



OHIO AUDITOR OF STATE
KEITH FABER



**MARIETTA AND BELPRE JOINT CONSOLIDATED HEALTH DISTRICT
WASHINGTON COUNTY
DECEMBER 31, 2019**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor’s Report	1
Prepared by Management:	
Management’s Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities.....	10
Fund Financial Statements:	
Balance Sheet	
Governmental Funds	11
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	12
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	13
Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balances of Governmental Funds To the Statement of Activities.....	14
Notes to the Basic Financial Statements.....	15
Required Supplementary Information:	
Schedule of the Health District’s Proportionate Share of Net Pension Liability Ohio Public Employees Retirement System – Traditional Plan Last Two Years	39
Schedule of the Health District’s Proportionate Share of the Net OPEB Liability Ohio Public Employees Retirement System – OPEB Plan Last Two Years	40
Schedule of the Health District’s Contributions Ohio Public Employees Retirement System Last Two Years	41
Notes to the Required Supplementary Information.....	42
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	43
Schedule of Findings.....	45

This page intentionally left blank



PO Box 828
Athens, Ohio 45701
(740) 594-3300 or (800) 441-1389
SoutheastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Marietta and Belpre Joint Consolidated Health District
Washington County
304 Putnam Street
Marietta, Ohio 45750

To the Board of Health:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marietta and Belpre Joint Consolidated Health District, Washington County, Ohio (the District), a component unit of the City of Marietta, Washington County, Ohio, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of December 31, 2019, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, during 2020, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, and Schedules of Net Pension and Other Post-employment Benefit Liabilities and Pension and Other Post-employment Benefit Contributions listed in the Table of Contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

November 12, 2020

Marietta and Belpre Joint Consolidated Health District, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2019

Unaudited

The discussion and analysis of the Marietta and Belpre Joint Consolidated Health District's financial performance provides an overall review of the Health District's financial activities for the year ended December 31, 2019. The intent of this discussion and analysis is to look at the Health District's financial performance as a whole. Readers are encouraged to consider information presented here in conjunction with the additional information contained in the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Health District's financial performance.

Financial Highlights

Financial highlights for 2019 are as follows:

- Total net position decreased during 2019 primarily due to increases in the net pension and net OPEB liabilities.

Using This Annual Financial Report

This discussion and analysis is intended to serve as an introduction to the Marietta and Belpre Joint Consolidated Health District's basic financial statements. These statements are organized so that the reader can understand the Health District as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The statement of net position and statement of activities provide information about the activities of the whole Health District, presenting both an aggregate view of the Health District's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what dollars remain for future spending. The fund financial statements also look at the Health District's most significant funds with all other non-major funds presented in total in one column. In the case of the Health District, there are three major governmental funds and the rest are nonmajor funds.

Reporting the Marietta and Belpre Joint Consolidated Health District as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position presents information, excluding fiduciary funds, on all the Marietta and Belpre Joint Consolidated Health District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Health District is improving or deteriorating. However, in evaluating the overall position of the Health District, non-financial factors should also be considered. Both the statement of net position and the statement of activities use the accrual basis of accounting that is similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The statement of net position and the statement of activities are divided into the following categories:

- Assets
- Deferred Outflows of Resources
- Liabilities
- Deferred Inflows of Resources
- Net Position

Marietta and Belpre Joint Consolidated Health District, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2019

Unaudited

- Program Expenses and Revenues
- General Revenues
- Net Position Beginning of Year and End of Year

Reporting the Marietta and Belpre Joint Consolidated Health District's Most Significant Funds

Fund Financial Statements

The analysis of the Health District's major funds begins on page 7. Fund financial statements provide detailed information about the Health District's major funds. The Health District has established a couple of funds, which account for the services provided. These fund financial statements focus on the Health District's most significant funds. The Health District's major governmental funds are the general fund and the home health services, and vital statistics special revenue funds.

Governmental Funds All of the Health District's activities are reported in the governmental funds which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using the modified accrual accounting method which measures cash and all other financial assets expected to be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Health District's general operations and the basic services it provides. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds.

Government-wide Financial Analysis

While this document contains information about the funds used by the Health District to provide services to our citizens, the view of the Health District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2019?" The statement of net position and the statement of activities answer this question. These statements include all assets and deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid. These two statements report the Health District's net position and the changes in that position. The change in position is important because it tells the reader whether, for the Health District as a whole, the financial position of the Health District has improved or diminished.

The Marietta and Belpre Joint Consolidated Health District as a Whole

Recall that the statement of net position looks at the Health District as a whole. Table 1 provides a summary of the Health District's net position for December 31, 2019. The table typically provides a comparison to the prior year balances. As the Health District came into existence at January 1, 2019, there is no prior year to compare. In future years, the table will present two years.

