

OHIO AUDITOR OF STATE
KEITH FABER



**City of Salem Board of Health
Columbiana County, Ohio**

**General Purpose External Financial Statements
For the Year Ended December 31, 2019**

City of Salem Board of Health, Ohio
Basic Financial Statements
For the Year Ended December 31, 2019
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OHIO AUDITOR OF STATE KEITH FABER



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Accountant's Compilation Report

Management is responsible for the accompanying basic financial statements of the City of Salem Board of Health as of and for the year ended December 31, 2019, in accordance with accounting principles generally accepted in the United States of America. We have performed compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management's Discussion and Analysis is supplementary information required by the Governmental Accounting Standards Board and was prepared by management. We did not compile, review or audit the information nor do we express an opinion, a conclusion, nor provide any assurance on the information.

The Schedules of the Board's Proportionate Share of Net Pension Liability, the Schedules of the Board's Proportionate Share of Net OPEB Liability and the Schedules of the Board's Contributions are not part of the basic financial statements but the Governmental Accounting Standards Board requires their presentation to supplement the basic financial statement. We have compiled these schedules without audit or review and, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on this information.

KEITH FABER
Auditor of State

A handwritten signature in blue ink that reads "David B. Thompson".

David B. Thompson
Chief of Local Government Services
Columbus, Ohio

June 11, 2020

City of Salem Board of Health, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
Unaudited

The discussion and analysis of the City of Salem Board of Health's (the Board) financial performance provides an overall review of the Board's financial activities for the year ended December 31, 2019. The intent of this discussion and analysis is to look at the Board'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 Board's financial performance.

Financial Highlights

Financial highlights for 2019 are as follows:

- City of Salem provides funding to the Board each year equal to \$5 per capita. The City of Salem provided the Board \$61,515 in both 2018 and 2019. The City of Salem plans on continuing the funding into the near future. The Board has recorded the amount anticipated in 2020 as an intergovernmental receivable.
- The increase in liabilities and deferred outflows at December 31, 2019 resulted in the Board's decrease in net position from 2018 to 2019. The Net Pension Liability increased by \$76,870 and the Net OPEB Liability by \$15,820.

Using this Annual Financial Report

This discussion and analysis is intended to serve as an introduction to the Board's basic financial statements. These statements are organized so that the reader can understand the Board 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 Board. They provide both an aggregate view of the Board's finances in addition to a longer-term view of those assets. Fund financial statements tell how services were financed in the short-term as well as what dollars remain for future spending.

Government-wide financial statements – Reporting the City of Salem Board of Health as a Whole

Statement of Net Position and the Statement of Activities

The Statement of Net Position presents information on all the City of Salem Board of Health 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 Board is improving or deteriorating. However, in evaluating the overall position of the Board, non-financial information such as the condition of capital assets will also need to be evaluated. 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

City of Salem Board of Health, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
Unaudited

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

Reporting the City of Salem Board of Health Most Significant Fund

Governmental fund

The presentation of the Board's only fund, the general fund, focuses on how resources flow into and out of it and the balance that is left at year end and available for spending in future periods. The general fund is reported using modified accrual accounting which measures cash and all other financial assets that are expected to be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Board's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our users. The relationship (or difference) between governmental activities (reported on the Statement of Net Position and the Statement of Activities) and the general fund is reconciled in the financial statements.

Government-wide Financial Analysis

While this document contains information about the funds used by the Board to provide services to our citizens, the view of the Board 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 Board's net position and the changes in that position. The change in position is important because it tells the reader whether, for the Board as a whole, the financial position of the Board has improved or diminished. As can be seen from the decrease in net position, the overall financial position has decreased. This decrease can be attributed to the increase in the net pension and OPEB liabilities.

The City of Salem Board of Health as a Whole

Recall that the Statement of Net Position looks at the Board as a whole. Table 1 provides a summary of the Board's net position for 2019 compared to 2018.

