Tulsa City-County Health Department

Financial Statements and
Independent Auditor's Report

June 30, 2018 and 2017

Stanfield + O'Dell
CPAs & ADVISORS

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Independent Auditor's Report

To the Board of Health
Tulsa City-County Health Department

Report on the Financial Statements

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, 2018 and 2017, 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, 2018 and 2017, 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

As discussed in Note K to the financial statements, the Authority adopted the provisions of Governmental accounting Standards Board Statement No. 75 "Accounting and Reporting for Post Employment Benefits Other Than Pensions." Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 10, budgetary comparison information on page 40, the schedules of proportionate share of the net pension liability and OPEB liability, and schedules of contributions on pages 41 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018 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.

Stanfield + O'Dell, P.C.

Tulsa, Oklahoma
October 31, 2018

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, 2018. 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 governmental-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, 2018, 2017 and 2016. 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 $41,443,806, $41,375,484, and $36,741,398 for the years ended June 30, 2018, 2017 and 2016, respectively. Of that total, $14,048,914, $14,514,953, and $14,983,568, respectively, or approximately 33.9 percent, 35.1 percent, and 40.8 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 30.1 percent, 32.1 percent, and 35.8 percent, respectively, of net position, while 69.9 percent, 67.9 percent, and 64.0 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

	6/30/18	6/30/17	6/30/16
Cash	$ 16,863,085	$ 13,663,673	$ 11,049,549
Other current assets	3,913,670	4,442,925	4,880,510
Capital assets - net	14,048,914	14,514,953	14,983,568
Other non-current assets	4,780	6,993	35,839
Deferred outflows of resources	6,613,357	8,746,940	5,791,932
Total assets and deferred outflows of resources	41,443,806	41,375,484	36,741,398
Current liabilities	990,790	567,955	670,915
Current portion - non-current liabilities	422,130	411,138	399,786
Compensated absences - long-term portion	1,137,839	1,114,437	1,150,853
Capital lease - long-term portion	8,908,822	9,158,492	9,395,120
Net pension liability	12,184,368	13,398,702	6,990,594
Other post retirement benefits liability	878,582	-	-
Deferred inflows of resources	675,846	667,021	3,155,936
Total liabilities	25,198,377	25,317,745	21,763,204
Total net position	$ 16,245,429	$ 16,057,739	$ 14,978,194

Statement of Revenues, Expenses and Changes in Net Position

The Department reported total revenue of $30,830,310, which represents a 0.4 and 1.6 percent increase over fiscal year 2017 and 2016, respectively. There were no significant changes in revenue categories between 2018 and 2017. There were slight decreases in intergovernmental revenue and other revenue and increases in Ad Valorem tax revenue and contributions between 2018 and 2017. It is important to note that intergovernmental revenue can only be billed after the expenditures have been incurred and paid. The $29,782,929 expenditures reported in 2018 were $164,821 more than fiscal year 2017 and expenditures for 2017 were $1,357,035 more than fiscal year 2016.

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 $18,373,839, which was $2,324,731 and $5,938,507 more than fiscal year 2017 and 2016, respectively. 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 $4,780 at the end of fiscal year June 30, 2018 to be used toward the capital lease liability.

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

	2018	2017	2016
Intergovernmental revenue	$ 11,730,397	$ 12,497,266	$ 12,513,832
Ad Valorem taxes	14,985,646	14,460,484	13,988,269
Contributions and donations	929,727	501,158	632,701
Other revenues	3,184,540	3,238,745	3,200,984
Total revenues	30,830,310	30,697,653	30,335,786
General government expenditures	28,715,119	28,260,880	26,911,321
Other expenditures	1,067,810	1,357,228	1,349,752
Total expenditures	29,782,929	29,618,108	28,261,073
Increase in net position	1,047,381	1,079,545	2,074,713
Net position - beginning of year	15,198,048	14,978,194	12,903,481
Net position - end of year	$ 16,245,429	$ 16,057,739	$ 14,978,194

Health Levy Fund Budgetary Highlights

There were no revisions to the original fiscal year 2017-2018 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 2018 and 2017, the tax levy fund increased 3.6 percent in comparison to the 3.3 percent for fiscal years 2017 and 2016.

Capital Assets

As of June 30, 2018, the Department's net investment in capital assets for its governmental activities was $4,890,421. This investment in capital assets includes infrastructure, land and improvements, buildings, furniture, fixtures, and equipment. This represents a net decrease of $229,412 or 4.5 percent less than the preceding year. Depreciation was the primary reason for the decrease. Fund financial statements record capital asset purchases as expenditures.

Long-Term Debt

At June 30, 2018, the Department had total liabilities of $25,198,377 with $10,046,661 of it being long-term debt, compared to the long-term debt of $10,272,929 in the prior fiscal year. The change resulted primarily from a $249,670 decrease in the capital leases payable.

Pension

At 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.

Please refer to Note J – Retirement/Benefit Plans in the Notes to 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 maintain and improve health and well-being of all 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; neighborhood nuisances prevention and reduction, subpar housing inspections, and tuberculosis testing. We are working closely with community stakeholders and partners and continue to position THD as a Community Health Strategist. This role builds upon our historical niche in the county's health improvement plans and our evolvement as an organization and frankly is a critical evolution necessary to be a high achieving health department in the future.

