

**AGENDA  
CRAVEN COUNTY BOARD OF COMMISSIONERS  
REGULAR SESSION  
MONDAY, DECEMBER 2, 2024  
6:00 PM**

**CALL TO ORDER**

**ROLL CALL**

**PLEDGE OF ALLEGIANCE**

**APPROVE AGENDA**

- 1. PUBLIC HEARING – NO WAKE ZONE: Chad Strawn, Planning Director**
- 2. ABC BOARD PRESENTATION: Ken Morris III, ABC Board Chairman**
- 3. PETITIONS OF CITIZENS – AGENDA TOPICS**
- 4. CONSENT AGENDA**
  - A. Minutes of November 18, 2024 Regular Session**
  - B. Tax Releases and Refunds**
  - C. Recreation: Craven County Community Foundation Grant – Budget Amendment**
  - D. Recreation: Twin Rivers Little League Softball Donation – Budget Amendment**
  - E. Recreation: International Paper Foundation Grant – Budget Amendment**
  - F. Military Service Person of the Quarter Resolution**
- 5. REORGANIZATION OF THE BOARD**
  - A. Election of Chair**
  - B. Oath of Office Administered to Chair**
  - C. Election of Vice-Chair**
  - D. Oath of Office Administered to Vice-Chair**
- 6. ESTABLISH 2025 MEETING DATES, TIMES AND LOCATIONS**
- 7. CONSIDER APPOINTMENTS OF COMMISSIONERS TO BOARDS AND COMMITTEES**

**DEPARTMENTAL MATTERS:**

- 8. PLANNING – CONSIDER ADOPTION OF NO WAKE ZONE RESOLUTION:  
Chad Strawn, Planning Director**

- 9. APPOINTMENTS**
- 10. COUNTY ATTORNEY'S REPORT: Arey Grady**
- 11. PETITIONS OF CITIZENS**
- 12. COUNTY MANAGER'S REPORT**
- 13. COMMISSIONERS' REPORTS**

**1. PUBLIC HEARING – NO WAKE ZONE: Chad Strawn**

The Board will be requested to go into Public Hearing to receive public comments regarding the proposed No Wake Zone located along Brices' Creek in the vicinity of Merchants Fueling Station and Boat Ramp.

The Public Hearing Notice was published in the *Sun Journal* on November 21, 2024 and a copy of the Resolution was made available for public viewing on the Craven County Website on November 21, 2024. Surrounding property owners were also given a hand-delivered notice, and the notice was posted at Merchants Convenience Store on November 20, 2024.

A copy of the public notice is attached.

**Board Action: Receive information.**

**NOTICE OF PUBLIC HEARING OF THE  
CRAVEN COUNTY BOARD OF COMMISSIONERS REGARDING  
A PROPOSED NO WAKE ZONE RESOLUTION**

NOTICE is hereby given that the Craven County Board of Commissioners will consider a resolution requesting rulemaking for the proposed No Wake Zone along Brices' Creek in the vicinity of Merchants Fueling Station and Boat Ramp. The meeting will be held on Monday, December 2, 2024, at 6:00 P.M, (or as soon thereafter as the matter can be reached) in the Commissioners' Room in the Craven County Administration Building, which is located at 406 Craven Street, New Bern, NC 28562.

The North Carolina Wildlife Resources Commission completed an assessment and found the proposed No Wake Zone is necessary to ensure the safety of the recreating public in the area.

Copies of the Resolution are available for public review Monday-Friday from 8 a.m. to 5 p.m. at the Craven County Planning Department, 2828 Neuse Boulevard, New Bern, NC or online at <https://www.cravencountync.gov/>.

Abigail G. Wilson, Clerk,  
Craven County Board of Commissioners  
406 Craven Street, New Bern, NC 28560

Publication date: November 21st, 2024

**2. ABC BOARD PRESENTATION: Ken Morris III**

ABC Board Chairman, Ken Morris III, will provide an update on the 2023-2024 ABC operations, as well as presenting a check to Craven County.

**Board Action: Receive information.**

### **3. PETITIONS OF CITIZENS – AGENDA TOPICS**

Comments directly pertaining to items on the agenda of any regularly scheduled meeting of the Board shall be made during an agenda comment period occurring at the beginning of each regularly scheduled meeting. Comments during this period shall be limited to those comments directly pertaining to items on the agenda for such meeting.

Each speaker must address the Board as a whole (and not any individual Commissioner, County staff member or the audience) from the lectern and shall begin his or her remarks by giving his or her name and address and the topic about which they intend to speak. Each speaker will have three (3) minutes to make remarks, as measured by a timer operated by County staff. A speaker may not yield any of his or her time to another speaker.

Speakers must be courteous in their language and presentation and must abide by generally accepted standards of decorum. Speakers shall not make the same or repetitive comments, whether during a particular comment period or over the course of multiple comment periods. Speakers shall not attack or insult any person or group of people, and speakers shall not give belligerent or hostile comments during any comment period.

**Board Action: Receive information.**

#### **4. CONSENT AGENDA**

##### **A. Minutes of November 18, 2024 Regular Session**

The Board will be requested to approve the minutes of November 18, 2024 regular session, as attached in the following document.

##### **B. Tax Releases and Refunds**

The Board will be requested to approve the tax releases and refunds, as attached in the following document.

##### **C. Recreation: Craven County Community Foundation Grant – Budget Amendment**

The inclusive playground in the front of Creekside Park continues to be a popular attraction. Constructed in 2016, some of the equipment needs replacement. In FY2025, \$35,000 is budgeted to replace some of the heavily used pieces on the playground. Pieces to be replaced are the triangle bridge net, spider web net, wave climber slide and portions of the padded surfacing.

The Craven County Community Foundation has been a wonderful partner on numerous projects throughout the Craven County Parks system. This \$5,000 grant will allow for more pieces on the playground to be repaired or replaced. This work will be done in the Winter months when disruption on the playground will be minimal.

The Board will be requested to approve the attached budget amendment in the amount of \$5,000.00. Supporting documents are also provided.

##### **D. Recreation: Twin Rivers Little League Softball Donation – Budget Amendment**

Creekside Park hosts Twin Rivers Little League Softball during their Spring and Fall seasons. The league currently utilizes two fields and a single batting cage for girls ages 5-16. As the league continues to grow, an additional batting cage will allow more girls to utilize the facility during busy times. The league and Creekside will also host the district softball tournament in the Summer of 2025.

Twin Rivers Little League Softball has been a wonderful partner in their volunteer work on the fields and grounds. This \$5,000 donation will allow staff to purchase materials to construct an additional batting cage around the youth softball fields.

The Board will be requested to approve the attached budget amendment in the amount of \$5,000.00. Supporting documents are also provided.

**E. Recreation: International Paper Foundation Grant – Budget Amendment**

International Paper has been an excellent partner to West Craven Park through the years. Since 2019, the International Paper Foundation has awarded over \$20,000 in grants towards various projects at West Craven Park. These projects include playground equipment, exercise equipment and beach volleyball courts.

In FY 25 Recreation was allocated \$175,000 to construct 6 pickleball courts at West Craven Park. The Recreation and Parks Department then applied and received a grant from the International Paper Foundation for \$5,000. This grant funding will provide benches and picnic tables around the courts for spectators and participants.

The Board will be requested to approve the attached budget amendment in the amount of \$5,000.00.

**F. Military Service Person of the Quarter Resolution**

The Board will be requested to adopt the attached Resolution Recognizing Lance Corporal Christopher R. Golding as Military Service Person of the Quarter.

A luncheon will be held in his honor on Thursday, December 12, 2024 where he will be presented with this resolution.

**Board Action: A roll call vote is needed to approve the consent agenda items.**

1 THE BOARD OF COMMISSIONERS OF THE COUNTY OF CRAVEN MET IN  
2 REGULAR SESSION IN THE COMMISSIONERS' ROOM OF THE CRAVEN  
3 COUNTY ADMINISTRATION BUILDING, 406 CRAVEN STREET, NEW BERN,  
4 NORTH CAROLINA, ON MONDAY, NOVEMBER 18, 2024. THE MEETING  
5 CONVENED AT 8:30 AM.

6  
7 MEMBERS PRESENT:

- 8 Chairman Jason R. Jones
- 9 Vice-Chairman Denny Bucher
- 10 Commissioner Chadwick Howard
- 11 Commissioner Sherry Hunt
- 12 Commissioner Thomas F. Mark
- 13 Commissioner E. T. Mitchell
- 14 Commissioner Beatrice R. Smith

15  
16 STAFF PRESENT:

- 17 Jack B. Veit, III, County Manager
- 18 Gene Hodges, Assistant County Manager
- 19 Craig Warren, Finance Director
- 20 Amber Parker, Human Resources Director
- 21 Shane Digan, Assistant to the County Manager
- 22 Arey Grady, County Attorney
- 23 Abigail G. Wilson, Clerk to the Board

24  
25 County Attorney, Arey Grady, recited the following invocation, followed by the Pledge of  
26 Allegiance.

27  
28 *Father God in heaven, we pray to You today on behalf of our County*  
29 *Commissioners and for the citizens they represent. We pray that You grant*  
30 *them a spirit of wisdom, insight and cooperation. We pray that You help them*  
31 *to serve this County in its best interests. We pray that we learn to love one*  
32 *another as citizens so that we might have peace and justice tempered with*  
33 *mercy. Thank You for the freedom that we have in this Nation and in this*  
34 *County. We thank You for those who defend our country and our freedom. We*  
35 *thank You for the protection and provision You have placed over us as Your*  
36 *blessings. May Your will be done as we seek to follow Your example in humble*  
37 *imitation. In Jesus' name we pray. Amen.*

38  
39 *Based upon the invocation given by Reverend Lyle W. Lipps at the 05/16/2000*  
40 *session of the US House of Representatives.*

41  
42 Commissioner Mark motioned to approve the agenda, as presented, seconded by  
43 Commissioner Mitchell and unanimously approved.

**CHAIRMAN'S PRIVILEGE**

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Chairman Jones took the opportunity under Chairman's Privilege to update citizens on recent events surrounding the relationship between Craven County and CarolinaEast Health System and read aloud the following statement and requested that it be entered into record.

*I am pleased to inform our citizens that the County and the hospital have finalized and signed a new lease for the hospital campus. As a matter of history, for several decades prior to 1988, the hospital was operated by Craven County. It was during these many decades that the taxpayers of this community provided the funds necessary to build and develop much of the hospital campus that is used by CarolinaEast today. In 1988 Craven County created under North Carolina law a hospital authority that is now known as the CarolinaEast Health System. The hospital authority was created to provide a more modern management structure for what had been known as the Craven County Hospital. The County leased the then-existing modern, 300 hundred-plus bed hospital to the authority, for \$1 per year. Craven County and its taxpayers also agreed that the County would commit any funds it derived from its hospital property to bond payments owed by the Hospital Authority, should the hospital fail. Thankfully that did not come to pass. That lease was set to expire in October of this year. In addition, in the early 1990s, the County began paying debt the hospital incurred through a bond issue. The citizens of Craven County essentially gave a modern, fully functioning hospital to the hospital authority and took the further step of paying the hospital's debt for some years. The citizens of Craven County entrusted their hospital and their health care to the new hospital authority, with the expectation that the hospital would always serve the interests of all citizens of Craven County and surrounding areas.*

*Over the years, the hospital fulfilled its obligations to the citizens of Craven County by not only providing excellent health care but also by providing various forms of community support. The hospital has financially supported various non-profit organizations which address public health and similar health-related issues. The hospital has also been active in financially supporting community economic development efforts, MCAS Cherry Point and our military community. According to information provided by the hospital to the County over the summer, the value of this community support is around 1 million dollars per year. I know I speak for this Board and all the citizens of Craven County in expressing gratitude for the hospital's efforts to support various causes important to our community.*

*Importantly, the hospital for many years has also provided EMS service to the City of New Bern and adjacent areas, at no cost to Craven County. The County greatly appreciates this service as without it the County would be required by law to provide EMS service, at great expense to the County's taxpayers.*

*The new lease can last up to 20 years, thereby securing the hospital's current operations and its very important role in our community for quite some time. The lease also provides for a payment from the hospital to the County of \$450,000 per year. This amount was settled upon after extensive negotiations between the County and the hospital and represents a very small amount when compared to the fair market rental value that the County could get for the property, which would cost the hospital millions of dollars per year if the county was not willing to take such a substantial discount. Furthermore, the use of the amounts paid by the hospital to the County is restricted to public health and mental health/substance abuse treatment purposes and to offset the County's costs associated with medical services provided to inmates in the Craven County jail. Although any amount paid by the hospital to the County would ultimately benefit the citizens of Craven County and thereby the hospital indirectly, the support of mental health and substance abuse treatment services in particular will directly benefit the hospital as increased and better care for these conditions will divert those in crisis from the hospital's ER, which is oftentimes the most expensive*

93 *medical care and is frequently medical care for which the hospital is never paid due to the circumstances*  
94 *of those in crisis.*

95 *Perhaps most importantly, the hospital has graciously agreed in the new lease to continue providing EMS*  
96 *services to the City of New Bern and adjacent areas. This is a wonderful and meaningful contribution by*  
97 *the hospital to the well-being of many of our citizens. Again, the County is deeply appreciative of the*  
98 *hospital's agreement to keep its EMS services in place for the foreseeable future.*

99 *It is also important to make clear that the hospital's obligations under the new lease represent in many ways*  
100 *the formalization of various benefits the hospital has provided over the years. For instance, the hospital*  
101 *has in some years provided \$100,000 to the County to assist the County in providing mental health and*  
102 *substance abuse treatment services. Likewise, for many years the hospital has provided assistance to the*  
103 *County to offset the County's cost of medical care required by law to be provided by the County to jail*  
104 *inmates. The hospital has also provided over the years funding to support the County's public health work.*  
105 *Finally, the hospital has provided EMS services for decades. From the County's perspective, formalizing*  
106 *some of the hospital's historical contributions to the County and its citizens will confirm the formal*  
107 *relationship of the parties and remove uncertainty and the possibility for conflict in the future, particularly*  
108 *between future boards and future management teams. The public should not consider the financial*  
109 *consideration required under the new lease to be a completely new obligation of the hospital; rather, that*  
110 *consideration represents the formalization in part of many financial benefits the hospital has provided for*  
111 *many years.*

112 *The new lease has also allowed the hospital to avoid a potential financial disaster. In 2022, the hospital*  
113 *borrowed 52 million dollars, through the issuance of a bond, which essentially constitutes a loan by a bank*  
114 *to the hospital. A condition of this bond was that the hospital provide the lender a new lease with the County*  
115 *(or a lease extension) no later than December 31, 2023; otherwise the lender would be able to demand*  
116 *immediate repayment of the bond amount in full. For some reason unknown to your Commissioners, that*  
117 *deadline passed without any effort by the hospital to get a new lease in place. In fact, the County*  
118 *Commissioners did not know about the critical need for a new lease until September of this year, just before*  
119 *the expiration of the old lease. It was only in September that the hospital informed the County that the*  
120 *hospital was technically in violation of its bond terms and a new lease was absolutely and immediately*  
121 *necessary to avoid repaying the loan balance of 50 million dollars. As communicated by one hospital*  
122 *representative, the unplanned repayment of 50 million dollars by the hospital would have resulted in*  
123 *significant cuts to medical services rendered to the citizens of Craven County. Fortunately, your County*  
124 *Commissioners worked with the hospital to extend the old lease several times in order to give the parties*  
125 *time to negotiate a new lease. Craven County was pleased to assist the hospital in resolving a potential*  
126 *financial default under the hospital's 2022 loan, so that existing health care services provided by the*  
127 *hospital could be maintained.*

128 *Unfortunately, and despite the County's efforts over the past several months to negotiate a new lease that*  
129 *meets the needs of the County, its citizens and the hospital, Craven County has been informed that some at*  
130 *the hospital may intend to use the terms of the new lease as an opportunity to stop or limit the hospital's*  
131 *support for the many community and charitable organizations the hospital has supported for many, many*  
132 *years. Apparently, it appears this action is intended as indirect "punishment" of the County for the terms*  
133 *of the new lease. Rather than use the new lease as an opportunity to renew and improve the relationship*  
134 *between the County and the hospital, apparently some at the hospital desire to live in the past, attempting*  
135 *to resurrect disputes, perceived slights and disagreements which should be relegated to history. If true, the*  
136 *hospital's removal or reduction of its \$1,000,000 in annual community support will have devastating*

137 *consequences for those organizations supporting public health, indigent care, MCAS Cherry Point and our*  
138 *military community.*

139 *From financial statements provided by the hospital to the County, for the hospital's most recent fiscal year*  
140 *the hospital received 1.7 **BILLION** dollars in revenue from its operations. After expenses, the hospital made*  
141 *46.5 **MILLION** dollars in profit during the same period. Moreover, as of June 30, 2024, the hospital's audit*  
142 *shows that the hospital has cash and investments on hand of 418 **MILLION** dollars. I ask our Clerk to*  
143 *enter into the minutes of this meeting the hospital's recent audit and the financial statements of the hospital,*  
144 *both of which support my statements on the hospital's financial condition. As we can all see, the hospital's*  
145 *financial support of various community organizations and causes, although important and greatly*  
146 *appreciated, represents a very small fraction of the hospital's revenues, profit and cash/investments on*  
147 *hand. Based upon the hospital's own financial statements and audit, there appears to be no legitimate*  
148 *financial reason for the hospital to punish community organizations in order to send some sort of message*  
149 *to this Board of Commissioners.*

150 *Despite the success between the County and the hospital in arriving at fair terms under the new lease, the*  
151 *potential financial crisis created by the inaction of the hospital's leadership cannot be repeated. Similarly,*  
152 *the risk to our community organizations posed by a full or partial defunding of the hospital's financial*  
153 *support cannot go unaddressed.*

154 *Accordingly, I call upon the hospital board to convene in special or emergency session and provide this*  
155 *Board of County Commissioners and the citizens of Craven County, no later than 500 pm this Thursday,*  
156 *November 21, a plan for investigating the internal failures that put the hospital at risk of being in default*  
157 *on a 50 million dollar debt. During that meeting, I also ask the hospital board to state whether the hospital*  
158 *intends to decrease or eliminate funding for the community causes and organizations I have mentioned this*  
159 *morning. If the hospital in fact intends to decrease or eliminate funding for these various community*  
160 *organizations, I further ask that the hospital identify the organizations or causes which will be impacted,*  
161 *by name and by amount. If the hospital board declines to take these actions as requested, I believe each*  
162 *and every hospital board member is very likely engaging in breach of duty and inefficiency, and quite*  
163 *possibly misconduct in office. Although I want the hospital board to address the matters I have identified*  
164 *this morning, those issues are of the utmost concern and importance to our citizens, and if the hospital*  
165 *board does not take immediate and meaningful action to address them, I will consider using each and every*  
166 *authority at my disposal to address these issues.*

167 *The citizens of Craven County must be assured that the management of the hospital is not neglecting its*  
168 *duties to efficiently and appropriately monitor and attend to the business of the hospital so that the*  
169 *institution is never again put at risk of a potential loan default of the magnitude at issue recently. Craven*  
170 *County and its citizens **MUST** be assured that the original decision to entrust the hospital and the region's*  
171 *healthcare in a hospital authority remains the right decision.*

172 *Likewise, I am disappointed for the citizens of Craven County and those organizations and efforts the*  
173 *hospital has historically supported that some at the hospital may choose to engage in petty politics and*  
174 *vindictiveness over a lease mutually agreed to by the hospital and the County after extensive negotiations.*  
175 *I do not believe anyone would knowingly choose to defund military support, or public health support, or*  
176 *indigent health care, or mental health and substance abuse care, particularly when there is no legitimate*  
177 *financial or other reason to do so. At the end of the day, the hospital and the County serve the citizens of*  
178 *Craven County; to disadvantage those heroic groups serving our military community and serving those in*  
179 *our community in need is in direct conflict with what should be our mutual goal of making the lives of the*  
180 *citizens of Craven County better.*

181 *In closing, I would like to make clear that Craven County is very proud of the health care provided to our*  
182 *citizens through the original Craven County Hospital, which then became Craven Regional Medical Center*  
183 *and is now known as CarolinaEast Medical Center. The hospital has always played an important role in*  
184 *improving the lives of our citizens, and Craven County looks forward to continuing this tradition. However,*  
185 *certain recent events must be addressed by the hospital's current board so that Craven County and its*  
186 *citizens can be assured that hospital affairs are being handled with the utmost competence and focus on the*  
187 *needs of our citizens.*

188 *To the employees of the hospital, I express my gratitude for the jobs you do every day. The hospital*  
189 *employs many wonderful, kind and skilled employees, many of whom put the best interests of their*  
190 *patients and community before their own. Craven County sees your daily efforts, and we are appreciative*  
191 *of them. Rest assured that Craven County supports you, unconditionally, and Craven County will do*  
192 *anything within its power to make sure you have the support and tools you need to continue providing the*  
193 *excellent health care you have provided for many, many years.*

194  
195 **(The Hospital Audit and Financial Statements are shown as an Addendum to the Minutes.)**

196  
197 After the Chairman gave his statement, a motion was made by Commissioner Bucher requesting  
198 the Board of Commissioner's support of the statement. His motion was seconded by  
199 Commissioner Hunt and approved unanimously.

200  
201 A citizen in the audience then requested to address the Board. Chairman Jones instructed that  
202 according to the Board of Commissioners' By Laws, Public Comment period is held at the first  
203 meeting of the month and that citizens are always welcome and invited to participate and address  
204 the Board. He stated that the next opportunity for Public Comment is the December 2<sup>nd</sup> Board  
205 Meeting at 6:00 PM. He also offered to speak with the citizen after the meeting has ended.

206  
207 Chairman Jones then requested a motion to support having a copy of his statement to be  
208 delivered to the CarolinaEast Hospital President and Hospital Board Chairman that day by Noon.  
209 A motion was made to that effect by Commissioner Howard. His motion was seconded by  
210 Commissioner Hunt and approved unanimously.

211  
212 **CRAVEN COUNTY BOARD OF EDUCATION REQUEST: OPPORTUNITY TO**  
213 **PURCHASE 902 AND 907 NORTH B STREET, BRIDGETON**

214  
215 Chief Officer of Systems and Operations, Stacey Lee, presented for the Board's review and  
216 consideration a resolution adopted by the Craven County Board of Education providing the  
217 Board of Commissioners with the opportunity to purchase the properties located at 902 and 907  
218 North B Street, Bridgeton. Mr. Lee reported that in October 2024, the Board of Education  
219 determined this property to be surplus property and has been appraised at fair market value. Mr.  
220 Lee requested that upon the County's decision to accept or decline the offer to purchase that a  
221 letter should be provided to the Board of Education indicating the Board's decision. Mr. Lee also  
222 provided for the Board's review a Real Estate Appraisal Report on the properties presented.

223  
224 Commissioner Mark made a motion to deny the purchase of properties, as presented. His motion  
225 was seconded by Commissioner Smith and approved unanimously.

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## HOPE MISSION PRESENTATION

228  
229  
230 Executive Director of Hope Mission, Pastor McLendon, expressed his thanks for the opportunity  
231 to serve Craven County through the Substance Use Jail Diversion program over the last four  
232 years. He continued with thanking the Sheriff's Office for the access and availability they  
233 provide weekly.

