

**ALBEMARLE REGIONAL HEALTH SERVICES
ELIZABETH CITY, NORTH CAROLINA
Financial Statements
June 30, 2021**

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

June 30, 2021

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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2021, and the related notes to the financial statements, which collectively comprise Albemarle Regional Health Service's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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, 2021, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 38 and 39, and the Other Postemployment Benefits schedules of Changes in the Net OPEB Liability and Related Ratios, District Contributions, and Investment Returns, pages 40, 41, and 42, 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 basic financial statements of the Albemarle Regional Health Services. The individual fund statements, budgetary schedules, and 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 purpose of additional analysis and are not a required part of the basic financial statements.

The individual fund statements, budgetary schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the individual fund statements, budgetary 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 January 6, 2022 on our consideration of the Albemarle Regional Health Services' 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' internal control over financial reporting and compliance.

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

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, NC
January 6, 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, 2021. 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.

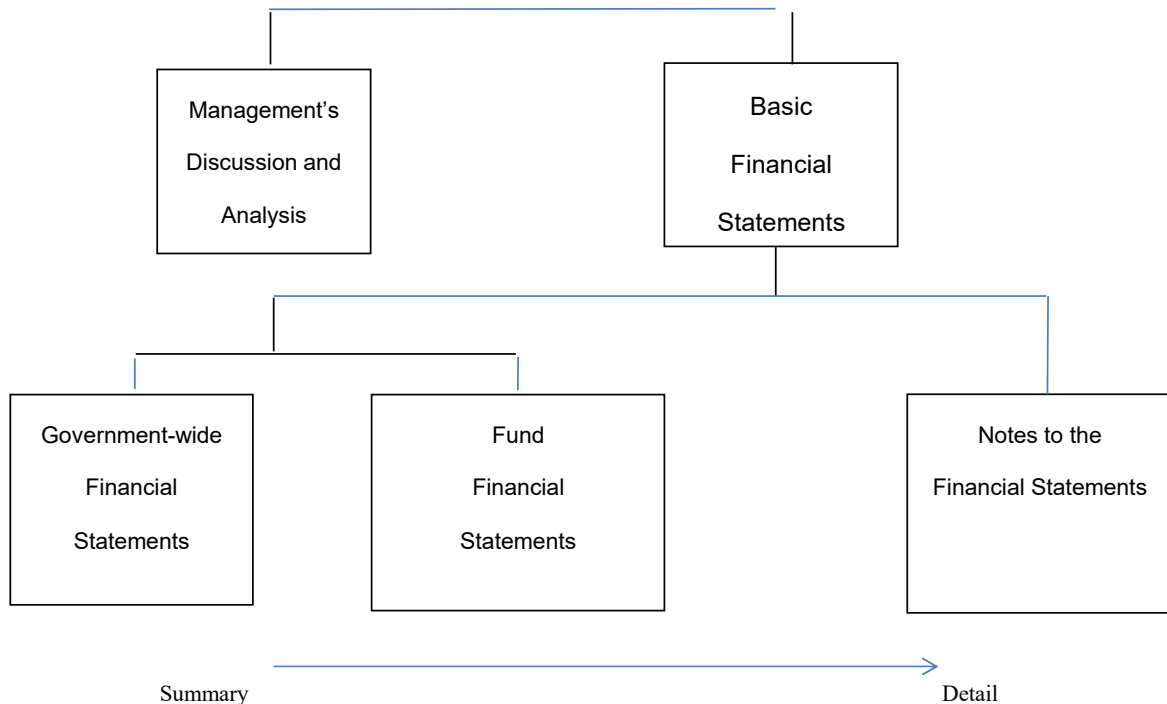
Financial Highlights

- The liabilities and deferred inflows of resources of the Albemarle Regional Health Services exceeded its assets and deferred outflows of resources at the close of the fiscal year by \$3,069,054 (*net position*).
- Net position increased \$3,988,533 which was primarily related to a decrease in the OPEB liability.
- As of the close of the current fiscal year, Albemarle Regional Health Services' governmental funds reported ending fund balances of \$9,602,369, an increase of \$508,849 in comparison with the prior year. Approximately 39% of this total amount, or \$3,735,171, is restricted or non-spendable.
- At the end of the current fiscal year, available fund balance for the General Fund was \$6,035,351, or 41% 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 19 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 38 of this report.

Government-Wide Financial Analysis

Albemarle Regional Health Services' Net Position

Figure 2

	Governmental Activities	
	2021	2020
Current and other assets	\$ 12,093,911	\$ 11,277,599
Capital assets, net	3,547,990	3,227,826
Deferred outflows of resources	5,744,265	5,914,422
Total assets and deferred outflows of resources	21,386,166	20,419,847
Long-term liabilities outstanding	14,320,815	24,643,435
Other liabilities	731,637	644,110
Deferred inflows of resources	9,402,768	2,189,889
Total liabilities and deferred inflows of resources	24,455,220	27,477,434
Net position:		
Net investment in capital assets	3,547,990	3,227,826
Restricted	3,735,171	1,820,634
Unrestricted	(10,352,215)	(12,106,047)
Total net position	\$ (3,069,054)	\$ (7,057,587)

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. ARHS's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$3,069,054.

ARHS's net position increased by \$3,988,533 for the fiscal year ended June 30, 2021. A large portion of ARHS's net position, \$3,547,990, 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 \$2,261,235 represents resources that are subject to external restrictions on how they may be used. At June 30, 2021, ARHS had an unrestricted net position (deficit) of \$ 8,878,279.

Albemarle Regional Health Services' Changes in Net Position
Figure 3

	Governmental Activities	
	2021	2020
Revenues:		
Program revenues:		
Charges for services	\$ 9,404,496	\$ 8,849,639
Operating grants and contributions	13,693,098	8,729,296
Capital grants and contributions	-	298,307
General revenues:		
Investment earnings, unrestricted	1,808	70,148
Grants and contributions not restricted to specific programs	667,047	963,851
Gain (Loss) on disposal of fixed assets	(85,099)	(149,539)
Other	489,976	239,164
Total revenues	<u>24,171,326</u>	<u>19,000,866</u>
Expenses:		
Administrative services	1,532,576	1,717,816
Environmental Health	4,752,224	4,915,405
Women, infants, and children	6,244,321	8,141,523
Adult Health	3,144,800	2,512,506
Transportation	2,033,145	2,356,106
Other Services	617,159	1,078,694
Total expenses	<u>18,324,225</u>	<u>20,722,050</u>
Increase (decrease) in net position before special items	5,847,101	(1,721,184)
Special item - Hertford County (Buy-in) installment	141,432	141,432
Special item - OPEB Plan Administrator Contribution	<u>(2,000,000)</u>	<u>-</u>
Increase (decrease) in net position after special items	3,988,533	(1,579,752)
Net position, beginning	<u>(7,057,587)</u>	<u>(5,477,835)</u>
Net position, June 30	<u><u>\$ (3,069,054)</u></u>	<u><u>\$ (7,057,587)</u></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 \$6,035,351, while total fund balance reached \$7,497,983. ARHS currently has an available fund balance of 41% of General Fund expenditures, while total fund balance represents 51% of that same amount.

At June 30, 2021, the governmental funds of ARHS reported a combined fund balance of \$9,602,369, a 5.6 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 \$3,581,980. 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, 2021, totals \$3,547,990 (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, 2021, totaled \$896,059.

