

ALBEMARLE REGIONAL HEALTH SERVICES



ANNUAL FINANCIAL REPORT

For Year Ended
June 30, 2022

**ALBEMARLE REGIONAL HEALTH SERVICES
ELIZABETH CITY, NORTH CAROLINA
Financial Statements
June 30, 2022**

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

June 30, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Health
Albemarle Regional Health Services
Elizabeth City, North Carolina

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Albemarle Regional Health Services as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Albemarle Regional Health Services' basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Albemarle Regional Health Services as of June 30, 2022, and the respective changes in financial position and the respective budgetary comparison for the General Fund, Sanitation Landfill Program Fund, and Transportation Program Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Albemarle Regional Health Services and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Audit of 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about the Albemarle Regional Health Services's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Governmental Auditing Standards* , we

- exercised professional judgement and maintained professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsible to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Albemarle Regional Health Services' internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Albemarle Regional Health Services' ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 8, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of Net Pension Asset and Contributions on pages 40 and 41, and the Other Postemployment Benefits schedules of Changes in the Net OPEB Liability and Related Ratios, District Contributions, and Investment Returns, pages 42, 43, and 44, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Albemarle Regional Health Services's basic financial statements. 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 and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 by us. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors⁶ 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*, we have also issued our report dated November 16, 2022 on our consideration of the Albemarle Regional Health Services's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Albemarle Regional Health Services's internal control over financial reporting and compliance.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, NC
November 16, 2022

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, 2022. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in ARHS financial statements, which follow this narrative.

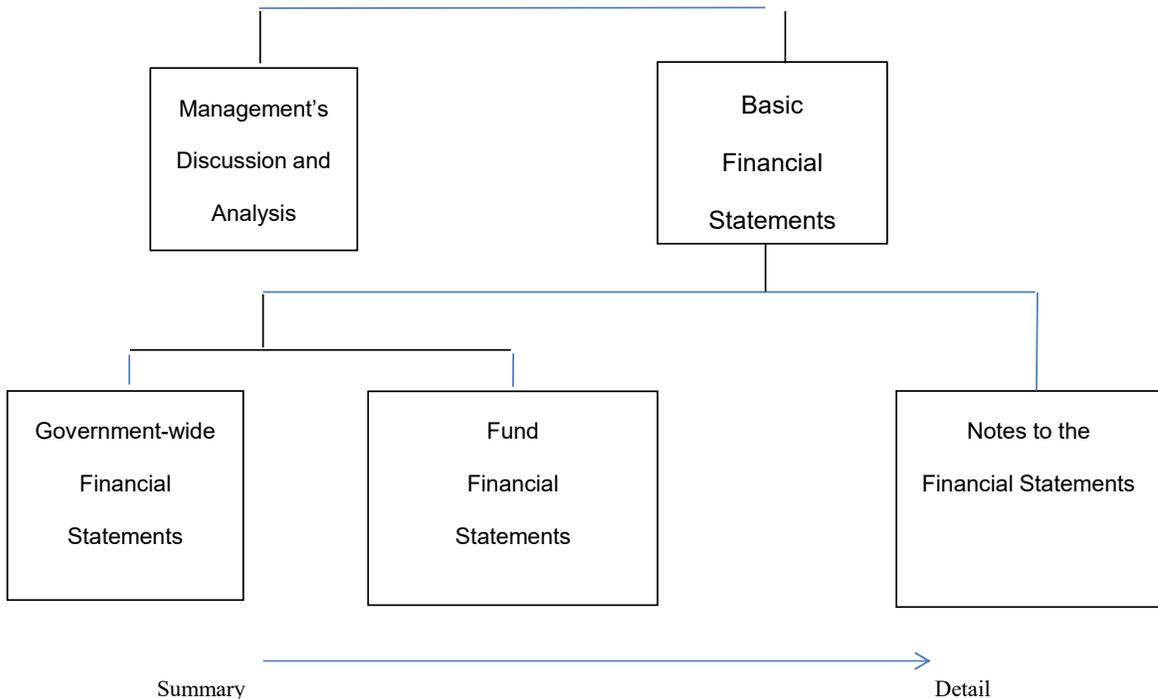
Financial Highlights

- The assets and deferred outflows of resources of the Albemarle Regional Health Services exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$1,341,315 (*net position*).
- Net position increased \$4,410,369 which was primarily related to a decrease in the OPEB liability and an increase in grant funding.
- As of the close of the current fiscal year, Albemarle Regional Health Services' governmental funds reported ending fund balances of \$11,568,136 an increase of \$1,965,767 in comparison with the prior year. Approximately 28.94% of this total amount, or \$3,348,004, is restricted or non-spendable.
- At the end of the current fiscal year, available fund balance for the General Fund was \$8,354,177, or 49.23% 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 Albemarle Regional Health Services' basic financial statements. The Albemarle Regional Health Services' basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). 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 Albemarle Regional Health Services.

Required Components of Annual Financial Report
Figure 1



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 the Albemarle Regional Health Services' financial status.

The next statements (Exhibits 3 through 7) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the ARHS's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the fiduciary fund statement.

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 individual funds. Budgetary information required by the NC General Statutes can also be found in this part of the statements.

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, 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. 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 (See Figure 1) provide a more detailed look at Albemarle Regional Health Services' 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. Albemarle Regional Health Services, 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 the ARHS's budget ordinance. All of the funds of Albemarle Regional Health Services 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 Albemarle Regional Health Services' 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* which provides a short-term spending 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 the ARHS's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Albemarle Regional Health Services 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 the ARHS, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the 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 an enterprise funds.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Albemarle Regional Health Services maintains two custodial 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 begin on page 20 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning ARHS's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 40 of this report.

Government-Wide Financial Analysis

Albemarle Regional Health Services' Net Position

Figure 2

	Governmental Activities	
	2022	2021
Current and other assets	\$ 14,107,664	\$ 12,093,911
Capital assets, net	3,800,884	3,547,990
Deferred outflows of resources	5,819,737	5,744,265
Total assets and deferred outflows of resources	<u>23,728,285</u>	<u>21,386,166</u>
Long-term liabilities outstanding	12,546,666	14,320,815
Other liabilities	1,509,213	731,637
Deferred inflows of resources	8,331,091	9,402,768
Total liabilities and deferred inflows of resources	<u>22,386,970</u>	<u>24,455,220</u>
Net position:		
Net investment in capital assets	3,737,494	3,547,990
Restricted	3,348,004	3,735,171
Unrestricted	(5,744,183)	(10,352,215)
Total net position	<u>\$ 1,341,315</u>	<u>\$ (3,069,054)</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. ARHS's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,341,315.

ARHS's net position increased by \$4,410,369 for the fiscal year ended June 30, 2022. A large portion of ARHS's net position, \$3,737,494, 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 \$3,348,004 represents resources that are subject to external restrictions on how they may be used. At June 30, 2022, ARHS had an unrestricted net position (deficit) of \$(5,744,183).

Albemarle Regional Health Services' Changes in Net Position
Figure 3

	Governmental Activities	
	2022	2021
Revenues:		
Program revenues:		
Charges for services	\$ 10,680,500	\$ 9,404,496
Operating grants and contributions	15,562,649	13,693,098
Capital grants and contributions	-	-
General revenues:		
Investment earnings, unrestricted	13,270	1,808
Grants and contributions not restricted to specific programs	563	667,047
Gain (Loss) on disposal of fixed assets	-	(85,099)
Other	93,968	489,976
Total revenues	<u>26,350,950</u>	<u>24,171,326</u>
Expenses:		
Administrative services	1,768,742	1,532,576
Environmental Health	5,279,709	4,752,224
Women, infants, and children	5,907,815	6,244,321
Adult Health	5,521,484	3,144,800
Transportation	2,501,399	2,033,145
Other Services	1,102,864	617,159
Total expenses	<u>22,082,013</u>	<u>18,324,225</u>
Increase (decrease) in net position before special items	4,268,937	5,847,101
Special item - Hertford County (Buy-in) installment	141,432	141,432
Special item - OPEB Plan Administrator Contribution	-	(2,000,000)
Increase (decrease) in net position after special items	4,410,369	3,988,533
Net position, beginning	(3,069,054)	(7,057,587)
Net position, June 30	<u>\$ 1,341,315</u>	<u>\$ (3,069,054)</u>

As noted earlier, Albemarle Regional Health Services uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Albemarle Regional Health Services' governmental fund is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Albemarle Regional Health Services' 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 the Albemarle Regional Health Services. At the end of the current fiscal year, Albemarle Regional Health Services' fund balance available in the General Fund was \$8,354,177, while total fund balance reached \$9,325,048. ARHS currently has an available fund balance of 49% of General Fund expenditures, while total fund balance represents 55% of that same amount.

At June 30, 2022, the governmental funds of ARHS reported a combined fund balance of \$11,568,136, a 20.47 percent increase over last year.

General Fund Budgetary Highlights. During the fiscal year, the 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 once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal, State, and other grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues by \$6,268,107. This increase was primarily attributable due to an increase in grant awards and additional corresponding administrative fees associated with managing the grants.

Capital Assets. The Albemarle Regional Health Services investment in capital assets for its governmental-type activities as of June 30, 2022, totals \$3,737,494 (net of accumulated depreciation). These assets include, buildings, land, other improvements, equipment, and vehicles. Assets purchased and placed in service during the year ended June 30, 2022, totaled \$708,553.

**Albemarle Regional Health Services' Capital Assets
(net of depreciation)
Figure 4**

	Governmental Activities	
	2022	2021
Land	\$ 215,600	\$ 215,600
Buildings	958,591	806,007
Other Improvements	571,607	592,087
Equipment	714,687	554,953
Vehicle and motor equipment	1,277,009	1,379,343
Total	\$ 3,737,494	\$ 3,547,990

Long-term Debt. As of June 30, 2022, ARHS had a total long-term debt outstanding of \$12,565,228, all of which is debt backed by the full faith and credit of ARHS.

**Albemarle Regional Health Services Outstanding
Long- Term Debt
Figure 5**

	Governmental Activities	
	2022	2021
Lease Liabilities	\$ 63,786	\$ -
Compensated absences	682,705	608,027
Total OPEB liability	10,366,115	10,279,083
Net pension liability	1,452,622	3,433,705
Total	\$ 12,565,228	\$ 14,320,815

ARHS's total long-term debt decreased by \$1,755,587 during the past fiscal year primarily related to OPEB benefits.

