

Oklahoma City-County Health Department

Independent Auditor's Reports and Financial Statement

Year Ended June 30, 2015



Oklahoma City-County Health Department

Year Ended June 30, 2015

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Independent Auditor's Report

Board of Health
Oklahoma City-County Health Department
Oklahoma City, Oklahoma

Report on the Financial Statement

We have audited the accompanying statement of cash receipts and disbursements of the Oklahoma City-County Health Department (the Department) for the year ended June 30, 2015, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in *Note 2*; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash and cash equivalents arising from the cash receipts and disbursements of the Department, as of and for the year ended June 30, 2015, in accordance with the cash basis of accounting described in *Note 2*.

Emphasis of Matter: Basis of Accounting

We draw attention to *Note 2* of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying supplementary information, including the schedule of expenditures of federal awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, notes to schedule of expenditures of federal awards and schedule of expenditures of state awards are presented for purposes of additional analysis and are not a required part of the financial statement. 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 financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The budgetary comparison schedule and note to budgetary comparison schedule, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statement. Such information has not been subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2015, on our consideration of the Department's internal control over financial reporting and 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 the 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.

BKD, LLP

Oklahoma City-County Health Department
Statement of Cash Receipts and Disbursements
Year Ended June 30, 2015

| | |
|---|-----------------------------|
| Cash Receipts | |
| Property taxes | \$ 16,204,635 |
| Intergovernmental revenues | 8,146,179 |
| Charges for services | 1,028,666 |
| Bond proceeds | 441,572 |
| Miscellaneous revenues | 342,392 |
| Interest income | <u>12,382</u> |
| Total cash receipts | <u>26,175,826</u> |
| Cash Disbursements | |
| Personnel services | 17,933,330 |
| Maintenance and operations | 4,440,548 |
| Capital outlay | 1,389,840 |
| Lease payments | 671,057 |
| Travel | <u>389,655</u> |
| Total cash disbursements | <u>24,824,430</u> |
| Excess Cash Receipts over Disbursements | 1,351,396 |
| Cash and Cash Equivalents, Beginning of Year | <u>17,045,965</u> |
| Cash and Cash Equivalents, End of Year | <u><u>\$ 18,397,361</u></u> |

Oklahoma City-County Health Department

Notes to Statement of Cash Receipts and Disbursements

Year Ended June 30, 2015

Note 1: Nature of Operations

The Oklahoma City-County Health Department (the Department) is a special unit of government which does not possess political or governmental powers other than those necessary to carry out the specific purpose for which it was created. The Department was created pursuant to 63 O.S. § 1-214 and a 1956 operating agreement (revised in 1996) between Oklahoma County and Oklahoma City. The Department provides public health services to all citizens of Oklahoma County (the County). The Department is not subject to federal or state income taxes.

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

The accompanying financial statement includes all of the Department's receipts and disbursements relating to funds, functions and activities for which the Board of Health is accountable. The Department is not a component unit of another government and does not have any component units. The primary sources of funding for the Department are a county-wide ad valorem tax levy, charges for service and intergovernmental grants and contracts.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The Department uses the cash basis of accounting in recording transactions. Although the cash basis of accounting is not in accordance with accounting principles generally accepted in the United States of America for financial statement presentation, management has determined that using the cash basis is an acceptable basis for the preparation of the Department's financial statement.

If the Department prepared its financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board, the following changes would be necessary:

- The Department would utilize both the full accrual and modified accrual basis of accounting, *i.e.*, expenses would be recorded when the obligation is incurred rather than when paid and revenues would be recorded when earned rather than when received (full accrual accounting), or expenses would be recorded when the liability is incurred, except for long-term debt and interest, which are reported in the year due and revenues are recognized when they are both measurable and available (modified accrual accounting).

Oklahoma City-County Health Department

Notes to Statement of Cash Receipts and Disbursements

Year Ended June 30, 2015

- Financial statements normally identified for entities with governmental activities and funds would be presented. Such financial statements and required supplementary information would include:
 - Statement of net position
 - Statement of activities
 - Balance sheet
 - Statement of revenues, expenditures and changes in fund balance
 - Management's discussion and analysis (MD&A)

Related Organization

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

- Partners in Public Health, Inc., a non-profit corporation organized for "charitable and educational" purposes

Cash and Cash Equivalents

The Department adopted a formal investment policy in February 2014, as amended. State statutes authorize the Department to adopt a written investment policy directing the investment of the funds of the Department. The Director of Finance is allowed, by the investment policy, to invest in obligations of the U.S. Treasury; certificates of deposit; and savings accounts of banks, savings and loans and trust companies, if secured by acceptable collateral where the collateral has been deposited with a trustee or custodian bank.