Marietta and Belpre Joint Consolidated Health District, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2019

Unaudited

Table 1
Net Position

	Governmental Activities
	<u>2019</u>
Assets	
Current and Other Assets	\$340,840
<i>Total Assets</i>	<u>340,840</u>
Deferred Outflows of Resources	
Pension	209,882
OPEB	25,913
<i>Total Deferred Outflows of Resources</i>	<u>235,795</u>
Liabilities	
Current Liabilities	57,070
Long-Term Liabilities:	
Due in More Than One Year:	
Net Pension Liability	712,674
Net OPEB Liability	326,883
Other Amounts	7,801
<i>Total Liabilities</i>	<u>1,104,428</u>
Deferred Inflows of Resources	
Pension	16,180
OPEB	6,082
<i>Total Deferred Inflows of Resources</i>	<u>22,262</u>
Net Position	
Restricted	249,941
Unrestricted (Deficit)	(799,996)
<i>Total Net Position</i>	<u><u>(\$550,055)</u></u>

The net pension liability (NPL) is the largest single liability reported by the Health District at December 31, 2019. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange; however, the Health District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained previously, changes in benefits,

Marietta and Belpre Joint Consolidated Health District, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2019

Unaudited

contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

Total net position decreased during 2019 primarily due to increases in the net pension and net OPEB liabilities.

Table 2 shows the changes in net position for the year ended December 31, 2019. Prior to becoming a separate entity on January 1, 2019, the activity of the Health District was reported as a department of the City of Marietta. Therefore, comparative information will be presented as it becomes available in future years.

Table 2
Changes in Net Position

	Governmental Activities
	<u>2019</u>
Revenues	
Program Revenues:	
Charges for Services and Assessments	\$458,365
Operating Grants and Contributions	<u>198,196</u>
Total Program Revenues	656,561
General Revenues:	
Contributions from Primary Government	<u>317,688</u>
<i>Total Revenues</i>	974,249
Program Expenses	
Public Health Services	<u>1,013,145</u>
<i>Change in Net Position</i>	(38,896)
<i>Net Position Beginning of Year</i>	<u>(511,159)</u>
<i>Net Position End of Year</i>	<u><u>(\$550,055)</u></u>

Governmental Activities

Several revenue sources fund the governmental activities with charges for services and assessments being the largest. These revenues are primarily for fees and services provided by the Health District. Contributions from the City of Marietta to operate the Health District are the second largest source of revenues.

Primary expenses for the Health District are payroll and benefits for employees, including pension and OPEB expense, with the remainder being composed primarily of contractual services and materials and supplies expenses.

Marietta and Belpre Joint Consolidated Health District, Ohio

*Management's Discussion and Analysis
For the Year Ended December 31, 2019
Unaudited*

The Health District's Funds

Information about the Health District's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. Overall, governmental funds had an increase in fund balance during 2019.

The general fund is the operating fund of the City. The fund balance of the general fund increased during 2019 primarily due to funds provided by the City of Marietta.

The home health services special revenue fund had an increase in fund balance as charges for services and intergovernmental revenues were sufficient to offset the costs of services.

The vital statistics special revenue fund had a decrease in fund balance as charges for services and were not sufficient to offset the costs of services.

Long-Term Obligations

Table 3 summarizes the long-term obligations outstanding.

Table 3
Outstanding Long-Term Obligations at Year End

	Governmental Activities
	<u>2019</u>
Net Pension Liability	\$712,674
Net OPEB Liability	326,883
Compensated Absences	<u>7,801</u>
Total	<u><u>\$1,047,358</u></u>

For more information about the Health District's long-term obligations, see Note 8 to the basic financial statements.

Current Financial Related Activities

In the first year of operations as a separate consolidated health district, the Marietta and Belpre Joint Consolidated Health District required significant support from the City of Marietta. The administration provided consistent fiscal management during this time, holding general operating expenses in check while maintaining Health District services at a high level in 2019. The Health District will continue to make needed adjustments in its daily operations to meet and overcome any future challenges. The administration will continue to monitor revenues and expenses and make appropriate adjustments as needed. Continued support from the City of Marietta or additional sources of revenues will be crucial to the operations of the Health District going forward.

Marietta and Belpre Joint Consolidated Health District, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2019

Unaudited

Contacting the Marietta and Belpre Joint Consolidated Health District Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Health District's finances and to show the Health District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Auditor Sherri Hess at the City of Marietta, 301 Putnam Street, Marietta, Ohio 45750, (740) 373-0473.

Marietta and Belpre Joint Consolidated Health District, Ohio

Statement of Net Position

December 31, 2019

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents with Fiscal Agent	\$287,558
Intergovernmental Receivable	29,754
Prepaid Items	<u>23,528</u>
<i>Total Assets</i>	<u>340,840</u>
Deferred Outflows of Resources	
Pension	209,882
OPEB	<u>25,913</u>
<i>Total Deferred Outflows of Resources</i>	<u>235,795</u>
Liabilities	
Accounts Payable	3,249
Accrued Wages Payable	6,724
Intergovernmental Payable	18,052
Vacation Benefits Payable	29,045
Long-Term Liabilities:	
Due in More Than One Year:	
Net Pension Liability (See Note 11)	712,674
Net OPEB Liability (See Note 12)	326,883
Other Amounts	<u>7,801</u>
<i>Total Liabilities</i>	<u>1,104,428</u>
Deferred Inflows of Resources	
Pension	16,180
OPEB	<u>6,082</u>
<i>Total Deferred Inflows of Resources</i>	<u>22,262</u>
Net Position	
Restricted for Public Health Services	249,941
Unrestricted (Deficit)	<u>(799,996)</u>
<i>Total Net Position</i>	<u><u>(\$550,055)</u></u>