Economic Factors and Next Year's Budgets and Rates

The following are economic indicators affecting ARHS:

- While the Covid-19 pandemic has declined in activity, it will continue to have an impact on ARHS budgets and services. Several funding streams remain in place, but an end is in sight and staff are working to bring clinics and services back to full capacity, while navigating hiring and staffing obstacles.
- ARHS and other local health departments did receive additional Communicable Disease funding through COVID funds that are anticipated to be available through September 2025, however at this time those are not recurring funds. It will be important for health departments to demonstrate the need and investment in local public health for the continuance of local funds.
- North Carolina Medicaid Managed Care reimbursement through the new prepaid health plans, PHPs, has been very unreliable. North Carolina Public Health has estimated a \$30 million loss in revenue due to this change and concerns with the plan process. The North Carolina Association of Health Directors has been working directly with North Carolina Medicaid and the PHPs to resolve these issues.

Requests for Information

This report is designed to provide an overview of Albemarle Regional Health Services' 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.

BASIC
FINANCIAL STATEMENTS

Albemarle Regional Health Services
Statement of Net Position
June 30, 2022

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 11,861,164
Accounts receivable, net	1,374,457
Note Receivable, net	23,454
Due from other governments	848,589
Right to use leased assets, net of amortization	63,390
Capital assets:	
Land	215,600
Other capital assets, net	3,521,894
Total assets	17,908,548
DEFERRED OUTFLOWS OF RESOURCES	5,819,737
LIABILITIES	
Accounts payable and accrued liabilities	893,844
Unspent grants	596,807
Current portion of long-term liabilities	18,562
Long Term Liabilities:	
Due in more than one year:	
Compensated absences	682,705
Lease liabilities	45,224
Net OPEB Liability	10,366,115
Net pension liability	1,452,622
Total liabilities	14,055,879
DEFERRED INFLOWS OF RESOURCES	8,331,091
NET POSITION	
Net investment in capital assets	3,737,494
Restricted for:	
Stabilization by State statute	1,503,037
Transportation	1,631,032
Health Programs	213,935
Unrestricted	(5,744,183)
Total net position	\$ 1,341,315

**Albemarle Regional Health Services
Statement of Activities
For the Year Ended June 30, 2022**

Functions/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:					
Administrative Services	\$ 1,768,742	\$ 326,167	\$ 2,222,544	\$ -	\$ 779,969
Environmental Health	5,279,709	4,688,816	715,084	-	124,191
Women, infants, and children	5,907,815	2,744,832	5,526,519	-	2,363,536
Adult Health	5,521,484	2,598,507	4,435,133	-	1,512,156
Transportation	2,501,399	289,985	2,450,472	-	239,058
Other Services	1,102,864	32,193	212,897	-	(857,774)
Total governmental activities	<u>\$ 22,082,013</u>	<u>\$ 10,680,500</u>	<u>\$ 15,562,649</u>	<u>\$ -</u>	<u>4,161,136</u>
General Revenues:					
					563
					13,270
					93,968
					<u>107,801</u>
Special items:					
					141,432
					<u>249,233</u>
					4,410,369
					<u>(3,069,054)</u>
					<u>\$ 1,341,315</u>

**Albemarle Regional Health Services
Balance Sheet - Governmental Funds
June 30, 2022**

	<u>Major</u>			<u>Non- Major</u>	<u>Total</u>
	<u>General</u>	<u>Sanitary</u>	<u>Transportation</u>	<u>Other</u>	
	<u>Fund</u>	<u>Land Fill</u>	<u>Program</u>	<u>Governmental</u>	<u>Governmental</u>
				<u>Funds</u>	<u>Funds</u>
ASSETS					
Cash and investments	\$ 9,232,096	\$ -	\$ 1,734,445	\$ 297,816	\$ 11,264,357
Restricted cash	377,592	-	102,108	117,107	596,807
Accounts receivable, net	865,745	369,302	138,410	1,000	1,374,457
Note receivable, net	-	-	-	23,454	23,454
Due from Hertford County (Buy-in)	848,589	-	-	-	848,589
Due from other funds	105,126	-	-	-	105,126
Total assets	<u>\$11,429,148</u>	<u>\$ 369,302</u>	<u>\$ 1,974,963</u>	<u>\$ 439,377</u>	<u>\$ 14,212,790</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 678,631	\$ 99,876	\$ 103,413	\$ 11,924	\$ 893,844
Unspent Grants	377,592	-	102,108	117,107	596,807
Due to other funds	-	105,126	-	-	105,126
Total liabilities	<u>1,056,223</u>	<u>205,002</u>	<u>205,521</u>	<u>129,031</u>	<u>1,595,777</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,047,877</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,048,877</u>
FUND BALANCE					
Restricted:					
Stabilization by State statute	970,871	369,302	138,410	24,454	1,503,037
Transportation	-	-	1,631,032	-	1,631,032
Health Programs	-	-	-	213,935	213,935
Assigned:					
Subsequent year's expenditures	1,842,587	-	-	75,177	1,917,764
Unassigned	6,511,590	(205,002)	-	(4,220)	6,302,368
Total fund balance	<u>9,325,048</u>	<u>164,300</u>	<u>1,769,442</u>	<u>309,346</u>	<u>11,568,136</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$11,429,148</u>	<u>\$ 369,302</u>	<u>\$ 1,974,963</u>	<u>\$ 439,377</u>	<u>\$ 14,212,790</u>

cont.

**Albemarle Regional Health Services
Balance Sheet - Governmental Funds
June 30, 2022**

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different due to the following items:

Total fund balance, Governmental Funds	\$ 11,568,136
Deferred income related to patient fees are not considered available and, therefore, are not reported in the funds.	199,289
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,737,494
Deferred outflows of resources related to pensions are not reported in the funds	1,603,023
Deferred outflows of resources related to OPEB are not reported in the funds	2,648,830
Contributions to the pension plan in the current fiscal year	1,096,663
Contributions to OPEB plan in the current fiscal year	471,221
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Right to use assets at historical cost	80,575
Accumulated amortization	(17,185)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	
Compensated absences	(682,705)
Total OPEB liability	(10,366,115)
Net pension liability	(1,452,622)
Lease liabilities	(63,786)
Deferred inflows of resources related to pensions are not reported in the funds	(2,075,361)
Deferred inflows of resources related to OPEB that are not reported in the funds	<u>(5,406,142)</u>
Net position of governmental activities	<u><u>\$ 1,341,315</u></u>

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 Balance
Governmental Fund
For the Year Ended June 30, 2022

	<u>Major</u>			<u>Non- Major</u>	<u>Total</u>
	<u>General</u>	<u>Sanitary</u>	<u>Transportation</u>	<u>Other</u>	
	<u>Fund</u>	<u>Land Fill</u>	<u>Program</u>	<u>Governmental</u>	<u>Governmental</u>
				<u>Funds</u>	<u>Funds</u>
Revenues:					
Federal and State grants	\$ 10,972,070	\$ -	\$ 1,844,615	\$ 37,885	\$ 12,854,570
Local appropriations	1,007,971	-	80,466	33,184	1,121,621
Other grants	229,652	6,000	198,000	-	433,652
Charges for services	7,422,401	4,016,638	481,735	32,193	11,952,967
Interest Income	10,716	-	229	2,325	13,270
Donations and fundraisers	-	-	563	-	563
Miscellaneous	12,726	-	81,242	-	93,968
Total revenues	<u>19,655,536</u>	<u>4,022,638</u>	<u>2,686,850</u>	<u>105,587</u>	<u>26,470,611</u>
Expenditures:					
General Administration	1,916,789	-	-	-	1,916,789
Environmental Health	1,187,372	4,031,225	-	84,173	5,302,770
Women, infants and children programs	6,831,886	-	-	-	6,831,886
Adult Health	5,844,124	-	-	-	5,844,124
Transportation	100,751	-	2,539,757	-	2,640,508
Other Services	1,156,943	-	-	33,831	1,190,774
Total expenditures	<u>17,037,865</u>	<u>4,031,225</u>	<u>2,539,757</u>	<u>118,004</u>	<u>23,726,851</u>
Excess (deficiency) of revenues over expenditures	<u>2,617,671</u>	<u>(8,587)</u>	<u>147,093</u>	<u>(12,417)</u>	<u>2,743,760</u>
Other Financing Sources (Uses):					
Lease liability issued	67,962	7,389	5,224	-	80,575
Total other financing sources and uses	<u>67,962</u>	<u>7,389</u>	<u>5,224</u>	<u>-</u>	<u>80,575</u>
Special Item:					
Hertford County Buy-in Installment	141,432	-	-	-	141,432
OPEB Plan Administrator Contribution	(1,000,000)	-	-	-	(1,000,000)
Net change in fund balance	<u>1,827,065</u>	<u>(1,198)</u>	<u>152,317</u>	<u>(12,417)</u>	<u>1,965,767</u>
Fund balances - beginning	7,497,983	165,498	1,617,125	321,763	9,602,369
Fund balances - ending	<u>\$ 9,325,048</u>	<u>\$ 164,300</u>	<u>\$ 1,769,442</u>	<u>\$ 309,346</u>	<u>\$ 11,568,136</u>

cont.

Albemarle Regional Health Services
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2022

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

Net changes in fund balances – governmental funds	\$ 1,965,767
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.</p>	
Capital outlay expenditures which were capitalized	708,553
Depreciation expense for governmental assets	(519,049)
Right to used leased asset capital outlay expenditures which were capitalized	80,575
Amortization expense for intangible assets	(17,185)
Change in deferred inflows of resources - patient fees receivable	(119,661)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,096,663
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	471,221
Contributions to the OPEB Trust Fund are expensed on the fund statements but are deferred on the government-wide statements.	1,000,000
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
Principal payments on long-term debt	16,789
New long-term debt issued	(80,575)
<p>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:</p>	
Compensated absences	(74,678)
OPEB (expense) income	565,125
Pension expense	(683,176)
Total changes in net position of governmental activities	\$ 4,410,369

Albemarle Regional Health Services
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund
For the Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Federal and State grants	9,312,506	\$ 13,448,090	\$ 10,972,070	\$ (2,476,020)
Local appropriations	1,017,127	1,170,877	1,007,971	(162,906)
Other grants	173,679	378,749	229,652	(149,097)
Charges for services	4,226,511	5,786,096	7,422,401	1,636,305
Interest Income	10,000	10,000	10,716	716
Miscellaneous	1,650	215,768	12,726	(203,042)
Total revenues	<u>14,741,473</u>	<u>21,009,580</u>	<u>19,655,536</u>	<u>(1,354,044)</u>
Expenditures:				
General government	3,993,664	3,658,665	1,916,789	1,741,876
Environmental Health	1,148,003	1,243,650	1,187,372	56,278
Women, infants and children	8,020,917	7,907,032	6,831,886	1,075,146
Adult Health	4,110,045	9,477,589	5,844,124	3,633,465
Transportation	125,100	131,510	100,751	30,759
Other Services	846,560	1,370,830	1,156,943	213,887
Total expenditures	<u>18,244,289</u>	<u>23,789,276</u>	<u>17,037,865</u>	<u>6,751,411</u>
Excess (deficiency) of revenues over expenditures	<u>(3,502,816)</u>	<u>(2,779,696)</u>	<u>2,617,671</u>	<u>5,397,367</u>
Other Financing Sources (Uses):				
Lease liability issued	-	-	67,962	67,962
Fund balance appropriated	3,361,384	2,638,264	-	(2,638,264)
Total other financing sources and uses	<u>3,361,384</u>	<u>2,638,264</u>	<u>67,962</u>	<u>(2,570,302)</u>
Special Item:				
Hertford County Buy-in Installment	141,432	141,432	141,432	-
OPEB Plan Administrator Contribution	-	-	(1,000,000)	1,000,000
Total special items	<u>141,432</u>	<u>141,432</u>	<u>(858,568)</u>	<u>1,000,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,827,065	<u>\$ 1,827,065</u>
Fund balances - beginning			7,497,983	
Fund balances - ending			<u>\$ 9,325,048</u>	