Risk Management

The Department is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Department carries commercial insurance for its physical plant with a \$50,000 deductible, participates in the Oklahoma state health and dental plans for its health benefits coverage for employees, has coverage through CompSource Oklahoma for workers' compensation coverage and is self-insured for errors and omissions and for other general liability claims under \$175,000. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Department. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the *Governmental Tort Claims Act* in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the 2015 fiscal year.

Oklahoma City-County Health Department
Notes to Statement of Cash Receipts and Disbursements
Year Ended June 30, 2015

Compensated Absences

Annual Leave – Accrual rates vary in four stages from 15 days per year (10 hours/month) for less than five years to 25 days per year (16 2/3 hours/month) for 15 or more years. Any employee terminating from employment shall be paid for any unused, accrued annual leave up to an amount of 480 hours. All other accrued annual leave over this amount will not be paid to the employee.

Sick Leave – The accrual rate for sick leave is 15 days per year (10 hours/month) with no accumulation limit. The amount of sick leave that can be credited toward retirement will not exceed the amount in the most current retirement plan. Employees may convert up to 40 hours of sick leave to annual leave or pay each fiscal year provided a minimum of 180 hours of sick leave is maintained. An additional 40 hours per fiscal year may be converted to annual leave or pay when an employee maintains a minimum balance of 360 hours of sick leave. No accrued, unused sick leave will be paid upon termination from employment.

Note 3: Stewardship, Compliance and Accountability

Budgetary Compliance

Pursuant to 68 O.S. § 3002, on or before August 17 of each year, a budget for each fund, as required by the Board of Health, shall be completed. The budget is adopted for the general fund by object and submitted to the Oklahoma County Excise Board for approval. The Board of Health may approve changes of appropriations within the fund by object. To increase or decrease the budget by fund requires approval by the Oklahoma County Excise Board.

Note 4: Deposits and Investments

At year-end, cash and cash equivalents consisted of amounts in demand deposits and a money market fund. The reported amount of the Department's deposits was \$18,397,361, and the bank balance, excluding the money market funds discussed below, was \$18,230,513. Of the bank balance, 100% was covered by Federal Deposit Insurance Corporation (FDIC) insurance or collateral held by the Department's agent in the Department's name.

Deposits – Custodial credit risk for deposits is the risk that in the event of a bank failure the Department may not be able to recover its deposits. The Department policy requires banks to be 110% secured by collateral valued at market value less FDIC insurance. As of June 30, 2015, the Department's bank balance of \$18,230,513 was FDIC-insured for \$250,000 and the bank had pledged securities with a fair value of \$22,428,525.

Investments – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Department limited activity to interest-bearing government obligation money market funds with balances of approximately \$324,000 for the year ended June 30, 2015. This limited the possibility of interest rate risk affecting deposits of the Department.

Oklahoma City-County Health Department
Notes to Statement of Cash Receipts and Disbursements
Year Ended June 30, 2015

Note 5: Ad Valorem Tax

The property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. The tax is collected by the County Treasurer and remitted to the Department.

The assessed property value as of January 1, 2015, was \$6,243,222,330, net of homestead exemptions of \$120,476,780.

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

Unpaid delinquent personal property taxes are usually published in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

Current year tax collections for the year ended June 30, 2015, were approximately 96 percent of the tax levy.

Note 6: Pension Plan

The Department sponsors a defined contribution plan for the benefit of its employees. The defined contribution plan is administered by Massachusetts Mutual Life Insurance Company. All employees are eligible to participate in the plan. The plan may be amended from time to time by action of the Board of Health.

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

Benefits under the defined contribution plan include entitlement to the amount in the individual employee's account upon retirement or upon termination of employment due to total and permanent disability. A participant is credited with a year of service for each year that the participant works 1,000 hours or more. Partial vesting accrues after the second year at the rate of 20% per year until 100% vesting is completed at the end of six years of service. Upon the death of a vested participant, his or her beneficiary(ies) is eligible to receive the participant's retirement benefits.