See accompanying notes to the basic financial statements

Marietta and Belpre Joint Consolidated Health District, Ohio

Statement of Activities

For the Year Ended December 31, 2019

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Assessments	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:				Governmental Activities
Public Health Services	<u>\$1,013,145</u>	<u>\$458,365</u>	<u>\$198,196</u>	<u>(\$356,584)</u>
		General Revenues:		
		Contributions from Primary Government		<u>317,688</u>
		Change in Net Position		(38,896)
		<i>Net Position Beginning of Year</i>		<u>(511,159)</u>
		<i>Net Position End of Year</i>		<u><u>(\$550,055)</u></u>

See accompanying notes to the basic financial statements

Marietta and Belpre Joint Consolidated Health District, Ohio

*Balance Sheet
Governmental Funds
December 31, 2019*

	General	Home Health Services	Vital Statistics	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents with Fiscal Agent	\$59,705	\$188,155	\$15,847	\$23,851	\$287,558
Intergovernmental Receivable	5,660	24,094	0	0	29,754
Prepaid Items	12,323	11,205	0	0	23,528
<i>Total Assets</i>	<u>\$77,688</u>	<u>\$223,454</u>	<u>\$15,847</u>	<u>\$23,851</u>	<u>\$340,840</u>
Liabilities					
Accounts Payable	\$2,102	\$1,147	\$0	\$0	\$3,249
Accrued Wages Payable	6,724	0	0	0	6,724
Intergovernmental Payable	5,988	0	12,064	0	18,052
<i>Total Liabilities</i>	<u>14,814</u>	<u>1,147</u>	<u>12,064</u>	<u>0</u>	<u>28,025</u>
Deferred Inflows of Resources					
Unavailable Revenues	5,660	0	0	0	5,660
Fund Balances					
Nonspendable	12,323	11,205	0	0	23,528
Restricted	0	211,102	3,783	23,851	238,736
Assigned	226	0	0	0	226
Unassigned	44,665	0	0	0	44,665
<i>Total Fund Balances</i>	<u>57,214</u>	<u>222,307</u>	<u>3,783</u>	<u>23,851</u>	<u>307,155</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$77,688</u>	<u>\$223,454</u>	<u>\$15,847</u>	<u>\$23,851</u>	<u>\$340,840</u>

See accompanying notes to the basic financial statements

Marietta and Belpre Joint Consolidated Health District, Ohio

Reconciliation of Total Governmental Fund Balances to

Net Position of Governmental Activities

December 31, 2019

Total Governmental Fund Balances		\$307,155
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Certain long-term assets, such as intergovernmental receivables, are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.		5,660
Vacation benefits payable is a contractually required benefit not expected to be paid with expendable available financial resources and therefore not reported in the funds.		(29,045)
The net pension/OPEB liability are not due and payable in the current period; therefore, the asset, liability and related deferred inflows/outflows are not reported in the funds:		
Deferred Outflows - Pension	209,882	
Deferred Outflows - OPEB	25,913	
Net Pension Liability	(712,674)	
Net OPEB Liability	(326,883)	
Deferred Inflows - Pension	(16,180)	
Deferred Inflows - OPEB	<u>(6,082)</u>	
Total		(826,024)
Long-term liabilities, such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		<u>(7,801)</u>
<i>Net Position of Governmental Activities</i>		<u><u>(\$550,055)</u></u>

See accompanying notes to the basic financial statements

Marietta and Belpre Joint Consolidated Health District, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2019

	<u>General</u>	<u>Home Health Services</u>	<u>Vital Statistics</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Intergovernmental	\$420,128	\$90,096	\$0	\$0	\$510,224
Licenses and Permits	0	0	0	99,238	99,238
Charges for Services	132,598	151,899	74,410	220	359,127
<i>Total Revenues</i>	552,726	241,995	74,410	99,458	968,589
Expenditures					
Current:					
Public Health Services	495,512	198,737	86,130	81,185	861,564
<i>Net Change in Fund Balances</i>	57,214	43,258	(11,720)	18,273	107,025
<i>Fund Balances Beginning of Year</i>	0	179,049	15,503	5,578	200,130
<i>Fund Balances End of Year</i>	<u>\$57,214</u>	<u>\$222,307</u>	<u>\$3,783</u>	<u>\$23,851</u>	<u>\$307,155</u>

See accompanying notes to the basic financial statements

Marietta and Belpre Joint Consolidated Health District, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2019*

Net Change in Fund Balances - Total Governmental Funds	\$107,025
---	-----------

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

Revenues in the statement of activities that do not provide current financial resources, such as intergovernmental, are not reported as revenues in the governmental funds.	5,660
---	-------

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:	
Pension	51,080
OPEB	278
Total	51,358

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities:	
Pension	(150,185)
OPEB	(26,037)
Total	(176,222)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(26,717)
--	----------

<i>Change in Net Position of Governmental Activities</i>	(\$38,896)
--	------------

