	\$ 12,839,571	0%	\$ 9,696,763	132.4%
12/31/12	-	\$ 9,069,001	\$ 9,069,001	0%	\$ 8,985,875	100.9%
12/31/14	-	\$ 11,658,828	\$ 11,658,828	0%	\$10,270,942	113.5%
12/31/15	-	\$ 11,658,828	\$ 11,658,828	0%	\$10,270,942	113.5%

**Schedule of Employer Contributions**

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2013	\$1,114,979	8.9%
2014	\$ 730,899	16.1%
2015	\$ 752,826	21.5%
2016	\$ 752,826	33.1%

**Notes to the Required Schedules:**

The information presented in the required supplementary schedules was determined as part of the actuarial valuation follows:

December 31, 2014 Actuarial Valuation

Valuation Date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 Years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend:	
Pre-Medicare Trend Rate	7.5% - 5.00%
Post-Medicare Trend Rate	5.5% - 5.00%
Year of Ultimate Trend Rate	2020
Includes inflation at	3.00%

\*The assumed investment rate of return reflects the fact that no assets are set aside within the Albemarle Regional Health Services that are legally held exclusively for retiree health benefits.

**ALBEMARLE REGIONAL HEALTH SERVICES**

**Proportionate Share of Net Pension Liability (Asset)  
Required Supplementary Information  
Last Three Fiscal Years**

**Local Government Employees Retirement System**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's proportion of the net pension liability (asset) (%)	0.15%	(0.15%)	0.15%
Authority's proportion of the net pension liability (asset) (\$)	\$667,177	\$(916,996)	\$1,847,854
Authority's covered-employee payroll	\$8,803,847	\$10,193,926	\$10,080,400
Authority's proportionate share of the net pension liability (asset) as a percentage of it covered-employee payroll	7.6%	(8.99%)	18.3%
Plan fiduciary net position as a percentage of the total pension liability	8.09%	102.64%	94.35%

**Contributions  
Last Two Fiscal Years**

**Local Government Employees Retirement System**

Contractually required contribution	\$ 591,010	\$ 718,074	\$ 712,684
Contributions in relation to the contractually required contribution	<u>\$ 591,010</u>	<u>\$ 718,074</u>	<u>\$ 712,684</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$8,803,847	\$10,193,926	\$10,080,854
Contributions as a percentage of covered-employee payroll	6.71%	7.04%	7.06%

## ALBEMARLE REGIONAL HEALTH SERVICES

**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2016**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Federal and State funds	\$ 7,795,919	\$ 7,163,331	\$ (632,588)
Local appropriations	780,270	750,835	(29,435)
Grants	272,968	256,365	(16,603)
Charges for services	10,048,929	8,086,143	(1,962,786)
Interest income	15,000	16,790	1,790
Donations and fundraisers	32,725	8,930	(23,795)
Miscellaneous revenue	36,740	96,598	59,858
<b>Total Revenues</b>	<b>18,982,551</b>	<b>16,378,992</b>	<b>(2,603,559)</b>
<b>Expenditures:</b>			
<b>General:</b>			
<b>Administration:</b>			
Salaries and employee benefits		1,431,970	
Operating expenses		628,419	
Capital outlay		-	
<b>Total General Administration</b>	<b>2,506,110</b>	<b>2,060,389</b>	<b>445,721</b>
<b>Transportation:</b>			
Operating expenses		91,033	
Capital outlay		-	
<b>Total transportation</b>	<b>126,132</b>	<b>91,033</b>	<b>35,099</b>
<b>Total General</b>	<b>2,632,242</b>	<b>2,151,422</b>	<b>480,820</b>
<b>Environmental Health:</b>			
<b>Environmental Health-General:</b>			
Salaries and employee benefits		562,302	
Operating expenses		163,579	
Capital outlay		-	
<b>Total Environmental Health-General</b>	<b>780,327</b>	<b>725,881</b>	<b>54,446</b>
<b>Management Entity:</b>			
Salaries and employee benefits		155,862	
Operating expenses		20,822	
Capital outlay		-	
<b>Total Management Entity</b>	<b>183,882</b>	<b>176,684</b>	<b>7,198</b>
<b>Total Environmental Health</b>	<b>964,209</b>	<b>902,565</b>	<b>61,644</b>