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

The Department contributes 12% of each employee's salary. Employees make no contributions. The Department's cash contributions to the defined contribution plan for the year ended June 30, 2015, were \$1,423,314. A copy of the plan may be obtained from the Oklahoma City-County Health Department's Finance Office at 2600 NE 63rd, Oklahoma City, OK 73111 or by calling 405.425.4349.

Oklahoma City-County Health Department
Notes to Statement of Cash Receipts and Disbursements
Year Ended June 30, 2015

Note 7: Voluntary Separation Program

The Department implemented a voluntary separation program (VSP) for certain eligible employees during the year ended June 30, 2015. The purpose of the VSP was to realign and/or downsize resources based on the ability to demonstrate cost savings. All employees of the Department in full-time positions or regular part-time positions (20 hours or more per week), as of July 31, 2014, were eligible to participate in the VSP upon final approval by the Executive Director. In addition, employees had 45 days to apply and had to be vested at 100% (six years) in the Oklahoma City-County Defined Contribution Retirement Plan no later than date of termination. Employees approved to participate received a separation payment not to exceed three months of yearly base pay and a longevity payment at a rate of \$200 for every year of service for those fully vested (minimum of six years) and received payment for any unused annual leave balances as provided in the Department's Policies and Procedures Manual. The Department approved approximately 30 employees for participation in the plan at a cost of approximately \$500,000, which was paid from existing Department funds.

Note 8: Lease Obligations

The Department is paying on 20-year and 25-year leases, renewable annually, for the Northeast Health and Wellness Center Building (N.E. Center) and Partners Building, respectively. The N.E. Center and Partners Building house the Department's administrative and emergency operations departments, as well as provide clinical services, community health educational presentations, integrated services with other agencies and meeting spaces for the public. The lease agreements were entered into on January 1, 2012 and February 1, 2015, respectively, with the Oklahoma County Financing Authority (the Authority). Payments made by the Department will be used to pay the principal and interest on the Authority's revenue bonds related to the building project.

During the year ended June 30, 2015, the Department paid \$671,057 in principal and interest on the buildings. Future lease payments for the leases are as follows:

| | |
|-----------|----------------------|
| 2016 | \$ 867,370 |
| 2017 | 891,950 |
| 2018 | 890,175 |
| 2019 | 885,725 |
| 2020 | 888,050 |
| 2021–2025 | 4,456,538 |
| 2026–2030 | 4,443,263 |
| 2031–2035 | 2,743,291 |
| 2036–2040 | <u>1,520,453</u> |
| | <u>\$ 17,586,815</u> |

Oklahoma City-County Health Department
Notes to Statement of Cash Receipts and Disbursements
Year Ended June 30, 2015

Note 9: Contingencies

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

Note 10: Subsequent Event

The Department is in the process of selling two pieces of real estate property. A preliminary agreement has been reached to sell these properties in fiscal year 2016 for an approximate amount of \$3.8 million. The proceeds from the sale of these properties will be used to fund the further development of the Department's facilities in relation to the Department's strategic plan of regionalizing the Department's services.

Supplementary Information

Oklahoma City-County Health Department
Budgetary Comparison Schedule
Year Ended June 30, 2015

| | Budget | Actual | Variance |
|---|--------------------|----------------------|----------------------|
| Beginning cash and cash equivalents, budgetary basis | \$ 17,045,965 | \$ 17,045,965 | \$ - |
| Less: prior year encumbrances | <u>(2,115,762)</u> | <u>(1,525,273)</u> | <u>590,489</u> |
| Beginning cash balances, budgetary basis | <u>14,930,203</u> | <u>15,520,692</u> | <u>590,489</u> |
| Receipts | | | |
| Property taxes | 14,699,951 | 16,155,360 | 1,455,409 |
| Intergovernmental revenues | 7,937,065 | 8,475,595 | 538,530 |
| Charges for services | 694,603 | 732,637 | 38,034 |
| Miscellaneous revenues | <u>581,432</u> | <u>812,234</u> | <u>230,802</u> |
| Total receipts, budgetary basis | <u>23,913,051</u> | <u>26,175,826</u> | <u>2,262,775</u> |
| Disbursements | | | |
| Personnel services | 20,431,622 | 18,027,749 | 2,403,873 |
| Maintenance and operations | 6,185,969 | 4,664,260 | 1,521,709 |
| Capital outlay | 9,427,019 | 4,459,046 | 4,967,973 |
| Future capital outlay (pursuant to 63 O.S. § 1-226) | 2,000,000 | - | 2,000,000 |
| Travel | <u>798,644</u> | <u>431,280</u> | <u>367,364</u> |
| Total disbursements, budgetary basis | <u>38,843,254</u> | <u>27,582,335</u> | <u>11,260,919</u> |
| Excess of receipts and beginning cash and cash equivalents over disbursements, budgetary basis | <u>\$ -</u> | 14,114,183 | <u>\$ 14,114,183</u> |
| Reconciliation to statement of cash receipts and disbursements | | | |
| Add: current year encumbrances | | <u>4,283,178</u> | |
| Ending cash and cash equivalents | | <u>\$ 18,397,361</u> | |