See accompanying notes to the basic financial statements

Marietta and Belpre Joint Consolidated Health District, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Marietta and Belpre Joint Consolidated Health District (Health District) as a body corporate and politic. A seven member Board and a Health Commissioner govern the Health District. The Board consists of five voting members. The Mayor of the City of Marietta and the Mayor of the City of Belpre serve as non-voting members of the Board. The Health Commissioner votes only to break a tie. Consistent with the provisions of Ohio Revised Code Section 3709.36, the Health District is a legally separate organization. Among its various duties, the Health District provides for the prompt diagnosis and control of communicable diseases. The Health District may also inspect businesses where food is manufactured, handled, stored, or offered for sale. The Health District is operated by a board with two members appointed by the Mayor of Marietta; two members appointed by the Mayor of Belpre; and one member jointly appointed by the Mayors of Marietta and Belpre. The rates charged by the Health District are subject to the approval of respective City Councils. However, the City of Marietta solely provides funding to the Health District, thus the City of Marietta can impose will on the Health District, and the Health District imposes a financial burden to the City of Marietta. Therefore, the Health District is considered a discretely presented component unit of the City of Marietta.

A reporting entity is composed of the stand-alone government, component units, and other organizations that are included to ensure the financial statements are not misleading. The Marietta and Belpre Joint Consolidated Health District consists of all funds, departments, boards, and agencies that are not legally separate from the Health District.

Component units are legally separate organizations for which the Health District is financially accountable. The Health District is financially accountable for an organization if the Health District appoints a voting majority of the organization's governing board and (1) the Health District is able to significantly influence the programs or services performed or provided by the organization; or (2) the Health District is legally entitled to or can otherwise access the organization's resources; the Health District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization. Component units may also include organizations that are fiscally dependent on the Health District in that the Health District approves the budget, the issuance of debt, or the levying of taxes and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Health District. There were no component units of the Health District in 2019.

The Health District's management believes these financial statements present all activities for which the Health District is financially accountable

The Health District participates in a public entity shared risk pool, the Public Entities Pool of Ohio, which is presented in Note 6 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the Health District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Health District's accounting policies are described as follows.

Marietta and Belpre Joint Consolidated Health District, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2019

Basis of Presentation

The Health District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net position and the statement of activities display information about the Health District as a whole.

The statement of net position presents the financial condition of the Health District at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Health District's activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Health District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental program is self-financing or draws from the general revenues of the Health District.

Fund Financial Statements During the year, the Health District segregates transactions related to certain Health District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Health District at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column.

Fund Accounting

The Health District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. All of the Health District's funds are governmental funds.

Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance. The following are the Health District's major governmental funds:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Health District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Home Health Services Fund The home health services fund accounts for donations, governmental reimbursements (welfare, BCMH, Medicare/Medicaid), and fees received for services performed. Expenditures are for medical supplies, home services, and payroll expenses.

Vital Statistics Fund The vital statistics fund accounts for monies received for birth and death certificates. Expenditures are made for fees charged by the State.

Marietta and Belpre Joint Consolidated Health District, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2019

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the Health District are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Health District, available means expected to be received within sixty days of year end.

Non-exchange transactions, in which the Health District receives value without directly giving equal value in return, includes grants and donations. Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Health District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Health District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: charges for services, grants, and other.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an

Marietta and Belpre Joint Consolidated Health District, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2019

outflow of resources (expense/expenditure) until then. For the Health District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 11 and 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Health District, deferred inflows of resources include pension, OPEB, and unavailable revenue. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the Health District, unavailable revenue includes intergovernmental revenue. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net position of governmental activities found on page 12. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (see Notes 11 and 12).

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2019, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as "vacation benefits payable". The balances are to be used by employees in the year following the year in which the benefit was earned.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the Health District has identified as probable of receiving payment in the future, after twenty years of service. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the Health District's termination policy.

Marietta and Belpre Joint Consolidated Health District, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2019

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB asset/liabilities, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds; however, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Net pension/OPEB liabilities should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plans' fiduciary net position is not sufficient for payment of those benefits.

Net Position

Net position represents the difference between all other elements on the statement of financial position. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Health District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Health District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Health District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed The Board can *commit* amounts via formal action (resolution). The Board must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Marietta and Belpre Joint Consolidated Health District, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2019

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Health District or a Health District official delegated that authority by resolution, or by State Statute. State Statute authorizes the fiscal officer to assign fund balance for purchases on order, provided those amounts have been lawfully appropriated.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Health District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Note 3 – Transfer of Operations

Consistent with the provisions of Ohio Revised Code Section 3709.36, the City of Marietta's health department and the City of Belpre's health department were reorganized as a legally separate organization rather than continuing to operate as departments of the respective Cities. This change was effective January 1, 2019, and is being accounted for as a transfer of operations in 2019. The Health District is reported as a discretely presented component unit of the City of Marietta (See Note 1).