## ALBEMARLE REGIONAL HEALTH SERVICES

## General Fund

**Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2016**

## Women, Infants and Children's Program:

## Child Health:

Salaries and employee benefits		1,316,548	
Operating expenses		1,584,955	
Capital outlay	-	-	
Total Child Health	<u>3,296,686</u>	<u>2,901,503</u>	<u>395,183</u>

## WIC Program:

Salaries and employee benefits		592,354	
Operating expenses		40,889	
Capital outlay	-	-	
Total WIC Program	<u>681,996</u>	<u>633,243</u>	<u>48,753</u>

## Family Planning Program:

Salaries and employee benefits		727,788	
Operating expenses		315,155	
Capital outlay	-	-	
Total Family Planning Program	<u>1,155,552</u>	<u>1,042,943</u>	<u>112,609</u>

## Maternal Health:

Salaries and employee benefits		834,306	
Operating expenses		198,958	
Capital outlay	-	-	
Total Maternal Program	<u>1,137,149</u>	<u>1,033,264</u>	<u>103,885</u>

## CDSA ECI Program:

Salaries and employee benefits		1,385,550	
Operating expenses		240,942	
Capital outlay	-	-	
Total CDSA ECI Program	<u>1,708,734</u>	<u>1,626,492</u>	<u>82,242</u>

## Albemarle Speech and Hearing:

Salaries and employee benefits		39,203	
Operating expenses		4,413	
Capital outlay	-	-	
Total Albemarle Speech and Hearing	<u>46,487</u>	<u>43,616</u>	<u>2,871</u>

Total Women, Infants and Children's Programs	<u>8,026,604</u>	<u>7,281,061</u>	<u>745,543</u>
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## ALBEMARLE REGIONAL HEALTH SERVICES

**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2016**

**Adult Health:**

## Diabetes Program:

Salaries and employee benefits		163,888	
Operating expenses		147,368	
Capital outlay	-	-	-
Total Diabetes Program	<u>346,470</u>	<u>311,256</u>	<u>35,214</u>

## Adult Health-General:

Salaries and employee benefits		520,966	
Operating expenses		167,229	
Capital outlay	-	-	-
Total Adult Health Program	<u>722,984</u>	<u>688,195</u>	<u>34,789</u>

## Breast/Cervical Cancer Program

Salaries and employee benefits		61,948	
Operating expenses		89,753	
Capital outlay	-	-	-
Total Breast/Cervical Cancer Program	<u>166,968</u>	<u>151,701</u>	<u>15,267</u>

Total Adult Health	<u>1,236,422</u>	<u>1,151,152</u>	<u>85,270</u>
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**Home Health:**

## Albemarle Home Care:

Salaries and employee benefits		1,401,163	
Operating expenses		472,868	
Capital outlay	-	-	-
Total Albemarle Home Care	<u>4,212,472</u>	<u>1,874,031</u>	<u>2,338,441</u>

## Case Management:

Salaries and employee benefits		106,659	
Operating expenses		20,915	
Capital outlay	-	-	-
Total Home Care Services	<u>221,092</u>	<u>127,574</u>	<u>93,518</u>

