

OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
INDEPENDENT AUDITOR'S REPORTS AND FINANCIAL STATEMENTS

June 30, 2022

OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Oklahoma City-County Health Department (the Department), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying 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, 2022, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Department, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison, and other postemployment benefit information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 September 28, 2023 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 solely 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 effectiveness of the Department's 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.

FORVIS, LLP

Oklahoma City, Oklahoma
September 28, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Oklahoma City-County Health Department (the Department) financial statements, the Department's management provides narrative discussion and analysis of the financial activities of the Department for the fiscal year ended June 30, 2022. The Department's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Summary

- Department assets and deferred outflows exceeded liabilities and deferred inflows by \$27.5 million (net position) for 2022. This compares to the previous year when assets and deferred outflows exceeded liabilities and deferred inflows by \$30.3 million.
- Total liabilities for the Department increased by 6.2% or \$2.6 million to \$43.6 million during the fiscal year.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$17.5 million includes leased assets and property and equipment, net of accumulated depreciation and amortization reduced for outstanding debt related to the purchase or construction of capital and leased assets.
 - (2) Net position of \$137 thousand is restricted for debt service.
 - (3) Unrestricted net position is \$9.9 million.
- The Department's funds reported total ending fund balance of \$34.4 million this year. This compares to the prior year ending fund balance of \$39.1 million, showing a decrease of 13.8% or \$4.7 million during the current year.

Overview of the Financial Statements

This discussion and analysis introduces the Department's basic financial statements. The basic financial statements include: (1) Department-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The Department also includes in this report additional information to supplement the basic financial statements.

Department-Wide Financial Statements

The Department's annual report includes two Department-wide financial statements. These statements provide both long-term and short-term information about the overall status of the Department and are presented to demonstrate the extent the Department has met its operating objectives efficiently and effectively using all the resources available and whether the Department can continue to meet its objectives in the foreseeable future. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

The first of these Department-wide statements is the statement of net position. This is the statement of financial position presenting information that includes all of the Department's assets, deferred outflows, liabilities, and deferred inflows, with the difference 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 as a whole is improving or deteriorating and may identify financial strengths and weaknesses and assess liquidity.

The second Department-wide statement is the statement of activities, which reports how the Department's net position changed during the current fiscal year and can be used to assess the Department's operating results in its entirety and analyze how the Department's programs are financed. All current year revenues and expenses are included regardless of when cash is received or paid.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. All Department funds are reported as major funds.

Funds reported in the fund financial statements encompass essentially the same functions reported as activities in the Department-wide financial statements. However, the focus is different with fund financial statements reporting short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. These financial statements are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term.

Since the Department-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the Department-wide statements to assist in understanding the differences between these two perspectives.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to gain a full understanding of the Department-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Department's progress in funding its obligation to provide other postemployment benefits to its employees, including employees of the Department, and budget to actual information for the Department's General Fund.

Financial Analysis

The Department's net position at fiscal year-end is \$27.5 million. This is a decrease of 9.2% or \$2.8 million from last year's net position. The decrease is primarily attributable to a decrease in grant funding for COVID-19-related grant expenditures during fiscal year 2022.

Summary of Net Position

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Assets				
Current assets	\$ 44,970,382	\$ 41,706,580	\$ 3,263,802	7.8%
Capital assets, net	31,202,685	28,824,410	2,378,275	8.3%
Other noncurrent assets	1,349,785	1,242,023	107,762	8.7%
Total assets	<u>77,522,852</u>	<u>71,773,013</u>	<u>5,749,839</u>	8.0%
Deferred outflows	<u>2,313,710</u>	<u>2,872,232</u>	<u>\$ (558,522)</u>	-19.4%
Liabilities				
Current liabilities	12,045,752	4,057,163	7,988,589	196.9%
Noncurrent liabilities	31,552,333	36,977,139	(5,424,806)	-14.7%
Total liabilities	<u>43,598,085</u>	<u>41,034,302</u>	<u>2,563,783</u>	6.2%
Deferred inflows	<u>8,704,273</u>	<u>3,282,895</u>	<u>5,421,378</u>	165.1%
Net position				
Net investment in capital assets	17,498,595	17,279,617	218,978	1.3%
Restricted for:				
Debt service	137,339	181,133	(43,794)	-24.2%
Unrestricted	9,898,270	12,867,298	(2,969,028)	-23.1%
Total net position	<u>\$ 27,534,204</u>	<u>\$ 30,328,048</u>	<u>\$ (2,793,844)</u>	-9.2%

Total assets increased by \$5.8 million. Cash and investments increased \$10.2 million. Restricted deposits decreased \$3.1 million related to scheduled conduit borrowing principal and interest payments. Intergovernmental receivables decreased \$4.0 million primarily related to CARES grant-related billings in the prior year. Capital assets, net of accumulated depreciation, increased \$2.4 million primarily related to equipment acquisition and construction costs for the Warehouse and Immunization and Testing Facility of \$3.9 million and normal depreciation of \$1.5 million.

Total liabilities increased \$2.6 million. Accounts payable and accrued liabilities increased \$7.9 million primarily related to the receipt of funds from a third party in error and returned shortly after year-end. Compensated absences increased \$1.6 million due mainly to new leave policy changes approved by the Board of Health. The actuarially determined other postemployment (OPEB) balances resulted in a decreased net OPEB liability of \$6.3 million.

Deferred outflows decreased \$559 thousand and deferred inflows increased \$5.4 million primarily related to actuarially determined OPEB calculations.