234  
235 Mr. McLendon introduced Mr. John Sotirkys, Recovery Services Director, who provided a  
236 packet of information to the Clerk for the Board's information, from which he updated on Hope  
237 Mission's Comprehensive Recovery Services, which includes the Residential Recovery Program  
238 Services, Individual Counseling, Group Therapy, Life Skills Development, Health & Wellness  
239 and Outreach Services-Fostering All Four Dimensions of Recovery, and the Peer Recovery  
240 program. He added that their Residential Recovery program is a faith-based program that is led  
241 by peer supports who are State certified. They currently have 10 treatment and transitional homes  
242 spanning from Havelock to Morehead City. During the six-month program, peer support and  
243 specialist work with clients to assist with the recovery process. Mr. Sotirkys further explained  
244 what that process looks like and provided the following data from the Hope Recovery Homes for  
245 Jail Diversion program, which overall translates in cost savings to Craven County:

- 246
- 247 • The average cost to house an inmate in Craven County Jail is approximately \$70/night; the  
248 cost to house a client at Hope Recovery Homes is \$35/night.
  - 249 • Hope Recovery Homes have housed 23 clients for a total of 2,261 nights at a cost of  
250 \$79,135 from July 1, 2024 through June 30 2024; the cost of housing the same number of  
251 inmates in Craven County Jail for the same time period would be \$158,270 and equate to a  
252 cost savings to Craven County of \$79,135.

253  
254 Mr. Sotirkys further reported that there are 16 clients currently enrolled from the Craven County  
255 Jail:

- 256 • 5 clients under the Craven contract
- 257 • 5 per the COSSAP contract
- 258 • 6 per the Opioid Settlement

259  
260 Of those individuals, two are in their first 90 days, 14 are in their second 90 days and four have  
261 successfully completed the program. Hope Mission has many local partners and explained that  
262 the local Community Colleges and the Craven/Pamlico Re-entry Council aid in client transition,  
263 such as housing and employment opportunities. Clients have the opportunity to receive their  
264 GED and other healthcare related services. He shared that statistics show that in the first six  
265 months, they see a higher success rate when the client stays involved in transitional housing.

266  
267 Mr. Sotirkys explained that the Peer Recovery Center offers community re-engagement,  
268 anti-stigma campaigns and educational programs at the Volt Center at Craven Community  
269 College, among others, to help with long-term employment opportunities. There is peer support  
270 in two prisons, navigators to help plan for recovery and long-term goals after completing the  
271 program. He added that there is no cost on the client to live in transition housing, nor for  
272 trainings offered. Currently, there are 237 classes available to clients, 509 outreach events held to  
273 date and 14 clients enrolled in associate programs at local Community Colleges.

274  
 275 Mr. Sotirkys concluded by addressing their plans to provide more services and bed expansion in  
 276 the future, and that graduation ceremonies are held the first Thursday of each month at the Peer  
 277 Recovery Center.

278  
 279 Commissioner Mark congratulated Hope Mission on the success of the program and their  
 280 continued efforts.

281  
 282 Commissioner Hunt expressed her support of Hope Mission and how nonprofits can successfully  
 283 meet the needs the community. She shared a personal testimony of a former graduate of the Hope  
 284 Mission program and explained how well she is doing because of the positive impacts the  
 285 program has had on her life. She thanked the previous Board for their support and encouraged  
 286 her fellow Board Members to continue in their effort.

287  
 288 Chairman Jones acknowledged Major McFadyen and Mr. Tyler Harris for their efforts and  
 289 support of the opioid crisis in the County.

290  
 291 **CONSENT AGENDA**

292  
 293 Commissioner Mark motioned to approve the Consent Agenda, inclusive of the Minutes of  
 294 November 4, 2024 Regular Session; Minutes of October 29, 2024 Reconvened Session; Minutes  
 295 of October 31, 2024 Reconvened Session; Tax Releases and Refunds  
 296 (**Credits = \$10,959.15; Refunds = \$81.13**); and Health – University of NC at Chapel Hill  
 297 (UNC-CH) Nurst Practitioner Residency Program – Budget Amendment. Commissioner Hunt  
 298 seconded the motion, which was approved 7-0 in a roll call vote.

299  
 300 ***Health/Adult Primary Care – Havelock***

301

302	REVENUES	AMOUNT	EXPENDITURES	AMOUNT
303				
304	1015102-33301	\$70,050.00	1015102-41002	\$7,500.00
305	State Grant		Full-time Salaries	
306	1015102-34105	\$ (8,000.00)		
307	1 <sup>st</sup> Party Revenues			
308	1015102-34204	\$ (8,000.00)		
309	3 <sup>rd</sup> Party Revenues			
310	1015102-34702	\$ (46,550.00)		
311	Medicaid Revenues			
312				
313	TOTAL	\$7,500.00	TOTAL	\$7,500.00

314  
 315 **Justification:** The Craven County Health Department (CCHD) has engaged with the University  
 316 of North Carolina at Chapel Hill (UNC-CH) School of Nursing to mentor a newly graduated  
 317 Primary Care Nurse Practitioner in a rural community-based setting through a focused 12-month  
 318 Nurse Practitioner Residency program. CCHD hired Kerry Burden (Position#: 11048) on 8/7/24  
 319 through the UNC-CH program. Per the agreement with UNC-CH, CCHD will be reimbursed up

320 to 50% of Ms. Burden's salary and benefits and include a stipend for the preceptor/mentor,  
 321 Beverly "Dawn" McCabe. The total will not exceed \$70,050. The position is currently in the  
 322 FY25 budget; therefore, the funds awarded from UNC-CH will offset/reduce a portion of 1st  
 323 Party, 3rd Party and Medicaid budgeted revenues. The only funds requested are to pay the  
 324 stipend to Ms. McCabe, which was not originally in the FY25 budget.

325  
 326 **DEPARTMENTAL MATTERS: HEALTH**

327  
 328 *New Fees and Existing Fee Modifications*

329  
 330 Health Director, Scott Harrelson, presented for the Board’s consideration and approval three new  
 331 procedure fees for Respiratory Syncytial Virus (RSV), one new fee that is for a contract with  
 332 LabCorp to test patient’s kidney health to test albumin and creatinine levels to be effective  
 333 November 1, 2024. He noted that the LabCorp test is \$10.80, which is less expensive than in-  
 334 house testing. Additionally, he requested one existing fee modification, to charge for COVID-19  
 335 testing.

336 He noted that this test was previously free of charge during the pandemic, but now a fee needs to  
 337 be established for the tests and the fee to be retroactive to March 1, 2024, to capture any potential  
 338 loss of revenues, and that the COVID-19 test fee is reimbursable.

339  
 340 Commissioner Mark motioned to approve the new and existing fee modifications. Commissioner  
 341 Hunt seconded and approved unanimously.

342  
 343 *Retail Program Standards Coordinator Position Grant*

344  
 345 Mr. Harrelson welcomed Environmental Health Director, John Stucky, and Environmental  
 346 Health Supervisor, Margareta Slagle to present the Retail Program Standards Coordinator  
 347 Position Grant.

348  
 349 Mr. Stucky introduced Ms. Margareta Slagle who proceeded with requesting approval to apply  
 350 for a highly competitive FDA grant to fund a Retail Program Standards Coordinator Position  
 351 over the next three years. As the visual presentation was being made available on screen, Mr. Veit  
 352 took a moment and updated the Board on the Animal Shelter’s highly successful pet adoption  
 353 clinic recently held. There were 62 animals adopted, among dogs and cats. He added that it was a  
 354 huge endeavor and a job well done. They are looking at new events for adoptions with hopes the  
 355 success will continue.

356  
 357 At that time, Ms. Slagle proceeded with her presentation, which included information on the  
 358 following topics:

- 359  
 360 • CY 2025 Grant Program Goals  
 361 • Grant Main Focus  
 362 • Required Outcomes  
 363 • Mentorship Options  
 364 • Training Options  
 365 • Capacity Building Options

366  
367 Ms. Slagle addressed that the position is crucial for advancing the County's mission to promote  
368 public health and environmental safety in the community. Their team has made significant strides  
369 in organizational goals and the Department has successfully completed Self-Assessment Period 3  
370 for all nine standards, as well as the Comprehensive Strategic Improvement Plan. She relayed the  
371 department has achieved compliance with Standards 1 through 8 and are on track to submit  
372 Standard 9 by late December 2024 to early January 2025. The proposed Grant Funded RPS  
373 Coordinator position will focus on capacity building and working towards bridging the gaps that  
374 were identified in the most recent risk factor study, developing health education programs, and  
375 community outreach. She expressed that this role will not only enhance the capacity to respond  
376 to environmental health concerns but also ensure compliance with state and federal regulations,  
377 ultimately safeguarding the well-being of the community.

378 Ms. Slagle made correction to the Available Funding slide, that the Development Base Grant  
379 total of \$30,000.00, as listed in the breakdown, was not shown in the overall total of  
380 \$361,500.00. The overall total is \$391,950.00.

381  
382 Commissioner Mark requested that due to the large amount of money the request entails, the  
383 Board should receive progress updates each year to determine funding.

384  
385 Ms. Slagle continued by responding to Commissioner Howard, stating that as the individual in  
386 this role receives required training, they can provide inspections, as well as participate in  
387 educational visits with food establishments. Commissioner Howard further expressed that is our  
388 responsibility to ensure that we provide a safe environment to citizens when eating in food  
389 establishments.

390  
391 Ms. Slagle stated in response to Commissioner Mitchell's interest in participating in established  
392 training programs in North Carolina, as opposed to costly conferences and travel, that there are  
393 training hour requirements that must be met annually, which are covered under the Department  
394 budget. The grant provides opportunities for attending conferences on the national level that  
395 would also allow for networking opportunities. Ms. Slagle also clarified that there is no county  
396 match requirement.

397  
398 Ms. Slagle further addressed for Commissioner Hunt that by meeting Standard 9 will help bring  
399 small business to an even playing field with corporate level businesses by providing materials,  
400 such as operating procedures, to help fill gaps.

401  
402 Upon Commissioner Bucher expressing his gratitude and thanks for what Ms. Slagle and the  
403 Department does for the businesses and citizens of the County, and that at the conclusion of the  
404 grant period, that the position either terminates, or if it needed to continue, that renewed grant  
405 funds are made available to continue supporting the position so that it's not absorbed by the  
406 County.

407  
408 A motion was made by Commissioner Mitchell to approve the application for a \$300,000.00  
409 grant to fund the Retail Program Standards Coordinator Position. Her motion was seconded by  
410 Commissioner Hunt and approved unanimously.

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**DEPARTMENTAL MATTERS: WATER  
METER DATA SUPPORT SPECIALIST POSITION: BUDGET AMENDMENT AND  
CB-3**

Water Superintendent, Dail Booth, reported that as of this morning, approximately 3,500 new meters had been installed underground and are transmitting data, which completes the first two phases of the Automated Metering Infrastructure (AMI) installation project in the James City and Brices’ Creek area. Mr. Booth added that now that the Department can read meters remotely and with the new AMI system, there is an increased amount of data and reports available to monitor and maintain, which has created the need for a dedicated role and requested for the Board’s consideration to approve the Meter Data Support Specialist Position. He added that reports will be endless, and the requested new position would be responsible for notifying citizens and regulatory agencies of pertinent data, as well as serving as back up to office staff, as needed.

Mr. Booth addressed the Commissioners’ questions, stating that there are currently three meter reader staff servicing 15,000 meters monthly. The fourth position would be responsible for monitoring and reporting from the new system. The three meter readers would be repurposed in their role for tasks such as troubleshooting meters. He added that with the new system, it takes a four-person team at minimum to do the necessary data collection. Mr. Booth addressed how the reporting system will work, that the new position would contact residents of apparent water issues reported by the system. In response to questions by the Board, Mr. Booth further addressed that at this time, the County is not covering the cost for replacement pucks.

Chairman Jones called upon Finance Officer Craig Warren and made a point of clarification that while this item was not budgeted, it will be supported by revenues received from the Water Department

A motion was made by Commissioner Mark to approve the requested Meter Data Support Specialist Position and the following budget amendment of \$35,763.00. His motion was seconded by Commissioner Mitchell and carried in a 7-0 roll call vote.

***Water Department***

<b>REVENUES</b>	<b>AMOUNT</b>	<b>EXPENDITURES</b>	<b>AMOUNT</b>
6000000-39901	\$35,763.00	6007010-41002	\$22,472.00
Current Year Fund Balance		Full-time Salaries	
		6007010-41101	\$ 1,720.00
		FICA	
		6007010-41102	\$ 3,066.00
		NC Retirement	
		6007010-41104	\$ 77.00
		Workers Comp	
		6007010-41016	\$ 6,760.00
		Health Insurance	

457			6007010-41107	\$ 504.00
458			Dental Insurance	
459			6007010-41108	\$ 16.00
460			Life Insurance	
461			6007010-41019	\$ 24.00
462			Disability Insurance	
463			6007010-41103	\$ 1,124.00
464				
465	TOTAL	\$35,763.00	TOTAL	\$35,763.00

*NCDOT Right-of-Way Acquisitions for Project R-5777C along US Hwy 70 West*

469 County Engineer, Dwayne Alligood, reported that the North Carolina Department of  
 470 Transportation (NCDOT) project R-2577C upgrades US 70 to freeway standards from the  
 471 Havelock Bypass to east of Thurman Road. He stated five parcels, which are currently a part of  
 472 the Craven County Water System, are affected by the project. The impacts include acquisition of  
 473 temporary construction easements, permanent easements, rights of way, and site improvements  
 474 such as fencing. The parcels are well sites and a pumping station.

475 He relayed that NCDOT has proposed a total offer of \$46,050.00 for these easements and related  
 476 improvements.

477  
 478 Mr. Alligood displayed maps of the five parcels and noted the offer amount for each, which totals  
 479 \$46,050.00, as follows:

Site	Water System Asset	Offer Amount
1	Well – Stately Pines No. 2	\$825.00
2	Well – Stately Pines No. 3	\$8,025.00
3	Well – Flanners Beach No. 4	\$9,975.00
4	Well – Flanner Beach No. 3	\$15,125.00
5	Pump Station – River Bluffs	\$12,100.00

481  
 482 Mr. Alligood requested the Board to accept the offers and authorize the County Manager to  
 483 execute.

484  
 485 Commissioner Mitchell made a motion to approve the NCDOT offers for parcels and authorize  
 486 the County Manage to execute necessary agreements. Her motion was seconded by  
 487 Commissioner Mark and approved unanimously.

488  
 489 Chairman Jones thanked him for his service and announced a five-minute recess.

490  
 491 The meeting reconvened at 10:01 AM and Chairman Jones welcomed Information Technology  
 492 Director, Steve Bennett.

493  
 494  
 495

**DEPARTMENTAL MATTERS: INFORMATION TECHNOLOGY  
 ADDITIONAL FUNDING FOR TYLER ENTERPRISE RESOURCE PLANNING (ERP)  
 PROJECT: BUDGET AMENDMENT**

Mr. Bennett presented for the Board’s consideration to approve a budget amendment for additional funding for the Tyler ERP Project and Project Ordinance amendment. Mr. Bennett provided a history of the project which dates back to 2017. He reported that the cost increase is due to changes from project growth, which paused the Planning and Inspections project due to the effects of Hurricane Florence. Mr. Bennett requested approval of additional funds to finalize the project. He clarified that this would help where all inspections are currently taking place in Craven County and that the additional cost is estimated at \$84,000.00.

Commissioner Mitchell made a motion to approve the following budget amendment in the amount of \$168,166.00 and Project Ordinance amendment. Her motion was seconded by Commissioner Smith and approved unanimously in a 7-0 roll call vote.

***ERP Software RPL Phase I (4150)***

<b>REVENUES</b>	<b>AMOUNT</b>	<b>EXPENDITURES</b>	<b>AMOUNT</b>
4000000-39901 Fund Balance Current Year	\$73,949.00	4004150-49793 Transfers to Project	\$73,949.00
4130000-39802 Transfers from Capital Reserve	\$73,949.00	4134150-44000 Contract Services	\$46,998.00
		4134150-47301 Capital Outlay Over \$5,000	\$11,951.00
		4134150-44159	\$15,00000
6000000-39901 Fund Balance Current Year	\$10,134.00	60007010-49793 Transfer to Projects	\$10,134.00
4130000-39805 Transfer from Water	\$10,134.00	4134150-44000 Contract Services	\$ 3,734.00
		4134150-47301 Capital Outlay Over \$5,000	\$ 6,400.00
<b>TOTAL</b>	<b>\$168,166.00</b>	<b>TOTAL</b>	<b>\$168,166.00</b>

**ERP Software Replacement Project  
 Fund 413  
 Update 2**

This ordinance is hereby approved in the following amount for expenditure in the ERP Software Replacement Project.

542	<i>Phase I Expenditures: (Financials, Payroll, Permitting, Utilities)</i>		
543	Software Implementation Services	\$	1,199,309
544	Computer Equipment and Hardware	\$	119,637
545	Contingency	\$	77,494
546			
547	<i>Phase II Expenditures: (Tax Software)</i>		
548	Software and Implementation Services	\$	497,600
549	Computer Equipment and Hardware	\$	127,132
550	Contingency	\$	35,000
551			
552	TOTAL	\$	2,056,172

553  
554 The following revenues are hereby estimated for the ERP Software Replacement Project

555	<i>Revenues:</i>		
556			
557	From Capital Reserve Fund	\$	1,592,816
558	From Water Reserve	\$	193,356
559	From General Fund	\$	270,000
560			
561	TOTAL	\$	2,056,172

562  
563 **DEPARTMENTAL MATTERS: HUMAN RESOURCES**  
564 **REQUEST FOR PERSONNEL RESOLUTION AMENDMENT: RECRUITMENT AND**  
565 **RETENTION BONUS**  
566

567 Human Resources Director, Amber Parker, stated that in 2021, the Craven County Board of  
568 Commissioners adopted a Recruitment and Retention Bonus policy to attract and retain skilled  
569 employees in hard-to-fill positions. The policy established employees hired in eligible positions  
570 will receive a recruitment bonus payment after successfully completing their probationary  
571 period, or six months of employment, and a retention bonus payment after successfully  
572 completing one year of employment.

573  
574 She highlighted the policy set bonus rates for each of the two payments at \$750.00 for eligible  
575 full-time positions and \$250.00 for eligible part-time positions equating to an overall recruitment  
576 and retention bonus of \$1,500.00 for eligible full-time positions and \$500.00 for eligible part-  
577 time positions.

578  
579 She indicated while recruitment and retention in some classifications has improved, there are  
580 some where we continue to see a high number of vacancies and turnover such as detention  
581 officers and part-time drivers.

582  
583 Ms. Parker requested an amendment to the Recruitment and Retention Bonus policy to establish  
584 a bonus payment range of up to \$1,500.00 for eligible full-time positions and up to \$500.00 for  
585 eligible part-time positions. This amendment would allow the County Manager to set the bonus  
586 rate within these limits based upon current recruitment and retention challenges.

587 Under the revised policy, eligible full-time positions could receive a total recruitment and  
588 retention bonus of up to \$3,000.00 while eligible part-time positions could receive up to  
589 \$1,000.00.

590  
591 Ms. Parker responded to questions and comments received from the Board. Mr. Veit clarified for  
592 Commissioner Howard that Craven County does not have a recruitment and retention problem.  
593 The retention issue is isolated to the two areas presented, detention officers and part-time drivers,  
594 which are unique and often challenging positions to keep. He added that the issue is not industry  
595 wide, and flexibility is needed in order to stay competitive with other entities who may be  
596 offering a higher bonus.

597  
598 Commissioner Mark motioned to approve the following Personnel Resolution Amendment of the  
599 Recruitment and Retention bonus, as requested. His motion was seconded by Commissioner  
600 Hunt and approved unanimously.

601  
602 Craven County, North Carolina Local Government Employees Personnel Resolution

603 Article IV. The Pay Plan, Section 18. Recruitment and Retention Bonus

604 The purpose of a recruitment and retention bonus is to attract and retain highly qualified  
605 employees in positions deemed hard to fill. A hard to fill position is a position identified as a  
606 recruitment challenge based upon factors including, but not limited to:

- 607 a) the number of similar vacant positions within Craven County, the local job market, or other  
608 comparable governmental agencies where competition exists for the same pool of  
609 qualified applicants,  
610 b) the length of the position vacancy,  
611 c) an urgent need to fill a vacancy, or  
612 d) the lack of receipt of qualified applications for the vacant position.

613 For the purpose of this policy, a "recruitment bonus" is a payment made in exchange for accepting  
614 an offer of employment to be paid out the pay period after the successful completion of an  
615 employee's probationary period. A "retention bonus" is a payment made in exchange for an  
616 employee's continued tenure of employment to be paid out the pay period following one year of  
617 continued employment.

618 The recruitment and retention bonus policy will be applied according to the following procedure:

- 619 a) Craven County may offer recruitment and retention bonuses to full-time or part-time  
620 positions deemed by the County Manager, or his designee, to be hard to fill.  
621 b) Hard to fill positions will be identified on an individual position basis.  
622 c) The application of a recruitment and retention bonus to a position vacancy must be  
623 requested by departments to Human Resources for each position to be considered.  
624 d) Each recruitment and retention bonus request must be approved by the County Manager  
625 and the bonus value will be set in accordance with established bonus value ranges.  
626 e) An employee is eligible to receive no more than one recruitment and one retention bonus  
627 from Craven County. This rule applies even if the employee transfers positions or

- 628 separates from employment and is later rehired into a position where a recruitment and  
 629 retention bonus is offered.
- 630 f) If an employee begins employment in one position or department and receives a  
 631 recruitment bonus and within their first year of employment transfers to another position  
 632 or department within Craven County they forfeit their retention bonus unless their transfer  
 633 to another position or department is considered to be within the same job family.
- 634 g) Bonus value ranges are:
- 635 1) Recruitment bonuses in an amount of up to \$1,500 for a full-time position and up to  
 636 \$500 for a part-time position will be paid to a newly hired employee in the pay period  
 637 after successful completion of the probationary period or after the completion of six  
 638 months of employment for employees not subject to a probationary period such as  
 639 part-time positions.
- 640 2) Retention bonuses in in an amount of up to \$1,500 for a full-time position and up to  
 641 \$500 for a part-time position will be paid in the pay period following completion of one  
 642 year of employment as long as the employee is currently employed in good standing  
 643 with Craven County.
- 644 h) Recruitment and retention bonus payments will be made through payroll and are subject  
 645 to all applicable taxes and deductions.

646 The recruitment and retention bonus policy is subject to the availability of funds.

647 **DEPARTMENTAL MATTERS: FINANCE**

648  
 649 *Craven Pamlico Regional Library: Budget Amendment*

650  
 651 County Finance Director, Craig Warren, reported that at the July 29, 2022 work session,  
 652 Commissioners approved \$165,000.00 from State Capital Infrastructure Grant funds (SCIF)  
 653 appropriated to the County in the FY22 State Budget to be set aside and made available for  
 654 Regional Library technology needs. The Board approved using these funds for operating  
 655 expenses related to technology and technology-related capital upgrades. He stated the Library  
 656 System has submitted an invoice requesting the release of these funds. Mr. Warren requested the  
 657 Board’s approval of a budget amendment to the amount of \$165,000.00.

