

Tulsa City-County Health Department

Financial Statements
and
Internal Control and Compliance Reports

June 30, 2015 and 2014

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Independent Auditor's Report

To the Board of Health
Tulsa City-County Health Department

We have audited the accompanying financial statements of the governmental activities and each major fund of the Tulsa City-County Health Department (the Department), a component unit of Tulsa County, as of and for the years ended June 30, 2015 and 2014, respectively, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Department's 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 audits. We conducted our audits 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 governmental activities and each major fund of the Department as of June 30, 2015 and 2014, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 7 through 10, budgetary comparison information on page 37, and the schedules of proportionate share of the net pension liability and contributions on pages 38 and 39 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.

Emphasis of Matters

As discussed in note J to the financial statements, the Department adopted the provisions of Governmental Accounting Standards Board Statement No. 68 and has recognized a net pension liability and related deferred outflows and inflows.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2015 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 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 Department’s internal control over financial reporting and compliance.

Tulsa, Oklahoma
November 20, 2015



**Management's Discussion
And Analysis**

Management's Discussion and Analysis

The Tulsa City-County Health Department's (the Department) discussion and analysis is designed to present a narrative overview of the financial activities and an analysis of the Department's financial performance during the fiscal year ended June 30, 2015. Please read it in conjunction with the Department's basic financial statements following this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements are designed to provide readers with a broad overview of the Department's finances, in a manner similar to a private-sector business. Therefore, the statements are reported using the accrual basis of accounting. In this way, all assets and liabilities, both financial and capital, short and long-term, are reported. All revenues and expenses applicable to the year are reported, regardless of when cash is received or paid.

The *Statement of Net Position* presents information on the Department's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Fund Financial Statements present the Department's financial activities in a traditional fund format. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. The fund financial statements are reported using the modified accrual basis of accounting. See Note B, section 2 at the end of the Financial Statements to learn more about the modified accrual basis of accounting.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Department's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Department's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They are an integral part of the financial statements and should be read in conjunction with them. The notes can be found at the end of the Financial Statements.

Financial Analysis of the Health Department as a Whole

Our discussion and analysis of the Department's performance provides an overview of the financial activities for the fiscal years ended June 30, 2015, 2014 and 2013. Prior period information is provided to facilitate comparative analysis between fiscal periods.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

The Department reported total assets and deferred outflows of resources of \$32,194,908, \$29,126,240 and \$28,285,787 for the years ended June 30, 2015, 2014 and 2013 respectively. Of that total, \$15,365,105, \$15,640,864 and \$15,739,719, respectively, or approximately 47.7 percent, 53.7 percent and 55.6 percent, respectively, is in the form of capital assets, comprised primarily of the agency's investment in its three regional health centers. Investment in capital assets, net of related debt, represented 42.9 percent, 32.7 percent and 34.6 percent, respectively, of net position, while 56.7 percent, 66.3 percent and 66.7 percent, respectively, was unrestricted. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Department, assets exceeded liabilities at the close for each of the fiscal years listed below.

Statements of Net Position - Condensed Comparative Information

	6/30/15	6/30/14	6/30/13
Cash	\$ 10,892,212	\$ 8,871,477	\$ 7,567,473
Other current assets	4,071,644	4,448,282	4,434,949
Capital assets - net	15,365,105	15,640,864	15,739,719
Other non-current assets	58,729	165,617	543,646
Deferred outflows of resources	1,807,218	-	-
Total assets and deferred outflows of resources	32,194,908	29,126,240	28,285,787
Current liabilities	1,234,645	620,246	847,100
Current portion - non-current liabilities	395,919	412,520	393,301
Compensated absences - long-term portion	1,126,503	1,133,767	1,136,102
Capital lease - long-term portion	9,620,907	9,835,539	10,041,318
Net pension liability	3,174,300	-	-
Deferred inflows of resources	3,739,153	-	-
Total liabilities	19,291,427	12,002,072	12,417,821
Total net position	\$ 12,903,481	\$ 17,124,168	\$ 15,867,966

Statement of Revenues, Expenses and Changes in Net Position

The Department reported total revenue of \$29,959,169 which represents a 0.5 and 1.1 percent increase over fiscal year 2015 and 2014, respectively. There were no significant changes in revenue categories between 2015 and 2014. There were slight increases in all revenue categories except intergovernmental revenue between 2015 and 2014. It is important to note that intergovernmental revenue can only be billed after the expenditures have been incurred and paid. The \$27,988,919 expenditures reported in 2015 were \$577,968 less than fiscal year 2014 and while expenditures for 2014 were \$915,331 less than fiscal year 2013.

Financial Analysis of the Department's Funds

The Department's government functions are reported in the general and capital project funds. The general fund, the chief operating fund of the Department, reported a balance of \$11,914,544, which was \$1,498,916 and \$1,994,479 more than fiscal year 2014 and 2013, respectively. Savings obtained from a decline in the 2015 expenditures will allow the Department to replace antiquated equipment and to provide much needed maintenance within its two oldest health centers. On February 25, 2010, the balance of the proceeds received from the issuance of Health Facilities Revenue bonds was set-up in a capital projects fund. This money has been restricted for the construction of the new North Regional Health Department that was completed in 2013. The project fund had a restricted balance of \$58,729 at the end of fiscal year June 30, 2015 to be used toward the capital lease liability.

Statement of Revenues, Expenses and Changes in Net Position - Condensed Comparative Information

	2015	2014	2013
Intergovernmental revenue	\$ 12,809,267	\$ 13,360,290	\$ 13,313,970
Ad Valorem taxes	13,364,395	12,979,442	12,834,408
Contributions and donations	615,349	484,433	528,111
Other revenues	3,170,158	2,998,924	2,956,613
Total revenues	<u>29,959,169</u>	<u>29,823,089</u>	<u>29,633,102</u>
General government expenditures	26,617,570	27,140,470	28,071,832
Other expenditures	1,371,349	1,426,417	1,410,386
Total expenditures	<u>27,988,919</u>	<u>28,566,887</u>	<u>29,482,218</u>
Increase in net position	1,970,250	1,256,202	150,884
Net position - beginning of year	<u>10,933,231</u>	<u>15,867,966</u>	<u>15,717,082</u>
Net position - end of year	<u>\$ 12,903,481</u>	<u>\$ 17,124,168</u>	<u>\$ 15,867,966</u>

Health Levy Fund Budgetary Highlights

There were no revisions to the original fiscal year 2014-2015 Health Levy Fund Budget for revenues or expenditures. As can be seen in the above table, the growth rate of the ad valorem tax revenue continued to increase. Between the fiscal years 2015 and 2014, the tax levy fund increased 3.0 percent in comparison to the 1.1 percent for fiscal years 2014 and 2013.

Capital Assets

As of June 30, 2015, the Department's net investment in capital assets for its governmental activities was \$5,529,566. This investment in capital assets includes infrastructure, land and improvements, buildings, furniture, fixtures, and equipment. This represents a net decrease of \$69,980 or 1.25 percent less than the preceding year. Disposals were the primary reason for the decrease. Fund financial statements record capital asset purchases as expenditures.

Long-Term Debt

At June 30, 2015, the Department had total liabilities of \$19,291,427 with \$10,747,410 of it being long-term debt, compared to the long-term debt of \$10,969,309 in the prior fiscal year. The change resulted primarily from a \$214,632 decrease in the capital leases payable.