Table 1
Net Position

| | Governmental Activities | | |
|--------------------------|-------------------------|-----------------|-----------------|
| | 2019 | 2018 | Change |
| Assets | | | |
| Current and Other Assets | \$118,970 | \$40,425 | \$78,545 |
| Net Pension Asset | 1,158 | 1,222 | (64) |
| Capital Assets, Net | 1,139 | 1,393 | (254) |
| Total Assets | <u>\$121,267</u> | <u>\$43,040</u> | <u>\$78,227</u> |

City of Salem Board of Health, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
Unaudited

Table 1
Net Position

| | Governmental Activities | | |
|---------------------------------------|--------------------------|---------------------------|------------------------|
| | 2019 | 2018 | Change |
| Deferred Outflows of Resources | | | |
| Pension | \$54,493 | \$26,947 | \$27,546 |
| OPEB | 8,227 | 5,635 | 2,592 |
| Total Deferred Outflows of Resources | <u>62,720</u> | <u>32,582</u> | <u>30,138</u> |
| Liabilities | | | |
| Current Liabilities | 13,013 | 13,542 | 529 |
| Long-Term Liabilities: | | | |
| Due in More Than One Year | | | |
| Net Pension Liability | 175,733 | 98,863 | (76,870) |
| Net OPEB Liability | 82,963 | 67,143 | (15,820) |
| Other Amounts | 2,873 | 2,127 | (746) |
| <i>Total Liabilities</i> | <u>274,582</u> | <u>181,675</u> | <u>(92,907)</u> |
| Deferred Inflows of Resources | | | |
| Pension | 2,994 | 25,107 | 22,113 |
| OPEB | 225 | 5,002 | 4,777 |
| Total Deferred Inflows of Resources | <u>3,219</u> | <u>30,109</u> | <u>26,890</u> |
| Net Position | | | |
| Net Investment in Capital Assets | 1,139 | 1,393 | (254) |
| Restricted for: | | | |
| Unrestricted | <u>(94,953)</u> | <u>(137,555)</u> | <u>42,602</u> |
| <i>Total Net Position</i> | <u><u>(\$93,814)</u></u> | <u><u>(\$136,162)</u></u> | <u><u>\$42,348</u></u> |

The net pension liability (NPL) is one of the largest single liabilities reported by the Board 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 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 Board 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 the 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 above, changes in benefits, 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

City of Salem Board of Health, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
Unaudited

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 increased from 2018 to 2019 due to the intergovernmental receivable from the City of Salem this year and a decrease in deferred inflow of resources. This was offset by increases in net pension and OPEB liabilities and an increase in deferred outflows of resources. The decrease in capital assets was due to another year of depreciation.

Table 2 shows the changes in net position for the years ended December 31, 2019. Since this is the first year the Board was reported as a discretely presented component unit of the City of Salem, revenue and expense comparisons to fiscal year 2018 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 2
Changes in Net Position

| | 2019 |
|---------------------------------------|------------|
| Revenues | |
| Program Revenues: | |
| Charges for Services | \$105,226 |
| Operating Grants and Contributions | 131,274 |
| Total Program Revenues | 236,500 |
| General Revenues: | |
| Miscellaneous | 284 |
| <i>Total Revenues</i> | 236,784 |
| Program Expenses | |
| Public Health Services | 194,436 |
| <i>Change in Net Position</i> | 42,348 |
| <i>Net Position Beginning of Year</i> | (136,162) |
| <i>Net Position End of Year</i> | (\$93,814) |

Governmental Activities

Operating Grants and Contributions was the largest source of revenue accounting for 55.4 percent of total revenue in 2019. This revenue represents the grant the Board receives from the City of Salem as well as State grants. Charges for Services was the second largest source of revenue. These charges consist of the direct charges to users of health services as well as various fees, licenses and permits the Board collects.

The Board's Fund

Information about the Board's governmental fund begins with the balance sheet. This fund is accounted for using the modified accrual basis of accounting. The Board had governmental revenues of \$236,784 and expenditures of \$157,710. Revenues are primarily attributable to charges to users of the Board as well as the support that comes from the City of Salem. General fund revenues exceeded expenditures, resulting in the general fund balance increasing from 2018.

City of Salem Board of Health, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
Unaudited

Capital Assets

Table 3 shows 2019 balances of capital assets as compared to 2018.

Table 3
Capital Assets at December 31
(Net of Depreciation)

| | <u>2019</u> | <u>2018</u> |
|-----------|----------------|----------------|
| Equipment | <u>\$1,139</u> | <u>\$1,393</u> |

The decrease in capital assets was due to an additional year of depreciation during the year. See Note 6 to the basic financial statements for additional information on capital assets.

Long term Obligations

The Board's long-term obligations include net pension liability, net OPEB liability and compensated absences. For more information about the Board's long term obligations, see Note 9 to the basic financial statements.

