The MetroHealth System
(A Component Unit of Cuyahoga County)

Financial Report
December 31, 2020

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Trustees
The MetroHealth System
4229 Pearl Road
Cleveland, Ohio 44109

We have reviewed the *Independent Auditor's Report* of The MetroHealth System, Cuyahoga County, prepared by RSM US LLP, for the audit period January 1, 2020 through December 31, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The MetroHealth System is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

May 05, 2021

This page intentionally left blank.

Contents

This page intentionally left blank.

Independent Auditor's Report

To the Board of Trustees of
The MetroHealth System
Cleveland, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of The MetroHealth System (the System), a component unit of Cuyahoga County, Ohio, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of The MetroHealth System as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3–12 as well as the pension and other postemployment benefit related data on pages 57-59 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2021 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

RSM US LLP

Cleveland, Ohio
March 17, 2021

Management's Discussion and Analysis

This section of The MetroHealth System's (the System) annual financial report presents management's discussion and analysis (MD&A) of the System's financial performance and provides an overall review of the System's financial position and activities as of and for the year ended December 31, 2020. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The discussion and analysis, while covering two years, is designed to focus on current year activities.

Operating Highlights

- Case Mix Index increased 2.9% and payor mix remained constant in 2020.
- Implementation of a robust telehealth platform had an impact in offsetting net patient revenue losses due to the COVID-19 pandemic.
- Supplemental program reforms and funding helped offset the patient revenue losses.
- Continued growth in both Retail and Contract Pharmacy operations.
- Program expansion continued with the addition of the Ohio City Health Center and Parma Medical Center Level III Adult Trauma designation.

Overview of the Financial Statements

The System is the public health care system for Cuyahoga County, Ohio (the County). The System includes the MetroHealth Medical Center, a short-term acute care and long-term rehabilitation facility; The Elisabeth Severance Prentiss Center for Skilled Nursing Care; and a network of urban and suburban health care sites.

The System is organized and operated by its board of county hospital trustees (the Board) pursuant to Chapter 339 of the Ohio Revised Code. Members of the Board are appointed by the County Executive together with the senior judges of the Probate and Common Pleas Courts of the County, subject to confirmation by the County Council.

In accordance with Governmental Accounting Standards Board (GASB) Codification Section 2100: *Defining the Financial Reporting Entity*, the System's financial statements are included, as a discretely presented component unit, in the County's Consolidated Annual Financial Report (CAFR). A copy of the CAFR can be obtained from Cuyahoga County Fiscal Officer, Reserve Square, 2079 East 9th Street, Cleveland, Ohio 44115.

In accordance with GASB Codification Section 2100: *Defining the Financial Reporting Entity*, and Section 2600: *Reporting Entity and Component Unit Presentation and Disclosure,* The MetroHealth Foundation, Inc. (Foundation) and CCH Development Corporation (CCH) are classified as discretely presented component units in the System's financial statements. The Foundation and CCH are nonprofit organizations supporting the System through fundraising and economic development. The Foundation and CCH are not included in Management's Discussion and Analysis but are included in greater detail in the financial statements and footnotes. In addition, Recovery Resources, MHS Care-Innovation LLC, MetroHealth Holdings LLC, MHS Purchasing LLC, Lumina Imaging and Select Assurance Captive LLC are presented as blended component units whose financial activity is included within the activities of the System.

The System's financial statements consist of three statements – Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows. These financial statements and related notes provide information about the activities of the System.

Overview of the Financial Statements (Continued)

The System is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting. Revenue is recognized in the period in which it is earned, and expenses are recognized in the period in which they are incurred.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report the System's total net position and is one measure of the System's financial health. Over time, increases or decreases in the System's net position can be an indicator of whether its financial health is improving or deteriorating. Included in deferred outflows and deferred inflows is the impact of the recognition of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* These should be considered when evaluating the overall changes in net position. Other nonfinancial factors, such as changes in the System's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients, and local economic factors should also be considered to assess the overall financial health of the System.

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from defined types of activities. It provides answers to such questions as to what sources provided and expended cash during the reporting period.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the spread of the novel strain of coronavirus called COVID-19 a pandemic. Shortly thereafter, on March 13, the U.S. Federal Government declared the widespread outbreak of COVID-19 within the country to be a national emergency.

The State of Ohio has taken numerous actions in response to the COVID-19 pandemic, including enacting school closures, issuing a stay-at-home order for non-essential work and operations, and issuing a declaration that non-essential surgeries and clinical procedures using personal protective equipment (PPE) should not be conducted. These response actions and orders have since been lifted, but the State continues to monitor the evolution of the pandemic.

In a national response to the economic fallout of the COVID-19 pandemic, a stimulus bill known as the Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by U.S. Congress and signed into law on March 27, 2020. The CARES Act provided for various relief funds including the Coronavirus Relief Fund (CRF), administered by the U.S. Department of the Treasury, and the Provider Relief Fund (PRF), administered by the Department of Health and Human Services (HHS). These funds are referred to as "Stimulus funding" in these financial statements.

The CRF was established to provide funding to State, Local and Tribal governments. During 2020, MetroHealth received $20,965 of CRF pass-through funds from the State of Ohio and Cuyahoga County. The financial measurement to recognize the CRF, was based on attributed operating expenses. The PRF was established to support hospitals and healthcare providers on the front lines of the coronavirus response. During 2020, the System received $71,337 in provider relief funds directly from HHS. The financial measurement to recognize PRF funding provided for a year over year measurement of patient care lost revenues and expenses attributable to Coronavirus not reimbursed by other sources.

The System met the requirements for revenue recognition, and the total Stimulus funding of $92,303 is included in the Statements of Revenues, Expenses and Changes in Net Position.

COVID-19 Pandemic (Continued)

In addition to Stimulus funding, the System received $92,272 of accelerated and advanced payments from Centers for Medicare and Medicaid Services (CMS), commercial payors, and Cuyahoga County. These advanced payments are for the purpose of increasing cash flow to healthcare providers impacted by the COVID-19 pandemic. As of December 31, 2020, $3,000 was repaid and the remaining amount has been classified as Advance payments within current and long-term liabilities on the Statements of Net Position.

The System took immediate action in response and recovery to the COVID-19 outbreak. The efforts included:

- Implemented MetroHealth SMART (Situation Management and Response Team) as a centralized response with efforts focused on increasing capacity and assuring staff, patient and visitor safety.
- Increased inpatient bed capacity in preparation for a surge and established dedicated COVID-19 units including a COVID-19 Rehabilitation Unit to provide intensive therapy for patients.
- Launched a COVID-19 hotline to address the community's questions and concerns.
- Implemented COVID-19 care guidelines and protocols for maximizing and conserving personal protective equipment for clinical staff.
- Rapidly implemented enhanced telehealth service offerings to help offset in-person visit deferrals.
- Introduced the Hospital at Home program to monitor patients remotely who suffer from chronic cardiac and pulmonary diseases.
- Implemented a 24/7 COVID-19 testing program, with the System being the first in the region to offer two-hour rapid COVID-19 testing results.

In December 2020, the System was selected as one of the 10 hospitals to receive the first doses of vaccine in Ohio. The System's high-risk employees were among the first in the state to receive the COVID vaccine with an estimated two-thirds of employees vaccinated to date. Additionally, the System began vaccinating patients with increased risk for developing severe illness from COVID-19 including those aged 72 or older.

(Dollars in Thousands)

The System's Net Position

A summary of the System's Statement of Net Position as of December 31, 2020 and 2019 is presented in Table 1.

Table 1
The MetroHealth System
Statements of Net Position

	2020	Adjusted 2019
Assets:		
Current assets	$ 590,253	$ 334,218
Investments	430,170	375,651
Restricted assets	495,288	675,610
Capital assets	720,374	541,153
Other assets	27,640	20,489
Total assets	2,263,725	1,947,121
Deferred outflows of resources	211,445	328,103
Liabilities:		
Current liabilities	245,275	180,456
Long-term liabilities	2,359,005	2,508,607
Total liabilities	2,604,280	2,689,063
Deferred inflows of resources	218,433	15,634
Net position (deficit):		
Net investment in capital assets	124,041	129,989
Restricted, debt service payments	15,452	15,275
Restricted, capital asset use	2,250	2,250
Restricted, program activities	2,710	2,603
Restricted, nonspendable	1,550	1,550
Unrestricted	(493,546)	(581,140)
Total net position (deficit)	$ (347,543)	$ (429,473)

Due to a subsequent change in classification, $70,115 and $1,075 previous included in Investments was reclassified to current assets and restricted assets, respectively as of December 31, 2019.

Significant changes in the System's total assets, deferred outflows of resources, total liabilities, deferred inflows of resources, and net position occurred beginning in 2015 as a result of the implementation of GASB Statement No. 68. Under the standard, the net pension liability and asset equals the System's proportionate share of each plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus the plan assets available to pay those benefits.

(Dollars in Thousands)

The System's Net Position (Continued)

In 2018, The System implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* further impacting the System's deferred outflows of resources, total liabilities, deferred inflows of resources, and net position. Other postemployment benefits (OPEB) consist primarily of postemployment healthcare and under the new standard, the net OPEB liability equals the System's proportionate share of the plan's collective present value of estimated future OPEB benefits attributable to active and inactive employees' past service minus the plan assets available to pay those benefits.

The GASB Statement No. 68 and GASB Statement No. 75 adjustments are recorded on an annual basis using the results from the Ohio Public Employees Retirement System (OPERS) actuary reports. In Ohio, employer contributions to the State's cost-sharing multi-employer retirement systems are established by statute. These contributions are payable to the retirement systems one month in arrears and constitute the full legal claim on the System for pension and OPEB funding. Although the liabilities recognized under GASB Statements No. 68 and 75 meet the GASB definition of a liability in its conceptual framework for accounting standards, in Ohio there is no legal means to enforce the underfunded liability of the pension system as against the public employer. Additionally, there are no cash flows associated with the recognition of net pension and net OPEB liabilities, deferrals and expenses beyond the requirement to make statutory contributions. End users of the financial statements will gain a clearer understanding of the System's actual financial condition by excluding the pension and OPEB related amounts from the recorded net position, as shown below in Table 2.

Table 2
The MetroHealth System

	2020	2019
Net position (deficit):		
Net position (deficit), as reported in the Statement of Net Position	$ (347,543)	$ (429,473)
Plus:		
Net pension liability	654,172	892,828
Net OPEB liability	518,601	483,355
Deferred inflows related to pensions	144,305	14,323
Deferred inflows related to OPEB	74,128	1,311
Less:		
Net pension asset	(10,542)	(5,590)
Deferred outflows related to pensions	(119,999)	(280,994)
Deferred outflows related to OPEB	(89,555)	(44,980)
Total net position, excluding pension and OPEB related amounts	$ 823,567	$ 630,780

In Ohio, the employee shares the obligation of funding pension and other postemployment benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly, and approval of the Governor. Benefit provisions are also determined by State statute. Additional information on the standards and their impact is available in the notes to the financial statements.

The System's Net Position (Continued)

Total assets increased by $316,604 from 2019, primarily driven by advanced payments in the amount of $89,272, growth in retail and contract pharmacy, strong investment performance, and an increase in supplemental payment receipts. Investments increased by $54,519 and Net Capital Assets increased $179,221 from 2019. Capital asset purchases were made with bond project funds and operating cash. Restricted assets decreased by $180,322 from 2019 due to bond project fund draws and debt service payments.

In 2020, deferred outflows of resources decreased by $116,658, deferred inflows of resources increased by $202,799, and total liabilities decreased by $84,783. Fluctuations in the balances are primarily attributed to advance payments, the GASB Statement No. 68 pension adjustment and the GASB Statement No. 75 OPEB adjustment.

In 2020, the System's overall net position increased by $81,930 from 2019. The GASB Statement No. 68 actuarial pension adjustment of $47,369, the GASB Statement No. 75 actuarial OPEB adjustment of $63,488 offset this increase, as the strong operating results prior to the GASB adjustments had a positive impact of $192,787 on net position.

Capital Assets, Debt and Transformation

Capital Assets

The System had $720,374 and $541,153 invested in capital assets, net of accumulated depreciation at December 31, 2020 and 2019, respectively. Capital assets increased by $179,221 related to costs primarily associated with main campus transformation. The System acquired or constructed capital assets in the amount of $227,019 and $136,158 during 2020 and 2019, respectively.

Debt

The System had $1,053,280 and $1,055,567, in bonds, capital lease, and loan obligations outstanding at December 31, 2020 and 2019, respectively.

Transformation

The System has embarked on a large-scale transformation project that includes a reconstruction of its aging main campus. Many of the existing hospital structures were constructed more than 60 years ago and, for decades, have been repaired, rehabilitated or replaced episodically. It was determined that the cost to maintain and utilize the existing structures is greater than the costs to be incurred to replace those components with new facilities that are sized, configured and equipped to more effectively, efficiently and reliably deliver care.

In 2020, the System's Transformation project continued, experiencing no disruption or adverse impacts due to the COVID-19 pandemic. In response to updated projections of need, the System is adding 118 additional inpatient beds and rooms to the existing design with no change to the budget or timeline. Construction of the new hospital passed the halfway point in 2020 and approximately 90% of the interior and exterior work at the new Central Utility Plant has been completed. The System's Transformation project continues to be on time and on budget, with completion planned for 2022.

Operating Results and Changes in the System's Net Position

The System's annual results, as presented in Table 3, are measured for the purposes of System management, the System's Board of Trustees and a wide range of other users of the audited financial statements as they enhance the usefulness of the statements, and the understandability of the System's financial and operating performance. The presentation of the County funding, Stimulus funding and the GASB Statement No. 68 pension and GASB Statement No. 75 OPEB adjustments in Table 3 will provide the end users of the audited financial statements a clearer understanding of the System's actual financial condition.

County funding has been recorded within total operating revenues. The county funding is sustained through the Health and Human Services tax levies which aid our most vulnerable citizens: children, seniors, families and people in crisis across Cuyahoga County. The System makes an integral contribution to meeting the health, safety and welfare needs of County residents though the provision of health care services and its participation in community health programs. The county funding is therefore included in the other revenue category within the total operating revenues as it supports MetroHealth's principal ongoing operations as a public health system and is deemed by the System as a direct exchange with the County for the ongoing provision of health care services to County residents.

Stimulus funding has been recorded within total operating revenues. The Stimulus funding was provided by the U.S. Federal Government as financial relief to help combat the economic impact of the COVID-19 pandemic and includes both CRF and PRF. The financial measurement to recognize the CRF, was based on attributed operating expenses. Alternatively, the PRF recognition was based on a year over year measurement of patient care lost revenues. As both operating revenues and expenses supported the recognition of the stimulus funding the System's management has presented them within operating revenues. Additionally, presenting the Stimulus funds as operating revenues, increases the comparability of the System's financial statements to peer Health systems who report under the Financial Accounting Standards Board (FASB) framework. The FASB concluded CARES Act (Stimulus funding) was to be classified within operating revenue.

The GASB Statement No. 68 actuarial pension adjustment and the GASB Statement No. 75 actuarial OPEB adjustment that are non-cash transactions, have been presented in the non-operating section of the financial statements below as separate line items within the Change in Net Position. While the liabilities recognized under GASB Statements No. 68 and 75 meet the GASB definition of a liability in its conceptual framework for accounting standards, in Ohio there is no legal means to enforce the underfunded liability of the pension system as against the public employer, and there are no cash flows associated with the related expenses. The Ohio Revised Code (section 145.48) provides statutory authority for employee and employer contributions and rates are capped by State statute. For the years ended December 31, 2020 and 2019, the employee contribution rate was 10.0% of covered payroll and the System was required to contribute 14.0% of covered payroll for all covered benefits. As such, the System's pension and OPEB plan cash contributions are presented in the operating expenses which represent the System's statutorily required contributions for 2020 and 2019.

(Dollars in Thousands)

Operating Results and Changes in the System's Net Position (Continued)

Table 3
The MetroHealth System
Statements of Revenues, Expenses and Changes in Net Position

	Years Ended December 31, 2020	2019
Operating Revenues		
Net patient service revenue	$ 1,057,113	$ 1,064,005
County funding	32,400	32,400
Stimulus funding	92,303	-
Other revenue	278,718	192,338
Total operating revenues, including county funding and stimulus funding	1,460,534	1,288,743
Operating Expenses		
Salaries and wages	661,169	645,905
OPERS contributions	81,418	78,787
Other employee benefits	77,552	72,548
Purchased services	91,325	91,030
Medical supplies	92,849	85,391
Pharmaceuticals	136,799	107,934
Plant operations	40,051	41,385
Non-medical supplies	12,424	13,568
Other expenses	54,431	33,193
Depreciation and amortization	47,793	45,987
Total operating expenses, excluding pension and OPEB actuarial adjustments	1,295,811	1,215,728
Operating income, excluding pension and OPEB acturial adjustments	164,723	73,015
Non-Operating Revenues (Expenses)		
Net investment income	32,346	30,765
Other non-operating revenue	7,870	6,653
Noncapital grants and donations	4,565	4,849
Grant expenses and support	(4,565)	(4,846)
Interest expense	(12,282)	(12,735)
Total non-operating revenues (expenses)	27,934	24,686
Income before pension and OPEB actuarial adjustments, and capital grants and gifts	192,657	97,701
OPERS actuarial pension adjustment	(47,369)	(145,231)
OPERS actuarial OPEB adjustment	(63,488)	(47,285)
Capital grants and gifts	130	119
Change in net position	81,930	(94,696)
Total net position (deficit) - beginning of year	(429,473)	(334,777)
Total net position (deficit) - end of year	$ (347,543)	$ (429,473)

Operating Results and Changes in the System's Net Position (Continued)

In 2020, total operating revenues including county funding and stimulus funding increased $171,791 or 13.3%. Net patient service revenue decreased $6,892, offset by $92,303 in Stimulus funding and an increase of $86,380 in Other revenue.

The net patient revenue decrease of 0.6% is was driven by reduced 2020 volumes due to the deferral and decline of elective visits, procedures, and surgeries due to the COVID-19 pandemic, partially offset by increased supplemental program revenues. Discharges decreased 5.9%, inpatient surgical volumes decreased 6.2%, outpatient surgical volumes decreased 15.3%, emergency visits decreased 15.6%, patient days decreased 14.2%, and deliveries decreased by 5.3% from 2019 results. In response to the COVID-19 pandemic, the System implemented a robust telehealth platform. In-person outpatient visits decreased 27.4% but with the increase in virtual telehealth visits, total outpatient visits remained consistent with 2019 levels.

Net patient service revenue supplemental program revenues including Hospital Care Assurance Program (HCAP), Upper Payment Limit (UPL), and Care Innovation and Community Improvement Program (CICIP), increased from 2019 levels. UPL program reforms resulted in additional payments added to the System's base rate for each Medicaid inpatient discharge and outpatient service, and this program is now referred to as the Cost Coverage Add-on (CCA). This excludes retrospective adjustments which are recognized through estimated amounts due to third-party payors. The HCAP, UPL, and CICIP programs are discussed in further detail in the System's financial statement notes.

Stimulus funding of $92,303 was received to assist with the revenue losses and incremental expenses related to responding to the COVID-19 pandemic. Other operating revenue increased $86,380 or 44.9% from 2019 primarily due to increased retail and contract pharmacy operations and increased contract income resulting from healthcare service partnership contracts including COVID-19 response and County Correctional Healthcare. County funding remained consistent from 2019 to 2020 at $32,400.

Total operating expenses, excluding pension and OPEB actuarial adjustments increased by 6.6% from 2019 primarily due to increased salaries and wages, other employee benefits, medical supplies, pharmaceuticals, and other expenses including franchise fee and contracted pharmacy fees. The increase in medical supplies was a result of COVID-19 response, while the increase in pharmaceuticals expense was due to growth in retail and contract pharmacy operations.

In 2020, salaries and wages increased 2.4% from the prior year. This increase is attributed to annual wage increases and contract labor. In 2020, employee benefits increased 5.0% as compared to the prior year because of an increase in associated OPERS pension and employee health plan costs.

Non-operating revenues and expenses increased $3,248 or 13.2% in 2020 as compared to 2019 driven by net investment income which increased 5.1% due to strong investment performance. Other non-operating revenues and expenses include noncapital grants and donations, interest expense, and other non-operating revenue.

Operating Income, excluding pension and OPEB actuarial adjustments was $164,723 in 2020 as compared to $73,015 in 2019, an increase of $91,708 or 125.6%. Income before pension and OPEB actuarial adjustments, and capital grants and gifts were $192,657 in 2020 versus $97,701 in 2019, an increase of $94,956 or 97.2%.

Economic Factors and Next Year's Budget

Several factors and uncertainties that are contained in the budget are:

- As a safety net adult Disproportionate Share Hospital (DSH), the System benefits from the State of Ohio's decision, effective beginning in 2014, to adopt the Medicaid expansion provisions of the Affordable Care Act (ACA), with previously uninsured patients now insured through Medicaid. As of this writing, it does not appear that components of the ACA which benefited the hospital, such as Medicaid expansion, are at immediate risk in the foreseeable future based on failed attempts to repeal and replace the ACA in recent years.

- As of this writing, a final 2021 Hospital Care Assurance Program (HCAP) payment model has not been released. A preliminary model indicates the System will receive approximately $23,000 in 2021 net HCAP revenue. This would be a significant increase when compared with the 2020 HCAP model in which the System received $16,400 in net HCAP Revenue. As of this writing, information regarding the next State biennial budget is unavailable.

- The Medicaid hospital Upper Payment Limit (UPL) was unsustainable in its prior format and was completely redesigned for 2020 and going forward. The new program is a Cost Coverage Add-On (CCA) model and was intended to restore the benefits of the UPL program to previous years' levels. For State Fiscal Year (SFY) 2020 and 2021 the anticipated gross distribution is approximately $55,000. This redesign required increasing the Hospital Franchise Fee. For SFY 2021 the anticipated fee is $22,000 and is expected to be similar in subsequent years.

- Medicare DSH/uncompensated care payments are expected to increase approximately $3,100, or about 29%, in Federal Fiscal Year (FFY) 2021 when compared to FFY 2020. The expected increase is driven by an increase in the System's portion of the national Uncompensated Care Cost pool portion of the total DSH payment. This will restore the System's total Medicare DSH funding to the total Medicare DSH funding levels of 2019. The Medicare reductions associated with value-based purchasing and readmissions appear to have leveled off and should be consistent with 2020 levels, per estimates by the Association of American Medical Colleges (AAMC) and the Ohio Hospital Association (OHA). The System will not be subject to the Hospital Acquired Conditions (HAC) penalty in FFY 2021 for the second year in a row.

- The Care Innovation and Community Improvement Program (CICIP) was authorized through the State 2018-2019 biennial budget. The CICIP program was once again part of the State's 2020-2021 biennial budget and as a result the CICIP program will be in place until June 30, 2021. As of this writing, the Governor's 2022-2023 Biennial Executive Budget appears to reauthorize the CICIP program for another two years, though this budget has not been finalized.

- As of this writing the System does not anticipate any changes in the 2021 Cuyahoga County subsidy level of $32,400, which is consistent with the 2019 and 2020 funding amounts.

Contacting the System's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the System's finances and to show the System's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Vice President of Finance by telephoning (216) 778-7800.

The MetroHealth System
(A Component Unit of Cuyahoga County)

Statement of Net Position
December 31, 2020
(Dollars in Thousands)

	The MetroHealth System	The MetroHealth Foundation, Inc.	CCH Development Corporation
Assets			
Current Assets:			
Cash and cash equivalents	$ 350,484	$ 3,454	$ 388
Accounts receivable	160,942	5,767	-
Allowance for uncollectible accounts	(28,111)	(604)	-
	132,831	5,163	-
Other receivables	66,763	297	933
Supplies	22,436	-	-
Prepaid expenses	17,739	40	-
Total current assets	590,253	8,954	1,321
Noncurrent Assets:			
Investments	430,170	45,775	-
Restricted Assets:			
Cash and cash equivalents	1,811	-	2,331
Special purpose investments	2,333	27,122	-
Under bond indenture agreements	491,144	-	-
	495,288	27,122	2,331
Capital Assets:			
Land and construction in progress	391,875	-	5,904
Land improvements	13,961	-	-
Buildings and fixed equipment	781,714	-	1,665
Equipment	459,801	-	-
	1,647,351	-	7,569
Accumulated depreciation	(926,977)	-	(180)
	720,374	-	7,389
Other Assets:			
Net pension asset	10,542	-	-
Other assets	17,098	519	-
	27,640	519	-
Total assets	2,263,725	82,370	11,041
Deferred Outflows of Resources			
Deferred outflows related to pensions	119,999	-	-
Deferred outflows related to OPEB	89,555	-	-
Deferred amounts on debt refundings	1,891	-	-
Total deferred outflows of resources	211,445	-	-

See Notes to Financial Statements.

The MetroHealth System
(A Component Unit of Cuyahoga County)

Statement of Net Position
December 31, 2020
(Dollars in Thousands)

	The MetroHealth System	The MetroHealth Foundation, Inc.	CCH Development Corporation
Liabilities			
Current Liabilities:			
Accounts payable	$ 73,021	$ 120	$ 1,673
Accrued payroll and related liabilities	63,554	-	-
Contribution payable to the Public Employees Retirement System	6,826	-	-
Accrued interest payable	20,701	-	131
General and professional liabilities	13,422	-	-
Estimated amounts due to third-party payors	3,197	-	-
Accrued vacation and sick leave	7,650	-	-
Line of credit	2,117	-	-
Current installments of long-term debt	335	-	480
Advance payments	41,867	-	-
Other current liabilities	12,585	2,257	69
Total current liabilities	245,275	2,377	2,353
Long-Term Liabilities, less current installments:			
General and professional liabilities	29,709	-	-
Estimated amounts due to third-party payors	3,931	-	-
Accrued vacation and sick leave	51,979	-	-
Advance payments	47,404	-	-
Other long-term liabilities	264	-	-
Net pension liability	654,172	-	-
Net OPEB liability	518,601	-	-
Long-term debt	1,052,945	-	7,245
Total long-term liabilities	2,359,005	-	7,245
Total liabilities	2,604,280	2,377	9,598
Deferred Inflows of Resources			
Deferred inflows related to pensions	144,305	-	-
Deferred inflows related to OPEB	74,128	-	-
	218,433	-	-
Net Position (Deficit)			
Net investment in capital assets	124,041	-	1,154
Restricted, debt service payments	15,452	-	-
Restricted, capital asset use	2,250	-	-
Restricted, program activities	2,710	33,201	718
Restricted, nonspendable	1,550	19,177	-
Unrestricted	(493,546)	27,615	(429)
Total net position (deficit)	$ (347,543)	$ 79,993	$ 1,443

See Notes to Financial Statements.

The MetroHealth System
(A Component Unit of Cuyahoga County)

Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2020
(Dollars in Thousands)

	The MetroHealth System	The MetroHealth Foundation, Inc.	CCH Development Corporation
Operating Revenues			
Net patient service revenue	$ 1,057,113	$ -	$ -
Other revenue	278,718	-	885
Total operating revenues	1,335,831	-	885
Operating Expenses			
Salaries and wages	661,169	-	-
Pension and OPEB expense - Note 9	192,275	-	-
Other employee benefits	77,552	-	-
Purchased services	91,325	-	401
Medical supplies	92,849	-	-
Pharmaceuticals	136,799	-	-
Plant operations	40,051	-	229
Non-medical supplies	12,424	-	-
Other expenses	54,431	-	10
Depreciation and amortization	47,793	-	166
Total operating expenses	1,406,668	-	806
Operating (loss) income	(70,837)	-	79
Non-Operating Revenues (Expenses)			
County funding	32,400	-	-
Stimulus funding	92,303	-	-
Net investment income	32,346	7,244	-
Other non-operating revenue	7,870	258	-
Noncapital grants and donations	4,565	15,593	-
Grant expenses and support	(4,565)	(15,173)	-
Interest expense	(12,282)	-	(206)
Total non-operating revenues (expenses)	152,637	7,922	(206)
Income (loss) before capital grants and gifts	81,800	7,922	(127)
Capital grants and gifts	130	-	-
Change in net position	81,930	7,922	(127)
Total net position (deficit) - beginning of year	(429,473)	72,071	1,570
Total net position (deficit) - end of year	$ (347,543)	$ 79,993	$ 1,443

See Notes to Financial Statements.

The MetroHealth System
(A Component Unit of Cuyahoga County)

Statement of Cash Flows
Year Ended December 31, 2020
(Dollars in Thousands)

Cash Flows From Operating Activities	
Patient service revenue	$ 1,043,494
Advance payments	89,272
Other operating cash receipts	276,760
Payments to suppliers	(431,182)
Payments for compensation and benefits	(804,775)
Net cash flows provided by operating activities	173,569
Cash Flows From Noncapital Financing Activities	
County funding	32,400
Stimulus funding	92,303
Restricted grants, donations and other	10,780
Specific purpose funds expenses	(4,565)
Interest payments on long-term debt	(8,044)
Proceeds from revolving line of credit	1,639
Principal payments on revolving line of credit	(1,310)
Interest payments on revolving line of credit	(61)
Payments of financing fees on short-term debt	(32)
Net cash flows provided by noncapital financing activities	123,110
Cash Flows From Capital and Related Financing Activities	
Capital grants	130
Acquisitions and construction	(193,248)
Proceeds from sale of assets	21
Principal payments on long-term debt	(641)
Interest payments on long-term debt	(47,215)
Build America Bond receipts	2,047
Net cash flows used in capital and related financing activities	(238,906)
Cash Flows From Investing Activities	
Payments for investment purchases and reinvestments	(290,112)
Proceeds from investment sales and maturities	436,297
Interest received	28,355
Net cash flows provided by investing activities	174,540
Net increase in cash and cash equivalents	232,313
Cash and cash equivalents	
Beginning	119,982
Ending	$ 352,295

(Continued)

The MetroHealth System
(A Component Unit of Cuyahoga County)

Statement of Cash Flows (Continued)
Year Ended December 31, 2020
(Dollars in Thousands)

Reconciliation of Operating Loss to Net Cash Flows Provided by Operating Activities		
Operating loss	$	(70,837)
Adjustments to reconcile operating loss to net cash flows provided by operating activities		
Depreciation and amortization		47,793
Provision for bad debts		56,771
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Patient accounts receivable		(65,137)
Other assets		(24,482)
Deferred outflows of resources		116,420
Self-insurance liabilities		2,957
Accounts payable and other liabilities		59,061
Other long-term liabilities		51,634
Net pension liability		(238,656)
Net OPEB liability		35,246
Deferred inflows of resources		202,799
Net cash flows provided by operating activities	$	173,569

Noncash Investing, Capital and Financing Activities:

The System held investments at December 31, 2020, with a fair value of $447,956. During 2020, the net change in the fair value of these investments was an increase of $54,774.

In 2020, the System capitalized interest income of $14,903 and interest expense of $41,657.

Included in accounts payable at December 31, 2020 is $20,634 of invoices related to unpaid capital acquisitions.

See Notes to Financial Statements.

Note 1. Summary of Significant Accounting Policies

Reporting entity: The accompanying financial statements of the MetroHealth System (System) include the MetroHealth Medical Center, a short-term acute care and long-term rehabilitation facility, the Elisabeth Severance Prentiss Center for Skilled Nursing Care, and a network of urban and suburban primary care health sites.

The System is the public health care system for Cuyahoga County, Ohio (the County). It is organized and operated by its board of county hospital trustees (the Board) pursuant to Chapter 339 of the Ohio Revised Code. Members of the Board are appointed by the County Executive together with the senior judges of the Probate and Common Pleas Courts of the County, subject to confirmation by the County Council. To support the general operations of the System, the County approved funding of $32,400 for 2020. The System is exempt from federal income taxes as a governmental entity.

In accordance with GASB Codification Section 2100: *Defining the Financial Reporting Entity*, and Section 2600: *Reporting Entity and Component Unit Presentation and Disclosure*, the System's financial statements are included, as a discretely presented component unit, in the County's Comprehensive Annual Financial Report (CAFR). A copy of the CAFR can be obtained from Cuyahoga County Fiscal Officer, 2079 East 9th Street, Cleveland, Ohio 44115.

Furthermore, in accordance with GASB Codification Section 2100: *Defining the Financial Reporting Entity*, and Section 2600: *Reporting Entity and Component Unit Presentation and Disclosure*, the System's financial statements include The MetroHealth Foundation, Inc. (Foundation) and CCH Development Corporation (CCH) as discretely presented component units and Recovery Resources, MHS Care-Innovation LLC, MetroHealth Holdings LLC, MHS Purchasing LLC, Lumina Imaging and Select Assurance Captive LLC as blended component units.

The Foundation is a nonprofit organization acting primarily as a fundraising organization to supplement the resources that are available to the System in support of its programs. Although the System does not control the timing or the amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to support the activities of the System. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the System, it is considered a component unit of the System. Complete financial statements of the Foundation can be obtained by writing to The MetroHealth Foundation, 2500 MetroHealth Drive, Cleveland, Ohio 44109.

CCH Development Corporation (CCH), was formed on August 1, 2017, for the benefit of, and to support the System's community through economic and community development. CCH is a legally separate nonprofit corporation, exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The System appoints the voting majority of CCH's Board; however, the System does not have a financial benefit/burden relationship and is not able to impose its will on CCH. The System has determined it would be misleading to exclude CCH and therefore it has been presented as a component unit. See Note 10 for additional information.

Recovery Resources, MHS Care-Innovation LLC, MetroHealth Holdings LLC, MHS Purchasing LLC, Lumina Imaging and Select Assurance Captive LLC are presented as blended component units of the System. Although these entities are legally separate, the System is the sole corporate member. System's management has operational responsibility for these component units as they almost exclusively support the System's mission and operations. The blended component unit's financial activity is included within the activities of the System and any activity between the System and its blended component units is eliminated.

Note 1. Summary of Significant Accounting Policies (Continued)

Separately issued financial statements for the component units are prepared for Select Assurance Captive LLC and Recovery Resources and can be obtained by writing to The MetroHealth System, 2500 MetroHealth Drive, Cleveland, Ohio 44109, Attention: Finance Department.

Basis of accounting: The System reports only "business-type" activities, which requires the following financial statements and management discussion and analysis:

- Management's Discussion and Analysis
- Basic Financial Statements including a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows, for the System as a whole
- Notes to Financial Statements

The System is accounted for as a proprietary fund (enterprise fund) using the flow of economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the System's operations are included in the Statement of Net Position. Revenue is recognized in the period in which it is earned, and expenses are recognized in the period in which incurred.

The System's fiscal year is the calendar year. Pursuant to Ohio law, the System submits a budget to the County by November 1 of each year. The fundamental purpose of the budget is to plan for an expected level of operations and to provide management with a tool to control deviation from such a plan. The budget is prepared on an accrual basis.

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

Statement of revenues, expenses, and changes in net position: The System recognizes as operating revenues those transactions that are major or central to the provision of health care services. Operating revenues include those revenues received for direct patient care, grants received from organizations as reimbursement for patient care, and other incidental revenue associated with patient care. Operating expenses include those costs associated with providing patient care including costs of professional care, operating the hospital facilities, administrative expenses, and depreciation and amortization. Non-operating revenues include County funding, Stimulus funding, investment income and special purpose grants and donations, primarily research. Non-operating expenses include interest expense and expenses from special purpose funds for research related activities.

Note 1. Summary of Significant Accounting Policies (Continued)

Net patient service revenue: Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors, estimated allowances for uncollectible accounts and uncompensated care allowances. Retroactive adjustments are recorded on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Net patient service revenue is reported net of a provision for uncollectible accounts of $56,771 in 2020.

The System has agreements with third-party payors that provide for payment at amounts different from established charge rates. A summary of the basis of payment by major third-party payors follows:

Medicare and Medicaid: Inpatient acute care, behavioral medicine, rehabilitation, skilled nursing and outpatient services rendered to Medicare and Medicaid program beneficiaries are paid at prospectively-determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

The System also receives reimbursement for medical education costs, disproportionate share and unreimbursed Medicare bad debts which are reimbursed at interim rates with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare Administrative Contractor (MAC). The System's classification of patients under the Medicare and Medicaid programs and the appropriateness of their admission are subject to an independent review. Differences between the estimated amounts recorded at interim and final settlements are reported in the Statement of Revenues, Expenses, and Changes in Net Position in the year of settlement. The System recorded unfavorable adjustments to net patient revenue of $1,105 in 2020, due to prior year retroactive adjustments of amounts previously estimated and changes in estimates.

Net revenue from the Medicare and Medicaid programs accounted for approximately 27% and 39%, respectively, of the System's net patient service revenue for the year ended December 31, 2020. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term. Management believes that adequate provision has been made in the financial statements for any adjustments that may result from final settlements. The System believes that it is compliant with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on the financial statements.

Other payors: The System has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates-per-discharge, discounts from established charges, and prospectively determined per diem rates.

Note 1. Summary of Significant Accounting Policies (Continued)

Upper payment limit: In September 2001, the State of Ohio Supplemental Upper Payment Limit program for Public Hospitals (UPL) was approved by the Centers for Medicare and Medicaid Services (CMS). This program provides access to available federal funding up to 100% of the Medicare upper payment limits for inpatient hospital services rendered by Ohio Public Hospitals to Ohio Medicaid consumers. In State Fiscal Year 2020, the UPL program was redesigned using a Cost Coverage Add-on (CCA) model. The program reforms resulted in additional payments added to the System's base rate for each Medicaid inpatient discharge and outpatient service. At December 31, 2020, $4,265 was due to the System and recorded in the Statement of Net Position in other receivables.

The estimate recorded in net patient service revenue for UPL by the System was $72,115 in 2020. The State of Ohio discontinued the Program's required contributing match for participants as of June 30, 2009. Effective July 1, 2009, the State began assessing a franchise fee to hospitals to fund health care programs, including the UPL program. The System incurred franchise fee expense of $20,483 in 2020 and recorded in other expenses in the Statement of Revenues, Expenses, and Changes in Net Position. The System's franchise fee liability payable to the State of Ohio at December 31, 2020 was $0.

Disproportionate share: As a public health care provider, the System renders services to residents of the County and others regardless of ability to pay. The System is classified as a disproportionate share provider by the Medicare and Medicaid programs due to the volume of low-income patients it serves. Accordingly, the System receives additional payments from these programs resulting from this status totaling $28,188 for 2020. These amounts are included in net patient service revenue and include Hospital Care Assurance (HCAP) revenue of $20,397 in 2020, reduced by HCAP assessments recorded by the System of $4,031 in 2020.

Care Innovation and Community Improvement Program: The Care and Innovation and Community Improvement Program (CICIP), established by House Bill 49, provides for each participating nonprofit hospital agency and public hospital agency to receive supplemental payments under the Medicaid program for physician and other professional services that are covered by the Medicaid program and provided to Medicaid recipients. The amount of the supplemental payments is equal to the difference between the Medicaid rates for the services and the average commercial rates for the services. Participating nonprofit and public hospital agencies are responsible for the State share of the program's costs and the Medicaid Director may terminate or adjust the amount of supplemental payments if funding for the program is inadequate. As the program develops, specific duties and goals to benefit Medicaid recipients will be defined.

For 2020, the System recorded CICIP program revenue of $75,902 which is included in net patient service revenue. At December 31, 2020, the System had a CICIP receivable of $11,590, CICIP prepaid assessments of $9,833, and a CICIP payable of $494. The receivable, prepaid assessment and payable are included in the Statement of Net Position in other receivables, prepaid expenses and other current liabilities, respectively.

Note 1. Summary of Significant Accounting Policies (Continued)

Charity care: The System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Key elements used to determine eligibility include household income, real property and other assets. The System does not pursue collection of amounts determined to qualify as charity care; therefore, they are not reported as revenue.

The System maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy and the estimated cost of these services and supplies. The System has a presumptive charity program, which recognizes that there is a segment of the population that should fall within the guidelines of its charity programs, yet do not qualify due to failure to apply or failure to provide income documentation. The System's presumptive charity program seeks to identify and provide financial relief for those patients who would have qualified had their economic situation been known and documented. The System also contracts with an independent third party, which provides assistance in determining which patients qualify for presumptive charity.

The charges foregone for charity care provided by the System, totaled $180,970 in 2020, which represents 5.1% of gross charges and are not reported as revenue.

Grants: The System receives financial assistance from federal and state agencies in the United States in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies.

Other such audits could be undertaken by federal and state granting agencies and result in the disallowance of claims and expenditures; however, in the opinion of management, any such disallowed claims or expenditures will not have a material effect on the overall financial position of the System.

COVID-19: On March 11, 2020, the World Health Organization declared the spread of the novel strain of coronavirus called COVID-19 a pandemic. Shortly thereafter, on March 13, the U.S. Federal Government declared the widespread outbreak of COVID-19 within the country to be a national emergency. In response to the economic fallout of the COVID-19 pandemic, a stimulus bill known as the Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by U.S. Congress and signed into law on March 27, 2020.

The System received grants totaling $92,303 through funds established by the CARES Act (Stimulus funding). The System met the requirements for revenue recognition, and the Stimulus funding is included in Non-Operating Revenues on the Statements of Revenues, Expenses and Changes in Net Position.

During 2020, the System received $92,272 of accelerated and advanced payments from Centers for Medicare and Medicaid Services (CMS), commercial payors, and Cuyahoga County. These advanced payments are for the purpose of increasing cash flow to healthcare providers impacted by the COVID-19 pandemic. As of December 31, 2020, $3,000 was repaid and the remaining $89,272 has been classified as Advance payments within current and long-term liabilities on the Statements of Net Position.

Note 1. Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents: The System considers cash in its commercial checking accounts to be cash and cash equivalents.

Supplies: Medical and pharmaceutical supplies are stated at the lower of cost or market value on a first-in first-out basis.

Investments: The System generally records its investments at fair value in accordance with GASB Statement No. 72 – *Fair Value Measurement and Application*. Changes in unrealized gains and losses on investments are included in net investment income in the Statement of Revenues, Expenses, and Changes in Net Position.

Restricted assets: Restricted assets are cash and cash equivalents and investments whose use is limited by legal requirements. Investments under bond indenture agreements represent amounts required by debt instruments to pay bond principal and interest and approved projects. Restricted cash and cash equivalents and special purpose investments represent monies received from donors or grantors to be used for specific purposes, primarily research. The System has elected to use restricted assets before unrestricted assets when an expense is incurred for a purpose for which both resources are available.

Fundraising revenues: Gifts, grants, and program income result from fundraising activities of the Foundation. Though donations are solicited for the Foundation, donors occasionally make their gifts directly to the System.

Contributions: The Foundation and CCH recognize contributions as revenue in the period in which the pledge (promise to give) is received. The Foundation and CCH recognize donated services as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the organization.

Annuity payment obligations: The Foundation has entered into gift annuity agreements which include provisions requiring the Foundation to pay periodic fixed payments to beneficiaries during their lifetimes. Charitable gift annuities differ from other charitable giving options in that the annuity is a general obligation of the Foundation. Accordingly, if the assets of the gift are exhausted as a result of required payments to beneficiaries, unrestricted assets of the Foundation will be utilized to fund future payments.

Income taxes: The Foundation and CCH are Ohio nonprofit corporations and were granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and therefore are exempt from income tax on related income pursuant to Section 501(a) of the Code. The Foundation and CCH are required to pay taxes on unrelated business income.

Capital assets: Capital assets are stated at cost and contributed capital assets are stated at their acquisition value at the date of contribution. Expenditures for equipment must exceed $5 per unit and expenditures for renovations must exceed $25 in order for them to be capitalized. Expenditures that substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs are expensed as incurred. Depreciation and amortization of assets recorded under capital lease (straight-line method) are provided in amounts sufficient to amortize the cost of the related assets over their estimated useful lives.

(Dollars in Thousands)

Note 1. Summary of Significant Accounting Policies (Continued)

The following are the most commonly used estimated useful lives:

Buildings	25-40 years
Building improvements	5-20 years
Equipment	3-15 years
Land improvements	5-15 years
Vehicles	4 years

The asset and accumulated depreciation are removed from the related accounts when the asset is disposed. Any income or loss resulting from this disposal is recorded in the Statement of Revenues, Expenses, and Changes in Net Position.

Pensions: For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about the fiduciary net position of the Ohio Public Employees Retirement System (OPERS) Traditional, Combined and Member-Directed Plans and additions to/deductions from OPERS fiduciary net position have been determined on the same basis as they were reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) were recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other postemployment benefits (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about the fiduciary net position of the OPERS OPEB plan and additions to/deductions from OPERS fiduciary net position have been determined on the same basis as they were reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) were recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net position: The System classifies its net position into three categories as follows:

Net investment in capital assets – consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, other debt and deferred inflows and outflows of resources that are attributable to the acquisition, construction or improvement of those assets.

Restricted – result when constraints placed on the use of the net position are either externally imposed by creditors, grantors, contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted – consists of the remaining net position that does not meet the previously listed criteria.

Bond premiums and discounts: The System uses the effective interest method to calculate bond premiums and discounts. Amortization related to bond premiums and discounts in 2020 was $1,623 and is recorded as a reduction to interest expense in the Statement of Revenues, Expenses, and Changes in Net Position.

Cost of borrowing: Interest costs incurred on debt during the construction or acquisition of assets are capitalized as a component of the capital asset's cost. The total interest cost capitalized is offset by the interest income earned on the invested bond proceeds during the same period. Capitalized interest expense for 2020 totaled $41,657. Capitalized interest income for 2020 totaled $14,903.

Note 1. Summary of Significant Accounting Policies (Continued)

Concentrations of credit risk – patient accounts: Concentration of credit risk relating to patient accounts receivable is limited to some extent by the diversity and number of the System's patients and payors. Patient accounts receivable consist of amounts due from government programs, commercial insurance companies, private pay patients, and other group insurance programs. Medicaid, Medicare, and Medical Mutual of Ohio accounted for approximately 18%, 29% and 13% of the System's net patient accounts receivable, respectively. Excluding these payors, no other payor source represents more than 10.0% of the System's patient accounts receivable. The System maintains a provision for uncollectible accounts based on the expected collectability of patient accounts receivable.

Note 2. Changes in Accounting Principles and Recent Accounting Pronouncements

GASB has issued the following statements that have been recently implemented by the System:

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* The primary objective of this Statement is to provide temporary relief to governments and other stakeholders considering the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*

GASB has recently issued the following statements not yet implemented by the System:

GASB Statement No. 87, *Leases*- The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for fiscal years beginning after June15, 2021, and all reporting periods thereafter. The System has determined this statement will have a material impact on the financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The System has determined this statement will have a material impact on the financial statements.

Note 2. Changes in Accounting Principles and Recent Accounting Pronouncements (Continued)

GASB Statement No. 91, *Conduit Debt Obligations.* The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. The System has not yet determined the impact this statement will have on the financial statements.

GASB Statement No. 92, *Omnibus* - The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The System has not yet determined the impact this statement will have on the financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates* **-** As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. Guidance on lease modifications is effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. The System has not yet determined the impact this statement will have on the financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* - The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The System has not yet determined the impact this statement will have on the financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* **-** This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87*, Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The System has not yet determined the impact this statement will have on its financial statements.

Note 2. Changes in Accounting Principles and Recent Accounting Pronouncements (Continued)

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* - The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. The System has not yet determined the impact this statement will have on its financial statements.

Note 3. Deposits and Investments

Deposits

All monies are deposited with the System's banks or trust companies as designated by the Board of Trustees. Funds not needed for immediate expenditure may be deposited in interest bearing or non-interest bearing accounts.

Guaranteed investment contracts (GICs): The System entered into two distinct investment contracts with separate banks yielding guaranteed fixed interest rates for its Series 2017 Bond Project and Capitalized Interest Payment Funds. Deposits totaling $830,670 were made into the two accounts on the bond settlement date of May 25, 2017. The Capitalized Interest Payment Fund has a fixed interest rate of 2.60% with earned interest payments posting semiannually through the agreement maturity date on February 14, 2023. The agreement has a schedule of required withdrawals that cannot be accelerated. The Bond Project Fund bears a fixed interest rate of 2.54% with earnings reinvested each February 15 and August 15. The agreement terminates with respect to the funds at the earlier of the March 31, 2024 maturity date or the date the Bonds are no longer outstanding under the Indenture. The agreement may be extended by mutual written agreement. As of December 31, 2020, the Capitalized Interest Payment Fund and the Bond Project Fund had balances of $66,393 and $409,298, respectively.

The GICs are classified as deposits and are eligible holdings in accordance with the Twelfth Supplemental Trust Indenture enacted May 1, 2017 between the County, acting by and through the System's Board of Trustees, and the bond trustee.

(Dollars in Thousands)

Note 3. Deposits and Investments (Continued)

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of bank failure, the System's deposits might not be recovered. FDIC insurance through December 31, 2020 for funds held in interest bearing accounts is $250 per depositor per category of legal ownership. Ohio Revised Code requires that deposits in excess of FDIC insured amounts are collateralized, except for the invested proceeds of revenue bonds which follow the requirements stated in the bond indenture. The System's investment policy does not address custodial credit risk, but other than the GIC's which are uncollateralized, the System believes that the depository bank carries sufficient collateral to cover the total amount of public funds on deposit with the bank (after FDIC coverage) and is in compliance with the requirements specified in Sections 135.18 and 135.181 of the Ohio Revised Code. The System's bank deposits at December 31, 2020 totaled $829,633 and were subject to the following categories of custodial credit risk:

Uncollateralized	$ 827,073
Amount insured	2,560
Total bank balances	$ 829,633

Investments

The System's investment policy was established in accordance with the provisions of Sections 339.06 and 339.061 of the Ohio Revised Code (ORC). The investment portfolio consists of both a Reserve Portfolio and a Non-Reserve Portfolio. Per section 339.061 of the Ohio revised code, at least 25% of the average amount of the System's investment portfolio over the course of the preceding fiscal year needs to be invested as a "reserve" in specific types of low-risk investment instruments. Investments in the Non-Reserve Portfolio have a long-term time horizon and are not needed for operations for at least seven years. The System is still in the process of transferring funds to the Non-Reserve Portfolio. The blended component units of the System are not required to adhere to the System's investment policy.

The System's investment policy authorizes the System to invest in the following investments within the Reserve Portfolio:

- Securities and obligations of the U.S. Treasury and other direct issuances of federal government agencies or instrumentalities.
- No-load money market mutual funds investing exclusively in the previously listed items, rated in the highest category at the time of purchase by at least one nationally recognized statistical rating organization (NRSRS); and repurchase agreements made through eligible institutions mentioned in section 135.32 of the ORC, secured by the previously listed items.
- Time certificates of deposit or savings accounts and deposit accounts in any eligible institution mentioned in section 135.32 of the ORC.
- Municipal and state bonds of Ohio or any political subdivisions of Ohio
- The Ohio subdivision's fund as provided in Section 135.45 of the ORC.
- Commercial paper notes that constitutes unsecured short-term debt on an entity defined in Division (D) of Section 1705.01 of the ORC and matures no later than 270 days from purchase date, the aggregate value of the commercial paper does not exceed 10% of the aggregate value of the outstanding paper of the entity, the paper is rated by at least two NRSRS and is rated in the highest classification and the entity has assets exceeding $500,000, and total combined investments in commercial paper and bankers acceptances does not exceed 40% of the System's average aggregate Reserve Portfolio, and the investment in commercial paper of a single issuer does not exceed in the aggregate 5% of the Reserve Portfolio.

Note 3. Deposits and Investments (Continued)

- Bankers acceptances of banks that are insured by the FDIC, that mature no later than 180 days from purchase, are eligible for purchase by the Federal Reserve System, and the total combined investments in banker's acceptances and commercial paper does not exceed 40% of the System's average aggregate Reserve Portfolio.
- Notes issued by corporations incorporated in the United States and operating in the United States, the notes are rated in the second highest or higher category by at least two NRSRS at the time of purchase, mature in two years or less from the date of purchase, not to exceed 15% of the System's total average Reserve Portfolio.
- Securities lending agreements with any eligible institution mentioned in section 135.32 of the Revised Code that is a member of the federal reserve system or federal home loan bank or with any recognized United States securities dealer, under the terms of which agreements the System lends securities and the eligible institution or dealer agrees to simultaneously exchange similar securities or cash, equal value for equal value.
- Debt interests rated at the time of purchase in the three highest categories by two NRSRS and issued by foreign nations diplomatically recognized by the U.S. government, where the investment made does not exceed 1% of a country's total average portfolio.
- A current unpaid or delinquent tax line of credit authorized under section (G) of the section 135.341 of the Revised Code, provided that all of the conditions for entering into such a line of credit under that division are met.

The System's investment policy authorizes the System to invest in the following investments within the Non-Reserve Portfolio:

- Any permissible investments previously described within the Reserve Portfolio.
- Fixed income investments that emphasize high quality (BBB- rating or higher) and the single issuer, excluding the US Treasury and Federal Government Agencies, does not exceed 10% of the market value of the Non-Reserve Portfolio. Permissible fixed income investments are U.S. government and U.S. government agency securities, corporate notes and bonds, mortgage backed securities, preferred stock, fixed income securities of foreign governments and corporations, guaranteed investment contracts (GIC), and fixed income mutual funds and comingled pools.
- Equity investments of domestic and international common stocks, real estate investment trusts (REITs), convertible notes and bonds, convertible preferred stocks, and equity mutual funds or comingled pools. Stocks must emphasize companies with total market capitalizations exceeding $100 million and any individual commitment at the time or purchase should not represent more than 10% nor should a sector group exceed 50% of the portfolio's market value. International equity investments are limited to 20% of the Non-Reserve Portfolio balance, must be made through mutual funds or comingled structures, and cannot be weighed more than 50% to a single country. Cash equivalents are to be considered temporary and should not exceed 10% of a manager's portfolio.

(Dollars in Thousands)

Note 3. Deposits and Investments (Continued)

As of December 31, 2020, the fair values of the System's investments and their ratings by Standard and Poor's were as follows:

	Total	Investment Maturities: Less than 1 year	Investment Maturities: 1-5 years
U.S. Treasury Notes			
AA+	$ 43,942	$ 8,733	$ 35,209
Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Banks and Federal Farm Credit Banks			
AA+	191,340	62,560	128,780
Corporate Bonds			
AA+	5,006	5,006	-
A	10,030	10,030	-
BBB	25	25	-
Money Market Mutual Funds			
AAA	16,623	16,623	-
Total investments	$ 266,966	$ 102,977	$ 163,989

Deposits of $1,248 and unrated investments of $179,745 are included in investments on the Statement of Net Position at December 31, 2020. Additionally, $15,456 of Money Market Mutual Funds are included in Restricted assets under bond indenture agreements on the Statement of Net Position.

The System's carrying amounts of the deposits and investments at December 31, 2020 are as follows:

Deposits	$ 829,231
Investments	446,711
Total deposits and investments	$ 1,275,942

The difference between bank balances and financial statement carrying amounts represent outstanding checks payable and normal reconciling items.

(Dollars in Thousands)

Note 3. Deposits and Investments (Continued)

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The System has the following as of year ended December 31, 2020:

	Total	Quoted Prices in Active Markets for Indentical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by fair value level			
Debt Securities			
U.S. Treasury securities	$ 43,942	$ -	$ 43,942
U.S. Agency securities	191,340	-	191,340
Corporate bonds	15,061	-	15,061
Total debt securities	250,343	-	250,343
Money market mutual funds	16,623	16,623	-
Mutual funds	158,640	158,640	-
Certificates of deposit	2,290	-	2,290
Equities	18,709	13,516	5,193
Equity interests	106	-	106
Total investments measured at fair value	$ 446,711	$ 188,779	$ 257,932

Mutual funds and equities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Domestic equities and certificates of deposit, classified in Level 2 of the fair value hierarchy, are valued using prices quoted in active markets for similar assets.

Interest Rate Risk: The System's investment policy limits investment portfolios to maturities of five years or less. At December 31, 2020, the System's investments all have effective maturity dates of less than five years.

Credit Risk: The System's investment policy limits the System to commercial paper investments with ratings only in the highest category and emphasizes high-quality fixed income investments within the Non-Reserve Portfolio, with an average portfolio rating of BBB- or higher. The System's blended component units do not have a credit risk policy or investments. At December 31, 2020, the System held no commercial paper investments.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System's investment policy does not address custodial credit risk. For the year ended December 31, 2020, the System is not exposed to custodial credit risk as it relates to its investment portfolio.

(Dollars in Thousands)

Note 3. Deposits and Investments (Continued)

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributable to the magnitude of investments in any single issuer. This does not apply to debt securities explicitly guaranteed by the United States Treasury which are deemed to be "risk-free". The System's investment policy requires that the portfolio be structured to diversify investments to reduce the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific type of security.

Investment policy asset class allocation guidelines, for the System's total investment portfolio and the Non-Reserve Portfolio are as follows:

	Total System Portfolio		Non-Reserve Portfolio	
Asset Class	Minimum %	Maximum %	Minimum %	Maximum %
Fixed Income / Cash and Cash Equivalents	60%	100%	0%	100%
Domestic Equity	0%	30%	0%	100%
International Equity	0%	10%	0%	20%

The overall investment portfolio is kept within the above specified ranges through portfolio rebalancing and cash flow considerations. Rebalancing is implemented not less than quarterly to maintain the asset allocation ranges.

The System's investment policy requires further diversification by limiting exposure to any one issuer, excluding U.S. government issued or backed securities, in the Non-Reserve Fund to 10% of the portfolio. Combined commercial paper notes and banker's acceptances is limited to 40% of the Reserve Portfolio balance. Investments of U.S. corporate notes is limited to 15% of the Reserve Portfolio.

As of December 31, 2020, The System holds 25.5% in Federal National Mortgage Association (Fannie Mae) issues.

(Dollars in Thousands)

Note 4. Capital Assets

The following summarizes changes in the capital assets of the System for the year ended December 31, 2020:

	Beginning Balance	Additions	Reductions/ Transfers	Ending Balance
Capital assets not being depreciated				
Land	$ 24,157	$ -	$ -	$ 24,157
Construction in progress	176,266	226,103	(34,651)	367,718
Total non-depreciated capital assets	200,423	226,103	(34,651)	391,875
Depreciable capital assets				
Land improvements	13,696	265	-	13,961
Buildings and fixed equipment	767,935	13,794	(15)	781,714
Equipment	441,369	21,508	(3,076)	459,801
Total depreciable capital assets	1,223,000	35,567	(3,091)	1,255,476
Less accumulated depreciation				
Land improvements	(11,543)	(553)	-	(12,096)
Buildings and fixed equipment	(503,109)	(23,607)	13	(526,703)
Equipment	(367,618)	(23,633)	3,073	(388,178)
Total accumulated depreciation	(882,270)	(47,793)	3,086	(926,977)
Total depreciable capital assets, net	340,730	(12,226)	(5)	328,499
Total capital assets, net	$ 541,153	$ 213,877	$ (34,656)	$ 720,374

Total depreciation and amortization expense related to capital assets for 2020 was $47,793.

Note 5. Revolving Line of Credit

During 2020, the System put a revolving line of credit in place with one of its corporate banks. There is $65,000 available under the credit facility, which is unsecured and can be used for any working capital or liquidity management purposes. The term maturity date is August 24, 2021, subject to a 364-day extension at the request of the System and approval of the banks.

Advances under the line of credit may be Base Rate Advances or LIBOR Advances, or a combination thereof, as selected by the System. The applicable interest rate under Base Rate Advances is equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus ½ of 1% and (c) the LIBOR Rate for a one-month term in effect on such day plus two hundred basis points (200 bps) plus 1.00%. The applicable interest rate under LIBOR advances shall be the one-month LIBOR Rate plus the three hundred basis points (300 bps). Repayment of advances, plus accrued and unpaid interest at the applicable interest rate, is due on the term maturity date, as extended. There were no draws or repayments as of December 31, 2020.

The System is required to be compliant with certain financial and performance-related covenants. Upon the occurrence of any event of default, the System’s obligations will immediately become due and payable and the obligation of the lender to make credits will automatically terminate.

(Dollars in Thousands)

Note 5. Revolving Line of Credit (Continued)

Recovery Resources established a line of credit with Wells Fargo in 2015. The maximum amount of credit that would be extended is based on the eligible securities maintained in Wells Fargo accounts. Each security is assigned a loanable value as outlined in the agreement. The line bears interest at the base rate minus 2.25% (2.75% at December 31, 2020). At December 31, 2020, the outstanding balance under this line of credit was $628.

Lumina Imaging established lines of credit with KeyBank in 2019 with a maximum borrowing amount of $3,000. The lines bear interest at an annual rate of the highest of the Prime Rate, the Federal Funds Effective Rate in effect on such day plus 50 bps per annum, or the sum of the interest rate applicable to LIBOR Rate advances having a LIBOR Interest Period of one month plus 100 bps per annum (1.06% at December 31, 2020). At December 31, 2020, the outstanding balance under these lines of credit totaled $1,489.

Note 6. Long-Term Debt

Information regarding the System's long-term debt activity and balances as of and for the year ended December 31, 2020 is as follows:

	Beginning Balance	Additions	Payments/ Reductions	Ending Balance	Due Within One Year
Hospital Facilities Revenue Bonds, Series 2009B, bear interest at 8.2% and mature in varying amounts through 2040.	$ 75,000	$ -	$ -	$ 75,000	$ -
Hospital Revenue Bonds, Series 2017, bear fixed interest rates ranging from 4.0% to 5.5%, and mature in varying amounts through 2057.	945,660	-	-	945,660	-
Equipment obligation, Citizens Asset Finance, as defined in the respective lease agreement, bears interest at 3.0% and matures through 2020.	109	-	(109)	-	-
Equipment obligation, Citizens Asset Finance, as defined in the respective lease agreement, bears interest at 3.0% and matures through 2020.	111	-	(111)	-	-
Equipment obligation, Citizens Asset Finance, as defined in the respective lease agreement, bears interest at 3.4% and matures through 2021.	370	-	(245)	125	125
Equipment obligation, Citizens Asset Finance, as defined in the respective lease agreement, bears interest at 5.1% and matures through 2025.	1,074	-	(176)	898	187
Loan obligation, OhioMAS, as defined in the respective loan agreement, bears interest at 0% and forgiven in equal installments through 2022.	56	-	(23)	33	23
	1,022,380	-	(664)	1,021,716	335
Unamortized discounts and premiums	33,187	-	(1,623)	31,564	-
Long-term debt	$ 1,055,567	$ -	$ (2,287)	$ 1,053,280	$ 335

Note 6. Long-Term Debt (Continued)

Effective January 28, 2010, Cuyahoga County, acting by and through the Board of Trustees of The MetroHealth System, issued $75,000 of Hospital Facilities Revenue Bonds, Taxable Series 2009B, (The MetroHealth System), (Build America Bonds – Direct Payment). Proceeds from the Series 2009B were used to pay for costs of hospital facilities, including three medical helicopters, the acquisition, construction and equipping of additional multi-specialty ambulatory centers in strategic locations, and additional scheduled equipment purchases and facilities renovations; funding the Bond Reserve Fund for the Series 2009B Bonds; and certain bond issuance costs. The Bonds bear interest at a fixed rate of 8.223% per annum and mature at various dates through 2040. As a qualified Build America Bond Issue, per terms of the federal government's American Recovery and Reinvestment Act of 2009, the System will apply to receive direct payments semiannually from the Secretary of the United States Treasury in the amount of 35% of the corresponding bond interest paid. Payments received from the Treasury are recorded in other non-operating revenue.

Effective May 25, 2017, Cuyahoga County, acting by and through the Board of Trustees of The MetroHealth System, issued $945,660 of Hospital Revenue Bonds, Series 2017, (The MetroHealth System), (Series 2017 Bonds). Proceeds from the Series 2017 Bonds were used to refund the principal amounts of the Series 2015 Bonds maturing on February 1, 2018 through February 1, 2035, the Series 2012 Bonds principal amounts maturing on March 1, 2018 through March 1, 2033, and the Series 2011 Bonds principal amounts maturing on February 15, 2018 through February 15, 2019, payoff a loan associated with a capital lease, establish a bond interest payment fund, pay certain bond issuance costs, payoff a revolving line of credit which was drawn to fully refund the remaining Series 1997 Bonds, maturing on February 15, 2020 through February 15, 2027, and pay settlement costs associated with the early termination of two interest rate swap agreements. The remaining bond proceeds are being used to fund the System's transformation project.

The Series 2017 Bonds mature in varying amounts from February 15, 2023 through February 15, 2057 and the interest rates are fixed and range between 4.0% and 5.5%. So long as the Series 2017 Bonds are outstanding, the System is required to be compliant with certain financial and performance-related covenants.

The 2017 bond refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $4,311. The unamortized difference ($1,891 at December 31, 2020), reported in the accompanying financial statements as a deferred outflow of resources, is being amortized as an increase to interest expense through the year 2029.

The Series 2009B and 2017 Bonds were each issued pursuant to a supplemental trust bond indenture agreement between the County, acting by and through the System's Board of Trustees, and the bond trustee. The Series 2009B and 2017 Bonds are special obligations issued by the County payable solely from the revenue derived from the operation of the System and other monies available to the System's Board of Trustees. Accordingly, the bond proceeds and indebtedness have been recorded as assets and liabilities of the System.

The Twelfth Supplemental Trust Indenture provides for the establishment of a bond reserve fund and maintenance of certain special funds, which are maintained under the control of the bond trustee and are used for payment of principal and interest on the bonds when due. Under the Indenture an event of default may occur if principal, interest or any premium on any Bond is not paid when due, or if the System fails to perform or observe any covenant, agreement or obligation contained in the Indenture, subject to certain notice, duration, extension and cure provisions specified in the Indenture.

(Dollars in Thousands)

Note 6. Long-Term Debt (Continued)

Upon the occurrence of any event of default, the Trustee must, at the written request of the holders of not less than a majority, in aggregate principal amount of outstanding Bonds, and may, in other events, declare the principal of all outstanding Bonds to be immediately due and payable, together with accrued interest thereon.

To satisfy the bond reserve fund requirement Cuyahoga County has entered into an Irrevocable Letter of Credit for an amount not to exceed $63,622, expiring on April 22, 2023. Cuyahoga County is responsible for payment of the annual Letter of Credit Fee, up to a maximum of $350 per year, with any amount over the maximum to be paid by the System. Should the County fail to timely provide notice of renewal of the Letter of Credit prior to its scheduled termination date, the Trustee is required to draw down the full amount available to be drawn under the Letter of Credit and place the drawn funds into the Bond Reserve Fund. In the event there is a draw on the Letter of Credit, the System is required to repay Cuyahoga County in accordance with the terms of the payment agreement in which the County may reduce their appropriation to the System for the amount to be reimbursed. As of December 31, 2020, there were no draws on this Letter of Credit.

The System leases various buildings and equipment under capital leases which expire at various dates through 2046. The assets and liabilities under capital lease obligations are recorded at the lower of the present value of minimum lease payments or the fair value of the asset. Depreciation of the assets under capital leases are included in depreciation expense for the year ended December 31, 2020.

Following is a summary of property held under capital leases at December 31, 2020:

Equipment	$ 10,166
Buildings	8,706
	18,872
Accumulated depreciation	(10,209)
	$ 8,663

(Dollars in Thousands)

Note 6. Long-Term Debt (Continued)

The revenue bonds, leases and loan payment requirements for years subsequent to December 31, 2020, are as follows:

	Total Lease Obligations		Total Loan Obligations		Total Hospital Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ 312	$ 43	$ 23	$ -	$ -	$ 55,196
2022	195	32	9	-	-	55,196
2023	206	21	-	-	10,845	54,926
2024	217	11	-	-	11,410	54,369
2025	94	1	-	-	11,995	53,784
2026-2030	-	-	-	-	69,650	259,118
2031-2035	-	-	-	-	89,135	237,762
2036-2040	-	-	-	-	115,155	206,636
2041-2045	-	-	-	-	148,530	169,552
2046-2050	-	-	-	-	192,140	125,949
2051-2055	-	-	-	-	251,080	67,000
2056-2057	-	-	-	-	120,720	6,508
	$ 1,024	$ 108	$ 32	$ -	1,020,660	$ 1,345,996
Unamortized premiums					31,564	
Total hospital revenue bonds, net					$ 1,052,224	

Note 7. Other Long-Term Liabilities

Amounts due to third-party payors: The System has agreements with third-party payors that provide for payment of amounts different from established rates. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and are adjusted in future periods, as final settlements are determined. See Note 1, net patient service revenue, for additional information. As of December 31, 2020, the total liability for amounts due to third-party payors was $7,128. Amounts classified as ‘due within one year’ are based on historical communications and estimated timing of recoupment requests from third-party payors.

Accrued vacation and sick leave: System employees earn vacation and sick leave at varying rates depending on job classification and years of service. Employees can accumulate up to one and a half years of their earned vacation leave. All accumulated, unused vacation time is paid upon separation if the employee has completed 90 days of employment with the System. There is no limit on the amount of sick time earned. Upon retirement, employees with a minimum of 10 years of service have sick leave balances paid out at 50% of eligible hours at their current rate of pay. Depending on the employee’s hire date the maximum payout is either 240 hours or 800 hours. As of December 31, 2020, the total liability for accrued vacation and sick leave was $59,629. Amounts classified as ‘due within one year’ are based on historical usage patterns.

(Dollars in Thousands)

Note 7. Other Long-Term Liabilities (Continued)

Other long-term liabilities: The following summarizes changes in other long-term liabilities for the year ended December 31, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Amounts due to third-party payors	$ 5,029	$ 3,593	$ (1,494)	$ 7,128	$ 3,197
Accrued vacation and sick leave	55,065	61,793	(57,229)	59,629	7,650
	$ 60,094	$ 65,386	$ (58,723)	$ 66,757	$ 10,847

Risk management: The System is exposed to various risks of loss related to torts; theft of or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The System is self-insured for professional liability, employee health and worker’s compensation but maintains commercial policies for property and casualty, automobile and aircraft (helicopter and fixed wing) insurance. The System manages certain insurance risks through Select Assurance Captive LLC (Select). See Note 11 for additional information. For 2020, coverage through Select included professional liability, worker’s compensation and medical stop loss. The System also maintains excess coverage for professional liability and employee health claims. For professional liability and worker's compensation, professional actuarial consultants have been retained to determine funding requirements. Amounts funded for professional liability have been placed in an irrevocable self-insurance trust account, which is being administered by a trustee. For the employee health claims, a historical analysis has been performed of incurred but not reported claims to determine the liability at December 31, 2020. Settled claims have not exceeded insurance coverage in any of the past three years.

During the normal course of its operations, the System has become a defendant in various legal actions. In the opinion of legal counsel and the System administration, the disposition of the pending cases will not have a material adverse effect of the financial condition or operations of the System. Losses from asserted claims and from unasserted claims identified under the System’s incident reporting systems are recorded based on estimates that incorporate the System’s past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors.

(Dollars in Thousands)

Note 7. Other Long-Term Liabilities (Continued)

The liability for estimated self-insured claims includes estimates of the ultimate costs for both reported claims and incurred but not reported claims for 2020 and 2019 as follows:

	2020				
	Beginning Balance	Claims Incurred	Claims Paid	Ending Balance	Due Within One Year
Worker's compensation	$ 6,475	$ 1,107	$ (1,450)	$ 6,132	$ 1,616
Professional liability	33,699	5,220	(1,920)	36,999	11,806
Employee health	2,088	39,699	(37,231)	4,556	4,556
	$ 42,262	$ 46,026	$ (40,601)	$ 47,687	$ 17,978

	2019				
	Beginning Balance	Claims Incurred	Claims Paid	Ending Balance	Due Within One Year
Worker's compensation	$ 7,380	$ 681	$ (1,586)	$ 6,475	$ 1,639
Professional liability	43,024	(5,070)	(4,255)	33,699	12,285
Employee health	888	33,624	(32,424)	2,088	2,088
	$ 51,292	$ 29,235	$ (38,265)	$ 42,262	$ 16,012

The liabilities recorded for worker's compensation and professional liability at December 31, 2020 and 2019 are undiscounted liabilities.

Note 8. Operating Leases

The System has entered into operating lease agreements for medical and office space, which expire through 2039. Contract terms range between one and twenty years and contain rent escalation clauses and renewal options for additional periods ranging from one to five years.

Minimum rental commitments under operating leases extending beyond one year at December 31, 2020, are as follows:

2021	$ 8,705
2022	8,185
2023	7,916
2024	7,785
2025	6,906
2026-2030	27,849
2031-2035	4,929
2036-2039	2,099
Total	$ 74,374

Rent expense totaled $8,301 in 2020.

Note 9. Benefit Plans

Pension: Employee retirement benefits are available for substantially all employees under three separate retirement plans administered by the Ohio Public Employees Retirement System (OPERS). The plans are the Traditional Pension Plan — a cost-sharing, multiple-employer defined benefit pension plan; the Combined Plan — a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan; and the Member-Directed Plan — a defined contribution pension plan in which the member invests both the member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings. OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Participants in the Member-Directed Plan do not qualify for ancillary benefits. Chapter 145 of the Ohio Revised Code assigns the authority to establish and amend benefits to the OPERS Board of Trustees. The Ohio Public Employees Retirement System issues a stand-alone financial report and may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Legislation: Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Members who were eligible to retire under law in effect prior to SB 343 or will be eligible to retire no later than five years after January 7, 2013, comprise transition Group A. Members who have 20 years of service credit prior to January 7, 2013, or will be eligible to retire no later than 10 years after January 7, 2013, are included in transition Group B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013. Please see the Plan Statement in the OPERS 2019 CAFR for additional details.

Benefits in the Traditional Pension Plan for members are calculated on the basis of age, final average salary (FAS), and service credit. Members in transition Groups A and B are eligible for retirement benefits at age 60 with 60 contributing months of service credit or at age 55 with 25 or more years of service credit. Group C is eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of service. For Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service 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. Refer to the age-and-service tables located in the OPERS 2019 CAFR Plan Statement for additional information regarding the requirements for reduced and unreduced benefits. Members who retire before meeting the age and years of service credit requirement for unreduced benefit receive a percentage reduction in the benefit amount. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.

Note 9. Benefit Plans (Continued)

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS for the first 35 years of service. A factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS 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 members' contributions plus or minus the investment gains or losses resulting from the members' 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% each year. At retirement, members may select one of several distribution options for payment of the vested balance of their individual OPERS accounts. Options include the purchase of a monthly annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Other benefits: Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, current law provides for an annual cost-of-living adjustment. The cost-of-living adjustment is calculated on the member's 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 benefit. The cost-of-living increase varies somewhat but is generally defined as Consumer Price Index (CPI) not to exceed 3%. A death benefit of between five hundred and twenty-five hundred dollars, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional Pension Plan and Combined Plan. Death benefits are not available to beneficiaries of Member-Directed Plan participants.

The Ohio Revised Code provides statutory authority for employee and employer contributions. Both employee and employer contribution rates are capped by State statute. For the years ended December 31, 2020 and 2019, the employee contribution rate was 10.0% of covered payroll and the System was required to contribute 14.0% of covered payroll for all covered benefits, including OPEB. A change in these caps requires action of both Houses of the General Assembly, and approval by the Governor. For years 2020 and 2019, member and employer contribution rates were consistent across all three plans. The System's contributions to OPERS for the year ended December 31, 2020 were $80,925 equal to the statutorily required contributions for each year, made up of $66,169 for the Traditional Pension Plan, $3,051 for the Combined Plan, and $11,705 for the Member-Directed Plan. The contribution to the Member-Directed Plan includes $8,361 for the defined contribution pension plan and $3,344 for the defined contribution OPEB plan (RMA).

(Dollars in Thousands)

Note 9. Benefit Plans (Continued)

Pension Liabilities, Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pensions: At December 31, 2020, the System reported a liability of $654,172 for its proportionate share of the net pension liability related to the Traditional Pension Plan and an asset of $10,542, for its proportionate share of the net pension asset related to the Combined and Member-Directed Plans. The net pension liability and asset were measured as of December 31, 2019 and the total pension liability/asset used to calculate the net pension liability/asset was determined by an actuarial valuation as of that date. The System's proportion of the net pension liability/asset was based on the System's contributions to the pension plan relative to contributions of all participating employers contributed to the Plan during the measurement period (year ended December 31, 2019). Although the pension liability recognized in accordance with GASB Statement No. 68 meets the definition of a liability in its conceptual framework for accounting standards, in Ohio there is no legal means to enforce the unfunded liability of the pension system as against the public employer, and there are no cash flows associated with the recognition of net pension liabilities, deferrals and expense beyond the requirement to make statutory contributions.

At December 31, 2019, the System's proportion was 3.31% for the Traditional Pension Plan, which was an increase of .05 from its proportion measured as of December 31, 2018, and 4.81% for the Combined Plan, which was an increase of .09 from its proportion measured as of December 31, 2018, and 13.48% for the Member-Directed Plan, which was a decrease of .03 from its proportion measured as of December 31, 2018.

For the year ended December 31, 2020, the System recognized pension expense for the Traditional Pension Plan of $115,796, the Combined Plan of $1,086 and the Member-Directed Plan of $8,540.

At December 31, 2020, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Traditional Pension Plan	Combined Plan	Member-Directed Plan	Total
Deferred Outflow of Resources				
Difference between expected and actual experience	$ -	$ -	$ 1,703	$ 1,703
Changes in assumptions	34,941	1,034	83	36,058
Changes in proportionate share of contributions	12,801	88	-	12,889
System contributions subsequent to the measurement date	66,241	3,034	74	69,349
	$ 113,983	$ 4,156	$ 1,860	$ 119,999

	Traditional Pension Plan	Combined Plan	Member-Directed Plan	Total
Deferred Inflow of Resources				
Difference between expected and actual experience	$ 8,271	$ 2,355	$ -	$ 10,626
Net difference between projected and actual earnings on pension plan investments	$ 130,493	$ 1,302	$ 160	131,955
Changes in proportionate share of contributions	1,265	441	18	1,724
	$ 140,029	$ 4,098	$ 178	$ 144,305

(Dollars in Thousands)

Note 9. Benefit Plans (Continued)

At December 31, 2020, the Traditional Pension Plan reported $66,241, the Combined Plan reported $3,034, and the Member-Directed Plan reported $74, as deferred outflows of resources related to pensions resulting from System contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability (asset) in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Traditional Pension Plan	Combined Plan	Member-Directed Plan
Year ending December 31:			
2021	$ (6,073)	$ (700)	$ 196
2022	(39,805)	(675)	200
2023	5,404	(312)	240
2024	(51,813)	(788)	178
2025	-	(186)	215
Thereafter	-	(315)	579
Total	$ (92,287)	$ (2,976)	$ 1,608

Actuarial Assumptions – OPERS Traditional Pension Plan, Combined Plan and Member-Directed Plan

Actuarial valuations of an ongoing plan involve estimates of the value 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 (Traditional Plan) and pension asset (Combined Plan and Member-Directed Plan) were determined by actuarial valuations as of December 31, 2019, using the following actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 67.

Actuarial Information	Traditional Pension Plan	Combined Plan	Member-Directed Plan
Valuation Date	December 31, 2019	December 31, 2019	December 31, 2019
Experience Study	5-Year Period Ended December 31, 2015	5-Year Period Ended December 31, 2015	5-Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age	Individual entry age	Individual entry age
Actuarial Assumptions			
Investment Rate of Return	7.20%	7.20%	7.20%
Wage Inflation	3.25%	3.25%	3.25%
Projected Salary Increases	3.25%-10.75% (includes wage inflation at 3.25%)	3.25%-8.25% (includes wage inflation at 3.25%)	3.25%-8.25% (includes wage inflation at 3.25%)
Cost-of-living Adjustments*	Pre-1/7/13 Retirees: 3.0% Simple Post-1/7/13 Retirees: 1.4% Simple through 2018, then 2.15% Simple	Pre-1/7/13 Retirees: 3.0% Simple Post-1/7/13 Retirees: 1.4% Simple through 2018, then 2.15% Simple	Pre-1/7/13 Retirees: 3.0% Simple Post-1/7/13 Retirees: 1.4% Simple through 2018, then 2.15% Simple

* The Cost-of-living Adjustments assumption for Combined Plan and Member-Directed Plan Post-1/7/13 Retirees was 3.0% Simple through 2018, then 2.15% Simple, at the December 31, 2018 valuation date.

(Dollars in Thousands)

Note 9. Benefit Plans (Continued)

OPERS 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 Disability mortality table for males and females, adjusted for mortality improvement back to the observation period base 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 the above described tables.

The discount rate used to measure the total pension liability was 7.2% for the Traditional Pension Plan, Combined Plan and Member-Directed 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 benefit 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

The allocation of investment assets within the Defined Benefit portfolio is approved by the OPERS Board 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 2019 and the long-term expected real rates of return.

The OPERS Board approved asset allocation policy and long-term expected real rates of return is as follows at December 31, 2019:

Asset Class	Target Allocation as of December 31, 2019	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	1.83 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other Investments	13.00	4.98
Total	100.00 %	5.61 %

The long-term expected 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.

(Dollars in Thousands)

Note 9. Benefit Plans (Continued)

OPERS manages 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 of 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 the 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 17.2% for 2019.

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report. Additional information supporting the preparation of the Schedules of Collective Pension Amounts and Employer Allocations (including the disclosures of the net pension liability (asset) required supplementary information on the net position liability (asset), and the unmodified audit opinion on the combined financial statements) is located at OPERS 2019 CAFR. This CAFR is available at www.opers.org or by contacting OPERS at: OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (800) 222-7377.

The following table presents the December 31, 2020 net pension liability (asset) calculated using the discount rate of 7.2%, and the expected net pension liability (asset) if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

Sensitivity of Net Pension Liability/(Asset) to Changes in the Discount Rate			
Net Pension Liability/(Asset)	**1% Decrease 6.2%**	**Current Discount Rate 7.2%**	**1% Increase 8.2%**
All Plans	$1,072,610	$643,630	$258,749
Traditional Pension Plan	$1,078,942	$654,172	$272,317
Combined Plan	($6,062)	($10,033)	($12,894)
Member-Directed Plan	($270)	($509)	($674)

The Member-Directed Plan is a defined contribution pension plan that allows members at retirement, the option to convert their defined contribution account to a defined benefit annuity. The purchased defined benefit annuities under this plan were immaterial to the System and immaterial from a GASB 68 perspective to the System's financial statements as of December 31, 2020.

Other Post-retirement benefits: 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 health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

Note 9. Benefit Plans (Continued)

The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit based on criteria established by GASB. Please see the Plan Statement in the OPERS 2019 CAFR for details.

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 OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml#CAFR, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS may be set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, State and Local employers contributed, at a combined rate for pension and OPEB, 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed 18.1%. 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0.0% during calendar year 2020. 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 for Member-Directed Plan participants for 2020 was 4.0%. The System's contributions for 2020 used to fund post-retirement healthcare benefits was $3,344, which is included in the System's contractually required contribution of $80,925 for the year ended December 31, 2020.

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

At December 31, 2020, the System reported a liability of $518,601 for its proportionate share of the OPERS collective net OPEB liability. The net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of that date. The System's proportion of the net OPEB liability was based on contributions to the OPEB plan relative to contributions of all participating employers contributed to the Plan during the measurement period (year ended December 31, 2019). Although the liabilities recognized under GASB Statements No. 68 and 75 meet the GASB definition of a liability in its conceptual framework for accounting standards, in Ohio there is no legal means to enforce the underfunded liability of the pension system as against the public employer. Additionally, there are no cash flows associated with the recognition of net pension and net OPEB liabilities, deferrals and expenses beyond the requirement to make statutory contributions.

At December 31, 2019, the System's proportionate share of the OPERS net OPEB liability was 3.75%, an increase of 0.04 from the System's December 31, 2018 proportionate share of 3.71%.

(Dollars in Thousands)

Note 9. Benefit Plans (Continued)

For the year ended December 31, 2020, the System recognized OPEB expense of $66,853.

At December 31, 2020, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	$ -	$ 26,407
Change in assumptions	82,089	-
Difference between expected and actual experience	14	47,428
Changes in proportionate share of contributions	7,452	293
	$ 89,555	$ 74,128

Net deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending December 31:	
2021	$ 18,899
2022	7,791
2023	21
2024	(11,284)
Total	$ 15,427

Actuarial Assumptions – OPEB Liability Valuation

Key Methods and Assumptions Used in Valuation of Total OPEB Liablity	
Actuarial Information	
Actuarial Valuation Date	December 31, 2018
Rolled-Forward Measurement Date	December 31, 2019
Experience Study	5-Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age normal
Actuarial Assumptions	
Single Discount Rate	3.16%
Investment Rate of Return	6.00%
Municipal Bond Rate	2.75%
Wage Inflation	3.25%
Projected Salary Increases	3.25%-10.75% (includes wage inflation at 3.25%)
Health Care Cost Trend Rate*	10.5% initial, 3.50% ultimate in 2030

* The Health Care Cost Trend Rate assumption was 10.0% initial, 3.25% ultimate in 2029, at the December 31, 2018 measurement date.

(Dollars in Thousands)

Note 9. Benefit Plans (Continued)

OPERS 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 Disability mortality table for males and females, adjusted for mortality improvement back to the observation period base 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 the above described tables.

The allocation of investments within the Health Care portfolio is approved by the OPERS Board as outlined in its 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 benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on OPERS Health Care portfolio assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. The ranges are considered to produce the long term expected real rate of return by weighing the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. The table below displays OPERS asset class allocation targets and arithmetic long-term expected real rates of return at December 31, 2019:

Asset Class	Target Allocation as of December 31, 2019	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	5.75
REITs	6.00	5.69
International Equities	23.00	7.66
Other Investments	14.00	4.90
Total	100.00 %	4.55 %

A single discount rate of 3.16% was used to measure the OPEB liability on the measurement date of December 31, 2019, a decrease of .80 from the previous rate of 3.96% on the measurement date December 31, 2018. 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% and a municipal bond rate of 2.75%. At the December 31, 2018 measurement date, the expected rate of return for the health care investment portfolio and the municipal bond rate was 6.00% and 3.71% respectively, a decrease of .96 in the municipal bond rate.

(Dollars in Thousands)

Note 9. Benefit Plans (Continued)

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 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

The following table presents the December 31, 2020 net OPEB liability calculated using the discount rate of 3.16%, and the expected net OPEB liability if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease 2.16%	Current Discount Rate 3.16%	1% Increase 4.16%
Net OPEB Liability	$678,673	$518,601	$390,436

Changes in the health care cost trend rate may also have a significant impact on the System's net OPEB liability. The following table presents the December 31, 2020 net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate.

Sensitivity of Net OPEB Liability to Changes in the Health Care Cost Trend Rate			
	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Net OPEB Liability	$503,298	$518,601	$533,709

Note 10. Restricted, Expendable and Nonexpendable Net Position

The System has a restricted expendable net position that is restricted by the supplemental trust bond indenture and other external parties for specific purposes. In addition, the System has a restricted nonexpendable net position related to Recovery Resources' general operations and educational activities. The net position is restricted for the following purposes at December 31, 2020:

Restricted, debt service payments	$ 15,452
Restricted, capital asset use	2,250
Restricted, program activities	2,710
Restricted, nonspendable	1,550
Total	$ 21,962

(Dollars in Thousands)

Note 11. Related Party Transactions

The MetroHealth Foundation, Inc. (Foundation) and CCH Development Corporation (CCH) are legally separate nonprofit organizations organized for the purpose of providing support to The MetroHealth System and its community. Both the Foundation and CCH are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Foundation's purpose is to raise charitable funds and receive grants in support of the System's projects and goals. In 2020, the System received support from the Foundation totaling $6,321 which is recorded in other revenue and capital grants and gifts on the System's Statement of Revenues, Expenses, and Changes in Net Position. The outstanding receivable from the Foundation was $776 at December 31, 2020 which is included in other receivables – related party on the System's Statement of Net Position.

The System provided the Foundation in-kind support totaling $2,381 in 2020. This support covered the direct expenses of the Development Department and indirect expenses for the use of space and support departments such as information services and environmental services.

As of December 31, 2020, the fair values of the Foundation's investments were as follows:

Money market funds	$	5,345
Pooled investment fund		6,067
Mutual funds		61,386
Common stock		1
Limited partnerships interests		98
Total investments	$	72,897

The Foundation's net investment income for the year ended December 31, 2020 consisted of the following:

Interest and dividends	$	1,073
Net realized and unrealized gains (losses)		6,261
Less: investment management fees		(90)
	$	7,244

The Foundation has a restricted expendable net position that is restricted by the donors or grantors to a specific time or purpose. The net position is restricted for the following purposes at December 31, 2020:

Programmatic activities of The MetroHealth System	$	27,755
Time restrictions		5,446
Total	$	33,201

The Foundation has restricted, nonexpendable net positions in the amounts of $19,177 at December 31, 2020 that are restricted in perpetuity, the income from which is expendable to support the programmatic activities of The MetroHealth System.

(Dollars in Thousands)

Note 11. Related Party Transactions (Continued)

CCH was formed for the benefit of, and to support the System's community through economic and community development.

Included in other receivables are amounts owed to CCH as follows:

The MetroHealth System	$	400
The MetroHealth Foundation, Inc.		500
Total other receivables	$	900

The following summarizes changes in the capital assets of CCH for the year ended December 31, 2020:

	Beginning Balance	Additions	Reductions/ Transfers	Ending Balance
Nondepreciable capital assets:				
Land and construction in progress	$ 3,070	$ 2,834	$ -	$ 5,904
Depreciable capital assets:				
Buildings and fixed equipment	1,665	-	-	1,665
Total capital assets	$ 4,735	$ 2,834	$ -	$ 7,569
Less accumulated depreciation				
Buildings and fixed equipment	(14)	(166)	-	(180)
Total capital assets, net	$ 4,721	$ 2,668	$ -	$ 7,389

Total depreciation and amortization expense related to capital assets for 2020 was $166.

On December 4, 2019, CCH executed a mortgage loan agreement with KeyBank for $4,800. The proceeds of the loan were used to finance a capital acquisition and further develop the property which was subsequently leased to the System. The loan is collateralized by the capital acquisition and has a fixed interest rate of 3.13%. The loan requires monthly principal and interest payments, is set to mature on December 3, 2029 and is subject to financial covenants. The outstanding loan balance was $4,320 at December 31, 2020.

Additionally, also included in long-term debt on the Statement of Net Position is the balance of three promissory notes executed with MetroHealth Holdings, LLC totaling $3,405. The first, in the amount of $1,355, accrues interest at 2.86% with principal and interest payment due June 27, 2023. The second, in the amount of $1,500, accrues interest at 2.37% with principal and interest payment due May 13, 2024. The third, in the amount of $550, accrues interest at 0.38% with principal and interest payment due October 13, 2025. Each of the notes may be prepaid all or in part at any time without penalty. The corresponding notes receivable is included in other assets on the System's Statement of Net Position.

(Dollars in Thousands)

Note 11. Related Party Transactions (Continued)

The loan payment requirements for years subsequent to December 31, 2020 are as follows:

	Principal	Interest
2021	$ 480	$ 128
2022	480	114
2023	1,835	292
2024	1,980	193
2025	1,030	79
2026-2029	1,920	123
	$ 7,725	$ 929

Note 12. Blended Component Unit Disclosures

The following is condensed combining information for the System's blended component units for the year ended December 31, 2020:

Condensed Combining Information:	**Select Assurance Captive LLC**	**Recovery Resources**	**Lumina Imaging**	**MHS Care-Innovation LLC**	**MetroHealth Holdings LLC**	**MHS Purchasing LLC**
Condensed statement of net position:						
Current assets						
Cash and cash equivalents	$ 23,600	$ 323	$ 61	$ 386	$ 10,675	$ 125
Receivables - related party	406	1,401	156	-	-	-
Other current assets	95	1,131	89	-	120	-
Noncurrent assets						
Capital assets	-	1,653	736	-	-	-
Other assets	55,862	6,339	10	5,193	14,036	8,844
Total assets	79,963	10,847	1,052	5,579	24,831	8,969
Current liabilities						
Other current liabilities	12,716	2,515	1,620	-	400	-
Other current liabilities - related party	336	-	-	-	-	-
Payables - related party	588	-	602	-	-	1
Long-term liabilities	26,006	173	264	-	-	-
Total liabilities	39,646	2,688	2,486	-	400	1
Net Position (Deficit)						
Net investment in capital assets	-	1,620	472	-	-	-
Restricted, program activities	-	967	-	-	-	-
Restricted, nonspendable	-	1,550	-	-	-	-
Unrestricted	40,317	4,022	(1,906)	5,579	24,431	8,968
Total net position	$ 40,317	$ 8,159	$ (1,434)	$ 5,579	$ 24,431	$ 8,968

(Dollars in Thousands)

Note 12. Blended Component Unit Disclosures (Continued)

Condensed Combining Information:	**Select Assurance Captive LLC**	**Recovery Resources**	**Lumina Imaging**	**MHS Care-Innovation LLC**	**MetroHealth Holdings LLC**	**MHS Purchasing LLC**
Condensed statement of revenues, expenses and changes in net position:						
Operating revenues:						
Net patient service revenue	$ -	$ 1,343	$ 103	$ -	$ -	$ -
Other revenue	-	3,127	4	-	1,918	-
Other revenue - related party	14,459	7,107	156	-	-	-
Operating expenses:						
Salaries and wages	-	6,635	681	-	-	-
Other expenses	6,264	4,798	573	15	-	(954)
Other expenses - related party	-	-	254	-	-	-
Depreciation and amortization	-	188	72	-	-	-
Operating income (loss)	8,195	(44)	(1,317)	(15)	1,918	954
Non-operating revenues (expenses):						
Net investment income (loss)	5,001	585	-	3,594	50	(233)
Other non-operating revenue (expense)	-	493	(32)	-	-	-
Other non-operating revenue (expense) - related party	-	-	-	2,000	(2,000)	-
Interest expense	-	(41)	(23)	-	-	-
Change in net position	13,196	993	(1,372)	5,579	(32)	721
Beginning net position	27,121	7,166	(62)	-	24,463	8,247
Ending net position	$ 40,317	$ 8,159	$ (1,434)	$ 5,579	$ 24,431	$ 8,968
Condensed statement of cash flows:						
Net cash provided (used) by:						
Operating activities	$ 11,495	$ 518	$ (874)	$ (15)	$ 1,990	$ (76)
Noncapital financing activities	-	(582)	1,285	2,000	(2,000)	-
Capital and related financing activities	-	(31)	(437)	-	-	-
Investing activities	(19,985)	178	-	(1,599)	(1,050)	201
Beginning cash and cash equivalents	32,090	240	87	-	11,735	-
Ending cash and cash equivalents	$ 23,600	$ 323	$ 61	$ 386	$ 10,675	$ 125

Note 13. Commitments and Contingencies

CMS Recovery Audit Contractor Program: Congress passed the Medicare Modernization Act in 2003, which among other things established a three-year demonstration of the Medicare Recovery Audit Contractor (RAC) program. The RAC program identified and corrected significant amounts of improper overpayments to providers. In 2006, Congress passed the Tax Relief and Health Care Act of 2006, which authorized the expansion of the RAC program to all 50 states by 2010. The Centers for Medicare and Medicaid Services (CMS) has rolled out this program nationally. The System is subject to review and audit as part of this program. Certain amounts could be identified as overpayments and be subject to repayment. Generally, no provision for repayment is recorded until an audit has determined that repayment is necessary. The System is not aware of any material unrecorded liabilities pertaining to this program.

Purchase Commitments: As of December 31, 2020, the System had commitments for various projects totaling approximately $316,104. Projects with large commitments include $258,972 for construction of a new hospital and central utility plant; $23,166 for planning and executive services related to the campus transformation project; $6,687 for reconfiguration of the Old Brooklyn location into additional clinical space as well as upgraded paralysis treatment technology; $3,258 to upgrade the automatic medication dispensing platform related to the campus transformation project; $2,470 to implement a new radiology information system; and $2,023 for transformation activities not taking place at Main Campus. These projects are being funded with Series 2017 Bond project funds and operating funds.

Regulatory Environment Including Fraud and Abuse Matters: The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, governmental health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the System is in compliance with fraud and abuse, as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or asserted at this time.

(Dollars in Thousands)

Note 14. Foundation Liquidity and Functional Expenses

As the Foundation's basis of presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958: *Financial Statements of Not-for-Profit Organizations*, the entity is required to disclose an assessment of liquidity at year end and a summarization of the costs of program and supporting service activities on both a functional and natural classification basis. See Note 1 for further disclosure regarding the inclusion of the Foundation in the reporting entity.

Liquidity - The following table reflects the Foundation's financial assets reduced by amounts not available for general expenditures within one year as of December 31, 2020:

Financial assets:		
Cash and cash equivalents	$	3,454
Accounts receivable, net		5,163
Other receivables		297
Investments		72,897
Financial assets, at year-end	$	81,811
Less those not available for general expenditures within one year:		
Promises to give, restricted by donors, supporting the mission of The MetroHealth System	$	(3,493)
Original donor-restricted gift, amounts required to be maintained in perpetuity by donor and accumulated investment gains		(27,122)
Less: earnings to be utilized within one year		625
Funds functioning as endowment funds		(2,379)
Board-designated funds		(3,794)
Less: board-designated funds expected to be utilized within one year		450
Subject to expenditure for specified purpose		(12,810)
Investments held in annuity reserves		(614)
		(49,137)
Financial assets available to meet cash needs for general expenditures within one year	$	32,674

(Dollars in Thousands)

Note 14. Foundation Liquidity and Functional Expenses (Continued)

Functional expenses: The following table presents the natural classification detail of expenses by function. Certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy on a square footage basis, as well as salaries, wages and benefits, professional services, and other, which are allocated based on time and effort.

	Grantmaking Program	Management and General	Fundraising	Total
Grants and other assistance	$ 11,977	$ -	$ -	$ 11,977
Salaries, wages and benefits	-	398	1,448	1,846
Purchased services	-	139	497	636
Occupancy and related overhead	-	104	410	514
Other	-	89	111	200
Total expenses	$ 11,977	$ 730	$ 2,466	$ 15,173

.

Required Supplementary Information

Schedules of Required Supplementary Information

Schedule of System's Pension Contributions
Ohio Public Employees Retirement System (OPERS) Traditional Pension Plan
Last 10 Fiscal Years
(Dollars in Thousands)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contributions	$ 66,169	$ 65,221	$ 61,686	$ 54,109	$ 48,676	$ 44,022	$ 42,107	$ 43,219	$ 31,696	$ 32,083
Contributions in relation to the contractually required contributions	(66,169)	(65,221)	(61,686)	(54,109)	(48,676)	(44,022)	(42,107)	(43,219)	(31,696)	(32,083)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
System's employee covered payroll	472,636	465,864	440,614	416,221	405,636	366,850	350,890	332,450	316,957	320,829
Contributions as a percentage of employee covered payroll	14.0%	14.0%	14.0%	13.0%	12.0%	12.0%	12.0%	13.0%	10.0%	10.0%

Schedule of System's Pension Contributions
Ohio Public Employees Retirement System (OPERS) Combined Plan
Last 10 Fiscal Years
(Dollars in Thousands)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contributions	$ 3,051	$ 2,994	$ 2,826	$ 2,391	$ 2,153	$ 1,832	$ 1,585	$ 1,537	$ 829	$ 783
Contributions in relation to the contractually required contributions	(3,051)	(2,994)	(2,826)	(2,391)	(2,153)	(1,832)	(1,585)	(1,537)	(829)	(783)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
System's employee covered payroll	$ 21,793	$ 21,386	$ 20,186	$ 18,393	$ 17,943	$ 15,264	$ 13,207	$ 11,821	$ 10,421	$ 9,843
Contributions as a percentage of employee covered payroll	14.0%	14.0%	14.0%	13.0%	12.0%	12.0%	12.0%	13.0%	8.0%	8.0%

Schedule of System's Pension Contributions
Ohio Public Employees Retirement System (OPERS) Member-Directed Plan
Last 10 Fiscal Years
(Dollars in Thousands)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contributions	$ 8,361	$ 7,970	$ 7,696	$ 7,302	$ 6,771	$ 5,558	not available	not available	not available	not available
Contributions in relation to the contractually required contributions	(8,361)	(7,970)	(7,696)	(7,302)	(6,771)	(5,558)	not available	not available	not available	not available
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
System's employee covered payroll	$ 83,610	$ 79,700	$ 76,960	$ 73,021	$ 71,273	$ 58,497	not available	not available	not available	not available
Contributions as a percentage of employee covered payroll	10.0%	10.0%	10.0%	10.0%	9.5%	9.5%	14.0%	14.0%	14.0%	14.0%

Schedules of Required Supplementary Information

Schedule of the System's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System (OPERS) Traditional Pension Plan
Last 10 Measurement Dates*
(Dollars in Thousands)

	2019	2018	2017	2016	2015	2014	2013
System's proportion of the net pension liability	3.31%	3.26%	3.17%	3.20%	2.95%	2.89%	2.87%
System's proportionate share of the net pension liability	$ 654,172	$ 892,828	$ 497,132	$ 726,077	$ 510,316	$ 348,619	$ 295,647
System's covered-employee payroll	$ 465,864	$ 440,614	$ 416,221	$ 405,636	$ 366,850	$ 350,890	$ 332,450
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	140.42%	202.63%	119.44%	179.00%	139.11%	99.35%	88.93%
Plan fiduciary net position as a percentage of total pension liability	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	not available

Schedule of the System's Proportionate Share of the Net Pension Asset
Ohio Public Employees Retirement System (OPERS) Combined Plan
Last 10 Measurement Dates*
(Dollars in Thousands)

	2019	2018	2017	2016	2015	2014	2013
System's proportion of the net pension asset	4.81%	4.72%	4.54%	4.67%	4.20%	3.78%	3.36%
System's proportionate share of the net pension asset	$ 10,033	$ 5,282	$ 6,187	$ 2,600	$ 2,046	$ 1,454	$ 2,034
System's covered-employee payroll	$ 21,386	$ 20,186	$ 18,393	$ 17,943	$ 15,264	$ 13,207	$ 11,821
System's proportionate share of the net pension asset as a percentage of its covered-employee payroll	46.91%	26.17%	33.64%	14.49%	13.41%	11.01%	17.21%
Plan fiduciary net position as a percentage of total pension asset	145.28%	126.64%	137.28%	116.55%	116.90%	114.83%	not available

Schedule of the System's Proportionate Share of the Net Pension Asset
Ohio Public Employees Retirement System (OPERS) Member-Directed Plan
Last 10 Measurement Dates*
(Dollars in Thousands)

	2019	2018	2017	2016	2015	2014	2013
System's proportion of the net pension asset	13.48%	13.51%	13.47%	13.84%	12.28%	12.33%	not available
System's proportionate share of the net pension asset	$ 509	$ 308	$ 470	$ 58	$ 47	$ 73	not available
System's covered-employee payroll	$ 79,700	$ 76,960	$ 73,021	$ 71,273	$ 58,497	not available	not available
System's proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.64%	0.40%	0.64%	0.08%	0.08%	not available	not available
Plan fiduciary net position as a percentage of total pension asset	118.84%	113.42%	124.46%	103.40%	103.91%	not available	not available

* The System has presented as many years as information is available.

Schedules of Required Supplementary Information

Schedule of System's OPEB Contributions
Ohio Public Employees Retirement System (OPERS)
Last 10 Fiscal Years
(Dollars in Thousands)

	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contributions	$ 3,344	$ 3,188	$ 3,078	$ 7,267	$ 11,679	$ 10,274	$ 7,351	$ 3,442	$ 13,308
Contributions in relation to the contractually required contributions	(3,344)	(3,188)	(3,078)	(7,267)	(11,679)	(10,274)	(7,351)	(3,442)	(13,308)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
System's employee covered payroll	$ 578,039	$ 566,950	$ 537,760	$ 507,635	$ 494,852	$ 440,611	not available	not available	not available
Contributions as a percentage of employee covered payroll	0.6%	0.6%	0.6%	1.4%	2.4%	2.3%	not available	not available	not available

Schedule of the System's Proportionate Share of the Net OPEB Liability
Ohio Public Employees Retirement System (OPERS)
Last 10 Fiscal Years*
(Dollars in Thousands)

	2019	2018	2017
System's proportion of the net OPEB liability	3.75%	3.71%	3.61%
System's proportionate share of the net OPEB liability	$ 518,601	$ 483,355	$ 392,047
System's covered-employee payroll	$ 566,950	$ 537,760	$ 507,635
System's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	91.47%	89.88%	77.23%
Plan fiduciary net position as a percentage of total OPEB liability	47.80%	46.33%	54.14%

*The System has presented as many years of information as is available.

RSM US LLP

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

To the Board of Trustees of
The MetroHealth System
Cleveland, Ohio

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of The MetroHealth System (the System) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated March 17, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Cleveland, Ohio
March 17, 2021

OHIO AUDITOR OF STATE
KEITH FABER

THE METROHEALTH SYSTEM

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 5/18/2021

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