Pension

June 30, 2015, the Department adopted the Governmental Accounting Standards (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. The statement was effective for fiscal years beginning after June 15, 2014. This GASB statement requires the Department to calculate its total pension liability using three essential steps:

1. Projecting future benefit payments for current and former employees and their beneficiaries.
2. Discounting those payments to their present value.
3. Allocating the present value over past, present, and future periods of employee service.

The effect on the 2015 net position is reflected below:

Beginning net position, as previously reported	\$ 17,124,168
Implementation of GASB Statement 68	<u>(6,190,937)</u>
Beginning net position, restated	<u><u>\$ 10,933,231</u></u>

The effect of the net pension liability has a direct effect on the Unrestricted Net Position. Below is an illustration of the effect GASB Statement 68 on the 2015 Unrestricted Net Position.

June 30, 2015 unrestricted net position	\$ 7,315,186
Deferred outflows related to pension	(1,807,218)
Net position liability June 30, 2015	3,174,300
Deferred inflows related to pension	<u>3,739,153</u>
Unrestricted net position prior to net pension liability	<u><u>\$ 12,421,421</u></u>

Please refer to Note J – Retirement/Benefit Plans in the Notes to the Financial Statements for further information regarding the implementation of GASB Statement 68.

Economic Factors and the Impact on Next Year's Budget

The Tulsa Health Department (the Department) has a fundamental and complex role and responsibility in the community to improve or maintain the quality of life for Tulsa County Residents. The Department provides core public health services such as adult and childhood immunizations; communicable disease control; community outreach and education; epidemiology and surveillance; environmental health regulation such as food safety services and restaurant inspections; and tuberculosis testing. Occupations include nurses, public health professionals, physicians, environmental health specialists, nutritionists, health educators, epidemiologists, and emergency preparedness responders.

Resources for some traditional services have been shrinking at the same time that challenges and demands have been increasing. Almost 20% of Tulsa County residents lack health insurance and are looking to "safety net" providers for health care. Rapidly growing immigrant communities are creating a need for new services, stretching capacity of current services, or to increase effectiveness, requiring the Department to provide traditional services in a different way. With these challenges and changing circumstances, there is increasing urgency for an assessment of how new public health professionals are educated and how the current workforce can be trained for new skills.

The past few years have been a period of significant challenges and transitions for the Tulsa Health Department. We will carefully monitor the local, state, and federal economic climate to ensure the Department will not suffer potential budget decreases as a result of poor economic activity. Our local public health system is under severe and increasing pressure as the Tulsa Health Department has been expected to take on more responsibilities with fewer resources and regardless of the popular mantra of you must do more with less, all you do with less is less. The local economy has shown signs of improving but the public health system continues to feel the strain of increased demand and need among at-risk populations in our community. Changing funding streams from local, state and federal government sources continue to be dynamic, which impacts our ability to forecast when projecting future budgets or Department capacity.

In 2015, we will have a different political party in control of Congress and 21 new legislators in the Oklahoma House and Senate. It is too early to determine what the impact of new leadership might be but if reduction in services are implemented at the State or Federal levels, those cuts are historically felt by our most vulnerable populations first. In the current climate, there is a real concern that pressures to reduce the federal deficit will affect federal budgeting as well. Other factors that could impact the future budgets of the Department could be state legislature decisions to not increase guilt taxes (beverage, tobacco, alcohol, etc.) as a mechanism to increase revenue and what decisions that Congress might make that affects the Affordable Care Act (ACA). Additionally, it is difficult to assess how our state will respond to potential opportunity to improve health status through the ACA. Multiple studies show improved health outcomes with increased insurance coverage; if Oklahoma chooses not to expand Medicaid costs increase as health status decreases and those costs will be absorbed by agencies like the Tulsa Health Department.

As state leaders make this decision, they are considering a number of financial and non-financial factors that could impact Tulsa Health Department, including the benefit cost in state dollars to adopt the Medicaid expansion, changes in state administrative costs attributable to the expansion, savings to the state from decreasing the number of uninsured residents, the economic impact on the state economy of increased federal Medicaid contributions, and a variety of non-financial impacts of the Medicaid expansion, including its projected impact on health status and work force factors. As with most state decisions, the impact eventually trickles down to the local level and the Tulsa Health Department.

Request for Information

This financial report is designed to give the reader a general overview of the Department's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Office of the Controller at James O. Goodwin Health Center, 5051 South 129th East Avenue, Tulsa, Oklahoma 74134.

Financial Statements

Tulsa City-County Health Department

Statements of Net Position

June 30,

	Governmental Activities	
	2015	2014
Assets and Deferred Outflows		
Current Assets		
Cash	\$ 10,892,212	\$ 8,871,477
Accounts receivable - net	194,420	232,514
Intergovernmental receivable	2,322,697	2,674,322
Ad Valorem taxes receivable	666,376	638,335
Inventory	888,151	903,111
Total current assets	14,963,856	13,319,759
Non-current assets		
Restricted cash	58,729	165,617
Capital assets - net	13,520,166	13,795,925
Non-depreciable capital assets	1,844,939	1,844,939
	15,423,834	15,806,481
Deferred outflows of resources		
Pension	1,807,218	-
Total assets	\$ 32,194,908	\$ 29,126,240
Liabilities, Deferred Inflows, and Net Position		
Current liabilities		
Accounts payable	\$ 1,110,630	\$ 550,220
Accrued liabilities	20,485	19,267
Deferred revenue	-	34,210
Payable to Tulsa County	103,530	16,549
Current portion - non-current liabilities	395,919	412,520
Total current liabilities	1,630,564	1,032,766
Non-current liabilities		
Compensated absences, less current portion	1,126,503	1,133,767
Capital lease, less current portion	9,620,907	9,835,539
Net pension liability	3,174,300	-
Total non-current liabilities	13,921,710	10,969,306
Deferred inflows of resources		
Pension	3,739,153	-
Total liabilities	19,291,427	12,002,072
Net position		
Net investment in capital assets	5,529,566	5,599,546
Restricted	58,729	165,617
Unrestricted	7,315,186	11,359,005
	12,903,481	17,124,168
Total liabilities and net position	\$ 32,194,908	\$ 29,126,240

The accompanying notes are an integral part of these financial statements.

Tulsa City-County Health Department

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2015

	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Functions/Programs - Primary government				
General government	\$ 26,617,570	\$ 2,867,930	\$ 13,424,616	\$ (10,325,024)
Depreciation and amortization	643,121	-	-	(643,121)
Interest on long-term debt	478,228	-	-	(478,228)
Payment to Tulsa County	250,000	-	-	(250,000)
Total governmental activities	<u>\$ 27,988,919</u>	<u>\$ 2,867,930</u>	<u>\$ 13,424,616</u>	(11,696,373)
General revenues:				
Ad Valorem taxes				13,364,395
Interest earnings				16,511
Miscellaneous				<u>285,717</u>
Change in net position				1,970,250
Net position - beginning of year (as restated, see Note J)				<u>10,933,231</u>
Net position - end of year				<u>\$ 12,903,481</u>

The accompanying notes are an integral part of these financial statements.

