

**NORTH CENTRAL PUBLIC HEALTH DISTRICT
THE DALLES, OREGON**

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019



**12700 SW 72nd Ave.
Tigard, OR 97223**

NORTH CENTRAL PUBLIC HEALTH DISTRICT

FINANCIAL REPORT

June 30, 2019

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NORTH CENTRAL PUBLIC HEALTH DISTRICT

JUNE 30, 2019

BOARD OF HEALTH

BOARD MEMBERS	TERM EXPIRATION
Scott Hege, Chair	December 31, 2019
Celeste Hill-Thomas	December 31, 2021
Taylor Steen	December 31, 2021
Leslie Wetherell, Vice Chair	No set date
Michael Takagi	December 31, 2019
Tena Ferguson	No set date
Joan Bird	No set date
Roger J. Whitley	January 31, 2020
Jayme Mason	No set date

All Board members receive mail at the address below:

ADMINISTRATION

Teri Thalhofer, Director
419 East 7th Street
The Dalles, OR 97058

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NORTH CENTRAL PUBLIC HEALTH DISTRICT

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December 13, 2019

INDEPENDENT AUDITORS' REPORT

To the Board of Health
North Central Public Health District

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of the governmental activities and major fund of North Central Public Health District (the District), as of and for the year ended June 30, 2019, and the related notes to the basic financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion

Management has not obtained an actuarial valuation of the post-employment benefit obligation related to the implicit healthcare subsidy in accordance with GASB 75, *Accounting and Financial Reporting or Postemployment Benefits Other Than Pensions*. Accounting principles generally accepted in the United States of America require that actuarially determined annual required contributions related to postemployment benefits, other than retirement benefits, attributable to employee services already rendered be recorded as expenses as employees earn the benefits which, if not funded, would increase the liabilities, reduce the net position, and change the expenses of the governmental activities. The amount by which this departure would affect net position, liabilities and the expenses of the governmental activities is not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of not providing an actuarially determined liability for other postemployment healthcare benefits as described in the preceding paragraph, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of North Central Public Health District, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The District adopted the provisions of GASB Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* and GASB Statement No. 83 *Certain Asset Retirement Obligations*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis or the schedules of Net Pension Liability or Contributions for PERS because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on them.

The budgetary comparison schedule presented as required supplementary information, as listed in the table of contents, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in

accordance with auditing standards generally accepted in the United States of America, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The listing of Board members, as located before the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 13, 2019, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.

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**North Central Public Health District
Management Discussion and Analysis
For the year ended June 30, 2019**

This section of North Central Public Health District (NCPHD) annual financial report presents our discussion and analysis of NCPHD's financial performance of the fiscal year ending June 30th, 2019. Please read it in conjunction with NCPHD's financial statements and the related notes. The Management's Discussion and Analysis (MD&A) is a required element of required supplemental information specified in the GASB Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.

This discussion and analysis are intended to serve as an introduction to NCPHD's basic financial statements. The financial statements consist of: Government-wide financial statements and notes to the financial statements. **A budget – to – actual schedule is included in the 2019 NCPHD financials.**

Financial Highlights

From the 2019 NCPHD financials, the key financial highlights for the period July 1, 2018 to June 30, 2019 include the following:

- The total fund balance of the General Fund ended at a positive \$419,963.
- Overall General Fund revenues were \$2,857,472 and \$2,872,204 of expenditures.

Government-wide Financial Statements

The government-wide financial statements are designed to provide an overview of NCPHD's financial operations, in a manner similar to private sector business. The Statement of Net Position (Table 1) presents information regarding all assets and liabilities, with the difference between the two being reported as net position. Changes in net position may serve as a useful indicator of whether or not the overall financial position of NCPHD is improving or deteriorating. The Statement of Activities (Table 2) presents information showing NCPHD's revenues and expenditures during the year under audit, as well as the resulting change in net position. All activities in the government-wide financial statements are prepared using the modified accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. NCPHD, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. NCPHD has one Governmental fund.

- *Governmental funds* – All of NCPHD's services are reported in governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of activity-specific funds and the balances left at year-end that are available for spending. Such information is useful in evaluating whether there are more or fewer financial resources that can be spent in the near future to finance NCPHD's programs. NCPHD maintains one fund:
 - General Fund

Notes to the Financial Statement

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of NCPHD, total assets decreased slightly from the previous fiscal year. The Statement of Net Position provides the perspective of NCPHD as a whole.