Albemarle Regional Health Services
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - Sanitary Landfill Program
For the Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Other grants	\$ 7,691	\$ 7,611	\$ 6,000	\$ (1,611)
Charges for services	4,347,670	4,443,377	4,016,638	(426,739)
Total revenues	<u>4,355,461</u>	<u>4,451,088</u>	<u>4,022,638</u>	<u>(428,450)</u>
Expenditures:				
Enviromental health	4,355,461	4,451,088	4,031,225	419,863
Total expenditures	<u>4,355,461</u>	<u>4,451,088</u>	<u>4,031,225</u>	<u>419,863</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(8,587)</u>	<u>(8,587)</u>
Other Financing Sources (Uses):				
Lease liability issued	<u>-</u>	<u>-</u>	<u>7,389</u>	
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>7,389</u>	<u>-</u>
Excess revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>(1,198)</u>	<u>\$ (1,198)</u>
Fund Balance:				
Beginning of year			<u>165,498</u>	
End of year			<u>\$ 164,300</u>	

Albemarle Regional Health Services
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - Transportation Program
For the Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Federal and State grants	\$ 1,720,527	\$ 2,258,123	\$ 1,844,615	\$ (413,508)
Local appropriations	80,466	80,466	80,466	-
Other grants	-	-	198,000	198,000
Charges for services	449,046	472,913	481,735	8,822
Interest Income	50	50	229	179
Donations	450	450	563	113
Miscellaneous	30,334	46,834	81,242	34,408
Total revenues	<u>2,280,873</u>	<u>2,858,836</u>	<u>2,686,850</u>	<u>(171,986)</u>
Expenditures:				
Transportation	<u>2,285,958</u>	<u>2,924,205</u>	<u>2,539,757</u>	<u>384,448</u>
Total expenditures	<u>2,285,958</u>	<u>2,924,205</u>	<u>2,539,757</u>	<u>384,448</u>
Revenues over (under) expenditures	<u>(5,085)</u>	<u>(65,369)</u>	<u>147,093</u>	<u>212,462</u>
Other Financing Sources (Uses):				
Lease liability issued	-	-	5,224	5,224
Fund balance appropriated	<u>5,085</u>	<u>65,369</u>	<u>-</u>	<u>(65,369)</u>
Total other financing sources and uses	<u>5,085</u>	<u>65,369</u>	<u>5,224</u>	<u>(60,145)</u>
Excess revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>152,317</u>	<u>\$ 152,317</u>
Fund Balance:				
Beginning of year			<u>1,617,125</u>	
End of year			<u>\$ 1,769,442</u>	

**Albemarle Regional Health Services
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022**

	OPEB Trust Fund	Custodial Funds
Assets		
Cash and cash equivalents	\$ -	\$ 1,929,341
Restricted assets		
Cash and cash equivalents	1,058,338	-
Investments	4,237,372	-
Total assets	5,295,710	1,929,341
Liabilities:		
Miscellaneous liabilities	-	-
Due to General Fund	-	-
Total liabilities	-	-
Net position:		
Restricted for:		
Post employment benefits other than pensions	5,295,710	-
Individuals, organizations, and other governments	-	1,929,341
Total fiduciary net position	\$ 5,295,710	\$ 1,929,341

Albemarle Regional Health Services
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2022

	OPEB Trust Fund	Custodial Funds
Additions:		
Employer contributions	\$ 1,471,221	\$ -
Investment income:		
Net appreciation (depreciation) in fair value of investments	(751,315)	-
Realized gain (loss) on sale of investments	(7,115)	-
Interest and dividends	29,540	-
Less investment expense	(1,004)	-
Net investment earnings	(729,894)	-
Collections for Solid Waste	-	9,722,198
Collections for NEAG	-	990,816
Total additions	741,327	10,713,014
Deductions:		
Benefit payments	471,221	-
Expenses for Solid Waste	-	9,588,669
Expenses for NEAG	-	898,568
Total deductions	471,221	10,487,237
Net increase (decrease) in fiduciary net position	270,106	225,777
Net position, beginning	5,025,604	1,703,564
Net position, ending	\$ 5,295,710	\$ 1,929,341

Albemarle Regional Health Services
Notes to the Financial Statements
For the Year Ended June 30, 2022

I. Summary Of Significant Accounting Policies

The accounting policies of Albemarle Regional Health Services (ARHS) 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, Gates and Hertford 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, 2022, ARHS had no component units.

B. Basis of Presentation

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 the District'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 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.

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.

The District reports the following fund types:

Trust Fund. Trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, or other postemployment benefit plans. The Other Postemployment Benefits Trust Fund accounts for ARHS's contributions for healthcare coverage provided to qualified retirees.

Custodial Funds. Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are used to account for assets that ARHS holds on behalf of others that meet certain criteria. ARHS maintains the following custodial funds: Albemarle Regional Solid Waste Management Authority Fund, which holds cash for ARSWMA that accounts for landfill users fees that are billed and collected for various municipalities but are not revenues to ARHS, and Northeastern Albemarle Group Insurance Fund, which holds cash for NEAG that accounts for fees collected but are not revenues to ARHS.

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

C. Measurement Focus and Basis of Accounting

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

Government-wide and Fiduciary Fund Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and 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 are 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. Issuance of general long-term debt issued and acquisitions under capital lease are reported as other financing sources. General capital asset acquisitions are reported as expenditures in governmental funds.

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.

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.

D. 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.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

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 nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

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. 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. Receivables and Allowance for Doubtful Accounts

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.

4. 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.

5. 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:

	<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

6. Right to Use Assets

Albemarle Regional Health Services has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

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 several items that meet this criterion – pension and contributions made to the pension and OPEB plan in the current 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 – land held for resale, patient fees receivables, and other OPEB and pension related deferrals.

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.

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 Balances

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:

Non-spendable 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.

Restricted Fund Balance - This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

- Restricted for stabilization of state statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget*. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitution provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.
- 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.

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.

11. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from the LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Appalachian District Health Department has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

12. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II: Reconciliation of Government-wide and Fund Financial Statements

A. 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 \$(10,226,424) consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
Deferred income related to patient fees are not considered available and, therefore, are not reported in the funds.	\$ 199,289
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)	7,792,723
Less accumulated depreciation	<u>(4,055,229)</u>
Net capital assets	3,737,494
Deferred outflows of resources related to pensions are not reported in the funds	1,603,023
Deferred outflows of resources related to OPEB are not reported in the funds	2,648,830
Contributions to the pension plan in the current fiscal year	1,096,663
Contributions to OPEB plan in the current fiscal year	471,221
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Right to use assets at historical cost	80,575
Accumulated amortization	(17,185)
Liabilities that, because they are not due and payable in the current period, do not require recurrent resources to pay and are therefore not recorded in the fund statements:	
Compensated absences	(682,705)
Net OPEB Liability	(10,366,115)
Net pension liability	(1,452,622)
Lease liabilities	(63,786)
Deferred inflows of resources related to pensions are not reported in the funds	(2,075,361)
Deferred inflows of resources related to OPEB that are not reported in the funds	<u>(5,406,142)</u>
Total adjustment	<u>\$ (10,226,821)</u>

B. 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 \$2,444,999 as follows:

<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	\$ 708,553
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	(519,049)
Right to used leased asset capital outlay expenditures which were capitalized	80,575
Amortization	(17,185)
Change in deferred inflows of resources - patient fees receivables	(119,661)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,096,663
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	471,221
Contributions to the OPEB Trust Fund are expensed on the fund statements but are deferred on the government-wide statements.	1,000,000
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Principal payments on long-term debt	16,789
New long-term debt issued	(80,575)
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	(74,678)
OPEB (expense) income	565,125
Pension expense	(683,176)
Total Adjustment	<u>\$ 2,444,602</u>

III: Stewardship, Compliance and Accountability

None to report.

IV: 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.

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, 2022, ARHS's deposits had a carrying amount of \$6,214,885 (including \$1,929,341 in fiduciary cash) and a bank balance of \$6,588,867. Of the bank balance, \$500,000 was covered by federal depository insurance and \$6,088,867 in non-interest bearing deposits covered by collateral held under the pooling method. At June 30, 2022, ARHS had \$1,760 of cash on hand.

2. Investments

ARHS's invests excess cash funds in the North Carolina Capital Management Trust Government Portfolios. The N.C. Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2022. Due to the liquidity of the investments they are included as a part of cash in the balance sheet and statement of net position.

At June 30, 2021, ARHS had the following investment and maturities:

Investments by Type	Valuation Measurement Method	Fair Value	Less than 6 Months	Rating
N.C. Capital Management Trust-Government Portfolio	Fair Value Level 1	\$ 7,573,860	N/A	AAAm
Total:		<u>\$ 7,573,860</u>		

All investments are measured using the market approach: using price and other relevant information generated by market transactions involving identical or comparable assets or group assets.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmarked quoted prices.

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

At June 30, 2022, the Albemarle Regional Health Service’s OPEB Trust had \$5,295,710 invested in the State Treasurer’s Local Government Other Post-Employment Benefits (OPEB) Trust pursuant to G.S. 159- 30.1. The State Treasurer’s OPEB Trust may invest in public equities and both long-term and short-term fixed income obligations as determined by the State Treasurer pursuant to the General Statutes. At year end, ARHS’s OPEB Trust was invested as follows: State Treasurer’s Short Term Investment Fund (STIF) 20%, which is reported as cash and cash equivalents; State Treasurer’s Bond Index Fund (BIF) 20% and BlackRock’s MSCI ACWI EQ Index Non-Lendable Class B Fund 60% (the equities were split with 57.49% in domestic securities and 42.51% in international securities).

Level of the fair value hierarchy. Ownership of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. STIF investments are valued by the custodian using Level 2 inputs which in this case involves inputs-other than quoted prices-included within Level 1 that are either directly or indirectly observable for the asset or liability. The STIF is valued as \$1 per share. The STIF portfolio is unrated and had a weighted average maturity at June 30, 2022 of 1.3 years.