We are working to refine, define and implement programs that are successful and other skills, strategies and programs essential for protecting and improving the health of our county. Occupations within our Department include administrators, nurses, physicians, environmental health specialists, nutritionists, health educators, epidemiologists, accountants, administrative assistants, clerks, and emergency preparedness responders.

Federal, State, and Local resources as is the same for many similar governmental agencies based on their tax revenue source can be up and down which ironically results in an increased demand for our Department's services. Our community continues to become more diverse and grow as new immigrant populations continue to move and make their homes in Tulsa County. This could mean many things for the Department as we evolve and press for change to also integrate response(s) to social determinant factors that impact community health status into community improvement plans. This might mean we will be more likely to design policies than provide direct services; will be more likely to convene coalitions than work in isolation; and be more likely to access and have real-time data than await the next annual survey. This is a way of moving forward to serve more effectively and efficiently.

We are aware of the need to stay fluid, flexible and dynamic to address challenges that impact our Department's ability to serve our constituents. Saying that we must constantly monitor the environment and be aware of what issues could result in an impact to our budgets. Our local public health system is under severe and increasing pressure as the 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.

In 2018 as in previous years politics will continue to impact our ability to serve the community. We will not know the status of the Affordable Care Act (ACA) in the time ahead. Congress and the President have previously attempted to repeal and replace the ACA. Though unsuccessful they continue to try and weaken the ACA in such a manner that some people currently enrolled in the ACA will no longer have health insurance which will add extra burden to Tulsa's safety net system. The State Department of Health lost all their senior leadership in late 2017 and has since discovered they did not have a revenue failure but they do have antiquated financial systems that prevent them from forecasting and trending their budgets so at this time we do not know how issues the state has in managing their budgets will affect The Department going forward. We also have have no idea at this time how the actions of this legislature will impact The Department but if funding is reduced at either the State or Federal levels of government, 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. The legislature has resisted attempts to pass new revenue measures so they will continue cutting State agencies that fund some of our programs and services. If they continue to do that, some state agencies will almost be rendered irrelevant and additional pressure will be added to local service systems to support more of those populations in need with less resources.

As stated previously, there is great uncertainty as to what will happen with the ACA but it's probably safe to assume Oklahoma will not be expanding Medicaid or providing services similar to what expanding Medicaid might bring. It is very difficult to debate this issue but increasing access to health care and also improving community infrastructure to enable citizens to make healthy decisions results in positive economic impact although those savings are not immediately realized. Ultimately, the financial impacts of the Medicaid expansion, including its projected impact on health status and work force factors might never be realized in our county. As with most state or federal decisions, the impact of that action, or inaction, 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	
	2018	2017
Assets and Deferred Outflows		
Current assets		
Cash	$ 16,863,085	$ 13,663,673
Accounts receivable - net	132,947	226,637
Intergovernmental receivable	1,939,711	2,188,214
Ad Valorem taxes receivable	723,716	763,028
Inventory	1,117,296	1,265,046
Total current assets	20,776,755	18,106,598
Non-current assets		
Restricted cash	4,780	6,993
Capital assets - net	12,203,975	12,670,014
Non-depreciable capital assets	1,844,939	1,844,939
	14,053,694	14,521,946
Deferred outflows of resources		
Pension	6,572,451	8,746,940
Other post retirement benefits	40,906	-
Total assets	$ 41,443,806	$ 41,375,484
Liabilities, Deferred Inflows, and Net Position		
Current liabilities		
Accounts payable	$ 786,795	$ 515,229
Accrued liabilities	25,449	22,766
Deferred revenue	100,386	-
Payable to Tulsa County	78,160	29,960
Current portion - non-current liabilities	422,130	411,138
Total current liabilities	1,412,920	979,093
Non-current liabilities		
Compensated absences, less current portion	1,137,839	1,114,437
Capital lease, less current portion	8,908,822	9,158,492
Net pension liability	12,184,368	13,398,702
Other post retirement benefits liability	878,582	-
Total non-current liabilities	23,109,611	23,671,631
Deferred inflows of resources		
Pension	607,190	667,021
Other post retirement benefits	68,656	-
Total liabilities	25,198,377	25,317,745
Net position		
Net investment in capital assets	4,890,421	5,119,833
Restricted	4,780	6,993
Unrestricted	11,350,228	10,930,913
	16,245,429	16,057,739
Total liabilities and net position	$ 41,443,806	$ 41,375,484

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, 2018

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue
Functions/Programs - Primary government				
General government	$ 28,715,119	$ 2,813,623	$ 12,660,124	$ (13,241,372)
Depreciation and amortization	621,100	-	-	(621,100)
Interest on long-term debt	446,710	-	-	(446,710)
Total governmental activities	$ 29,782,929	$ 2,813,623	$ 12,660,124	(14,309,182)
General revenues:				
Ad Valorem taxes				14,985,646
Interest earnings				139,127
Miscellaneous				231,790
Change in net position				1,047,381
Net Position				
Beginning of year, as restated in Note K				15,198,048
End of year				$ 16,245,429