The amounts recognized as of the effective date of the transfer are as follows:

Marietta and Belpre Joint Consolidated Health District, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2019

	<u>General</u>	<u>Home Health Services</u>	<u>Vital Statistics</u>	<u>Other</u>	<u>Total</u>
Fund Balance at January 1, 2019	\$0	\$0	\$0	\$0	\$0
Adjustments:					
Assets	<u>0</u>	<u>179,049</u>	<u>15,503</u>	<u>5,578</u>	<u>200,130</u>
Total Adjusted Fund					
Balance at January 1, 2019	<u>\$0</u>	<u>\$179,049</u>	<u>\$15,503</u>	<u>\$5,578</u>	<u>\$200,130</u>
Adjusted Fund Balance					
at January 1, 2019					
Restricted	<u>\$0</u>	<u>\$179,049</u>	<u>\$15,503</u>	<u>\$5,578</u>	<u>\$200,130</u>
Total Adjusted Fund					
Balance at January 1, 2019	<u>\$0</u>	<u>\$179,049</u>	<u>\$15,503</u>	<u>\$5,578</u>	<u>\$200,130</u>

	<u>Health District at 1/1/19</u>
Assets	
Current and Other Assets	\$200,130
<i>Total Assets</i>	<u>200,130</u>
Deferred Outflows of Resources	
Pension	99,296
OPEB	<u>20,492</u>
<i>Total Deferred Outflows of Resources</i>	<u>119,788</u>
Liabilities	
Long-Term Liabilities:	
Due Within One Year	3,570
Due in More than One Year:	
Net Pension Liability	411,708
Net OPEB Liability	275,673
Other Amounts	<u>6,559</u>
<i>Total Liabilities</i>	<u>\$697,510</u>

Marietta and Belpre Joint Consolidated Health District, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2019

	Health District at 1/1/19
Deferred Inflows of Resources	
Pension	\$107,455
OPEB	<u>26,112</u>
<i>Total Deferred Inflows of Resources</i>	<u>133,567</u>
Net Position	
Restricted for Public Health Services	200,130
Unrestricted (Deficit)	<u>(711,289)</u>
<i>Total Net Position</i>	<u><u>(\$511,159)</u></u>

Note 4 – Deposits and Investments

The City of Marietta Treasurer is custodian for the Health District's deposits. The City's deposit and investment pool holds the Health District's assets, valued at the Treasurer's reported carrying amount.

Note 5 – Receivables

Receivables at December 31, 2019, consisted primarily of intergovernmental receivables arising from grants and governmental reimbursements. All receivables are considered collectible in full within one year. A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivable:	
BCMh Reimbursements	\$1,560
Medicare/Medicaid Reimbursements	22,534
Health Subsidy	<u>5,660</u>
Total	<u><u>\$29,754</u></u>

Note 6 – Risk Management

The Health District is exposed to various risks of casualty losses and injuries to employees.

Property and Liability

The Health District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc., a Sedgwick Company, (York) functions as the administrator of PEP and provides program management, underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Marietta and Belpre Joint Consolidated Health District, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2019

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. (At December 31, 2019, the Pool retained \$500,000 for casualty claims and \$250,000 for property claims). The Board of Directors and York periodically review the financial strength of PEP and other market conditions to determine the appropriate level of risk PEP will retain. There has been no significant reduction in coverage from last year.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective PEP member.

Financial Position

PEP's financial statements (for which an independent audit is still ongoing) conform to generally accepted accounting principles, and preliminarily show the following assets, liabilities, and net position at December 31, 2019 and 2018:

<u>Casualty and Property Coverage</u>	<u>2019</u>	<u>2018</u>
Assets	\$54,973,597	\$49,921,998
Liabilities	16,440,940	14,676,199
Net Position - Unrestricted	<u>\$38,532,657</u>	<u>\$35,245,799</u>

At December 31, 2019 and 2018, the liabilities in the preceding table include unknown amounts of estimated incurred claims payable. The casualty coverage assets and net position in the preceding table include approximately \$13.7 million and \$11.8 million of unpaid claims to be billed to approximately 553 member governments in the future, as of December 31, 2019 and 2018, respectively. These amounts will be included in future contributions from members when the related claims are due for payment.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are expected to increase slightly from those used to determine the historical contributions detailed as follows. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

The Health District's contributions for 2019 totaled \$3,354.

After completing one year of membership, members may withdraw on each anniversary date of the date they joined PEP, provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members may receive a partial refund of their capital contributions as defined by the contract. Withdrawing members have no other future obligations to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to withdrawal.

Workers' Compensation

The Health District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Marietta and Belpre Joint Consolidated Health District, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2019

Note 7 – Other Employee Benefits

Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from Health District policies and State laws. Upon retirement, all employees hired prior to January 1, 1988, are paid 100% of their sick leave up to a maximum of 120 days. All employees hired after January 1, 1988, but before June 1, 2019, are paid fifty percent of their sick leave at the time of retirement up to a maximum of 60 days accumulation. All employees hired on or after June 1, 2019, are paid twenty-five percent of their sick leave at the time of retirement up to a maximum of 30 days accumulation.

Upon voluntary termination, all employees will receive 100% of vacation earned and not previously taken.