658  
 659 Commissioner Howard motioned to approve the following budget amendment in the amount of  
 660 \$165,000.00, as requested, seconded by Commissioner Mitchell and approved 7-0 in a roll call  
 661 vote.

662  
 663 *New Bern Library*

664

665	REVENUES	AMOUNT	EXPENDITURES	AMOUNT
666				
667	1010000-39901	165,000.00	1015931-49660	\$165,000.00
668	Current Year Fund Balance		Special Approp – Libraries	
669				
670	TOTAL	\$165,000.00	TOTAL	\$165,000.00

671

672 *Compensatory Time Balance Pay-Out: Budget Amendment*

673  
674 Mr. Warren presented before the Board that increased workloads, position vacancies, and  
675 assisting with Hurricane Helene response efforts in western North Carolina have increased  
676 compensatory time (comp time) balances across multiple departments, especially in the Sheriff's  
677 Office, Jail, and Social Services. He stated comp time balances have risen to a level where  
678 Management feels it is in its best interest to liquidate this liability, which could grow over time  
679 and hinder department operations if employees were to take time off. He noted as of October 29,  
680 2024 pay date, the total liability for comp time, including benefits, is \$388,292. Management  
681 requests approval of a budget amendment, provided below, to pay this time earned by employees  
682 on November 26, 2024 pay date.

683  
684 Mr. Warren requested the Board's approval of a budget amendment in the amount of  
685 \$388,292.00.

686  
687 In response to Commissioner Howard's inquiry on the reimbursement of funds, Mr. Veit stated  
688 that once the paperwork is complete, the Board will be made aware of the amount and hopefully  
689 will be a full reimbursement from the State.

690  
691 Commissioner Smith motioned to approve the following budget amendment, as requested, in the  
692 amount of \$388,292.00. Her motion was seconded by Commissioner Mitchell and carried in a  
693 7-0 roll call vote.

694  
695 ***Non-Departmental***

696	697	698	699	700	701
	REVENUES	AMOUNT	EXPENDITURES	AMOUNT	
698	1010000-39901	\$388,292.00	1014290-41108	\$388,292.00	
699	Current Year Fund Balance		Employee Incentive/OT		
700	TOTAL	\$388,292.00	TOTAL	\$388,292.00	

702  
703  
704 **DEPARTMENTAL MATTERS: ADMINISTRATION**  
705 **COMPLETING ACCESS TO BROADBAND (CAP) 2.0 SUPPLEMENTAL FUNDING**  
706

707 Assistant to the County Manager, Shane Digan, reported that the State informed counties in late  
708 August 2024 that county-match requirements for Completing Access to Broadband (CAB)  
709 projects would be covered by the "Stop-Gap Solutions Program." Under this program, the State  
710 was prepared to commit \$500,000 to CAB projects in Craven County, along with \$500,000  
711 through the Stop-Gap Program for the County match. Coupled with a provider match of roughly  
712 \$429,000 this results in a total program expenditure of \$1.428 million.

713 He stated as service providers prepared to submit proposals to the State, the County was  
714 contacted by a local firm to discuss needs related to broadband availability. The County provided  
715 this firm with areas of interest beyond what they were proposing - areas throughout mostly rural  
716 areas in Craven County.

717  
718 He relayed that in order to meet the request for additional coverage areas, the firm informed the  
719 County that it would need to commit an extra \$300,000 above the \$500,000 provided through the  
720 Stop-Gap program. This additional funding will bring Craven County closer to complete  
721 broadband coverage and will help ensure some of the most rural areas of the County have access  
722 to this service. The additional funding will be leveraged with an increased state and provider  
723 match, bringing the total program expenditure to \$2.28 million to expand broadband access in  
724 Craven County.

725  
726 He informed the Board that House Bill 10 of the NC General Assembly, adopted in September  
727 2024, removes the County match requirement completely. However, this has been vetoed by the  
728 Governor but is slated for a potential override vote on November 19. If this veto is overridden,  
729 an additional \$300,000 would not be required and the total project cost would increase to \$2.85 -  
730 \$3.57 million.

731  
732 Mr. Digan indicated that action is needed now; however, project scopes of work are to be  
733 released in the week of November 19.

734  
735 Mr. Digan displayed maps showing the areas of interest that currently do not have Broadband  
736 service, to include the following:

- 737
- 738 • Bear Hole Road
  - 739 • Honolulu Road
  - 740 • Joyner Drive
  - 741 • Mile Road
  - 742 • NC Hwy 43
  - 743 • New Liberty Road
  - 744 • State Camp Road
  - 745 • Chris Road
- 746

747 Mr. Veit referenced the Proposed Build map and stated that since 2021, the coverage of  
748 Broadband service in Craven County has greatly increased and represents 96% coverage. Mr.  
749 Digan added that the County is close to having 100% coverage at potentially no cost.

750  
751 Chairman Jones shared personal comments on the struggle the western part of the county had  
752 during covid with not having access to broadband and how great this would be for the County.  
753 Commissioner Smith thanked Commissioner Hunt for vocalizing her support for the Harlowe  
754 area to receive service.

755  
756 A motion was made by Commissioner Mark to authorize the County Manager to commit up to  
757 \$300,000.00 to the State of North Carolina and to execute any necessary agreements. His motion  
758 was seconded by Commissioner Hunt and carried unanimously.

759  
760  
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762

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**APPOINTMENTS**

763

764

765 *Pending*

766

767 Chairman Jones reviewed the following pending appointments:

768

769 ➤ Community Child Protection Team (Law Enforcement)

770 ➤ Craven Aging Planning Board

771 ➤ Craven County Clean Sweep Committee

772 ➤ Craven County Planning Board (District 1)

773 ➤ Emergency Medical Services (Medical Society Member)

774 ➤ Highway 70 Corridor Committee

775 ➤ Juvenile Crime Prevention Council

776 ➤ Vanceboro/Craven County Library

777 ➤ Volunteer Agricultural District (District 1 and 6)

778

779 *Current*

780

781 *Coastal Regional Solid Waste Management Authority (CRSWMA)*

782

783 Commissioner Mark nominated Steven Aster for appointment. There being no additional  
784 nominations, Mr. Aster was appointed by acclamation.

785

786 *Craven County Health Board*

787

788 Commissioner Bucher nominated Julia Sheffield for appointment. There being no additional  
789 nominations, Dr. Sheffield was appointed by acclamation.

790

791 *Craven/Pamlico Regional Library Board*

792

793 Chairman Jones nominated E.T. Mitchell for reappointment. Commissioner Mark nominated  
794 Denise Smith for reappointment. There being no additional nominations, Mrs. Mitchell and Ms.  
795 Smith were reappointed by acclamation.

796

797 *Craven County Planning Board*

798

799 Commissioner Mark nominated Curt Stegemann for reappointment. There being no additional  
800 nominations, Mr. Stegemann was reappointed by acclamation.

801

802 *Craven County Recreation Advisory Board*

803

804 Commissioner Bucher nominated Carolyn Squires for reappointment. There being no additional  
805 nominations, Ms. Squires was reappointed by acclamation.

806

807

808 *Fireman's Relief Fund Board of Trustees*

809  
810 Commissioner Mitchell nominated Justin Goodrich for appointment. There being no additional  
811 nominations, Mr. Goodrich was appointed by acclamation.

812  
813 *Fire Tax Commissioners*

814  
815 Commissioner Mitchell nominated Justin Goodrich for appointment. There being no additional  
816 nominations, Mr. Goodrich was appointed by acclamation.

817  
818 *River Bend Planning Board (ETJ)*

819  
820 Commissioner Mitchell nominated Bernard Bush for appointment. There being no additional  
821 nominations, Mr. Bush was appointed by acclamation.

822  
823 *Upcoming*

824  
825 Chairman Jones reviewed upcoming appointments to boards and committees whose terms are  
826 due to expire.

827  
828 **COUNTY ATTORNEY'S REPORT**

829  
830 County Attorney, Arey Grady, had nothing to report.

831  
832 **COUNTY MANAGER'S REPORT**

833  
834 County Manager, Jack Veit, offered to the Board a walkthrough of the newly renovated New  
835 Bern Library directly after the meeting, noting that it's not an official opening, but just a brief  
836 look at their progress. He reported that he recently attended a CRSWMA meeting in Pamlico  
837 County where they passed a resolution to honor the late Mayor John Kirkland and his service  
838 since 2001. He expressed appreciation of the Board and its work and support of three  
839 municipalities and their efforts in dealing with the new transfer station in Newport. He indicated  
840 that money was put toward capital projects.

841  
842 **COMMISSIONERS' REPORTS**

843  
844 *Commissioner Howard* had nothing to report.

845  
846 *Commissioner Mitchell* had nothing to report.

847  
848 *Commissioner Mark* reported that the TDA has been showing a lot of improvement since the last  
849 couple of months and he believes it's due to the weather and the increase of visitors staying in  
850 hotels. He added that he thinks more hotels are needed in the area to help increase their earnings.

851  
852 *Commissioner Hunt* thanked the Board for their support of broadband expansion and that it  
853 means a lot to many people who deserve access to service. Mrs. Hunt also thanked election poll

854 workers at county voting sites – in Havelock who worked day and night with little to no relief  
855 providing their best efforts. She stated her intentions to work with Commissioner Howard on an  
856 after-action report to address a smooth process in the future for residents and workers.

857  
858 *Commissioner Smith* had nothing to report.

859  
860 *Commissioner Bucher* stated that the Board of Commissioners have approved funding for  
861 Realize U252 repeatedly. He expressed it's a good organization that supports the fight against  
862 substance abuse, one way through providing guest speakers. Mr. Tony Hoffman has been invited  
863 to address 8<sup>th</sup> grade students in Craven County. He noted that funds to pay him cannot be utilized  
864 by opioid funds as it is not measurable.

865  
866 Commissioner Bucher recommended and made a motion to approve \$6,200.00 to pay for Mr.  
867 Hoffman as guest speaker. Commissioner Mitchell seconded his motion. Prior to a final vote,  
868 County Attorney, Arey Grady, advised that due to Commissioner Howard's service on the R  
869 U252 Board that a motion would be needed to excuse him from the vote. A motion was made by  
870 Commissioner Mitchell to excuse Commissioner Howard from the meeting at 10:32 AM. Her  
871 motion was seconded by Commissioner Hunt.

872  
873 Commissioner Bucher restated the motion to award \$6,200.00 to R U252 for the purposes of  
874 funding the guest speaker. His motion was seconded by Commissioner Mitchell and approved  
875 unanimously in a 6-0 roll call vote.

876  
877 Commissioner Hunt expressed her support for the effort as she shared a personal testimony of a  
878 previous speech she heard by Mr. Hoffman and believes it to be a tremendous step in prevention.  
879 It was also recommended by Chairman Jones to add this item in appropriations at budget.  
880 Commissioner Bucher offered the Board to attend the speaking engagement for an extra measure  
881 of support.

882  
883 ***Special Appropriations***

884	885	886	887	888	889
	REVENUES	AMOUNT	EXPENDITURES	AMOUNT	
890	1010000-39901	\$6,200.00	1014111-49673	\$6,200.00	
	Current Year Fund Balance		Realize U 252		
891	TOTAL	\$6,200.00	TOTAL	\$6,200.00	

892 Prior to transitioning to Closed Session, Chairman Jones took a moment and thanked the County  
893 Citizens for allowing him to serve to the best of his ability and will stand for what is right in his  
894 service.

895  
896  
897  
898 **CLOSED SESSION**  
899

900 At 10:35 AM, Commissioner Mitchell motioned to enter Closed Session pursuant to NCGS 143-  
901 381.11 (a)(6) to address personnel matters. Her motion was seconded by Commissioner Mark  
902 and unanimously approved.

903  
904 At 10:50 AM, the Board of Commissioners returned to Regular Session. Chairman Jones stated  
905 that the Board desired to state action on the discussed matter. Vice-Chairman Bucher made a  
906 motion to approve the starting salary of the Register of Deeds at \$54,054.00. His motion was  
907 seconded by Commissioner Hunt and unanimously approved in a 7-0 roll call vote.

908  
909 Upon request by the Chairman, a motion was made by Commissioner Mitchell at 10:50 AM to  
910 adjourn for interested Board Members to attend the library walkthrough. Her motion was  
911 seconded by Commissioner Hunt and unanimously approved.

# **CarolinaEast Health System (a Component Unit of Craven County, North Carolina)**

**Independent Auditor's Report, Financial Statements,  
and Supplementary Information**

June 30, 2024 and 2023

CAROLINAEAST HEALTH SYSTEM

BOARD OF DIRECTORS

KEITH W. BENNERT, M.D.  
Chairman

KATHLEEN M. GALLMAN  
Vice-Chairman

W. LOUIS (LOU) CANNON  
Secretary

JEFFREY T. ODHAM  
Asst. Secretary

THOMAS A. BRAATEN  
Treasurer

J. STEVE TYSON

TAHIRA C. COPLAND

DENNIS BUCHER

THOMAS MARK

MARY BETH FENNELL

TERRY D. MORRIS

MICHAEL C. SMITH  
President/CEO

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## Independent Auditor's Report

Board of Directors  
CarolinaEast Health System  
New Bern, North Carolina

### ***Opinions***

We have audited the financial statements of the business-type activities and fiduciary activities of CarolinaEast Health System (the "System"), collectively a component unit of Craven County, North Carolina, as of June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, based on our audits and the report of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the System as June 30, 2024 and 2023, and the respective changes in financial position and where applicable its cash flows for the periods then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the CarolinaEast Medical Center Employee Benefit Trust fiduciary fund information, which statements reflect total assets of \$6,952,477 and \$6,814,789 as of December 31, 2023 and 2022 and increase (decrease) in net position of \$137,688 and (\$2,213,839), respectively, for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the CarolinaEast Medical Center Employee Benefit Trust, is based solely on the report of the other auditors.

### ***Basis for Opinions***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Other Postemployment Benefits Schedule of Funding Progress, Schedule of Employer Contributions, Schedule of Change in Total OPEB Asset (Liability) and Related Ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

**Forvis Mazars, LLP**

Norfolk, Virginia  
October 30, 2024

**CarolinaEast Health System  
Management's Discussion and Analysis (Unaudited)**

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Management's discussion and analysis ("MD&A") of CarolinaEast Health System's ("System") financial performance provides an overall review of the System's activities for the year ended June 30, 2024. The intent of this discussion and analysis is to look at the System's performance as a whole. The primary government is defined as CarolinaEast Health System and its blended component units. A review of the notes to the financial statements and financial statements will enhance an understanding of the System's performance.

***Financial Highlights***

- The assets of CarolinaEast Health System exceeded its liabilities at the close of the fiscal year by \$681,498,833 (net position).
- The System's total net position increased by \$46,587,876 during the year.
- Net investment in capital assets increased by \$11,441,310 and net investment in intangible assets decreased by \$155,055 at the end of the fiscal year.
- At the end of the current fiscal year, the unrestricted net position shows a balance of \$504,231,975, an increase of \$32,607,938.

**SUMMARY OF CAROLINA EAST HEALTH SYSTEM:**

CarolinaEast Health System is a premier multi-facility health care provider located in the heart of eastern North Carolina that provides comprehensive health care services to the people of Craven, Jones, Pamlico and surrounding counties. Previously known as Craven Regional Medical Authority, the System is comprised of two organizations, CarolinaEast Medical Center and CarolinaEast Physicians. The System is a health care provider that recognizes and accepts the responsibility for stewardship that comes with being a sole community provider. The System aims to fulfill this responsibility through a conscientious investment in human resources, technology, and the infrastructure necessary to provide high-quality health care services. The System has been able to fulfill this responsibility with superior performance and outcomes while exceeding its budgeted operating margins.

**USING THIS ANNUAL REPORT:**

The Annual Financial Report includes the financial statements and notes to the financial statements. In using the statements, please refer to Note 1 of the basic financial statements for additional information regarding the definition of the reporting entity and the blended component units. The financial statements report information about the System using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a balance sheet; a statement of revenues, expenses and changes in net position; a statement of cash flows; and notes to the financial statements.

***The Balance Sheet and The Statement of Revenues, Expenses, and Changes in Net Position:***

The balance sheet presents the financial position of the System on a full accrual basis. While the balance sheet provides information about the nature and amount of resources and obligations at year-end, the statement of revenues, expenses and changes in net position presents the results of the business activities over the course of the fiscal year and information as to how net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

***The Statement of Cash Flows:***

The statement of cash flows presents changes in cash and cash equivalents, resulting from operational, capital financing, non-capital financing and investing activities. This statement presents cash receipts and cash disbursements information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

***Fiduciary Funds:***

The System includes Fiduciary Fund financial statements to account for the employee benefit trust fund.

**Notes to the Financial Statements:**

The notes to the financial statements provide required disclosures and other information essential to a full understanding of the material data provided in the financial statements. The notes present information about the System's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any. The financial statements were prepared by the System's staff from the detailed books and records of the System.

**OPERATING RESULTS AND CHANGES IN THE SYSTEM'S NET POSITION:**

	Year Ended June 30,  2024	Year Ended June 30,  2023	Nine-Months Ended June 30, <u>As Adjusted</u> 2022
(In thousands)			
Operating revenues:			
Net patient service revenue	\$ 588,675	\$ 510,633	\$ 365,129
Other revenue	8,303	7,637	4,795
Total operating revenue	<u>596,978</u>	<u>518,270</u>	<u>369,924</u>
Operating expenses:			
Nursing and other professional services	448,937	421,577	287,633
General, administrative and support services	114,205	90,633	62,305
Depreciation and amortization	31,997	31,646	24,405
Interest	2,281	2,330	1,665
Total operating expenses	<u>597,420</u>	<u>546,186</u>	<u>376,008</u>
Operating loss	(442)	(27,916)	(6,084)
Nonoperating revenues (expenses):			
Unrestricted contributions	234	393	93
Investment income	9,436	8,905	6,576
Realized and unrealized gains (losses)	38,919	29,514	(55,418)
COVID-10 provider relief funds	-	270	8,112
Other nonoperating expense	(1,559)	(1,277)	(989)
Total nonoperating revenue (loss)	<u>47,030</u>	<u>37,805</u>	<u>(41,626)</u>
Change in net position	46,588	9,889	(47,710)
Net position beginning of year	634,911	625,022	672,732
Net position end of year	<u>\$ 681,499</u>	<u>\$ 634,911</u>	<u>\$ 625,022</u>

**Operating Income (Loss):**

Operating income (loss) reflects income (loss) earned from operations before consideration of any income (loss) from investments or other non-operating income (expense). For the fiscal year ended June 30, 2024, June 30, 2023, and the nine-month period ended June 30, 2022, the System reported operating losses. For the fiscal year ended June 30, 2024 and year ended June 30, 2023, operating losses were down \$27.5 million and operating income was up \$21.8 million. The primary components that comprise operating income (loss) for fiscal year ended June 30, 2024 and year ended June 30, 2023 and the changes in income as compared to the prior period are discussed below.

**CarolinaEast Health System  
Management's Discussion and Analysis (Unaudited)**

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Total operating revenue for the fiscal year ended June 30, 2024 increased \$78.7 million with a \$78 million increase in net patient service revenue and a \$666,029 increase in other revenue. The change in net patient service revenue was primarily the result of an increase in inpatient/outpatient revenue due to increased volumes. Additionally, Healthcare Access and Stabilization Program (HASP) dollars were received for fiscal year 2024. The System has seen adjustments for third party payers such as Medicare and Medicaid as a percentage of gross patient revenue, excluding bad debt and charity care adjustments, remain constant at 65.1% for the fiscal year ended June 30, 2024 and 65.2% for the fiscal year ended June 30, 2023.

Total operating revenue for the fiscal year ended June 30, 2023 increased \$148.3 million with a \$145.5 million increase in net patient service revenue and a \$2.8 million increase in other revenue. The change in net patient service revenue was primarily due to a shortened nine-month period which ended on June 30, 2022. The System has seen adjustments for third party payers such as Medicare and Medicaid as a percentage of gross patient revenue, excluding bad debt and charity care adjustments, increase to 65.2% for the fiscal year ended June 30, 2023 and 63.9% for the nine-month period ended June 30, 2022.

The System continues to see changes in patient mix with Medicare, Medicaid and self-pay comprising a higher percentage of the overall volume. As a result of such changes in patient mix, for the fiscal year ended June 30, 2024 and June 30, 2023, the System wrote off \$69.9 million and \$70.0 million in bad debt and charity care, respectively. One of the significant pressures facing the System and health care in general is the reduction in reimbursement from many of the payers and a corresponding shift to self-pay for healthcare bills. The System began writing off 40% for all new self-pay accounts in 2011. That amount totaled approximately \$22.9 million and \$24.8 million for the fiscal year ended June 30, 2024 and June 30, 2023, respectively.

For the fiscal year ended June 30, 2024, total operating expense increased approximately \$51.2 million from June 30, 2023. Salaries increased \$17.3 million due to merit increases, market adjustments, and fulfilling physician contractual obligations. Benefits increased \$7.3 million. Contract labor decreased \$1.3 million due efforts to increase our internal labor pool. Contracted services increased \$3.6 million due to an increase in costs associated with physician contracting. Other operating expenses increased \$8.4 million due to the increase in costs of drugs and medical supplies.

For the fiscal year ended June 30, 2023, total operating expense increased approximately \$170.1 million from the nine-month period ended June 30, 2022. The large variance is due to comparing a full fiscal year to a nine-month fiscal year. Salaries increased \$60.5 million due to merit increases, market adjustments, and fulfilling physician contractual obligations. Benefits increased \$10.7 million. Contract labor increased \$15.0 million due to staffing shortages. Contracted services increased \$7.7 million due to an increase in costs associated with physician contracting. Other operating expenses increased \$69.8 million due to the increase in costs of drugs and medical supplies.

***Non-Operating Revenues and Expenses:***

Non-operating revenues and expenses consist primarily of interest and dividend income as well as both realized and unrealized gains (losses) on investments. Investment income totaled \$48.3 million for the year ended June 30, 2024, which was an increase of approximately \$9.9 million from the period ended June 30, 2023. For the year ended June 30, 2024, unrealized gains on investments totaled approximately \$27.3 million, an increase of \$2.3 million from the period ended June 30, 2023. Realized gains on investments totaled approximately \$11.6 million, an increase of approximately \$8.3 million from 2023. Both are the result of significant market fluctuations during the year.

Investment income totaled \$8.9 million for the year ended June 30, 2023, which was an increase of approximately \$2.3 million from the nine-month period ended June 30, 2022. For the year ended June 30, 2023, unrealized gains on investments totaled approximately \$24.5 million, an increase of \$101.3 million from the nine-month period ended 2022. Realized gains on investments totaled approximately \$3.3 million, a decrease of approximately \$16.4 million from 2022. Both are the result of significant market fluctuations during the year.