Current Financial Related Activities

The City of Salem Board has remained strong despite the challenging environment of the State and national economy. The administration has provided consistent fiscal management during this time, holding general operating expenses in check while maintaining Board services at a high level in 2019. With decreasing revenues from Federal and State sources and increasing expenses, the Board will continue to make the necessary adjustments in its day to day operations to meet and overcome any future challenges. The administration will continue to monitor the revenues and expenses and make appropriate adjustments as needed.

Contacting the City of Salem Board Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Auditor Betty Brothers at the City of Salem, 231 South Broadway Avenue, Salem, Ohio 44460.

Basic Financial Statements

City of Salem Board of Health, Ohio

Statement of Net Position

December 31, 2019

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$41,608 |
| Intergovernmental Receivable | 61,515 |
| Materials and Supplies Inventory | 15,022 |
| Prepaid Items | 825 |
| Net Pension Asset | 1,158 |
| Depreciable Capital Assets, Net | <u>1,139</u> |
| <i>Total Assets</i> | <u>121,267</u> |
| Deferred Outflows of Resources | |
| Pension | 54,493 |
| OPEB | <u>8,227</u> |
| <i>Total Deferred Outflows of Resources</i> | <u>62,720</u> |
| Liabilities | |
| Accounts Payable | 1,519 |
| Accrued Wages | 1,989 |
| Intergovernmental Payable | 9,505 |
| Long-Term Liabilities: | |
| Due In More Than One Year | |
| Net Pension Liability (See Note 12) | 175,733 |
| Net OPEB Liability (See Note 13) | 82,963 |
| Other Amounts Due in More than One Year | <u>2,873</u> |
| <i>Total Liabilities</i> | <u>274,582</u> |
| Deferred Inflows of Resources | |
| Pension | 2,994 |
| OPEB | <u>225</u> |
| <i>Total Deferred Inflows of Resources</i> | <u>3,219</u> |
| Net Position | |
| Net Investment in Capital Assets | 1,139 |
| Unrestricted (Deficit) | <u>(94,953)</u> |
| <i>Total Net Position</i> | <u><u>(\$93,814)</u></u> |

See accompanying notes to the basic financial statements

City of Salem Board of Health, Ohio
Statement of Activities
For the Year Ended December 31, 2019

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|---------------------------------|------------------|---------------------------------------|---------------------------------------|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Governmental Activities |
| Governmental Activities: | | | | |
| Public Health Services | \$194,436 | \$105,226 | \$131,274 | \$42,064 |
| | | General Revenues | | |
| | | Other | | 284 |
| | | Change in Net Position | | 42,348 |
| | | <i>Net Position Beginning of Year</i> | | <i>(136,162)</i> |
| | | <i>Net Position End of Year</i> | | <i>(\$93,814)</i> |

See accompanying notes to the basic financial statements

City of Salem Board of Health, Ohio

*Balance Sheet
Governmental Fund
December 31, 2019*

| | <u>General</u> |
|--|-----------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$41,608 |
| Intergovernmental Receivable | 61,515 |
| Materials and Supplies Inventory | 15,022 |
| Prepaid Items | <u>825</u> |
| <i>Total Assets</i> | <u><u>\$118,970</u></u> |
| | |
| Liabilities | |
| Accounts Payable | \$1,519 |
| Accrued Wages | 1,989 |
| Intergovernmental Payable | <u>9,505</u> |
| <i>Total Liabilities</i> | <u>13,013</u> |
| | |
| Fund Balances | |
| Nonspendable | 15,847 |
| Assigned | 16,513 |
| Unassigned | <u>73,597</u> |
| <i>Total Fund Balances</i> | <u>105,957</u> |
| <i>Total Liabilities and Fund Balances</i> | <u><u>\$118,970</u></u> |

See accompanying notes to the basic financial statements

City of Salem Board of Health, Ohio
*Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 December 31, 2019*

| | |
|--|--------------------------|
| Total Governmental Fund Balance | \$105,957 |
| <i>Amounts reported for governmental activities in the statement of net position are different because</i> | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 1,139 |
| The net pension asset, net pension liability and net OPEB liability are not due and payable in the current period; therefore; the asset, liability and related deferred inflows/outflows are not reported in governmental funds: | |
| Net Pension Asset | 1,158 |
| Deferred Outflows - Pension | 54,493 |
| Deferred Inflows - Pension | (2,994) |
| Net Pension Liability | (175,733) |
| Deferred Outflows - OPEB | 8,227 |
| Deferred Inflows - OPEB | (225) |
| Net OPEB Liability | <u>(82,963)</u> |
| Total | (198,037) |
| 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>(2,873)</u> |
| <i>Net Position of Governmental Activities</i> | <u><u>(\$93,814)</u></u> |