The BIF is measured at fair value using Level 2 inputs and is based upon units of participation. Units of participation are calculated monthly based upon inflows and outflows as well as allocations of net earnings. On June 30, 2022 the BIF, which does not have a credit rating, was valued at \$1 per unit and had an average maturity of 7.97 years at June 30, 2022.

The BlackRock’s MSCI ACWI EQ Index Non-Lendable Class B fund, authorized under G.S. 147-69.2(b)(8), is a common trust fund considered to be commingled in nature. The Fund’s fair value is the number of shares times the net asset value as determined by a third party. At June 30, 2022, the fair value of the funds was \$32.2459 per share. Fair value for this BlackRock fund is determined using Level 1 inputs which are directly observable, quoted prices (unadjusted) in active markets for identical assets or liabilities.

Valuation technique. North Carolina Department of State Treasurer OPEB Trust investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Credit Risk. ARHS does not have a formal investment policy regarding credit risk for the Trust. The STIF is unrated and authorized under NC General Statute 147-69.1. The State Treasurer’s STIF is invested in highly liquid fixed income securities consisting primarily of short to intermediate term treasuries, agencies, and money market instruments. The BIF is unrated and authorized under NC General Statute 147-69.1 and 147-69.2. The State Treasurer’s BIF is invested in high quality debt securities eligible under G.S. 147- 69.2(b)(1)-(6).

3. Receivables

The receivables shown in Exhibit 1 at June 30, 2022, were as follows:

	Accounts Receivable	Due From Other Governments	Total
Governmental activities:			
General	\$ 767,914	\$ 97,830	\$ 865,744
Other Governmental	42,624	465,088	507,712
Total governmental activities	<u>\$ 810,538</u>	<u>\$ 562,918</u>	<u>\$ 1,373,456</u>

Due from other governments consisted of the following:

State of North Carolina	\$ 133,910
Local governments	429,008
	<u>\$ 562,918</u>

ARHS's General Governmental Activities accounts receivable are presented net of the allowance for doubtful accounts of \$1,288,312.

4 Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 215,600	\$ -	\$ -	215,600
Total capital assets not depreciated	<u>215,600</u>	<u>-</u>	<u>-</u>	<u>215,600</u>
Capital assets being depreciated:				
Buildings	1,435,778	198,407	-	1,634,185
Other Improvements	1,094,879	11,679	2,900	1,103,658
Equipment	1,775,372	233,441	15,497	1,993,316
Vehicles and motor equipment	2,619,893	265,026	38,955	2,845,964
Total capital assets being depreciated	<u>6,925,922</u>	<u>708,553</u>	<u>57,352</u>	<u>7,577,123</u>
Less accumulated depreciation for:				
Buildings	629,771	45,823	-	675,594
Other Improvements	502,792	32,159	2,900	532,051
Equipment	1,220,419	73,707	15,497	1,278,629
Vehicles and motor equipment	1,240,550	367,360	38,955	1,568,955
Total accumulated depreciation	<u>3,593,532</u>	<u>519,049</u>	<u>57,352</u>	<u>4,055,229</u>
Total capital assets being depreciated, net	<u>3,332,390</u>	<u>\$ 189,504</u>	<u>\$ -</u>	<u>3,521,894</u>
Governmental activities capital assets, net	<u>\$ 3,547,990</u>			<u>\$ 3,737,494</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Administrative services	\$ 11,703
Environmental health	132,690
Adult health	7,823
Women, infants, and children	21,170
Transportation Program	328,823
Other Services	16,840
Total depreciation expense	<u>\$ 519,049</u>

5 Right to Use Leased Assets

The ARHS has recorded six right to use leased assets. The assets are right to use assets for leased equipment and leased vehicles. The related leases are discussed in the Leases subsection of the Liabilities section of this note. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the Primary Government for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Right to use assets				
Leased equipment	\$ -	\$ 80,575	\$ -	\$ 80,575
Total right to use assets	<u>-</u>	<u>80,575</u>	<u>-</u>	<u>80,575</u>
Less accumulated amortization for				
Leased equipment	-	17,185	-	17,185
Total accumulated amortization	<u>-</u>	<u>17,185</u>	<u>-</u>	<u>17,185</u>
Right to use assets, net	<u>\$ -</u>	<u>\$ 63,390</u>	<u>\$ -</u>	<u>\$ 63,390</u>

B. Liabilities

1. Payables

Payables on Exhibit 1 at June 30, 2022, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities:			
General	116,990	561,640	\$ 678,630
Sanitary Landfill Program	68,344	31,533	99,877
Transportation Program	45,986	57,427	103,413
Other governmental funds	3,951	7,973	11,924
Total governmental activities	<u>\$ 235,271</u>	<u>\$ 658,573</u>	<u>\$ 893,844</u>

2. Pension Plan Obligations and Post-Employment Obligations

a. 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.

b. Other Post-Employment Benefits

Plan Description

Plan Administration. By Board resolution, 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. As of July 1, 2017, the HCB Plan has been closed to new entrants. The plan, which has a June 30, 2022 year end, does not issue a stand-alone report. Management of the HCB Plan is vested in the ARHS Board.

The plan does not issue separate financial statements.

Plan membership. Membership of the plan consisted of the following at June 30, 2022, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefit payments	48
Inactive plan members entitled to but not yet receiving benefit payments	-
Active Plan members	<u>96</u>
Total	<u>144</u>

Benefits Provided. The HCB Plan provides healthcare benefits for retirees. ARHS pays the cost of coverage for employees' benefits through private insurers. For retirees over the age of 65, ARHS will pay for a secondary insurance policy to supplement Medicare. Also, ARHS's retirees can purchase coverage for their dependents at ARHS's group rates.

Contributions. 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 except during the year ended June 30, 2017 the Board approved making a single deposit into a trust fund in the amount of \$2,100,000 to be used to fund future benefits. Contributions for current retiree healthcare benefits was \$471,221. The Board approved and contributed an additional \$1,000,000 in August 2021.

Investments

Investment policy. The HCB Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The HCB Plan aims to refrain from dramatically shifting asset class allocations over short time spans. Investments are valued at fair value. The Board's adopted asset allocation policy as of June 30, 2021 and June 30, 2022 are shown below.

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Bond Index Fund	20.00%	20.00%	0.66%	0.66%
Equity Index Fund	60.00%	60.00%	4.60%	4.60%
Short Term Investment Fund	20.00%	20.00%	0.20%	0.20%
Total	<u>100.00%</u>	<u>100.00%</u>		

Rate of return. For the year ended June 30, 2022, the annual money weighted rate of return on investments, net of investment expense, was 5.08%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The components of the net OPEB liability of ARHS at June 30, 2022 were as follows:

Total OPEB Liability	\$ 15,661,825
Plan fiduciary net position	<u>5,295,710</u>
District's net OPEB liability	<u>\$ 10,366,115</u>
Plan fiduciary net position as a percentage of the total OPEB liability	33.81%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.25 to 8.41 percent, including inflation
Investment rate of return	5.08 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	7.00 percent for 2020 decreasing to an ultimate rate of 4.50 percent by 2030 (Pre-Medicare) 5.25% for 2020 decreasing to an ultimate rate of 4.50% by 2024 (Medicare) 4.00% (Dental)

The total OPEB liability was rolled forward to June 30, 2022 for the employer and the plan, respectively, utilizing update procedures incorporating the actuarial assumptions.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

The demographic actuarial assumptions (retirement, disability, incidence, etc.) used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 - December 31, 2019, adopted by the LGERS Board. The remaining actuarial assumptions (cost trends, plan participation, etc.) used in the June 30, 2020 valuation were based on a review of recent plan experience performed concurrently with the June 30, 2020 valuation.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term rate of return by weighing the expected future real rates of return by the major target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for major asset class included in the target asset allocation as of June 30, are presented above.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2022 was 5.08%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. However, because the OPEB plan's fiduciary net position was not projected to be sufficient to make all future benefit payments, the long-term expected rate of return of 5.08% on Plan investments was applied to periods through 2025 and the Municipal Bond Index rate of 3.54% was applied to periods on and after 2025 resulting in a discount rate of 5.08%.

Sensitivity of the net OPEB liability to changes in the discount rate. The following represents the net OPEB liability of ARHS as well as what ARHS's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.08%) or 1-percentage-point higher (6.08%) than the current discount rate:

	1% Decrease (4.08 percent)	Discount Rate (5.08 percent)	1% Increase (6.08 percent)
Net OPEB liability (asset)	\$ 12,721,498	\$ 10,366,115	\$ 8,471,837

Sensitivity of the net OPEB liability to changes in the health care cost trend rates. The following presents the net OPEB liability of ARHS, as well as what ARHS's net OPEB liability would be if it were to calculate healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates described above.

	Healthcare Cost		
	1% Decrease	Trend Rate	1% Increase
Net OPEB liability (asset)	\$ 8,154,309	\$ 10,366,115	\$ 13,133,387

Changes in Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB. At June 30, 2022, ARHS reported a net OPEB liability of \$10,366,115. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2022, utilizing update procedures incorporating the actuarial assumptions.

At June 30, 2022, the components of the net OPEB liability of the District, measured as of June 30, 2022, were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2021	\$ 15,304,687	\$ 5,025,604	\$ 10,279,083
Changes for the Year:			
Service Cost	169,182	-	169,182
Interest	765,657	-	765,657
Differences between Expected and Actual experience	(106,480)	-	(106,480)
Changes of Assumptions	-	-	-
Administrative Expense	-	-	-
Contributions	-	1,471,221	(1,471,221)
Net Investment Income	-	(729,894)	729,894
Benefit Payments	(471,221)	(471,221)	-
Net Changes	357,138	270,106	87,032
Balances at June 30, 2022	<u>\$ 15,661,825</u>	<u>\$ 5,295,710</u>	<u>\$ 10,366,115</u>

Changes of assumptions. Changes of assumptions and other inputs reflect the discount rate was unchanged from 5.08% for 2020 to 5.08% for 2021. In addition, the investment rate of return and the healthcare cost trend rates changed based on most recent experience and changed to the current schedule. The impact of the Affordable Care Act (ACA) was addressed in this valuation.

For the year ended June 30, 2022, ARHS recognized OPEB income of \$565,125. At June 30, 2022, ARHS reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 78,867	\$ 544,962
Changes of assumptions	2,063,924	4,861,180
Net Difference between projected and actual earnings on plan investments	506,039	-
District contributions subsequent to the measurement date	471,221	-
	<u>\$ 3,120,051</u>	<u>\$ 5,406,142</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2023	\$ (1,196,408)
2024	(1,209,894)
2025	(541,468)
2026	190,458
2027	-
Thereafter	-

3. 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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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

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.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. ARHS 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, 2022 was 11.42% 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 \$1,096,663 for the year ended June 30, 2022.