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

Figure 4

	Governmental Activities	
	2021	2020
Land	\$ 215,600	\$ 215,600
Buildings	806,007	663,043
Other Improvements	592,087	386,737
Equipment	554,953	648,242
Vehicle and motor equipment	1,379,343	1,314,204
Total	\$ 3,547,990	\$ 3,227,826

Long-term Debt. As of June 30, 2021, ARHS had a total long-term debt outstanding of \$14,320,815, 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	
	2021	2020
Compensated absences	\$ 608,027	\$ 532,993
Net OPEB liability	10,279,083	21,455,440
Net pension liability	3,433,705	2,655,002
Total	\$ 14,320,815	\$ 24,643,435

ARHS's total long-term debt decreased by \$10,322,620 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:

- The on-going Covid-19 pandemic will continue to have an impact on ARHS budgets and services. Additional agreements are anticipated to help with surveillance, testing and vaccines. Increased Medicaid rates for Local Health Departments are anticipated to remain with a temporary Covid-19 increase through December 2021. Services are anticipated to increase over the previous fiscal year as clinics resume to full capacity.
- There is a strong potential Communicable Disease funding will increase in the North Carolina State Budget for the next two years.
- North Carolina Medicaid Managed Care remains unknown as new prepaid health plans, PHPs, begin coverage of our clients. Cash flow will continue from Medicaid in addition to four PHP's. The Medicaid Cost Settlement process under Managed Care will be known as Separate Direct Payments.

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, 2021

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 8,681,998
Accounts receivable, net	2,392,696
Note Receivable, net	29,196
Due from other governments	990,021
Capital assets:	
Land	215,600
Other capital assets, net	3,332,390
Total assets	15,641,901
DEFERRED OUTFLOWS OF RESOURCES	5,744,265
LIABILITIES	
Accounts payable and accrued liabilities	731,637
Long Term Liabilities:	
Due in more than one year:	
Compensated absences	608,027
Net OPEB Liability	10,279,083
Net pension liability	3,433,705
Total liabilities	15,052,452
DEFERRED INFLOWS OF RESOURCES	9,402,768
NET POSITION	
Net investment in capital assets	3,547,990
Restricted for:	
Stabilization by State statute	2,261,235
Transportation	1,272,089
Health Programs	201,847
Unrestricted	(10,352,215)
Total net position	\$ (3,069,054)

Albemarle Regional Health Services
Statement of Activities
For the Year Ended June 30, 2021

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	\$ 1,532,576	\$ 321,502	\$ 2,189,823	\$ -	\$ 978,749
Environmental Health	4,752,224	4,673,355	480,529	-	401,660
Women, infants, and children	6,244,321	2,171,959	6,163,048	-	2,090,686
Adult Health	3,144,800	1,627,892	1,940,028	-	423,120
Transportation	2,033,145	405,385	2,694,012	-	1,066,252
Other Services	617,159	204,403	225,658	-	(187,098)
Total governmental activities	<u>\$ 18,324,225</u>	<u>\$ 9,404,496</u>	<u>\$ 13,693,098</u>	<u>-</u>	<u>4,773,369</u>
General Revenues:					
					667,047
					(85,099)
					1,808
					489,976
					<u>1,073,732</u>
Special items:					
					141,432
					(2,000,000)
					<u>(784,836)</u>
					3,988,533
					<u>(7,057,587)</u>
					<u>\$ (3,069,054)</u>

**Albemarle Regional Health Services
Balance Sheet - Governmental Funds
June 30, 2021**

	<u>Major</u>			<u>Non- Major</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Sanitary Land Fill</u>	<u>Transportation Program</u>	<u>Other Governmental Funds</u>	
ASSETS					
Cash and investments	\$ 6,971,378	\$ -	\$ 1,415,688	\$ 294,932	\$ 8,681,998
Restricted cash	-	-	-	-	-
Accounts receivable, net	1,623,289	423,371	345,036	1,000	2,392,696
Note receivable, net	-	-	-	29,196	29,196
Due from Hertford County (Buy-in)	990,021	-	-	-	990,021
Due from other funds	158,292	-	-	-	158,292
Total assets	<u>\$ 9,742,980</u>	<u>\$ 423,371</u>	<u>\$ 1,760,724</u>	<u>\$ 325,128</u>	<u>\$ 12,252,203</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 557,592	\$ 99,581	\$ 72,099	\$ 2,365	\$ 731,637
Due to other funds	-	158,292	-	-	158,292
Total liabilities	<u>557,592</u>	<u>257,873</u>	<u>72,099</u>	<u>2,365</u>	<u>889,929</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,687,405</u>	<u>-</u>	<u>71,500</u>	<u>1,000</u>	<u>1,759,905</u>
FUND BALANCE					
Restricted:					
Stabilization by State statute	1,462,632	423,371	345,036	30,196	2,261,235
Transportation	-	-	1,272,089	-	1,272,089
Health Programs	-	-	-	201,847	201,847
Assigned:					
Subsequent year's expenditures	1,680,692	-	-	121,371	1,802,063
Unassigned	4,354,659	(257,873)	-	(31,651)	4,065,135
Total fund balance	<u>7,497,983</u>	<u>165,498</u>	<u>1,617,125</u>	<u>321,763</u>	<u>9,602,369</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,742,980</u>	<u>\$ 423,371</u>	<u>\$ 1,760,724</u>	<u>\$ 325,128</u>	

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

Deferred income related to patient fees are not considered available and, therefore, are not reported in the funds.	318,949
Deferred outflows of resources related to OPEB are not reported in the funds	3,500,987
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,547,990
Net pension liability	(3,433,705)
Contributions to the pension plan in the current fiscal year	882,180
Some liabilities, including post employment benefits, are not due and payable in the current period and therefore are not reported in the funds	(10,887,110)
Deferred inflows of resources related to OPEB are not reported in the funds	(7,910,456)
Pension related deferrals	1,309,742
Net position of governmental activities	<u>\$ (3,069,054)</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, 2021

	<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	\$ 8,645,756	\$ -	\$ 2,433,625	\$ -	\$ 11,079,381
Local appropriations	990,409	-	78,504	31,594	1,100,507
Other grants	151,259	11,181	-	-	162,440
Charges for services	6,156,886	3,906,355	394,087	-	10,457,328
Interest Income	1,204	-	19	585	1,808
Donations and fundraisers	3,064	-	-	-	3,064
Miscellaneous	418,841	-	71,135	-	489,976
Total revenues	<u>16,367,419</u>	<u>3,917,536</u>	<u>2,977,370</u>	<u>32,179</u>	<u>23,294,504</u>
Expenditures:					
General- administration	1,888,001	-	-	-	1,888,001
Environmental Health	1,020,847	3,917,536	-	46,095	4,984,478
Women, infants and children programs	7,131,921	-	-	-	7,131,921
Adult Health	3,587,448	-	-	-	3,587,448
Transportation	139,483	-	2,394,534	-	2,534,017
Other Services	799,806	-	-	1,416	801,222
Total expenditures	<u>14,567,506</u>	<u>3,917,536</u>	<u>2,394,534</u>	<u>47,511</u>	<u>20,927,087</u>
Excess (deficiency) of revenues over expenditures	<u>1,799,913</u>	<u>-</u>	<u>582,836</u>	<u>(15,332)</u>	<u>2,367,417</u>
Other Financing Sources (Uses):					
Transfers from other funds	-	-	-	13,640	13,640
Transfers to other funds	(13,640)	-	-	-	(13,640)
Total other financing sources and uses	<u>(13,640)</u>	<u>-</u>	<u>-</u>	<u>13,640</u>	<u>-</u>
Special Item:					
Hertford County Buy-in Installment	141,432	-	-	-	141,432
OPEB Plan Administrator Contribution	(2,000,000)	-	-	-	(2,000,000)
Net change in fund balance	<u>(72,295)</u>	<u>-</u>	<u>582,836</u>	<u>(1,692)</u>	<u>508,849</u>
Fund balances - beginning	7,570,278	165,498	1,034,289	323,455	9,093,520
Fund balances - ending	<u>\$ 7,497,983</u>	<u>\$ 165,498</u>	<u>\$ 1,617,125</u>	<u>\$ 321,763</u>	<u>\$ 9,602,369</u>

cont.