See accompanying notes to the basic financial statements

City of Salem Board of Health, Ohio
Statement of Revenues, Expenditures and Changes
In Governmental Fund Balance
For the Year Ended December 31, 2019

| | <u>General</u> |
|--|-------------------------|
| Revenues | |
| Charges for Services | \$76,131 |
| Fees, Licenses and Permits | 29,095 |
| Intergovernmental | 130,774 |
| Contributions and Donations | 500 |
| Other | <u>284</u> |
| <i>Total Revenues</i> | 236,784 |
| Expenditures | |
| Current: | |
| Public Health Services | <u>157,710</u> |
| <i>Net Change in Fund Balances</i> | 79,074 |
| <i>Fund Balances Beginning of Year</i> | <u>26,883</u> |
| <i>Fund Balances End of Year</i> | <u><u>\$105,957</u></u> |

See accompanying notes to the basic financial statements

City of Salem Board of Health, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Governmental Fund Balance to the Statement of Activities
For the Year Ended December 31, 2019*

| | |
|--|-----------------|
| Net Change in Fund Balances - Total Governmental Fund | \$79,074 |
|--|-----------------|

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:

| | |
|---------------------------|-------|
| Current Year Depreciation | (254) |
|---------------------------|-------|

Some expenses, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

(746)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:

| | | |
|---------|--------|--------|
| Pension | 12,494 | |
| OPEB | 64 | |
| Total | | 12,558 |

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities:

| | | |
|---------|----------|----------|
| Pension | (39,769) | |
| OPEB | (8,515) | |
| Total | | (48,284) |

| | |
|--|------------------------|
| <i>Change in Net Position of Governmental Activities</i> | <u><u>\$42,348</u></u> |
|--|------------------------|

See accompanying notes to the basic financial statements

City of Salem Board of Health, 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 City of Salem Board of Health (the Board) as a body corporate and politic. A five member Board as well as the City of Salem's Mayor serving as president govern the City of Salem Board of Health. Consistent with the provisions of Ohio Revised Code Section 3709.36, the Board is a legally separate organization. The Mayor and President of Council appoint the Board. Among its various duties, the Board provides for the prompt diagnosis and control of communicable diseases. The Board may also inspect businesses where food is manufactured, handled, stored, or offered for sale. The Board is operated by a board with all members being appointed by the City. The rates charged by the Board are subject to the approval of City Council. In addition, the City provides funding to the Board, thus the City can impose will on the Board, and the Board imposes a financial burden to the City. Therefore, the Board is considered a discretely presented component unit of the City of Salem.

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 City of Salem Board consists of all funds, departments, boards, and agencies that are not legally separate from the Department.

Component units are legally separate organizations for which the Board is financially accountable. The Board is financially accountable for an organization if the Board appoints a voting majority of the organization's governing board and (1) the Board is able to significantly influence the programs or services performed or provided by the organization; or (2) the Board is legally entitled to or can otherwise access the organization's resources; the Board 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 Board in that the Board 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 Board. There were no component units of the Board in 2019.

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

Note 2 – Summary of Significant Accounting Policies

The financial statements of the Board 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 Board's accounting policies are described as follows.

Basis of Presentation

The Board'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 Board as a whole.

City of Salem Board of Health, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

The statement of net position presents the financial condition of the Board at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Board'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 Board, 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 Board.

Fund Financial Statements During the year, the Board records transactions related to certain Board functions or activities in the general fund in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Board at this more detailed level. The focus of governmental financial statements is on major funds. The Board only utilizes one fund, the general fund.

Fund Accounting

The Board uses a fund 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. The Board's fund is a governmental fund.

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 general fund is the Board's only fund.

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 Board for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 Board 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.

City of Salem Board of Health, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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 Board, available means expected to be received within sixty days of year end.

Non-exchange transactions, in which the Board 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 Board must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Board 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, fees, licenses and permits and grants.

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 outflow of resources (expense/expenditure) until then. For the Board, deferred outflows of resources are reported on the government-wide statement of net position for a deferred charge on refunding, pension, and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 12 and 13.

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 Board, deferred inflows of resources consist of 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. The Board has no unavailable revenue. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (see Notes 12 and 13).

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

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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.

Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of expendable supplies held for consumption.

Capital Assets

All of the Board's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements.