**SUMMARY OF BALANCE SHEETS:**

	As of June 30,  2024	As of June 30,  2023	As of June 30, As Adjusted 2022
	(In thousands)		
<b>ASSETS AND DEFERRED OUTFLOWS</b>			
Current assets	\$ 238,543	\$ 198,064	\$ 172,204
Assets limited as to use	318,836	322,300	339,272
Other assets	26,073	31,861	23,044
Deferred outflows	1,288	1,940	917
Capital assets, tangible net	224,198	212,757	216,062
Total assets and deferred outflows	808,938	766,922	751,499
<b>LIABILITIES AND DEFERRED INFLOWS</b>			
Current liabilities	66,446	64,189	63,048
Long-term liabilities	59,978	66,908	62,067
Deferred inflows	1,015	914	1,362
Total liabilities and deferred inflows	127,439	132,011	126,477
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	174,107	161,982	163,668
Other postemployment benefits	3,160	2,024	3,913
Unrestricted net position	504,232	470,905	457,441
Total net position	\$ 681,499	\$ 634,911	\$ 625,022

For the fiscal year ended June 30, 2024, the System's net position increased approximately \$46.6 million from fiscal year ended June 30, 2023. The increase in total net position is reflective of significant fluctuations in the market for non-operating investments. The following components comprise the change in net position:

**Assets:**

For the fiscal year ended June 30, 2024, the System's total assets and deferred outflows increased approximately \$42.0 million from fiscal year ended June 30, 2023. The net increase is largely from an increase in current/other assets.

- Current assets increased \$40.5 million for the fiscal year.
- Assets limited as to use decreased by \$3.5 million for the fiscal year.
- Other assets decreased by \$5.8 million for the fiscal year.
- Deferred outflows decreased by \$652 thousand for the fiscal year.
- Net capital assets increased \$11.4 million for the fiscal year.

**CarolinaEast Health System  
Management's Discussion and Analysis (Unaudited)**

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***Liabilities:***

The System's total liabilities and deferred inflows decreased approximately \$4.6 million for the fiscal year ended June 30, 2024 over fiscal year ended June 30, 2023. The following components comprised the net increase in liabilities:

- Current bond maturities increased by \$35 thousand.
- Current subscription IT obligation decreased by \$2.0 million
- Trade accounts payable increased by \$12.5 million.
- Accrued salaries decreased by \$1.4 million.
- Estimated third-party liabilities decreased by \$6.6 million.
- Long term bonds payable decreased by \$1.7 million.
- Subscription liability decreased by \$3.6 million.
- Lease liability decreased by \$2.0 million.
- Deferred inflows increased by \$100 thousand.

For the fiscal year ended June 30, 2023, the System's net position increased approximately \$9.9 million from fiscal year ended June 30, 2022. The increase in total net position is reflective of significant fluctuations in the market for non-operating investments. The following components comprise the change in net position:

***Assets:***

For the fiscal year ended June 30, 2023, the System's total assets and deferred outflows increased approximately \$14.4 million from fiscal year ended June 30, 2022. The net increase is largely from an increase in current/other assets.

- Current assets increased \$25.9 million for the fiscal year.
- Assets limited as to use decreased by \$16.9 million for the fiscal year.
- Other assets increased by \$8.8 million for the fiscal year.
- Deferred outflows increased by \$1.0 million for the fiscal year.
- Net capital assets decreased \$3.3 million for the fiscal year.

***Liabilities:***

The System's total liabilities and deferred inflows increased approximately \$5.5 million for the fiscal year ended June 30, 2023 over fiscal year ended June 30, 2022. The following components comprised the net increase in liabilities:

- Current bond maturities increased by \$30 thousand.
- Trade accounts payable increased by \$2.0 million.
- Accrued salaries increased by \$1.0 million.
- Estimated third-party liabilities decreased by \$4.8 million.
- Long term bonds payable decreased by \$1.6 million.
- Subscription liability increased by \$1.8 million due to GASB 96 implementation.
- Lease liability increased by \$7.5 million due to GASB 87 and GASB 96 implementation.
- Deferred inflows decreased by \$448 thousand.

**CAPITAL ASSET AND DEBT ADMINISTRATION:**

***Capital Assets:***

At the end of fiscal year ended June 30, 2024, the System had approximately \$224 million invested in tangible capital assets, net of accumulated depreciation as detailed in Note 7 to the financial statements. The System invested approximately \$35.1 million in equipment and building additions, building refurbishments, construction in progress, land and land improvements during the fiscal year. During the fiscal period, the System made various purchases including the purchase of additional property, ultrasound systems, additional ambulances, video

**CarolinaEast Health System  
Management's Discussion and Analysis (Unaudited)**

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colonoscopy for OR, patient transport monitors, CT scanner and Nuclear Medicine Renovations. The System also continued implementation of the \$22.9 million EPIC electronic medical record software along with ongoing infrastructure projects related to patient care, information technology and engineering. Various other additions, refurbishments, and renovations were completed during the fiscal year in order to expand and preserve the infrastructure needed to provide continued quality health care services.

At the end of fiscal year ended June 30, 2023, the System had approximately \$213 million invested in tangible capital assets, net of accumulated depreciation as detailed in Note 7 to the financial statements. The System invested approximately \$24 million in equipment and building additions, building refurbishments, construction in progress and land improvements during the fiscal year. During the fiscal period, the System made various purchases including the purchase of additional property, an orthopedic mobile robot, nuclear medicine camera, ambulances, additional patient monitoring network upgrades and medical-surgical beds. The System also completed construction on a \$5.6 million EP Lab Renovation and a \$2.9 million Cath Lab Expansion along with ongoing infrastructure projects related to patient care, information technology and engineering. Various other additions, refurbishments, and renovations were completed during the fiscal year end in order to expand and preserve the infrastructure needed to provide continued quality health care services.

***Bonds Payable:***

CarolinaEast Health System closed a debt financing in August 2022 that refinanced the outstanding Series 2016 Bonds. The Series 2022 tax-exempt bank direct purchase bonds were purchased by Truist. The System has not applied for and does not maintain a credit rating related to the Series 2022 Bonds. The reader may refer to Note 10 of the financial statements.

**ECONOMIC FACTORS:**

CarolinaEast Health System continues to adjust its operations for reductions in reimbursement. The reductions in both federal and state funding have a direct impact on the operations of the System given that Medicare and Medicaid comprise approximately 66% for the fiscal year ended June 30, 2024 and June 30, 2023, of the combined inpatient and outpatient volume for services provided to patients. With federal regulations such as the Patient Protection and Affordable Care Act, Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS), Value Based Purchasing, Health Information Technology for Economic and Clinical Health Act, and Population Health Management, the System must prepare itself for significant reimbursement changes in the future.

CarolinaEast Health System serves as an economic stimulus in the community. Given the uncertainties that currently characterize the state and local economy, it is expected that the System will be faced with absorbing more uninsured patients, and more uncompensated care. The System receives no local taxpayer support to assist with this care.

The health care industry continues to be a dynamic environment characterized by continual change. Patient volumes have slowly increased to pre COVID-19 levels. However, the labor shortage continues to plague the healthcare industry. As the demand for new technology and quality services continues to grow, so too does the cost to provide such services. The costs for health supplies and drugs continue to increase as well as technological and professional costs. The System is challenged more than ever to improve health care quality, safety, and efficiency as reimbursement reductions for services provided continue to impact the industry. Government mandates such as financial penalties for readmissions, hospital acquired infections, and value-based purchasing could have an impact on operations moving forward. The healthcare reimbursement model is changing from a "fee-for-service model" to a "quality-based model" in order to demonstrate the effectiveness in improving a patient's health. The System will continue to adapt to an ever-evolving reimbursement process that has been in place for decades.

**NEXT YEAR'S BUDGET AND RATES:**

***Budgetary Highlights***

During the current period, the operating budget was prepared for the upcoming fiscal year. Budgeted operating expenses decreased approximately \$5.2 million. Salaries and benefits continue to see increasing costs while the majority of the decrease is coming from contract labor and contracted services. The System's net patient service revenue increased 1.5%. There was a 4% increase for the health system's charges for services. The System's operating margin is budgeted at (0.39%).

**CONTACT THE FINANCIAL MANAGER:**

This financial report is designed to provide our customers and creditors with a general overview of the finances of CarolinaEast Health System to demonstrate the accountability for the monies received and for services provided. If you have any questions or concerns about this report or need additional information, contact:

Tammy Sherron, Chief Financial Officer  
CarolinaEast Health System  
2000 Neuse Boulevard  
New Bern, N.C. 28561

**CarolinaEast Health System**  
**Balance Sheets**  
**June 30, 2024 and 2023**

Assets and Deferred Outflows	2024	2023
<b>Current Assets</b>		
Cash and cash equivalents	\$ 19,838,065	\$ 15,799,857
Short-term investments	80,919,488	70,122,437
Patient accounts receivable, net	90,124,577	81,279,857
Other receivables	6,689,110	7,938,137
Estimated 3 <sup>rd</sup> party settlements	18,576,431	-
Inventories	13,461,978	12,562,078
Prepaid expenses	8,933,057	10,361,590
Total current assets	238,542,706	198,063,956
 Assets limited as to use	 318,835,833	 322,299,658
 <b>Other Assets</b>		
Other post-employment benefits	3,159,927	2,023,622
Lease receivable	81,335	125,798
Interest rate swap	5,004,419	4,073,053
Right to use leased asset, net	12,394,666	14,662,594
Subscription assets, net of amortization	5,032,713	10,576,237
Other noncurrent assets	400,002	400,002
Total other assets	26,073,062	31,861,306
 <b>Capital Assets - tangible</b>		
Land and construction in progress	38,370,270	17,636,564
Buildings and fixtures	294,407,571	292,558,180
Equipment	277,366,847	265,556,039
Land improvements	7,122,802	7,104,244
	617,267,490	582,855,027
Less accumulated depreciation	(393,069,339)	(370,098,186)
Capital assets - tangible, net	224,198,151	212,756,841
Total assets	807,649,752	764,981,761
 <b>Deferred Outflows</b>		
Intangible assets, net of amortization	-	155,055
Other post-employment benefit deferral	1,287,506	1,785,308
Total deferred outflows	1,287,506	1,940,363
Total assets and deferred outflows	\$ 808,937,258	\$ 766,922,124

See accompanying notes to the financial statements.

10

Liabilities, Deferred Inflows, and Net Position	2024	2023
<b>Current Liabilities</b>		
Current maturities of bonds payable	\$ 1,685,000	\$ 1,650,000
Current lease liability	2,070,331	2,070,893
Current subscription IT obligation	3,785,109	5,798,557
Trade accounts payable	27,942,464	15,455,934
Accrued salaries, wages, and withholdings	13,220,424	14,585,812
Estimated third party payor settlements	17,742,244	24,322,634
Total current liabilities	66,445,572	63,883,830
<b>Long-Term Liabilities</b>		
Bonds payable	47,440,000	49,125,000
Subscription liability	1,451,479	5,029,924
Lease liability	11,086,680	13,058,000
Total long-term liabilities	59,978,159	67,212,924
Total liabilities	126,423,731	131,096,754
<b>Deferred Inflows</b>		
Other post-employment benefit deferral	943,626	800,704
Lease deferral	71,068	113,709
Total deferred inflows	1,014,694	914,413
Total liabilities and deferred inflows	127,438,425	132,011,167
<b>Net Position</b>		
Invested in capital assets, net of related debt	174,106,931	161,263,298
Other post-employment benefits	3,159,927	2,023,622
Unrestricted net position	504,231,975	471,624,037
Total net position	681,498,833	634,910,957
Total liabilities, deferred inflows and net position	\$ 808,937,258	\$ 766,922,124

**CarolinaEast Health System**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended June 30, 2024 and 2023**

	2024	2023
Operating revenues:		
Net patient service revenue	\$ 588,674,934	\$ 510,633,233
Other revenue	8,302,712	7,636,683
Total operating revenue	596,977,646	518,269,916
Operating expenses:		
Nursing and other professional services	448,937,411	421,577,305
General, administrative, and support services	114,204,682	90,633,620
Depreciation and amortization	31,996,882	31,645,558
Interest	2,281,138	2,329,222
Total operating expenses	597,420,113	546,185,705
Operating loss	(442,467)	(27,915,789)
Non-operating revenues (expenses):		
Unrestricted contributions	233,728	393,276
Net investment income	9,436,223	8,904,066
Realized gains on investments	11,627,786	3,272,431
Unrealized gains on investments	26,360,215	24,498,179
COVID-19 provider relief funding	-	270,409
Change in value of interest rate swap	931,368	1,743,773
Other non-operating expenses	(1,558,977)	(1,277,041)
Non-operating revenues (expenses), net	47,030,343	37,805,093
Change in net position	46,587,876	9,889,304
Total net position beginning	634,910,957	625,021,653
Total net position ended	\$ 681,498,833	\$ 634,910,957

See accompanying notes to the financial statements.

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**CarolinaEast Health System**  
**Statements of Cash Flows**  
**Years Ended June 30, 2024 and 2023**

	2024	2023
<b>Cash Flows from Operating Activities</b>		
Cash received from and on behalf of patients	\$ 555,922,419	\$ 497,280,150
Cash payments to suppliers for services and goods	(272,126,102)	(269,088,759)
Cash payments to employees for services	(279,904,438)	(238,229,153)
Interest paid on long-term debt	(2,281,138)	(2,329,222)
Other operating cash receipts	8,302,712	7,266,273
Net cash provided (used) by operating activities	<u>9,913,453</u>	<u>(5,100,711)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
COVID-19 provider relief funds	-	270,409
Unrestricted gifts	233,728	393,276
Donations	(1,558,977)	(1,657,985)
Net cash used by noncapital financing activities	<u>(1,325,249)</u>	<u>(994,300)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Acquisition of capital assets	(35,050,908)	(23,984,585)
Principal paid on lease obligations	(2,075,507)	(1,653,912)
Principal paid on subscription obligations	(5,909,044)	(4,153,146)
Proceeds from disposition of capital assets	-	763,154
Payments on bonds payable	(1,650,000)	(1,620,000)
Net cash used by capital and related financing activities	<u>(44,685,459)</u>	<u>(30,648,489)</u>
<b>Cash Flows from Investing Activities</b>		
Sale of investments, net	46,835,242	49,536,071
Income on investments	9,436,223	8,904,066
Net cash provided by investing activities	<u>56,271,465</u>	<u>58,440,137</u>
Net increase in cash and cash equivalents	20,174,210	21,696,637
<b>Cash and Cash Equivalents</b>		
Beginning of year	<u>61,014,559</u>	<u>39,317,922</u>
End of year	<u>\$ 81,188,769</u>	<u>\$ 61,014,559</u>

See accompanying notes to the financial statements.

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CarolinaEast Health System  
 Statements of Cash Flows  
 Years Ended June 30, 2024 and 2023

(Continued)

	2024	2023
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	\$ (442,467)	\$ (27,915,789)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	23,609,600	26,907,950
Amortization	8,387,282	4,737,608
Change in:		
Patient accounts receivable	(8,844,719)	(7,800,877)
Estimated third party payor receivables	(18,576,431)	-
Other receivables	1,249,025	102,769
Prepaid expenses	1,428,533	(494,155)
Inventories	(899,900)	(723,159)
Net pension asset/liability	(495,581)	(39,149)
Accounts payable and accrued expenses	11,121,142	3,107,734
Lease liability	-	1,864,730
Deferred Lease	(42,641)	-
Estimated third party payments	(6,580,390)	(4,848,373)
Net cash provided (used) by operating activities	<u>\$ 9,913,453</u>	<u>\$ (5,100,711)</u>
Reconciliation of cash and cash equivalents to the balance sheet:		
Unrestricted cash and cash equivalents	\$ 19,838,065	\$ 15,799,857
Cash and cash equivalents by Board for capital improvements	<u>61,350,704</u>	<u>45,214,702</u>
Cash and cash equivalents, including limited-use assets, at end of year	<u>\$ 81,188,769</u>	<u>\$ 61,014,559</u>
Noncash capital and related financing activities		
Gains on disposal of capital assets	<u>\$ -</u>	<u>\$ 380,944</u>

See accompanying notes to the financial statements.

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CarolinaEast Health System  
Statements of Cash Flows  
Years Ended June 30, 2024 and 2023

(Continued)

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	2024	2023
Noncash investing activities:		
Realized gains on investments	\$ 11,627,786	\$ 3,272,431
Change in value of interest rate swap	\$ 931,368	\$ 1,743,773
Acquisition of subscription assets through leases	\$ 317,151	\$ 6,048,954
Acquisition of leased assets	\$ 103,625	\$ 9,099,902

See accompanying notes to the financial statements.

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**CarolinaEast Health System  
 Statements of Fiduciary Net Position  
 December 31, 2023 and 2022**

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	<b>2023</b>	<b>2022</b>
Assets:		
Investments	\$ 7,952,477	\$ 7,514,789
Liabilities:		
Due to plan sponsor	<u>(1,000,000)</u>	<u>(700,000)</u>
Net position held in trust for fiduciary plans	<u>\$ 6,952,477</u>	<u>\$ 6,814,789</u>

See accompanying notes to the financial statements.

**CarolinaEast Health System**  
**Statements of Changes in Fiduciary Net Position**  
**Years Ended December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
Additions:		
Contributions	\$ 508,950	\$ 32,955
Investment income:		
Net appreciation (depreciation) in fair value of investments	956,680	(1,509,168)
Dividends and interest	186,088	-
Total additions (deductions)	<u>1,651,718</u>	<u>(1,476,213)</u>
Deductions:		
Distributions to participants	466,729	654,999
Distribution to plan sponsor	1,000,000	-
Administrative expenses	47,301	82,627
Total deductions	<u>1,514,030</u>	<u>737,626</u>
Increase (decrease) in net position	137,688	(2,213,839)
Net position held in trust for fiduciary plans		
Beginning of year	<u>6,814,789</u>	<u>9,028,628</u>
End of year	<u>\$ 6,952,477</u>	<u>\$ 6,814,789</u>

See accompanying notes to the financial statements.

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## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

#### *Reporting Entity and Nature of Operations*

The operations of CarolinaEast Health System (the "System") consist primarily of providing health care services to patients in eastern North Carolina. Based on the financial accountability criteria established by the Governmental Accounting Standards Board, the System is considered to be a component unit of the Craven County ("County") reporting entity and is included as a discretely presented component unit in the basic financial statements of Craven County, North Carolina. The System was established under North Carolina General Statutes Section 131 E "Hospital Authorities Act". The System is financially accountable for CarolinaEast Medical Center and CarolinaEast Physicians. Both are tax exempt under Internal Revenue Code section 501(c)(3). Both organizations are considered a blended component unit of the System.

#### *Basis of Presentation*

Pursuant to Governmental Accounting Standards Board ("GASB") Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, the System will only recognize GASB statements as authoritative guidance. Financial Accounting Standards Board Statements ("FASB"), including those issued after November 30, 1989, and AICPA pronouncements will no longer be authoritative, but may be used as non-authoritative guidance.

These statements present information about the System and include the financial activities of the overall entity, except for fiduciary activities. The statements of fiduciary net position and statements of changes in fiduciary net position present information about the CarolinaEast Medical Center Employee Benefit Trust (see Note 14). The fiduciary fund information is included due to the System's fiduciary responsibility for the employee benefit trust.

#### *Basis of Accounting*

The System utilizes the basis of accounting utilized by business activities and proprietary funds whereby revenue and expenses are recognized on the economic resources measurement focus and the accrual basis of accounting.

The fiduciary fund's separate, stand-alone financial statements are prepared in accordance with the Standards of the Governmental Accounting Standards Board for pension and other post-employment benefit trust funds. The financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized in accordance with each plan's funding policy. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### ***Cash and Cash Equivalents***

For the purpose of reporting cash flows, the System considers all short-term investments having a maturity at the date of purchase of three-months or less to be cash equivalents. Throughout the year the System has bank balances which exceed federal depository limits.

### ***Investments in Debt and Equity Securities***

The System has investments in debt and marketable equity securities which are carried at fair value. Fair value of investments other than those of the North Carolina Capital Management Trust ("NCCMT") and the First American Prime Obligation Fund are determined by quoted market prices. Amounts in the NCCMT (an SEC registered 2a-7 money market fund) and the First American Prime Obligation Fund are valued at the fair values as determined by the share prices. Debt securities consist primarily of obligations of the U.S. government, commercial paper and corporate bonds. Marketable equity securities consist primarily of common stocks and mutual funds that are traded or listed on national exchanges. Gains and losses on debt and marketable equity securities, both realized and unrealized, are included in non-operating revenues (expenses). Interest and dividends on investments in debt and equity securities are also included in non-operating revenues (expenses) when earned.

### ***Short-Term Investments***

Short-term investments include marketable securities representing the investment of cash available for current operations. They are not considered cash equivalents since the System considers them part of their investing activities.

### ***Patient Accounts Receivable***

The System records patient accounts receivable at billed amounts and provides for estimated unbilled amounts at year end. Management provides an estimate for potentially uncollectible accounts on a monthly basis based on a review of outstanding receivables, historical payment patterns and their knowledge of other specific factors affecting the collection of accounts.

### ***Inventories***

Inventories are valued at the lower of cost (first-in, first-out basis) or net realizable value.

### ***Assets Whose Use is Limited***

Noncurrent cash and investments are designated or restricted for long-term purposes. Designated assets include assets set aside by the Board for future capital improvements, net of related debt over which the Board retains control.

### ***Intangible Assets***

Intangible assets consist of goodwill associated with cost in excess of fair value of the net position of entities acquired in purchase transactions. Goodwill is being amortized on a straight-line basis over five to thirty years.

**CarolinaEast Health System  
Notes to Financial Statements**

Goodwill presented in the balance sheets in deferred outflows as of June 30, 2024 and 2023, consists of the following:

	<u>2024</u>	<u>2023</u>
Goodwill	\$ 15,727,713	\$ 15,727,713
Less: accumulated amortization	<u>(15,727,713)</u>	<u>(15,572,658)</u>
	<u>\$ -</u>	<u>\$ 155,055</u>

***Tangible Capital Assets***

Tangible capital assets are recorded at cost or at fair value at the date of donation. The System's policy is to generally capitalize assets with a cost of \$2,500 or greater. The System provides for depreciation using the straight-line method for both financial reporting and cost reimbursement purposes over the estimated useful lives of the depreciable properties. The range of estimated useful lives of major categories of property and equipment are as follows:

Land improvements	5 - 25 years
Building and improvements	15 - 40 years
Equipment	3 - 20 years

The System evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of a capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal lifecycle of the capital asset. Impaired capital assets that will no longer be used by the government are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the government are measured using the method that best reflects the diminished service utility of the capital asset. Any insurance recoveries received as a result of impairment events or changes in circumstance resulting in the impairment of a capital asset are netted against the impairment loss.

***Right-to-Use Leased Assets***

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

***Subscription IT assets***

Subscription IT assets are initially recorded at the initial measurement of the subscription IT liability, which includes discounted future payments, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription IT assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

***Self-Insurance***

The System acts as a partial self-insurer for health insurance programs. Estimated claims are accrued as incurred.

### ***Deferred Outflows and Inflows***

Deferred outflows and inflows of resources represent a consumption or acquisition of net position that applies to a future period. The System has intangible assets, net of amortization, and other postretirement benefit deferrals.