Insurance

The Health District provides \$20,000 in accidental death and dismemberment insurance to its full-time employees, part-time employees hired before July 1, 1992, and working a minimum of twenty hours per week, part-time employees hired after July 1, 1992, and working a minimum of thirty hours per week, and all elected public officials through Hartford Life Insurance.

The Health District provides comprehensive major medical, vision, and dental insurance under the Michigan Conference of Teamsters Welfare Fund through Blue Cross and Blue Shield. Premiums are based on a per week, per employee (no family or single rates) basis. The Health District pays 82.5%. Rates are \$339.90 per employee. Premiums are paid from the same funds that pay the employees' salaries.

Note 8 – Long-Term Obligations

A schedule of changes in long-term obligations of the Health District during 2019 follows:

	Balance 1/1/2019	Additions	Deletions	Balance 12/31/2019	Amounts Due In One Year
<i>Governmental Activities</i>					
Other Long-Term Obligations					
Net Pension Liability:					
OPERS	\$411,708	\$300,966	\$0	\$712,674	\$0
Net OPEB Liability:					
OPERS	275,673	51,210	0	326,883	0
Compensated Absences	10,129	4,231	(6,559)	7,801	0
<i>Total Governmental Activities</i>	\$697,510	\$356,407	(\$6,559)	\$1,047,358	\$0

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the funds benefitting from their service. For additional information related to the net pension liability and the net OPEB liability, see Notes 11 and 12. Compensated absences will be paid from the general fund.

Marietta and Belpre Joint Consolidated Health District, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2019

Note 9 – Contingencies

Grants

Amounts grantor agencies pay to the Health District are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow; however, based on prior experience, management believes any refunds would be immaterial.

Litigation

Management is not aware of any pending litigation.

Note 10 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Health District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

Fund Balances	General	Home Health Services	Vital Statistics	All Other	Total
Nonspendable for Prepays	\$12,323	\$11,205	\$0	\$0	\$23,528
Restricted for Public Health Services	0	211,102	3,783	23,851	238,736
Assigned to Purchases on Order	226	0	0	0	226
Unassigned	44,665	0	0	0	44,665
Total Fund Balances	<u>\$57,214</u>	<u>\$222,307</u>	<u>\$3,783</u>	<u>\$23,851</u>	<u>\$307,155</u>

Note 11 – Defined Benefit Pension Plan

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability (Asset)/Net OPEB Liability

The net pension liability (asset) and the net OPEB liability reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions/OPEB are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

Marietta and Belpre Joint Consolidated Health District, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2019

The net pension/OPEB liabilities (asset) represent the Health District's proportionate share of each pension/OPEB plans' collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plans' fiduciary net position. The net pension/OPEB liabilities (asset) calculations are dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code (ORC) limits the Health District's obligation for these liabilities to annually required payments. The Health District cannot control benefit terms or the manner in which pensions are financed; however, the Health District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assume the liabilities are solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liabilities (asset). Resulting adjustments to the net pension/OPEB liabilities (asset) would be effective when the changes are legally enforceable. The ORC permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a *net pension asset* or a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System

Plan Description – Health District employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments (COLA) to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code (ORC). OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (800) 222-7377.

Marietta and Belpre Joint Consolidated Health District, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2019

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS' annual financial report referenced previously for additional information, including requirements for reduced and unreduced benefits):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for a COLA. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a COLA on the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, current law provides for a 3 percent COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each

Marietta and Belpre Joint Consolidated Health District, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2019

year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Funding Policy – The ORC provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>
2019 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
 2019 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-employment Health Care Benefits **	<u>0.0</u>
 Total Employer	 <u>14.0 %</u>
 Employee	 <u>10.0 %</u>

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

** These pension and employer healthcare rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for healthcare with the remainder going to pension.

For 2019, the Health District’s contractually required contribution was \$51,080 for the traditional plan. Of these amounts, \$5,827 is reported as an intergovernmental payable for the traditional plan.

Pension Liabilities (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability (asset) for OPERS was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The Health District's proportion of the net pension liability (asset) was based on the Health District’s share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense of the Health District’s defined benefit pension plans:

Marietta and Belpre Joint Consolidated Health District, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2019

	OPERS <u>Traditional Plan</u>
Proportion of the Net Pension Liability/Asset:	
Current Measurement Date	0.00260214%
Prior Measurement Date	<u>0.00262434%</u>
Change in Proportionate Share	<u><u>-0.00002220%</u></u>
Proportionate Share of the:	
Net Pension Liability	\$712,674
Pension Expense	150,185

At December 31, 2019, the Health District reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	OPERS <u>Traditional Plan</u>
Deferred Outflows of Resources	
Differences between expected and actual experience	\$33
Changes of assumptions	62,040
Net difference between projected and actual earnings on pension plan investments	96,729
Board of Health contributions subsequent to the measurement date	<u>51,080</u>
Total Deferred Outflows of Resources	<u><u>\$209,882</u></u>
Deferred Inflows of Resources	
Differences between expected and actual experience	\$9,358
Changes in proportion and differences between Board of Health contributions and proportionate share of contributions	<u>6,822</u>
Total Deferred Inflows of Resources	<u><u>\$16,180</u></u>

\$51,080 reported as deferred outflows of resources related to pension resulting from Health District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase to the net pension asset in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Marietta and Belpre Joint Consolidated Health District, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2019

	OPERS Traditional Plan
Year Ending December 31:	<u>Plan</u>
2020	\$58,661
2021	30,002
2022	8,972
2023	44,987
2024	<u>0</u>
Total	<u>\$142,622</u>

Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2018, are presented as follows:

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.2 percent	7.2 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

In October of 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change was effective beginning with the 2018 valuation.