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, 2017

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue
Functions/Programs - Primary government				
General government	$ 28,537,441	$ 2,864,591	$ 12,998,424	$ (12,674,426)
Depreciation and amortization	622,952	-	-	(622,952)
Interest on long-term debt	457,715	-	-	(457,715)
Total governmental activities	$ 29,618,108	$ 2,864,591	$ 12,998,424	(13,755,093)
General revenues:				
Ad Valorem taxes				14,460,484
Interest earnings				40,408
Miscellaneous				333,746
Change in net position				1,079,545
Net position				
Beginning of year				14,978,194
End of year				$ 16,057,739

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

Tulsa City-County Health Department

Balance Sheet- Governmental Funds

June 30, 2018

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash	$ 16,863,085	$ -	$ 16,863,085
Accounts receivable - net	132,947	-	132,947
Intergovernmental receivables	1,939,711	-	1,939,711
Ad Valorem taxes receivable	130,341	-	130,341
Inventory	1,117,296	-	1,117,296
Restricted cash	-	4,780	4,780
Total assets	$ 20,183,380	$ 4,780	$ 20,188,160
Liabilities and Fund Balance			
Accounts payable	$ 586,784	$ -	$ 586,784
Accrued liabilities	25,452	-	25,452
Deferred revenue	1,119,145	-	1,119,145
Payable to Tulsa County	78,160	-	78,160
Total liabilities	1,809,541	-	1,809,541
Fund balance			
Non-spendable	1,117,296	-	1,117,296
Restricted	-	4,780	4,780
Unassigned	17,256,543	-	17,256,543
Total fund balance	18,373,839	4,780	18,378,619
Total liabilities and fund balance	$ 20,183,380	$ 4,780	$ 20,188,160

Reconciliation

Total fund balance - governmental fund	$ 18,378,619
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.	593,375
Capital assets used in governmental activities are not financial resources and are not reported in the fund.	14,048,914
Deferred outflows are not financial resources and are not reported in the fund.	6,613,357
Accrued liabilities paid after 60 days past year-end.	(200,010)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund.	(9,450,030)
Net pension liability is not due and payable in the current period and, therefore, is not reported in the fund.	(13,062,950)
Deferred inflows are not financial resources and are not reported in the fund.	(675,846)
Net position of governmental activities	$ 16,245,429

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

Tulsa City-County Health Department

Balance Sheet - Governmental Funds

June 30, 2017

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash	$ 13,663,673	$ -	$ 13,663,673
Accounts receivable - net	226,637	-	226,637
Intergovernmental receivables	2,188,214	-	2,188,214
Ad Valorem taxes receivable	126,404	-	126,404
Inventory	1,265,046	-	1,265,046
Restricted cash	-	6,993	6,993
Total assets	$ 17,469,974	$ 6,993	$ 17,476,967
Liabilities and Fund Balance			
Accounts payable	$ 515,230	$ -	$ 515,230
Accrued liabilities	22,766	-	22,766
Deferred revenue	852,909	-	852,909
Payable to Tulsa County	29,960	-	29,960
Total liabilities	1,420,865	-	1,420,865
Fund balance			
Non-spendable	1,265,046	-	1,265,046
Restricted	-	6,993	6,993
Unassigned	14,784,063	-	14,784,063
Total fund balance	16,049,109	6,993	16,056,102
Total liabilities and fund balance	$ 17,469,974	$ 6,993	$ 17,476,967

Reconciliation

Total fund balance - governmental fund	$ 16,056,102
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.	636,624
Capital assets used in governmental activities are not financial resources and are not reported in the fund.	14,514,953
Deferred outflows are not financial resources and are not reported in the fund.	8,746,940
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund.	(9,831,157)
Net pension liability is not due and payable in the current period and, therefore, is not reported in the fund.	(13,398,702)
Deferred inflows are not financial resources and are not reported in the fund.	(667,021)
Net position of governmental activities	$ 16,057,739

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, 2018

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Ad Valorem taxes	$ 15,028,896	$ -	$ 15,028,896
Licenses and permits	963,661	-	963,661
Intergovernmental revenue	11,597,052	-	11,597,052
Charge for services (fees)	1,849,707	-	1,849,707
Contributions and donations	867,412	992	868,404
Miscellaneous	396,926	4,833	401,759
Total revenue	30,703,654	5,825	30,709,479
Expenditures:			
Health and welfare:			
Salaries and wages	14,460,571	-	14,460,571
Employee benefits	6,186,927	-	6,186,927
Travel	460,699	-	460,699
Operating expenses	6,116,346	6,904	6,123,250
Other charges	406,667	-	406,667
Capital outlay:	65,511	-	65,511
Debt service:			
Principal	-	236,627	236,627
Interest	-	446,710	446,710
Total expenditures	27,696,721	690,241	28,386,962
Excess of revenues over expenditures	3,006,933	(684,416)	2,322,517
Other financing sources (uses):			
Transfers in (out)	(682,203)	682,203	-
Excess of revenues over expenditures and other financing sources	2,324,730	(2,213)	2,322,517
Fund balance at June 30, 2017	16,049,109	6,993	16,056,102
Fund balance at June 30, 2018	$ 18,373,839	$ 4,780	$ 18,378,619