Albemarle Regional Health Services
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2021

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

Net changes in fund balances – governmental funds	\$ 508,849
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.	405,263
Cost of capital assets disposed of during the year, not recognized on modified accrual basis, net of depreciation	(85,099)
Increase in deferred inflows of resources - patient fees receivable	234,905
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	882,180
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	2,426,776
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds	876,822
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	(75,034)
Pension Expense	<u>(1,186,129)</u>
Total changes in net position of governmental activities	<u><u>\$ 3,988,533</u></u>

Albemarle Regional Health Services
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund
For the Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Federal and State grants	\$ 7,044,519	\$ 11,536,571	\$ 8,645,756	\$ (2,890,815)
Local appropriations	974,300	986,550	990,409	3,859
Other grants	161,250	313,131	151,259	(161,872)
Charges for services	5,715,250	4,720,539	6,156,886	1,436,347
Interest Income	60,000	10,000	1,204	(8,796)
Donations	5,250	5,250	3,064	(2,186)
Miscellaneous	75,300	45,808	418,841	373,033
Total revenues	<u>14,035,869</u>	<u>17,617,849</u>	<u>16,367,419</u>	<u>(1,250,430)</u>
Expenditures:				
General government	2,386,960	2,521,150	1,888,001	633,149
Environmental Health	1,290,814	1,247,732	1,020,847	226,885
Women, infants and children	7,887,231	8,065,637	7,131,921	933,716
Adult Health	3,015,300	4,350,212	3,587,448	762,764
Transportation	117,000	150,156	139,483	10,673
Other Services	1,434,361	1,009,559	799,806	209,753
Total expenditures	<u>16,131,666</u>	<u>17,344,446</u>	<u>14,567,506</u>	<u>2,776,940</u>
Excess (deficiency) of revenues over expenditures	<u>(2,095,797)</u>	<u>273,403</u>	<u>1,799,913</u>	<u>1,526,510</u>
Other Financing Sources (Uses):				
Transfers to other funds	-	-	(13,640)	(13,640)
Fund balance appropriated	1,954,365	1,585,165	-	(1,585,165)
Total other financing sources and uses	<u>1,954,365</u>	<u>1,585,165</u>	<u>(13,640)</u>	<u>(1,598,805)</u>
Special Item:				
Hertford County Buy-in Installment	141,432	141,432	141,432	-
OPEB Plan Administrator Contribution	-	(2,000,000)	(2,000,000)	-
Total special items	<u>141,432</u>	<u>(1,858,568)</u>	<u>(1,858,568)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(72,295)</u>	<u>\$ (72,295)</u>
Fund balances - beginning			7,570,278	
Fund balances - ending			<u>\$ 7,497,983</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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Federal and State grants	\$ -	\$ -	\$ -	\$ -
Local appropriations	-	-	-	-
Other grants	1,611	12,792	11,181	(1,611)
Charges for services	<u>4,087,267</u>	<u>4,089,825</u>	<u>3,906,355</u>	<u>(183,470)</u>
Total revenues	<u>4,088,878</u>	<u>4,102,617</u>	<u>3,917,536</u>	<u>(185,081)</u>
Expenditures:				
Current				
Environmental health	<u>4,088,878</u>	<u>4,102,617</u>	<u>3,917,536</u>	<u>185,081</u>
Total expenditures	<u>4,088,878</u>	<u>4,102,617</u>	<u>3,917,536</u>	<u>185,081</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance:				
Beginning of year			<u>165,498</u>	
End of year			<u>\$ 165,498</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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Federal and State grants	\$ 2,055,595	\$ 2,055,595	\$ 2,433,625	\$ 378,030
Local appropriations	81,168	81,168	78,504	(2,664)
Charges for services	615,822	615,822	394,087	(221,735)
Interest Income	-	-	19	19
Miscellaneous	129,983	129,983	71,135	(58,848)
Total revenues	<u>2,882,568</u>	<u>2,882,568</u>	<u>2,977,370</u>	<u>94,802</u>
Expenditures:				
Current				
Transportation	<u>2,979,772</u>	<u>2,979,772</u>	<u>2,394,534</u>	<u>585,238</u>
Total expenditures	<u>2,979,772</u>	<u>2,979,772</u>	<u>2,394,534</u>	<u>585,238</u>
Revenues over (under) expenditures	<u>(97,204)</u>	<u>(97,204)</u>	<u>582,836</u>	<u>680,040</u>
Other Financing Sources (Uses):				
Fund balance appropriated	<u>97,204</u>	<u>97,204</u>	-	(97,204)
Total other financing sources and uses	<u>97,204</u>	<u>97,204</u>	-	(97,204)
Excess revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>582,836</u>	<u>\$ 582,836</u>
Fund Balance:				
Beginning of year			<u>1,034,289</u>	
End of year			<u>\$ 1,617,125</u>	

Albemarle Regional Health Services
Statement of Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021

	OPEB Trust Fund	Custodial Funds
Assets		
Cash and cash equivalents	\$ -	\$ 1,703,564
Restricted assets		
Cash and cash equivalents	855,137	-
Investments	4,170,467	-
Total assets	5,025,604	1,703,564
Liabilities:		
Miscellaneous liabilities	-	-
Due to General Fund	-	-
Total liabilities	-	-
Net position:		
Restricted for:		
Post employment benefits other than pensions	5,025,604	-
Individuals, organizations, and other governments	-	1,703,564
Total fiduciary net position	\$ 5,025,604	\$ 1,703,564

Albemarle Regional Health Services
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021

	OPEB Trust Fund	Custodial Funds
Additions:		
Employer contributions	\$ 2,426,776	\$ -
Investment income:		
Net appreciation (depreciation) in fair value of investments	682,723	-
Realized gain (loss) on sale of investments	(2,591)	-
Interest and dividends	19,842	-
Less investment expense	(417)	-
Net investment earnings	699,557	-
Collections for Solid Waste	-	9,325,764
Collections for NEAG	-	890,344
Total additions	3,126,333	10,216,108
Deductions:		
Benefit payments	426,776	-
Expenses for Solid Waste	-	9,248,424
Expenses for NEAG	-	915,125
Total deductions	426,776	10,163,549
Net increase (decrease) in fiduciary net position	2,699,557	52,559
Net position, beginning, as previously reported	2,326,047	-
Prior period restatement	-	1,651,005
Net position, beginning, as restated	2,326,047	1,651,005
Net position, ending	\$ 5,025,604	\$ 1,703,564

Albemarle Regional Health Services
Notes to the Financial Statements
For the Year Ended June 30, 2021

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, 2021, 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. 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 – unearned grant funds, land held for resale, and other OPEB and pension related deferrals.

7. 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.

8. 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.

9. 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.

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

Restricted Fund Balance - This classification includes 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.

10. 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 (LERS) and additions to/deductions from the LERS' fiduciary net position have been determined on the same basis as they are reported by LERS. 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 LERS. Investments are reported at fair value.