## ALBEMARLE REGIONAL HEALTH SERVICES

**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2016**

Adult Day Care:			
Salaries and employee benefits		160,542	
Operating expenses		32,028	
Capital outlay	-	-	-
Total Adult Day Care	<u>391,571</u>	<u>192,570</u>	<u>199,001</u>
Berrie County Operations:			
Salaries and employee benefits		81,005	
Operating expenses		82,362	
Capital outlay	-	-	-
Total Berrie County Operations	<u>349,847</u>	<u>163,367</u>	<u>186,480</u>
Hospice:			
Salaries and employee benefits		268,625	
Operating expenses		144,415	
Capital outlay	-	-	-
Total Hospice	<u>1,131,739</u>	<u>413,040</u>	<u>718,699</u>
Total Home Health	<u>6,306,721</u>	<u>2,770,582</u>	<u>3,536,139</u>
Other Services:			
Life Quest			
Salaries and employee benefits		177,025	
Operating expenses		82,798	
Capital outlay	-	-	-
Total Life Quest	<u>287,065</u>	<u>259,823</u>	<u>27,242</u>
Healthy Carolinians:			
Salaries and employee benefits		9,904	
Operating expenses		50,850	
Capital outlay	-	-	-
Total Healthy Carolinian	<u>71,274</u>	<u>60,754</u>	<u>10,520</u>

## ALBEMARLE REGIONAL HEALTH SERVICES

**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2016**

Community Transformation Grant			
Salaries and employee benefits		64,280	
Operating expenses		338,034	
Capital outlay	-	-	-
Total Community Transformation Grant	<u>530,100</u>	<u>402,314</u>	<u>127,786</u>
Public Health Preparedness and Response:			
Salaries and employee benefits		78,550	
Operating expenses		101,098	
Capital outlay	-	-	-
Total Public Health Preparedness and Response	<u>186,925</u>	<u>179,648</u>	<u>7,277</u>
Partnership to Improve Community Health			
Salaries and employee benefits		155,947	
Operating expenses		403,379	
Capital outlay	-	-	-
Total Public Health Preparedness and Response	<u>717,445</u>	<u>559,326</u>	<u>158,119</u>
 Total Other Services	 <u>1,792,809</u>	 <u>1,461,865</u>	 <u>330,944</u>
 Total expenditures	 <u>20,959,007</u>	 <u>15,718,647</u>	 <u>5,240,360</u>
 Revenues over (under) expenditures	 <u>(1,976,456)</u>	 <u>660,345</u>	 <u>2,636,801</u>
Other financing sources (uses):			
Transfers from (to) other funds	81,200	60,325	(20,875)
Fund balance appropriated	<u>1,895,256</u>	<u>-</u>	<u>(1,895,256)</u>
Total other financing sources (uses)	<u>1,976,456</u>	<u>60,325</u>	<u>(1,916,131)</u>
<b>SPECIAL ITEM:</b>			
Proceeds from sale of Albemarle Home care and Hospice operations	-	4,100,000	4,100,000
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>4,820,670</u>	<u>\$ 4,820,670</u>
Fund balance, beginning of year		<u>4,798,140</u>	
Fund balance, end of year		<u>\$ 9,618,810</u>	

**ALBEMARLE REGIONAL HEALTH SERVICES**  
**Sanitary Landfill Program**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2016**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Federal and State grants	\$ -	\$ -	\$ -
Local appropriations	2,880,779	2,670,071	(210,708)
Other grants	2,400	3,869	1,469
Charges for services	205,000	233,545	28,545
Miscellaneous	-	1,000	1,000
Total revenues	<u>3,088,179</u>	<u>2,908,485</u>	<u>(179,694)</u>
Expenditures:			
Salaries and employee benefits		600,668	
Operating expenses		2,150,038	
Capital outlay		132,277	
Debt Service:			
Principal		-	
Interest		-	
Total expenditures	<u>3,046,703</u>	<u>2,882,983</u>	<u>163,720</u>
Excess (deficiency) of revenues over expenditures	41,476	25,502	(15,974)
Other Financing Sources (Uses):			
Fund balance appropriated	-	-	-
Transfers from (to) other funds	<u>(41,476)</u>	<u>(25,502)</u>	<u>15,974</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning of year		<u>166,284</u>	
Fund balance, end of year		<u>\$ 166,284</u>	