	Table 1		
	Net Position		
	2019	2018	% Change
ASSETS:			
Current and other assets	\$ 561,825	575,540	-2.4%
Capital assets (net)	21,547	9,625	123.9%
Total Assets	<u>\$ 583,372</u>	<u>585,165</u>	<u>-0.3%</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferral	1,490,825	1,300,506	14.6%
TOTAL ASSETS AND PENSION RELATED DEFERRALS	<u>\$ 2,074,197</u>	<u>1,885,671</u>	<u>10.0%</u>
LIABILITIES:			
Current and other liabilities	\$ 188,195	190,300	-1.1%
Net Pension Liabilities	1,964,342	1,450,687	35.4%
Total Liabilities	2,152,537	1,640,987	31.2%
DEFERRED INFLOWS OF RESOURCES:			
Pension related deferral	313,840	295,639	6.2%
TOTAL LIABILITIES AND PENSION RELATED DEFERRALS	<u>2,466,377</u>	<u>1,936,626</u>	<u>27.4%</u>
NET POSITION:			
Net investment in capital assets	21,547	9,625	123.9%
Unrestricted	(553,424)	(206,733)	168.2%
Restricted	139,697	146,153	-4.4%
Total Net Position	<u>(392,180)</u>	<u>(50,955)</u>	<u>671.7%</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,074,197</u>	<u>1,885,671</u>	<u>10.0%</u>

Total assets and pension related deferrals were \$2,074,197 which includes capital assets. Capital assets increased by 123.9%, this is due to purchase of a Portacount fit testing machine.

Pension related deferral was a change in 2016 due to changes in reporting requirements. This year the reporting of pension related deferral resulted in an increase of over 27%.

Total liabilities and pension related deferrals were \$2,466,377 of which \$188,195 was current and \$1,964,342 was non-current as of June 30, 2019. Details of the pension related deferrals are in the required supplementary information section of the financial report. The total net position was (\$392,180).

**Table 2
Governmental Activities**

	2019	2018	% Change
REVENUES:			
Charges for services	\$ 240,253	\$ 350,167	-31.4%
Operating grants / contributions	1,344,510	1,202,339	11.8%
General revenues	<u>1,272,709</u>	<u>863,099</u>	<u>47.5%</u>
 Total Revenues	 <u>2,857,472</u>	 <u>2,415,605</u>	 <u>18.3%</u>
EXPENDITURES:			
Public Health	<u>3,198,697</u>	<u>2,591,701</u>	<u>23.4%</u>
 Total Expenses	 <u>3,198,697</u>	 <u>2,591,701</u>	 <u>23.4%</u>
 Change in Net Position	 (341,225)	 (176,096)	 93.8%
Beginning Net Position	<u>(50,955)</u>	<u>125,141</u>	<u>-140.7%</u>
 Ending Net Position	 <u>\$ (392,180)</u>	 <u>\$ (50,955)</u>	 <u>669.7%</u>

The total revenue in Table 2 “Governmental Activities” shows an 18.3% increase. This is mainly due to an increase in revenue from the new Public Health Modernization.

The total program expenses for Public Health shows an increase. The expense amount includes pension related expense added by GASB #68 for PERS liability. The actual expenditures through June 30, 2019 are reflected in the “Schedule of Revenues, Expenditures, and Changes in Fund Balance in the financials section.

The Ending Net Position shows a decrease, this is due to the new reporting requirements of including pension related deferral.

Requests for Information

This financial report is designed to provide a general overview of NCPHD's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director, 419 E 7th St., The Dalles, OR 97058.

BASIC FINANCIAL STATEMENTS

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NORTH CENTRAL PUBLIC HEALTH DISTRICT

STATEMENT OF NET POSITION
at June 30, 2019

ASSETS:

Current:

Cash and cash equivalents	\$ 474,716
Accounts receivable	84,845
Prepaid expense	2,264

Non-current:

Capital assets, net	<u>21,547</u>
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Total Assets	583,372
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DEFERRED OUTFLOWS OF RESOURCES:

Pension related deferrals - PERS	<u>1,490,825</u>
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TOTAL ASSETS AND PENSION RELATED DEFERRALS	<u><u>\$ 2,074,197</u></u>
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LIABILITIES:

Current:

Accounts payable	\$ 37,562
Payroll liabilities	104,300
Accrued vacation	46,333

Non-current:

Net pension liability - PERS	<u>1,964,342</u>
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Total Liabilities	2,152,537
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DEFERRED INFLOWS OF RESOURCES:

Pension related deferrals - PERS	<u>313,840</u>
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TOTAL LIABILITIES AND PENSION RELATED DEFERRALS	<u>2,466,377</u>
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NET POSITION:

Net Investment in Capital Assets	21,547
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Restricted for:

Grants	139,697
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Unrestricted	<u>(553,424)</u>
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Total Net Position	<u>(392,180)</u>
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TOTAL LIABILITIES, PENSION RELATED DEFFERALS AND NET POSITION	<u><u>\$ 2,074,197</u></u>
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See accompanying notes to the basic financial statements.

NORTH CENTRAL PUBLIC HEALTH DISTRICT

**STATEMENT OF ACTIVITIES
for the Year Ended June 30, 2019**

<u>FUNCTIONS</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	
Public Health	\$ 3,198,697	\$ 242,510	\$ 1,342,253	\$ (1,613,934)
Total Governmental Activities	<u>\$ 3,198,697</u>	<u>\$ 242,510</u>	<u>\$ 1,342,253</u>	<u>(1,613,934)</u>
General Revenues				
County				709,940
Interest				11,544
School Contracts				11,970
Miscellaneous				<u>539,255</u>
Total General Revenues				<u>1,272,709</u>
Changes in Net Position				(341,225)
Net Position – Beginning				<u>(50,955)</u>
Net Position – Ending				<u>\$ (392,180)</u>

See accompanying notes to the basic financial statements.

NORTH CENTRAL PUBLIC HEALTH DISTRICT

BALANCE SHEET – GOVERNMENTAL FUND

at June 30, 2019

	<u>GENERAL FUND</u>
ASSETS:	
Cash and cash equivalents	\$ 474,716
Accounts receivable	84,845
Prepaid expenditures	<u>2,264</u>
Total Assets	<u>\$ 561,825</u>
LIABILITIES AND FUND BALANCES:	
Liabilities:	
Accounts payable	\$ 37,562
Payroll liabilities	<u>104,300</u>
Total Liabilities	<u>141,862</u>
Fund Balances:	
Nonspendable	2,264
Restricted for:	
Grants	139,697
Committed	20,000
Unassigned	<u>258,002</u>
Total Fund Balance	<u>419,963</u>
Total Liabilities and Fund Balances	<u>\$ 561,825</u>

See accompanying notes to the basic financial statements.

NORTH CENTRAL PUBLIC HEALTH DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
at June 30, 2019

Total Fund Balances - Governmental Fund	\$	419,963
The net PERS pension asset (liability) is the difference between the total pension liability and the assets set aside to pay benefits earned to past and current employees and beneficiaries.		(1,964,342)
Deferred inflows and outflows of resources related to the pension plan include differences between expected and actual experience, changes of assumptions, differences between projects and actual earnings, and contributions subsequent to the measurement date.		
Deferred Inflows of Resources - PERS		(313,840)
Deferred Outflows of Resources - PERS		1,490,825
Accrued vacation is reported as an expenditure and a liability in the Statement of Net Position, whereas in governmental funds, accrued vacation is not reported.		
Accrued Vacation		(46,333)
The cost of capital assets (automobiles) purchased or constructed is reported as an expenditure in the governmental fund. The Statement of Net Position includes those capital assets among the assets of the District as a whole.		
Capital assets, net of depreciation		<u>21,547</u>
Net Position	\$	<u><u>(392,180)</u></u>

See accompanying notes to the basic financial statements.

NORTH CENTRAL PUBLIC HEALTH DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
GOVERNMENTAL FUND
for the Year Ended June 30, 2019**

	<u>GENERAL FUND</u>
REVENUES:	
Local Sources	
Interest	\$ 11,544
County grants	709,940
School Contracts	11,970
Contributions	86,268
Fees	242,510
Miscellaneous	539,255
Federal and State sources	<u>1,255,985</u>
Total Revenues	<u>2,857,472</u>
EXPENDITURES:	
Personal Services	2,254,747
Materials and Services	600,077
Capital Outlay	<u>17,380</u>
Total Expenditures	<u>2,872,204</u>
Net Change in Fund Balance	(14,732)
Beginning Fund Balance	<u>434,695</u>
Ending Fund Balance	<u><u>\$ 419,963</u></u>

See accompanying notes to the basic financial statements.