Tulsa City-County Health Department

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2014

	Program Revenues			Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	
Functions/Programs - Primary government				
General government	\$ 27,140,470	\$ 2,732,744	\$ 13,844,723	\$ (10,563,003)
Depreciation and amortization	688,486	-	-	(688,486)
Interest on long-term debt	487,931	-	-	(487,931)
Payment to Tulsa County	250,000	-	-	(250,000)
Total governmental activities	<u>\$ 28,566,887</u>	<u>\$ 2,732,744</u>	<u>\$ 13,844,723</u>	(11,989,420)
General revenues:				
Ad Valorem taxes				12,979,442
Interest earnings				12,526
Miscellaneous				<u>253,654</u>
Change in net position				1,256,202
Net position - beginning of year				<u>15,867,966</u>
Net position - end of year				<u>\$ 17,124,168</u>

The accompanying notes are an integral part of these financial statements.

Tulsa City-County Health Department

Balance Sheet - Governmental Funds

June 30, 2015

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash	\$ 10,892,212	\$ -	\$ 10,892,212
Accounts receivable - net	189,680	-	189,680
Intergovernmental receivables	2,322,697	-	2,322,697
Ad Valorem taxes receivable	127,912	-	127,912
Inventory	888,151	-	888,151
Restricted cash	-	58,729	58,729
Total assets	\$ 14,420,652	\$ 58,729	\$ 14,479,381
Liabilities and Fund Balance			
Accounts payable	\$ 1,110,630	\$ -	\$ 1,110,630
Accrued liabilities	20,485	-	20,485
Deferred revenue	1,271,463	-	1,271,463
Payable to Tulsa County	103,530	-	103,530
Total liabilities	2,506,108	-	2,506,108
Fund balance			
Non-spendable	888,151	-	888,151
Restricted	-	58,729	58,729
Unassigned	11,026,393	-	11,026,393
Total fund balance	11,914,544	58,729	11,973,273
Total liabilities and fund balance	\$ 14,420,652	\$ 58,729	\$ 14,479,381
Reconciliation			
Total fund balance - governmental fund			\$ 11,973,273
Amounts reported for governmental activities in the statement of net assets are different because:			
Long-term tax and grant revenues receivable not collected within sixty days of year-end are not financial resources and are not reported in the fund.			543,204
Capital assets used in governmental activities are not financial resources and are not reported in the fund.			15,365,105
Deferred outflows are not financial resources and are not reported in the fund.			1,807,218
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund.			(9,871,866)
Net pension liability are not due and payable in the current period and, therefore, are not reported in the fund.			(3,174,300)
Deferred inflows are not financial resources and are not reported in the fund.			(3,739,153)
Net position of governmental activities			\$ 12,903,481

The accompanying notes are an integral part of these financial statements.

Tulsa City-County Health Department

Balance Sheet - Governmental Funds

June 30, 2014

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash	\$ 8,871,477	\$ -	\$ 8,871,477
Accounts receivable - net	146,449	-	146,449
Intergovernmental receivables	2,674,322	-	2,674,322
Ad Valorem taxes receivable	103,834	-	103,834
Inventory	903,111	-	903,111
Restricted cash	-	165,617	165,617
	<hr/>		
Total assets	\$ 12,699,193	\$ 165,617	\$ 12,864,810
Liabilities and Fund Balance			
Accounts payable	\$ 550,220	\$ -	\$ 550,220
Accrued liabilities	19,267	-	19,267
Deferred revenue	1,697,529	-	1,697,529
Payable to Tulsa County	16,549	-	16,549
Total liabilities	2,283,565	-	2,283,565
<hr/>			
Fund balance			
Non-spendable	903,111	-	903,111
Restricted	-	165,617	165,617
Unassigned	9,512,517	-	9,512,517
Total fund balance	10,415,628	165,617	10,581,245
<hr/>			
Total liabilities and fund balance	\$ 12,699,193	\$ 165,617	\$ 12,864,810
<hr/>			
Reconciliation			
Total fund balance - governmental fund			\$ 10,581,245
Amounts reported for governmental activities in the statement of net position are different because:			
Long-term tax and grant revenues receivable not collected within sixty days of year-end are not financial resources and are not reported in the fund.			2,283,885
Capital assets used in governmental activities are not financial resources and are not reported in the fund.			15,640,864
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the current period.			(11,381,826)
			<hr/>
Net position of governmental activities			\$ 17,124,168
			<hr/>

The accompanying notes are an integral part of these financial statements.

Tulsa City-County Health Department

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

June 30, 2015

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Ad Valorem taxes	\$ 13,360,432	\$ -	\$ 13,360,432
Licenses and permits	860,242	-	860,242
Intergovernmental revenue	13,286,523	-	13,286,523
Charge for services (fees)	2,007,846	-	2,007,846
Contributions and donations	590,349	25,000	615,349
Miscellaneous	298,835	-	298,835
Total revenue	<u>30,404,227</u>	<u>25,000</u>	<u>30,429,227</u>
Expenditures:			
Health and welfare:			
Salaries and wages	13,922,303	-	13,922,303
Employee benefits	5,826,499	-	5,826,499
Travel	490,003	-	490,003
Operating expenses	6,925,868	13,342	6,939,210
Other charges	557,816	-	557,816
Capital outlay:	367,362	-	367,362
Debt service:			
Principal	-	205,778	205,778
Interest	-	478,228	478,228
Total expenditures	<u>28,089,851</u>	<u>697,348</u>	<u>28,787,199</u>
Excess of revenues over expenditures	2,314,376	(672,348)	1,642,028
Other financing sources (uses):			
Transfers in (out)	(565,460)	565,460	-
Payments to Tulsa County	(250,000)	-	(250,000)
Excess of revenues over expenditures and other financing sources	<u>1,498,916</u>	<u>(106,888)</u>	<u>1,392,028</u>
Fund balance at June 30, 2014	<u>10,415,628</u>	<u>165,617</u>	<u>10,581,245</u>
Fund balance at June 30, 2015	<u>\$ 11,914,544</u>	<u>\$ 58,729</u>	<u>\$ 11,973,273</u>
Net change in fund balances - total government funds			\$ 1,392,028
Amounts reported for governmental activities are different because:			
Long-term tax revenues not collected within sixty days of year-end are not financial resources and are not reported in the fund.			3,963
Grant revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			(477,256)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation exceeded capital outlays in 2014.			(275,760)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.			205,778
Some revenues and expenses reported in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			<u>1,121,497</u>
Changes in net position of governmental activities			<u>\$ 1,970,250</u>

The accompanying notes are an integral part of these financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

June 30, 2014

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Ad Valorem taxes	\$ 13,003,718	\$ -	\$ 13,003,718
Licenses and permits	842,573	-	842,573
Intergovernmental revenue	12,249,052	-	12,249,052
Charge for services (fees)	1,890,023	-	1,890,023
Contributions and donations	483,843	590	484,433
Miscellaneous	285,015	-	285,015
Total revenue	<u>28,754,224</u>	<u>590</u>	<u>28,754,814</u>
Expenditures:			
Health and welfare:			
Salaries and wages	13,507,101	-	13,507,101
Employee benefits	5,754,047	-	5,754,047
Travel	544,643	-	544,643
Operating expenses	6,491,744	15,131	6,506,875
Other charges	811,004	-	811,004
Capital outlay:	576,825	-	576,825
Debt service:			
Principal	-	198,854	198,854
Interest	-	487,931	487,931
Total expenditures	<u>27,685,364</u>	<u>701,916</u>	<u>28,387,280</u>
Excess of revenues over expenditures	1,068,860	(701,326)	367,534
Other financing sources (uses):			
Transfers in (out)	(323,297)	323,297	-
Payments to Tulsa County	(250,000)	-	(250,000)
Excess of revenues over expenditures and other financing sources	<u>495,563</u>	<u>(378,029)</u>	<u>117,534</u>
Fund balance at June 30, 2013	<u>9,920,065</u>	<u>543,646</u>	<u>10,463,711</u>
Fund balance at June 30, 2014	<u>\$ 10,415,628</u>	<u>\$ 165,617</u>	<u>\$ 10,581,245</u>
Net change in fund balances - total government funds			\$ 117,534
Amounts reported for governmental activities are different because:			
Long-term tax revenues not collected within sixty days of year-end are not financial resources and are not reported in the fund.			(24,277)
Grant revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.			1,111,239
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation exceeded capital outlays in 2014.			(111,661)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.			198,854
Some revenues and expenses reported in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			(35,487)
Changes in net position of governmental activities			<u>\$ 1,256,202</u>