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition value on the date donated. The Board maintains a capitalization threshold of six hundred dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated, except land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Estimated Lives</u> |
|-----------------------------------|------------------------|
| Furniture, Fixtures and Equipment | 3 - 20 years |

Compensated Absences

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 the Board has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee's wage rates at year end, taking into consideration any limits in the Board's termination policy. The Board records a liability for accumulated unused sick leave for all employees

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The entire compensated absences liability is reported on the government-wide financial statements.

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 judgment 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. Bonds, loans, and capital leases are recognized as a liability on the governmental fund financial statements when due. 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 investment in capital assets consists of capital assets, net of accumulated depreciation. 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 Board'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 Board must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Board 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.

City of Salem Board of Health, Ohio
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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.

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 Board or a Board 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 Board 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 Salem's Board was reorganized as a legally separate organization rather than continuing to operate as a department of the City. This change was effective January 2019 and is being accounted for as a transfer of operations in 2019. The Board is reported as a discretely presented component unit of the City of Salem (See Note 1).

City of Salem Board of Health, Ohio
Notes to the Basic Financial Statements
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The amounts recognized as of the effective date of the transfer are:

| | <u>General Fund</u> |
|--|---------------------|
| Fund Balance at December 31, 2018 | \$0 |
| Adjustments: | |
| Assets | 40,425 |
| Liabilities | (13,542) |
| Total Adjusted Fund Balance at December 31, 2018 | <u>\$26,883</u> |
| | |
| Adjusted Fund Balance at December 31, 2018 | |
| Nonspendable | \$984 |
| Unassigned (Deficit) | 25,899 |
| Total Adjusted Fund Balance at December 31, 2018 | <u>\$26,883</u> |
| | |
| | <u>Health</u> |
| | <u>Department</u> |
| | <u>at 12/31/18</u> |
| | |
| Assets | |
| Current and Other Assets | \$40,425 |
| Noncurrent Assets: | |
| Net Pension Asset | 1,222 |
| Capital Assets | 1,393 |
| Total Noncurrent Assets: | 2,615 |
| <i>Total Assets</i> | <u>43,040</u> |
| | |
| Deferred Outflows of Resources | |
| Pension | 26,947 |
| OPEB | 5,635 |
| <i>Total Deferred Outflows of Resources</i> | <u>32,582</u> |
| | |
| Liabilities | |
| Current Liabilities | 13,542 |
| Long-Term Liabilities: | |
| Due in More than One Year | |
| Other Amounts | 2,127 |
| Net Pension Liability | 98,863 |
| Net OPEB Liability | 67,143 |
| <i>Total Liabilities</i> | <u>\$181,675</u> |

City of Salem Board of Health, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

| | Health Department at 12/31/18 |
|--|-------------------------------------|
| Deferred Inflows of Resources | |
| Pension | \$25,107 |
| OPEB | 5,002 |
| <i>Total Deferred Inflows of Resources</i> | 30,109 |
| | |
| Net Position | |
| Net Investment in Capital Assets | 1,393 |
| Unrestricted | (137,555) |
| <i>Total Net Position</i> | (\$136,162) |

Note 4 – Deposits and Investments

The City of Salem Auditor is custodian for the Board’s deposits. The City’s deposit and investment pool holds the Board’s assets, valued at the City Auditor’s reported carrying amount.

Note 5 – Receivables

Receivables at December 31, 2019, consisted of an intergovernmental receivable in the amount \$61,515 from a grant from the City of Salem.

Note 6 - Capital Assets

Capital asset activity for the year ended December 31, 2019, was as follows:

| | Balance 12/31/2018 | Additions | Deductions | Balance 12/31/2019 |
|--|-----------------------|-----------|------------|-----------------------|
| <i>Capital Assets being Depreciated</i> | | | | |
| Furniture, Fixtures and Equipment | \$9,453 | \$0 | \$0 | \$9,453 |
| | | | | |
| <i>Less: Accumulated Depreciation</i> | | | | |
| Furniture, Fixtures and Equipment | (8,060) | (254) | 0 | (8,314) |
| <i>Total Capital Assets, Net</i> | \$1,393 | (\$254) | \$0 | \$1,139 |

*Depreciation expense was charged to governmental activities as follows:

| | |
|---------------------------|-------|
| Public Health and Welfare | \$254 |
|---------------------------|-------|

City of Salem Board of Health, 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 sick leave benefits are derived from State laws. Employees earn sick leave at a rate of 0.06 per hour worked. Sick leave accrual is continuous, without limit. Upon separation or death, an employee will be paid for 25 percent of accumulated, unused sick leave up to a maximum of 320 hours.