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, 2022, ARHS reported a liability of \$1,452,622 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2022, ARHS’s proportion was 0.09472% which was a decrease of .00137% from its proportion measured at June 30, 2021.

For the year ended June 30, 2022, ARHS recognized pension expense of \$683,176. At June 30, 2022, ARHS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 462,131	\$ -
Changes of assumptions	912,618	-
Net difference between projected and actual earnings on pension plan investments	-	2,075,361
Changes in proportion and differences between District Contributions and proportionate share of contributions	228,274	-
District contributions subsequent to the measurement date	1,096,663	-
Total	\$ 2,699,686	\$ 2,075,361

\$1,096,663 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2023	\$ 236,414
2024	48,628
2025	(122,307)
2026	(635,073)
2027	-
Thereafter	-
	\$ (472,338)

Actuarial Assumptions . The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	3.25 to 8.25 percent, which includes 3.25% inflation and productivity factor
Investment Rate of Return	6.50 percent, net of pension plan investment expense, including inflation

The plan actuary currently uses mortality rates based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table 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, 2020 valuation were based on the results of an actuarial experience study for the period of January 1, 2015 through December 31, 2019.

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, 2022 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%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.00%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 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 2.50%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.50%. 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 the District's proportionate share of the net pension asset to changes in the discount rate. The following presents the District's proportionate share of the net pension asset calculated using the discount rate of 6.50 percent, as well as what the District'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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	1% Decrease <u>(5.50%)</u>	Discount Rate <u>(6.50%)</u>	1% Increase <u>(7.50%)</u>
District's proportionate share of the net pension liability (asset)	\$ 5,638,958	\$ 1,452,622	\$ (1,992,489)

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

4. Deferred Outflows and Inflows of Resources

Deferred outflows of resources reported on the Statement of Net Position is comprised of the following:

Source	Amount
Differences between expected and actual experience	
LGERS	\$ 462,131
OPEB	78,867
Changes of assumptions	
LGERS	912,618
OPEB	2,063,924
Net difference between projected and actual	
LGERS	-
OPEB	506,039
Changes in proportion and difference between employer contributions and proportionate share of contribution	
LGERS	228,274
OPEB	-
Contributions to pension plan in current fiscal year	
LGERS	1,096,663
OPEB	471,221
Total	<u>\$ 5,819,737</u>

Deferred inflows of resources at year-end is comprised of the following:

	Statement of Net Position	General Fund Balance Sheet
Deferred Revenues	\$ 849,587	\$ -
Hertford County Buy-In	-	848,589
Patient Fee Receivables	-	199,288
NENCPPH Receivables	-	1,000
Differences between expected and actual experience		
LGERS	-	-
OPEB	544,962	-
Net difference between projected and actual earnings on pension plan investments		
LGERS	2,075,361	-
OPEB	-	-
Changes of assumptions		
OPEB	4,861,180	-
Changes in proportion and differences between employer contributions and proportionate share of contributions		
LGERS	-	-
Total	<u>\$ 8,331,090</u>	<u>\$ 1,048,877</u>

5. Risk Management

The District 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. The employee health insurance is covered by Blue Cross Blue Shield of North Carolina through the North Carolina State Health Plan.

The District does not carry flood insurance.

In accordance with G.S. 159-29, the District's employees that have access to \$100 or more at any given time of the District's funds are performance bonded through a commercial surety bond. The Finance Officer is bonded for \$125,000. The remaining employees that have access to funds are bonded under a blanket bond of \$250,000.

The District carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

6. Long-Term Obligations

a. Leases

The District has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

On 07/01/2021, Albemarle Regional Health Services entered into a 18-month lease as Lessee for the use of a postage machine. An initial lease liability was recorded in the amount of \$1,405. As of 06/30/2022, the value of the lease liability is \$475. Albemarle Regional Health Services, NC is required to make quarterly fixed payments of \$240. The lease has an interest rate of 2.85%. The value of the right to use asset as of 06/30/2022 of \$1,405 with accumulated amortization of \$937 is included with Equipment on the Right to Use Asset schedule.

On 07/01/2021, Albemarle Regional Health Services entered into a 18-month lease as Lessee for the use of a postage machine. An initial lease liability was recorded in the amount of \$1,405. As of 06/30/2022, the value of the lease liability is \$475. Albemarle Regional Health Services, NC is required to make quarterly fixed payments of \$240. The lease has an interest rate of 2.85%. The value of the right to use asset as of 06/30/2022 of \$1,405 with accumulated amortization of \$937 is included with Equipment on the Right to Use Asset schedule.

On 7/1/2021, Albemarle Regional Health Services entered into a 27-month lease as Lessee for the use of a postage machine. An initial lease liability was recorded in the amount of \$1,433. As of 06/30/2022, the value of the lease liability is \$808. Albemarle Regional Health Services, NC is required to make quarterly fixed payments of \$165. The lease has an interest rate of 2.85%. The value of the right to use asset as of 06/30/2022 of \$1,433 with accumulated amortization of \$637 is included with Equipment on the Right to Use Asset schedule.

On 7/1/2021, Albemarle Regional Health Services entered into a 51-month lease as Lessee for the use of a insert folder system. An initial lease liability was recorded in the amount of \$10,103. As of 06/30/2022, the value of the lease liability is \$7,823. Albemarle Regional Health Services, NC is required to make quarterly fixed payments of \$629. The lease has an interest rate of 2.55%. The value of the right to use asset as of 06/30/2022 of \$10,103 with accumulated amortization of \$2,377 is included with Equipment on the Right to Use Asset schedule.

On 12/1/2021, Albemarle Regional Health Services entered into a 60-month lease as Lessee for the use of a postage meter sealer. An initial lease liability was recorded in the amount of \$24,122 (\$2,823 was allocated to Albemarle Regional Solid Waste Management Authority). As of 06/30/2022, the value of the lease liability is \$22,976 (\$2,698 was allocated to Albemarle Regional Solid Waste Management Authority). Albemarle Regional Health Services, NC is required to make quarterly fixed payments of \$1,275 (\$75 was allocated to Albemarle Regional Solid Waste Management Authority). The lease has an interest rate of 2.14%. The value of the right to use asset as of 06/30/2022 of \$24,112 (\$2,823 was allocated to Albemarle Regional Solid Waste Management Authority) with accumulated amortization of \$1,206 (\$141 was allocated to Albemarle Regional Solid Waste Management Authority) is included with Equipment on the Right to Use Asset schedule.

On 7/1/2021, Albemarle Regional Health Services entered into a 45-month lease as Lessee for the use of Toshiba copiers. An initial lease liability was recorded in the amount of \$46,071 (\$1,142 was allocated to Albemarle Regional Solid Waste Management Authority). As of 06/30/2022, the value of the lease liability is \$34,779 (\$862 was allocated to Albemarle Regional Solid Waste Management Authority). Albemarle Regional Health Services, NC is required to make quarterly fixed payments of \$3,027 (\$75 was allocated to Albemarle Regional Solid Waste Management Authority). The lease has an interest rate of 2.70%. The value of the right to use asset as of 06/30/2022 of \$46,071 (\$1,142 was allocated to Albemarle Regional Solid Waste Management Authority) with accumulated amortization of \$11,518 (\$285 was allocated to Albemarle Regional Solid Waste Management Authority) is included with Equipment on the Right to Use Asset schedule.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2023	\$ 18,562	\$ 1,405	\$ 19,967
2024	18,531	941	19,472
2025	18,353	474	18,827
2026	4,998	134	5,132
2027	3,342	36	3,378
	<u>\$ 63,786</u>	<u>\$ 2,990</u>	<u>\$ 66,776</u>

b. Changes in long-term liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 608,027	\$ 74,678	\$ -	\$ 682,705	\$ -
Lease liabilities	-	80,575	16,789	63,786	18,562
Net pension liability (LGERS)	3,433,705	-	1,981,083	1,452,622	-
Total OPEB Liability	<u>10,279,083</u>	<u>87,032</u>	<u>-</u>	<u>10,366,115</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 14,320,815</u>	<u>\$ 242,285</u>	<u>\$ 1,997,872</u>	<u>\$ 12,565,228</u>	<u>\$ 18,562</u>

Compensated absences and other post-employment benefits typically have been liquidated in the General Fund. Compensated absences are accounted for on a FIFO basis, assuming that employees are taking leave time as it is earned.

7. Fund Balance

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

Total fund balance - General Fund	\$ 9,325,048
Less:	
Stabilization by State Statute	970,871
Appropriated fund balance in 22/23 budget	1,842,587
Remaining fund balance	\$ 6,511,590

8. Interfund Balances and Activity

At June 30, 2022, the General Fund was owed \$105,126 from the Sanitary Landfill fund to meet working capital requirements.

V. Subsequent Events

Subsequent events have been evaluated through November 16, 2022, which is the date the financial statements were available to be issued.

VI. Special Items

Hertford County Buy-In

Effective July 1, 2018, ARHS accepted Hertford County as a new member and began providing health services to the County. The merger requires Hertford County to pay ARHS \$1,414,317 over a period of 10 years. The annual installment to be received is \$141,431. The balance of the amount owed at June 30, 2022, is reported as Due from Hertford County and a deferred inflow which will be recognized as income as payments are received.

OPEB Plan Administrator Contribution

ARHS Board of Directors authorized a contribution of \$1,000,000 to its OPEB Trust Fund in FY2021 - 2022 to fund the obligation for post-retirement benefits.

VII. 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.

Coronavirus Disease (COVID-19)

During the fiscal year 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic has had significant effects on global markets, supply chains, businesses, and communities. Specific to ARHS, COVID-19 is expected to impact various parts of its fiscal year 2022-23 operations and financial results. Management believes ARHS is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID- 19 is unknown and cannot be reasonably estimated as events associated with the pandemic continue to develop.

**REQUIRED
SUPPLEMENTAL FINANCIAL DATA**

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

Schedule of Proportionate Share of Net Pension Liability (Asset) (LGERS)

Schedule of Contributions (LGERS)

Schedule of Changes in Net OPEB Liability and Related Ratios

Schedule of District Contributions (OPEB)

Schedule of Investment Returns (OPEB)

Albemarle Regional Health Services
Albemarle Regional Health Services' Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Nine Fiscal Years*

Local Government Employees' Retirement System					
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net pension liability (asset) (%)	0.09472%	0.09609%	0.09722%	0.09000%	0.10000%
District's proportion of the net pension liability	\$ 1,452,622	\$ 3,433,705	\$ 2,655,002	\$ 2,176,149	\$ 1,490,447
District's covered payroll	\$ 8,631,898	\$ 8,079,975	\$ 7,952,184	\$ 7,268,785	\$ 7,430,498
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	16.83%	42.50%	33.39%	29.94%	20.06%
Plan fiduciary net position as a percentage of the total pension liability*	95.51%	88.61%	90.86%	91.63%	94.18%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	
District's proportion of the net pension liability (asset) (%)	0.14000%	0.15000%	-0.15000%	0.15000%	
District's proportion of the net pension liability	\$ 2,941,769	\$ 667,177	\$ (916,996)	\$ 1,847,854	
District's covered payroll	\$ 8,803,847	\$ 10,193,926	\$ 10,080,854	\$ 9,719,451	
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	33.41%	6.54%	-9.10%	19.01%	
Plan fiduciary net position as a percentage of the total pension liability*	91.47%	98.09%	102.64%	94.35%	

* This will be the same percentage for all participant employers in the LGERS plan.