### ***Net Position***

Net position classifications are defined as follows, as applicable:

- Invested in capital assets, net of related debt – This component of net position consists of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Other post-employment benefits – This component of net position is restricted for the excess pension trust assets over pension liability.
- Unrestricted net position – This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital and intangible assets", above.

### ***Operating Income (Loss)***

The System distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from the primary purpose of the System, which is to provide medical services to the region. Operating revenues consist of net patient services and other miscellaneous services. Operating expenses consist of salaries and benefits, medical supplies, depreciation of capital assets, interest expense, and other overhead costs. All revenues and expenses not meeting these criteria are considered non-operating.

### ***Net Patient Service Revenue***

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered and includes estimated retroactive adjustments under reimbursement agreements with third-party payers. Estimated retroactive adjustments are accrued in the period the related services are rendered and adjusted in future periods, as final settlements are determined. It is possible that the amounts of final settlements could be materially different than those presented herein. Bad debts approximated \$59,000,000 and \$60,000,000 for the fiscal year ended June 30, 2024 and June 30, 2023, respectively.

### ***Charity Care***

The System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the System does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient revenue. The System maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics. Amount of charity care provided based on the cost to provide was approximately \$3,500,000 and \$3,300,000 for the fiscal year ended June 30, 2024 and June 30, 2023, respectively. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing charity to patients. The ratio of cost to charges is calculated based on the System's total expenses divided by gross patient service revenue.

***Sales and Income Taxes***

The System is a governmental unit exempt from income tax and CarolinaEast Health System is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the System receives reimbursement from the State of North Carolina for sales taxes paid during the year. The accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The System determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2024 or 2023.

***Pension Plan***

The System maintains a noncontributory primary retirement plan covering all permanent, full-time employees who have completed four consecutive, full-time years of service. Employer contributions are based on a fixed percentage of base earnings for each employee and are recognized as the base earnings are recognized.

***Other Postemployment Benefits ("OPEB")***

The System sponsors and has responsibility for CarolinaEast Medical Center Employee Benefit Trust, a single-employer, defined benefit OPEB. The plan covers retirees of CarolinaEast Medical Center who have at least 20 years of continuous full-time service, have attained the age of 55, and were employed prior to July 1, 1995. Employer contributions are based on actuarial calculations.

***CARES Act Provider Relief Funds***

These relief funds are considered voluntary non-exchange transactions subject to terms and conditions specified by the resource provider distributed by the Health Resources Service Administration section of the U.S. Department of Health and Human Services ("HHS"). These conditions create a restriction that such funds must be used to prevent, prepare, or respond to the coronavirus ("COVID-19"), creating purpose restrictions in addition to conditions. This conditional grant revenue is recognized as other non-operating revenue to the extent conditions/restrictions for entitlement are met for coronavirus related expenses or lost revenues. Such funds are subject to recoupment to the extent the conditions for entitlement are not met.

***Fiduciary Activities***

As defined by the GASB, the System reports the operations of the other postemployment benefit plan as a component unit in the Fiduciary Fund Financial Statements. The pension trust fund provides retirement benefits for qualified employees and retired employees. The pension trust fund is a legally separate entity and the resources of the trust fund cannot be used to finance the System's operations. The assets of the trust funds are held and administered in trust arrangements which are governed by a Board of Directors (see Note 14). The System is committed to making contributions to the trusts, and therefore assumes a financial burden for the trust funds and thus having financial accountability. As a result, the activity of the fiduciary fund is presented as a component unit. The assets in each trust are held only for the Systems employees' and retirees benefit. The pension trust funds has a fiscal year-end of December 31. Thus, the amounts included in the Statements of Fiduciary Net Position as of December 31, 2023 and 2022 and the Statements of Changes in Fiduciary Net Position for the years ended December 31, 2023 and 2022.

***Subsequent Events***

The System evaluated the effect subsequent events would have on the financial statements through October 30, 2024, which is the date the financial statements were available to be issued.

## 2. Net Patient Service Revenue

The System has agreements with third-party payers that provide for payments at amounts different from its established rates. A summary of payment arrangements with major third-party payers follows:

### ***Self-Pay***

Patients who do not have a payor source or have balances that are considered their personal responsibility, such as co-pays and/or deductibles, are classified as self-pay. The System's self-pay services represent approximately 3% and 4% of total patient service revenue for the years ended June 30, 2024 and June 30, 2023.

### ***Commercial***

Services rendered to Commercial program beneficiaries are reimbursed at prospectively determined rates based on contractual arrangements with the various commercial insurance carriers. The System's Commercial services represent approximately 23% and 22% of total patient service revenue for the years ended June 30, 2024 and June 30, 2023. Blue Cross/Blue Shield makes up the majority of commercial patient revenue at 14% for both the fiscal years ended June 30, 2024 and June 30, 2023.

### ***Medicare***

Inpatient acute care, outpatient, psychiatric and rehabilitative services rendered to Medicare program beneficiaries are reimbursed at prospectively determined rates. The System is reimbursed at interim rates for cost reimbursable items with final settlement determined after submission of the annual cost reports and audits of these reports by the Medicare fiscal intermediary. The difference between established billing rates and reimbursements are recorded as contractual adjustments to patient service revenue. The System's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the fiscal intermediary. The System's Medicare services represent approximately 58% of total patient service revenue for the year ended June 30, 2024 and June 30, 2023. The System's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2019. Any differences between the estimated cost report settlement amount recorded in the financial statements on an accrual basis and the amounts determined by the administrative agencies of the programs and subsequent revisions in estimated settlements are included in operations in the year in which the amount is determined.

Physician services are reimbursed based upon a physician fee schedule that is updated each January. The difference between established billing rates and reimbursements are considered contractual adjustments and are recorded separately from acute care adjustments.

### ***Medicaid***

Acute inpatient services rendered to patients are reimbursed at a prospectively determined rate per discharge. Inpatient psychiatric and rehabilitative services are reimbursed at a prospectively determined rate per patient day. Services to outpatients are reimbursed at a percentage of cost as defined in the Medicaid regulations. The System is reimbursed for Medicaid outpatient services at tentative rates with final settlement determined after submission of annual cost reports and audits thereof by the Medicaid fiscal intermediary through June 30, 2021. Effective July 1, 2021, the state began having multiple private insurance pay claims. These payments will not be subject to audit. The traditional outpatient Medicaid claims will continue to be subject to annual audits. Medicaid services represent approximately 8% of total patient service revenue for both the fiscal year ended June 30, 2024 and June 30, 2023. The System's Medicaid cost reports have been audited through September 30, 2019. Any differences between the estimated cost report settlement amount recorded in the financial statements on an accrual basis and the amounts determined by the administrative agencies of the programs and subsequent revisions in estimated settlements are included in operations in the year in which the amount is determined.

The System has received supplemental payments from the State of North Carolina under the State Medicaid plan. These payments are subject to adjustment and settlement based upon audited cost reports and the specifics of the State Medicaid plan, which provides for the possibility of settlements of any overpayments by Medicaid on an aggregate basis by participating hospitals. Any differences between the estimated settlement amount recorded in the financial statements on an accrual basis and the amounts determined by the State of North Carolina and subsequent revisions in estimated settlements are included in operations in the year in which the amount is determined. The System did not receive any supplemental payments in the year ended June 30, 2024. Estimated third-party liabilities related to supplemental payments received by the System during the periods ended 2015 through 2023 were approximately \$9,900,000 at June 30, 2024 and remain open to settlement. Assessments paid during the fiscal year ended 2024 totaled approximately \$17,280,000. This includes the Healthcare Access and Stabilization Program (HASP) payment. These payments are recorded in general, administrative and support services on the Statements of revenue, expenses and changes in net position. Estimated third-party liabilities is based on information received during the fiscal year ended 2024 from the North Carolina Department of Medical Assistance and estimates from management concerning potential overpayments of Medicaid supplemental funds to participating hospitals during fiscal years 2015 through 2024. The Supplemental payments in years prior to 2015 have been settled.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The preparation of financial statements 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 amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Net patient service revenue increased approximately \$3,178,000 and \$3,898,000 for the fiscal year ended June 30, 2024 and June 30, 2023, respectively, due to allowances previously estimated that are no longer necessary as a result of final settlements and years that are no longer subject to audits, reviews and investigations.

Contractual adjustments totaled approximately \$1,203,079,000 and \$1,086,960,000 for the fiscal year ended June 30, 2024 and June 30, 2023, respectively.

#### ***Recovery Audit Contractors Program***

In 2005, Centers for Medicare and Medicaid Services ("CMS") announced a new demonstration project using Recovery Audit Contractors ("RAC"s) as part of CMS' further efforts to assure accurate payments. The project uses the RACs to search for potentially improper Medicare payments that may have been made to healthcare providers and that were not detected through existing CMS program integrity efforts. Once a RAC identifies a claim it believes improper, it makes a deduction from the provider's Medicare reimbursement in an amount estimated to equal the overpayment. The System has reserves of approximately \$585,000 and \$5,400,000 related to the RAC program included in estimated third party payor settlements for the fiscal year ended June 30, 2024 and June 30, 2023, respectively.

#### ***Total Operating Revenues***

In fiscal year 2024, the increase in gross patient service revenue (i.e. charges) was primarily due to increases in rates that averaged 5% and increased volumes. The contractual adjustments reflect \$35.2 million offset related to the Healthcare Access and Stabilization Program ("HASP") enacted with the Medicaid expansion in December 2023. The decrease in other operating revenue was related primarily to payor shared savings programs offset by increases in joint venture investment earnings.

The Healthcare Access and Stabilization Program ("HASP") which is administered by the Center for Medicare and Medicaid Services (CMS) seeks to reimburse hospitals at a rate closer to the cost of providing care and closer to what commercial health insurers are paying. The HASP program became effective in November 2023 and operates similar to the previous MRI program. The System will receive a lump sum payment and be responsible for paying IGT and Assessment fees. During the year ended June 30, 2024, the System recognized approximately \$36,556,000 in HASP payments, which is net of reserve of approximately \$6,214,000 for potential future settlements. In addition, the System recorded operating expenses of approximately \$6,188,000 in HASP Assessment fees.

### **3. Fair Value of Financial Instruments**

The Fair Value Measurements and Application Standard addresses accounting and financial reporting issues related to fair value measurements. The standard describes fair value as an exit price. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The statement establishes a three-level hierarchy of inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets or liabilities, inputs that are observable for the asset or liability, and market-corroborated inputs. Level 3 inputs are unobservable inputs and take into account all information about market participant assumptions that are reasonably available. The System categorizes its fair value measurements within the fair value hierarchy established by this standard.

When quoted prices are available in active markets for identical instruments, investment securities are classified within Level 1 of the fair value hierarchy. Level 1 investments include money market mutual funds, fixed income mutual funds, and equity securities mutual funds which are valued based on prices readily available in active markets in which those securities are traded. Level 2 investments include an interest rate swap agreement which is valued on a recurring basis based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets. Level 3 investments include a real estate income fund which is not actively traded and its value can only be estimated using a combination of complex market prices, mathematical models, and subjective assumptions.

There were no changes during the year ended June 30, 2024 to the System's valuation technique used to measure asset and liability fair values on a recurring basis.

**CarolinaEast Health System**  
**Notes to Financial Statements**

For assets and liabilities carried at fair value, the following table provides fair value information as of June 30, 2024 and 2023:

	<b>Year Ended June 30, 2024</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Assets:				
Mutual funds:				
Money market	\$ 284,476	\$ -	\$ -	\$ 284,476
Cash & Equivalents	39,795			39,795
Fixed income	84,716,047	-	-	84,716,047
Equity	258,392,888	-	-	258,392,888
Interest rate swap	-	5,004,420	-	5,004,420
Total assets at fair value	<u>\$343,433,206</u>	<u>\$ 5,004,420</u>	<u>\$ -</u>	
Investments at net asset value				<u>30,199,623</u>
Total investments				<u>\$378,637,249</u>
Cash and cash equivalents as of 6/30/2024 not included above		\$ 19,599,300		
North Carolina Capital Management Trust – cash portfolio as of 6/30/2024 carried at amortized cost		\$ 26,099,801		
Interest receivable as of 6/30/2024 not included above		\$ 261,456		
	<b>Year Ended June 30, 2023</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Assets:				
Mutual funds:				
Money market	\$ 238,598	\$ -	\$ -	\$ 238,598
Fixed income	106,508,090	-	-	106,508,090
Equity	244,544,307	-	-	244,544,307
Interest rate swap	-	4,073,053	-	4,073,053
Total assets at fair value	<u>\$351,290,995</u>	<u>\$ 4,073,053</u>	<u>\$ -</u>	
Investments at net asset value				<u>16,358,209</u>
Total investments				<u>\$371,722,257</u>
Cash and cash equivalents as of 6/30/2023 not included above		\$ 15,573,354		
North Carolina Capital Management Trust – cash portfolio as of 6/30/2023 carried at amortized cost		\$ 24,770,527		
Interest receivable as of 6/30/2023 not included above		\$ 228,867		

#### 4. Cash and Cash Equivalents, Deposits, and Investments

##### *Deposits*

The deposits of the System are governed by North Carolina General Statutes. The System may establish official depositories with any bank or savings and loan whose principal office is located in North Carolina. The System may also establish time deposits in the form of NOW accounts, SuperNOW and money market accounts, and certificates of deposit. The System's policy and practice is for its depository relationships to conform to state law.

Generally, deposits of governmental units 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 the unit's agents in the System's name. Under the pooling method, 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 the unit, these deposits are considered to be held by its agents in the unit'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 the unit or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the units under the pooling method, the potential exists for under collateralization, and this risk may increase in periods 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.

All of the System's deposits are maintained with financial institutions which collateralize excess deposits by the pooling method; responsibility for sufficient collateralization of these excess deposits rests with the financial institutions that have chosen the pooling method. The North Carolina State Treasurer monitors the pooling method for adequate collateralization. At June 30, 2024, the System's deposits had a carrying amount of \$19,587,605 and a bank balance of \$24,207,311. Of the bank balance, \$500,000 was covered by federal depository insurance coverage; \$23,707,311 was covered by collateral held by the pooling method.

Cash and cash equivalents consist of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents:		
Cash on hand	\$ 11,697	\$ 11,697
Deposits	19,587,605	15,561,557
Money markets	<u>238,763</u>	<u>226,603</u>
	<u>\$ 19,838,065</u>	<u>\$ 15,799,857</u>

**Investments**

North Carolina General Statutes (Local Government Budget and Fiscal Control Act and Hospital Authorities Act) authorize the System to invest in obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of principal and interest of such obligations is fully guaranteed by the United States of America; certain quasi-federal agencies; obligations of the State of North Carolina or any subdivision thereof; commercial paper bearing the highest credit ratings available; bankers acceptances of accepting banks or holding companies either (i) incorporated in the State of North Carolina or (ii) bearing the highest available long term debt rating; the NCCMT; and in other property or securities in which trustees, guardians, executors, administrators, and others acting in a fiduciary capacity may legally invest funds under their control.

The System employs a blend of management styles to diversify its portfolio, reduce overall risk and create a superior opportunity for positive returns. Such approaches are intended to ensure the System has adequate reserves to hedge against unanticipated events, and allow the System to accomplish its short-term and long-term capital plan as well as to earn an acceptable return on available funds through a total return concept of managed assets, thereby supplementing capital and operational expenses.

By Policy, the System's investment portfolio should be comprised of approximately 70% equity, 20% fixed income and 10% real estate with each classification having a tolerable variability of +/- 5%.

As of June 30, 2024, the System had the following investments. (Amounts are in thousands)

<u>CarolinaEast Health System</u> <u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
US Government Agency Mutual Funds	\$ 32,340	NA
Vanguard Bond Mutual Funds-Corp	52,672	NA
Oaktree Real Estate Income Fund, L.P.	13,680	NA
Boyd Watterson Real Estate	16,520	NA
Equity Securities and Mutual Funds	258,353	NA
Short-term Cash Equivalents	328	NA
NC Capital Management Trust	<u>25,861</u>	NA
Total	<u>\$ 399,754</u>	

The above table does not include \$238,763 which is included in unrestricted cash and cash equivalents.

As of June 30, 2023, the System had the following investments. (Amounts are in thousands)

<u>CarolinaEast Health System</u> <u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
US Government Agency Mutual Funds	\$ 45,355	NA
Vanguard Bond Mutual Funds-Corp	61,381	NA
Oaktree Real Estate Income Fund, L.P.	16,358	NA
Equity Securities and Mutual Funds	244,544	NA
Short-term Cash Equivalents	240	NA
NC Capital Management Trust	<u>24,544</u>	NA
Total	<u>\$ 392,422</u>	

The above table does not include \$226,603 which is included in unrestricted cash and cash equivalents.

**Interest Rate Risk:** As a means of limiting its exposure to fair value losses, the System investment policy dictates that mortgage backed securities or other asset backed securities will never comprise more than 40% of the fixed income portfolio and corporate debt securities will never comprise more than 60% of the fixed income portfolio. Additionally, the policy provides that the maximum maturity of any non-mortgage backed fixed income instrument will not exceed 12 years without the approval of The System's Investment Committee and investment managers should not exceed a 7-year expected weighted average maturity for investments in mortgage backed paper and government agencies including Ginnie Maes, Freddie Macs or Fannie Maes.

**Credit Risk:** The System's investment policy requires corporate obligations to meet the commercial paper rating of A1 by Moody's or P1 by S&P and bond rating in the "BBB" category or better by S&P, Moody's, and Fitch. "BBB" securities will be limited to 10% of the fixed income portfolio. No single "BBB" issue will be greater than \$500,000 face value at purchase. Obligations of the U.S. Government or explicitly guaranteed by the U.S. Government are generally not considered to have credit risk.

As of June 30, 2024, the total quality ratings for the above debt holdings were as follows:

<u>Holdings</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>	<u>B</u>	<u>Not Rated</u>	<u>Total</u>
US Government Agencies	100.00%							100.00%
Corporate/Other Bond Mutual Funds	5.08%	4.99%	37.84%	50.71%	0.65%	0.41%	0.32%	100.00%
Short-term Cash Equivalents	100.00%							100.00%
NC Capital Management Trust	100.00%							100.00%

**Concentration of Credit Risk:** The System's investment policy states individual cumulative debt instruments by any one issuer shall be confined to a maximum of 5% of the fixed income portfolio. There is no concentration of credit risk.

**Equity Investment Guidelines:** Each equity holding will be limited to 6% of the equity portfolio determined at the time of investment.

Permissible types of equity investments include equities of U.S. and foreign companies listed on the NYSE, ASE and NASDAQ traded OTC securities to include common and preferred and convertible preferred stocks. Equity investments may also include publicly traded mutual funds, unit trusts and other common investment funds comprised of commingled securities listed on the NYSE, ASE and NASDAQ traded OTC securities.

**Alternative Assets:** A fund of funds hedge fund is employed to offer diversification as an investment alternative with low correlation to fixed income and equity securities. A fund of funds performance is measured against the performance of an appropriate hedge fund index.

**Other Investment Guidelines:** The primary portfolio shall contain no derivatives to enhance the overall yield of the stock or bond portfolio. The Alternative Asset class may use derivatives. Investment managers must maintain compliance with State of North Carolina laws and regulations, and all other applicable laws, rules and regulations.

Due to the level of risks associated with investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near future and such changes could materially affect the amounts reported in these financial statements.

**5. Receivables**

Receivables consist of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Gross patient accounts receivables, net of contractual adjustments	\$ 301,167,795	\$ 243,549,540
Less allowance for contractual adjustments	(192,920,669)	(140,958,642)
Less allowance for doubtful accounts	<u>(18,122,549)</u>	<u>(21,311,041)</u>
Total patient accounts receivable	<u>90,124,577</u>	<u>81,279,857</u>
Refundable North Carolina sales tax	2,887,353	2,650,229
Estimated third-party receivables	18,576,431	49,117
Other receivables	<u>3,801,757</u>	<u>5,238,791</u>
Total other receivables	<u>25,265,541</u>	<u>7,938,137</u>
	<u>\$ 115,390,118</u>	<u>\$ 89,217,994</u>

**6. Assets Limited as to Use**

The Board has designated funds for replacement of buildings and equipment.

The composition of noncurrent cash and investments at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Internally designated for capital improvements	\$ 318,574,377	\$ 322,070,791
Accrued interest receivable	<u>261,456</u>	<u>228,867</u>
Assets limited as to use	<u>\$ 318,835,833</u>	<u>\$ 322,299,658</u>

## 7. Capital Asset Activity

Capital asset activity for the year ended June 30, 2024 and June 30, 2023:

	Year Ended June 30, 2024			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets, not being depreciated:				
Land	\$ 15,179,508	\$ 254,932	\$ -	\$ 15,434,440
Construction in progress	<u>2,457,056</u>	<u>24,905,231</u>	<u>(4,426,457)</u>	<u>22,935,830</u>
Total capital assets, not being depreciated	17,636,564	25,160,163	(4,426,457)	38,370,270
Capital assets, being depreciated:				
Building and fixtures	292,558,180	1,849,391	-	294,407,571
Equipment	265,556,039	12,474,505	(663,697)	277,366,847
Land improvements	<u>7,104,245</u>	<u>18,557</u>	<u>-</u>	<u>7,122,802</u>
Total capital assets, being depreciated	565,218,464	14,342,453	(663,697)	578,897,220
Less accumulated depreciation for:				
Land improvements, buildings and fixtures, and equipment	<u>(370,098,186)</u>	<u>(23,634,186)</u>	<u>663,033</u>	<u>(393,069,339)</u>
Total tangible capital assets being depreciated, net	<u>195,120,278</u>	<u>(9,291,733)</u>	<u>(664)</u>	<u>185,827,881</u>
Total tangible capital assets	<u>\$212,756,842</u>	<u>\$ 15,868,430</u>	<u>\$ (4,427,121)</u>	<u>\$224,198,151</u>
	Year Ended June 30, 2023			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 15,056,213	\$ 123,295	\$ -	\$ 15,179,508
Construction in progress	<u>4,623,671</u>	<u>9,306,875</u>	<u>(11,473,490)</u>	<u>2,457,056</u>
Total capital assets, not being depreciated	19,679,884	9,430,170	(11,473,490)	17,636,564
Capital assets, being depreciated:				
Building and fixtures	284,833,970	8,260,213	(536,003)	292,558,180
Equipment	250,523,727	15,877,990	(845,678)	265,556,039
Land improvements	<u>7,097,327</u>	<u>6,918</u>	<u>-</u>	<u>7,104,245</u>
Total capital assets, being depreciated	542,455,024	24,145,121	(1,381,681)	565,218,464
Less accumulated depreciation for:				
Land improvements, buildings and fixtures, and equipment	<u>(346,072,494)</u>	<u>(25,025,163)</u>	<u>999,470</u>	<u>(370,098,187)</u>
Total tangible capital assets being depreciated, net	<u>196,382,530</u>	<u>(880,042)</u>	<u>(382,211)</u>	<u>195,120,277</u>
Total tangible capital assets	<u>\$216,062,414</u>	<u>\$ 8,550,128</u>	<u>\$(11,855,701)</u>	<u>\$212,756,841</u>

**CarolinaEast Health System  
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All depreciation is directly or indirectly in relation to the provision of health care services. Depreciation expense was approximately \$23,609,600 and \$26,908,000 for the fiscal year ended June 30, 2024 and June 30, 2023, respectively. The System has various renovation projects in progress at June 30, 2024. The estimated cost to complete these projects is approximately \$16,481,000.