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

June 30, 2015 and 2014

Note A – Financial Reporting Entity

The Tulsa City-County Health Department (the “Department” or “TCCHD”) is an agency of Tulsa County, Oklahoma, (the County) and was created in 1950 by a joint resolution between the City of Tulsa and the Board of County Commissioners. A nine (9) member board oversees the day-to-day operations of the Department. The City of Tulsa appoints five (5) members. The remaining four (4) members that are appointed by the Board of County Commissioners are only required to be registered voters. The Department, in association with the Oklahoma State Department of Health, is responsible for meeting a variety of health-related needs of the County, including code enforcement of health service regulations; family planning services; dental and health clinics and referrals; maternal and child health services, immunizations for infants; and certain psychological services for adolescents. The Department has approximately 350 employees, including resident doctors, nurses and clinicians.

The Department obtains funding through a variety of sources, including an annual Ad Valorem millage levy collected on all real property located in Tulsa County, Oklahoma, and funds appropriated to the Department from the Oklahoma State Department of Health. The Department is a component unit of Tulsa County due to the nature and significance of their relationship with a primary government. They are such that exclusion would cause the reporting entity’s financial statements to be misleading and incomplete. Furthermore, Tulsa County sets the budget for the Department yearly and manages the Department’s accounting records.

The accompanying financial statements present the activities of the Department (the primary government) and its blended component unit, the Community Health Foundation, Inc. (the Foundation). The Foundation is a legally separate, tax-exempt organization. It acts primarily as a fund-raising organization that receives gifts and support for Department programs and capital projects. Although the Department does not control the timing or amount of receipts from the Foundation, the Foundation’s restricted resources can only be used by, or for the benefit of, the Department. Consequently, the Foundation is considered a component unit of the Department and is included in the Capital Projects Fund.

Note B – Summary of Significant Accounting Policies

1. Basic Financial Statements – GASB Statement #34 - The basic financial statements include both government-wide and fund financial statements.

Government-Wide Statements – The government-wide financial statements include the Statements of Net Position and the Statements of Activities. These statements report financial information for the Department, and is represented by a primary government.

Statements of Net Position – The Statements of Net Position report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the Department. These assets and liabilities are presented in order of their relative liquidity. An asset’s liquidity is determined by how readily it converts to cash and whether restrictions limit the Department’s ability to use the resources. A liability’s liquidity is based on its maturity, or when cash is used to liquidate it. The difference between the Department’s assets and its liabilities is its net position. Net Position is displayed in three components – net investment in capital assets, unrestricted and restricted.

Notes to Financial Statements

June 30, 2015 and 2014

Note B – Summary of Significant Accounting Policies - Continued

1. Basic Financial Statements – GASB Statement #34 - Continued

Statements of Revenues, Expenses and Changes in Net Position – The Statements of Revenues, Expenses and Changes in Net Position report the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and includes the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the Department’s services; (2) operating grants and contributions which finance annual operating activities. These revenues are subject to externally imposed restrictions of these program uses. Other revenue sources and Ad Valorem taxes not properly included with program revenues are reported as general revenues.

General Fund – This fund type is used to account for all financial resources, except those required by law or administrative action, to be accounted for in another fund. The general fund is always reported as a major fund in the governmental fund statements.

Capital Projects Fund – This fund accounts for financial resources earmarked or segregated for the acquisition and construction of major capital facilities and other project-oriented activities.

2. Measurement Focus, Basis of Accounting and Financial Statement Presentation – The financial statements of the Department are prepared in accordance with generally accepted accounting principles (GAAP). The Department’s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The Government-Wide Statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental Fund Financial Statements use the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. *Measurable* defines the amount of the transactions and *available* means collectible within the current period or soon enough thereafter to pay current liabilities. The Department considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: intergovernmental revenues, patient services, investment income and Ad Valorem taxes.

Notes to Financial Statements

June 30, 2015 and 2014

Note B – Summary of Significant Accounting Policies - Continued

3. Assets, Liabilities and Net Position

Cash – State law requires that all cash belonging to the County be placed in the custody of the County Treasurer. A “pooled cash” concept is used in maintaining the cash and investment records. Under this concept, all cash is pooled together for investment purposes. Interest income is credited to the appropriate funds or departments.

Accounts Receivable – Accounts receivable include amounts due from patient fees incurred as of year-end, and amounts due from private insurance carriers and state insurance programs, (i.e., Medicaid and private carriers). These amounts are shown net of an allowance for uncollectible balances. Outstanding fees greater than 15 months are written-off.

Intergovernmental Receivables – Balance represents amounts earned but not received under federal and state grants.

Inventories – Inventories are stated at the lower of cost or market, determined by the first-in, first-out method of accounting. Inventories are comprised of vaccines, most of which are donated by the Oklahoma Department of Health. During 2015 and 2014, approximately \$1,969,000 and \$2,315,000, respectively, in vaccines were received from the State.

Capital Assets and Depreciation – The Department’s property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets in excess of \$500 are capitalized and depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives for depreciable assets are 40 – 50 years for buildings and leasehold improvements and 8 – 18 years for furniture, fixtures and equipment.

Deferred Revenue – The Department’s deferred revenue represents funds not used from donations and contracts from other organizations; and for the funds statements, revenue not collected within 60 days of year-end. The donations stipulate that funds are required to be returned if not expended for the designated purpose; therefore, revenue is earned upon use of funds for designated purposes.

Compensated Absences – It is the Department’s policy to permit employees to accumulate earned but unused Paid Time Off (PTO) benefits. All Regular Fulltime Employees are eligible to accrue PTO. Regular Part-time employees who work at least 20 hours per week are eligible to accrue at a pro-rated leave time. PTO may be used for vacation, personal illness, funeral attendance, emergencies, or other personal business. PTO is accrued each pay period and can be accrued up to a maximum of 320 hours. TCCHD employees who terminate their employment under satisfactory conditions will be paid for accrued PTO. The maximum amount of PTO hours that can be paid is capped at 320 hours. PTO accrued

Notes to Financial Statements

June 30, 2015 and 2014

Note B – Summary of Significant Accounting Policies - Continued

3. Assets, Liabilities and Net Position - Continued

beyond the maximum allowable limit will be deposited into an extended sick leave (ESL) account. ESL commences on the third consecutive day absent for a personal illness. Employees may use their ESL for illnesses of immediate family members as defined in Section 321 FMLA. Time deposited in the extended sick leave (ESL) account may not be transferred back to the accrued PTO account, and is not paid to an employee upon separation for any reason, including retirement, therefore no accrual has been recorded. The governmental fund financial statements record expenditures when employees are paid for PTO. The government-wide financial statements present the cost of PTO as a liability. The Department's compensated absence for the years ended June 30, 2015 and 2014 was \$1,307,790 and \$1,340,509, respectively. The current portion of the compensated absences is \$181,287 as of June 30, 2015.