11. 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 \$(12,671,423) consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 7,141,522
Less accumulated depreciation	(3,593,532)
Net capital assets	<u>3,547,990</u>
Net pension liability	(3,433,705)
Contributions to the pension plan in the current fiscal year	882,180
Deferred outflows of resources reported in the fund statements but not in the government- wide statements	3,500,987
Deferred inflows of resources reported in the fund statements but not in the government- wide statements	318,949
Pension related deferrals	1,309,742
OPEB related deferrals	(7,910,456)
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	(608,027)
Net OPEB Liability	<u>(10,279,083)</u>
Total adjustment	<u>\$ (12,671,423)</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 \$3,479,684 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	\$ 896,059
Cost of disposed capital assets not recorded in the fund statements	(85,099)
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	(490,796)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	882,180
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	2,426,776
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
ARHS's portion of collective pension expense	(1,186,129)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(75,034)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
OPEB Income	876,822
Increase in deferred inflows of resources - patient fees receivables	<u>234,905</u>
Total Adjustment	<u>\$ 3,479,684</u>

III: Stewardship, Compliance and Accountability

None noted.

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, 2021, ARHS's deposits had a carrying amount of \$5,176,695 (including \$1,578,570 in fiduciary cash) and a bank balance of \$5,706,094. Of the bank balance, \$429,825 was covered by federal depository insurance and \$5,276,269 in non-interest bearing deposits covered by collateral held under the pooling method. At June 30, 2021, 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, 2021. 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	5,207,108	N/A	AAAM
Total:		\$ 5,207,108		

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, 2021, the Albemarle Regional Health Service's OPEB Trust had \$5,025,604 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 yearend, 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, 2021 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, 2021 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, 2021.

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, 2021, 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, 2021, were as follows:

	Accounts Receivable	Due From Other Governments	Total
Governmental activities:			
General	\$ 84,487	\$ 1,538,802	\$ 1,623,289
Other Governmental	25,335	744,072	769,407
Total governmental activities	<u>\$ 109,822</u>	<u>\$ 2,282,874</u>	<u>\$ 2,392,696</u>

Due from other governments consisted of the following:

State of North Carolina	\$ 1,754,039
Local governments	528,835
	<u>\$ 2,282,874</u>

ARHS's General Governmental Activities accounts receivable are presented net of the allowance for doubtful accounts of \$1,807,438.

4 Capital Assets

Capital asset activity for the year ended June 30, 2021 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	1,251,565	184,213	-	1,435,778
Other Improvements	886,359	211,470	2,950	1,094,879
Equipment	1,795,446	18,005	38,079	1,775,372
Vehicles and motor equipment	2,502,142	482,371	364,620	2,619,893
Total capital assets being depreciated	<u>6,435,512</u>	<u>896,059</u>	<u>405,649</u>	<u>6,925,922</u>
Less accumulated depreciation for:				
Buildings	588,522	41,249	-	629,771
Other Improvements	499,622	6,120	2,950	502,792
Equipment	1,147,204	103,056	29,841	1,220,419
Vehicles and motor equipment	1,187,938	340,371	287,759	1,240,550
Total accumulated depreciation	<u>3,423,286</u>	<u>490,796</u>	<u>320,550</u>	<u>3,593,532</u>
Total capital assets being depreciated, net	<u>3,012,226</u>	<u>405,263</u>	<u>85,099</u>	<u>3,332,390</u>
Governmental activities capital assets, net	<u>\$ 3,227,826</u>	<u>\$ 405,263</u>	<u>\$ 85,099</u>	<u>\$ 3,547,990</u>

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

Administrative services	\$ 11,066
Environmental health	125,467
Adult health	7,397
Women, infants, and children	20,018
Transportation Program	310,924
Other Services	15,924
Total depreciation expense	<u>\$ 490,796</u>

B. Liabilities

1. Payables

Payables on Exhibit 1 at June 30, 2021, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities:			
General	\$ 58,740	\$ 498,852	\$ 557,592
Sanitary Landfill Program	71,763	27,818	99,581
Transportation Program	20,361	51,738	72,099
Other governmental funds	2,365	-	2,365
	<u>\$ 153,229</u>	<u>\$ 578,408</u>	<u>\$ 731,637</u>
Total governmental activities			

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, 2021 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, 2021, 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 \$2,426,776.

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, 2020 and June 30, 2021 are shown below.

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</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, 2021, 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, 2021 were as follows:

Total OPEB Liability	\$ 15,304,687
Plan fiduciary net position	5,025,604
District's net OPEB liability	<u>\$ 10,279,083</u>
Plan fiduciary net position as a percentage of the total OPEB liability	32.84%

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 other 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, 2021 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, 2020 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 2.21% 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)	\$ 12,628,112	\$ 10,279,083	\$ 8,392,911

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.

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Net OPEB liability (asset)	\$ 8,201,999	\$ 10,279,083	\$ 12,876,182

Changes in Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB. At June 30, 2021, ARHS reported a net OPEB liability of \$10,279,083. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020, utilizing update procedures incorporating the actuarial assumptions.

At June 30, 2021, the components of the net OPEB liability of the District, measured as of June 30, 2020, were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2020	\$ 23,781,487	\$ 2,326,047	\$ 21,455,440
Changes for the Year:			
Service Cost	536,432	-	536,432
Interest	535,023	-	535,023
Differences between Expected and Actual experience	(743,613)	-	(743,613)
Changes of Assumptions	(8,377,866)	-	(8,377,866)
Administrative Expense	-	(280)	280
Contributions	-	2,426,776	(2,426,776)
Net Investment Income	-	699,837	(699,837)
Benefit Payments	(426,776)	(426,776)	-
Other	-	-	-
Net Changes	(8,476,800)	2,699,557	(11,176,357)
Balances at June 30, 2021	\$ 15,304,687	\$ 5,025,604	\$ 10,279,083

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 2.27% 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, 2021, ARHS recognized OPEB income of \$450,046. At June 30, 2021, 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	\$ 127,552	\$ 647,835
Changes of assumptions	2,946,659	6,885,237
Net Difference between projected and actual earnings on plan investments	-	377,384
District contributions subsequent to the measurement date	426,776	-
	<u>\$ 3,500,987</u>	<u>\$ 7,910,456</u>

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

Year ended June 30:	
2022	\$ (1,353,386)
2023	(1,374,771)
2024	(1,388,257)
2025	(719,831)
2026	-
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 www.osc.nc.gov.

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

Contributions . Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. AHRs employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. ARHS’s contractually required contribution rate for the year ended June 30, 2021 was 10.22% 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 \$882,180 for the year ended June 30, 2021.

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, 2021, ARHS reported a liability of \$3,433,705 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 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, 2021, ARHS’s proportion was 0.09609% which was a decrease of .00113% from its proportion measured at June 30, 2020.

For the year ended June 30, 2021, ARHS recognized pension expense of \$1,186,129. At June 30, 2021, 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	\$ 433,617	\$ -
Changes of assumptions	255,535	-
Net difference between projected and actual earnings on pension plan investments	483,202	-
Changes in proportion and differences between District Contributions and proportionate share of contributions	188,744	51,356
District contributions subsequent to the measurement date	882,180	-
Total	<u>\$ 2,243,278</u>	<u>\$ 51,356</u>

\$882,180 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2021	\$ 345,200
2022	505,958
2023	315,581
2024	143,003
2025	-
Thereafter	<u>1,309,742</u>
	\$ 1,309,742

Actuarial Assumptions . The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary Increases	3.50 percent
Investment Rate of Return	7.00 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, 2019 valuation were based on the results of an actuarial experience study as of December 31, 2014.