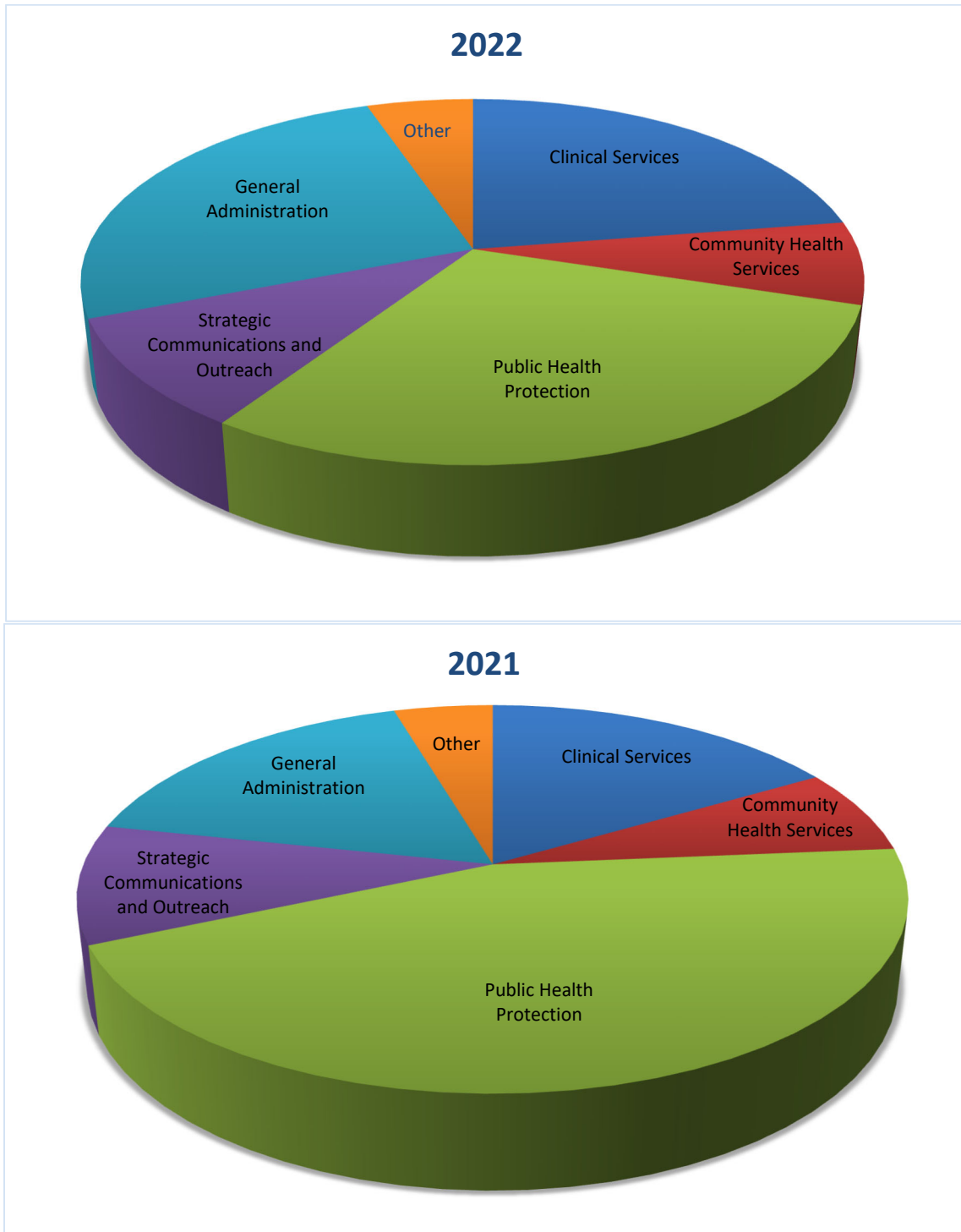
Summary of Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Charges for services	\$ 802,239	\$ 619,065	\$ 183,174	29.59%
Operating grants and contributions	13,287,893	23,075,262	(9,787,369)	-42.41%
General revenues	21,000,096	20,919,599	80,497	0.38%
Total revenues	<u>35,090,228</u>	<u>44,613,926</u>	<u>\$ (9,523,698)</u>	-21.35%
Expenses				
Clinical services	8,534,182	5,764,716	2,769,466	48.04%
Community health services	2,771,086	2,472,901	298,185	12.06%
Public health protection	11,164,649	15,593,200	(4,428,551)	-28.40%
Strategic communications and outreach	3,676,114	3,452,801	223,313	6.47%
General administration	9,762,600	5,945,839	3,816,761	64.19%
Depreciation	1,471,825	1,216,344	255,481	21.00%
Interest on long-term debt	503,616	374,756	128,860	34.39%
Total expenses	<u>37,884,072</u>	<u>34,820,557</u>	<u>3,063,515</u>	8.80%
Changes in net position	(2,793,844)	9,793,369	(12,587,213)	-128.53%
Beginning net position	<u>30,328,048</u>	<u>20,534,679</u>	<u>9,793,369</u>	47.69%
Ending net position	<u>\$ 27,534,204</u>	<u>\$ 30,328,048</u>	<u>\$ (2,793,844)</u>	-9.21%

Total revenues decreased \$9.5 million primarily due to decreased federal and state contract grant revenues.

Expenses increased \$3.1 million in the current year. General administration and clinical services increased by \$3.8 million and \$2.8 million, respectively. Public health protection decreased by \$4.4 million. These changes are related to reassignments of staff from COVID-19 crisis activities to normal programmatic activities.

Expenditures by Program



Expenditures by program increased from fiscal year 2021 by 8.8% overall. Clinical services and general administration expenditures increased 48.0% and 64.2%, respectively, from the prior year, while public health protection expenditures decreased by 28.4%.

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Taxes	\$ 20,854,531	\$ 20,784,362	\$ 70,169	0.3%
Intergovernmental revenue	1,471,660	4,002,371	(2,530,711)	-63.2%
Charges for services	498,708	311,176	187,532	60.3%
Licenses and permits	298,974	245,467	53,507	21.8%
Investment income	54,499	8,321	46,178	555.0%
Donations	363	36,748	(36,385)	-99.0%
Lease revenues	61,908	62,496	(588)	-0.9%
Other income	50,354	132,772	(82,418)	-62.1%
Total revenues	<u>23,290,997</u>	<u>25,583,713</u>	<u>\$ (2,292,716)</u>	-9.0%
Expenditures				
Wages and fringe benefits	16,785,934	11,327,580	5,458,354	48.2%
Personal services	1,116,538	199,621	916,917	459.3%
Travel/training	181,163	143,315	37,848	26.4%
Maintenance and operations	5,670,977	3,895,035	1,775,942	45.6%
Debt service	1,262,825	1,043,645	219,180	21.0%
Total expenditures	<u>25,017,437</u>	<u>16,609,196</u>	<u>8,408,241</u>	50.6%
Excess Revenues (Expenditures)	(1,726,440)	8,974,517	(10,700,957)	-119.2%
Transfers and other financing sources (uses)	666,921	1,758,629	(1,091,708)	-62.1%
Changes in Fund Balance	(1,059,519)	10,733,146	(11,792,665)	-109.9%
Beginning Fund Balance	32,171,467	21,438,321	10,733,146	50.1%
Ending Fund Balance	<u>\$ 31,111,948</u>	<u>\$ 32,171,467</u>	<u>\$ (1,059,519)</u>	-3.3%

Total General Fund revenues decreased \$2.3 million mainly because of CARES Act revenues that had been received in prior years causing decreases in the current year for intergovernmental revenue, other income, and donations, offset by slight increases in tax revenue, licenses and permits, and investment income.

Total General Fund expenditures increased \$8.4 million due mainly to increases in wages and fringe benefits of \$5.5 million primarily because of reassignments of staff from COVID-19 crisis activities to normal programmatic activities, increases in maintenance and operational expenses of \$1.8 million, and increases in personal services of \$917 thousand. Transfers include decreases in the amounts received for reimbursement of administrative and overhead (indirect costs) funded by federal and state grantors in the Grant Fund of \$1.1 million.