Net change in fund balances - total government funds	$ 2,322,517
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.	(43,250)
Grant revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	133,345
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 2016.	(555,589)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	236,627
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.	(1,046,269)
Changes in net position of governmental activities	$ 1,047,381

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, 2017

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Ad Valorem taxes	$ 14,398,395	$ -	$ 14,398,395
Licenses and permits	945,637	-	945,637
Intergovernmental revenue	13,924,763	-	13,924,763
Charge for services (fees)	1,918,684	-	1,918,684
Contributions and donations	501,158	-	501,158
Miscellaneous	339,377	-	339,377
Total revenue	32,028,014	-	32,028,014
Expenditures:			
Health and welfare:			
Salaries and wages	14,346,245	-	14,346,245
Employee benefits	6,211,463	-	6,211,463
Travel	460,036	-	460,036
Operating expenses	6,081,091	9,504	6,090,595
Other charges	214,484	-	214,484
Capital outlay:	436,759	-	436,759
Debt service:			
Principal	-	225,787	225,787
Interest	-	457,715	457,715
Total expenditures	27,750,078	693,006	28,443,084
Excess of revenues over expenditures	4,277,936	(693,006)	3,584,930
Other financing sources (uses):			
Transfers in (out)	(664,160)	664,160	-
Excess of revenues over expenditures and other financing sources	3,613,776	(28,846)	3,584,930
Fund balance at June 30, 2016	12,435,333	35,839	12,471,172
Fund balance at June 30, 2017	$ 16,049,109	$ 6,993	$ 16,056,102

Net change in fund balances - total government funds	$ 3,584,930
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.	62,088
Grant revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(1,427,497)
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 2016.	(462,755)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	225,787
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.	(903,008)
Changes in net position of governmental activities	$ 1,079,545

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

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.

Note B – Summary of Significant Accounting Policies - Continued

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

Net Position is displayed in three components – net investment in capital assets, unrestricted and restricted.

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.

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 2018 and 2017, approximately $1,304,453 and $2,037,000, 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.

Note B – Summary of Significant Accounting Policies - Continued

3. *Assets, Liabilities and Net Position - Continued*

PTO accrued 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, 2018 and 2017 was $1,310,299 and $1,288,948, respectively. The current portion of the compensated absences is $172,460 as of June 30, 2018.

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 is 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 2018 and 2017, 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. *Subsequent Events*

The Department has evaluated subsequent events through October 31, 2018, the date the financial statements were available to be issued.

6. *Reclassification*

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

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.

Note C – Stewardship, Compliance and Accountability - Continued

Budgets are adopted 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, 2018.

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 $1,087,694 and $774,412 at June 30, 2018 and 2017, 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.

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 $17,256,543 at June 30, 2018. The Unassigned Fund Balance includes $1,014,791 designated for capital improvements, $500,000 for emergency events and $150,069 for self-insurance. Inventory of $1,117,296 is considered Non-spendable Fund Balance.

The Capital Projects Fund has Restricted Funds of $4,780 at June 30, 2018, which are restricted to capital outlays.

Note E – Cash

General Fund 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. Capital Projects Fund cash is held in a FDIC insured bank.

Note F – Accounts Receivable

Accounts receivable is comprised of the following at June 30:

	2018	2017
Private pay	$ 230,646	$ 317,806
Less: allowance for doubtful accounts	(97,699)	(91,169)
Fund statement	132,947	226,637
Accounts receivable collected greater than 60 days after year-end	-	-
Government wide statement	$ 132,947	$ 226,637

Note G – Capital Assets

Capital asset activity for the years ended June 30, 2018 and 2017 is as follows:

	Balance June 30, 2017	Acquisitions	Sales or Disposals	Balance June 30, 2018
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	15,576,929	1,934	-	15,578,863
Furniture, fixtures and equipment	3,723,811	153,670	(22,087)	3,855,394
Infrastructure	350,557	-	-	350,557
Total capital assets, depreciated	19,651,297	155,604	(22,087)	19,784,814
Capital assets	21,496,236	155,604	(22,087)	21,629,753
Accumulated depreciation				
Building	4,834,991	353,870	-	5,188,861
Furniture, fixtures and equipment	2,086,583	256,646	(21,544)	2,321,685
Infrastructure	59,709	10,584	-	70,293
Total accumulated depreciation	6,981,283	621,100	(21,544)	7,580,839
Depreciable assets, net	12,670,014	(465,496)	(543)	12,203,975
Governmental capital assets, net	$ 14,514,953	$ (465,496)	$ (543)	$ 14,048,914

Depreciation expense of $621,100 was charged to general government for the year ended June 30, 2018.