Net Position – The government-wide financial statements utilize a net position presentation that is categorized as investment in capital assets, restricted and unrestricted. Net investment in capital assets was intended to reflect the portion of net position which are associated with non-liquid capital assets less outstanding capital asset related debt. Restricted net position is held for capital outlay. Unrestricted net position represents unrestricted liquid assets.

When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted assets first, then unrestricted resources as they are needed.

4. Revenues, Expenses and Expenditures

Property Tax Revenue – The Department receives an apportionment of Ad Valorem tax collected by the County, which acts as a collecting agent for many other governmental entities. The County is responsible for assessing, billing, collecting and distributing the Ad Valorem tax to the Department. In fiscal years 2015 and 2014, the County levied 2.5 mills of protested taxes for the Department's operations. Tax collections are recorded as revenue in the year received. In addition, the Department may also receive miscellaneous revenues collected by the County.

Grant Revenue – Revenues from State and Federal grants are recognized when expenditures are made.

5. Reclassifications

Certain prior year amounts have been reclassified to conform to current classifications.

6. Subsequent Events

The Department has evaluated subsequent events through November 20, 2015, the date the financial statements were issued.

Notes to Financial Statements

June 30, 2015 and 2014

Note C – Stewardship, Compliance and Accountability

Under Oklahoma law, the Department may not obligate funds for periods extending beyond the current fiscal year, except for the issuance of general obligation bonds. All lease and lease-purchase agreements, *whether or not they are capitalized, must be re-approved at the beginning of each fiscal year. Federal and State grant revenues and expenditures are accounted for in accordance with applicable contract provisions.*

Budget Law and Practice – Guidelines for the County Budget Act are documented in Title 19, Section 1410 of the Oklahoma Statutes. At least thirty (30) days prior to the beginning of each fiscal year, the County Budget Board shall complete a budget for each fund, including the TCCHD, of the county for which a budget is required. Each budget shall provide a complete financial plan for the budget year. The budget format shall be as prescribed by the State Auditor and Inspector. The format shall contain at least the following in tabular form for each fund, itemized by department and account within each fund:

1. Actual revenues and expenditures for the immediate prior fiscal year;
2. Estimated actual revenues and expenditures for the current fiscal year; and
3. Estimated revenues and proposed expenditures for the budget year.

The Budget Board of Tulsa County complies with the purpose of the Budget Act, which is to:

1. Establish uniform and sound fiscal procedures for the preparation, adoption, execution and control of budgets;
2. *Enable counties to make financial plans for both current and capital expenditures and to ensure that their executive staffs administer their respective functions in accordance with adopted budget;*
3. *Make available to public and investors sufficient information as to the financial conditions, requirements and expectations of the county government;*
4. Assist county governments to improve and implement generally accepted accounting principles as applied to governmental accounting, auditing and financial reporting and standards of governmental finance management.

The legal level of control is that expenditures budgeted in each fund may not exceed the budgeted revenues, including fund balance, for the fund. Once approved, the County Budget Board may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Budgets are submitted annually in accordance with the budget act. The budgets are prepared on the cash and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected, and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. The budget and actual financial statements are reported on this basis. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end. Budgets are adopted

Notes to Financial Statements

June 30, 2015 and 2014

Note C – Stewardship, Compliance and Accountability - Continued

on a basis consistent with State legal requirements. A reconciliation from the budgetary basis to generally accepted accounting principles is presented in the Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual.

Budgetary Control – TCCHD’s appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and character (health and welfare and capital outlay) that constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to authorization by the Department Head and approval by the Budget Board. All budget revisions are subject to final review by the County Budget Board. No budget revisions were made during the year ended June 30, 2015.

Encumbrances – Encumbrances represent commitments related to unperformed contracts for goods or services. Under the governmental reporting model, encumbrances include purchase orders, contracts and other commitments for expenditure of resources. The encumbrance reserves the applicable appropriated revenue source. Encumbrances outstanding at year-end are reported as part of unassigned fund balance in the general fund balance in the amount of \$1,327,268 and \$693,019 at June 30, 2015 and 2014, respectively, and do not constitute expenditures or liabilities because the commitment will be honored during the subsequent year.

Budget Variance – Budget variance is the difference between the revised appropriation and the actual amount received or expended and encumbered during the current year.

Note D – Fund Equity

Beginning with fiscal year 2010, the Department implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Non-spendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact (such as inventory).

Restricted – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed – Amounts constrained to specific purposes by the Department itself, using its highest level of decision-making authority (i.e., Board of Health). To be reported as committed, amounts cannot be used for any other purpose unless the Department takes the same highest level action to remove or change the constraint.

Assigned – Amounts that are designated by the Department for a specific purpose but are not spendable until a budget ordinance is passed by the Board of Health.

Notes to Financial Statements

June 30, 2015 and 2014

Note D – Fund Equity - Continued

Unassigned – All amounts not included in other spendable classifications. Positive amounts are reported only in the general fund.

The General Fund has an Unassigned Fund Balance of \$11,026,393 at June 30, 2015. The Unassigned Fund Balance includes \$221,113 designated for capital improvements and \$150,069 for self-insurance. Inventory of \$888,151 is considered Non-spendable Fund Balance.

The Capital Projects Fund has Restricted Funds of \$58,729 at June 30, 2015, which are restricted to capital outlays.

Note E – Cash

All cash is maintained by the treasurer of Tulsa County and is subject to the depository collateral risk of all the pooled funds of Tulsa County.

Note F – Accounts Receivable

Accounts receivable is comprised of the following at June 30:

	2015	2014
Private pay	\$ 246,945	\$ 215,359
Less: allowance for doubtful accounts	(57,265)	(68,910)
Fund statement	189,680	146,449
Accounts receivable collected greater than 60 days after year-end	4,740	86,065
Government wide statement	\$ 194,420	\$ 232,514

Notes to Financial Statements

June 30, 2015 and 2014

Note G – Capital Assets

Capital asset activity for the years ended June 30, 2015 and 2014 is as follows:

	Balance June 30, 2014	Acquisitions	Sales or Disposals	Balance June 30, 2015
Primary government				
Governmental activities				
Capital assets, not depreciated				
Land and improvements	\$ 1,844,939	\$ -	\$ -	\$ 1,844,939
Total capital assets, not depreciated	1,844,939	-	-	1,844,939
Capital assets, depreciated				
Building	15,516,082	36,569	-	15,552,651
Furniture, fixtures and equipment	4,160,269	328,417	(514,484)	3,974,202
Infrastructure	329,138	2,375	-	331,513
Total capital assets, depreciated	20,005,489	367,361	(514,484)	19,858,366
Capital assets	21,850,428	367,361	(514,484)	21,703,305
Accumulated depreciation				
Building	3,806,192	352,594	-	4,158,786
Furniture, fixtures and equipment	2,376,985	278,260	(514,484)	2,140,761
Infrastructure	26,387	12,266	-	38,653
Total accumulated depreciation	6,209,564	643,120	(514,484)	6,338,200
Depreciable assets, net	13,795,925	(275,759)	-	13,520,166
Governmental capital assets, net	\$ 15,640,864	\$ (275,759)	\$ -	\$ 15,365,105

Depreciation expense of \$643,121 was charged to general government for the year ended June 30, 2015.