Note 8 – Contingencies

Grants

Amounts grantor agencies pay to the Board 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 9 - Long-Term Obligations

A schedule of changes in bonds and other long-term obligations of the Board during 2019 follows:

| | Principal Outstanding 12/31/2018 | Additions | Deletions | Principal Outstanding 12/31/2019 | Amounts Due In One Year |
|--|--|-----------------|------------|--|-------------------------------|
| <i>Governmental Activities</i> | | | | | |
| Other Long-term Obligations | | | | | |
| Net Pension Liability - OPERS | \$98,863 | \$76,870 | \$0 | \$175,733 | \$0 |
| Net OPEB Liability - OPERS | 67,143 | 15,820 | 0 | 82,963 | 0 |
| Compensated Absences | 2,127 | 746 | 0 | 2,873 | 0 |
| <i>Total Other Long-term Obligations</i> | <u>168,133</u> | <u>93,436</u> | <u>0</u> | <u>261,569</u> | <u>0</u> |
| <i>Total Governmental Activities</i> | <u>\$168,133</u> | <u>\$93,436</u> | <u>\$0</u> | <u>\$261,569</u> | <u>\$0</u> |

Compensated absences will be paid from the general fund. The Board pays obligations related to employee compensation from the fund benefitting from their service. There is no repayment schedule for the net pension liability and net OPEB liability. However, employer pension and OPEB contributions are made from the general fund.

City of Salem Board of Health, Ohio
Notes to the Basic Financial Statements
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Note 10 – 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 | \$449 |
|---------|-------|

Note 11 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Board 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 |
|------------------------------|-----------|
| <u>Nonspendable:</u> | |
| Inventory | \$15,022 |
| Prepays | 825 |
| <i>Total Nonspendable</i> | 15,847 |
| <u>Assigned to:</u> | |
| <u>Purchases on Order:</u> | |
| Health Department Operations | 449 |
| 2020 Operations | 16,064 |
| <i>Total Assigned</i> | 16,513 |
| Unassigned | 73,597 |
| <i>Total Fund Balances</i> | \$105,957 |

Note 12 – Defined Benefit Pension Plans

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

Net Pension Liability (Asset)/Net OPEB Liability (Asset)

The net pension liability (asset) and the net OPEB liability (asset) 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.

City of Salem Board of Health, Ohio
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The net pension/OPEB liability (asset) represent the Board's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is 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 limits the County's obligation for this liability to annually required payments. The Board cannot control benefit terms or the manner in which pensions are financed; however, the Board does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is 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 liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code 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/OPEB 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 13 for the required OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Board 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 to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. 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.

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

City of Salem Board of Health, Ohio
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For the Year Ended December 31, 2019

under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above 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 an annual cost of living adjustment (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 cost-of-living adjustment 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 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

City of Salem Board of Health, Ohio
Notes to the Basic Financial Statements
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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 Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

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

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

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

For 2019, The Board's contractually required contribution was \$11,866 for the traditional plan, \$628 for the combined plan and \$160 for the member-directed plan. Of these amounts, \$921 is reported as an intergovernmental payable for the traditional plan, \$49 for the combined plan, and \$12 for the member-directed 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 Board's proportion of the net pension liability (asset) was based on the Board'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 Board's defined benefit pension plans:

City of Salem Board of Health, Ohio
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| | OPERS <u>Traditional Plan</u> | OPERS <u>Combined Plan</u> | <u>Total</u> |
|--|----------------------------------|-------------------------------|--------------|
| Proportion of the Net Pension Liability/Asset: | | | |
| Current Measurement Date | 0.00064164% | 0.00103548% | |
| Prior Measurement Date | <u>0.00063018%</u> | <u>0.00089787%</u> | |
| Change in Proportionate Share | <u>0.00001146%</u> | <u>0.00013761%</u> | |
| Proportionate Share of the: | | | |
| Net Pension Liability | \$175,733 | \$0 | \$175,733 |
| Net Pension Asset | 0 | 1,158 | 1,158 |
| Pension Expense | 39,463 | 306 | 39,769 |

2019 pension expense for the member-directed defined contribution plan was \$160. The aggregate pension expense for all pension plans was \$39,929 for 2019.