Note G – Capital Assets - Continued

	Balance June 30, 2016	Acquisitions	Sales or Disposals	Balance June 30, 2017
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	15,576,929	-	-	15,576,929
Furniture, fixtures and equipment	3,756,429	139,970	(172,588)	3,723,811
Infrastructure	350,557	-	-	350,557
Total capital assets, depreciated	19,683,915	139,970	(172,588)	19,651,297
Capital assets	21,528,854	139,970	(172,588)	21,496,236
Accumulated depreciation				
Building	4,470,213	364,778	-	4,834,991
Furniture, fixtures and equipment	2,006,948	247,590	(167,955)	2,086,583
Infrastructure	49,125	10,584	-	59,709
Total accumulated depreciation	6,526,286	622,952	(167,955)	6,981,283
Depreciable assets, net	13,157,629	(482,982)	(4,633)	12,670,014
Governmental capital assets, net	$ 15,002,568	$ (482,982)	$ (4,633)	$ 14,514,953

Depreciation expense of $622,952 was charged to general government for the year ended June 30, 2017.

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.

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, 2018 and 2017 was approximately $3,373,000 and $3,214,000, 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
2019	$ 249,670	$ 435,115	$ 684,785
2020	262,252	422,901	685,153
2021	274,513	410,092	684,605
2022-2026	1,593,279	1,834,738	3,428,017
2027-2031	2,019,915	1,406,459	3,426,374
2032-2036	2,564,981	861,821	3,426,802
2037-2040	2,193,883	202,644	2,396,527
	$ 9,158,493	$ 5,573,770	$ 14,732,263

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

	Balance 07/01/17	Additions	Deletions	Balance 07/01/18	Due Within One Year
Capital lease - Building	$ 9,395,120	$ -	$ 236,627	$ 9,158,493	$ 249,670
Compensated absences	1,288,947	179,651	158,300	1,310,299	172,460
	$ 10,684,067	$ 179,651	$ 394,927	$ 10,468,791	$ 422,130

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 materially adverse impact on the Department's financial statements.

Note J – Retirement/Benefit Plans

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, 2017 and 2016. The System's pension liability was based on an actuarial valuation as of June 30, 2017 and 2016. Pension payments by the Department from the measurement date to June 30, 2018 and 2017 are reported as deferred outflows.

The changes in the Department's net pension liability, as of the measurement date, consisted of:

	2018	2017
Net pension liability at beginning of year	$ 13,398,702	$ 6,990,594
Pension expense	2,799,736	2,749,478
Contribution	(1,876,472)	(1,764,997)
Deferred inflows (outflows) arising from:		
Difference in expected and actual return on investments	(1,383,254)	2,957,855
Change in assumptions	(709,674)	2,457,622
Difference in expected and actual experience	(80,919)	142,268
Change in proportionate share	36,249	(134,118)
Deferred inflows	(2,137,598)	5,423,627
Net pension liability at end of year	$ 12,184,368	$ 13,398,702

Note J – Retirement/Benefit Plans - Continued

Employer contribution between the measurement date of June 30 2017 and 2016, and the Department's year-end are reported as deferred outflows. At June 30, 2018 and 2017, these payments amounted to $1,891,817 and $1,868,877, 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, 2018 and 2017, the Department's covered payroll was $13,285,711 and $13,245,038, respectively, and total payroll for all covered employees of the plan amounts to $76,796,017 and $76,560,913, respectively. The Department's share (17.30% and 17.30%, respectively) of the net pension liability was determined based on this ratio. The Department's total payroll was approximately $14,500,000 and $14,300,000, respectively.

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.

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 percent 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 Department employment. The employee must have the required eight years of 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.

Note J – Retirement/Benefit Plans - Continued

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.

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.

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, 2018 and 2017 was $1,891,817 and $1,868,877, respectively.

Note J – Retirement/Benefit Plans - Continued

Actuarial Assumptions

Key assumptions used in the plans actuarial valuation were:

	June 30,	
	2016	2017
Discount rate	7.25%	7.25%
Long-term expected rate of return	7.25%	7.25%
Valuation date	July 1, 2016	July 1, 2017
Measurement date	June 30, 2016	June 30, 2017
Inflation	2.50%	2.50%
Salary increase including inflation	5% grade down to 2.5%	5% grade down to 2.5%
Mortality	RP-2000 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per Scale AA for healthy participants	RP-2000 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per Scale AA for healthy participants
Actuarial cost method	Entry Age Normal	Entry Age Normal

The actuarial assumptions that determined the total pension liability as of June 30, 2017 and 2016 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 7.25 percent as of June 30, 2017 and 2016, respectively. The Department's net pension liability as of June 30, 2017 and 2016 would increase to $19,655,516 and $20,681,743, respectively, if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) and would decrease to $5,965,312 and $7,336,275, respectively, if the rate were increased 1-percentage-point higher (8.25 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.