**Albemarle Regional Health Services
Albemarle Regional Health Services' Contributions
Required Supplementary Information
Last Nine Fiscal Years**

Local Government Employees' Retirement System					
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 1,096,663	\$ 882,180	\$ 723,409	\$ 616,341	\$ 545,159
Contributions in relation to the contractually required contribution	1,096,663	882,180	723,409	616,341	545,159
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered payroll	\$ 9,603,000	\$ 8,631,898	\$ 8,079,975	\$ 7,952,184	\$ 7,268,785
Contributions as a percentage of covered payroll	11.42%	10.22%	8.95%	7.75%	7.50%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	
Contractually required contribution	\$ 542,650	\$ 591,010	\$ 718,074	\$ 712,684	
Contributions in relation to the contractually required contribution	542,650	591,010	718,074	712,684	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
District's covered payroll	\$ 7,430,498	\$ 8,803,847	\$ 10,193,926	\$ 10,080,854	
Contributions as a percentage of covered payroll	7.30%	6.71%	7.04%	7.07%	

Albemarle Regional Health Services
Schedule of Changes in the Net OPEB Liability and Related Ratios
Last Six Fiscal Years *

Total OPEB Liability	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Service cost	\$ 169,182	\$ 536,432	\$ 377,492	\$ 388,309	\$ 417,728	\$ 480,037
Interest	765,657	535,023	687,083	674,549	627,986	564,220
Change in benefit terms	-	-	-	-	-	-
Differences between expected and actuarial experience	(106,480)	(743,613)	(100,729)	273,607	(13,354)	-
Changes of assumptions	-	(8,377,866)	3,562,489	1,398,480	(1,005,917)	(1,781,070)
Benefit payments	(471,221)	(426,776)	(414,298)	(368,518)	(332,027)	(307,189)
Net change in total OPEB liability	357,138	(8,476,800)	4,112,037	2,366,427	(305,584)	(1,044,002)
Beginning balance	15,304,687	23,781,487	19,669,450	17,303,023	17,608,607	\$18,652,609
Ending balance of total OPEB liability	<u>\$15,661,825</u>	<u>\$15,304,687</u>	<u>\$23,781,487</u>	<u>\$19,669,450</u>	<u>\$17,303,023</u>	<u>\$17,608,607</u>
Plan fiduciary net position						
Contributions - employer	\$ 1,471,221	\$ 2,426,776	\$ 414,298	\$ 368,518	\$ 332,027	\$ 307,189
Net investment income	(729,894)	699,837	80,133	118,644	25,128	2,468
Benefit payments	(471,221)	(426,776)	(414,298)	(368,518)	(332,027)	(307,189)
Other	-	(280)	(134)	(192)	-	-
Net change in plan fiduciary net position	270,106	2,699,557	79,999	118,452	25,128	2,468
Pan fiduciary net position - beginning	5,025,604	2,326,047	2,246,048	2,127,596	2,102,468	2,100,000
Plan fiduciary net position - ending	<u>5,295,710</u>	<u>5,025,604</u>	<u>2,326,047</u>	<u>2,246,048</u>	<u>2,127,596</u>	<u>2,102,468</u>
District's net OPEB liability - ending	<u>\$10,366,115</u>	<u>\$10,279,083</u>	<u>\$21,455,440</u>	<u>\$17,423,402</u>	<u>\$15,175,427</u>	<u>\$15,506,139</u>
Plan fiduciary net position as a percentage of the total OPEB Covered payroll	33.81%	32.84%	9.78%	11.42%	12.30%	11.94%
District's net OPEB liability as a percentage of covered payroll	224.53%	222.65%	395.95%	321.54%	233.49%	238.58%

**Albemarle Regional Health Services
Schedule of District Contributions- OPEB
Healthcare Benefits Plan
Last Seven Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially determined contribution	\$ 995,154	\$ 1,044,128	\$ 1,044,128	\$ 799,140
Contributions in relation to the actuarially determined contribution	1,471,221	2,426,776	414,298	368,518
Contribution deficiency (excess)	<u>\$ (476,067)</u>	<u>\$ (1,382,648)</u>	<u>\$ 629,830</u>	<u>\$ 430,622</u>
Covered payroll	\$ 4,616,731	\$ 4,616,731	\$ 5,418,708	\$ 5,418,708
Contribution as a percentage of covered payroll	31.87%	52.56%	7.65%	6.80%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	
Actuarially determined contribution	\$ 799,140	\$ 1,245,708	\$ 910,314	
Contributions in relation to the actuarially determined contribution	332,027	307,189	248,515	
Contribution deficiency (excess)	<u>\$ 467,113</u>	<u>\$ 938,519</u>	<u>\$ 661,799</u>	
Covered payroll	\$ 6,499,278	\$ 6,499,278	\$ 6,499,278	
Contribution as a percentage of covered payroll	5.11%	4.73%	3.82%	

Notes to schedule

Valuation date: June 30, 2020

Actuarially determined contribution rates are calculated as of June 30, one year prior the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age Normal
Amortization method	Level Dollar Amount, Closed
Amortization period	26 years
Asset valuation method	Market value of asset
Inflation	2.5 percent
Healthcare cost trend rates	7.00% for 2020 decreasing to an ultimate rate of 4.50% by 2030
Salary increases	3.25 - 8.41 percent
Investment rate of return	5.08% percent annually
Retirement age	In the 2020 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the Pub- 2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.
Mortality	In the 2020 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the Pub- 2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019. In prior years, those assumptions were based on the RP-2014 Health Annuitant Mortality Table.

**Albemarle Regional Health Services
Schedule of Investment Returns -OPEB
Last Six Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment	5.08%	5.08%	3.37%	3.29%	2.89%	1.29%

GENERAL FUND

The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

**Albemarle Regional Health Services
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2022**

	2022		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Unrestricted intergovernmental:			
Federal and State funds	\$ 13,448,090	\$ 10,972,070	\$ (2,476,020)
Local appropriations	1,170,877	1,007,971	(162,906)
Grants	378,749	229,652	(149,097)
Charges for services	5,786,096	7,422,401	1,636,305
Interest income	10,000	10,716	716
Miscellaneous revenue	215,768	12,726	(203,042)
Total Revenues	<u>21,009,580</u>	<u>19,655,536</u>	<u>(1,354,044)</u>
Expenditures:			
General:			
Administration:			
Salaries and fringe benefits	1,186,702	1,045,734	140,968
Operating expenses	2,471,963	871,055	1,600,908
Total Administration	<u>3,658,665</u>	<u>1,916,789</u>	<u>1,741,876</u>
Transportation			
Operating expenses	73,262	70,151	3,111
Capital Outlay	58,248	30,600	27,648
Total transportation	<u>131,510</u>	<u>100,751</u>	<u>30,759</u>
Total General	<u>3,790,175</u>	<u>2,017,540</u>	<u>1,772,635</u>
Environmental Health			
Environmental Health-General			
Salaries and fringe benefits	795,741	763,789	31,952
Operating expenses	215,593	192,999	22,594
Total Environmental Health-General	<u>1,011,334</u>	<u>956,788</u>	<u>54,546</u>
Mosquito			
Salaries and fringe benefits	16,839	17,587	(748)
Operating expenses	7,361	7,201	160
Total Mosquito	<u>24,200</u>	<u>24,788</u>	<u>(588)</u>
Management Entity:			
Salaries and fringe benefits	175,277	175,276	1
Operating expenses	32,839	30,520	2,319
Total Management Entity	<u>208,116</u>	<u>205,796</u>	<u>2,320</u>

Albemarle Regional Health Services
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2022

	2022		Variance Positive (Negative)
	Budget	Actual	
Total Environmental Health	1,243,650	1,187,372	56,278
Women, Infants and Children's Program:			
Child Health			
Salaries and fringe benefits	1,393,635	1,163,279	230,356
Operating expenses	1,126,708	1,056,446	70,262
Total Child Health	2,520,343	2,219,725	300,618
Wic Program			
Salaries and fringe benefits	818,574	784,506	34,068
Operating expenses	84,363	24,828	59,535
Total Wic Program	902,937	809,334	93,603
Family Planning Program:			
Salaries and fringe benefits	1,018,550	812,548	206,002
Operating expenses	340,709	287,568	53,141
Total Family Planning Program	1,359,259	1,100,116	259,143
Maternal Health			
Salaries and fringe benefits	821,355	552,120	269,235
Operating expenses	236,123	200,988	35,135
Total Maternal Program	1,057,478	753,108	304,370
CDSA ECI Program			
Salaries and fringe benefits	1,739,917	1,677,129	62,788
Operating expenses	249,501	211,400	38,101
Total CDSA ECI Program	1,989,418	1,888,529	100,889
Albemarle Speech and Hearing			
Salaries and fringe benefits	52,774	51,263	1,511
Operating expenses	24,823	9,811	15,012
Total Albemarle Speech and Hearing	77,597	61,074	16,523
Total Women, Infants and Childrens Programs	7,907,032	6,831,886	1,075,146
Adult Health:			
Diabetes Program			
Salaries and fringe benefits	63,555	60,452	3,103
Operating expenses	6,440	6,617	(177)
Total Diabetes Program	69,995	67,069	2,926