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

| | OPERS <u>Traditional Plan</u> | OPERS <u>Combined Plan</u> | <u>Total</u> |
|---|----------------------------------|-------------------------------|-----------------|
| Deferred Outflows of Resources | | | |
| Differences between expected and actual experience | \$8 | \$0 | \$8 |
| Changes of assumptions | 15,298 | 259 | 15,557 |
| Net difference between projected and actual earnings on pension plan investments | 23,852 | 249 | 24,101 |
| Changes in proportion and differences between County contributions and proportionate share of contributions | 2,314 | 19 | 2,333 |
| Department contributions subsequent to the measurement date | <u>11,866</u> | <u>628</u> | <u>12,494</u> |
| Total Deferred Outflows of Resources | <u>\$53,338</u> | <u>\$1,155</u> | <u>\$54,493</u> |
| Deferred Inflows of Resources | | | |
| Differences between expected and actual experience | \$2,307 | \$473 | \$2,780 |
| Changes in proportion and differences between Department contributions and proportionate share of contributions | <u>109</u> | <u>105</u> | <u>214</u> |
| Total Deferred Inflows of Resources | <u>\$2,416</u> | <u>\$578</u> | <u>\$2,994</u> |

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\$12,494 reported as deferred outflows of resources related to pension resulting from Board 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:

| | OPERS Traditional Plan | OPERS Combined Plan | Total |
|--------------------------|------------------------------|---------------------------|----------|
| Year Ending December 31: | | | |
| 2020 | \$17,438 | \$29 | \$17,467 |
| 2021 | 8,313 | (22) | 8,291 |
| 2022 | 2,213 | (16) | 2,197 |
| 2023 | 11,092 | 62 | 11,154 |
| 2024 | 0 | (40) | (40) |
| Thereafter | 0 | (64) | (64) |
| Total | \$39,056 | (\$51) | \$39,005 |

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 below.

| | OPERS Traditional Plan | OPERS Combined Plan |
|---|--|--|
| 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 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.

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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 above 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 table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u> |
|------------------------|------------------------------|---|
| 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 | <u>100.00 %</u> | <u>5.95 %</u> |

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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.

Sensitivity of the Board's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate The following table presents the Board'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 Board'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%) |
|--|------------------------|-------------------------------------|------------------------|
| Department's proportionate share of the net pension liability (asset) | | | |
| OPERS Traditional Plan | \$259,608 | \$175,733 | \$106,031 |
| OPERS Combined Plan | (383) | (1,158) | (1,719) |

Note 13 – Defined Benefit OPEB Plans

See Note 12 for a description of the net OPEB liability

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

City of Salem Board of Health, Ohio
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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 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code 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 Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS 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.

Funding Policy - The Ohio Revised Code 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 Ohio Revised Code. 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 Board's contractually required contribution was \$64 for 2019. Of this amount, \$5 is reported as an intergovernmental payable.

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 County's proportion of the net OPEB liability was based on the County'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:

City of Salem Board of Health, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

| | OPERS |
|--|------------|
| Proportion of the Net OPEB Liability: | |
| Current Measurement Date | 0.000636% |
| Prior Measurement Date | 0.000618% |
| Change in Proportionate Share | 0.0000180% |
| Proportionate Share of the Net Pension Liability | \$82,963 |
| OPEB Expense | \$8,515 |

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

| | OPERS |
|--|---------|
| Deferred Outflows of Resources | |
| Differences between expected and actual experience | \$28 |
| Changes of assumptions | 2,675 |
| Net difference between projected and actual earnings on OPEB plan investments | 3,803 |
| Changes in proportion and differences between Board contributions and proportionate share of contributions | 1,657 |
| Department contributions subsequent to the measurement date | 64 |
| Total Deferred Outflows of Resources | \$8,227 |
| Deferred Inflows of Resources | |
| Differences between expected and actual experience | \$225 |

\$64 reported as deferred outflows of resources related to OPEB resulting from Board 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:

| | OPERS |
|--------------------------|---------|
| Year Ending December 31: | |
| 2020 | \$3,933 |
| 2021 | 1,443 |
| 2022 | 646 |
| 2023 | 1,916 |
| Total | \$7,938 |

City of Salem Board of Health, Ohio
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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:

| | |
|--|---|
| 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 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 be 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 above described tables.

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

City of Salem Board of Health, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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.