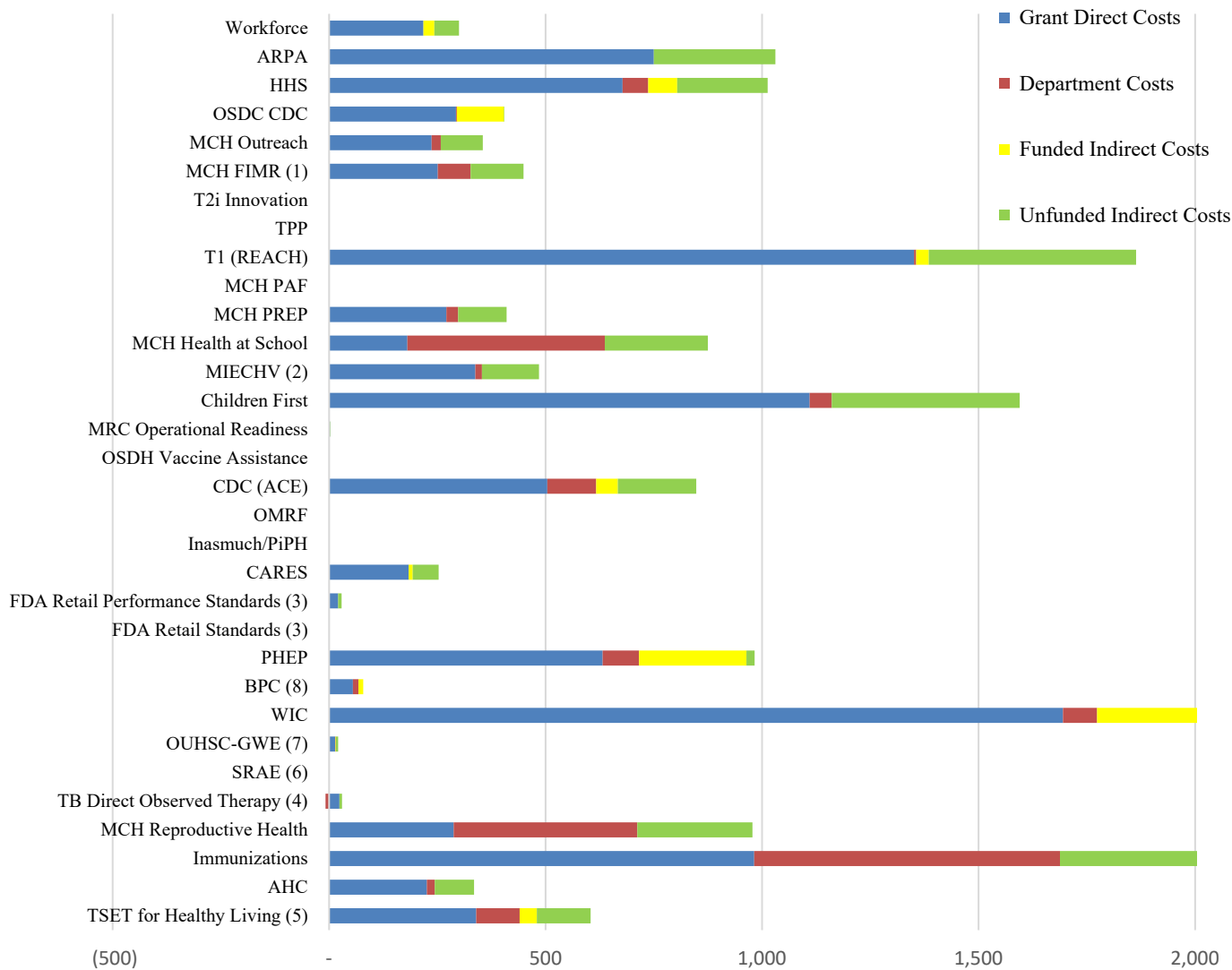
Grants Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Intergovernmental revenue	\$ 11,702,889	\$ 19,036,143	\$ (7,333,254)	-38.5%
Donations	55,629	-	55,629	100.0%
Total revenues	<u>11,758,518</u>	<u>19,036,143</u>	<u>(7,277,625)</u>	-38.2%
Expenditures				
Wages and fringe benefits	6,570,372	9,608,048	(3,037,676)	-31.6%
Personal services	239,968	309,060	(69,092)	-22.4%
Travel/training	48,593	45,081	3,512	7.8%
Maintenance and operations	3,860,328	6,285,230	(2,424,902)	-38.6%
Capital outlay	8,713	1,738,731	(1,730,018)	-99.5%
Total expenditures	<u>10,727,974</u>	<u>17,986,150</u>	<u>(7,258,176)</u>	-40.4%
Excess Revenues (Expenditures)	1,030,544	1,049,993	(19,449)	-1.9%
Transfers and other financing sources (uses)	(1,160,462)	(1,054,555)	(105,907)	10.0%
Changes in Fund Balance	<u>(129,918)</u>	<u>(4,562)</u>	<u>(125,356)</u>	2747.8%
Beginning Fund Balance	(3,251)	1,311	(4,562)	-348.0%
Ending Fund Balance	<u>\$ (133,169)</u>	<u>\$ (3,251)</u>	<u>\$ (129,918)</u>	3996.2%

Grants Fund revenues decreased \$7.3 million primarily related to a decrease in CARES Act-related funding of \$11.1 million because of a winding down of COVID-19-related response efforts. The decreases were offset by increases in WIC funding of \$522 thousand, Children First Program funding of \$534 thousand, ARPA Grant funding of \$750 thousand, Immunizations funding of \$289 thousand, and other grants of \$1.4 million. These changes in grant awards also resulted in a decrease of expenditures of \$7.3 million and a decrease in transfers for indirect costs of \$106 thousand, as shown on the next page.

Grant Costs (in Thousands)



- (1) Fetal Infant Mortality Review is abbreviated in the above chart as FIMR.
- (2) Maternal, Infant, and Early Childhood Home Visiting Program is abbreviated in the above chart as MIECHV.
- (3) Food and Drug Administration is abbreviated in the above chart as FDA.
- (4) Tuberculosis is abbreviated in the above chart as TB.
- (5) Tobacco Settlement Endowment Trust is abbreviated in the above chart as TSET.
- (6) Sexual Risk Avoidance Education is abbreviated in the above chart as SRAE.
- (7) Oklahoma University Health Sciences Center – Geriatrics Workforce Enhancement is abbreviated in the above chart as OUHSC-GWE.
- (8) Breastfeeding Peer Counseling is abbreviated in the above chart as BPC.

Total expenditures for grant-funded programs at June 30, 2022 were \$17.6 million, including grant-funded costs of \$10.6 million, unfunded direct costs of \$2.2 million, grant-funded indirect costs of \$1.2 million, and unfunded indirect costs of \$3.6 million. Indirect costs are calculated using the indirect cost rate. The indirect cost for the Department is 37.40% (limited to 16.30% for the WIC grant where facilities are funded by the grant). The indirect cost rate is set each year in July and is reviewed and approved by the Oklahoma State Department of Health.

Capital Projects Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Total Revenues	\$ 5,982	\$ 1,810	\$ 4,172	230.5%
Expenditures				
Maintenance & operations	152,782	2,850	149,932	5260.8%
Capital outlay	4,033,075	3,511,351	521,724	14.9%
Debt service	-	16,750	(16,750)	-100.0%
Total expenditures	4,185,857	3,530,951	654,906	18.5%
Excess Expenditures	(4,179,875)	(3,529,141)	(650,734)	18.4%
Transfers and other financing sources (uses)	626,685	5,813,039	(5,186,354)	-89.2%
Changes in Fund Balance	(3,553,190)	2,283,898	(5,837,088)	-255.6%
Beginning Fund Balance	6,950,685	4,666,787	2,283,898	48.9%
Ending Fund Balance	\$ 3,397,495	\$ 6,950,685	\$ (3,553,190)	-51.1%

Capital Projects Fund revenues increased \$4 thousand because of an increase in investment income earned. Other financing sources (uses) decreased primarily due to the Series 2021 bond issue made in the prior year, while expenditures increased \$655 thousand.

	<u>Original Budget</u>	<u>Amendments and Revisions</u>	<u>Revised Budget</u>	<u>Revenues, Expenditures, and Encumbrances</u>	<u>Variance</u>
Revenues	\$ 23,472,660	\$ 220,897	\$ 23,693,557	\$ 23,786,644	\$ 93,087
Expenditures	26,613,410	-	26,613,410	25,412,493	(1,200,917)
Transfers and other financing sources (uses)	568,016	-	568,016	533,777	(34,239)
Net revenues (expenditures)	\$ (2,572,734)	\$ 220,897	\$ (2,351,837)	\$ (1,092,072)	\$ 1,259,765

General Fund amendments of \$220,897, primarily related to increase in estimates in other income, were made during the fiscal year ended June 30, 2022. A positive variance of \$1.2 million in general fund expenditures was a result of less expenditures incurred than were budgeted primarily for personal services of \$617 thousand. All changes were primarily caused by a shift of personnel from COVID-19 responses to programmatic activities as the pandemic waned.