Legal title to the System's property and equipment, except equipment purchased by the System from unrestricted funds, is held by Craven County. The facilities are leased to the System, under a lease agreement which expires in 2024, for an annual rental of one dollar. In the event of dissolution of the System or its failure to function as a hospital and to operate as required in the lease, all of its monies, properties and assets shall revert to Craven County.

**8. Right-Of-Use Lease Assets and Lease Obligations**

The System has recorded right of use assets as a result of the GASB Statement No. 87, Leases, ("GASB 87") implementation. The System has entered into agreements to lease certain real property. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, the asset and related liability have been recorded. The lease liability has been measured at the present value of effectively fixed minimum lease payment and the asset's initial balance equals the liability. The right-of-use asset is being amortized on a straight-line basis over the lease term.

Right-of-use asset additions, adjustments, and balances for the year ended June 30, 2024 and June 30, 2023 are as follows:

	<u>Balance June 30, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2024</u>
Right-of-Use Assets				
Leased assets being amortized				
Leased – real estate	\$ 19,024,852	\$ 103,625	\$ -	\$ 19,128,477
Less: accumulated amortization				
Leased – real estate	<u>(4,362,258)</u>	<u>(2,371,553)</u>	<u>-</u>	<u>(6,733,811)</u>
Total, net of accumulated amortization	<u>\$ 14,662,594</u>	<u>\$ (2,267,928)</u>	<u>\$ -</u>	<u>\$ 12,394,666</u>
	<u>Balance June 30, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2023</u>
Right-of-Use Assets				
Leased assets being amortized				
Leased – real estate	\$ 9,924,951	\$ 9,099,901	\$ -	\$ 19,024,852
Less: accumulated amortization				
Leased – real estate	<u>(2,454,885)</u>	<u>(1,907,373)</u>	<u>-</u>	<u>(4,362,258)</u>
Total, net of accumulated amortization	<u>\$ 7,470,066</u>	<u>\$ 7,192,528</u>	<u>\$ -</u>	<u>\$ 14,662,594</u>

**CarolinaEast Health System  
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A schedule of changes in the System's lease liability for the year ended June 30, 2024 and June 30, 2023 are as follows:

	<u>Balance at June 30, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2024</u>
Lease Liability	\$ 15,128,893	\$ 103,625	\$ 2,075,507	\$ 13,157,011

	<u>Balance at June 30, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2023</u>
Lease Liability	\$ 7,682,903	\$ 9,099,902	\$ 1,653,912	\$ 15,128,893

The future minimum lease obligations for the lease obligations for year ended June 30, 2024 are as follows:

<u>Year ending June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2025	\$ 2,070,331	\$ 493,026	\$ 2,563,357
2026	2,012,386	400,408	2,412,794
2027	1,951,979	310,263	2,262,242
2028	1,868,385	226,973	2,095,358
2029	1,353,462	160,057	1,513,519
2029-2033	<u>3,900,468</u>	<u>227,360</u>	<u>4,127,828</u>
	<u>\$ 13,157,011</u>	<u>\$ 1,818,087</u>	<u>\$ 14,975,098</u>

**9. Subscription IT asset and liabilities**

The System has various SBITAs, the terms of which expire in various years through 2028. The arrangements qualify as other than short-term arrangements under GASB 96 and, therefore, the assets and related liabilities have been recorded. The liabilities have been measured at the present value of minimum future payments such that each asset's initial balance equals the related liability plus any additional payments for initial direct costs on or before the start of the lease term. Variable payments based upon the use of the underlying asset are not included in the subscription liability because they are not fixed in substance.

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Subscription IT asset activity for the periods ended June 30, 2024 and 2023 was:

	<u>Balance June 30, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2024</u>
Subscription IT asset	\$ 17,640,093	\$ 317,151	\$ -	\$ 17,957,244
Less accumulated amortization	<u>(7,063,856)</u>	<u>(5,860,675)</u>	<u>-</u>	<u>(12,924,531)</u>
Subscription IT asset, net	<u>\$ 10,576,237</u>	<u>\$ (5,543,524)</u>	<u>\$ -</u>	<u>\$ 5,032,713</u>
	<u>Balance June 30, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2023</u>
Subscription IT asset	\$ 11,591,138	\$ 6,048,955	\$ -	\$ 17,640,093
Less accumulated amortization	<u>(2,826,920)</u>	<u>(4,236,936)</u>	<u>-</u>	<u>(7,063,856)</u>
Subscription IT asset, net	<u>\$ 8,764,218</u>	<u>\$ 1,812,019</u>	<u>\$ -</u>	<u>\$ 10,576,237</u>

A schedule of changes in the System's subscription IT liability for the year ended June 30, 2024 and June 30, 2023 follows:

	<u>Balance June 30, 2023</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2024</u>
Subscription IT liability	<u>\$ 10,828,481</u>	<u>\$ 317,151</u>	<u>\$ (5,909,044)</u>	<u>\$ 5,236,588</u>
	<u>Balance June 30, 2022</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2023</u>
Subscription IT liability	<u>\$ 8,932,673</u>	<u>\$ 6,048,954</u>	<u>\$ (4,153,146)</u>	<u>\$ 10,828,481</u>

The future minimum obligations for the SBITA obligations for the year ended June 30, 2023 are as follows:

Year ending June 30	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payment</u>
2025	\$ 3,785,109	\$ 105,165	\$ 3,890,274
2026	1,196,518	26,422	1,222,940
2027	205,403	5,862	211,265
2028	<u>49,558</u>	<u>175</u>	<u>49,733</u>
	<u>\$ 5,236,588</u>	<u>\$ 137,624</u>	<u>\$ 5,374,212</u>

## 10. Bonds Payable

In October 2016, the System issued \$60,000,000 of tax-exempt bank direct purchase bonds named Series 2016 Health Care System Revenue Bonds ("Series 20165 Bonds") purchased by Truist Bank with the System's accounts receivable as collateral.

In August 2022, the System refinanced the Series 2016 Bonds and issued \$52,395,000 of tax-exempt bank direct purchase bonds named Series 2022 Health Care System Revenue Refunding Bonds which were purchased by Truist Bank. All of the System's accounts receivable was named as collateral. The System entered into an interest rate swap agreement effective August 1, 2022. Under the swap agreement the System pays interest at 2.79% and received interest at 79% of the one-month SOFR plus 0.6478%. The notional amount under the swap at June 30, 2024 was \$49,125,000. During the year ended June 30, 2024, management has assessed the swap as an ineffective interest rate hedge. The fair value of the swap at June 30, 2024 was an asset of approximately \$5,004,000 with the change in fair value reported in non-operating revenues (expenses) on the statements of revenues, expenses, and changes in net position. The System was in compliance with all other covenants at June 30, 2024.

Bonds payable consist of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Series 2022 Health Care System Revenue Refunding Bonds: 4.637% interest payable monthly; maturing through November 1, 2046	\$ 49,125,000	\$ 50,775,000
Current portion	<u>(1,685,000)</u>	<u>(1,650,000)</u>
Total bonds payable, long-term	<u>\$ 47,440,000</u>	<u>\$ 49,125,000</u>

A schedule of changes in the System's bonds payable follows:

	<u>Balance at June 30, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2024</u>	<u>Due Within One Year</u>
Bonds Payable					
Revenue bonds	<u>\$50,775,000</u>	<u>\$ -</u>	<u>\$ 1,650,000</u>	<u>\$ 49,125,000</u>	<u>\$ 1,685,000</u>

Annual principal maturities of bonds payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,685,000	\$ 1,343,164	\$ 3,028,164
2026	1,720,000	1,295,583	3,015,583
2027	1,755,000	1,247,025	3,002,025
2028	1,795,000	1,197,410	2,992,410
2029-2032	7,560,000	4,272,328	11,832,328
2033-2036	8,210,000	3,391,129	11,601,129
2037-2040	8,915,000	2,434,543	11,349,543
2041-2044	9,680,000	1,395,651	11,075,651
2045-2047	<u>7,805,000</u>	<u>311,422</u>	<u>8,116,422</u>
	<u>\$ 49,125,000</u>	<u>\$ 16,888,255</u>	<u>\$ 66,013,255</u>

### 11. Accrued Salaries, Wages, and Withholdings

Accrued salaries, wages, and employee withholdings consist of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Salaries and wages	\$ 1,983,387	\$ 7,883,195
Vacation pay	7,527,489	6,312,141
Employee withholdings and related accruals	<u>3,709,548</u>	<u>390,476</u>
	<u>\$ 13,220,424</u>	<u>\$ 14,585,812</u>

### 12. Other Revenue

Other revenue consists of the following for the year ended June 30, 2024 and June 30, 2023:

	<u>2024</u>	<u>2023</u>
Cafeteria and snack shop sales	\$ 2,650,518	\$ 2,123,615
Other services and vendor rebates	2,681,199	2,817,299
Other	<u>2,970,995</u>	<u>2,695,769</u>
	<u>\$ 8,302,712</u>	<u>\$ 7,636,683</u>

### 13. Retirement Plans

The System provides pension benefits for all of its qualifying employees through three defined contribution pension plans.

**CarolinaEast Medical Center Plan Description ("Primary Plan"):** The System sponsors and has responsibility for CarolinaEast Medical Center Money Purchase Pension Plan, a noncontributory defined contribution plan covering all employees of the System who meet the eligibility requirements. An employee is eligible to participate in the plan following four consecutive full-time Years of Service with the System. Full-time employees are those that customarily work at least 36 hours per week. Employer contributions are based on a fixed percentage of base earnings for each employee. The benefit to the employee under the plan is the System's contribution plus investment earnings. Employees are fully vested after 10 years of continuous employment.

The Primary Plan issues a separate, stand-alone financial report which can be obtained by contacting Tammy Sherron, Chief Financial Officer, 2000 Neuse Boulevard, New Bern, N.C. 28561. The Primary Plan was created by act of the Trustees of CarolinaEast Medical Center, who have the authority to amend or terminate the Plan.

**Funding Policy:** The Systems' contributions were calculated using a covered payroll amount of \$94,947,776 and \$86,112,508 for the fiscal year ended June 30, 2024 and June 30, 2023, respectively. Total contributions were \$5,696,867 and \$5,166,750 for the fiscal year ended June 30, 2024 and June 30, 2023, respectively, which represents 6 percent of the covered payroll for each year. Effective January 1, 2014, the effective contribution percentage reduced from 10 percent to 6 percent.

**Significant Accounting Policies of the Plan:** The Plan prepares its financial statements on the accrual basis of accounting. Employer contributions are recognized when due and receivable. Distributions to participants are recognized when due and payable in accordance with the terms of the Plan. Investments are valued at fair value based on quoted market prices.

The Plan does have formal policies regarding investment objectives, diversified funding options, performance and risk review, and participant education and communication.

**CarolinaEast Health System Tax Sheltered Annuity Plans ("Supplementary Plans"):** The System maintains supplementary retirement plans under IRS Code Sections 403(b) and 457(b) which are administered by the Lincoln National Life Insurance Company and The Variable Annuity Life Insurance Company (VALIC). The 403(b) plan is a contributory plan with the System matching a fixed percentage of base earnings for each eligible employee. To receive an employer contribution, eligible employees must contribute a minimum of 3 percent of their eligible salary, and have completed 1 year of continuous service. Contributions by eligible employees are matched by the System at a rate of 2% of the employee's eligible salary. Employees contributing a portion of their eligible salary to the 457(b) plan do not receive a matching employer contribution. All employees are eligible to participate in both plans at the date of hiring. The employee contributions are made on a tax-deferred basis. The benefit to the employee under each plan is the amount contributed plus investment earnings. Employees are fully vested after one year of continuous employment.

The System's 403(b) contributions were calculated using a covered payroll amount of \$110,987,120 and \$97,671,567 for the fiscal year ended June 30, 2024 and June 30, 2023, respectively. The System's contributions were \$2,219,742 and \$1,953,431, or 2 percent of covered payroll, for the fiscal year ended June 30, 2024 and June 30, 2023, respectively. Employee contributions to the plan totaled \$10,783,732 and \$9,171,021 or 9.72% and 9.39% of covered payroll for the years ended June 30, 2024 and June 30, 2023, respectively.

Employee contributions to the 457(b) plan totaled \$2,418,308 and \$2,089,497 for the fiscal year ended June 30, 2024 and June 30, 2023, respectively.

The Supplementary Plans are not included in the System's reporting entity and do not issue separate, stand-alone financial reports.

#### 14. Other Postemployment Benefits

**Plan Description.** The System sponsors and has responsibility for CarolinaEast Medical Center Employee Benefit Trust (Plan), a single-employer, defined benefit other post-employment benefit (OPEB) plan established and governed by the System's governing board. A trust was established on April 1, 2007 for this plan and the plan has a plan year of January 1 to December 31. As such, the Plan's first fiscal year end was December 31, 2007. The System provides other postemployment benefits (OPEB) comprised of health care and group life insurance benefits to retirees of CarolinaEast Medical Center who have at least 20 years of continuous full-time service, have attained the age of 55 and were employed prior to July 1, 1995. The System pays the full cost of coverage for these benefits until age 65. Also, retirees can purchase coverage for their spouse at the System's group rates. The System elected to discontinue the post-retirement benefit to individuals employed on or after July 1, 1995. The plan issues a stand-alone financial report. That report can be obtained by contacting Tammy Sherron, Chief Financial Officer, 2000 Neuse Boulevard, New Bern, N.C. 28561.

**CarolinaEast Health System  
Notes to Financial Statements**

As of the actuarial valuation report dated January 1, 2024 the System's membership consisted of:

Retirees eligible for benefits	33
Active plan members	<u>49</u>
	<u><u>82</u></u>

**Funding Policy.** Prior to April 1, 2007, the System funded these obligations on a pay-as-you-go basis. During 2007, the System funded the actuarially determined net OPEB obligation which was accrued at September 30, 2006 and made some interim pay-as-you-go benefit payments until the trust was funded and thereafter the annual required contributions determined in actuarial valuations.

**Total OPEB Asset (Liability).** The total OPEB asset (liability) was therefore determined based on the January 1, 2023 actuarial valuations, using membership data as of January 1, 2022 and generally accepted actuarial procedures, and update procedures were utilized to roll forward the total OPEB asset (liability) to the measurement date of January 1, 2023. Information included in the following schedules is based on the certification provided by the System's consulting actuary.

For the fiscal year ended June 30, 2024, the System recognized an OPEB loss of approximately \$467,000.

The following represents the changes in the net pension liability as of June 30, 2024:

	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB (Liability) Asset (a)+(b)</b>
Balances at June 30, 2023	<u>\$ (4,791,167)</u>	<u>\$ 6,814,789</u>	<u>\$ 2,023,622</u>
Changes for the year:			
Service cost	(48,643)	-	(48,643)
Interest cost	(302,788)	-	(302,788)
Change in actuarial assumptions	272,455	-	272,455
Contributions from employer	-	508,950	508,950
Net investment earnings	-	1,137,689	1,137,689
Actual benefits paid	505,950	(505,950)	-
Additional expected benefit payments	438,314	-	438,314
Other	<u>130,328</u>	<u>(1,000,000)</u>	<u>(869,672)</u>
Net changes	<u>995,616</u>	<u>140,689</u>	<u>1,136,305</u>
Balances at June 30, 2024	<u>\$ (3,795,551)</u>	<u>\$ 6,955,478</u>	<u>\$ 3,159,927</u>

**CarolinaEast Health System  
Notes to Financial Statements**

The following represents the changes in the net pension liability as of June 30, 2023:

	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB (Liability) Asset (a)+(b)</b>
Balances at June 30, 2022	\$ (5,115,348)	\$ 9,028,629	\$ 3,913,281
Changes for the year:			
Service cost	(51,167)	-	(51,167)
Interest cost	(321,291)	-	(321,291)
Change in actuarial assumptions	(395,454)	-	(395,454)
Contributions from employer	-	32,955	32,955
Net investment earnings	-	(1,513,840)	(1,513,840)
Actual benefits paid	732,955	(732,955)	-
Additional expected benefit payments	336,075	-	336,075
Other	23,063	-	23,063
Net changes	<u>324,181</u>	<u>(2,213,840)</u>	<u>(1,889,659)</u>
Balances at June 30, 2023	<u>\$ (4,791,167)</u>	<u>\$ 6,814,789</u>	<u>\$ 2,023,622</u>

**Sensitivity analysis**

The following represents the sensitivity of the total OPEB liability to changes in the discount rate based on values as of June 30, 2024:

	<b>1% Decrease 6.0%</b>	<b>Current Rate 7.0%</b>	<b>1% Increase 8.0%</b>
Total OPEB liability	\$ 3,887,646	\$ 3,792,551	\$ 3,693,930

The following represents the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates based on values as of June 30, 2024:

	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
Total OPEB liability	\$ 3,673,430	\$ 3,792,551	\$ 3,917,551

**Summary of Significant Accounting Policies.** The Plan's financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

**Funded Status and Funding Progress.** The Plan was fully funded on April 1, 2007, the date the trust was established.

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

**CarolinaEast Health System  
Notes to Financial Statements**

Methods and assumptions as of the latest actuarial valuations for June 30, 2024 are as follows:

Valuation date	January 1, 2024
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Remaining amortization period	Immediately
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.0%
Health care cost trend rates	5.0% per year increase in all future years
Inflation	3.0%
Cost-of-living adjustments	None

Methods and assumptions as of the latest actuarial valuations for June 30, 2023 are as follows:

Valuation date	January 1, 2023
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Remaining amortization period	Immediately
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.0%
Health care cost trend rates	5.0% per year increase in all future years
Inflation	3.0%
Cost-of-living adjustments	None

Mortality rates were based on the PUB-2010 Mortality Table with generational projection of mortality improvements using the MP-2021 Projection Scale.

**Deferred items related to OPEB.** At June 30, 2024, the System reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,287,506	\$ 1,158,512
Changes of assumptions	-	(29,192)
Difference between expected and actual return on plan assets	-	(185,694)
	<u>\$ 1,287,506</u>	<u>\$ 943,626</u>

At June 30, 2023, the System reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,716,675	\$ 1,010,651
Changes of assumptions	68,633	68,633
Difference between expected and actual return on plan assets	-	(278,580)
	<u>\$ 1,785,308</u>	<u>\$ 800,704</u>

**Fair Value of Plan Assets.** The Fair Value Measurements and Application Standard addresses accounting and financial reporting issues related to fair value measurements. The standard describes fair value as an exit price. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The statement establishes a three-level hierarchy of inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets or liabilities, inputs that are observable for the asset or liability, and market-corroborated inputs. Level 3 inputs are unobservable inputs and take into account all information about market participant assumptions that are reasonably available. The Plan categorizes its fair value measurements within the fair value hierarchy established by this standard.

When quoted prices are available in active markets for identical instruments, investment securities are classified within Level 1 of the fair value hierarchy. Level 1 investments include money market funds and mutual funds which are valued based on prices readily available in active markets in which those securities are traded.

The Plan does not have any financial assets or liabilities measured at fair value on a recurring basis categorized as Level 2 or 3, and there were no transfers in or out of Level 3 during 2023 or 2024. There were no changes during the fiscal year ended June 30, 2023 or 2024 to the Plan's valuation technique used to measure asset and liability fair values on a recurring basis.

The following tables set forth by level within the fair value hierarchy the Plan's assets accounted for at fair value on a recurring basis as of June 30, 2024 and 2023:

	<b>June 30, 2024</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 15,439	\$ -	\$ -	\$ 15,439
Mutual funds	<u>6,937,038</u>	<u>-</u>	<u>-</u>	<u>6,937,038</u>
Total	<u>\$ 6,952,477</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,952,477</u>
	<b>June 30, 2023</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 19,744	\$ -	\$ -	\$ 19,744
Mutual funds	<u>6,795,045</u>	<u>-</u>	<u>-</u>	<u>6,795,045</u>
Total	<u>\$ 6,814,789</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,814,789</u>

## 15. Risk Management, Commitments and Contingencies

The System is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health benefits.

**Health Benefits:** Effective January 1, 2001, the System established a limited risk, self-insurance program to provide health benefits to the System's employees. The System changed plan administrator's on January 1, 2016. The System is billed on a weekly basis for claims by MedCost, the plan administrator. The System carries stop-loss

**CarolinaEast Health System  
Notes to Financial Statements**

insurance through MedCost, which has stop loss for individual claims in excess of \$265,000. The claims liability reported at year-end is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the statement of net position date and the amount can be reasonably estimated.

Changes in the System's claims liability amount for retained risk for at June 30, 2024 and 2023 were:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2023-2024	\$ 3,483,632	\$ 26,463,361	\$ 26,206,122	\$ 3,740,871
2022-2023	\$ 3,283,632	\$ 23,541,007	\$ 23,341,007	\$ 3,483,632

Total claims expense is partially offset by employee contributions. This is included within trade accounts payable on the balance sheet.

**Contract Commitments:** The System has several employment contracts with physicians requiring base annual salary payments for the nine-month period ended June 30 as follows, plus various incentive bonuses with bonuses based on various financial performance targets. The employment contracts range from one to three-year commitments, with additional annual renewal period options after the initial contract period. The initial terms, including one-year automatic renewals, expire at various dates ranging to December 2024. The contractual liability at June 30, 2024 and June 30, 2023 was \$1,250,000 and \$1,635,102, respectively.

**Workers' Compensation and Professional Liability:** The System formerly had professional liability and/or workers' compensation insurance coverage with three insurance companies that are now in liquidation:

- PHICO Insurance Company ("PHICO"): Went into liquidation on February 1, 2002. Provided professional liability and workers' compensation coverage for System.
- Reliance Insurance Company ("Reliance"): Went into liquidation on October 31, 2001. Provided workers' compensation coverage for System.
- The Virginia Insurance Reciprocal ("ROA"): Went into liquidation on June 20, 2003. Provided workers' compensation coverage for System.

Following the start of liquidation of each of these companies, responsibility for further defense and/or payments relating to cases and claims formerly insured by the companies was assumed by the North Carolina Insurance Guaranty Association ("Guaranty Fund" or "Fund"). The Fund handled the cases and claims and paid all costs and expenses relating thereto with limited input from the System.

The Fund notified the System that it was requesting reimbursement for both indemnity payments and defense expenses relating to cases and claims pertaining to all three former insurers pursuant to N.C.G.S. §58-48-50 (a1)(1). Such reimbursement claim was based on the System's having a net worth that exceeded \$50,000,000 on December 31 of the year in which each of the former insurers became insolvent.

The System notified the Guaranty Fund that it disputed the Guaranty Fund's legal position with regard to the Fund's right to reimbursement for all indemnity payments and defense expenses, including attorneys' fees, paid by the Fund in the subject cases and claims. Discussions continued between the Fund and System concerning this matter until the Fund initiated formal litigation by filing a declaratory judgment action on March 4, 2004.