**ALBEMARLE REGIONAL HEALTH SERVICES**  
**Transportation Program**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2016**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Federal and state grants	\$ 1,338,646	\$ 1,275,907	\$ (62,739)
Local appropriations	85,478	86,995	1,517
Charges for services	616,447	610,936	(5,511)
Interest Income	8	284	276
Miscellaneous revenue	27,000	35,236	8,236
Total revenues	<u>2,067,579</u>	<u>2,009,358</u>	<u>(58,221)</u>
<b>Expenditures:</b>			
Salaries and employee benefits		1,240,858	
Operating expenses		544,564	
Capital outlay		175,921	
Total expenditures	<u>2,092,139</u>	<u>1,961,343</u>	<u>130,796</u>
Excess (deficiency) of revenues over expenditures	<u>(24,560)</u>	<u>48,015</u>	<u>72,575</u>
<b>Other financing sources (uses):</b>			
Transfers from (to) other funds	(18,381)	(18,381)	-
Fund Balance Appropriated	42,941	-	42,941
Total other financing sources	<u>24,560</u>	<u>(18,381)</u>	<u>42,941</u>
Net change in fund balances	<u>\$ -</u>	<u>29,634</u>	<u>\$ 29,634</u>
Fund balance, beginning of year		<u>840,691</u>	
Fund balance, end of year		<u>\$ 870,325</u>	

**ALBEMARLE REGIONAL HEALTH SERVICES**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2016**

	NENCPH Program	Septic Tank Program	Community Care	Medical Reserve Corp	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 78,799	\$ 173,340	\$ -	\$ 31,098	\$ 283,237
Accounts receivable, net	-	-	90,028	-	90,028
Notes receivable, net	-	74,841	-	-	74,841
Deferred assets	-	-	-	-	-
<b>Total assets</b>	<b>\$ 78,799</b>	<b>\$ 248,181</b>	<b>\$ 90,028</b>	<b>\$ 31,098</b>	<b>\$ 448,106</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 19,060	\$ -	\$ 19,060
Due to other funds	-	-	70,968	-	70,968
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>90,028</b>	<b>-</b>	<b>90,028</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>4,249</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,249</b>
<b>FUND BALANCES</b>					
Restricted:					
Stabilization by State Statute	-	74,841	90,028	-	164,869
Health Programs	9,586	163,340	-	-	172,926
Assigned for subsequent year's expenditures	64,964	10,000	-	22,920	97,884
Unassigned	-	-	(90,028)	8,178	(81,850)
<b>Total fund balances</b>	<b>74,550</b>	<b>248,181</b>	<b>-</b>	<b>31,098</b>	<b>353,829</b>
<b>Total liabilities, deferred inflows of resources and fund equity</b>	<b>\$ 78,799</b>	<b>\$ 248,181</b>	<b>\$ 90,028</b>	<b>\$ 31,098</b>	<b>\$ 448,106</b>

**ALBEMARLE REGIONAL HEALTH SERVICES**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 20, 2016**

	NENCPH GRANT	Septic Tank Program	Community Care	Medical Reserve	Total Nonmajor Governmental Funds
Revenues:					
Federal and State grants	\$ -	\$ -	\$ -	\$ -	\$ -
Local appropriations	23,590	-	-	-	23,590
Grants	-	-	-	-	-
Charges for services	-	-	384,234	-	384,234
Interest income	-	4,637	-	-	4,637
Miscellaneous revenue	-	-	-	-	-
Total revenues	<u>23,590</u>	<u>4,637</u>	<u>384,234</u>	<u>-</u>	<u>412,461</u>
Expenditures:					
Salaries and employee benefits	-	-	340,545	-	340,545
Operating Expenses	32,667	1,851	15,635	840	50,993
Capital outlay	-	-	-	-	-
Total expenditures	<u>32,667</u>	<u>1,851</u>	<u>356,180</u>	<u>840</u>	<u>391,538</u>
Excess (deficiency) of revenues over expenditures	<u>(9,077)</u>	<u>2,786</u>	<u>28,054</u>	<u>(840)</u>	<u>20,923</u>
Other financing sources (uses):					
Transfers from (to) other funds	11,612	-	(28,054)	-	(16,442)
Total other financing sources	<u>11,612</u>	<u>-</u>	<u>(28,054)</u>	<u>-</u>	<u>(16,442)</u>
Net change in fund balances	2,535	2,786	-	(840)	4,481
Fund balance, beginning of year	<u>72,015</u>	<u>245,395</u>	<u>-</u>	<u>31,938</u>	<u>349,348</u>
Fund balance, end of year	<u>\$ 74,550</u>	<u>\$ 248,181</u>	<u>\$ -</u>	<u>\$ 31,098</u>	<u>\$ 353,829</u>