Capital Assets

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 1,767,220	\$ 1,767,220	\$ -	0.0%
Construction in progress	6,110,839	2,611,015	3,499,824	134.0%
Nondepreciable assets	7,878,059	4,378,235	3,499,824	79.9%
Buildings	24,568,044	24,330,431	237,613	1.0%
Land improvements	2,080,587	2,080,587	-	0.0%
Computers, equipment, and vehicles	4,076,511	3,963,848	112,663	2.8%
Accumulated depreciation	(7,400,516)	(5,928,691)	(1,471,825)	24.8%
Depreciable assets	23,324,626	24,446,175	(1,121,549)	-4.6%
Total	\$ 31,202,685	\$ 28,824,410	\$ 2,378,275	8.3%

Construction in progress increased \$3.5 million from 2021 primarily due to construction of the NE Drive-Through and Warehouse Project. Buildings increased \$238 thousand related to the completion of the building improvements at the NE clinical, Oakridge, and Sequoyah locations. Increases in accumulated depreciation of \$1.1 million represent normal depreciation.

Debt

2012 Conduit Borrowing

On January 1, 2012, the Department issued bonds through the Oklahoma Finance Authority (OFA) in the amount of \$8.4 million as conduit debt. The bonds carry interest rates from 2.00% to 3.75% with final payment due April 1, 2032. The OFA issued the bonds, which were used to construct the NERHWC. The OFA subsequently leased the NERHWC to the Department for amounts equal to the required payments on the bonds. Ownership of the NERHWC will transfer to the Department when the bonds are fully repaid.

2015 Conduit Borrowing

On January 29, 2015, the Department issued bonds through the OFA in the amount of \$5.5 million as conduit debt. The bonds carry interest rates from 2.00% to 3.375% with final payment due April 1, 2040. The OFA issued the bonds, which were used to construct the Gary Cox Partner Building (GCPB). The OFA subsequently leased the GCPB to the Department for amounts equal to the required payments on the bonds. Ownership of the GCPB will transfer to the Department when the bonds are fully repaid.

2021 Conduit Borrowing

On February 11, 2021, the Department issued bonds through the OFA in the amount of \$5.75 million as conduit debt. In addition, a premium on the issuance resulted in an additional \$767 thousand received. The bonds carry interest rates from 2.00% to 4.00% with final payment due April 1, 2046. The OFA issued the bonds, which are being used to construct the Immunization & Testing Facility. The OFA subsequently leased those facilities to the Department for amounts equal to the required payments on the bonds. Ownership of the Drive-Through and Warehouse will transfer to the Department when the bonds are fully repaid.

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
2012 Conduit Borrowing	\$ 4,765,000	\$ 5,170,000	\$ (405,000)	-7.8%
2015 Conduit Borrowing	4,315,000	4,500,000	(185,000)	-4.1%
2021 Conduit Borrowing	5,615,000	5,750,000	(135,000)	-2.3%
Interest payable	117,556	134,999	(17,443)	-12.9%
Total	<u>\$ 14,812,556</u>	<u>\$ 15,554,999</u>	<u>\$ (742,443)</u>	<u>-4.8%</u>

Principal payments are due April 1. Interest is due October 1 and April 1. Interest and principal is accumulated monthly in restricted accounts. Changes in outstanding debt are a result of scheduled debt service payments.

Economic Factors and Rates

Economic Factors

Although property tax collections are not directly related to economic growth, collectibility can be negatively affected in times of economic recession. The local economy experienced economic growth and property taxes increased in fiscal year 2022. In addition, the ongoing COVID-19 pandemic will likely impact economic factors for the near future; however, the impact on operations is uncertain at this time.

Conduit Borrowing Bond Ratings

The conduit borrowing bonds are rated AA-.

Contacting the Department’s Financial Management

This financial report is designed to provide a general overview of the Department’s finances, comply with finance-related laws and regulations, and demonstrate commitment to public accountability. If you have questions about this report or would like to request additional information, contact the Department’s Financial Services Department at 2600 Northeast 63rd, Oklahoma City, Oklahoma 73112.

STATEMENT OF NET POSITION
June 30, 2022

OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

<u>ASSETS</u>	<i>Governmental Activities</i>
<u>CURRENT ASSETS</u>	
Cash	\$ 1,775,683
Restricted deposits	973,280
Investments	34,958,066
Property taxes receivable, net of allowance	1,096,037
Accounts receivable, net	392,461
Intergovernmental receivable	5,278,655
Inventory	428,629
Prepays	67,571
Total current assets	<u>44,970,382</u>
<u>NONCURRENT ASSETS</u>	
Restricted deposits	1,239,386
Prepays, noncurrent	494
Lease assets	109,905
Capital assets:	
Land and construction in progress	7,878,059
Other capital assets, net of accumulated depreciation	<u>23,324,626</u>
Capital assets, net	<u>31,202,685</u>
Total noncurrent assets	<u>32,552,470</u>
Total assets	<u>77,522,852</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
	<u>2,313,710</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Wages and benefits payable	1,024,741
Accounts payable and other accrued liabilities	9,301,768
Compensated absences	652,263
Unearned revenue	90,568
Lease payable	17,072
Conduit borrowing	928,656
Conduit borrowing issuance premium	30,684
Total current liabilities	<u>12,045,752</u>
<u>NONCURRENT LIABILITIES</u>	
Compensated absences	3,455,990
Lease payable	93,930
Conduit borrowing	13,883,900
Conduit borrowing issuance premium	692,961
Net other postemployment benefit obligation	<u>13,425,552</u>
Total noncurrent liabilities	<u>31,552,333</u>
Total liabilities	<u>43,598,085</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Other postemployment benefits	8,582,218
Leases	122,055
Total deferred inflows of resources	<u>8,704,273</u>
<u>NET POSITION</u>	
Net investment in capital assets	17,498,595
Restricted for debt service	137,339
Unrestricted	9,898,270
Total net position	<u>\$ 27,534,204</u>

See accompanying notes to the financial statements.

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

	<u>Program Revenues</u>			<u>Total</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<u>Governmental Activities</u>				
Clinical services	\$ 8,534,182	\$ 273,095	\$ 5,186,112	\$ (3,074,975)
Community health services	2,771,086	-	2,027,370	(743,716)
Public health protection	11,164,649	529,144	5,281,323	(5,354,182)
Strategic communications and outreach	3,676,114	-	793,088	(2,883,026)
General administration	9,762,600	-	-	(9,762,600)
Depreciation	1,471,825	-	-	(1,471,825)
Interest on conduit borrowings	503,616	-	-	(503,616)
Total	<u>\$ 37,884,072</u>	<u>\$ 802,239</u>	<u>\$ 13,287,893</u>	<u>\$ (23,793,940)</u>
<u>GENERAL REVENUES</u>				
Property taxes				\$ 20,858,576
Unrestricted investment income				60,481
Miscellaneous				81,039
Total general revenues				<u>\$ 21,000,096</u>
Change in net position				\$ (2,793,844)
Net position – beginning				<u>30,328,048</u>
Net position – ending				<u>\$ 27,534,204</u>

See accompanying notes to the financial statements.