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, 2021 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	100.00%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. 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 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability (asset)	\$ 6,966,613	\$ 3,433,705	\$ 497,610

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

The District has one deferred outflow of resources. Deferred outflows of resources is comprised of the following:

Source	Amount
Differences between expected and actual experience	
LGERS	\$ 433,617
OPEB	127,552
Changes of assumptions	
LGERS	255,535
OPEB	2,946,659
Net difference between projected and actual	
LGERS	483,202
OPEB	-
Changes in proportion and difference between employer contributions and proportionate share of contribution	
LGERS	188,744
OPEB	-
Contributions to pension plan in current fiscal year	
LGERS	882,180
OPEB	426,776
Total	<u>\$ 5,744,265</u>

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

	Statement of Net Position	General Fund Balance Sheet
Deferred Revenues	\$ 1,440,956	\$ 1,759,905
Differences between expected and actual experience		
LGERS	-	-
OPEB	647,835	-
Net difference between projected and actual earnings on pension plan investments		
OPEB	377,384	-
Changes of assumptions		
OPEB	6,885,237	
Changes in proportion and differences between employer contributions and proportionate share of contributions		
LGERS	51,356	-
Total	<u>\$ 9,402,768</u>	<u>\$ 1,759,905</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 summary of changes in long-term obligations follows:

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Compensated absences	\$ 532,993	\$ 75,034	\$ -	\$ 608,027	\$ -
Net pension liability (LGERS)	2,655,002	778,703	-	3,433,705	-
Net OPEB Liability	21,455,440	-	11,176,357	10,279,083	-
Governmental activities long-term liabilities	\$ 24,643,435	\$ 853,737	\$ 11,176,357	\$ 14,320,815	\$ -

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	\$ 7,497,983
Less:	
Stabilization by State Statute	1,462,632
Appropriated fund balance in 2021/2022 budget	1,680,692
Remaining fund balance	\$ 4,354,659

8. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2021, consisted of the following:

From the General Fund	
NENCPPH (To fund match requirements)	\$ 13,640

At June 30, 2021, the General Fund was owed \$158,292 from the Sanitary Landfill fund to meet working capital requirements.

V. Subsequent Events

Subsequent events have been evaluated through January 6, 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, 2021, 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 \$2,000,000 to its OPEB Trust Fund in FY2020 - 2021 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 2021-22 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.

VIII. Restatements

Change in Accounting Principle

ARHS implement Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities* , effective July 1, 2020. The statement establishes criteria for identifying fiduciary activities of all state and local governments and provides guidance on how to report fiduciary activities within the financial statements. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The statement also describes four fiduciary funds that should be reported if criteria outlined in the statement are met: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private purpose trust funds, and (4) custodial funds. The use of agency funds was eliminated. The statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

As part of implementing the statement, ARHS performed a comprehensive review of its fiduciary relationships and applied the criteria within the guidance. As a result, fund balance and net position were restated as follows:

Governmental activities Net Position - Increase (Decrease)	General Fund Balance - Increase (Decrease)	Nonmajor Special Revenue Fund Balance - Increase (Decrease)	Fiduciary Net Position - Custodial Fund - Increase (Decrease)
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Cash and liabilities related to user fees collected by Albemarle Regional Solid Waste Management Authority were reclassified out of the Agency Fund into a newly created ARSWMA Custodial Fund. The portion of liabilities in the Agency Fund representing miscellaneous liabilities at the beginning of the year were restated as custodial net position.

\$	-	\$	-	\$	-	\$	1,501,230
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Change in Accounting Principle (continued)

Governmental activities Net Position - Increase (Decrease)	General Fund Balance - Increase (Decrease)	Nonmajor Special Revenue Fund Balance - Increase (Decrease)	Fiduciary Net Position - Custodial Fund - Increase (Decrease)
-	-	-	149,775
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,651,005</u>

Cash and liabilities related to fees collected by Northeastern Albemarle Group Insurance were reclassified out of the Agency Fund into a newly created NEAG Custodial Fund. The portion of liabilities in the Agency Fund representing miscellaneous liabilities at the beginning of the year were restated as custodial net position.

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 Eight Fiscal Years

Local Government Employees' Retirement System				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net pension liability (asset) (%)	0.09609%	0.09722%	0.09000%	0.10000%
District's proportion of the net pension liability (asset) (\$)	\$ 3,433,705	\$ 2,655,002	\$ 2,176,149	\$ 1,490,447
District's covered payroll	\$ 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	42.50%	33.39%	29.94%	20.06%
Plan fiduciary net position as a percentage of the total pension liability**	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 (asset) (\$)	\$ 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 Eight Fiscal Years**

Local Government Employees' Retirement System				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 882,180	\$ 723,409	\$ 616,341	\$ 545,159
Contributions in relation to the contractually required contribution	882,180	723,409	616,341	545,159
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,631,898	\$ 8,079,975	\$ 7,952,184	\$ 7,268,785
Contributions as a percentage of covered payroll	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 Five Fiscal Years *

Total OPEB Liability	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Service cost	\$ 536,432	\$ 377,492	\$ 388,309	\$ 417,728	\$ 480,037
Interest	535,023	687,083	674,549	627,986	564,220
Change in benefit terms	-	-	-	-	-
Differences between expected and actuarial experience	(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	(426,776)	(414,298)	(368,518)	(332,027)	(307,189)
Net change in total OPEB liability	(8,476,800)	4,112,037	2,366,427	(305,584)	(1,044,002)
Beginning balance	23,781,487	19,669,450	17,303,023	17,608,607	\$ 18,652,609
Ending balance of total OPEB liability	<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	\$ 2,426,776	\$ 414,298	\$ 368,518	\$ 332,027	\$ 307,189
Net investment income	699,837	80,133	118,644	25,128	2,468
Benefit payments	(426,776)	(414,298)	(368,518)	(332,027)	(307,189)
Other	(280)	(134)	(192)	-	-
Net change in plan fiduciary net position	2,699,557	79,999	118,452	25,128	2,468
Pan fiduciary net position - beginning	2,326,047	2,246,048	2,127,596	2,102,468	2,100,000
Plan fiduciary net position - ending	<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>\$ 10,279,083</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	32.84%	9.78%	11.42%	12.30%	11.94%
District's net OPEB liability as a percentage of covered payroll	222.65%	395.95%	321.54%	233.49%	238.58%

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

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

	<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%	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, 2021

	2021		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Unrestricted intergovernmental:			
Federal and State funds	\$ 11,536,571	\$ 8,645,756	\$ (2,890,815)
Local appropriations	986,550	990,409	3,859
Grants	313,131	151,259	(161,872)
Charges for services	4,720,539	6,156,886	1,436,347
Interest income	10,000	1,204	(8,796)
Donations and fundraisers	5,250	3,064	(2,186)
Miscellaneous revenue	45,808	418,841	373,033
Total Revenues	<u>17,617,849</u>	<u>16,367,419</u>	<u>(1,250,430)</u>
Expenditures:			
General:			
Administration:			
Salaries and fringe benefits	1,518,548	1,164,292	354,256
Operating expenses	1,002,602	723,709	278,893
Total Administration	<u>2,521,150</u>	<u>1,888,001</u>	<u>633,149</u>
Transportation			
Operating expenses	61,028	50,356	10,672
Capital Outlay	89,128	89,127	1
Total transportation	<u>150,156</u>	<u>139,483</u>	<u>10,673</u>
Total General	<u>2,671,306</u>	<u>2,027,484</u>	<u>643,822</u>
Environmental Health			
Environmental Health-General			
Salaries and fringe benefits	799,343	631,232	168,111
Operating expenses	214,610	179,825	34,785
Total Environmental Health-General	<u>1,013,953</u>	<u>811,057</u>	<u>202,896</u>
Mosquito			
Salaries and fringe benefits	11,530	8,117	3,413
Operating expenses	12,470	4,725	7,745
Total Mosquito	<u>24,000</u>	<u>12,842</u>	<u>11,158</u>
Management Entity:			
Salaries and fringe benefits	176,464	169,854	6,610
Operating expenses	33,315	27,094	6,221
Total Management Entity	<u>209,779</u>	<u>196,948</u>	<u>12,831</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, 2021**