## ALBEMARLE REGIONAL HEALTH SERVICES

## NENCPH Program

**Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2016**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Federal and state grants	\$ -	\$ -	\$ -
Local appropriations	23,590	23,590	-
Grants	-	-	-
Total revenues	<u>23,590</u>	<u>23,590</u>	<u>-</u>
Expenditures:			
Salaries and employee benefits		-	
Operating expenses		32,667	
Capital outlay		-	
Total expenditures	<u>100,603</u>	<u>32,667</u>	<u>67,936</u>
Excess (deficiency) of revenues over expenditures	<u>(77,013)</u>	<u>(9,077)</u>	<u>(67,936)</u>
Other financing sources (uses):			
Fund Balance Appropriated	65,401	-	(65,401)
Transfers from (to) other funds	11,612	11,612	-
Total other financing sources	<u>77,013</u>	<u>11,612</u>	<u>(65,401)</u>
Net change in fund balances	<u>\$ -</u>	<u>2,535</u>	<u>\$ 2,535</u>
Fund balance, beginning of year		<u>72,015</u>	
Fund balance, end of year		<u>\$ 74,550</u>	

## ALBEMARLE REGIONAL HEALTH SERVICES

## Septic Tank Program

**Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2016**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Interest income	\$ 3,800	\$ 4,637	\$ 837
Total revenues	<u>3,800</u>	<u>4,637</u>	<u>837</u>
Expenditures:			
Salaries and employee benefits			
Operating expenses		1,851	
Capital outlay		-	
Total expenditures	<u>13,800</u>	<u>1,851</u>	<u>11,949</u>
Excess (deficiency) of revenues over expenditures		2,786	12,786
Other Financing Sources (Uses):			
Fund balance appropriated	<u>10,000</u>	-	<u>(10,000)</u>
Net change in fund balances	<u>\$ -</u>	2,786	<u>\$ 2,786</u>
Fund balance, beginning of year		<u>245,395</u>	
Fund balance, end of year		<u>\$ 248,181</u>	

## ALBEMARLE REGIONAL HEALTH SERVICES

## Community Care

**Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2016**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Charges for services	\$ 395,859	\$ 384,234	\$ (11,625)
Total revenues	<u>395,859</u>	<u>384,234</u>	<u>(11,625)</u>
Expenditures:			
Salaries and employee benefits		340,545	
Operating expenses		15,635	
Capital outlay		-	
Total expenditures	<u>362,454</u>	<u>356,180</u>	<u>6,274</u>
Excess (deficiency) of revenues over expenditures	<u>33,405</u>	<u>28,054</u>	<u>(5,351)</u>
Other financing sources (uses):			
Transfers from (to) other funds	<u>(33,405)</u>	<u>(28,054)</u>	<u>5,351</u>
Total other financing sources	<u>(33,405)</u>	<u>(28,054)</u>	<u>5,351</u>
Net change in fund balances	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning of year		<u>-</u>	
Fund balance, end of year		<u>\$ -</u>	

## ALBEMARLE REGIONAL HEALTH SERVICES

## Medical Reserve Corp

**Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2016**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Local appropriations	\$ -	\$ -	\$ -
Grants	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:			
Salaries and employee benefits		-	
Operating expenses		840	
Capital outlay		-	
Total expenditures	<u>31,937</u>	<u>840</u>	<u>31,097</u>
Excess (deficiency) of revenues over expenditures	<u>(31,937)</u>	<u>(840)</u>	<u>(32,777)</u>
Other financing sources (uses):			
Fund Balance Appropriated	<u>31,937</u>	-	<u>31,937</u>
Total other financing sources	<u>31,937</u>	<u>-</u>	<u>31,937</u>
Net change in fund balances	<u>\$ -</u>	<u>(840)</u>	<u>\$ (840)</u>
Fund balance, beginning of year		<u>31,938</u>	
Fund balance, end of year		<u>\$ 31,098</u>	