The accompanying note to budgetary comparison schedule is an integral part of this schedule.

Oklahoma City-County Health Department
Note to Budgetary Comparison Schedule
Year Ended June 30, 2015

Note 1: Budgetary Comparison Schedule

The budgetary comparison schedule presents comparisons of the legally adopted budget with actual data. The “actual” data, as presented in the comparison of budget and actual, will differ from the data as presented in the statement of cash receipts and disbursements because the budgetary basis of accounting includes encumbrances related to the budget year.

Oklahoma Statutes require the Oklahoma City-County Health Department to prepare a formal budget for the Board of Health.

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

Any encumbrances outstanding at year-end are included as reservations of cash balances, budgetary basis since they do not constitute paid or outstanding warrants. At the end of the fiscal year, unencumbered appropriations are lapsed.

Oklahoma City-County Health Department
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

| Federal Grantor/Pass-Through Entity | CFDA Number | Grant or Identifying Number | Amount |
|---|------------------------|--|---------------------|
| U.S. Department of Agriculture | | | |
| <i>Passed-through from the Oklahoma State Department of Health</i> | | | |
| Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) | 10.557 | 3409019519 | \$ 1,352,795 |
| Total U.S. Department of Agriculture | | | <u>1,352,795</u> |
| U.S. Department of Transportation | | | |
| <i>Passed-through from the Oklahoma State Office of Tourism and Recreation</i> | | | |
| <u>Highway Planning and Construction Cluster</u> | | | |
| Recreational Trails Program | 20.219 | NRT-2012 (100)/ Project # 13-09 | <u>101,623</u> |
| Total U.S. Department of Transportation | | | <u>101,623</u> |
| U.S. Department of Health and Human Services | | | |
| <i>Passed-through from the Association of Food and Drug Officials</i> | | | |
| Food and Drug Administration Research | 93.103 | G-T-1410-02187 | 2,000 |
| <i>Passed-through from the Oklahoma State Department of Health</i> | | | |
| Public Health Emergency Preparedness | 93.069 | PO3409017114 | 853,867 |
| Affordable Care Act (ACA) Personal Responsibility Education Program | 93.092 | PO3409016841 | 313,090 |
| Family Planning Services | 93.217 | PO3409016841 | 97,919 |
| Immunization Cooperative Agreements | 93.268 | PO3409018681 | 392,086 |
| Immunization Cooperative Agreements – Noncash Assistance | 93.268 | PO3409018681 | <u>764,846</u> |
| <i>Total CFDA No. 93.268</i> | | | 1,156,932 |
| Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Visiting Program | 93.505 | PO3409016455 | 594,879 |
| Community-Based Child Abuse Prevention Grants | 93.590 | PO3409016836 | 110,432 |
| ACA – State Innovation Models: Funding for Model Design and Model Testing Assistance | 93.624 | PO3409017114 | 4,279 |
| Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) | | | |
| Aligned Cooperative Agreements | 93.704 | PO3409019885 | 47,766 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | PO3409016841 | 180,858 |
| <i>Passed-through from the Oklahoma University Health Sciences Center</i> | | | |
| Affordable Care Act (ACA) Public Health Training Centers Program | 93.516 | PO OUHSC- 0000063397 | 2,561 |
| <i>Direct Program</i> | | | |
| PPHF – Community Transformation Grants and National Dissemination and Support for Community Transformation Grants – financed solely by Prevention and Public Health Funds | 93.531 | 5U58DP003712-02/ 5U58DP003712-03 | <u>300,885</u> |
| Total U.S. Department of Health and Human Services | | | <u>3,665,468</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 5,119,886</u> |

Oklahoma City-County Health Department
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Note 1: Basis of Presentation

The schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of the Oklahoma City-County Health Department (the Department) and is presented on the modified accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statement.