	2021		Variance Positive (Negative)
	Budget	Actual	
Total Environmental Health	1,247,732	1,020,847	226,885
Women, Infants and Children's Program:			
Child Health			
Salaries and fringe benefits	1,528,458	1,298,122	230,336
Operating expenses	1,118,999	1,042,084	76,915
Total Child Health	2,647,457	2,340,206	307,251
Wic Program			
Salaries and fringe benefits	815,938	729,885	86,053
Operating expenses	96,451	59,662	36,789
Total Wic Program	912,389	789,547	122,842
Family Planning Program:			
Salaries and fringe benefits	978,063	897,612	80,451
Operating expenses	320,528	200,841	119,687
Total Family Planning Program	1,298,591	1,098,453	200,138
Maternal Health			
Salaries and fringe benefits	918,719	818,289	100,430
Operating expenses	247,034	172,665	74,369
Total Maternal Program	1,165,753	990,954	174,799
CDSA ECI Program			
Salaries and fringe benefits	1,695,240	1,684,043	11,197
Operating expenses	268,610	155,373	113,237
Total CDSA ECI Program	1,963,850	1,839,416	124,434
Albemarle Speech and Hearing			
Salaries and fringe benefits	49,742	49,040	702
Operating expenses	27,855	24,305	3,550
Total Albemarle Speech and Hearing	77,597	73,345	4,252
Total Women, Infants and Childrens Programs	8,065,637	7,131,921	933,716
Adult Health:			
Diabetes Program			
Salaries and fringe benefits	87,493	85,037	2,456
Operating expenses	14,207	2,955	11,252
Total Diabetes Program	101,700	87,992	13,708

**Albemarle Regional Health Services
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2021**

	2021		Variance Positive (Negative)
	Budget	Actual	
Adult Health - General			
Salaries and fringe benefits	2,328,870	2,165,791	163,079
Operating expenses	641,410	319,199	322,211
Total Diabetes Program	<u>2,970,280</u>	<u>2,484,990</u>	<u>485,290</u>
HIV - Ryan White Network			
Salaries and fringe benefits	434,595	399,238	35,357
Operating expenses	260,008	126,659	133,349
Total HIV - Ryan White Network	<u>694,603</u>	<u>525,897</u>	<u>168,706</u>
Behavioral Health Program			
Salaries and fringe benefits	358,816	335,795	23,021
Operating expenses	44,698	27,622	17,076
Total Behavioral Health Program	<u>403,514</u>	<u>363,417</u>	<u>40,097</u>
Breast/Cervical Cancer Program			
Salaries and fringe benefits	83,519	56,652	26,867
Operating expenses	96,596	68,500	28,096
Total Breast/Cervical Cancer Program	<u>180,115</u>	<u>125,152</u>	<u>54,963</u>
Total Adult Health	<u>4,350,212</u>	<u>3,587,448</u>	<u>762,764</u>
Other Services			
Life Quest			
Salaries and fringe benefits	369,151	350,284	18,867
Operating expenses	88,880	73,485	15,395
Total Life Quest	<u>458,031</u>	<u>423,769</u>	<u>34,262</u>
Healthy Carolinians			
Salaries and fringe benefits	98,725	91,674	7,051
Operating expenses	223,778	66,513	157,265
Total Healthy Carolinians	<u>322,503</u>	<u>158,187</u>	<u>164,316</u>
Public Health Preparedness and Response			
Salaries and fringe benefits	149,689	141,765	7,924
Operating expenses	79,336	76,085	3,251
Total Public Health Preparedness and Response	<u>229,025</u>	<u>217,850</u>	<u>11,175</u>
Total Other Services	<u>1,009,559</u>	<u>799,806</u>	<u>209,753</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, 2021

	2021		Variance Positive (Negative)
	Budget	Actual	
Total Expenditures	17,344,446	14,567,506	2,776,940
Revenues over (under) expenditures	273,403	1,799,913	1,526,510
Other financing sources (uses):			
Trasfers from (to) other funds	-	(13,640)	(13,640)
Fund balance appropriated	1,585,165	-	(1,585,165)
Total other financing sources (uses)	1,585,165	(13,640)	(1,598,805)
Special Item			
Hertford County Buy-In Installment	141,432	141,432	-
OPEB Plan Administrator Contribution	(2,000,000)	(2,000,000)	-
Total special items	(1,858,568)	(1,858,568)	-
Excess of revenues and other sources over (under) expenditures and other uses	\$ -	(72,295)	\$ (72,295)
Fund balance, beginning		7,570,278	
Fund balance, ending		\$ 7,497,983	

**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, 2021**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Other grants	\$ 12,792	\$ 11,181	\$ 1,611
Charges for services	4,089,825	3,906,355	183,470
Total Revenues	<u>4,102,617</u>	<u>3,917,536</u>	<u>185,081</u>
Expenditures:			
Salaries and employee benefits	698,435	662,559	35,876
Operating expenses	3,162,594	3,038,958	123,636
Capital Outlay	241,588	216,019	25,569
Total expenditures	<u>4,102,617</u>	<u>3,917,536</u>	<u>185,081</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>165,498</u>	
Fund balance, end of year		<u>\$ 165,498</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, 2021**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Federal and State grants	\$ 2,055,595	\$ 2,433,625	\$ 378,030
Local appropriations	81,168	78,504	(2,664)
Charge for services	615,822	394,087	(221,735)
Interest Income	-	19	19
Miscellaneous	129,983	71,135	(58,848)
Total Revenues	<u>2,882,568</u>	<u>2,977,370</u>	<u>94,802</u>
Expenditures:			
Salaries and employee benefits	1,498,603	1,285,267	213,336
Operating expenses	1,162,425	790,524	371,901
Capital Outlay	318,744	318,743	1
Total expenditures	<u>2,979,772</u>	<u>2,394,534</u>	<u>585,238</u>
Excess (deficiency) of revenues over expenditures	<u>(97,204)</u>	<u>582,836</u>	<u>680,040</u>
Other Financing Sources (Uses):			
Fund balance appropriated	97,204	-	(97,204)
Total other financing sources	<u>97,204</u>	<u>-</u>	<u>(97,204)</u>
Net change in fund balance	<u>\$ -</u>	582,836	<u>\$ 582,836</u>
Fund balance, beginning of year		<u>1,034,289</u>	
Fund balance, end of year		<u>\$ 1,617,125</u>	

Albemarle Regional Health Services
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021