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022**

OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

ASSETS	General Fund	Grants Fund	Capital Projects Fund	Total
Cash	\$ 1,775,683	\$ -	\$ -	\$ 1,775,683
Restricted deposits	1,540,381	-	672,285	2,212,666
Investments	31,993,188	-	2,964,878	34,958,066
Property taxes receivable, net of allowance	1,096,037	-	-	1,096,037
Accounts receivable and other accrued assets	293,759	96,254	2,448	392,461
Intergovernmental receivable	520,942	4,757,713	-	5,278,655
Due from the Grants Fund	4,130,454	-	-	4,130,454
Prepaid expenses	67,953	112	-	68,065
Total assets	\$ 41,418,397	\$ 4,854,079	\$ 3,639,611	\$ 49,912,087
 LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
LIABILITIES				
Wages and benefits payable	865,217	159,524	-	1,024,741
Accounts payable and other accrued liabilities	8,413,881	640,197	242,116	9,296,194
Due to the General Fund	-	4,130,454	-	4,130,454
Unearned revenues	33,495	57,073	-	90,568
Total liabilities	9,312,593	4,987,248	242,116	14,541,957
 DEFERRED INFLOWS				
Leases	122,055	-	-	122,055
Unavailable revenues	871,801	-	-	871,801
Total deferred inflows	993,856	-	-	993,856
 FUND BALANCES				
Nonspendable	67,953	112	-	68,065
Restricted for debt service	1,540,381	-	-	1,540,381
Assigned – purchases on order	171,684	-	-	171,684
Assigned – capital projects	-	-	3,397,495	3,397,495
Unassigned	29,331,930	(133,281)	-	29,198,649
Total fund balances	31,111,948	(133,169)	3,397,495	34,376,274
Total liabilities, deferred inflows, and fund balances	\$ 41,418,397	\$ 4,854,079	\$ 3,639,611	\$ 49,912,087
 <u>RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION GOVERNMENTAL ACTIVITIES</u>				
Total fund balances				\$ 34,376,274
Inventory				428,629
Leased assets, net of accumulated amortization				109,905
Capital assets, net of accumulated depreciation				31,202,685
Earned but unavailable revenue				993,856
Compensated absences				(4,108,253)
Accrued interest payable				(5,574)
OPEB liability and related deferred inflows and outflows				(19,816,113)
Lease liabilities				(111,004)
Conduit borrowing issuance premium				(723,645)
Conduit borrowings				(14,812,556)
Net position – governmental activities				\$ 27,534,204

See accompanying notes to the financial statements.

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022**

OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

	General Fund	Grants Fund	Capital Projects Fund	Total
REVENUES				
Property taxes	\$ 20,854,531	\$ -	\$ -	\$ 20,854,531
Intergovernmental revenue	1,471,660	11,702,889	-	13,174,549
Charges for services	498,708	-	-	498,708
Licenses and permits	298,974	-	-	298,974
Investment income	54,499	-	5,982	60,481
Donations	363	55,629	-	55,992
Lease revenues	61,908	-	-	61,908
Other income	50,354	-	-	50,354
Total revenues	<u>23,290,997</u>	<u>11,758,518</u>	<u>5,982</u>	<u>35,055,497</u>
EXPENDITURES				
Wages	12,547,219	4,762,904	-	17,310,123
Fringe benefits	4,238,715	1,807,468	-	6,046,183
Personal services	1,116,538	239,968	-	1,356,506
Travel/training	181,163	48,593	-	229,756
Maintenance and operations	5,670,977	3,860,328	152,782	9,684,087
Capital outlay	-	8,713	4,033,075	4,041,788
Debt service:				
Principal	747,142	-	-	747,142
Interest	515,683	-	-	515,683
Total expenditures	<u>25,017,437</u>	<u>10,727,974</u>	<u>4,185,857</u>	<u>39,931,268</u>
EXCESS REVENUES (EXPENDITURES)	<u>(1,726,440)</u>	<u>1,030,544</u>	<u>(4,179,875)</u>	<u>(4,875,771)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	533,777	(1,160,462)	626,685	-
Leased assets received	133,144	-	-	133,144
Net other financing sources (uses)	<u>666,921</u>	<u>(1,160,462)</u>	<u>626,685</u>	<u>133,144</u>
NET CHANGE IN FUND BALANCE	(1,059,519)	(129,918)	(3,553,190)	(4,742,627)
FUND BALANCES				
Beginning of year	32,171,467	(3,251)	6,950,685	39,118,901
End of year	<u>\$ 31,111,948</u>	<u>\$ (133,169)</u>	<u>\$ 3,397,495</u>	<u>\$ 34,376,274</u>

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES GOVERNMENTAL ACTIVITIES**

Net change in fund balance	\$ (4,742,627)
Change in inventory	(29,689)
Change in prepaid assets	(164,492)
Capital outlay	4,041,788
Depreciation expense	(1,471,825)
Recognition of earned but unavailable revenue	7,583
Change in compensated absences	(1,618,337)
Principal paid on conduit borrowings	725,000
Changes in interest payable, leases, and conduit borrowings	10,723
Change in OPEB liability and related deferred inflows and outflows	448,032
Change in net position – governmental activities	<u>\$ (2,793,844)</u>

See accompanying notes to the financial statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. A. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the Oklahoma City-County Health Department (the Department) financial activities for the fiscal year ended June 30, 2022.

I. B. BASIS OF PRESENTATION

I. B. 1. REPORTING ENTITY

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 (the County) and Oklahoma City (the City). The Department provides public health services to all citizens of the County.

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

The Department is not a component unit of another government and does not have any component units.

I. B. 2. RELATED ORGANIZATION

Partners in Public Health, Inc. (PiPH) is a nonprofit corporation organized for "charitable and educational" purposes. The Board is responsible for the initial appointment of members to the board of PiPH, but the Department's accountability does not extend beyond making the appointments. The financial transactions of PiPH are not included in the accompanying financial statements.

I. B. 3. BASIC FINANCIAL STATEMENTS

Department-Wide Financial Statements

The Department-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Department as a whole. Individual funds are not displayed.

The statement of activities reports 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 may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include charges for services, which include fees and other charges to users of the Department's services. Other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements include the balance sheet and statement of revenues, expenditures, and changes in fund balance. Fund financial statements are provided for all funds. All funds of the Department are considered major.

I. B. 4. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Generally Accepted Accounting Principles (U.S. GAAP)

The financial statements of the Department are prepared in accordance with U.S. GAAP. The Department applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

In June 2017, GASB issued Statement No. 87, *Leases*, which requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset and a lessor is required to recognize

a lease receivable and a deferred inflow of resources. GASB 87 is now effective for reporting periods beginning after June 15, 2021.

In April 2022, GASB issued Statement No. 99, Omnibus 2022. A portion of this standard provides additional information on interpreting and applying GASB 87 by clarifying the definition of a lease term and further explaining what is included and excluded in the term. GASB 99 also provides additional guidance on short-term leases, variable payments, and lease incentives.

The Department recorded the cumulative effect of the adoptions of GASB 87 and GASB 99, which resulted in certain reclassifications of activities in the accompanying statement of revenues, expenditures, and changes in fund balance associated with lessee and lessor agreements. However, the adoption resulted in no impact to beginning net position as of July 1, 2021.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Department-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. 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 current fiscal period for imposed nonexchange transactions, such as property taxes, and 180 days for government-mandated nonexchange transactions, such as federal and state grants. Expenditures are recorded when the related fund liability is incurred.

Governmental Funds

General Fund

This fund is the Department's primary operating fund and is used by the Department to account for specific revenues, including property tax revenues, health insurance collections, and business license and inspection fees. The revenues are designated to finance general government functions or activities of the Department, including clinical and community health services, public health protection, communications and outreach, and general administration.

Grants Fund

This fund is used to account for the revenues and expenditures of federal and state grants.

Capital Projects Fund

This fund is used to account for the acquisition, construction, and maintenance of the Department's capital projects.

I. C. BUDGET LAW AND PRACTICE

Pursuant to 68 O.S. § 3002, on or before August 17 of each year, a budget for each fund, as required by the Board, is completed. The budget is adopted for the General Fund by object and submitted to the Oklahoma County Excise Board for approval. Budget revisions in excess of fund balance require approval by the Oklahoma County Excise Board.