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are

Marietta and Belpre Joint Consolidated Health District, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2019

based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the previously described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the traditional pension plan, the defined benefit component of the combined plan and the annuitized accounts of the member-directed plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 2.94 percent for 2018.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other Investments	18.00	5.50
Total	100.00 %	5.95 %

Discount Rate For 2018, the discount rate used to measure the total pension liability was 7.2 percent for the traditional plan and the combined plan. For 2017, the discount rate used to measure the total pension liability was 7.5 percent for the traditional plan and the combined plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members; therefore, the long-term expected rate of return on pension plan investments for the traditional pension plan, combined plan and member-directed plan was applied to all periods of projected benefit payments to determine the total pension liability.

Marietta and Belpre Joint Consolidated Health District, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2019

Sensitivity of the Health District’s Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate The following table presents the Health District’s proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.2 percent, as well as what the Health District’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.2 percent) or one percentage point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Board of Health's proportionate share of the net pension liability (asset): OPERS Traditional Plan	\$1,052,826	\$712,674	\$430,004

Note 12 – Defined Benefit OPEB Plans

See Note 11 for a description of the net pension liability.

Plan Description – Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 75. See OPERS’ annual financial report referenced later for additional information.

The Ohio Revised Code (ORC) permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the ORC.

Disclosures for the health care plan are presented separately in the OPERS’ annual financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

Marietta and Belpre Joint Consolidated Health District, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2019

Funding Policy – The ORC provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS’ Board of Trustees, a portion of each employer’s contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care was no longer being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the ORC. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS’ actuary, beginning January 1, 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2019 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Health District’s contractually required contribution was \$278. There was no intergovernmental payable for 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Health District’s proportion of the net OPEB liability was based on the Health District’s share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.00250722%
Prior Measurement Date	<u>0.00253860%</u>
Change in Proportionate Share	<u>-0.00003138%</u>
Proportionate Share of the Net OPEB Liability	\$326,883
OPEB Expense	26,037

At December 31, 2019, the Health District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Marietta and Belpre Joint Consolidated Health District, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2019

	<u>OPERS</u>
Deferred Outflows of Resources	
Differences between expected and actual experience	\$110
Changes of assumptions	10,539
Net difference between projected and actual earnings on OPEB plan investments	14,986
Board of Health contributions subsequent to the measurement date	<u>278</u>
Total Deferred Outflows of Resources	<u><u>\$25,913</u></u>
Deferred Inflows of Resources	
Differences between expected and actual experience	\$887
Changes of assumptions	0
Net difference between projected and actual earnings on OPEB plan investments	0
Changes in proportion and differences between Board contributions and proportionate share of contributions.	<u>5,195</u>
Total Deferred Inflows of Resources	<u><u>\$6,082</u></u>

\$278 reported as deferred outflows of resources related to OPEB resulting from Health District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPERS</u>
Year Ending December 31:	
2020	\$7,925
2021	1,645
2022	2,435
2023	<u>7,548</u>
Total	<u><u>\$19,553</u></u>

Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Marietta and Belpre Joint Consolidated Health District, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2019

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current Measurement Date	3.96 percent
Prior Measurement Date	3.85 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate:	
Current Measurement Date	3.71 percent
Prior Measurement Date	3.31 percent
Health Care Cost Trend Rate:	
Current Measurement Date	10.0 percent, initial 3.25 percent, ultimate in 2029
Prior Measurement Date	7.25 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age Normal

In October of 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6.0 percent. This change was effective for the 2018 valuation.

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the previously described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 5.6 percent for 2018.

Marietta and Belpre Joint Consolidated Health District, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2019

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The following table displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other Investments	17.00	5.57
Total	100.00 %	5.16 %

Discount Rate A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Health District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the Health District's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the Health District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.96 percent) or one percentage point higher (4.96 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Board of Health's proportionate share of the net OPEB liability	\$418,204	\$326,883	\$254,257

Marietta and Belpre Joint Consolidated Health District, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2019

Sensitivity of the Health District’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the Health District’s proportionate share of the net OPEB liability calculated using the assumed trend rates, and the expected proportionate share of the net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	<u>1% Decrease</u>	Health Care Cost Trend Rate Assumption	<u>1% Increase</u>
Health District's proportionate share of the net OPEB liability	\$314,205	\$326,883	\$341,483

Note 13 – Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amounts of encumbrances expected to be honored upon performance by the vendor in the next year or soon thereafter were as follows:

General	<u><u>\$226</u></u>
---------	---------------------

Note 14 – Related Party Transactions

The Health District received contributions of \$317,688 from the City of Marietta in 2019.