NORTH CENTRAL PUBLIC HEALTH DISTRICT
RECONCILIATION OF THE GOVERNMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
for the Year Ended June 30, 2019

Total Net Changes in Fund Balances - Governmental Funds \$ (14,732)

The PERS pension expense represents the changes in net pension assets (liability) from year to year due to changes in total pension liability and the fair value of pension plan net position available to pay pension benefits. (341,537)

Capital outlays are reported in the governmental fund as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation.

Capital Asset Addition	17,380
Depreciation Expense	(5,458)

Accrued vacation is reported as an expenditure and a liability in the Statement of Net Position, whereas in governmental funds, accrued vacation is not reported.

Changes in Accrued Vacation	3,122
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Change in Net Position of Governmental Activities	\$ (341,225)
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NOTES TO THE FINANCIAL STATEMENTS

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NORTH CENTRAL PUBLIC HEALTH DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units as required by Oregon law. 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 accounting policies are described below.

A. THE FINANCIAL REPORTING ENTITY

North Central Public Health District (the District) is a municipal corporation governed by a Board, and is organized under provisions of Oregon Revised Statutes Chapter 190. The District was formed through an intergovernmental agreement between Wasco County, Sherman County and Gilliam County on June 19, 2013 to meet ORS chapter 431 responsibilities and duties of public health departments. The District began operations January 1, 2014. Generally accepted accounting principles require that these basic financial statements present all component units, if any. Component units, as established by the Governmental Accounting Standards Board (GASB) Statement 61, are separate entities that are included in the District's reporting because of the significance of their operational or financial relationships with the District. All significant activities with which the District exercises oversight responsibility have been considered for inclusion in the basic financial statements. There are no component units.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information about activities as a whole. The Statement of Net Position and the Statement of Activities were prepared using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the citizenry, as a whole; program revenues reduce the cost of the function to be financed from the general revenues. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

NORTH CENTRAL PUBLIC HEALTH DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (CONTINUED)

FUND FINANCIAL STATEMENTS

The accounts are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

GOVERNMENTAL FUND TYPES

Governmental funds are used to account for the general government activities. Governmental fund types use the flow of *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period, which is 60 days. Grant revenue is not considered available and, therefore, is not recognized until received. Expenditures are recorded when the liability is incurred.

Revenues susceptible to accrual are federal, state, and local shared revenue. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The following major governmental funds are reported:

GENERAL FUND

This fund accounts for all financial resources and expenditures except those required to be accounted for in another fund (there are no other funds). The principal revenue sources are payments from the governing counties and federal and state grants.

GRANTS

Unreimbursed expenditures due from grantor agencies, if any, are reflected in the government-wide financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Cash received from grantor agencies in excess of related grant expenditures is recorded as a liability in the balance sheet and Statement of Net Position.

NET POSITION

Net position is comprised of the various net earnings from operations, non-operating revenues, expenses and contributions of capital. Net position is classified in the following categories:

Restricted – consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Restricted net position includes the 2019 Quality Incentive Measures grant, Tobacco Cessation grant and Mejour Juntos health awareness grant.

NORTH CENTRAL PUBLIC HEALTH DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (CONTINUED)

NET POSITION (CONTINUED)

Net investment in capital assets – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Unrestricted – consists of all other assets that are not included in the other categories previously mentioned.

C. CASH AND INVESTMENTS

Cash and investments consist of demand deposits and investments in the State of Oregon Treasury Department's Local Government Investment Pool (LGIP). All money market investments and U.S. Treasury and agency obligations are reported at cost, which approximates fair value.

Investment in the LGIP is carried at amounts which approximate fair value. The State of Oregon's investment policies used in administering the LGIP are governed by statute and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council and is responsible for the funds on deposit in the State Treasury. The State Treasury's investments in short-term securities are limited by the portfolio rules established by the Oregon Short-Term Fund Board and the Council. In accordance with Oregon statutes, the investment funds are invested, and the investments of those funds managed, as a prudent investor would do, exercising reasonable care, skill, and caution. The LGIP's portfolio rules provide that broker/dealers meet certain qualifications and that investments are delivered to and held by a third-party custodian which holds the LGIP's securities in the State of Oregon's name.

For basic financial statement purposes, all highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

D. CAPITAL ASSETS

Capital assets are defined as assets with an initial, individual cost of more than \$5,000, and useful lives that exceed one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value on the date donated. The cost of normal maintenance and repair that do not add function to the asset or materially extend the useful life of the asset are expensed as incurred. Capital assets are depreciated using the straight line method over the useful life of the asset. Automobiles are depreciated over 5 to 7 years.

E. SUPPLY INVENTORY

Detailed supply inventory records are not maintained. Inventory values are not considered by management to be material at year end.

F. ACCOUNTS RECEIVABLE

The accounts receivables are all current and are considered by management to be fully collectible. Therefore, no provision for uncollectable amounts has been made.

NORTH CENTRAL PUBLIC HEALTH DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. ESTIMATES

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. RETIREMENT PLANS

Substantially all of the District's employees are participants in the State of Oregon Public Employees Retirement System (PERS). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

I. FAIR VALUE INPUTS, METHODOLOGIES AND HIERARCHY

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based upon the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access

Level 2 – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs).

Level 3 – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund's own assumptions used in determining the fair value of investments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

NORTH CENTRAL PUBLIC HEALTH DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. LIABILITY FOR COMPENSATED ABSENCES

Earned but unused vacation benefits are recorded as an expense and a corresponding current liability at year-end based on employees' hourly rates. Unused vacation accrual will expire on March 31 of the following year.

K. FUND BALANCE

Fund balance is presented in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications are non-spendable, restricted, committed, assigned, and unassigned.

- Non-spendable represents amounts that are not in a spendable form. The non-spendable balance represents prepaid items.
- Restricted represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation). Restricted fund balance includes the 2019 Quality Incentive Measures grant, Tobacco Cessation grant, and Mejour Juntos health awareness grants.
- Committed represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution. The Board committed \$20,000 of fund balance for vehicle purchases.
- Assigned represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body.
- Unassigned is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance.

There were no assigned fund balances at year end.

The following order of spending regarding fund balance categories is used: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

NORTH CENTRAL PUBLIC HEALTH DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. BUDGET AND APPROPRIATIONS

Budgets are adopted for all funds on the modified accrual basis of accounting. Major differences between the budgetary basis and the accrual basis are:

- Unused vacation at year-end is expensed in the following year if used before expiration.
- Land, building, and equipment purchases are budgeted as an expenditure in the year of acquisition.
- No depreciation is budgeted.
- Pension and other OPEB costs are not recorded until paid.
- Inventory is expensed when purchased instead of when used.

Expenditures are controlled by appropriations adopted by resolution of the Board. Appropriations are adopted at the broad object level of personal services, materials and services, capital outlay, debt service, and special payments. These expenditure appropriations are adopted for purposes of accountability and as a method of providing public involvement into the budget process as provided by ORS 294.905 through 294.930. There is no legal requirement that expenditures do not exceed appropriations since the District is organized under provisions of Oregon Revised Statutes Chapter 190. Appropriations lapse at the end of each year. The budget as originally adopted may be amended by official resolution of the Board. There were no amendments following the original budget.

M. DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In addition to assets, the basic financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/ expenditure) until then. At June 30, 2019, there were deferred outflows of \$1,490,825, representing PERS pension related deferrals reported in the statement of net position.

In addition to liabilities, the basic financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. At June 30, 2019, there were deferred inflows of \$313,840, representing PERS pension related deferrals reported in the statement of net position.

NORTH CENTRAL PUBLIC HEALTH DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS

Deposits

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury. The total bank balance per the bank statements as of June 30, 2019 was \$49,208, all of which was covered by federal depository insurance.

At June 30, 2019 cash and cash equivalents consisted of the following:

Bank Demand Deposits	\$ 4,271
LGIP	470,445
Total	<u>\$474,716</u>

Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, deposits may not be returned. There is no deposit policy for custodial credit risk. As of June 30, 2019, none of the bank balance was exposed to custodial credit risk.

Investments

Policy is to follow state statutes governing cash management. Statutes authorize the investment in banker’s acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer’s Local Government Investment Pool (LGIP).

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool’s share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund’s compliance with all portfolio guidelines can be found in their annual report when issued. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund’s audited financial report. Amounts in the State Treasurer’s Local Government Investment Pool are not required to be collateralized. The audited financial reports of the Oregon Short Term Fund can be found here:

[http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx)

If the link has expired please contact the Oregon Short Term Fund directly.

NORTH CENTRAL PUBLIC HEALTH DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk - Investments

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB.

Credit Risk - Investments

Oregon Revised Statutes do not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss due to a large portion of investments with a single issuer. At June 30, 2019, the only investment was in the Local Government Investment Pool.

There were the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>		
		<u>Less than 3</u>	<u>3-18</u>	<u>18-59</u>
State Treasurer's Investment Pool	<u>\$ 470,445</u>	<u>\$ 470,445</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 470,445</u>	<u>\$ 470,445</u>	<u>\$ -</u>	<u>\$ -</u>

3. CONCENTRATIONS

Revenue received from the Oregon Health Authority, Modernization of Public Health, and Wasco County represented 45%, 15% and 15% of total revenue respectively for the year ended June 30, 2019.

NORTH CENTRAL PUBLIC HEALTH DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

4. CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2019 are as follows:

	July 1, 2018	Additions	Deletions	June 30, 2019
Capital Assets				
Automobiles	\$ 20,822	\$ -	\$ -	\$ 20,822
Equipment	-	17,380	-	17,380
Total	20,822	17,380	-	38,202
Accumulated Depreciation				
Automobiles	11,197	2,975	-	14,172
Equipment	-	2,483	-	2,483
Total	11,197	5,458	-	16,655
Total Net Capital Assets	\$ 9,625			\$ 21,547

All depreciation is allocated to public health.

5. DEFINED BENEFIT PENSION PLAN

The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Comprehensive Annual Financial Report which can be found at:

<http://www.oregon.gov/pers/Documents/Financials/CAFR/2018-CAFR.pdf>

If the link is expired please contact Oregon PERS for this information.

a. **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.

i. **Pension Benefits.** The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefits results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier 1 general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of

NORTH CENTRAL PUBLIC HEALTH DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

service. Tier 2 members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

- ii. **Death Benefits.** Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided on or more of the following contributions are met:
 - member was employed by PERS employer at the time of death,
 - member died within 120 days after termination of PERS covered employment,
 - member died as a result of injury sustained while employed in a PERS-covered job, or
 - member was on an official leave of absence from a PERS-covered job at the time of death.
- iii. **Disability Benefits.** A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.
- iv. **Benefit Changes After Retirement.** Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

b. **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

- i. **Pension Benefits.** This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

- ii. **Death Benefits.** Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.
- iii. **Disability Benefits.** A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.
- iv. **Benefit Changes After Retirement.** Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

NORTH CENTRAL PUBLIC HEALTH DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions – PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation, which became effective July 1, 2017. The State of Oregon and certain Districts, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2019 were \$257,031, excluding amounts to fund employer specific liabilities.

Pension Asset or Liability

At June 30, 2019, the District reported a net pension liability of \$1,964,342 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of the measurement dates of June 30, 2018 and 2017, the District’s proportion was .013 and .011 percent, respectively. Pension expense for the year ended June 30, 2019 was \$341,537.

The rates in effect for the year ended June 30, 2019 were:

- (1) Tier 1/Tier 2 – 24.57%
- (2) OPSRP General Services – 15.75%

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 66,821	\$ -
Changes in assumptions	456,706	-
Net difference between projected and actual earnings on investments	-	(87,228)
Changes in proportionate share	616,178	(223,901)
Differences between employer contributions and employer's proportionate share of system contributions	94,089	(2,711)
Subtotal - amortized deferrals (below)	1,233,794	(313,840)
District contributions subsequent to measurement date	257,031	-
Deferred outflow (inflow) of resources	\$ 1,490,825	\$ (313,840)

The amount of contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

NORTH CENTRAL PUBLIC HEALTH DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Subtotal amounts related to pension as deferred outflows of resources, \$1,233,794 and deferred inflows of resources, (\$313,840), net to \$919,954 and will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 456,769
2021	361,142
2022	26,003
2023	54,838
2024	21,202
Thereafter	-
Total	<u>\$ 919,954</u>

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated March 4, 2019. Oregon PERS produces an independently audited CAFR which can be found at:

<http://www.oregon.gov/pers/Documents/Financials/CAFR/2018-CAFR.pdf>

Actuarial Valuations - The employer contribution rates effective July 1, 2017 through June 30, 2019, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

NORTH CENTRAL PUBLIC HEALTH DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2016 rolled forward to June 30, 2018
Experience Study Report	2016, Published July 26, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets
Inflation rate	2.50 percent
Investment rate of return	7.20 percent (changed from 7.50 percent)
Projected salary increase	3.50 percent overall payroll growth
Cost of Living Adjustment	Blend of 2% COLA and graded COLA (1.25%/.15%) in accordance with Moro decision, blend based on service.
Mortality	Healthy retirees and beneficiaries: RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Active members: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The method and assumptions shown are based on the 2016 Experience Study which is reviewed for the four-year period ending December 31, 2016.

Assumed Asset Allocation:

Asset Class/Strategy	Low Range	High Range	OIC Target
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Real Estate	9.5%	15.5%	12.5%
Private Equity	13.5%	21.5%	17.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100%

Source: June 30, 2018 PERS CAFR; p. 98

NORTH CENTRAL PUBLIC HEALTH DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Long-Term Expected Rate of Return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015, revised as of June 7, 2017, the PERS Board reviewed its long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	8.00%	3.49%
Short-Term Bonds	8.00%	3.38%
Bank/Leveraged Loans	3.00%	5.09%
High Yield Bonds	1.00%	6.45%
Large/Mid Cap US Equities	15.75%	6.30%
Small Cap US Equities	1.31%	6.69%
Micro Cap US Equities	1.31%	6.80%
Developed Foreign Equities	13.13%	6.71%
Emerging Market Equities	4.13%	7.45%
Non-US Small Cap Equities	1.88%	7.01%
Private Equity	17.50%	7.82%
Real Estate (Property)	10.00%	5.51%
Real Estate (REITS)	2.50%	6.37%
Hedge Fund of Funds – Diversified	2.50%	4.09%
Hedge Fund – Event-driven	0.63%	5.86%
Timber	1.88%	5.62%
Farmland	1.88%	6.15%
Infrastructure	3.75%	6.60%
Commodities	1.88%	3.84%
<i>Assumed Inflation - Mean</i>		<i>2.50%</i>

Source: June 30, 2018 PERS CAFR; p. 72

Discount Rate – The discount rate used to measure the total pension liability, as of the measurement dates June 30, 2018 and 2017, was 7.20 and 7.50 percent, respectively, for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the 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 benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

NORTH CENTRAL PUBLIC HEALTH DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate.

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
District's proportionate share of the net pension liability	\$ 3,282,786	\$ 1,964,342	\$ 876,074

Changes Subsequent to the Measurement Date

As described above, GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date are reflected in amounts reported for the subsequent Measurement Date. However, Paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer’s reporting date that are expected to have a significant effect on the employer’s share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

There are no changes subsequent to the June 30, 2018 Measurement Date that meet this requirement and would require a brief description under the GASB standard.

OPSRP Individual Account Program (OPSRP IAP)

Plan Description:

Employees of the District are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. Chapter 238A created the Oregon Public Service Retirement Plan (OPSRP), which consists of the Defined Benefit Pension Program and the Individual Account Program (IAP). Membership includes public employees hired on or after August 29, 2003. PERS members retain their existing defined benefit plan accounts, but member contributions are deposited into the member’s IAP account. OPSRP is part of OPERS, and is administered by the OPERS Board.

Pension Benefits:

Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. Upon retirement, a member of the OPSRP IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

NORTH CENTRAL PUBLIC HEALTH DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Death Benefits:

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Contributions:

Employees of the District pay six (6) percent of their covered payroll. The District did not make any optional contributions to member IAP accounts for the year ended June 30, 2019.

Additional disclosures related to Oregon PERS not applicable to specific employers are available online, or by contacting PERS at the following address: PO BOX 23700 Tigard, OR 97281-3700.

<http://www.oregon.gov/pers/EMP/Pages/GASB.aspx>

6. OTHER POST-EMPLOYMENT BENEFIT PLAN – (RHIA)

Plan Description:

As a member of Oregon Public Employees Retirement System (OPERS) the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

Funding Policy:

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 dollars or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 dollars shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in OPERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in an OPERS-sponsored health plan. A surviving spouse or dependent of a deceased OPERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from OPERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

NORTH CENTRAL PUBLIC HEALTH DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Participating employers are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the District currently contributes 0.53% of annual covered OPERF payroll and 0.45% of OPSRP payroll under a contractual requirement in effect until June 30, 2019. The OPERS Board of Trustees sets the employer contribution rates based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The District's contributions to RHIA for the year ended June 30, 2019 were considered by management to be immaterial to the basic financial statements.

At June 30, 2019 the District's net OPEB liability/(asset) and deferred inflows and outflows for RHIA were not considered material to the basic financial statements by management and were not accrued in the government wide statements.