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 table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u> |
|------------------------------|------------------------------|---|
| 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

City of Salem Board of Health, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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 Board's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the Board's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the Board'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 (2.96%) | Current Discount Rate (3.96%) | 1% Increase (4.96%) |
|---|------------------------|-------------------------------------|------------------------|
| Department's proportionate share of the net OPEB liability | \$106,140 | \$82,963 | \$64,530 |

Sensitivity of the Board'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 net OPEB liability calculated using the assumed trend rates, and the expected 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.

| | 1% Decrease | Current Health Care Cost Trend Rate Assumption | 1% Increase |
|---|-------------|--|-------------|
| Department's proportionate share of the net OPEB liability | \$79,745 | \$82,963 | \$86,668 |

Note 14 – Operating Lease

During 2016, the Board entered into an operating lease with Kent State University, Salem Campus, for the period of June 1, 2016 to May 31, 2017, renewable annually, for the use of office space for the Board. The terms of the lease require payment in two installments in the amount of \$2,700.

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Required Supplementary Information

City of Salem Board of Health, Ohio
Required Supplementary Information
Schedule of the Board's Proportionate Share of the
Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan
Last Two Years (1)

| | 2019 | 2018 |
|---|-------------|-------------|
| Board's Proportion of the Net Pension Liability | 0.00064164% | 0.00063018% |
| Board's Proportionate Share of the Net Pension Liability | \$175,733 | \$98,863 |
| Board's Covered Payroll | \$84,039 | \$83,278 |
| Board's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 209.11% | 118.71% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 74.70% | 84.66% |

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

Amounts presented for each year were determined as of the Board's measurement date which is the prior year end.

See accompanying notes to the required supplementary information.

City of Salem Board of Health, Ohio
Required Supplementary Information
Schedule of the Board's Proportionate Share of the
Net Pension Asset
Ohio Public Employees Retirement System - Combined Plan
Last Two Years (1)

| | <u>2019</u> | <u>2018</u> |
|---|-------------|-------------|
| Board's Proportion of the Net Pension Asset | 0.00103548% | 0.00089787% |
| Board's Proportionate Share of the Net Pension Asset | \$1,158 | \$1,222 |
| Board's Covered Payroll | \$4,296 | \$3,677 |
| Board's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll | -26.96% | -33.23% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Asset | 126.64% | 137.28% |

(1) Amounts for the combined plan are not presented prior to 2018 as the Board's participation in this plan was considered immaterial in previous years.

Amounts presented for each year were determined as of the Board's measurement date which is the prior year end.

See accompanying notes to the required supplementary information.

City of Salem Board of Health, Ohio
Required Supplementary Information
Schedule of the Board's Proportionate Share of the
Net OPEB Liability
Ohio Public Employees Retirement System - OPEB Plan
Last Two Years (1)

| | <u>2019</u> | <u>2018</u> |
|--|-------------|-------------|
| Board's Proportion of the Net OPEB Liability | 0.000636% | 0.000618% |
| Board's Proportionate Share of the Net OPEB Liability | \$82,963 | \$67,143 |
| Board's Covered Payroll | \$89,260 | \$86,955 |
| Board's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 92.95% | 77.22% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 46.33% | 54.14% |

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

Amounts presented for each year were determined as of the Board's measurement date which is the prior year end.

See accompanying notes to the required supplementary information.

City of Salem Board of Health, Ohio
Required Supplementary Information
Schedule of the Board's Contributions
Ohio Public Employees Retirement System
Last Two Years (1)

| | 2019 | 2018 |
|---|-----------------|-----------------|
| Net Pension Liability - Traditional Plan | | |
| Contractually Required Contribution | \$11,866 | \$12,129 |
| Contributions in Relation to the Contractually Required Contribution | <u>(11,866)</u> | <u>(12,129)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> |
| Board Covered Payroll | \$84,757 | \$86,636 |
| Pension Contributions as a Percentage of Covered Payroll | <u>14.00%</u> | <u>14.00%</u> |
| Net Pension Liability - Combined Plan | | |
| Contractually Required Contribution | \$628 | \$620 |
| Contributions in Relation to the Contractually Required Contribution | <u>(628)</u> | <u>(620)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> |
| Board Covered Payroll | \$4,486 | \$4,429 |
| Pension Contributions as a Percentage of Covered Payroll | <u>14.00%</u> | <u>14.00%</u> |
| Net OPEB Liability - OPEB Plan (1) | | |
| Contractually Required Contribution | \$64 | \$37 |
| Contributions in Relation to the Contractually Required Contribution | <u>(64)</u> | <u>(37)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> |
| Board Covered Payroll (2) | \$88,168 | \$89,260 |
| OPEB Contributions as a Percentage of Covered Payroll | <u>0.07%</u> | <u>0.04%</u> |

(1) Information prior to 2018 is not available.

(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.

City of Salem Board of Health, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2019

Changes in Assumptions – OPERS Pension

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 below:

| | 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.