**ALBEMARLE REGIONAL HEALTH SERVICES**  
**Agency Funds**

**Combining Statement of Changes in Assets and Liabilities**  
**For the Year Ended June 30, 2016**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b>Albemarle Regional Solid Waste Management Authority</b>				
Assets:				
Cash and cash equivalents	\$ 1,181,974	\$ 6,895,009	\$ 6,786,113	\$ 1,290,870
Liabilities:				
Miscellaneous liabilities	\$ 1,181,974	\$ 6,895,009	\$ 6,786,113	\$ 1,290,870
<b>Northeast Albemarle Group</b>				
Assets:				
Cash and cash equivalents	\$ 297,190	\$ 4,190,710	\$ 4,431,316	\$ 56,584
Liabilities:				
Miscellaneous liabilities	\$ 297,190	\$ 4,190,710	\$ 4,431,316	\$ 56,584
<b>Total - All Agency Funds</b>				
Assets:				
Cash and cash equivalents	\$ 1,479,164	\$ 11,085,719	\$ 11,217,429	\$ 1,347,454
Liabilities:				
Miscellaneous liabilities	\$ 1,479,164	\$ 11,085,719	\$ 11,217,429	\$ 1,347,454

**Mason L. Spruill, CPA**  
CERTIFIED PUBLIC ACCOUNTANT

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**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***

**Independent Auditor's Report**

The Honorable Members of the Board of Directors  
and Mr. Jerry Parks, Health Director  
Albemarle Regional Health Services  
Elizabeth City, North Carolina

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Albemarle Regional Health Services (ARHS), Elizabeth City, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprises Albemarle Regional Health Service's basic financial statements, and have issued my report thereon dated November 28, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ARHS's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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.



November 28, 2016

**Mason L. Spruill, CPA**  
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**Report on Compliance For Each Major Federal Program;  
Report on Internal Control Over Compliance;  
With OMB Uniform Guidance and  
the State Single Audit Implementation Act**

**Independent Auditor's Report**

The Honorable Members of the Board of Directors  
and Mr. Jerry Parks, Health Director  
Albemarle Regional Health Services  
Elizabeth City, North Carolina

Report on Compliance for Each Major Federal Program

I have audited Albemarle Regional Health Services (ARHS), Elizabeth City, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of ARHS's major federal programs for the year ended June 30, 2016. ARHS's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of ARHS's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ARHS's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination on ARHS's compliance.

Opinion on Each Major Federal Program

In my opinion, Albemarle Regional Health Services, Elizabeth City, North Carolina, complied in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

The management of ARHS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered ARHS's internal control over compliance with the type of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on

the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of ARHS's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Mark D. L. CPA". The signature is fluid and cursive, with the letters "M", "D", and "L" being particularly prominent.

November 28, 2016

# Mason L. Spruill, CPA

CERTIFIED PUBLIC ACCOUNTANT

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**Report on Compliance For Each Major State Program;  
Report on Internal Control Over Compliance;  
With OMB Uniform Guidance; and  
the State Single Audit Implementation Act**

**Independent Auditor's Report**

The Honorable Members of the Board of Directors  
and Mr. Jerry Parks, Health Director  
Albemarle Regional Health Services  
Elizabeth City, North Carolina

Report on Compliance for Each Major State Program

I have audited Albemarle Regional Health Services (ARHS), Elizabeth City, North Carolina compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major State programs for the year ended June 30, 2016. ARHS's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its State programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of ARHS's major state programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United State of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about ARHS's compliance with those requirements and performing such other procedures I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major state program. However, my audit does not provide a legal determination on ARHS's compliance.