Notes to Financial Statements

June 30, 2015 and 2014

Note G – Capital Assets - Continued

	Balance June 30, 2013	Acquisitions	Sales or Disposals	Balance June 30, 2014
Primary government				
Governmental activities				
Capital assets, not depreciated				
Land and improvements	\$ 1,844,939	\$ -	\$ -	\$ 1,844,939
Total capital assets, not depreciated	1,844,939	-	-	1,844,939
Capital assets, depreciated				
Building	15,478,286	37,796	-	15,516,082
Furniture, fixtures and equipment	3,931,301	360,687	(131,719)	4,160,269
Infrastructure	131,148	197,990	-	329,138
Total capital assets, depreciated	19,540,735	596,473	(131,719)	20,005,489
Capital assets	21,385,674	596,473	(131,719)	21,850,428
Accumulated depreciation				
Building	3,454,136	352,056	-	3,806,192
Furniture, fixtures and equipment	2,170,895	330,967	(124,877)	2,376,985
Infrastructure	20,924	5,463	-	26,387
Total accumulated depreciation	5,645,955	688,486	(124,877)	6,209,564
Depreciable assets, net	13,894,780	(92,013)	(6,842)	13,795,925
Governmental capital assets, net	\$ 15,739,719	\$ (92,013)	\$ (6,842)	\$ 15,640,864

Depreciation expense of \$688,486 was charged to general government for the year ended June 30, 2014.

Note H – Capital Lease

On February 25, 2010, Tulsa County Industrial Authority (TCIA), a related party, issued \$11,350,000 of Health Facilities Revenue Bonds. Repayment of these bonds is secured by a capital lease with the Department. Under the terms of the lease, quarterly payments are made to the bond trustee for retirement of the applicable bonds and the related interest. The lease matures in January 2040 and is secured by certain property.

Prior to 2014, TCIA had considered the Health Facilities Revenue Bonds to be conduit debt. TCIA has determined the bonds are their debt and has recognized a lease receivable from the Department. The Department previously recognized the substance of the transaction and recorded the various components of the bonds. Since TCIA and the Department are part of the same reporting entity, the Department restated its 2013 financial statements to reflect the change made by TCIA.

Notes to Financial Statements

June 30, 2015 and 2014

Note H – Capital Lease - Continued

The Department leases certain land, buildings, improvements and equipment under an agreement classified as a capital lease. The cost of these assets represents approximately \$8,112,000 and accumulated amortization at June 30, 2015 and 2014 was approximately \$2,896,000 and \$2,736,000, respectively. Capital leases are capitalized using interest rates appropriate at the inception of the lease. Amortization of these assets is included in depreciation expense.

Minimum lease commitments under the capital lease are as follows:

Year ended June 30:	Principal	Interest	Total
2016	\$ 214,632	\$ 468,249	\$ 682,881
2017	225,786	457,715	683,501
2018	236,628	446,710	683,338
2019	249,670	435,115	684,785
2020	262,252	422,901	685,153
2021- 2025	1,520,194	1,908,998	3,429,192
2026 - 2030	1,924,059	1,500,510	3,424,569
2031 - 2035	2,445,491	981,324	3,426,815
2036 - 2040	2,756,827	324,922	3,081,749
	<u>\$ 9,835,539</u>	<u>\$ 6,946,444</u>	<u>\$ 16,781,983</u>

Changes in all types of long-term liabilities as reflected in the statements of net position are as follows:

	Balance 07/01/14	Additions	Deletions	Balance 06/30/15	Due Within One Year
Capital lease - Building	\$ 10,041,318	\$ -	\$ 205,779	\$ 9,835,539	\$ 214,632
Compensated absences	1,340,508	112,040	144,758	1,307,790	181,287
	<u>\$ 11,381,826</u>	<u>\$ 112,040</u>	<u>\$ 350,537</u>	<u>\$ 11,143,329</u>	<u>\$ 395,919</u>

Notes to Financial Statements

June 30, 2015 and 2014

Note I – Commitments and Contingencies

Operating Leases – The Department normally enters into leases for facility rental. Oklahoma law prohibits the Department from obligating funds for periods exceeding one year. The governing board on a yearly basis must approve all operating lease agreements. As a result, future payments for operating leases are not disclosed.

Federal and State Grants – 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 operating 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.

Litigation – The Department is routinely involved in various legal matters. Management is of the opinion that these matters will not have a material adverse impact on the Department’s financial statements.

Note J – Retirement/Benefit Plans

In June 2012, the Governmental Accounting Standards Board issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement was effective for fiscal years beginning after June 15, 2014. The Department is a component unit of Tulsa County; therefore, the Department had to adopt the statement for its June 30, 2015 year-end which is reported in Tulsa County’s June 30, 2015 financial statements. The adoption of the standard, as amended, added deferred outflows for pension payments from the measurement date of June 30, 2014 to the Department’s year-end of December 31, 2015; deferred inflows primarily related to delayed recognition of investment return; and the recognition of the Department’s share of net pension liabilities as of the measurement date. The net effect of these changes on beginning net position was a reduction of \$6,190,937. This change is comprised of the net pension liability of \$7,916,991 less deferred outflows of \$1,726,054.

The Department provides all full-time employees retirement benefits through participation in the Tulsa County Employees’ Retirement System (the System), a single-employer defined benefit contributory pension plan, which covers participants with retirement, death and disability benefits. A nine-member Board of Trustees administers the System. Benefit terms are established and can be amended by the System’s Board of Trustees. The System issues stand-alone financial statements, which can be obtained from Tulsa County at 500 South Denver, Tulsa, Oklahoma 74103.

The System and Tulsa County have a June 30th year-end. Tulsa County has elected to use the preceding year-end of the System as its measurement date; therefore, net pension liability and related deferred inflows are reported as of June 30, 2014. The System’s pension liability was based on an actuarial valuation as of June 30, 2014. Pension payments by the Department from the measurement date to June 30, 2015 are reported as deferred outflows.

Notes to Financial Statements

June 30, 2015 and 2014

Note J – Retirement/Benefit Plans - Continued

The changes in the Authority’s net pension liability consisted of:

Net pension liability at June 30, 2014	\$ 7,916,991
Pension expense	722,516
Contribution	(1,726,054)
Deferred inflows arising from:	
Difference in expected and actual return on investments	(3,312,708)
Change in assumptions	(426,445)
Deferred inflows	<u>(3,739,153)</u>
Net pension liability at June 30, 2015	<u><u>\$ 3,174,300</u></u>

Employer contribution between the measurement date of June 30th and the Department’s year-end are reported as deferred outflows. At June 30, 2015 and 2014, these payments amount to \$1,807,218 and \$1,726,054, respectively.

Plan Description and Provisions

Membership in the System is mandatory for all eligible employees. An employee becomes eligible on the first day of employment as a regular, full-time employee. Oklahoma Statutes include elected and appointed salaried County officials as employees for retirement system purposes. Seasonal, temporary, hourly, part-time or contracted workers are not considered to be eligible employees. Full-time employees of the Department, along with other employees of the County and certain related agencies, participate in this plan.