Note 2: Federal CFDA Numbers

Federal CFDA numbers or other identifying numbers listed on the Schedule were obtained from the respective grant/contract agreement.

Note 3: Immunization Grants CFDA Number 93.268

Noncash assistance in the form of vaccines was received from the Oklahoma State Department of Health. The fair value of \$764,846 in noncash assistance received is included in the Schedule.

Note 4: Subrecipients

Of the federal expenditures presented in the Schedule, the Department provided federal awards to subrecipients of the PPHF – Community Transformation Grants and National Dissemination and Support for Community Transformation Grants – financed solely by Prevention and Public Health Funds Program, CFDA Number 93.531, in the amount of \$164,832 for the year ended June 30, 2015.

Oklahoma City-County Health Department
Schedule of Expenditures of State Awards
Year Ended June 30, 2015

| State Grantor/Grant Program Title | State PO Number | State Expenditures |
|--|--------------------|-----------------------|
| Oklahoma State Department of Health | | |
| Child Guidance Program | PO3409019424 | \$ 77,614 |
| Maternal & Child Health Services | PO3409016841 | 576,593 |
| Children First Program | PO3409016836 | 683,893 |
| State Omnibus | PO3409018799 | <u>776,621</u> |
| Total nonfederal awards | | <u>\$ 2,114,721</u> |

Note 1: Basis of Presentation

The schedule of expenditures of state awards includes the state grant activity of the Oklahoma City-County Health Department and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the contractual requirements of the Oklahoma State Department of Health.

**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of the Financial Statements Performed in
Accordance with *Government Auditing Standards***

Board of Health
Oklahoma City-County Health Department
Oklahoma City, Oklahoma

We have audited, in accordance with the 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 accompanying statement of cash receipts and disbursements of the Oklahoma City-County Health Department (the Department) for the year ended June 30, 2015, and the related notes to the financial statement and have issued our report thereon dated December 31, 2015, which contained an *Emphasis of Matter* paragraph regarding the use of an accounting basis other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

Management of the Department is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Department's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, 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 Department's financial statement will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statement is free of 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 Department'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 Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. This report is also a public document pursuant to the *Oklahoma Open Records Act* (51 O.S. § 24A.1 et seq.) and shall be open to any person for inspection and copying.

BKD, LLP

Oklahoma City, Oklahoma
December 31, 2015

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance

Board of Health
Oklahoma City-County Health Department
Oklahoma City, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the compliance of the Oklahoma City-County Health Department (the Department) 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 the Department's major federal programs for the year ended June 30, 2015. The Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Department's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Department's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. This report is also a public document pursuant to the *Oklahoma Open Records Act* (51 O.S., § 24A.1 et seq.) and shall be open to any person for inspection and copying.

BKD, LLP

Oklahoma City, Oklahoma
December 31, 2015

Oklahoma City-County Health Department

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Summary of Auditor's Results

1. The opinion expressed in the independent auditor's report was:
☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer
2. The independent auditor's report on internal control over financial reporting disclosed:
 Significant deficiency(ies)? ☐ Yes ☒ None reported
 Material weakness(es)? ☐ Yes ☒ No
3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No
4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:
 Significant deficiency(ies)? ☐ Yes ☒ None reported
 Material weakness(es)? ☐ Yes ☒ No
5. The opinion expressed in the independent auditor's report on compliance for major federal awards programs was:
☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer
6. The audit disclosed findings required to be reported by OMB Circular A-133? ☐ Yes ☒ No
7. The Department's major programs were:

| Cluster/Program | CFDA Number |
|--|-------------|
| Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) | 10.557 |
| Immunization Cooperative Agreements | 93.268 |
| Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Visiting Program | 93.505 |

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000.
9. The Department qualified as a low-risk auditee as that term is defined in OMB Circular A-133? ☐ Yes ☒ No

Oklahoma City-County Health Department
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2015

Findings Required to be Reported by *Government Auditing Standards*

| Reference Number | Finding |
|---------------------|---------|
|---------------------|---------|

No matters are reportable.

Findings Required to be Reported by OMB Circular A-133

| Reference Number | Finding | Questioned Costs |
|---------------------|---------|---------------------|
|---------------------|---------|---------------------|

No matters are reportable.

Oklahoma City-County Health Department
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015

| Reference Number | Summary of Finding | Status |
|-----------------------------|---------------------------|---------------|
|-----------------------------|---------------------------|---------------|

No matters are reportable.