	NENCPH Program	Septic Tank Program	Community Care	Medical Reserve Corp	Total Nonmajor Governmental Funds
Assets					
Current Assets					
Cash and cash equivalents	\$ 70,895	\$ 215,647	\$ 221	\$ 8,169	\$ 294,932
Accounts receivable, net	1,000	-	-	-	1,000
Notes receivable, net	-	29,196	-	-	29,196
Total Assets	<u>71,895</u>	<u>244,843</u>	<u>221</u>	<u>8,169</u>	<u>325,128</u>
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	2,365	-	-	-	2,365
Total liabilities	<u>2,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,365</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	29,196	-	-	30,196
Health Programs	-	201,847	-	-	201,847
Assigned for subsequent year's expenditures	97,765	13,800	221	9,585	121,371
Unassigned	(30,235)	-	-	(1,416)	(31,651)
Total fund balances	<u>68,530</u>	<u>244,843</u>	<u>221</u>	<u>8,169</u>	<u>321,763</u>
Total liabilities, deferred inflows of resources and fund equity	<u>\$ 71,895</u>	<u>\$ 244,843</u>	<u>\$ 221</u>	<u>\$ 8,169</u>	<u>\$ 325,128</u>

Albemarle Regional Health Services
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2021

	NENCPPH Program	Septic Tank Program	Community Care	Medical Reserve Corp	Total Nonmajor Governmental Funds
Revenues:					
Local appropriations	\$ 31,594	\$ -	\$ -	\$ -	\$ 31,594
Interest Income	-	585	-	-	585
Total Revenues	<u>31,594</u>	<u>585</u>	<u>-</u>	<u>-</u>	<u>32,179</u>
Expenditures:					
Operating expenses	44,245	1,850	-	1,416	47,511
Total expenditures	<u>44,245</u>	<u>1,850</u>	<u>-</u>	<u>1,416</u>	<u>47,511</u>
Excess (deficiency) of revenues over expenditures	<u>(12,651)</u>	<u>(1,265)</u>	<u>-</u>	<u>(1,416)</u>	<u>(15,332)</u>
Other Financing Sources (Uses):					
Transfers from (to) other funds	13,640	-	-	-	13,640
Total other financing sources	<u>13,640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,640</u>
Net change in fund balance	989	(1,265)	-	(1,416)	(1,692)
Fund balance, beginning of year	67,541	246,108	221	9,585	323,455
Fund balance, end of year	<u>\$ 68,530</u>	<u>\$ 244,843</u>	<u>\$ 221</u>	<u>\$ 8,169</u>	<u>\$ 321,763</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, 2021**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Local appropriations	\$ 31,594	\$ 31,594	\$ -
Total Revenues	<u>31,594</u>	<u>31,594</u>	<u>-</u>
Expenditures:			
Salaries and employee benefits	-	-	-
Operating expenses	106,162	44,245	61,917
Capital Outlay	-	-	-
Total expenditures	<u>106,162</u>	<u>44,245</u>	<u>61,917</u>
Excess (deficiency) of revenues over expenditures	<u>(74,568)</u>	<u>(12,651)</u>	<u>61,917</u>
Other Financing Sources (uses):			
Fund balance appropriated	60,928	-	(60,928)
Transfers from (to) other funds	13,640	13,640	-
Total other financing sources	<u>74,568</u>	<u>13,640</u>	<u>(60,928)</u>
Net change in fund balance	<u>\$ -</u>	989	<u>\$ 989</u>
Fund balance, beginning of year		<u>67,541</u>	
Fund balance, end of year		<u>\$ 68,530</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, 2021

	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Interest income	\$ 3,800	\$ 585	\$ (3,215)
Total Revenues	<u>3,800</u>	<u>585</u>	<u>(3,215)</u>
Expenditures:			
Salaries and employee benefits	-	-	-
Operating expenses	13,800	1,850	11,950
Capital Outlay	-	-	-
Total expenditures	<u>13,800</u>	<u>1,850</u>	<u>11,950</u>
Excess (deficiency) of revenues over expenditures	<u>(10,000)</u>	<u>(1,265)</u>	<u>8,735</u>
Other Financing Sources (uses):			
Fund balance appropriated	<u>10,000</u>	-	<u>(10,000)</u>
Net change in fund balance	<u>\$ -</u>	(1,265)	<u>\$ (1,265)</u>
Fund balance, beginning of year		<u>246,108</u>	
Fund balance, end of year		<u>\$ 244,843</u>	

**Albemarle Regional Health Services
Community Care
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2021**

	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Charges for services	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:			
Salaries and employee benefits	-	-	-
Operating expenses	-	-	-
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</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, 2021**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Local appropriations	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:			
Salaries and employee benefits	-	-	-
Operating expenses	9,585	1,416	8,169
Capital Outlay	-	-	-
Total expenditures	<u>9,585</u>	<u>1,416</u>	<u>8,169</u>
Excess (deficiency) of revenues over expenditures	<u>(9,585)</u>	<u>(1,416)</u>	<u>8,169</u>
Other Financing Sources (uses):			
Fund balance appropriated	<u>9,585</u>	-	<u>(9,585)</u>
Total other financing sources	<u>9,585</u>	-	<u>(9,585)</u>
Net change in fund balance	<u>\$ -</u>	<u>(1,416)</u>	<u>\$ (1,416)</u>
Fund balance, beginning of year		<u>9,585</u>	
Fund balance, end of year		<u>\$ 8,169</u>	

Albemarle Regional Health Services
Combining Statement of Fiduciary Position
Custodial Funds
June 30, 2021

	Albemarle Regional Solid Waste Management Authority	Northeastern Albemarle Group	Total Custodial Funds
Assets:			
Cash and cash equivalents	\$ 1,578,570	\$ 124,994	\$ 1,703,564
Total assets	<u>1,578,570</u>	<u>124,994</u>	<u>1,703,564</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	1,578,570	124,994	1,703,564
Total net position	<u>\$ 1,578,570</u>	<u>\$ 124,994</u>	<u>\$ 1,703,564</u>

Albemarle Regional Health Services
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended June 30, 2021

	Albemarle Regional Solid Waste Management Authority	Northeastern Albemarle Group	Total Custodial Funds
Additions			
Collections for Solid Waste	\$ 9,325,764	\$ -	\$ 9,325,764
Collections for NEAG	-	890,344	890,344
Total additions	<u>9,325,764</u>	<u>890,344</u>	<u>10,216,108</u>
Deductions			
Expenses for Solid Waste	9,248,424	-	9,248,424
Expenses for NEAG	-	915,125	915,125
Total deductions	<u>9,248,424</u>	<u>915,125</u>	<u>10,163,549</u>
Net increase (decrease) in fiduciary net position	77,340	(24,781)	52,559
Net position, beginning, as previously reported	-	-	-
Prior period restatement - change in accounting principle	1,501,230	149,775	1,651,005
Net position, beginning, as restated	<u>1,501,230</u>	<u>149,775</u>	<u>1,651,005</u>
Net position, ending	<u>\$ 1,578,570</u>	<u>\$ 124,994</u>	<u>\$ 1,703,564</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

The Honorable Members of the Board of Directors
and Mr. Battle Betts, Health Director
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 accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Albemarle Regional Health Services (ARHS), North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Albemarle Regional Health Service's basic financial statements, and have issued our report thereon dated January 6, 2022.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Albemarle Regional Health Service's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement. 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 matters⁶ that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ARHS'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
January 6, 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

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

Report on Compliance for Each Major Federal Program

We have audited Albemarle Regional Health Services (ARHS), North Carolina's, 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 Service's major federal programs for the year ended June 30, 2021. Albemarle Regional Health Service's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Albemarle Regional Health Service's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Implementation Act*. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Albemarle Regional Health Service's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Albemarle Regional Health Service's compliance.