Note J – Retirement/Benefit Plans – Continued

Asset Allocation

The Board has adopted the following Asset Allocation for 2018 and 2017 among stocks, bonds, and cash to serve as a general guideline in investing the Plan's assets:

	2017			
	Minimum	Target	Maximum	Long-term Rate of Return
US Cash	0.00%	1.00%	5.00%	0.33%
US Core Fixed Income	8.50%	24.00%	28.50%	1.95%
US Intermediate Bonds	8.50%	18.00%	28.50%	1.65%
US High Yield Bonds	0.00%	10.00%	19.50%	4.41%
US Large Caps	19.25%	10.00%	39.25%	3.38%
US Mid Caps	19.25%	22.00%	39.25%	3.56%
Foreign Developed Equity	0.00%	10.00%	19.25%	4.21%
Master Limited Partnerships	0.00%	5.00%	18.00%	2.78%
Arithmetic mean return				2.50%
Long-term expected rate of return				7.25%

	2016			
	Minimum	Target	Maximum	Long-term Rate of Return
US Cash	0.00%	0.00%	5.00%	2.72%
US Core Fixed Income	8.50%	18.50%	28.50%	4.34%
US Intermediate Bonds	8.50%	18.50%	28.50%	3.95%
US High Yield Bonds	0.00%	9.50%	19.50%	6.64%
US Large Caps	19.25%	29.25%	39.25%	6.00%
US Mid Caps	19.25%	29.25%	39.25%	6.15%
Foreign Developed Equity	0.00%	9.25%	19.25%	6.60%
Master Limited Partnerships	0.00%	8.00%	18.00%	5.20%
Arithmetic mean return				2.50%
Long-term expected rate of return				7.25%

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

	Deferred Inflows		
	Change in Proportion	Change in Assumptions	Experience Difference
Planning year June 30:			
2019	$ (21,749)	$ (34,277)	$ (78,906)
2020	(21,749)	(34,277)	(78,906)
2021	(21,749)	(34,277)	(78,906)
2022	(21,749)	(34,277)	(78,906)
2023	(10,874)	(17,135)	(39,453)
	$ (97,870)	$ (154,243)	$ (355,077)

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

	Deferred Outflows			
	Contributions	Investment Return	Change in Assumptions	Experience Difference
Planning year June 30:				
2019	$ 1,891,817	$ 554,883	$ 739,725	$ 10,709
2020	-	554,883	739,725	10,709
2021	-	554,883	739,725	10,709
2022	-	345,987	163,852	10,709
2023	-	-	238,781	5,354
	$ 1,891,817	$ 2,010,636	$ 2,621,808	$ 48,190

Note J – Retirement/Benefit Plans - Continued

The Department also sponsors a defined contribution retirement plan (a 401(a) plan) for employees who choose to participate. The Department matches employee contributions up to $50 a month which vests immediately. During the years ended June 30, 2018 and 2017, the Department made contributions of approximately $123,000 and $124,000, respectively. The Department also sponsors a post-retirement defined benefit plan covering retired employees.

Note K – Other Post-Employment Benefits

Plan Description

The Department offers post-employment benefit (OPEB) options for health care, prescription drug, dental and vision benefits for retired employees under the age of 65 and their dependents that elect to make required benefit payments on a monthly basis. These benefits are provided through a defined benefit, single-employer-substantive plan with Tulsa County, which serves as administrator of the plan. A substantive plan is one in which the plan terms are understood by the County, the Department, and the plan members. This understanding is based on communications between the employer and plan member and the historical pattern of practice with regard to the sharing of benefit costs. All of the Department's employees may become eligible for those post-retirement benefits if they are retired members under the age of 65 of the Tulsa County Employees' Retirement System (the System). No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75 "Accounting and Reporting for Post Employment Benefits Other Than Pensions." The net effect of the adoption of this standard in 2018 on beginning net position for 2017 was a reduction of $859,691. This change is comprised of the other post-employment benefits liability of $878,582, deferred inflows of $68,656 and deferred outflows of ($87,547).

Benefits Provided

The Plan covers all current retirees of the System under the age of 65 who elected post-retirement medical coverage through Tulsa County, and future retired employees under the age of 65 of Tulsa County through the County's fully insured health plan. The benefit levels are the same as those afforded to active employees. The benefits offered by the County to retirees include health care, prescription drug, dental and vision benefits. The retirees become eligible to receive benefits when they retire through the System.

The amount of benefit payments during fiscal year June 30, 2018 were $40,674.

Note K – Other Post-Employment Benefits - Continued

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

At June 30, 2018, the Department reported a liability of $878,582 for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date. The Department's proportion of the total OPEB liability was based on the Department's participation in the plan relative to the total participation of the substantive plan as of June 30, 2017. Based upon this information, the Department's proportion was 16.48 percent.

Beginning balance information as of June 30, 2017 was not available. Therefore, the financial information related to OPEB reported as of and for the year ended June 30, 2017 has not been restated.

Changes of assumptions reflect a change in the discount rate from 2.85 percent in 2016 to 3.58 percent in 2017 resulting in recognition of a deferred inflow of resources.