Opinion on Each Major State Program

In my opinion, Albemarle Regional Health Services, Elizabeth City, North Carolina, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

The management of ARHS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered ARHS's internal control over compliance with the types of requirements that could have a direct and

material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of ARHS's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose

A handwritten signature in black ink, appearing to read "Mark D. L. CPA". The signature is fluid and cursive, with the letters "M", "D", and "L" being particularly prominent and stylized.

November 28, 2016

**ALBEMARLE REGIONAL HEALTH SERVICES**

**Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2016**

**Section I. Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified yes no  
Significant deficiency(s) identified that are not considered to be material weaknesses yes no

Noncompliance material to financial statements notes

yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified yes no  
Significant deficiency(s) identified that are not considered to be material weaknesses yes no

Noncompliance material to federal awards yes no

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)

yes no

Type of auditor's report issued on compliance for major federal programs: Unmodified

Identification of major federal programs:

CFDA#

Program Name

10.557

Special Supplemental Food Program for Women, Infants, and Children

Dollar threshold used to distinguish between Type A and Type B programs

\$750,000

Auditee qualified as low-risk auditee?

yes no

**ALBEMARLE REGIONAL HEALTH SERVICES**

**Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2016**

State Awards

Internal control over major State programs:

Material weakness(es) identified	___yes	<u>X</u> no
Significant deficiency(s) identified that are not considered to be material weaknesses	___yes	<u>X</u> no
Noncompliance material to State Awards	___yes	<u>X</u> no

Type of auditor's report issued on compliance for major State programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with State Single Audit Implementation Act

___yes	<u>X</u> no
--------	-------------

Identification of major State programs:

Program Name

Children's Development Services  
Rural Operating Assistance Program (ROAP) Cluster

**Section II. Financial Statement Findings**

None reported.

**Section III. Federal Award Findings and Questioned Costs**

None reported.

**Section IV. State Award Findings and Questioned Costs**

None reported.

**ALBEMARLE REGIONAL HEALTH SERVICES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2016**

Federal Grantor/Pass- Through Grantor/Program Title	Federal CFDA Number	Expenditures		
		Federal	State	Local
<b>U.S. Department of Health &amp; Human Services:</b>				
Direct Program:				
Partnership to Improve Community Health	93.331	\$ 573,725	\$ -	\$ -
Passed through N.C. Department of Health & Human Services:				
Division of Public Health:				
Health Actions to Prevent Diabetes, Obesity, and				
Associated Risk Factors & Promote School Health	93.757	343,466	-	-
Public Health Emergency Preparedness - Ebola	93.074	35,920	-	-
Preventive Health and Services Block Grant	93.758	215,990	-	-
Family Planning	93.217	174,331	-	-
HIV Prevention Activities	93.940	2,000	-	-
Tobacco Control Program	93.305	3,055	-	-
Immunization Grants	93.268	40,201	-	-
Chronic Disease Prevention and Control	93.945	8,499	-	-
Prevention Health Services STD Control	93.977	505	-	-
Breast & Cervical Cancer Control Program	93.919	59,160	-	-
HHS-CDC TB Project	93.116	43	-	-
Public Health Emergency Preparedness	93.069	65,621	-	-
Wisewoman Project	93.094	19,240	-	-
Maternal & Child Health Services Block Grant	93.994	684,290	-	-
Division of Social Services:				
Temporary Assistance for Needy Families	93.558	23,383	-	-
Total Department of Health and Human Services		<u>2,249,429</u>	<u>-</u>	<u>-</u>
<b>U.S. Department of Agriculture:</b>				
Passed through N.C. Department of Health & Human Services - Division of Social Services:				
Special Supplemental Nutrition Program for Women, Infants, & Children (WIC)	10.557	635,432	-	-
Direct Benefit Payments:				
Special Supplemental Nutrition Program for Women, Infants, & Children (WIC)	10.557	2,139,737	-	-
Total U.S. Department of Agriculture		<u>2,775,169</u>	<u>-</u>	<u>-</u>
<b>U.S. Department of Transportation:</b>				
Passed through N.C. Department of Transportation-Federal Transit Capital and Operating Assistance Formula Grants:				
Formula Grants for Other Than Urbanized Areas	20.509	349,520	21,920	65,460