The Department's budget is approved by the Board. Budgetary control of the Department's operations is exercised on an annual basis for the General Fund. Appropriations for the General Fund expire at the close of the fiscal year. Budgetary control of the Grants Fund is established by the granting agency and is exercised for the same period as the grant award. The Capital Projects Fund is budgeted on a project-length basis. Outstanding appropriations in the Grants Fund and Capital Projects Fund are carried forward each year until grants expire or the projects are completed. Management may transfer appropriations without governing body approval.

The Department uses 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.

I. D. POLICIES RELATED TO ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY

I. D. 1. CASH AND INVESTMENTS

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 investment policy limits investments to 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. The Department maintains and controls a demand deposit operating cash account and an investment pool, which is allocated to the funds. Fund pooled investments are allocated based on the fund's position in the pool and reported as investments.

Investments are carried at fair value determined by quoted market prices. The management of the restricted investments is performed in accordance with applicable conduit borrowing bond indentures and at the direction of the trustee bank. Cash deposits are reported at carrying amount, which approximates fair value.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

Accounting guidance establishes a consistent framework for measuring fair value and establishes a fair value hierarchy based on the observability of inputs used to measure fair value. These different levels of valuation hierarchy are described as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that are observable.

Level 3 – Significant unobservable prices or inputs.

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Conduit Borrowing Bond Indentures Restrictions

The conduit bond indentures restrict investing to (1) direct obligations of or obligations that are unconditionally guaranteed by the federal government and (2) bonds, debentures, notes or other indebtedness payable in cash issued by Export Import Bank of the U.S., Federal Financing Bank, Farmer's Home Administration, Federal Housing Administration, Maritime Administration, Public Housing Authorities, and Government National Mortgage Association whose obligations represent the full faith and credit of the United States of America; certificates of deposit secured by collateral described in (1) above; investments fully insured by federal depository insurance; repurchase agreements; money market accounts; commercial paper; shares of mutual funds; advanced refunding municipal bonds; and guaranteed investment contracts.

I. D. 2. RESTRICTED DEPOSITS

Restricted deposits include investments which are legally restricted by conduit borrowing bond indentures for principal and interest payments.

I. D. 3. RECEIVABLES AND UNCOLLECTIBLE AMOUNTS

Property Taxes Receivable

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. 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.

Property taxes receivable are estimated from the prior calendar year receipts. In the fund financial statements, property tax revenues are recorded for all receipts during the year and for 60 days after year-end.

The Department's millage is set by Oklahoma statute.

In the Department-wide financial statements, property taxes receivable and related revenue include all amounts due to the Department regardless of when cash is received.

Accounts Receivable

The Department reports accounts receivable for services rendered at net realizable amounts from third-party payors, patients, and others. The Department provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions.

Intergovernmental Receivables

Significant intergovernmental receivables are due from federal and state governments and include amounts receivable for inspection services and grant awards. Amounts are considered fully collectible and no allowance has been provided.

I. D. 4. INTERFUND BALANCES

Generally, outstanding balances between funds reported as due to/from other funds include outstanding charges by one fund to another for services or goods, funding commitments outstanding at year-end, or other miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as advances to/from other funds and include both the current and noncurrent portion of interfund loans. All activity is eliminated in the Department-wide financial statements.

I. D. 5. INVENTORIES AND PREPAIDS

Inventories

Inventories, recorded at the lower of cost or market on a first-in, first-out basis, consist of immunizations and medical and pharmaceutical supplies and are recorded on the purchases method and are reported as expenditures on the fund financial statements. Expenses for amounts on hand are reduced and reported as assets on the Department-wide financial statements.

Prepays

Prepays are payments to vendors that benefit future reporting periods and are reported on the consumption basis. Costs are accrued on the fund financial statements. Noncurrent prepaids benefit periods beyond the following 12-month period. Payments to vendors that are less than \$100 are considered de minimis and are reported with expenses/expenditures in the year of payment.

I. D. 6. CAPITAL AND LEASE ASSETS AND DEPRECIATION

The Department generally capitalizes assets with a cost of \$5,000 or more and a useful life greater than one year. Items that do not meet the monetary threshold listed in the policy summary are expensed in the period incurred. Property and equipment are stated at actual or estimated historical cost. Donated assets are stated at their acquisition value on the date donated. Capital assets are reported in the Department-wide statements and are depreciated using the straight-line method. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting loss is recorded in operations.

Estimated Useful Lives

Computers and computer software	3 years
Equipment and vehicles	5 years
Office furniture and fixtures	7 years
Land improvements	20 years
Buildings and leasehold improvements	40 years

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service.

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The Department evaluates capital and lease assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or lease asset has occurred. If a capital or lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital and lease asset historical cost and related accumulated depreciation/amortization are decreased proportionately such that the net decrease equals the impairment loss.

I. D. 7. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

In addition to assets and liabilities, the Department-wide statement of net position and the governmental fund balance sheet may report separate sections of deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position or fund balance that applies to a future period that will not be recognized as an outflow of resources until that time. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to a future period that will not be recognized as an inflow of resources until that time.

I. D. 8. 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 of service. Any employee terminating from employment shall be paid for any unused, accrued annual leave based on years of service. All other accrued annual leave exceeding this amount will not be paid to the employee. Compensated absences are generally liquidated by the General Fund.

Sick Leave

The accrual rate for sick leave is 15 days per year (10 hours/month) with no accumulation limit. Employees may convert up to 80 hours of sick leave to annual leave and up to 500 hours of sick leave to pay each fiscal year provided a minimum of 160 hours of sick leave and an additional 80 hours of sick leave or annual leave is maintained. Sick leave will be paid upon termination from employment up to 480 hours.

I. D. 9. CONDUIT BORROWINGS

The Department is a special unit of government with no powers to issue bonded debt. The Oklahoma County Finance Authority (OCFA) is authorized to issue bonds in order to provide funds for the development of commercial and industrial projects that will benefit the County. This debt is considered conduit debt, which is a limited obligation debt instrument issued by a state or local government entity for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. OCFA has issued conduit bonded debt on behalf of the Department to fund Department projects. The Department has entered into agreements with OCFA. The agreements obligate the Department to pay rentals sufficient to fund the principal and interest of the bonds. OCFA will relinquish the title to the assets to the Department at the end of the arrangement once the conduit debt obligations have been paid off.

I. D. 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Department has a single-employer defined benefit OPEB plan (the OPEB Plan). For purposes of measuring the total OPEB liability, deferred outflows, and deferred inflows of resources related to OPEB and OPEB expense, these line items have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

I. D. 11. USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions regarding the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

I. D. 12. FUND EQUITY

Net Position

Net investment in capital assets and legally restricted amounts are separated from unrestricted net position.

Net Investment in Capital Assets

The amount reported is calculated as total capital and lease assets less accumulated depreciation/amortization and outstanding debt used to purchase the assets net of unspent portions. Unspent portions of debt, along with any amounts used to fund debt reserves, are included with restricted net position.

Restricted Net Position

Amounts reported as restricted for debt service include those amounts held in restricted accounts as required by the debt instrument. Restricted amounts held to pay conduit borrowing bond interest are reduced by accrued interest payable. Net position restricted for capital projects includes unspent debt proceeds legally restricted for capital outlays. Restricted net position also includes purpose restrictions from enabling legislation and other external sources.

Unrestricted Net Position

The amount reported is the remaining net position that does not meet the definitions of net investment in capital assets or restricted net position and is available to fund future operations of the Department.

Fund Balance

Nonspendable Fund Balance

Fund balance reported as nonspendable includes amounts that cannot be spent because it is not in spendable form or is not expected to be converted to cash, including prepaid expenses and advance funding. In addition, noncurrent assets that will eventually be converted to cash are reported as nonspendable where unassigned fund balance would otherwise be reported.