For the plan year ended June 30, 2015, the Department’s covered payroll was \$12,939,420 and total payroll for all covered employees of the plan amounts to \$72,406,610. The Department’s share (17.87%) of the net pension liability was determined based on this ratio. The Department’s total payroll was approximately \$14,000,000.

Normal Retirement Benefits

An employee becomes eligible to receive benefits at age 62 with 5 years of service or he/she attains the “Rule of 80” retirement, where his/her age in years and months added to his/her years and months of participation in the System equal the sum of 80 years or more.

Notes to Financial Statements

June 30, 2015 and 2014

Note J – Retirement/Benefit Plans - Continued

Normal Retirement Benefits – Continued

The monthly annuity payable to the employee is based on a percentage to be applied to the average compensation of the highest paid thirty-six (36) months of employment. The three highest years need not be contiguous, but each year must consist of twelve consecutive months. Benefits are calculated on the average base payroll earnings and do not include overtime, allowances, et cetera. The benefit percentages for years of credited service range from 10 at five years of credited service to 50 percent for twenty years of credited service. Beyond 20 years, there is a 1.5% increase in the percentage rate for each year of credited service, to a maximum of 100%.

Disability Benefits

Disability benefits are available to participants who have become permanently disabled as a direct result of the Department employment. The employee must have the required eight years participation in the retirement system to receive benefits. Medical proof of disability, as well as a written statement of condition and cause from the employee's supervisor must accompany applications for disability. The System's Board of Trustees may require additional medical proof and makes the final determination of eligibility. There are no age requirements.

The percentage and base salary used to calculate benefits for employees who qualify for disability retirement is the same as that used in calculating "regular" retirement benefits except that the maximum percentage that may be applied is 40% (for a disability retiree having 15 or more credited years of service) if vested as of June 30, 2010. For anyone vested after June 30, 2010 or hired after June 30, 2010, the maximum percentage is 40% (for a disability retiree having 18 years or more of credited years of service).

A review of all disability retirees is conducted by the System Board of Trustees each August, at which time disability retirees must submit medical proof that they remain disabled. This requirement for the annual disability review ends when the retiree reaches age 62.

Death Benefits

As of November 1, 2000, a surviving spouse is eligible to receive 70% of the retirement benefit of a vested, deceased employee who was retired, or who had reached the Rule of 80. If the vested employee had not reached the age of 62 or attained the Rule of 80, the surviving spouse can either start receiving full retirement benefits when their spouse would have reached the age of 62 or attained the Rule of 80, or start receiving retirement benefits at a reduced percentage calculated by an actuarial formula when their spouse would have reached the age of 55.

As of July 1, 2010, a surviving spouse of a member who was not vested as of June 30, 2010 or was hired after June 30, 2010 is eligible to receive 67% of the retirement benefit to which the employee/retiree was entitled.

Notes to Financial Statements

June 30, 2015 and 2014

Note J – Retirement/Benefit Plans - Continued*Reduced Benefits*

There is a reduced benefit available to employees who have attained age 55 with at least five years of credited service (the last two years must be consecutive), at an actuarially reduced percentage from the normal rate of age 62.

Contributions

In accordance with Title 19 OSA 953 of the Oklahoma Statutes, contribution rates as set by the Board are applied to all full-time base salaries and wages and the result contributions are credited to the pension fund on a monthly basis. As of July 1, 2013, the employer contribution rate was 14%, and the employee contribution rate was 1% of the base salary.

Beginning July 1, 2007, the total employer and employee contributions shall not exceed sixteen and one-half percent (16.5%) of the monthly compensation of each member. The appropriation for the fiscal year ending June 30, 2008 can be raised to thirteen and one-half percent (13.5%), for the fiscal year ending June 30, 2009 can be raised to fourteen and one-half percent (14.5%), for the fiscal year ending June 30, 2010 can be raised to fifteen and one-half percent (15.5%), and for the fiscal year ending June 30, 2011 and each year thereafter, can be raised to sixteen and one-half percent (16.5%), as permitted by Title 19 O.S. 2007, Section 954, as amended. Contributions during the fiscal year ended June 30, 2015 was \$1,726,054.

Actuarial Assumptions

Key assumptions used in the plans actuarial valuation were:

	June 30,	
	2013	2014
Discount rate	7.75%	7.75%
Long-term expected rate of return	7.75%	7.75%
Valuation date	July 1, 2013	July 1, 2014
Measurement date	June 30, 2013	June 30, 2014
Inflation	3.00%	2.50%
Salary increase including inflation	5% grade down to 3%	5% grade sown to 2.5%
Mortality	RP-2000 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with 5 years projection per Scale AA	RP-2000 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with 10 years projection per Scale AA for healthy participants
Actuarial cost method	Entry Age Normal	Entry Age Normal

Notes to Financial Statements

June 30, 2015 and 2014

Note J – Retirement/Benefit Plans - Continued

Actuarial Assumptions - Continued

The actuarial assumptions that determined the total pension liability as of June 30, 2014 were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The net pension liability of the Department is calculated using the discount rate of 7.75 percent. The Department’s net pension liability would increase to \$9,314,634 if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) and would decrease to \$(1,985,379) if the rate were increased 1-percentage-point higher (8.75 percent) than the current rate.

Pension Plan Fiduciary Net Position

The pension plan’s fiduciary net position has been determined on the same basis used by the pension plan. Detailed information about the pension plan’s fiduciary net position and other information is available in the separately issued, stand-alone financial report of the System.

Asset Allocation

The Board has adopted the following Asset Allocation for 2015 and 2014 among stocks, bonds, and cash to serve as a general guideline in investing the Plan’s assets:

	Minimum	Target	Maximum	Long-term Rate of Return
Domestic Equity	19.25%	29.25%	39.25%	
Core Equity	0.00%	9.25%	19.25%	9.00%
Small/Mid Capitalization	10.00%	20.00%	30.00%	12.50%
Energy Infrastructures (MLPs)	0.00%	8.00%	18.00%	11.50%
International Equity	0.00%	9.25%	19.25%	11.00%
Bonds (maturity greater than 1 year)	43.50%	53.50%	63.50%	3.75 - 8.5 %
Cash (maturity less than 1 year)	0.00%	0.00%	5.00%	
Arithmetic mean return				7.82%
Long-term expected rate of Return				7.75%

Notes to Financial Statements

June 30, 2015 and 2014

Note J – Retirement/Benefit Plans - Continued

Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the System are prepared using the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America. At June 30, 2014, the System adopted the provisions of Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*.

The System is considered a Pension Trust Fund (Fiduciary Fund) in Tulsa County’s Financial Report. Copies of Tulsa County Employee’s Retirement System’s Comprehensive Annual Financial Report are available from the County Clerk’s office or at www.tulsacounty.org.

Deferred outflows and inflows will be amortized to net pension expense (income) in future years as follows:

	Deferred Outflow - Contributions	Deferred Inflows	
		Investment Return	Change in Assumptions
Planning year June 30:			
2015	\$ 1,807,218	\$ (662,542)	\$ (71,074)
2016	-	(662,542)	(71,074)
2017	-	(662,542)	(71,074)
2018	-	(662,542)	(71,074)
2019	-	(662,540)	(71,074)
2020	-	-	(71,075)
	<u>\$ 1,807,218</u>	<u>\$ (3,312,708)</u>	<u>\$ (426,445)</u>

Note K – Related Party Transactions

There were no related party transactions during the fiscal years ended June 30, 2015 and 2014.