Prior to the dispute between the Fund and the System, the System had established certain reserves to provide for payment of professional liability cases where the settlement or judgment would potentially exceed the statutory \$300,000 indemnity payment limit provided by the Fund. The amount of the reserve relating to each pending case was based upon assessment of the System's potential financial exposure for settlements or judgments that exceeded the indemnity provided by the Fund. The System reassessed the nature and extent of its reserves once the System became aware of the Fund's claim for reimbursement and in anticipation of the System having to eventually reimburse the Fund for all indemnity payments and all or part of defense expenses relating to cases and claims.

On September 29, 2004, the Fund and System agreed upon a resolution of the declaratory judgment action and entered into a formal Settlement Agreement and Release of All Claims.

The Virginia Insurance Reciprocal ("ROA") case was purchased by Providence Washington Insurance Company whereby all responsibility for paying, administering, processing and handling of all workers compensation claims within this book of business was assumed by the new carrier effective December 29, 2014. Subsequently, \$278,000 was removed from reserves as the System has no additional financial liability for the ROA case. The System continues to maintain reserves to cover reimbursement obligations relating to one other case and claim that remains pending. This includes a professional liability matter that may involve substantial exposure for both indemnity and defense expenses. The nature and extent of the reserve is periodically reviewed for adequacy and reasonableness by management.

**Professional Liability:** These premiums represent a transfer of risk and are not determined retrospectively. These policies are claims made basis policies, meaning claims are covered based on incidents arising on or after the policy retroactive date and which are reported during the term of the policy.

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

**Asserted and Unasserted Claims:** The System is aware of various asserted and unasserted claims. Management has been unable to reasonably estimate the amount of the loss, if any, since the ultimate resolution of these matters will be dependent upon future events. Management of the System and its legal counsel feel that these claims can be successfully defended and intend to resist the allegations of these matters in every way and do not plan to seek out-of-court settlements. In the event that judgments adverse to the interests of the System should be rendered, management and its legal counsel feel any liability will be fully covered under the System's existing insurance policies.

**16. Condensed Combining Financial Information**

Following is the condensed combining balance sheets as of June 30, 2024, and the related condensed combining statements of revenues, expenses, and changes in net position for the material affiliates of CarolinaEast Health System for the year ended June 30, 2024:

<b>Condensed Balance Sheets</b>	<b><u>CarolinaEast Health System</u></b>	<b><u>Eliminations</u></b>	<b><u>CarolinaEast Physicians</u></b>	<b><u>CarolinaEast Medical Center</u></b>
Total current assets:	\$ 238,542,706	\$ (468,871,524)	\$ 28,742,195	\$ 678,672,035
Assets limited as to use	318,835,833	-	-	318,835,833
Other assets	26,073,062	-	81,336	25,991,726
Capital assets – tangible net	224,198,151	-	29,234,412	194,963,739
Deferred outflows	<u>1,287,506</u>	<u>-</u>	<u>-</u>	<u>1,287,506</u>
Total assets and deferred outflows	<u>\$ 808,937,258</u>	<u>\$ (468,871,524)</u>	<u>\$ 58,057,943</u>	<u>\$ 1,219,750,839</u>
Total current liabilities	\$ 66,445,572	\$ -	\$ 10,987,301	\$ 55,458,271
Total long-term liabilities	59,978,159	-	12,831,721	47,146,438
Deferred inflows	1,014,694	-	71,608	943,086
Related party note payable	-	(468,871,524)	468,871,524	-
Total net position	<u>681,498,833</u>	<u>-</u>	<u>(434,704,211)</u>	<u>1,116,203,044</u>
Total liabilities, deferred inflows and net position	<u>\$ 808,937,258</u>	<u>\$ (468,871,524)</u>	<u>\$ 58,057,943</u>	<u>\$ 1,219,750,839</u>

**Condensed Statements of Revenues, Expenses and Changes in Net Position**

	<b><u>CarolinaEast Health System</u></b>	<b><u>CarolinaEast Physicians</u></b>	<b><u>CarolinaEast Medical Center</u></b>
Net patient service revenue:	\$ 588,674,934	\$ 93,016,070	\$ 495,658,864
Other operating revenue	<u>8,302,712</u>	<u>1,676,707</u>	<u>6,626,005</u>
Total net operating revenue	596,977,646	94,692,777	502,284,869
Operating expenses:			
Depreciation and amortization	31,996,882	6,613,882	25,383,000
Other operating expenses	<u>565,423,231</u>	<u>146,587,665</u>	<u>418,835,566</u>
Total operating expenses	597,420,113	153,201,547	444,218,566
Operating income (loss)	(442,467)	(58,508,770)	58,066,303
Non-operating revenue	<u>47,030,343</u>	<u>-</u>	<u>47,030,343</u>
Change in net position	46,587,876	(58,508,770)	105,096,646
Total net position in beginning	<u>634,910,957</u>	<u>(376,195,441)</u>	<u>1,011,106,398</u>
Total net position ending	<u>\$ 681,498,833</u>	<u>\$ (434,704,211)</u>	<u>\$ 1,116,203,044</u>

## ***Required Supplementary Information***

**CarolinaEast Health System  
Other Postemployment Benefits  
Schedule of Funding Progress**

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<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liabilities (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>AVA as percentage of AAL</u>
04/01/2007	\$ 4,134,467	\$ 4,803,647	\$ 669,180	86%
01/01/2008	\$ 4,662,084	\$ 4,994,563	\$ 332,479	93%
01/01/2009	\$ 3,704,730	\$ 5,348,769	\$ 1,644,039	69%
01/01/2010	\$ 4,289,091	\$ 5,607,624	\$ 1,318,533	76%
01/01/2011	\$ 4,768,499	\$ 6,149,239	\$ 1,380,740	78%
01/01/2012	\$ 5,266,563	\$ 6,145,115	\$ 878,552	86%
01/01/2013	\$ 6,104,475	\$ 5,515,515	\$ (588,960)	111%
01/01/2014	\$ 6,689,547	\$ 5,073,611	\$ (1,615,936)	132%
01/01/2015	\$ 6,701,469	\$ 5,114,569	\$ (1,586,900)	131%
01/01/2016	\$ 6,334,510	\$ 6,131,965	\$ (202,545)	103%
01/01/2017	\$ 6,465,673	\$ 6,704,078	\$ 238,405	96%
01/01/2018	\$ 7,386,217	\$ 6,400,767	\$ (985,450)	115%
01/01/2019	\$ 6,707,794	\$ 5,992,320	\$ (715,474)	112%
01/01/2020	\$ 7,733,597	\$ 5,874,865	\$ (1,858,732)	132%
01/01/2021	\$ 8,471,396	\$ 5,225,961	\$ (3,245,435)	162%
01/01/2022	\$ 9,028,629	\$ 5,115,348	\$ (3,913,281)	177%
01/01/2023	\$ 6,814,789	\$ 4,791,167	\$ (2,023,622)	142%
01/01/2024	\$ 6,952,478	\$ 3,792,551	\$ (3,159,927)	183%

**CarolinaEast Health System  
 Other Postemployment Benefits  
 Schedule of Employer Contributions**

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<u>Plan Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
December 31, 2009	\$ 514,055	106%
December 31, 2010	497,939	95%
December 31, 2011	628,337	100%
December 31, 2012	574,181	100%
December 31, 2013	-	N/A
December 31, 2014	-	N/A
December 31, 2015	-	N/A
December 31, 2016	-	N/A
December 31, 2017	286,456	N/A
December 31, 2018	-	N/A
December 31, 2019	-	N/A
December 31, 2020	-	N/A
December 31, 2021	-	N/A
December 31, 2022	-	N/A
December 31, 2023	-	N/A
December 31, 2024	-	N/A

CarolinaEast Health System  
 Other Postemployment Benefits  
 Schedule of Changes in Total OPEB Asset (Liability) and Related Ratios

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	<u>2024</u>
<b>Total OPEB Asset (Liability)</b>	
Service cost	\$ (48,643)
Interest	(302,788)
Contributions from the employer	(491,050)
Net investment earnings	1,137,689
Change in actuarial assumptions	403,124
Additional expected benefit payments	<u>438,314</u>
<b>Net change in total OPEB asset (liability)</b>	1,136,646
<b>Total OPEB asset, beginning</b>	<u>2,023,622</u>
<b>Total OPEB asset, ending</b>	<u>\$ 3,160,268</u>
<b>Covered – employee payroll</b>	<u>\$ 4,198,000</u>
<b>Net OPEB asset as a percentage of Covered – employee payroll</b>	75.30%

**CAROLINAEAST HEALTH SYSTEM  
CONSOLIDATED BALANCE SHEET  
June 30, 2024 and 2023**

**ASSETS**

	JUNE <u>2024</u>	JUNE <u>2023</u>
<b>CURRENT ASSETS:</b>		
Cash	100,720,506	85,619,798
Gross Accounts Receivable-CMC	269,108,520	217,275,967
Gross Accounts Receivable-CPHY	<u>32,059,275</u>	<u>26,555,232</u>
Less: Allowance for Discharge Receivables	(181,888,095)	(132,407,899)
Allowance for Inhouse Receivables	(6,753,530)	(4,874,862)
Allowance for Bad Debts	<u>(22,401,593)</u>	<u>(24,986,923)</u>
Net Accounts Receivable	<u>90,124,577</u>	<u>81,561,515</u>
Medicare/Medicaid Receivable	18,576,431	49,117
Refundable North Carolina Sales Tax	2,887,353	2,650,229
Inventories	14,079,567	13,066,315
Prepaid Expenses & Other Receivable	<u>8,459,618</u>	<u>11,156,129</u>
<b>TOTAL CURRENT ASSETS</b>	<u>234,848,052</u>	<u>194,103,103</u>
<b>Other Assets:</b>		
Board Designated Funded Depreciation	251,936,670	280,961,793
Accrued Interest Receivable- Funded Dep	224,407	194,000
Unrealized Gain(Loss)- Funded Dep	66,674,755	41,143,865
Swap Asset- Funded Dep	5,004,420	4,073,053
Investments-Other	100,000	100,000
Investment in Captis Health LLC	300,000	300,000
Lease Receivable	81,336	125,798
Other Long Term Receivable	3,694,656	3,934,786
Deferred Outflow - VEBA	1,287,506	1,716,675
Post Retirement Benefits	<u>3,159,927</u>	<u>2,223,622</u>
	<u>332,463,677</u>	<u>334,773,592</u>
<b>PROPERTY AND EQUIPMENT:</b>		
Lease Asset	19,128,477	19,024,852
Land	15,434,440	15,179,508
Land Improvements	7,122,801	7,104,244
Buildings and Fixtures	294,407,570	292,558,179
Equipment	<u>277,366,847</u>	<u>265,556,039</u>
<b>TOTAL PROPERTY &amp; EQUIPMENT</b>	<u>613,460,135</u>	<u>599,422,822</u>
Less: Accumulated Depreciation	<u>(399,803,150)</u>	<u>(374,460,444)</u>
	<u>213,656,985</u>	<u>224,962,378</u>
Construction in Process	22,935,831	2,753,989
Organizational Costs-Net	-	155,055
Subscription Asset-Net	<u>5,032,713</u>	<u>756,748,117</u>
<b>TOTAL ASSETS</b>	<u>808,937,258</u>	<u>756,748,117</u>

**LIABILITIES AND FUND BALANCES**

	JUNE <u>2024</u>	JUNE <u>2023</u>
<b>CURRENT LIABILITIES:</b>		
Current Installments of Long Term		
Notes and Bonds	1,685,000	1,650,000
Accounts Payable	27,942,464	15,680,912
Note/Bond Interest Payable	-	-
Medicare and Third Party Payable	17,742,244	24,322,634
Other Post Retirement Benefits	-	-
Accrued Expenses:		
Salaries and Wages	1,983,387	7,883,195
PTO	7,527,489	6,312,141
Withholdings and Related Accruals	<u>3,709,548</u>	<u>401,513</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>60,590,132</u>	<u>56,250,395</u>
<b>Long Term Liabilities:</b>		
Bonds Payable	47,440,000	49,125,000
Swap Liability - Long Term	-	-
Deferred Inflow - VEBA	943,626	800,704
Lease Liability	13,157,011	15,128,893
Subscription Liability	5,236,588	113,709
Deferred Inflow of Resources	71,068	-
<b>TOTAL LIABILITIES</b>	<u>127,438,425</u>	<u>121,418,701</u>
<b>FUND BALANCE:</b>		
Net Investment In Plant	174,777,236	162,703,115
Board Designated Funded Depreciation	323,840,252	326,372,710
Working Capital	<u>182,881,345</u>	<u>146,253,591</u>
<b>TOTAL FUND BALANCE</b>	<u>681,498,833</u>	<u>635,329,416</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u>808,937,258</u>	<u>756,748,117</u>

**CAROLINAEAST HEALTH SYSTEM  
CONSOLIDATED STATEMENT OF REVENUES & EXPENSES  
FOR THE MONTH ENDING JUNE 30, 2024**

	BUDGET		ACTUAL		ACTUAL OVER/(UNDER)	
	1 MONTH ENDED	%	1 MONTH ENDED	%	BUDGET	%
	JUNE 30, 2024		JUNE 30, 2024		JUNE 30, 2024	
<b>GROSS PATIENT REVENUE:</b>						
INPATIENT	43,292,010	30.03%	47,039,428	30.93%	3,747,418	0.90%
OUTPATIENT	79,956,877	55.46%	80,163,466	52.72%	206,589	-2.74%
PHYSICIANS	20,914,446	14.51%	24,864,669	16.35%	3,950,223	1.84%
<b>TOTAL PATIENT SERVICE REVENUE</b>	<b>144,163,333</b>	<b>100.01%</b>	<b>152,067,563</b>	<b>100.00%</b>	<b>7,904,230</b>	<b>-0.01%</b>
<b>LESS DEDUCTIONS:</b>						
MEDICARE/MEDICAID/TRICARE	74,168,941	51.45%	79,199,772	52.08%	5,030,831	0.63%
OTHER CONTRACTUALS	19,582,294	13.58%	21,473,111	14.12%	1,890,817	0.54%
CHARITY CARE	806,474	0.56%	741,293	0.49%	(65,181)	-0.07%
NET BAD DEBT EXPENSE	2,562,296	1.78%	(192,462)	-0.13%	(2,754,758)	-1.91%
<b>TOTAL DEDUCTIONS FROM REVENUE</b>	<b>97,120,005</b>	<b>67.37%</b>	<b>101,221,714</b>	<b>66.56%</b>	<b>4,101,709</b>	<b>-0.81%</b>
<b>NET PATIENT SERVICE REVENUE</b>	<b>47,043,328</b>	<b>32.64%</b>	<b>50,845,849</b>	<b>33.44%</b>	<b>3,802,521</b>	<b>0.80%</b>
<b>OTHER OPERATING REVENUE</b>	<b>643,306</b>	<b>0.45%</b>	<b>874,497</b>	<b>0.58%</b>	<b>231,191</b>	<b>0.13%</b>
<b>TOTAL NET OPERATING REVENUE</b>	<b>47,686,634</b>	<b>33.09%</b>	<b>51,720,346</b>	<b>34.01%</b>	<b>4,033,712</b>	<b>0.92%</b>
<b>OPERATING EXPENSES:</b>						
SALARIES	16,838,742	35.31%	19,452,271	37.61%	2,613,529	2.30%
BENEFITS	3,638,619	7.63%	3,677,331	7.11%	38,712	-0.52%
CONTRACT LABOR	437,022	0.92%	516,626	1.00%	79,604	0.08%
CONTRACTED SERVICES	1,532,161	3.21%	1,459,847	2.82%	(72,314)	-0.39%
OTHER OPERATING EXPENSES	21,014,199	44.07%	21,566,922	41.70%	552,723	-2.37%
INTEREST	155,110	0.33%	172,072	0.33%	16,962	0.00%
DEPRECIATION	2,141,711	4.49%	2,108,320	4.08%	(33,391)	-0.41%
AMORTIZATION	-	0.00%	504,948	0.98%	504,948	0.98%
<b>TOTAL OPERATING EXPENSES</b>	<b>45,757,564</b>	<b>95.95%</b>	<b>49,458,337</b>	<b>95.63%</b>	<b>3,700,773</b>	<b>-0.32%</b>
<b>INCOME FROM OPERATIONS</b>	<b>1,929,070</b>	<b>4.05%</b>	<b>2,262,009</b>	<b>4.37%</b>	<b>332,939</b>	<b>0.32%</b>
<b>NON-OPERATING INCOME</b>	<b>1,480,311</b>	<b>3.10%</b>	<b>4,845,530</b>	<b>9.37%</b>	<b>3,365,219</b>	<b>6.27%</b>
<b>NET INCOME</b>	<b>3,409,381</b>	<b>7.15%</b>	<b>7,107,539</b>	<b>13.74%</b>	<b>3,698,158</b>	<b>6.59%</b>

**CAROLINAEAST HEALTH SYSTEM**  
**CONSOLIDATED STATEMENT OF REVENUES & EXPENSES**  
**TWELVE MONTHS ENDING JUNE 30, 2024**

	BUDGET 12 MONTHS ENDING JUNE 30, 2024		ACTUAL 12 MONTHS ENDING JUNE 30, 2024		ACTUAL 12 MONTHS ENDING JUNE 30, 2023		ACTUAL OVER (UNDER) BUDGET JUNE 30, 2024	
		%		%		%		%
<b>GROSS PATIENT REVENUE:</b>								
INPATIENT	557,415,822	32.09%	568,102,631	30.76%	531,827,840	31.89%	10,686,809	-1.33%
OUTPATIENT	936,654,374	53.92%	970,627,239	52.55%	898,782,577	53.90%	33,972,865	-1.37%
PHYSICIANS	242,945,507	13.99%	308,364,710	16.69%	236,836,084	14.20%	65,419,203	2.70%
<b>TOTAL PATIENT SERVICE REVENUE</b>	<b>1,737,015,703</b>	<b>100.00%</b>	<b>1,847,094,580</b>	<b>100.00%</b>	<b>1,667,446,501</b>	<b>99.99%</b>	<b>110,078,877</b>	<b>0.00%</b>
<b>LESS DEDUCTIONS:</b>								
MEDICARE/MEDICAID/TRICARE	879,349,079	50.62%	937,001,782	50.73%	843,258,878	50.57%	57,652,703	0.11%
OTHER CONTRACTUALS	244,088,782	14.05%	266,077,473	14.41%	243,701,117	14.62%	21,988,691	0.36%
CHARITY EXPENSE	9,666,639	0.56%	10,975,781	0.59%	10,082,064	0.60%	1,309,142	0.03%
NET BAD DEBT EXPENSE	51,975,903	2.99%	58,967,640	3.19%	59,940,411	3.59%	6,991,737	0.20%
<b>TOTAL DEDUCTIONS FROM REVENUE</b>	<b>1,185,080,403</b>	<b>68.22%</b>	<b>1,273,022,676</b>	<b>68.92%</b>	<b>1,156,982,470</b>	<b>69.38%</b>	<b>87,942,273</b>	<b>0.70%</b>
<b>NET PATIENT SERVICE REVENUE</b>	<b>551,935,300</b>	<b>31.78%</b>	<b>574,071,904</b>	<b>31.08%</b>	<b>510,464,031</b>	<b>30.61%</b>	<b>22,136,604</b>	<b>-0.70%</b>
<b>OTHER OPERATING REVENUE</b>	<b>7,257,810</b>	<b>0.42%</b>	<b>22,905,742</b>	<b>1.24%</b>	<b>7,636,683</b>	<b>0.46%</b>	<b>15,647,932</b>	<b>0.82%</b>
<b>TOTAL NET OPERATING REVENUE</b>	<b>559,193,110</b>	<b>32.20%</b>	<b>596,977,646</b>	<b>32.32%</b>	<b>518,100,714</b>	<b>31.07%</b>	<b>37,784,536</b>	<b>0.12%</b>
<b>OPERATING EXPENSES:</b>								
SALARIES	210,410,174	37.63%	227,709,588	38.14%	195,835,284	37.80%	17,299,414	0.51%
BENEFITS	43,816,819	7.84%	51,086,700	8.56%	43,691,837	8.43%	7,269,881	0.72%
CONTRACT LABOR	12,576,746	2.25%	11,233,035	1.88%	23,187,318	4.48%	(1,343,711)	-0.37%
CONTRACTED SERVICES	18,385,924	3.29%	21,945,550	3.68%	20,615,575	3.98%	3,559,626	0.39%
OTHER OPERATING EXPENSES	242,743,172	43.41%	251,167,218	42.07%	233,037,243	44.98%	8,424,046	-1.34%
INTEREST	1,834,000	0.33%	2,281,139	0.38%	1,990,617	0.38%	447,139	0.05%
DEPRECIATION	25,700,535	4.60%	25,981,153	4.35%	26,907,950	5.19%	280,618	-0.25%
AMORTIZATION	155,055	0.03%	6,015,730	1.01%	500,672	0.10%	5,860,675	0.98%
<b>TOTAL OPERATING EXPENSES</b>	<b>555,622,425</b>	<b>99.38%</b>	<b>597,420,113</b>	<b>100.07%</b>	<b>545,766,496</b>	<b>105.34%</b>	<b>41,797,688</b>	<b>0.69%</b>
<b>INCOME FROM OPERATIONS</b>	<b>3,570,685</b>	<b>0.62%</b>	<b>(442,467)</b>	<b>-0.07%</b>	<b>(27,665,782)</b>	<b>-5.34%</b>	<b>(4,013,152)</b>	<b>-0.69%</b>
<b>NON-OPERATING INCOME</b>	<b>17,763,733</b>	<b>3.18%</b>	<b>47,030,345</b>	<b>7.88%</b>	<b>37,805,092</b>	<b>7.30%</b>	<b>29,266,612</b>	<b>4.70%</b>
<b>NET INCOME</b>	<b>21,334,418</b>	<b>3.80%</b>	<b>46,587,878</b>	<b>7.81%</b>	<b>10,139,310</b>	<b>1.96%</b>	<b>25,253,460</b>	<b>4.01%</b>

# Craven County

## RELEASES SUBJECT TO BOARD APPROVAL ON 12/2/2024

Taxpayer Name	Account Number	Tax Year	Bill Number	Amount
HENSLEY, MICHAEL EUGENE NOT TAXABLE TO CRAVEN COUNTY	94614	2024	210956	221.08
HENSLEY, MICHAEL EUGENE NOT TAXABLE TO CRAVEN COUNTY	94614	2023	210956	254.84
HENSLEY, MICHAEL EUGENE NOT TAXABLE TO CRAVEN COUNTY	94614	2022	210956	200.62
KING, JEFFREY LYNN NOT TAXABLE TO CRAVEN COUNTY	202491049900	2024	910499	290.55
REEDY CREEK LLC BILLING ERROR	27804	2024	54640	11.62
REEDY CREEK LLC BILLING ERROR	27804	2024	55975	11.62
REEDY CREEK LLC BILLING ERROR	27804	2024	56205	6.19
REEDY CREEK LLC BILLING ERROR	27804	2024	59707	11.62
SOLOMITO, MATTHEW T BILLING ERROR	6753861	2024	202486	83.88
WILSON, VANDER JR & SAVAGE, ROBERT RECYCLE FEE CORRECTION	132897	2024	21525	72.00
WUBBOLDING, JONATHAN THOMAS CORRECTED DISCOVERED PROPERTY VALUE	141416	2024	412555	1,275.02
WUBBOLDING, JONATHAN THOMAS DID NOT OWN JANUARY 1	141416	2024	412556	1,487.74

12 RELEASES SUBJECT TO BOARD APPROVAL ON 12/2/2024: **3,926.78**

# Craven County

## REFUNDS SUBJECT TO BOARD APPROVAL ON 12/2/2024

Taxpayer Name	Account Number	Tax Year	Bill Number	Amount
HENSLEY, MICHAEL EUGENE NOT TAXABLE TO CRAVEN COUNTY	94614	2022	210956	103.23
HENSLEY, MICHAEL EUGENE NOT TAXABLE TO CRAVEN COUNTY	94614	2021	210956	311.27
HENSLEY, MICHAEL EUGENE NOT TAXABLE TO CRAVEN COUNTY	94614	2020	210956	327.18
HENSLEY, MICHAEL EUGENE NOT TAXABLE TO CRAVEN COUNTY	94614	2019	210956	344.00
REEDY CREEK LLC BILLING ERROR	27804	2023	54640	11.62
REEDY CREEK LLC BILLING ERROR	27804	2022	54640	14.63
REEDY CREEK LLC BILLING ERROR	27804	2021	54640	14.63
REEDY CREEK LLC BILLING ERROR	27804	2020	54640	14.37
REEDY CREEK LLC BILLING ERROR	27804	2019	54640	14.37
REEDY CREEK LLC BILLING ERROR	27804	2023	55975	11.62
REEDY CREEK LLC BILLING ERROR	27804	2022	55975	14.63
REEDY CREEK LLC BILLING ERROR	27804	2021	55975	14.63
REEDY CREEK LLC BILLING ERROR	27804	2020	55975	14.37
REEDY CREEK LLC BILLING ERROR	27804	2019	55975	14.37
REEDY CREEK LLC BILLING ERROR	27804	2023	56205	6.19
REEDY CREEK LLC BILLING ERROR	27804	2022	56205	7.78
REEDY CREEK LLC BILLING ERROR	27804	2021	56205	7.78
REEDY CREEK LLC BILLING ERROR	27804	2020	56205	7.64
REEDY CREEK LLC BILLING ERROR	27804	2019	56205	7.64
REEDY CREEK LLC BILLING ERROR	27804	2023	59707	11.62
REEDY CREEK LLC BILLING ERROR	27804	2022	59707	14.63
REEDY CREEK LLC BILLING ERROR	27804	2021	59707	14.63
REEDY CREEK LLC BILLING ERROR	27804	2020	59707	14.37
REEDY CREEK LLC BILLING ERROR	27804	2019	59707	14.37

24 REFUNDS SUBJECT TO BOARD APPROVAL ON 12/2/2024: **1,331.57**



Fw: [External] NCCF Grant Award Notification General\All Employees (unrestricted)

BW Billy Wilkes To: Gene Hodges Cc: Mark Seymour Thu 10/3/2024 10:21 AM

Gene, Here is a small grant to assist with the playground improvements and Creekside Park. No match needed.