Opinion on Each Major Federal Program

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, 2021.

Report on Internal Control Over Compliance

Management of Albemarle Regional Health Services is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Albemarle Regional Health Services internal control over compliance with the types of requirements that could have direct and material effect on major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the OMB Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ARHS's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than 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 the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the OMB 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

January 6, 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

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

Report on Compliance for Each Major State Program

We have audited the Albemarle Regional Health Services (ARHS), North Carolina's, compliance with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of the Albemarle Regional Health Service's major State programs for the year ended June 30, 2021. The Albemarle Regional Health Service's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with State statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Albemarle Regional Health Service's major state programs based on our audit of the types of compliance requirements referred to above. 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 applicable sections of *Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the Audit Manual for Governmental Auditors in North Carolina, and the *State Single Audit Implementation Act*. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Albemarle Regional Health Service's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Albemarle Regional Health Services's compliance.

Opinion on Each Major State Program

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, 2021.

Report on Internal Control Over Compliance

Management of Albemarle Regional Health Services is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Albemarle Regional Health Service's internal control over compliance with the types of requirements that could have and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ARHS's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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 charges with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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
January 6, 2022

Albemarle Regional Health Services
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
 - Significant deficiency(s) identified yes none reported
- Noncompliance material to financial statements noted yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(s) identified yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal programs:

<u>CFDA #</u>	<u>Names of Federal Program or Cluster</u>
20.509	Formula Grants for Rural Areas and Tribal Transit Program
21.019	Coronavirus Relief Fund
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)

Dollar threshold used to distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as low-risk auditee? yes no

State Awards

Internal control over major State programs:

- Material weakness(es) identified? yes no
- Significant deficiency(s) identified yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act yes no

Albemarle Regional Health Services
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section I - Summary of Auditors' Results (continued)

Identification of major State programs:

Program Name

Formula Grants for Rural Areas and Tribal Transit Program

General Aid to Counties

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.



ALBEMARLE REGIONAL HEALTH SERVICES
Partners in Public Health

Corrective Action Plan
For the Year Ended June 30, 2021

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 Year Ended June 30, 2021

None Reported

**Albemarle Regional Health Services
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021**

Grantor/Pass-through <u>Grantor/Program Title</u>	Federal AL # CFDA <u>Number</u>	State/ Pass-through Grantor's <u>Number</u>	Fed (Direct & Pass-through <u>Expenditures</u>	State <u>Expenditures</u>	Pass-through to Subrecipients	Local <u>Expenditures</u>
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		\$ 785,208	\$ -	\$ -	\$ -
Direct Assistance						
Distance Learning and Telemedicine Loans and Grants	10.855		85,749	-	-	-
Total U.S. Dept. of Agriculture			870,957	-	-	-
<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		84,254	-	-	-
Total U.S. Department of Housing and Urban Development			84,254	-	-	-
<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	75,000	-	-	-
Formula Grants for Rural Areas and Tribal Transit Program -						
Admin	20.509	36233.53.22.1	418,320	26,266	-	-
Formula Grants for Rural Areas and Tribal Transit Program - Capital	20.509	36233.53.22.3	176,331	22,040	-	-
COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program - Operating	20.509	49233.71.1.2	1,030,970	-	-	-
Total Formula Grants for Rural Areas and Tribal Transit Program			1,625,621	48,306	-	-
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs						
Total U.S. Department of Transportation	20.526	44637.31.2.3	227,438	28,394	-	-
			1,928,059	76,700	-	-
<u>U.S. Dept. of Treasury</u>						
Passed-through the Office of Budget and Management NC Pandemic Recovery Office						
Passed-through N.C. Dept. of Health and Human Services Division of Public Health						
Coronavirus Relief Fund	21.019		408,606	-	-	-
Total U.S. Dept. Treasury			408,606	-	-	-
<u>U.S. Dept of Education</u>						
Passed through N.C. Dept. Health and Human Services Division of Public Health						
Special Education-Grants for Infants and Families	84.181A		495,268	-	-	-
Total U.S. Dept of Education			495,268	-	-	-
<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		109,711	-	-	-
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		99,947	-	-	-
Family Planning Services	93.217		254,646	-	-	-

**Albemarle Regional Health Services
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021**

Grantor/Pass-through Grantor/Program Title	Federal AL # CFDA Number	State/ Pass-through Grantor's Number	Fed (Direct & Pass-through Expenditures	State Expenditures	Pass-through to Subrecipients	Local Expenditures
Immunization Grants	93.268		87,891	-	-	-
COVID-19 Immunization Grants	93.268		286,756			
Total Immuniation Grants			374,647	-	-	-
Tobacco Prevention – CDC	93.305		59	-	-	-
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323		666,358	-	-	-
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323		163,727	-	-	-
Total Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)			830,085	-	-	-
National and State Tobacco Control Program	93.387		3,209			
Well-Integrated Screening and Evaluation for Women Across the Nation (Wisewomen)	93.436		2,845	-	-	-
Temporary Assistance for Needy Families	93.558		27,474	-	-	-
Medical Assistance Assistance Program	93.778		73,413	-	-	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898		33,150	-	-	-
HIV Care Formula Grants - Ryan White Care Act	93.917		334,143	-	-	-
HIV Prevention Activities_Health Department Based	93.940		55,042	-	-	-
Preventive Health Services_Sexually	93.977		100	-	-	-
Preventative Health and Health Services Block Grant	93.991		244,401	-	-	-
Maternal and Child Health Services Block	93.994		580,085	111,446	-	-
Total U. S. Department of Health and Human Services			3,023,007	111,446	-	-
Total Federal Awards			\$ 6,810,151	\$ 188,146	\$ -	\$ -

State Awards:

N.C. Dept. of Health and Human Services

Division of Public Health:

Food and Lodging Fees	\$ -	\$ 38,074	\$ -	\$ -
Mosquito and Tick Suppression	-	16,000	-	-
General Aid to Counties	-	756,642	-	-
General Communicable Disease Control	-	37,232	-	-
Healthy Community	-	114,213	-	-
Triple P	-	221,315	-	-
Child Health	-	188,002	-	-
HIV/STD State	-	4,000	-	-
Evidence - Based Intervention Services	-	45,503	-	-
STD Drugs	-	120	-	-
Breast and Cervical Cancer Program	-	55,250	-	-
School Nursing Funding Initiative	-	347,120	-	-
Healthy Beginnings	-	69,393	-	-
Family Planning - State	-	158,896	-	-
Maternal Health	-	81,545	-	-
High Risk Maternity Clinics	-	51,961	-	-
Women's Health Service Fund	-	45,626	-	-
TB Control	-	85,938	-	-
Children's Development Services	-	1,329,207	-	-
Total N.C. Dept. Health and Human Services	-	3,646,037	-	-

Albemarle Regional Health Services
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>AL #</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Fed (Direct &</u> <u>Pass-through</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>	<u>Pass-through</u> <u>to</u> <u>Subrecipients</u>	<u>Local</u> <u>Expenditures</u>
<u>N.C. Dept. of Transportation</u>						
ROAP Cluster						
ROAP-Elderly & Disabled Transportation Assistance Program			-	123,004	-	-
ROAP-Rural General Public			-	52,765	-	-
Total ROAP Cluster			-	175,769	-	-
Total State Awards			\$ -	\$ 3,821,806	\$ -	\$ -
Total Federal and State Awards			\$ 6,810,151	\$ 4,009,952	\$ -	\$ -

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, 2021. 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 nets 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.