Notes to Financial Statements

June 30, 2015 and 2014

Note L – Recent Accounting Pronouncements

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which improves accounting and financial reporting of public employee pensions by state and local governments. The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2015. However, early application is encouraged. The Department is currently evaluating the effects that Statement No. 73 will have on their financial statements.

Required Supplemental Information

Tulsa City-County Health Department

**Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance -
Budget and Actual (Non-GAAP Budgetary Basis)**

Year Ended June 30, 2015

	Original Budget	Total Actual	Variance
Revenues			
Ad Valorem taxes	\$ 13,314,000	\$ 13,336,354	\$ 22,354
Licenses and permits	731,400	825,734	94,334
Intergovernmental revenue	11,692,457	10,941,171	(751,286)
Charge for services (fees)	1,888,940	1,983,127	94,187
Miscellaneous	658,987	967,570	308,583
Total revenues	<u>28,285,784</u>	<u>28,053,956</u>	<u>(231,828)</u>
Expenditures and Encumbrances			
Health and welfare:			
Salaries and wages	14,757,285	13,923,335	(833,950)
Employee benefits	5,969,115	5,793,414	(175,701)
Travel	819,843	493,556	(326,287)
Operating expenses	4,951,056	4,368,332	(582,724)
Other charges	785,509	748,124	(37,385)
Capital outlay	290,738	313,862	23,124
Total expenditures and encumbrances	<u>27,573,546</u>	<u>25,640,623</u>	<u>(1,932,923)</u>
Excess of revenues over expenditures and encumbrances	712,238	2,413,333	1,701,095
Excess of revenues over expenditures, encumbrances and other uses	<u>\$ 712,238</u>	2,413,333	<u>\$ 1,701,095</u>
Fund balance, beginning (Non-GAAP budgetary basis)		<u>10,339,023</u>	
Fund balance, ending (Non-GAAP budgetary basis)		12,752,356	
Adjustments to Generally Accepted Accounting Principles			
Revenue and expense accruals		(761,207)	
Net adjustments to restate beginning of year balances		<u>(76,605)</u>	
Fund balance, ending (GAAP basis)		<u>\$ 11,914,544</u>	

Tulsa City-County Health Department

Schedule of Proportionate Share of the Net Pension Liability - last 10 fiscal years*

As of Plan Year-end of June 30,

	<u>2015</u>
Department's proportion of the net pension liability	17.87%
Department's proportionate share of the net pension liability	\$ 3,174,300
Department's covered-employee payroll	\$ 12,939,420
Department's proportionate share of the net pension liability as a percentage of its covered-employee payroll	24.53%
Plan fiduciary net position as a percentage of the total pension liability	94.00%

* Note - Only the current fiscal year is presented because 10-year data is not available.

Tulsa City-County Health Department

Schedule of Contributions - last 10 fiscal years*

June 30,

	<u>2015</u>
Contractually required contribution	\$ 1,811,519
Contribution in relation to contractually required contribution	\$ 1,726,054
Contribution deficiency (excess)	\$ 85,465
Department's covered-employee payroll	\$ 12,909,902
Contributions as a percentage of covered-employee payroll	14%

* Note - Only the current fiscal year is presented because 10-year data is not available.



**Independent Auditor's 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***

The Board of Health
Tulsa City-County Health Department

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 governmental activities and each major fund of the Tulsa City-County Health Department (the Department), a component unit of Tulsa County, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated November 20, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department'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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department'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.

Tulsa, Oklahoma
November 20, 2015

Stanfield & O'Dell P.C.



**Independent Auditor’s Report on Compliance
with Requirements Applicable to Each Major Program
and on Internal Control over Compliance in
Accordance with OMB Circular A-133**

The Board of Health
Tulsa City-County Health Department

Report on Compliance for Each Major Federal Program

We have audited the Tulsa City-County Health Department’s (the Department), a component unit of Tulsa County, compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Department’s major federal programs for the year ended June 30, 2015. 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.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Department’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Department’s compliance.

Opinion on Each Major Federal Program

In our opinion, the Department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Department's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Tulsa, Oklahoma
February 11, 2016

Stanfield & O'Dell P.C.

Tulsa City-County Health Department

Schedule of Expenditures and Federal Awards

For the Year Ended June 30, 2015

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Healthy Start Initiatives Grant	93.926	6 H49MC00087-13-04 2 H49MC00087-14-00 6 H49MC00087-15-01	\$ 691,513
<i>Passed through the Oklahoma Department of Mental Health and Substance Abuse:</i>			
Resource Prevention Coordinator Alcohol & Substance Abuse	93.959		310,752
SPF State Incentive Alcohol & Substance Abuse	93.243		120,718
<i>Passed through the Oklahoma State Department of Health:</i>			
Family Planning Services	93.217		710,936
Public Health Emergency Preparedness	93.074		1,003,212
Maternal and Child Health Services Block Grant to States	93.994		630,422
Medical Assistance Program	93.778		410,780
Immunization Grants	93.268		360,115
Teen Pregnancy Prevention	93.092		338,348
Community Based Child Abuse Prevention Grant	93.590		335,397
Prevention and Public Health Fund Affordable Care Act - Immunization Program	93.539		73,153
Affordable Care Act - Maternal, Infant, and Early Childhood Home Visiting Program Formula, Expansion, and Development Grants to States	93.505		324,754
Total U.S. Department of Health and Human Services			5,310,100
U.S. Department of Agriculture			
<i>Passed through the Oklahoma State Department of Health:</i>			
Special Supplemental Nutrition Program of Women, Infants and Children	10.557		1,984,087
Total Federal Awards Expended			\$ 7,294,187

See Notes to Schedule of Expenditures of Federal Awards.

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

Note A – Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Tulsa City-County Health Department (the Department) and is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards has been prepared on the basis of accounting as defined by OMB Circular A-133. Under this basis, expenditures are recognized when the activity related to the award occurs.

Note B – Risk-Based Audit Approach

The dollar threshold to distinguish between Type A and Type B programs is \$300,000. The Department qualifies as a low-risk auditee.

Note C – Subrecipients

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Healthy Start Initiatives	93.926	\$262,554

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified	___ Yes	<u> X </u> No
Significant deficiency(s) identified that are not considered to be material weaknesses?	___ Yes	<u> X </u> None reported
Noncompliance material to financial statements noted?	___ Yes	<u> X </u> No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	___ Yes	<u> X </u> None reported
Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ Yes	<u> X </u> No
Type of auditors' 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?	___ Yes	<u> X </u> No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.092	Teen Pregnancy Prevention
93.926	Healthy Start Initiatives Grant
93.778	Medical Assistance Program
93.994	Maternal and Child Health Services Block Grant to States
93.959	Resource Prevention Coordinator Alcohol & Substance Abuse
93.590	Community Based Child Abuse Prevention Grant

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
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Auditee qualified as low-risk auditee	Yes
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Section II - Financial Statement Findings - None

Section III - Federal Awards Findings - None

Tulsa City-County Health Department

Summary Schedule of Prior Year Audit Findings

For the Year Ended June 30, 2014

Section II--Findings Required to be Reported in Accordance with *Government Auditing Standards*:

None to report for the June 30, 2014 period.

Section III--Finding Required to be Reported in Accordance with OMB Circular A-133:

None to report for the June 30, 2014 period.