Note 15 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Health District. The investments of the pension and other employee benefit plan in which the Health District participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Health District’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

This page intentionally left blank.

Marietta and Belpre Joint Consolidated Health District, Ohio
Required Supplementary Information
Schedule of the Health District's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan
*Last Two Years (1) **

	2019	2018 (2)
Health District's Proportion of the Net Pension Liability	0.00260214%	0.00262434%
Health District's Proportionate Share of the Net Pension Liability	\$712,674	\$411,708
Health District's Covered Payroll	\$351,464	\$351,464
Health District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	202.77%	117.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	84.66%

(1) Although this schedule is intended to show information for ten years, information prior to 2018 is not available. An additional column will be added each year.

(2) Amounts presented for 2018 correspond to the Health District's net pension liability recognized at the effective date of the transfer of operations, January 1, 2019.

* Amounts presented for each year were determined as of the Health District's measurement date, which is the prior year end.

See accompanying notes to the required supplementary information

Marietta and Belpre Joint Consolidated Health District, Ohio
Required Supplementary Information
Schedule of the Health District's Proportionate Share of the Net OPEB Liability
Ohio Public Employees Retirement System - OPEB Plan
*Last Two Years (1) **

	2019	2018 (2)
Health District's Proportion of the Net OPEB Liability	0.00250722%	0.00253860%
Health District's Proportionate Share of the Net OPEB Liability	\$326,883	\$275,673
Health District's Covered Payroll	\$356,614	\$356,614
Health District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	91.66%	77.30%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%

(1) Although this schedule is intended to show information for ten years, information prior to 2018 is not available. An additional column will be added each year.

(2) Amounts presented for 2018 correspond to the Health District's net OPEB liability recognized at the effective date of the transfer of operations, January 1, 2019.

* Amounts presented for each year were determined as of the Health District's measurement date, which is the prior year end.

See accompanying notes to the required supplementary information

Marietta and Belpre Joint Consolidated Health District, Ohio

*Required Supplementary Information
Schedule of the Health District Contributions
Ohio Public Employees Retirement System
Last Two Years (1)*

	2019	2018
Net Pension Liability - Traditional Plan		
Contractually Required Contribution	\$51,080	\$49,340
Contributions in Relation to the Contractually Required Contribution	<u>(51,080)</u>	<u>(49,340)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>
Health District Covered Payroll	\$364,857	\$351,464
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.04%</u>
Net OPEB Liability - OPEB Plan		
Contractually Required Contribution	\$278	\$570
Contributions in Relation to the Contractually Required Contribution	<u>(278)</u>	<u>(570)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>
Health District Covered Payroll (2)	\$371,807	\$356,614
OPEB Contributions as a Percentage of Covered Payroll	<u>0.07%</u>	<u>0.16%</u>

(1) Although this schedule is intended to show information for ten years, information prior to 2018 is not available. An additional column will be added each year.

(2) The OPEB plan includes the members from the traditional plan, the combined plan and the member-directed plan. The member-directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.

See accompanying notes to the required supplementary information

Marietta and Belpre Joint Consolidated Health District, Ohio

Notes to the Required Supplementary Information

For the Year Ended December 31, 2019

Changes in Assumptions – OPERS Pension – Traditional Plan

Amounts reported beginning in 2019 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2018 are presented as follows:

	2019	2018
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.2 percent	7.5 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Changes in Assumptions – OPERS OPEB

For 2019, the single discount rate changed from 3.85 percent to 3.96 percent and the municipal bond rate changed from 3.31 percent to 3.71 percent. For 2019, the health care cost trend rate was 10 percent, initial; 3.25 ultimate in 2029. For 2018, the health care cost trend rate was 7.25 percent, initial; 3.25 percent ultimate in 2028.

For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

OHIO AUDITOR OF STATE KEITH FABER



PO Box 828
Athens, Ohio 45701
(740) 594-3300 or (800) 441-1389
SoutheastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Marietta and Belpre Joint Consolidated Health District
Washington County
304 Putnam Street
Marietta, Ohio 45750

To the Board of Health:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marietta and Belpre Joint Consolidated Health District, Washington County, Ohio (the District), a component unit of the City of Marietta, Washington County, Ohio, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 12, 2020 wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

November 12, 2020

MARIETTA AND BELPRE JOINT CONSOLIDATED HEALTH DISTRICT
WASHINGTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2019

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2019-001

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

Food Service receipts in the amount of \$91,867 were incorrectly recorded as Intergovernmental receipts rather than Licenses and Permits resulting in audit adjustment. This was an oversight by management. As a result, this reclassification, with which the Health District's management agrees, were made to the financial statements and are reflected in the accompanying financial statements.

The Health Department Fiscal Officer, Health Commissioner, and Board should perform a detailed review of the annual financial statements filed in the Hinkle system to verify accuracy.

Official's Response: This is the initial audit for the Health District. As such, we are still acclimating ourselves to the various additional responsibilities that come with being a separate entity. We will ensure that going forward we are provided a copy of the annual report before filing in Hinkle to review in detail.

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



MARIETTA AND BELPRE JOINT CONSOLIDATED HEALTH DISTRICT

WASHINGTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 12/1/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov