

**OKLAHOMA CITY-COUNTY  
HEALTH DEPARTMENT  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2002**

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

February 3, 2003

TO THE BOARD OF HEALTH OF THE  
OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

Transmitted herewith is the audit of the Oklahoma City-County Health Department, for the fiscal year ended June 30, 2002. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the Health Department.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during the course of our audit.

The Office of the State Auditor and Inspector is committed to serve the public interest by providing independent oversight and to issue reports that serve as a management tool to the state to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahan".

JEFF A. McMAHAN  
State Auditor and Inspector

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
BOARD MEMBERS  
FOR THE YEAR ENDED JUNE 30, 2002

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CHAIRMAN

Don Hudman

VICE CHAIRMAN

Lois Salmeron, Ed.D., R.N.C., M.S.N.

MEMBERS

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**Independent Auditor's Report**

TO THE BOARD OF HEALTH OF THE  
OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

We have audited the accompanying general-purpose financial statements of the Oklahoma City-County Health Department (the Department) as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Department, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2003, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the Department, taken as a whole. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The accompanying schedule of expenditures of state awards is presented as required by the Department's contracts with the Oklahoma State Department of Health. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahon". The signature is written in a cursive style with a large initial "J" and "M".

JEFF A. McMAHAN  
State Auditor and Inspector

January 28, 2003

**General-Purpose Financial Statements**

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS  
FOR THE YEAR ENDED JUNE 30, 2002**

	GOVERNMENTAL FUND TYPE GENERAL	PROPRIETARY	ACCOUNT GROUPS		TOTAL
		FUND TYPE	GENERAL	GENERAL	(MEMORANDUM ONLY)
		INTERNAL SERVICE FUND	LONG-TERM DEBT	FIXED ASSETS	
<b>ASSETS</b>					
Cash	\$ 5,495,250	\$ 4,729	\$	\$	\$ 5,499,979
Ad valorem taxes receivable	82,955				82,955
Due from other governments	441,829				441,829
Fixed assets				5,873,492	5,873,492
Other debits:					
Amount to be provided for compensated absences			521,202		521,202
Amount to be provided for capitalized lease agreements			700,000		700,000
Total assets and other debits	<u>\$ 6,020,034</u>	<u>\$ 4,729</u>	<u>\$ 1,221,202</u>	<u>\$ 5,873,492</u>	<u>\$ 13,119,457</u>
<b>LIABILITIES AND FUND EQUITY</b>					
Liabilities:					
Accounts payable	\$ 157,453	\$	\$	\$	\$ 157,453
Workers compensation payable	27,261				27,261
Interest payable	9,776				9,776
Retirement fees payable	3,209				3,209
Temporary fees payable	1,665				1,665
Compensated absences payable			521,202		521,202
Capitalized lease obligations payable			700,000		700,000
Total liabilities	<u>199,364</u>	<u>-</u>	<u>1,221,202</u>	<u>-</u>	<u>1,420,566</u>
Fund equity:					
Investment in general fixed assets				5,873,492	5,873,492
Retained earnings					
Reserved for employee health benefits		4,729			4,729
Fund balance:					
Reserved for encumbrances	112,490				112,490
Unreserved:					
Undesignated	5,708,180				5,708,180
Total fund equity	<u>5,820,670</u>	<u>4,729</u>	<u>-</u>	<u>5,873,492</u>	<u>11,698,891</u>
Total liabilities and fund equity	<u>\$ 6,020,034</u>	<u>\$ 4,729</u>	<u>\$ 1,221,202</u>	<u>\$ 5,873,492</u>	<u>\$ 13,119,457</u>

The notes to the financial statements are an integral part of this statement.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY –  
GOVERNMENTAL FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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		GOVERNMENTAL FUND TYPES
		GENERAL FUND
Revenues:		
Ad valorem taxes	\$	8,683,653
Charges for services		350,498
Intergovernmental revenues		3,361,348
Miscellaneous revenues		88,215
Total revenues		12,483,714
Expenditures:		
Current operating:		
Personal services		9,646,880
Maintenance and operation		2,058,115
Capital outlay		345,670
Total expenditures		12,050,665
Excess revenues over expenditures		433,049
Other financing sources:		
Repayment from Internal Service Fund		20,760
Total other financing sources		20,760
Excess revenues and other sources over expenditures and other uses		453,809
Beginning fund balances		5,366,861
Ending fund balances	\$	5,820,670

The notes to the financial statements are an integral part of this statement.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2002**

	Budget	General Fund Actual	Variance
Beginning fund balances, budgetary basis	\$ 4,770,213	\$ 4,770,213	\$ -
Revenues:			
Ad valorem taxes	7,968,249	8,676,396	708,147
Charges for services	344,392	339,787	(4,605)
Intergovernmental revenues	2,982,565	3,199,728	217,163
Miscellaneous revenues	207,998	195,752	(12,246)
Total revenues, budgetary basis	11,503,204	12,411,663	908,459
Expenditures:			
Current:			
Personnal services	11,632,164	9,629,669	2,002,495
Maintenance and operation	3,289,986	2,073,705	1,216,281
Capital outlay	1,351,267	343,262	1,008,005
Total expenditures, budgetary basis	16,273,417	12,046,636	4,226,781
Excess of revenues and beginning fund balances over expenditures - budgetary basis	\$ -	5,135,240	\$ 5,135,240
Other financing sources:			
Repayment from Internal Service Fund		20,760	
Total other financing sources		20,760	
Excess of revenues, other sources, and beginning fund balances over expenditures		5,156,000	
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances			
Add:			
Ad valorem taxes receivable		82,955	
Due from state agencies/depts		441,829	
Reserved for encumbrances		112,490	
Adjustment to prior year reserved for encumbrances		27,396	
Ending fund balance		\$ 5,820,670	

The notes to the financial statements are an integral part of this statement.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS –  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2002**

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	Internal Service Fund
	Employee Health Benefits
Operating revenues:	
Premiums	\$ 815,028
Stop loss reimbursement	59,575
Total operating revenues	874,603
Operating expenses:	
PCS pharmacy benefits paid	163,321
Administrative fees, stop loss premiums	105,714
Medical benefits paid	500,968
Dental benefits paid	36,078
Total operating expenses	806,081
Operating income	68,522
Non operating revenues:	
Interest income	3,072
Net income	71,594
Retained earnings, July 1, 2001	(66,865)
Retained earnings, June 30, 2002	\$ 4,729

The notes to the financial statements are an integral part of this statement.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Internal Service Fund</u> <u>Employee Health Benefits</u>
Cash flows (out flows) from operating activities:	
Insurance premiums	\$ 815,028
Stop loss insurance proceeds	59,575
Payments for pharmacy benefits	(173,677)
Payments for administration and stop loss premiums	(126,569)
Payments for medical benefits	(514,660)
Payments for dental benefits	(37,280)
	<u>22,417</u>
Cash out flows from noncapital financing activities:	
Repayment to general fund	(20,760)
	<u>3,072</u>
Cash flows from investing activities:	
Interest income	3,072
	<u>4,729</u>
Net decrease in cash and cash equivalents	4,729
Cash at beginning of year	<u>-</u>
Cash at end of year	<u>\$ 4,729</u>
Reconciliation of net income to net cash provided by operating activities:	
Net income	\$ 71,594
Adjustments to reconcile net income to net cash (used) by operating activities:	
Interest income	(3,072)
Changes in assets and liabilities:	
Decrease in accounts payable	(46,105)
Total adjustments	<u>(49,177)</u>
Net cash from operating activities	<u>\$ 22,417</u>

The notes to the financial statements are an integral part of this statement.

**Notes to the Financial Statements**

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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1. Summary of Significant Accounting Policies

The financial statements of the Department are required to be presented in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

In accordance with the Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity," the Department is required to present the entities, which comprise the Oklahoma City-County Health Department in the fiscal year 2002 general-purpose financial statements. The Department had no component units in fiscal year 2002. The primary sources of funding for the Department is a countywide ad valorem tax levy and intergovernmental grants and contracts.

The governing board of the Department is the City-County Board of Health (Board), created in accordance with 63 O.S. 2001, § 1-210. The purpose of the Board is to preserve and promote public health and to assist in the formulation and adoption of uniform health ordinances, rules and regulations within the jurisdiction of the Board. The Board consists of nine members. Five members of the Board are appointed by the City Council of Oklahoma City, and four members are appointed by the Board of County Commissioners of Oklahoma County.

Related Organization Excluded from the Reporting Entity

The Board of Health was also responsible for the initial appointment of members of the board of a non-profit corporation, but the Department's accountability for this organization does not extend beyond making the appointments. The following related organization is not included in the financial statements:

Partners in Public Health, Inc. is a not-for-profit corporation organized for "charitable and educational" purposes.

B. Fund Accounting - Primary Government

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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Summary of Significant Accounting Policies (continued)

Funds are classified into two categories: governmental and proprietary. Each category in turn is divided into separate "fund types."

Governmental Funds

Governmental funds are used to account for all or most of a government's general activities. The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, when the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

Account Groups

General Fixed Assets Account Group (GFAAG) - Generally accepted accounting principles (GAAP) require that those fixed assets of a government not reported in a proprietary fund or a trust fund be reported in a general fixed assets account group (GFAAG). This account group is not a fund. It does not have a balance sheet as such, nor does it report operations. Instead, the GFAAG serves as a list of the government's fixed assets and is designed to ensure accountability.

General Long-Term Debt Account Group (GLTDAG) - The general long-term debt account group (GLTDAG) is used to account for a government's unmatured long-term indebtedness that has not been identified as a specific fund liability of a proprietary or trust fund. The GLTDAG is also used to report certain liabilities that are normally not expected to be liquidated with expendable available financial resources (e.g., compensated absences and capitalized lease-purchase obligations).

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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Summary of Significant Accounting Policies (continued)

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

Those revenues susceptible to accrual are property taxes, intergovernmental and interest revenues. Charges for services are not susceptible to accrual because generally they are not measurable until received in cash.

D. Budgetary Policies and Procedures

Under current Oklahoma statutes, the general fund is required to adopt a formal budget. The budget presented for the general fund includes the originally approved budgeted appropriations for expenditures as adjusted for supplemental appropriations and approved transfers between budget categories.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general fund.

Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. At the end of the year, unencumbered appropriations are lapsed.

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget to actual, will differ from the data as presented in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types because of adopting certain aspects of the modified accrual basis of accounting and the adjusting of encumbrances to their related budget year.

E. Cash

The Department utilizes separate bank accounts for its general and internal service funds. Investments are carried at cost, which approximates market value. All funds were fully invested or deposited in interest-bearing demand accounts at June 30, 2002.

F. Receivables

Receivables are reported at their gross value.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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Summary of Significant Accounting Policies (continued)

G. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized as applicable. Assets in the general fixed assets account group are not depreciated.

H. Risk Management

The Department is exposed to various risks of loss related to torts, theft of, or damage to, or destruction of assets, error or omissions, injuries to employees, or acts of God. The Department is self-insured for health and dental benefits and tort liability. The financial transactions related to administering the health and dental plan are reported in the financial statements as the Internal Service Fund. The financial transactions related to administering the self-insured tort liability are included in the financial statements in the general fund.

The health and dental plan was established to provide benefits for the Department's employees, their dependents, eligible retirees and their survivors, participants covered under continuation of coverage, and employees on leave of absence, as set forth in 11 O.S. 2001, § 23-108. The cost of coverage for employees and a portion of the cost of coverage for employees' dependents is paid by the Department, and all other costs are intended to be an expense of the insured. Certain limitations are placed upon these benefits as to the amount of coverage and who may be covered in specific areas. Mutual Assurance Administrators, Inc. (MAA) is employed by the Department to administer the program. MAA receives and pays claims from Department employees based upon contract limitations. MAA is responsible for insuring that claims are legitimate, based on enrollment information provided by the Department and claims submitted by or on behalf of the claimant. MAA receives a fee for their services. Life insurance premiums are also received by MAA and remitted to the life insurance carrier for Department employees, retirees and their survivors. (See Subsequent Events footnote.)

Prior to June 6, 2000, under the Governmental Tort Claims Act, tort liability was limited to \$100,000 per single act, accident or occurrence. The Act was amended for claims arising from any act, accident or occurrence happening on or after June 6, 2000. Those claims are limited to \$175,000. For the few claims pending against the Department, the amount of liability is not known. The Department's legal counsel estimated the potential liability would not materially affect the financial statements of the Department.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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Summary of Significant Accounting Policies (continued)

The Department purchases workers' compensation coverage from the State Insurance Fund and commercial insurance for all other risks of loss, including coverage for professional liability, buildings, contents and vehicles. There have been no significant reductions in insurance coverage during the 2002 fiscal year.

I. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. The expenditure reported for these amounts is \$521,202 in accordance with the provisions of Statement of Financial Accounting Standards No. 43, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

J. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

K. Long-Term Obligations

Long-term debt is recognized as a liability of a government fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

L. Memorandum Only - Total Columns

Total columns on the general-purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows of its proprietary fund types in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

M. Grant Revenue

Revenues from federal and state grants are recognized when expenditures are made.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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2. Stewardship, Compliance, and Accountability

A. Budgetary Compliance

In accordance with 63 O.S. 2001, § 1-218 and § 1-226 and with Article IV of its operating agreement, the Board, in cooperation with the director of the Department, prepares an annual budget and files with the county excise board an estimate of needs for the operation and maintenance of the Department. The county excise board approves the estimate of needs to the extent that the estimate is financed with proceeds of a levy authorized in accordance with the provisions of Section 9A, Article 10, Oklahoma Constitution. The estimate of needs (budget) is also subject to a general review of the Board of County Commissioners of Oklahoma County and the City Council of Oklahoma City.

The estimate of needs may include, in addition to items for current operating expenses, items for anticipated capital outlay in the future that may accumulate from year to year until the total required amounts are available for expenditure. Once approved, the Board may amend the legally adopted budget when unexpected modifications are required in estimated revenues and operations.

3. Detailed Notes on Account Balances

A. Cash and Investments

Cash. At year-end, the carrying amount of the Department's cash was \$5,499,979 and the bank balance was \$5,746,881. Of the bank balance, all funds were covered by federal depository insurance or by collateral held by the Department's agent in the Department's name. The carrying amount includes \$350 in change and petty cash funds. All funds were fully invested or deposited in interest bearing demand accounts at June 30, 2002.

B. Receivables

Property taxes for the Department are levied by the County Treasurer each October 1 on the assessed value listed as of January 1 of the same year for all real property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

The net assessed property value as of January 1, 2001, was \$3,375,652,383.

The County levied 2.5 mills (the legal maximum) for the Department's general fund operations. An additional millage of .09 was added to the Department's maximum constitutional levy to adjust for the elimination of the tax levy on personal property, as voted on and approved by the citizens of Oklahoma County.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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Detailed Notes on Account Balances (continued)

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year.

Current year tax collections for the year ended June 30, 2002, were 95.9% percent of the tax levy. However, only the tax revenue received within 60 days of the balance sheet date was accrued as meeting the criteria of being both "measurable" and "available".

The amount due from the state represents receivables due from federal and state grants, as passed through various state departments and agencies, and receivables from certain other state contracts. Only the amounts received within 60 days of the balance sheet date were accrued as meeting the criteria of being both "measurable" and "available".

C. Fixed Assets

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2002</u>
Land	\$ 407,349	\$ -	\$ -	\$ 407,349
Buildings	2,915,578	-	-	2,915,578
Machinery and equipment	<u>2,250,771</u>	<u>399,308</u>	<u>99,514</u>	<u>2,550,565</u>
Total General Fixed Assets	<u>\$ 5,573,698</u>	<u>\$ 399,308</u>	<u>\$ 99,514</u>	<u>\$ 5,873,492</u>

D. Pension Plans

Defined Benefit Plan:

Plan Description. The Department contributes to the Oklahoma County Employees Retirement Plan (the Plan), a cost-sharing multiple-employer defined benefit pension plan administered by Oklahoma County. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 19 § 951-962 establishes the provisions of the Plan. The Plan issues a publicly available financial report that includes financial statements and supplementary information. The report is available through Oklahoma County Clerk, 320 Robert S. Kerr, Oklahoma City, Oklahoma 73102, phone number (405) 713-1863.

As specified by the Plan, the Department contributes an amount equal to 12% of the annual compensation of their participating employees' salary to the Plan. Employees make no contributions. The Department's contributions to the plan for the years ending June 30, 2002, 2001, and 2000, were \$15,337, \$16,160, and \$15,269, respectively, equal to the required contributions for each year.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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Detailed Notes on Account Balances (continued)

Defined Contribution Plan:

Plan Description. In 1991, most employees converted to a defined contribution plan. The defined contribution plan is administered by Massachusetts Mutual Life Insurance Company. Employees working 1,000 or more hours annually are eligible to participate in the plan. The plan may be amended from time to time by action of the Department's Board of Health.

Eligible participants may choose to invest their individual retirement funds in a variety of mutual fund and other investment options available through the plan administrator.

Benefits under the defined contribution plan include entitlement to the amount in the individual employee's account upon retirement, or upon termination of employment due to total and permanent disability. Partial vesting accrues after the second year at the rate of twenty percent (20%) per year, until 100% vesting is completed at the end of six years of service. Upon the death of a vested participant, his or her beneficiary(ies) is eligible to receive the participant's retirement benefits.

Retiring participants may choose from a variety of options from the distribution of benefits under the defined contribution plan. These options include immediate lump sum distribution of the entire account balance, various installment style distributions and/or various annuity options.

The plan operates on an accrual basis of accounting. Contributions are recognized as revenue in the period in which the employees provide services. Investment income is recognized when earned. Assets are valued at quoted market prices at June 30, 2002.

The Department contributes 12% of each employee's salary. Employees make no contributions. The Department's contributions to the defined contribution plan for the year ending June 30, 2002, were \$697,315.

E. Capital Leases

The Department is paying on a fifteen (15) year capital lease for the new Health Center West clinic building. The lease agreement is with the Oklahoma City Industrial and Cultural Facilities Trust. Payments made by the Department will be used to pay the principal and interest on the Trust's revenue bonds related to the building project. At the end of the lease agreement, the Department plans to take possession of the clinic building for a minimal fee.

Providing the capital lease is renewed each year by resolution of the Board of Health, minimum lease commitments under the capitalized lease-purchase agreement as of June 30, 2002, are as follows:

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

Detailed Notes on Account Balances (continued)

Year Ending	Principal	Interest	Total
2003	45,000	39,105	84,105
2004	45,000	36,855	81,855
2005	45,000	34,560	79,560
2006	50,000	32,220	82,220
2007	55,000	29,750	84,570
2008-12	310,000	100,242	410,242
2013-14	150,000	13,463	163,463
Totals	\$ 700,000	\$ 286,195	\$ 986,015

During the year ending June 30, 2002, the Department paid \$40,000 on the clinic building. No additional lease obligations were incurred.

**F. Long-Term Debt**

Changes in Long-Term Liabilities

During the year ended June 30, 2002, the following changes occurred in liabilities reported in the general long-term debt account group:

	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002
Compensated absences	\$ 479,807	\$ 41,395	\$ -	\$ 521,202
Capital leases	740,000	-	40,000	700,000
Total Long-Term Debt Account Group	\$ 1,219,807	\$ 41,395	\$ 40,000	\$ 1,221,202

**G. Fund Equity**

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Specific reservations of the governmental fund balance accounts are summarized below.

Reserved for Encumbrances - The reserve for encumbrances was created to represent encumbrances outstanding at the end of the year, based on purchase orders and contracts signed by the Department, but not completed as of the close of the fiscal year.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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4. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the Department expects such amounts, if any, to be immaterial.

The Department is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Department attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Department.

5. Federal Grants

In the fiscal year ended June 30, 2002, the Department received federal funds from the U.S. Departments of Agriculture and Health and Human Services. Most of the federal grants were passed through the Oklahoma State Department of Health.

The federal funds included two Type A grants titled Women, Infants, and Children and Medical Assistance Program (Medicaid Title XIX) and seven Type B grants, including Family Planning - Services, Immunization Action Plan, Breast & Cervical Cancer Detection, Sexually Transmitted Disease Control, Tuberculosis Control and Elimination, Maternal and Child Health Services Block Grant, and Emergency Shelter Grant. Additional information on federal grants is presented in the summary section of the Schedule of Findings and Questioned Costs and the Schedule of Expenditures of Federal Awards.

6. State Grants

During fiscal year 2002, the Department received state assistance from the Oklahoma State Department of Health for the purpose of operating programs and providing services contracted by the state department. Further information on state assistance is included in the supplemental Schedule of Expenditures of State Awards, as required by contract.

7. Subsequent Events

Effective January 1, 2002, the Department discontinued its self insurance program for employee health benefits and transferred its employees to the Oklahoma State Employees Group Insurance Plan. After January 1, 2002, the only activity in its Employee Health Benefits Internal Service Fund was in payment of residual benefits incurred as of December 31, 2001. The internal service fund was terminated completely in fiscal year 2003.

**Schedule of Expenditures of Federal Awards**

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity ID Number	Federal Expenditures
<b>U.S. DEPT OF AGRICULTURE:</b>			
--Passed through the State Dept of Health:			
Women, Infants and Children	10.557	T033507	\$ 550,855
Total U.S. Department of Agriculture			550,855
<b>U.S. DEPT OF HOUSING &amp; URBAN DEVELOPMENT:</b>			
--Passed through City of Oklahoma City			
Emergency Shelter Grant	14.231	N/A	15,000
Total U.S. Department of Housing and Urban Development			15,000
<b>U.S. DEPT OF HEALTH AND HUMAN SERVICES:</b>			
--Passed through State Dept of Health			
Tuberculosis Control Program	93.116	Y010838	37,785
Tuberculosis Control Program	93.116	Y063505	5,195
Family Planning - Services	93.217	Y010157	11,988
Family Planning - Services	93.217	Y013677	14,621
Immunization Action Program	93.268	Y008240	125,326
Medical Assistance Program (Medicaid Title XIX)	93.778	Y006035	1,272,849
Breast and Cervical Cancer Early Detection	93.919	Y043499	54,915
Sexually Transmitted Diseases Control Program	93.977	Y052706	3,485
Sexually Transmitted Diseases Control Program	93.977	Y052988	3,912
Sexually Transmitted Diseases Control Program	93.977	Y009829	109,663
Maternal & Child Health Services Block Grant	93.994	Y013677	105,861
Total U.S. Department of Health and Human Services			1,745,600
Total Expenditures of Federal Awards			\$ 2,311,455

1. Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of the Oklahoma City-County Health Department, and is presented on the *modified basis of accounting*. Grant expenditures reported were paid or incurred as of June 30, 2002. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**Schedule of Expenditures of State Awards**

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2002**

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State Grantor/Grant Program Title	State Contract Number	State Expenditures
STATE DEPARTMENT OF HEALTH:		
Perinatal Health	Y013677	\$ 21,367
Family Planning - Services	Y010157	122,487
Breast and Cervical Cancer Early Detection	T043499	26,657
HIV Prevention Program	X072309	4,221
Children First Program	Y006035	260,704
Child Guidance Program	Y007976	63,794
Total State Department of Health		<u>499,230</u>
Total Expenditures of State Awards		<u>\$ 499,230</u>

**1. Basis of Presentation**

The schedule of expenditures of state awards includes the state grant activity of the Oklahoma City-County Health Department, and is presented on the *modified accrual basis of accounting*. Grant expenditures reported were paid or incurred as of June 30, 2002. The information in this schedule is presented in accordance with contractual requirements of the Oklahoma State Department of Health.

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



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

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

TO THE BOARD OF HEALTH OF THE  
OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

We have audited the financial statements of the Oklahoma City-County Health Department (Department) as of and for the year ended June 30, 2002, and have issued our report thereon dated January 28, 2003. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

The American Institute of Certified Public Accountants' Statement on Auditing Standards No. 87 requires the inclusion of the following paragraph in this report:

This report is intended solely for the information and use of the management of the Department, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

However, the Oklahoma Open Records Act states that all records of public bodies and public officials shall be open to any person, except as specifically exempted. The purpose of this Act is to ensure and facilitate the public's right of access to and review of government records so they may efficiently and intelligently exercise their inherent political power. Therefore, this report is a matter of public record and its distribution is in no way limited or restricted.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahon". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN  
State Auditor and Inspector

January 28, 2003

**Report on Compliance With Requirements Applicable To Each Major Program  
and Internal Control Over Compliance In Accordance With  
OMB Circular A-133**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**Report on Compliance With Requirements Applicable To Each Major Program  
and Internal Control Over Compliance In Accordance With  
OMB Circular A-133**

TO THE BOARD OF HEALTH OF THE  
OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

Compliance

We have audited the compliance of the Department with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs are the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis of our opinion. Our audit does not provide a legal determination on the Department's compliance with those requirements.

In our opinion, the Department complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in

order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

The American Institute of Certified Public Accountants' Statement on Auditing Standards No. 87 requires the inclusion of the following paragraph in this report:

This report is intended solely for the information and use of the management of the Department, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

However, the Oklahoma Open Records Act states that all records of public bodies and public officials shall be open to any person, except as specifically exempted. The purpose of this Act is to ensure and facilitate the public's right of access to and review of government records so they may efficiently and intelligently exercise their inherent political power. Therefore, this report is a matter of public record and its distribution is in no way limited or restricted.

Sincerely,



JEFF A. McMAHAN  
State Auditor and Inspector

January 28, 2003

**Schedule of Findings and Questioned Costs**

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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**SECTION 1 - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weakness(es)?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.557	Women, Infants and Children (WIC)
93.778	Medical Assistance Program (Medicaid XIX)

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
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Auditee qualified as low-risk auditee?	No
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**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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**SECTION 2 - Financial Statement Findings**

No matters were reported.

**SECTION 3 - Federal Award Findings and Questioned Costs**

No matters were reported.