7. DEFERRED COMPENSATION PLAN

A deferred compensation plan is available to employees wherein they may execute an individual agreement with the District for amounts earned by them to not be paid until a future date when certain circumstances are met. These circumstances are: termination by reason of death, disability, resignation, or retirement. Payment to the employee will be made over a period not to exceed 15 years. The deferred compensation plan is one which is authorized under IRC Section 457 and has been approved in its specifics by a private ruling from the Internal Revenue Service. The assets of the plan are held by the administrator for the sole benefit of the plan participants and are not considered assets or liabilities of the District.

8. RISK MANAGEMENT

There is exposure to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is purchased to minimize exposure to these risks. Settled claims have not exceeded this commercial coverage since the District's inception at January 1, 2014.

9. COMMITMENTS AND CONTINGENCIES

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although such amounts, if any, are expected by management to be immaterial.

10. FEDERAL SINGLE AUDIT

The federal grants received did not meet the federal reporting requirements for a Single Audit and the District was thus not subject to the compliance requirements described in the *OMB Compliance Supplement*.

11. SUBSEQUENT EVENT

Subsequent events for the year ended June 30, 2019 have been evaluated by management through December 13, 2019, the issuance date of the basic financial statements. No subsequent events have been identified that would require note disclosure.

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REQUIRED
SUPPLEMENTARY INFORMATION

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NORTH CENTRAL PUBLIC HEALTH DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
ACTUAL AND BUDGET
at June 30, 2019**

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:			
Local Sources			
Interest	\$ 7,000	\$ 11,544	\$ 4,544
County grants	709,178	709,940	762
School Contracts	10,000	11,970	1,970
Contributions/Donations	78,054	86,268	8,214
Fees	251,000	242,510	(8,490)
Miscellaneous	389,239	539,255	150,016
Federal and State sources	<u>1,291,653</u>	<u>1,255,985</u>	<u>(35,668)</u>
Total Revenues	<u>2,736,124</u>	<u>2,857,472</u>	<u>121,348</u>
EXPENDITURES:			
Personal Services	2,036,357	2,254,747	(218,390)
Materials and Services	402,649	600,077	(197,428)
Capital Outlay	21,000	17,380	3,620
Contingency	<u>29,735</u>	<u>-</u>	<u>29,735</u>
Total Expenditures	<u>2,489,741</u>	<u>2,872,204</u>	<u>(382,463)</u>
Net Change in Fund Balance	246,383	(14,732)	(261,115)
Beginning Fund Balance	<u>400,000</u>	<u>434,695</u>	<u>34,695</u>
Ending Fund Balance	<u>\$ 646,383</u>	<u>\$ 419,963</u>	<u>\$ (226,420)</u>

NORTH CENTRAL PUBLIC HEALTH DISTRICT
DALLES, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

At June 30, 2019

PERS

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) Employer's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.0130 %	\$ 1,964,342	\$ 1,162,379	169.0 %	82.1 %
2018	0.0108	1,450,687	1,088,938	133.2	83.1
2017	0.0151	2,262,250	937,468	241.3	80.5
2016	0.0000		1,100,606	-	91.9
2015	0.0000		445,288	-	103.6
2014	0.0000		-	-	92.0

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date of 6/30 for each year presented.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

SCHEDULE OF CONTRIBUTIONS

Year	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2019	\$ 257,031	\$ 257,031	\$ -	\$ 1,432,451	17.9 %
2018	207,958	207,958	-	1,162,379	17.9
2017	162,585	162,585	-	1,088,938	14.9
2016	142,475	142,475	-	937,468	15.2
2015	149,232	149,232	-	1,100,606	13.6
2014	72,398	72,398	-	445,288	16.3

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date of 6/30 for each year presented.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

INDEPENDENT AUDITORS'
REPORT REQUIRED BY
OREGON STATE REGULATIONS

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December 13, 2019

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the North Central Public Health District as of and for the year ended June 30, 2019, and have issued our report thereon dated December 13, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of the basic financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)**
- **Deposits of public funds with financial institutions (ORS Chapter 295)**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Authorized investment of surplus funds (ORS Chapter 294).**

In connection with our testing nothing came to our attention that caused us to believe the North Central Public Health District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

This report is intended solely for the information and use of the Board, management and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

A handwritten signature in black ink that reads "Roy R. Rogers". The signature is written in a cursive style with a large, stylized "R" and "R".

ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.