**Albemarle Regional Health Services
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2022**

	2022		Variance Positive (Negative)
	Budget	Actual	
Adult Health - General			
Salaries and fringe benefits	4,194,207	3,673,742	520,465
Operating expenses	3,449,874	930,961	2,518,913
Total Diabetes Program	<u>7,644,081</u>	<u>4,604,703</u>	<u>3,039,378</u>
HIV - Ryan White Network			
Salaries and fringe benefits	415,139	382,401	32,738
Operating expenses	323,640	191,766	131,874
Total HIV - Ryan White Network	<u>738,779</u>	<u>574,167</u>	<u>164,612</u>
Managed Care SDP			
Operating expenses	214,118	186,990	27,128
Total Behavioral Health Program	<u>214,118</u>	<u>186,990</u>	<u>27,128</u>
Capital Projects			
Operating expenses	100,000	-	100,000
Total Behavioral Health Program	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Behavioral Health Program			
Salaries and fringe benefits	358,282	268,791	89,491
Operating expenses	200,659	37,050	163,609
Total Behavioral Health Program	<u>558,941</u>	<u>305,841</u>	<u>253,100</u>
Breast/Cervical Cancer Program			
Salaries and fringe benefits	32,652	20,308	12,344
Operating expenses	119,023	85,046	33,977
Total Breast/Cervical Cancer Program	<u>151,675</u>	<u>105,354</u>	<u>46,321</u>
Total Adult Health	<u>9,477,589</u>	<u>5,844,124</u>	<u>3,633,465</u>
Other Services			
Life Quest			
Salaries and fringe benefits	598,295	548,098	50,197
Operating expenses	164,484	153,312	11,172
Total Life Quest	<u>762,779</u>	<u>701,410</u>	<u>61,369</u>
Healthy Carolinians			
Salaries and fringe benefits	99,756	95,025	4,731
Operating expenses	281,915	134,627	147,288
Total Healthy Carolinians	<u>381,671</u>	<u>229,652</u>	<u>152,019</u>

Albemarle Regional Health Services
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2022

	2022		Variance Positive (Negative)
	Budget	Actual	
Public Health Preparedness and Response			
Salaries and fringe benefits	116,246	115,383	863
Operating expenses	110,134	110,498	(364)
Total Public Health Preparedness and Response	<u>226,380</u>	<u>225,881</u>	<u>499</u>
Total Other Services	<u>1,370,830</u>	<u>1,156,943</u>	<u>213,887</u>
Total Expenditures	<u>23,789,276</u>	<u>17,037,865</u>	<u>6,751,411</u>
Revenues over (under) expenditures	<u>(2,779,696)</u>	<u>2,617,671</u>	<u>5,397,367</u>
Other financing sources (uses):			
Lease liability issued	-	67,962	67,962
Fund balance appropriated	2,638,264	-	(2,638,264)
Total other financing sources (uses)	<u>2,638,264</u>	<u>67,962</u>	<u>(2,570,302)</u>
Special Item			
Hertford County Buy-In Installment	141,432	141,432	-
OPEB Plan Administrator Contribution	-	(1,000,000)	(1,000,000)
Total special items	<u>141,432</u>	<u>(858,568)</u>	<u>(1,000,000)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>1,827,065</u>	<u>\$ 1,827,065</u>
Fund balance, beginning		7,497,983	
Fund balance, ending		<u>\$ 9,325,048</u>	

**Albemarle Regional Health Services
Sanitary Landfill Program
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2022**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Other grants	\$ 7,611	\$ 6,000	\$ (1,611)
Charges for services	4,443,377	4,016,638	(426,739)
Miscellaneous	100	-	(100)
Total Revenues	<u>4,451,088</u>	<u>4,022,638</u>	<u>(428,450)</u>
Expenditures:			
Salaries and employee benefits	731,478	712,709	18,769
Operating expenses	3,437,238	3,168,329	268,909
Capital Outlay	282,372	150,187	132,185
Total expenditures	<u>4,451,088</u>	<u>4,031,225</u>	<u>419,863</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(8,587)</u>	<u>(8,587)</u>
Other Financing Sources (Uses):			
Lease liability issued	<u>-</u>	<u>7,389</u>	<u>7,389</u>
Total other financing sources	<u>-</u>	<u>7,389</u>	<u>7,389</u>
Net change in fund balance	<u>\$ -</u>	<u>(1,198)</u>	<u>\$ (1,198)</u>
Fund balance, beginning of year		<u>165,498</u>	
Fund balance, end of year		<u>\$ 164,300</u>	

**Albemarle Regional Health Services
Transportation Program
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2022**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Federal and State grants	\$ 2,258,123	\$ 1,844,615	\$ (413,508)
Local appropriations	80,466	80,466	-
Other grants	-	198,000	198,000
Charges for services	472,913	481,735	8,822
Interest Income	50	229	179
Donations	450	563	113
Miscellaneous	46,834	81,242	34,408
Total Revenues	<u>2,858,836</u>	<u>2,686,850</u>	<u>(171,986)</u>
Expenditures:			
Salaries and employee benefits	1,366,521	1,429,719	(63,198)
Operating expenses	1,356,138	932,835	423,303
Capital Outlay	201,546	177,203	24,343
Total expenditures	<u>2,924,205</u>	<u>2,539,757</u>	<u>384,448</u>
Excess (deficiency) of revenues over expenditures	<u>(65,369)</u>	<u>147,093</u>	<u>212,462</u>
Other Financing Sources (Uses):			
Lease liability issued	-	5,224	5,224
Fund balance appropriated	65,369	-	(65,369)
Total other financing sources (uses)	<u>65,369</u>	<u>5,224</u>	<u>(60,145)</u>
Net change in fund balance	<u>\$ -</u>	<u>152,317</u>	<u>\$ 152,317</u>
Fund balance, beginning of year		<u>1,617,125</u>	
Fund balance, end of year		<u>\$ 1,769,442</u>	

Albemarle Regional Health Services
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

	NENCPPH Program	Septic Tank Program	Community Care	Medical Reserve Corp	Total Nonmajor Governmental Funds
Assets					
Current Assets					
Cash and cash equivalents	\$ 62,005	\$ 223,714	\$ 122,673	\$ 6,531	\$ 414,923
Accounts receivable, net	1,000	-	-	-	1,000
Notes receivable, net	-	23,454	-	-	23,454
Total Assets	<u>63,005</u>	<u>247,168</u>	<u>122,673</u>	<u>6,531</u>	<u>439,377</u>
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	6,579	-	5,345	-	11,924
Unspent grants	-	-	117,107	-	117,107
Due to other funds	-	-	-	-	-
Total liabilities	<u>6,579</u>	<u>-</u>	<u>122,452</u>	<u>-</u>	<u>129,031</u>
Deferred Inflow of Resources	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Fund Balances					
Restricted					
Stabilization by State Statute	1,000	23,454	-	-	24,454
Health Programs		213,714	221	-	213,935
Assigned for subsequent year's	58,466	10,000	-	6,711	75,177
Unassigned	(4,040)	-	-	(180)	(4,220)
Total fund balances	<u>55,426</u>	<u>247,168</u>	<u>221</u>	<u>6,531</u>	<u>309,346</u>
Total liabilities, deferred inflows of resources and fund equity	<u>\$ 63,005</u>	<u>\$ 247,168</u>	<u>\$ 122,673</u>	<u>\$ 6,531</u>	<u>\$ 439,377</u>

**Albemarle Regional Health Services
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2022**

	NENCPPH Program	Septic Tank Program	Community Care	Medical Reserve Corp	Total Nonmajor Governmental Funds
Revenues:					
Federal and State grants	\$ 37,885	\$ -	\$ -	\$ -	\$ 37,885
Local appropriations	33,184	-	-	-	33,184
Charge for services	-	-	32,193	-	32,193
Interest Income	-	2,325	-	-	2,325
Total Revenues	<u>71,069</u>	<u>2,325</u>	<u>32,193</u>	<u>-</u>	<u>105,587</u>
Expenditures:					
Salaries and employee benefits	16,923	-	19,562	-	36,485
Operating expenses	67,250	-	12,631	1,638	81,519
Capital Outlay	-	-	-	-	-
Total expenditures	<u>84,173</u>	<u>-</u>	<u>32,193</u>	<u>1,638</u>	<u>118,004</u>
Excess (deficiency) of revenues over expenditures	<u>(13,104)</u>	<u>2,325</u>	<u>-</u>	<u>(1,638)</u>	<u>(12,417)</u>
Net change in fund balance	(13,104)	2,325	-	(1,638)	(12,417)
Fund balance, beginning of year	68,530	244,843	221	8,169	321,763
Fund balance, end of year	<u>\$ 55,426</u>	<u>\$ 247,168</u>	<u>\$ 221</u>	<u>\$ 6,531</u>	<u>\$ 309,346</u>

**Albemarle Regional Health Services
NENCPPH Program
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2022**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Federal and State grants	\$ 1,843,346	\$ 37,885	\$ (1,805,461)
Local appropriations	33,184	33,184	-
Total Revenues	<u>1,876,530</u>	<u>71,069</u>	<u>(1,805,461)</u>
Expenditures:			
Salaries and employee benefits	20,046	16,923	3,123
Operating expenses	<u>1,925,015</u>	<u>67,250</u>	<u>1,857,765</u>
Total expenditures	<u>1,945,061</u>	<u>84,173</u>	<u>1,860,888</u>
Excess (deficiency) of revenues over expenditures	<u>(68,531)</u>	<u>(13,104)</u>	<u>55,427</u>
Other Financing Sources (uses):			
Fund balance appropriated	<u>68,531</u>	-	<u>(68,531)</u>
Total other financing sources (uses)	<u>68,531</u>	-	<u>(68,531)</u>
Net change in fund balance	<u>\$ -</u>	<u>(13,104)</u>	<u>\$ (13,104)</u>
Fund balance, beginning of year		<u>68,530</u>	
Fund balance, end of year		<u>\$ 55,426</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, 2022**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Interest income	\$ 3,800	\$ 2,325	\$ (1,475)
Total Revenues	3,800	2,325	(1,475)
Expenditures:			
Salaries and employee benefits	-	-	-
Operating expenses	13,800	-	13,800
Capital Outlay	-	-	-
Total expenditures	13,800	-	13,800
Excess (deficiency) of revenues over expenditures	(10,000)	2,325	12,325
Other Financing Sources (uses):			
Fund balance appropriated	10,000	-	(10,000)
Net change in fund balance	\$ -	2,325	\$ 2,325
Fund balance, beginning of year		244,843	
Fund balance, end of year		\$ 247,168	

**Albemarle Regional Health Services
Community Care
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2022**

	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Charges for services	\$ 149,300	\$ 32,193	\$ (117,107)
Total Revenues	<u>149,300</u>	<u>32,193</u>	<u>(117,107)</u>
Expenditures:			
Salaries and employee benefits	121,800	19,562	102,238
Operating expenses	27,500	12,631	14,869
Capital Outlay	-	-	-
Total expenditures	<u>149,300</u>	<u>32,193</u>	<u>117,107</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning of year		<u>221</u>	
Fund balance, end of year		<u>\$ 221</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, 2022**