Restricted Fund Balance

Restricted fund balance includes amounts that are constrained for specific purposes that are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.

Assigned Fund Balance

Assigned fund balance includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by formal action of the Department's management. Encumbrances in the General Fund are reported as assigned.

Unassigned Fund Balance

Unassigned fund balance includes fund balance within the General Fund that has not been classified within the above mentioned categories and negative fund balances in other funds.

Fund Balance Usage

The Department uses restricted amounts when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the Department uses assigned amounts before unassigned amounts of unrestricted fund balance when expenditures are made.

I. D. 13. 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 facilities with a \$75,000 deductible, participates in the 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 fiscal year.

I. E. POLICIES RELATED TO REVENUES AND EXPENDITURES/EXPENSES

Major Revenues

Program revenues reported in the Department-wide financial statements include inspection service fees and medical service fees. General revenues reported in the Department-wide financial statements include property taxes, investment income, and other operating income.

I. F. TAX STATUS

The Department is exempt from federal and state income taxes under Section 115 of the Internal Revenue Code for any trade or business related to the Department's tax-exempt purpose or function.

II. ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

II. A. CASH, RESTRICTED DEPOSITS, AND INVESTMENTS

Cash

Custodial credit risk for deposits is the risk that in the event of a bank failure the Department's deposits may not be returned or the Department will not be able to recover collateral securities in the possession of an outside party. The Department's policy requires deposits to be 110 percent secured by collateral valued at market less the amount of the federal depository insurance.

At June 30, 2022, the Department's cash is collateralized with securities held by the pledging financial institution in the name of the Department less federal depository insurance.

Restricted Deposits and Investments

Restricted Deposits

The conduit borrowing bond indentures require the use of trust accounts. The conduit borrowing bond accounts are used to segregate resources accumulated for debt service payments over the next twelve months. The conduit bond reserve account is used for proceeds of conduit borrowing bond issuances set aside to make up potential future deficiencies in the conduit borrowing bond accounts or to make the last conduit borrowing bond principal and interest payments.

Conduit borrowing proceeds reserved for capital projects	\$ 672,285
Conduit borrowing bond principal and interest	300,995
Conduit borrowing bond reserve	1,239,386
	<u>\$ 2,212,666</u>

Investments

For investments, custodial credit risk is the risk that in the event of the failure of the counterparty the Department will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Restricted deposits are held by the conduit borrowing bond trustee in the name of the Department.

	<u>Cost</u>	<u>Fair Value/ Carrying Amount</u>	<u>Level</u>	<u>Average Credit Quality/ Ratings (3)</u>	<u>Weighted Average Maturity (4)</u>
Money market mutual fund (1)(2)	\$ 2,212,666	\$ 2,212,666	Level 1	AAAm/Aaa	19.47

- (1) Cost approximates fair value.
- (2) Consists solely of U.S. Treasury securities.
- (3) Ratings are from nationally recognized statistical rating organizations and provided to indicate associated credit risk.
- (4) Interest rate risk is estimated using weighted average to maturity (days).

Investment securities are exposed to various risks, such as interest rate risk and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Department’s financial position. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. The Department’s investment policy does not address investment credit risk or interest rate risk.

	<u>Cost</u>	<u>Fair Value/ Carrying Amount</u>	<u>Level</u>	<u>Average Credit Quality/ Ratings (3)</u>	<u>Weighted Average Maturity (4)</u>
Money market mutual fund (1)(2)	\$ 34,958,066	\$ 34,958,066	Level 1	AAAm/Aaa	43.00

- (1) Cost approximates fair value.
- (2) Consists solely of U.S. Treasury securities.
- (3) Ratings are from nationally recognized statistical rating organizations and provided to indicate associated credit risk.
- (4) Interest rate risk is estimated using weighted average to maturity (days).

Fair Value Measurement

A restricted deposit or investment’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Money market funds are reported at fair value, are traded on active markets at quoted prices, and are valued at Level 1. There have been no changes in the methodologies used from the prior year.

II. B. RECEIVABLES AND UNCOLLECTIBLE AMOUNTS

	General Fund		Grants Fund	Capital Projects Fund
	Amount Receivable	Allowance for Uncollectible Accounts	Amount Receivable	Amount Receivable
		Net Receivable		
Property taxes	\$ 1,101,864	\$ 5,827	\$ 1,096,037	\$ -
Patient billings	\$ 203,350	\$ 195,404	\$ 7,946	\$ -
Lease receivables	125,913	-	125,913	-
Other accounts receivable	159,900	-	159,900	2,448
	<u>\$ 489,163</u>	<u>\$ 195,404</u>	<u>\$ 293,759</u>	<u>\$ 2,448</u>
Intergovernmental receivable	\$ 520,942	\$ -	\$ 520,942	\$ -

II. C. INVENTORIES

Inventories for clinics are held at the Northeast Regional Health and Wellness Center (NERHWC), Southern Oaks Regional Health and Wellness Center (SORHWC), and the West Clinic (West).

	NERHWC	SORHWC	West	Total
Immunizations	\$ 270,152	\$ 40,214	\$ 26,726	\$ 337,092
Medical supplies	24,741	19,035	39,110	82,886
Other supplies	108	-	72	180
Pharmaceuticals	3,786	2,448	2,237	8,471
	<u>\$ 298,787</u>	<u>\$ 61,697</u>	<u>\$ 68,145</u>	<u>\$ 428,629</u>

II. D. PREPAID ASSETS

	General Fund	Grants Fund	Capital Projects Fund	Total
Computer equipment	\$ 362	\$ -	\$ -	\$ 362
Insurance	4,527	-	-	4,527
Memberships	583	25	-	608
Software licenses	33,596	-	-	33,596
Subscriptions	22,286	87	-	22,373
Other	6,599	-	-	6,599
	<u>\$ 67,953</u>	<u>\$ 112</u>	<u>\$ -</u>	<u>\$ 68,065</u>

Prepaid expenses of \$68,065 include \$494 reported with noncurrent assets.

June 30, 2022

II. E. CAPITAL ASSETS

Changes in Capital and Lease Assets

	Capital Assets, not depreciated			Capital Assets, depreciated			Total Capital Assets, net	
	Land	Construction In Progress	Total Capital Assets, not depreciated	Buildings and Improvements	Land Improvements	Computers, Equipment, and Vehicles		Total Capital Assets, depreciated
CAPITAL ASSETS								
Balance, June 30, 2021	\$ 1,767,220	\$ 2,611,015	\$ 4,378,235	\$ 24,330,431	\$ 2,080,587	\$ 3,963,848	\$ 30,374,866	\$ 34,753,101
Increases	-	3,730,244	3,730,244	7,193	-	112,663	119,856	3,850,100
Decreases	-	-	-	-	-	-	-	-
Transfers	-	(230,420)	(230,420)	230,420	-	-	230,420	-
Balance, June 30, 2022	<u>1,767,220</u>	<u>6,110,839</u>	<u>7,878,059</u>	<u>24,568,044</u>	<u>2,080,587</u>	<u>4,076,511</u>	<u>30,725,142</u>	<u>38,603,201</u>
ACCUMULATED DEPRECIATION								
Balance, June 30, 2021	-	-	-	3,434,004	637,833	1,856,854	5,928,691	5,928,691
Increases	-	-	-	732,907	114,144	624,774	1,471,825	1,471,825
Decreases	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Balance, June 30, 2022	-	-	-	<u>4,166,911</u>	<u>751,977</u>	<u>2,481,628</u>	<u>7,400,516</u>	<u>7,400,516</u>
Total	<u>\$ 1,767,220</u>	<u>\$ 6,110,839</u>	<u>\$ 7,878,059</u>	<u>\$ 20,401,133</u>	<u>\$ 1,328,610</u>	<u>\$ 1,594,883</u>	<u>\$ 23,324,626</u>	<u>\$ 31,202,685</u>
LEASE ASSETS								
	Lease Assets, not amortized			Lease Assets, amortized			Total Lease Assets, net	
	Land	Construction In Progress	Total Lease Assets, not amortized	Buildings and Improvements	Land Improvements	Computers, Equipment, and Vehicles		Total Lease Assets, amortized
Balance, June 30, 2021	\$ -	\$ -	\$ -	\$ 101,482	\$ -	\$ 31,662	\$ 133,144	\$ 133,144
Increases	-	-	-	-	-	-	-	-
Decreases	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Balance, June 30, 2022	-	-	-	<u>101,482</u>	-	<u>31,662</u>	<u>133,144</u>	<u>133,144</u>
ACCUMULATED AMORTIZATION								
Balance, June 30, 2021	-	-	-	-	-	-	-	-
Increases	-	-	-	12,685	-	10,554	23,239	23,239
Decreases	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Balance, June 30, 2022	-	-	-	<u>12,685</u>	-	<u>10,554</u>	<u>23,239</u>	<u>23,239</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,797</u>	<u>\$ -</u>	<u>\$ 21,108</u>	<u>\$ 109,905</u>	<u>\$ 109,905</u>