For the year ended June 30, 2018, the Department recognized OPEB expense of $46,641. At June 30, 2018, the Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ 68,656
Authority contributions subsequent to the measurement date	40,906	-
Total	$ 40,906	$ 68,656

$40,906 reported as deferred outflows of resources related to OPEB resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:

2019	$ (7,965)
2020	(7,965)
2021	(7,965)
2022	(7,965)
2023	(7,965)
Thereafter	(28,831)
Total	$ (68,656)

Note K – Other Post-Employment Benefits – Continued

Actuarial Assumptions

The total OPEB liability as of June 30, 2018, was determined based on an actuarial valuation prepared as of June 30, 2017 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal
- Inflation - 2.50%
- Salary Increases - 3.00%
- Discount Rate – 3.58% for 2017 and 2.85% for 2016
- Healthcare Cost Trend Rates – 7.6% for 2017, gradually decreasing to a rate of 4.0% for 2090 and beyond.
- Retirement Age - Experience-based table of rates based on age and service

Age	Rate
55-59	15%
60	20%
61	25%
62-69	30%
70	100%

- Turnover – Crocker, Sarason, & Straight T-7 rates, increased 0.2 for the first year and 0.1 for the second year. Rates range from 9.68% at age 25 to .15% at age 60.
- Participation Rate – 40% for employees who retire prior to age 65 and dependents at the same rate.
- Mortality – RP – 2000 for Employees & Healthy Annuitants, male and female rates, with generational projection based on Scale AA.

The discount rate was based on the 20-year municipal Bond General Obligation Index.

Sensitivity of the Department's proportionate share of the total OPEB liability to changes in the discount rate

The following presents the Department's proportionate share of the total OPEB liability, as well as what the Department's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Employers' total OPEB liability	$ 987,559	$ 878,582	$ 786,660

Note K – Other Post-Employment Benefits – Continued

Sensitivity of the District's proportionate share of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the Department's proportionate share of the total OPEB liability, as well as what the Department's proportionate share of the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.6 percent decreasing to 4 percent) or 1-percentage-point higher (10.5 percent decreasing to 6.5 percent) than the current healthcare cost trend rates:

	1% Decrease (6.6% decreasing to 3.0%)	Current Trend Rates (7.6% decreasing to 4.0%)	1% Increase (8.6% decreasing to 5.0%)
Employers' total OPEB liability	$ 770,353	$ 878,582	$ 1,011,785

Note L – Related Party Transactions

There were no related party transactions during the fiscal years ended June 30, 2018 and 2017.

Note M – Ad Valorem Tax Abatement

Tulsa County and certain cities in Tulsa County approve tax incentives in the form of Ad Valorem tax abatements. The purpose of these abatements is to stimulate economic growth within the County. Total abatement of Ad Valorem tax due the Department was as follows for the calendar year 2017:

Approved abatements related to Tax Increment Financing Districts	$ 91,489
Approved abatements related to Tax Incentive Districts	69,404
Approved abatements related to Indian Housing Authority Owned Properties	37,664
Total tax abatements	$ 198,557

Abatement of tax is for a maximum of six years for each property.

Required Supplemental Information

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

Year Ended June 30, 2018

	Original/Final Budget	Total Actual	Variance
Revenues			
Ad Valorem taxes	$ 14,198,183	$ 15,024,958	$ 826,775
Licenses and permits	877,800	967,045	89,245
Intergovernmental revenue	10,961,892	10,343,974	(617,918)
Charge for services (fees)	2,104,250	1,923,300	(180,950)
Miscellaneous	921,810	1,422,228	500,418
Total revenues	29,063,935	29,681,505	617,570
Expenditures and Encumbrances			
Health and welfare:			
Salaries and wages	15,391,513	14,458,078	(933,435)
Employee benefits	6,741,598	6,187,501	(554,097)
Travel	659,327	459,573	(199,754)
Operating expenses	5,208,985	4,551,219	(657,766)
Other charges	321,944	316,803	(5,141)
Capital outlay	349,800	148,904	(200,896)
Total expenditures and encumbrances	28,673,167	26,122,078	(2,551,089)
Excess of revenues over expenditures and encumbrances	390,768	3,559,427	3,168,659
Interfund Transfers			
Transfer to CC Health Trust	(682,368)	(682,368)	-
Transfer to CC Health Designated	291,600	-	(291,600)
Total transfers	(390,768)	(682,368)	(291,600)
Excess of revenues over expenditures, encumbrances and other uses	$ -	2,877,059	$ 2,877,059
Fund balance, beginning (Non-GAAP budgetary basis)		14,861,215	
Fund balance, ending (Non-GAAP budgetary basis)		17,738,274	
Adjustments to Generally Accepted Accounting Principles			
Revenue and expense accruals		635,565	
Fund balance, ending (GAAP basis)		$ 18,373,839	

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,

	2018	2017	2016	2015
Department's proportion of the net pension liability	17.30%	17.30%	17.34%	17.87%
Department's proportionate share of the net pension liability	$ 12,184,368	$ 13,398,702	$ 6,990,594	$ 3,174,300
Department's covered-employee payroll	$ 13,285,711	$ 13,245,038	$ 13,320,342	$ 12,939,420
Department's proportionate share of the net pension liability as a percentage of its covered-employee payroll	91.71%	101.16%	52.48%	24.53%
Plan fiduciary net position as a percentage of the total pension liability	80.14%	77.49%	87.12%	94.00%

* Note - Only the current period and previous three years are presented because 10-year data is not available.