**ALBEMARLE REGIONAL HEALTH SERVICES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the Year Ended June 30, 2016**

Federal Grantor/Pass- Through Grantor/Program Title	Federal CFDA Number	Expenditures		
		Federal	State	Local
<b>U.S. Department of Transportation:</b>				
Passed through N.C. Department of Transportation-Federal Transit Capital and Operating Assistance Formula Grants: Formula Grants for Other Than Urbanized Areas- Capital	20.509	148,458	19,924	19,924
Transit Services Program Cluster: Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	159,279	-	159,279
Job Access - Reverse Commute	20.516	51,259	-	51,259
Total Transit Services Cluster		<u>210,538</u>	<u>-</u>	<u>210,538</u>
Total U.S. Department of Transportation		<u>708,516</u>	<u>41,844</u>	<u>295,922</u>
<b>U.S. Department of Education:</b>				
Office of Special Education and Rehabilitative Services				
Passed through the N.C. Department of Health and Human Services - Division of Mental Health, Developmental Disabilities and Substance Abuse Services:				
North Carolina Early Intervention Program	84.181 CL	135,490	-	-
Passed through N.C. Department of Health & Human Services: Division of Public Health:				
Race to the Top - Early Learning Challenge	84.412	506,044	-	-
Total U.S. Department of Education		<u>641,534</u>	<u>-</u>	<u>-</u>
State Funds:				
North Carolina Department of Health & Human Services:				
Division of Public Health:				
General Aid		-	655,238	-
Maternal and Child Health Block Grant		-	587,083	-
Community Liaisons for Health		-	95,407	-
High Risk Maternity Clinic		-	69,280	-
Children's Development Services		-	1,490,495	-
General Communicable Disease Control		-	36,420	-
Tuberculosis Medical Services		-	4,257	-
Tuberculosis Control		-	52,088	-
Child Health		-	46,615	-
Breast and Cervical Cancer		-	37,740	-
Tobacco Prevention		-	478	-
Food and Lodging		-	40,708	-
HIV-Std Aid		-	3,500	-
Sexually Transmitted Diseases		-	1,437	-

**ALBEMARLE REGIONAL HEALTH SERVICES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2016**

Federal Grantor/Pass- Through Grantor/Program Title	Federal CFDA Number	Expenditures		
		Federal	State	Local
<b>State Funds:</b>				
North Carolina Department of Health & Human Services:				
Division of Public Health:				
School Nurse		-	298,320	-
Active Routes to School		-	118,456	-
Womens Health Service Fund		-	49,949	-
Diabetes Regional Consultant		-	45,981	-
Environmental Health Services		-	4,684	-
North Carolina Department of Environment, and Natural Resources:				
Scrap Tire Grant		-	-	-
North Carolina Department of Transportation:				
Rural Operating Assistance Program (ROAP) Cluster:				
ROAP Rural General Public		-	248,881	-
ROAP Elderly & Disabled Transportation Assistance Program		-	238,502	-
ROAP Workfirst		-	38,164	-
		-	4,163,683	-
<b>Total</b>		<b>\$6,374,648</b>	<b>\$4,205,527</b>	<b>\$ 295,922</b>

**Notes to the Schedule of Expenditures of Federal and State Financial Awards:**

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Albemarle Regional Health Services under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements. Benefit payments are paid directly to recipients and are not included in ARHS's basic financial statements. However, due to ARHS's involvement in determining eligibility, they are considered federal awards to ARHS and are included on this schedule. Because the Schedule presents only a selected portion of the operations of Albemarle Regional Health Services, it is not intended to and does not present the financial position, changes in net position or cash flows of Albemarle Regional Health Services.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Albemarle Regional Health Services has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3: Loans Outstanding**

Albemarle Regional Health Services had no loan balances outstanding at June 30, 2016 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. No loans were outstanding at the beginning or end of the year.