	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Local appropriations	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:			
Salaries and employee benefits	-	-	-
Operating expenses	8,169	1,638	6,531
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>8,169</u>	<u>1,638</u>	<u>6,531</u>
Excess (deficiency) of revenues over expenditures	<u>(8,169)</u>	<u>(1,638)</u>	<u>6,531</u>
Other Financing Sources (uses):			
Fund balance appropriated	<u>8,169</u>	<u>-</u>	<u>(8,169)</u>
Total other financing sources	<u>8,169</u>	<u>-</u>	<u>(8,169)</u>
Net change in fund balance	<u>\$ -</u>	<u>(1,638)</u>	<u>\$ (1,638)</u>
Fund balance, beginning of year		<u>8,169</u>	
Fund balance, end of year		<u>\$ 6,531</u>	

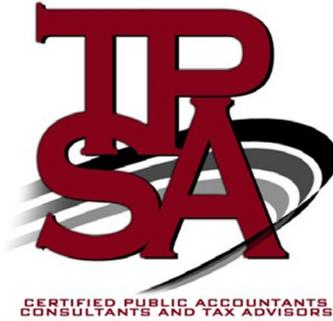
Albemarle Regional Health Services
Combining Statement of Fiduciary Position
Custodial Funds
June 30, 2022

	<u>Albemarle Regional Solid Waste Management Authority</u>	<u>Northeastern Albemarle Group</u>	<u>Total Custodial Funds</u>
Assets:			
Cash and cash equivalents	\$ 1,712,099	\$ 217,242	\$ 1,929,341
Total assets	<u>1,712,099</u>	<u>217,242</u>	<u>1,929,341</u>
Liabilities			
Miscellaneous liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net Position			
Restricted for:			
Individuals, organizations, and other governments	1,712,099	217,242	1,929,341
Total net position	<u>\$ 1,712,099</u>	<u>\$ 217,242</u>	<u>\$ 1,929,341</u>

Albemarle Regional Health Services
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended June 30, 2022

	<u>Albemarle Regional Solid Waste Management Authority</u>	<u>Northeastern Albemarle Group</u>	<u>Total Custodial Funds</u>
Additions			
Collections for Solid Waste	\$ 9,722,198	\$ -	\$ 9,722,198
Collections for NEAG	-	990,816	990,816
Total additions	<u>9,722,198</u>	<u>990,816</u>	<u>10,713,014</u>
Deductions			
Expenses for Solid Waste	9,588,669	-	9,588,669
Expenses for NEAG	-	898,568	898,568
Total deductions	<u>9,588,669</u>	<u>898,568</u>	<u>10,487,237</u>
Net increase (decrease) in fiduciary net position	133,529	92,248	225,777
Net position, beginning	1,578,570	124,994	1,703,564
Net position, ending	<u>\$ 1,712,099</u>	<u>\$ 217,242</u>	<u>\$ 1,929,341</u>

COMPLIANCE SECTION



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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 Auditors' Report

To the Board of Health
Albemarle Regional Health Services
Elizabeth City, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Albemarle Regional Health Services, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprises Albemarle Regional Health Services' basic financial statements, and have issued our report thereon dated November 16, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

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Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, NC
November 16, 2022



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Report On Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditors' Report

To the Board of Health
Albemarle Regional Health Services
Elizabeth City, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Albemarle Regional Health Services, 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 the Albemarle Regional Health Services' major federal programs for the year ended June 30, 2022. Albemarle Regional Health Services' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Albemarle Regional Health Services complied, in all material respects, with the types of compliance 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our 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. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Albemarle Regional Health Services and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Albemarle Regional Health Services' compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Albemarle Regional Health Services' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Albemarle Regional Health Services' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Albemarle Regional Health Services' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Albemarle Regional Health Services' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Albemarle Regional Health Services' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Albemarle Regional Health Services' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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.

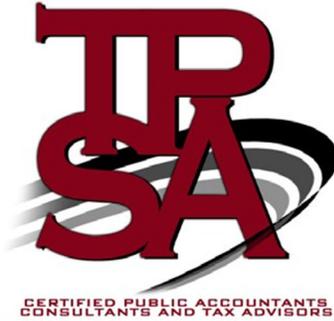
Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our 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.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, NC
November 16, 2022



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**Report On Compliance With Requirements Applicable To Each Major State
Program And Internal Control Over Compliance In Accordance With
OMB Uniform Guidance and the State Single Audit Implementation Act**

Independent Auditors' Report

To the Board of Health
Albemarle Regional Health Services
Elizabeth City, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Albemarle Regional Health Services, 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 Albemarle Regional Health Services' major State programs for the year ended June 30, 2022. Albemarle Regional Health Services' major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Albemarle Regional Health Services complied, in all material respects, with the types of 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, 2022.

Basis for Opinion on Each Major State Program

We conducted our 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. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Albemarle Regional Health Services and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of Albemarle Regional Health Services' compliance with the compliance requirements referred to above.

Members

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Albemarle Regional Health Services' State programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Albemarle Regional Health Services' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Albemarle Regional Health Services' compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Albemarle Regional Health Services' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Albemarle Regional Health Services' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Albemarle Regional Health Services' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 State 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 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.

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our 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.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, NC
November 16, 2022

Albemarle Regional Health Services
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section I - Summary of Auditors' Results (continued)

Identification of major State programs:

Program Name

Maternal and Child Health Services Block Grant

School Nursing Funding Initiative

Children's Development Services

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.



Corrective Action Plan
For the Year Ended June 30, 2022

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
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2022

None Reported

**Albemarle Regional Health Services
Schedule of Expenditures of Federal and State Awards
For The Year Ended June 30, 2022**

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing No.	State/ Pass-through Grantor's Number	Fed (Direct & Pass-through Expenditures	State Expenditures	Pass-through to Subrecipients	Local Expenditures
Federal Awards:						
<u>U.S. Dept. of Agriculture</u>						
Passed-through N.C. Dept of Health and Human Services: Division of Public Health:						
Special Supplemental Nutrition Program for Women, Infants & Children	10.557		\$ 793,139	\$ -	\$ -	\$ -
Direct Assistance						
Distance Learning and Telemedicine Loans and Grants	10.855		38,601	-	-	-
Total U.S. Dept. of Agriculture			831,740	-	-	-
<u>U.S. Department of Housing and Urban Development</u>						
Passed through N.C. Dept. of Health and Human Services Division of Public Health						
Emergency Solutions Grant Program	14.241		154,907	-	-	-
Total U.S. Department of Housing and Urban Development			154,907	-	-	-
<u>U.S. Department of Transportation</u>						
Passed through N.C. Dept of Transportation						
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	51001.33.6.2		-	-	-
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	51001.33.8.2	40,242			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	51001.18.6.2	158,400	39,600		
Total Enhanced Mobility of Seniors and Individuals with Disabilities			198,642	39,600	-	-
DOT-11						
Formula Grants for Rural Areas and Tribal Transit Program - Capital	20.509	36233.53.23.1	355,992	22,249	-	-
DOT-14						
Formula Grants for Rural Areas and Tribal Transit Program - Capital	20.509	3633.53.23.4	72,900	9,112		
COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program - Operating	20.509	49233.71.1.2	397,296	-	-	-
Total Formula Grants for Rural Areas and Tribal Transit Program			826,188	31,361	-	-
Total U.S. Department of Transportation			1,024,830	70,961	-	-
<u>U.S. Dept of Health and Human Services</u>						
Passed through N.C. Department of Health and Human Services: Division of Public Health						
Public Health Emergency Preparedness	93.069		109,580	-	-	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		50	-	-	-
Injury Prevention and Control Research and State and Community Based Programs	93.136		84,310	-	-	-
Family Planning Services	93.217		241,523	-	-	-
Immunization Grants	93.268		63,276	-	-	-
COVID-19 Immunization Grants	93.268		844,132			
Total Immunization Grants			907,408	-	-	-
Tobacco Prevention – CDC	93.305			-	-	-
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323		2,667,444	-	-	-
COVID-19 - Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354		37,885			
National and State Tobacco Control Program	93.387		3,501			
COVID-19 Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391		241,127			
Well-Integrated Screening and Evaluation for Women Across the Nation	93.436		2,790	-	-	-
Temporary Assistance for Needy Families	93.558		27,474	-	-	-
Medical Assistance Assistance Program	93.778		60,584	-	-	-
Cancer Prevention and Control Programs for State, Territorial and Tribal	93.898		43,375	-	-	-
HIV Care Formula Grants - Ryan White Care Act	93.917		326,812	-	-	-
HIV Prevention Activities Health Department Based	93.940		41,925	-	-	-
Preventive Health Services_Sexually Transmitted	93.977		58	-	-	-
Preventative Health and Health Services Block Grant	93.991		244,856	-	-	-
Maternal and Child Health Services Block Grant	93.994		657,009	102,778	-	-
Total U. S. Department of Health and Human Services			5,697,711	102,778	-	-
Total Federal Awards			\$ 7,709,188	\$ 173,739	\$ -	\$ -

**Albemarle Regional Health Services
Schedule of Expenditures of Federal and State Awards
For The Year Ended June 30, 2022**

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing No.	State/ Pass-through Grantor's Number	Fed (Direct & Pass-through Expenditures	State Expenditures	Pass-through to Subrecipients	Local Expenditures
State Awards:						
<u>N.C. Dept. of Health and Human Services</u>						
Division of Public Health:						
Food and Lodging Fees			\$ -	\$ 40,705	\$ -	\$ -
Public Health Pest Management			-	15,581	-	-
PH Capacity Building			-	756,642	-	-
Public Health Nursing			-	1,200	-	-
General Communicable Disease Control			-	37,232	-	-
Healthy Community			-	115,982	-	-
Triple P			-	125,000	-	-
Child Health			-	165,347	-	-
HIV/STD State			-	46,713	-	-
Breast and Cervical Cancer Program			-	81,250	-	-
School Nursing Funding Initiative			-	347,120	-	-
Healthy Beginnings			-	62,913	-	-
Family Planning - State			-	158,896	-	-
Maternal Health			-	124,375	-	-
High Risk Maternity Clinics			-	8,531	-	-
Women's Health Service Fund			-	46,733	-	-
TB Control			-	85,938	-	-
Children's Development Services			-	2,209,609	-	-
Total N.C. Dept. Health and Human Services			-	4,429,767	-	-
<u>N.C. Dept. of Transportation</u>						
		DOT-11				
Rideshare		36223.104.5.2		12,766		
ROAP Cluster						
		DOT-16CL				
ROAP-Elderly & Disabled Transportation Assistance Program		36220.10.10.1	-	235,278	-	-
		DOT-16CL				
ROAP-Rural General Public		36228.22.10.1	-	264,152	-	-
Total ROAP Cluster			-	499,430	-	-
Total N.C. Dept. of Transportation			-	512,196	-	-
Total State Awards			\$ -	\$ 4,941,963	\$ -	\$ -
Total Federal and State Awards			\$ 7,709,188	\$ 5,115,702	\$ -	\$ -

Notes to the Schedule of Expenditures of Federal and State 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, 2022. 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. 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 assets 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.

Note 3: Indirect Cost Rate

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