Tulsa City-County Health Department

Schedule of Proportionate Share of the Net OPEB Liability - current fiscal period*

As of Plan Year-end of June 30,

	2018
Department's proportion of the net OPEB liability	16.48%
Department's proportionate share of the net OPEB liability	$ 878,582
Department's covered-employee payroll	$ 12,655,985
Department's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	6.94%

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

Tulsa City-County Health Department

Schedule of Contributions - Pension - last 10 fiscal periods*

June 30,

	2018	2017	2016	2015
Contractually required contribution	$ 1,868,877	$ 1,884,769	$ 1,864,848	$ 1,811,519
Contribution in relation to contractually required contribution	$ 1,876,472	$ 1,764,997	$ 1,807,218	$ 1,726,054
Contribution deficiency (excess)	$ (7,595)	$ 119,772	$ 57,630	$ 85,465
Department's covered-employee payroll	$ 13,285,711	$ 13,245,038	$ 13,320,342	$ 12,909,902
Contributions as a percentage of covered-employee payroll	14%	14%	14%	14%

* Note - Only the current period and previous three years are presented because 10-year data is not available.

Tulsa City-County Health Department

Schedule of Contributions - OPEB - current fiscal period*

June 30,

	2018
Contractually required contribution	$ 40,442
Contribution in relation to contractually required contribution	$ 40,906
Contribution deficiency (excess)	$ (464)
Department's covered-employee payroll	$ 12,655,985
Contributions as a percentage of covered-employee payroll	0%

* Note - Only the current period 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 years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated October 31, 2018.

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.

Stanfield + O'Dell, P.C.

Tulsa, Oklahoma
October 31, 2018

Stanfield + O'Dell
CPAs & ADVISORS

**Independent Auditor's Report on Compliance
for Each Major Program and Report
on Internal Control over Compliance in
Accordance with the Uniform Guidance**

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) 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, 2018. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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, 2018.

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 Uniform Guidance, 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities and each major fund of the Tulsa City-County Health Department as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements. We issued our report thereon dated October 31, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Stanfield + O'Dell, P.C.

Tulsa, Oklahoma
October 31, 2018

Tulsa City-County Health Department

Schedule of Expenditures and Federal Awards

Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Health and Human Services				
Healthy Start Initiatives Grant	93.926	5 H49MC00087-17-02	$ 500,100	$ 34,014
		5 H49MC00087-18-00	170,454	10,804
			670,554	44,818
Passed through the Oklahoma Department of Mental Health and Substance Abuse:				
Resource Prevention Coordinator Alcohol & Substance Abuse	93.959		214,874	-
SPF State Incentive Grant Alcohol & Substance Abuse	93.243		232,559	-
State Targeted Response to the Opioid Crisis Grants	93.788		19,903	-
Passed through the Oklahoma State Department of Health:				
Family Planning Services	93.217		664,387	-
Public Health Emergency Preparedness	93.074		962,992	-
Public Health Emergency Preparedness - Zika 2016	93.069			-
Maternal and Child Health Services Block Grant to States	93.994		258,793	-
Fetal Infant Mortality Review (Medical Assistance Program)	93.778		81,203	-
Immunization Grants	93.268		113,925	-
Immunization Grants - Donated Vaccines	93.268		1,304,453	-
Teen Pregnancy Prevention	93.092		288,164	-
Pregnancy Assistance Fund Program	93.500		41,070	-
Affordable Care Act - Maternal, Infant, and Early Childhood Home Visiting Proram Formula, Expansion, and Development Grants to States	93.505		244,698	-
Total U.S. Department of Health and Human Services			5,097,575	44,818
U.S. Department of Agriculture				
Passed through the Oklahoma State Department of Health:				
Special Supplemental Nutrition Program of Women, Infants and Children	10.557		2,059,562	-
Total Federal Awards Expended			$ 7,157,137	$ 44,818

See Notes to Schedule of Expenditures of Federal Awards.

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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 the Uniform Guidance. 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 $750,000. The Department qualifies as a low-risk auditee.

Note C – Entity Elections

The Department has elected not to use the 10% de minimis indirect cost rate, which is allowed in the Uniform Guidance, Section 414.

Note D – Non-cash Assistance

The Department received $1,304,453 in non-cash assistance in the form of donated vaccines from CFDA #93.268 Immunization Grants.

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors report issued:	Unmodified	
Internal control over financial reporting: Material weakness(es) identified	_____Yes	_X_No
Significant deficiency(s) identified that are not considered to be material weaknesses?	_____Yes	_X_ None reported
Noncompliance material to financial statements noted?	_____Yes	_X_ No

Federal Awards

Internal control over major programs: Material weakness(es) identified?	_____Yes	_X_ No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____Yes	_X_ None reported
Type of auditors' report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 516(a) of the Uniform Guidance?	_____Yes	_X_No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
93.926	Healthy Start Initiatives Grant
93.268	Immunization Grants

Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee	Yes

Section II - Financial Statement Findings - None

Section III - Federal Awards Findings - None

Summary Schedule of Prior Year Audit Findings

For the Year Ended June 30, 2018

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

None to report for the June 30, 2017 period.

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

None to report for the June 30, 2017 period.