Thanks,

Billy Wilkes Director Craven County Recreation & Parks 252-636-6606(work) 252 -671-1966(cell)

From: North Carolina Community Foundation <administrator@grantinterface.com> Sent: Thursday, October 3, 2024 10:03 AM To: Billy Wilkes <bwilkes@cravencountync.gov> Cc: asorhagen@nccommunityfoundation.org <asorhagen@nccommunityfoundation.org> Subject: [External] NCCF Grant Award Notification

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Dear Billy,

Thank you for your application to the 2024 Craven County Community Foundation. I am pleased to inform you that Craven County Recreation & Parks Department has been chosen to receive a grant in the amount of \$5,000.00 for Creekside Park Inclusive Playground Improvements. This grant is made possible through a recommendation from this local board, an affiliate of the North Carolina Community Foundation.

Your grant check will be mailed to you very soon.

A Follow-up Grant Report has been assigned to you which will be due in nine months. Instructions for going online to complete that report will be sent closer to the due date; however, please mark your calendars now to complete the follow up report, which will be submitted through the same online system you used to apply for this grant. We may use this information in upcoming newsletters and other publications. If you have questions about any aspects of this grant or its terms and conditions, please contact Doug Perry, Grants Manager at dperry@nccommunityfoundation.org or (919) 256-6911.

The North Carolina Community Foundation and our local affiliate are recognized leaders in

charitable giving, strengthen nonprofits, and enhance the vitality of communities across our state.

We appreciate your help in getting the word out about the grant your organization received. Not only does it let the community know about your organization's great work, but it can also encourage more giving. Please review our Grant Publicity Guide for tips on how to share this good news.

We are happy to be of service to you in supporting the important work you are doing for your community.

Sincerely,

Jennifer Tolle Whiteside  
President  
North Carolina Community Foundation

cc: Anne Sorhagen, Program Officer, Eastern Region  
Doug Perry, Grants Manager  
Peter Moeller, President, Craven County Community Foundation



[External] Re: Batting Cage

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From Teri Morris <terimorrisn@gmail.com>

Date Thu 9/26/2024 12:09 PM

To Bill Poole <bill@ibxmedia.com>

Cc Mark Seymour <mseymour@cravencountync.gov>; Twin Rivers Little League Softball <twinriverssoftball252@gmail.com>;  
ecudrew@gmail.com <ecudrew@gmail.com>

**CAUTION:** This email originated from outside the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Mark,

Please let me know how we should proceed with payment and to whom the check should be issued.

Teri Morris  
Treasurer, TRLL

On Thu, Sep 26, 2024 at 8:57 AM Bill Poole <[bill@ibxmedia.com](mailto:bill@ibxmedia.com)> wrote:

Mark,

I would like to mention that Drew represents the entire board of Twin Rivers Little League, as we voted unanimously to provide \$5,000 toward a new batting cage at our last board meeting.

Thanks for all you do to assist us in the operation of the league.

Bill Poole  
President of TRLL

On Thu, Sep 26, 2024 at 8:42 AM Drew Meadows <[ecudrew@gmail.com](mailto:ecudrew@gmail.com)> wrote:

Mark,

On behalf of Twin Rivers Little League, we would like to offer a contribution of \$5,000 toward the installation of an additional batting cage at the youth softball fields at Creekside Park. Our league has identified this as a critical need, as the current single cage is shared by four teams before games, often allowing only 1-2 teams to utilize it fully. Adding another cage would greatly enhance team preparation and help bring greater equity, as the boys' fields already have two cages available.

out if there are any other ways we can assist in improving the facilities for our youth athletes.

Thank you for your time and consideration.

Drew Meadows



**RESOLUTION  
RECOGNIZING LANCE CORPORAL CHRISTOPHER R. GOLDING  
AS MILITARY SERVICE  
PERSON OF THE QUARTER**

*WHEREAS*, Lance Corporal Christopher R. Golding enlisted in the United States Marine Corps in July of 2023 and headed to Paris Island, South Carolina for basic training. Upon Completion of basic training LCpl Golding was transferred to Marine Combat Training in Camp Geiger, North Carolina and his follow-on school at 29 Palms, California; and

*WHEREAS*, after reaching the end of his schooling in May of 2024, LCpl Golding married his high school sweetheart, Savannah Sullivan, 10 days before reporting to his first duty station and current unit, Marine Wing Communications Squadron 28 (MWCS-28), where he serves as a Ground Radio Maintainer; and

*WHEREAS*, LCpl Golding has become an asset to his unit since his arrival, providing continuous support during inspections and modifications; and

*WHEREAS*, LCpl Golding has logged over 100 hours of volunteering; to include tutoring individuals interested in entering the armed services, as well as providing outreach to the community. In addition, he has also volunteered at Creekside Elementary School reading with the students and providing them with insight for their future; and

*WHEREAS*, LCpl has also been nominated for the Havelock and Carteret Military Service Person of the Quarter.

*NOW, THEREFORE, BE IT RESOLVED THAT THE CRAVEN COUNTY BOARD OF COMMISSIONERS* recognizes Lance Corporal Christopher R. Golding for demonstrating a high level of maturity, professionalism and volunteer service, which is rarely seen in Marines of his rank and age.

*BE IT FURTHER RESOLVED* that the Craven County Board of Commissioners congratulates him on being selected for Military Service Person of the Quarter.

Adopted this 2<sup>nd</sup> day of December, 2024.

---

Chairman Jason R. Jones  
Craven County Board of Commissioners

---

Abigail G. Wilson  
Clerk to the Board

## **5. REORGANIZATION OF THE BOARD**

### **A. Election of Chair**

The County Attorney will preside over the election of a chair. He will open the floor for nominations (no second required). Once all nominations have been made, he will ask for a motion to close nominations. When this has been voted upon, the County Attorney will call for a vote on nominations, which is to be a voice vote by roll call. If more than one individual has been nominated, the Clerk will call the roll, and each Commissioner will state the name of a nominee.

### **B. Oath of Office Administered to Chair**

When the vote is completed the oath of office will be administered to the newly elected chair, and s/he will assume their duties.

### **C. Election of Vice-Chair**

The new chair will preside over the election of the vice-chair, continuing in the same process as for the election of chair.

### **D. Oath of Office Administered to Vice-Chair**

When the vote is completed, the oath of office will be administered to the newly elected vice-chair.

**6. ESTABLISH 2025 MEETING DATES, TIMES AND LOCATIONS**

(Document attached)

**Board Action: Approve the 2025 Board of Commissioner Meeting Calendar**

<b>MEETING DATE</b>	<b>AGENDA DEADLINE</b>	<b>BUDGET AMENDMENTS TO FINANCE</b>
January 6, 2025	**December 27, 2024	**December 22, 2024
*January 21, 2025	January 13, 2025	January 6, 2025
February 3, 2025	January 27, 2025	January 21, 2025
February 17, 2025	February 10, 2025	February 3, 2025
March 3, 2025 (NACo Legislative Conference)	February 24, 2025	February 17, 2025
March 17, 2025	March 10, 2025	March 3, 2025
April 7, 2025	March 31, 2025	March 24, 2025
April 21, 2025	April 14, 2025	April 7, 2025
May 5, 2025	April 28, 2025	April 21, 2025
May 19, 2025	May 12, 2025	May 5, 2025
June 2, 2025	**May 23, 2025	May 19, 2025
June 16, 2025	June 9, 2025	June 2, 2025
July 7, 2025	June 30, 2025	June 23, 2025
July 21, 2025	July 14, 2025	July 7, 2025
August 4, 2025	July 28, 2025	July 21, 2025
August 18, 2025	August 11, 2025	August 4, 2025
*September 2, 2025	August 25, 2025	August 18, 2025
September 15, 2025	September 8, 2025	**August 29, 2025
October 6, 2025	September 29, 2025	September 22, 2025
October 20, 2025	October 13, 2025	October 6, 2025
November 3, 2025	October 27, 2025	October 20, 2025
November 17, 2025	**November 7, 2025	November 3, 2025
December 1, 2025	**November 21, 2025	November 17, 2025
December 15, 2025	December 8, 2025	December 1, 2025
*indicates holiday schedule	**indicates early agenda deadline	

**7. CONSIDER APPOINTMENTS OF COMMISSIONERS TO BOARDS AND COMMITTEES**

(The existing 2023-2024 Commissioner Appointments attached)

**Board Action: The Board will need to consider appointments to the Boards and Committees or defer them until the next meeting on December 16, 2024.**

## **Commissioners' Appointments January, 2024 – December 2024**

### **A. Required by Statute:**

Aging Planning Board (**Smith**)  
Craven County Health Board (**Bucher**)  
CRSWMA -Voting Member (**Jones**)  
Down East RPO (**Howard**)  
East Carolina Workforce Development Board (**Smith**)  
Juvenile Crime Prevention Council (**Smith**)  
Local Emergency Planning Committee (**Hunt**)  
MPO (**Mitchell**)  
Tourism Development Authority (**Mark**)

### **B. Required in By-Laws or by County Funding:**

ACT (**Mitchell**)  
Cove City Library Board (**Jones**)  
\*Craven-Pamlico Regional Library (**Jones**)  
Dix Crisis Center (**Smith**)  
Havelock City Library Board (**Howard & Hunt**)  
Highway 70 Corridor Committee (**Mark**)  
Partners in Education (PIE) (**Jones**)  
Realize U252 (**Howard**)  
Trillium (**Hunt**)  
Vanceboro Library Board (**Mark**)

### **C. Required by Policy**

C1A (**Bucher**)  
Eastern Carolina Council of Governments (**Howard**)  
Kellenberger Foundation (**Jones**)  
Military Civilian Community Council (**Hunt**)  
New Bern Craven County Library Board (**Mitchell**)  
Tryon Palace Commission (**Jones**)  
Smart Start (**Smith**)  
Swiss Bear (**Bucher**)

### **D. Other Boards with Commissioner Presence (serve regular terms):**

ABC Board (**Bucher**)  
CarolinaEast Hospital Board (**Mark & Bucher**)  
Coastal Regional Airport Authority (**Jones**)  
Craven Community College Board of Trustees (**Mitchell**)

**DEPARTMENTAL MATTERS:**

**8. Planning – No Wake Zone (Brices’ Creek) Resolution: Chad Strawn**

Following the public hearing, the Board will be requested to support a No Wake Zone Resolution, attached in the following document, that will then be forwarded to the NC Wildlife Commission for final consideration with an effective date of December 2, 2024.

A map of the proposed No Wake Zone is also attached.

**Board Action: Adopt the proposed No Wake Zone Resolution with an effective date of December 2, 2024.**

**A RESOLUTION REQUESTING RULEMAKING FOR THE  
ESTABLISHMENT OF A NO WAKE ZONE LOCATED ALONG BRICES'  
CREEK IN THE VICINITY OF MERCHANTS FUELING STATION AND BOAT  
RAMP**

**WHEREAS**, the North Carolina Wildlife Resources Commission completed an assessment of the area and made a recommendation to establish the proposed No Wake Zone; and

**WHEREAS**, the North Carolina Wildlife Resources Commission found the proposed No Wake Zone is needed to ensure the safety of the recreating public in this area; and

**WHEREAS**, the North Carolina Wildlife Resources Commission will enforce the No Wake Zone once buoys are installed; and

**WHEREAS**, the Board of Commissioners of Craven County will submit an Application for Water Safety Rulemaking to establish the No Wake Zone in accordance with the attached map; and

**WHEREAS**, Craven County has given public notice of intention to apply for rulemaking on waters within the County's territorial jurisdiction.

**NOW, THEREFORE BE IT RESOLVED**, the Board of Commissioners of Craven County, North Carolina hereby adopts the following resolution in order for the state to consider establishing the No Wake Zone area in accordance with the attached map.

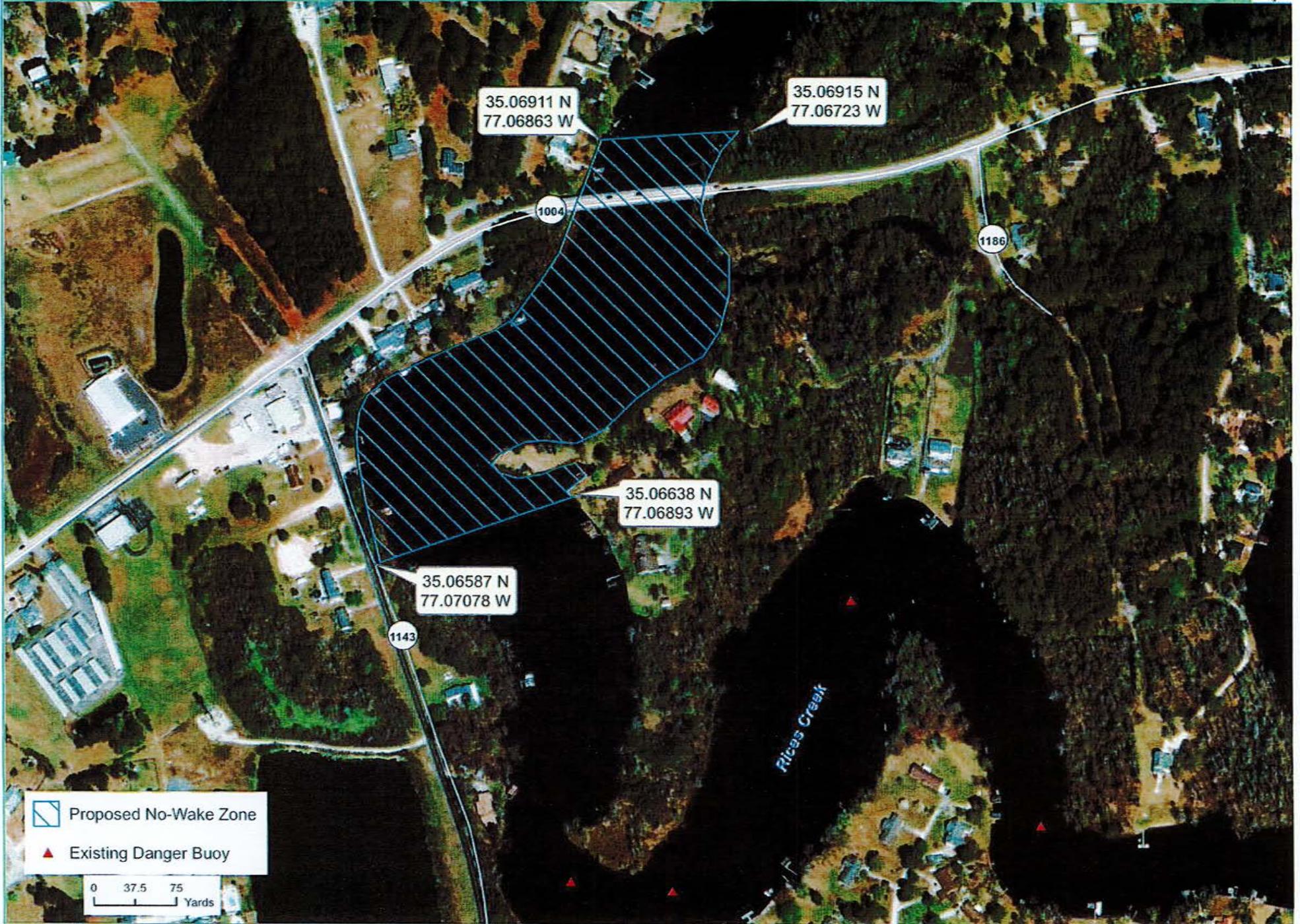
This 2<sup>nd</sup> day of December, 2024

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Jason Jones, Chairman

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Abigail Wilson, Clerk to the Board



## 9. APPOINTMENTS

### **A. Pending:**

Community Child Protection Team (Law Enforcement)  
Craven Aging Planning Board  
Craven County Clean Sweep Committee  
Craven County Planning Board (District 1)  
Emergency Medical Services (Medical Society Member)  
Highway 70 Corridor Committee  
Juvenile Crime Prevention Council (Attorney and LEO)  
Vanceboro/Craven County Library  
Volunteer Agricultural District (District 1 and 6)

### **B. Current:**

#### **Craven County Health Board**

- Keola Perry does not seek reappointment. Charlene Davis seeks to fill Ms. Perry's upcoming expiring term  
**(Application enclosed)**

#### **Fireman's Relief Fund Board**

- Stuart Blount seeks reappointment (TWP 8 West New Bern Fire)
- Roy McCoy seeks reappointment (TWP 3 Cove City Fire)

### **C. UPCOMING:**

#### **CRSWMA**

- Jack Veit

#### **Coastal Carolina Regional Airport Authority**

- Tyler Harris

#### **Juvenile Crime Prevention Council**

- Albert Lester

#### **Voluntary Agriculture District Advisory Board**

- Jackie Anderson
- Dale Dawson

**Board Action: Appointments will be effective immediately, unless otherwise specified.**

# Volunteer Board Information and Interest Sheet

## Craven County, North Carolina

Names of board, committee, authority, etc., in which you are interested. Please list in order of priority:

Craven County Health Department Board of Directors

Name: Charlene Davis Home Phone: (252) 474-5269  
Home Address: 3240 Austin Ave  
City: New Bern Zip Code: 28562  
Township: 7 City Limits:  Yes  No  
Occupation: Director Business Phone: (252) 649-9664  
Place of Employment: Pathways Behavioral Health Service Inc Fax Number: \_\_\_\_\_  
E-Mail Address: office@pbhsinc.com

(Please indicate your preferred contact number.)

### Education

East Carolina University- Bachelor's in Business (concentration in management) Graduated: 2020

Craven Community College- Associate's in business (concentration administration) Graduated: 2016

### Business and Civic Experience

Since 2018 I have been in charge of Pathways overseeing all managerial aspects, accreditations, quality improvement projects, strategic plan, etc. As far as civic experience, I have advocated for clients at DHHS in the past and helped them get the services they needed.

### Areas of Expertise, Interest, Skills

I would consider myself a jack of all trades, I enjoy running this business because I get to help

people everyday. If I had to pick an expertise its probably accreditation type of work. I enjoy helping a business with getting their accreditation or improving from previously.

### Why do you want to serve?

Serving the community is a part of who I am and this is another way I am able to give back.

Please List Other Local, Regional and Statewide Boards, Committees or Commissions on Which You Serve  
At my church I am on the Night to Shine Core Team who organizes the event.

(A resume may be attached to this form, but will not be accepted in lieu of the form.)

Date: November 12, 2024

Charlene Davis  
Signature

The Craven County Board of Commissioners sincerely appreciates the interest of all citizens in serving their county. For more information on the responsibilities of various boards, you may view the on-line board descriptions or contact the County Clerk's Office at (252) 636-6601. RETURN FORM TO: CRAVEN COUNTY CLERK, 406 CRAVEN STREET, NEW BERN, NC 28560. The form may also be sent via e-mail ([gbryan@cravencountync.gov](mailto:gbryan@cravencountync.gov)) or fax: (252) 637-0526.

*This form will remain active until two years after date received.*

**10. COUNTY ATTORNEY'S REPORT: Arey Grady**

## **11. PETITIONS OF CITIZENS – GENERAL TOPICS**

Comments directly pertaining to policies or issues which are under the statutory or administrative authority of the Board shall be made during a general comment period occurring at the end of each regularly scheduled meeting. Comments during this period shall be limited to those comments directly pertaining to issues which are under the statutory or administrative authority of the Board.

Each speaker must address the Board as a whole (and not any individual Commissioner, County staff member or the audience) from the lectern and shall begin his or her remarks by giving his or her name and address and the topic about which they intend to speak. Each speaker will have three (3) minutes to make remarks, as measured by a timer operated by County staff. A speaker may not yield any of his or her time to another speaker.

Speakers must be courteous in their language and presentation and must abide by generally accepted standards of decorum. Speakers shall not make the same or repetitive comments, whether during a particular comment period or over the course of multiple comment periods. Speakers shall not attack or insult any person or group of people, and speakers shall not give belligerent or hostile comments during any comment period.

**Board Action: Receive information.**

**12. COUNTY MANAGER'S REPORT: Jack Veit**

## **13. COMMISSIONERS' REPORTS**