II. F. DEFERRED OUTFLOWS OF RESOURCES

OPEB Deferred Outflows

Differences are deferred when the actuarial estimate of the OPEB Plan’s experience costs for a given period differ from the actual experience costs. Deferred outflows that result from the OPEB Plan’s experience differences are divided by the beginning expected remaining service life of its members and amortized over that period, with the current year amount included in the determination of OPEB expense. Differences are also calculated and recorded as deferred outflows when actual investment earnings exceed estimated investment earnings. This amount is amortized over a fixed seven-year period for each unique fiscal year. Current year employee contributions are deferred and included in the following year net OPEB liability calculation.

Deferred Outflows of Resources from OPEB	
Changes in assumptions	<u>\$2,313,710</u>

III. LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

III. A. COMPENSATED ABSENCES

Compensated absences balances changed from \$2,489,916 to \$4,108,253 by accruals of \$2,722,263 and usages of \$1,103,926.

III. B. UNEARNED REVENUES

The Department has reported unearned revenue of \$90,568 at the end of the fiscal year. Included in unearned revenue is \$48,025 collected for annual public bathing licenses, \$42,073 for unspent private donations, and \$470 for advances from retirees for health insurance.

III. C. CONDUIT BORROWING

Series 2012 Conduit Borrowing

On January 1, 2012, the OFA issued Series 2012 Lease Revenue Bonds for \$8,395,000, which bear interest at 2.00% to 3.75% and are payable in annual installments through April 1, 2032. The bonds may be redeemed on or after April 1, 2022 at par plus accrued interest. On the same date, the Department entered into the Series 2012 Facilities Agreement (the 2012 Agreement) with the OFA. The proceeds of the bonds were used for the construction of the Department’s NERHWC. NERHWC houses the Department’s administrative and emergency operations staff and is used to provide community health educational presentations, integrated services with other agencies, and meeting spaces for the public. The Agreement obligates the Department to make monthly deposits equal to 1/12 of the annual principal and interest payments to the conduit borrowing bond principal and interest accounts. During the year, the Department made \$571,450 in payments equal to the principal and interest due on the bonds.

Series 2015 Conduit Borrowing

On January 29, 2015, the OFA issued Series 2015 Lease Revenue Bonds for \$5,500,000, which bear interest at 2.00% to 3.375% and are payable in annual installments through April 1, 2040. The bonds may be redeemed on or after April 1, 2024 at par plus accrued interest. On February 1, 2015, the Department entered into the Series 2015 Facilities Agreement (2015 Agreement) with the OFA. The proceeds of the bonds were used for the construction of the Department’s Gary Cox Partner Building (GCPB). GCPB houses the Department’s Northeast location clinic, as well as community health services and emergency operations staff. The 2015 Agreement obligates the Department to make monthly deposits equal to 1/12 of the annual principal and interest payments to the conduit borrowing bond principal and interest accounts. During the year, the Department paid \$322,925 in rental payments equal to the principal and interest due on the bonds.

Series 2021 Conduit Borrowing

On February 11, 2021, the OFA issued Series 2021 Lease Revenue Bonds for \$5,750,000, which bear interest at 2.00% to 4.00% and are payable in annual installments through April 1, 2046. The bonds may be redeemed on or after April 1, 2030 at par plus accrued interest. On February 1, 2021, the Department entered into the Series 2021 Facilities Agreement (2021 Agreement) with the OFA. The proceeds of the bonds were used for the construction of the Department’s Warehouse and Immunization and Testing Facility (Warehouse). The Warehouse houses the Department’s immunization and testing facility and a storage facility. The 2021 Agreement obligates the Department to make monthly deposits equal to 1/12 of the annual principal and interest payments to the conduit borrowing bond principal and interest accounts. During the year, the Department paid \$345,011 in rental payments equal to the principal and interest due on the bonds.

Conduit Borrowing Debt Service Requirements to Maturity

Fiscal Year	Series 2012			Series 2015		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 415,000	\$ 154,300	\$ 569,300	\$ 185,000	\$ 134,225	\$ 319,225
2024	430,000	141,850	571,850	190,000	130,525	320,525
2025	440,000	130,025	570,025	195,000	126,725	321,725
2026	450,000	116,825	566,825	200,000	120,875	320,875
2027	465,000	103,325	568,325	205,000	114,875	319,875
2028-2032	2,565,000	281,300	2,846,300	1,125,000	477,650	1,602,650
2033-2037	-	-	-	1,315,000	285,950	1,600,950
2038-2040	-	-	-	900,000	61,425	961,425
	<u>\$ 4,765,000</u>	<u>\$ 927,625</u>	<u>\$ 5,692,625</u>	<u>\$ 4,315,000</u>	<u>\$ 1,452,250</u>	<u>\$ 5,767,250</u>

Fiscal Year	Series 2021		
	Principal	Interest	Total
2023	\$ 165,000	\$ 185,861	\$ 350,861
2024	165,000	178,400	343,400
2025	170,000	175,100	345,100
2026	175,000	171,700	346,700
2027	175,000	168,200	343,200
2028-2032	970,000	748,900	1,718,900
2033-2037	1,155,000	570,600	1,725,600
2038-2042	1,370,000	355,500	1,725,500
2043-2046	1,270,000	106,881	1,376,881
	\$ 5,615,000	\$ 2,661,142	\$ 8,276,142

III. D. NET OPEB LIABILITY

The net OPEB liability is actuarially determined using the actuarial assumptions and substantive plan provisions summarized in Note VIII.

Net OPEB liability	<u>\$13,425,552</u>		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset (Liability)
Beginning balance	\$ 19,731,429	\$ -	\$ 19,731,429
Service cost	945,912	-	945,912
Interest	447,038	-	447,038
Differences between expected and actual experience	(3,378,836)	-	(3,378,836)
Changes of assumptions	(3,787,839)	-	(3,787,839)
Contributions – employer	-	532,152	532,152
Benefit payments and refunds	(532,152)	(532,152)	(1,064,304)
	\$ 13,425,552	\$ -	\$ 13,425,552

III. E. CHANGES IN LONG-TERM OBLIGATIONS

	Balance July 1, 2021	Additions/ Issuances	Deletions/ Retirements	Balance June 30, 2022	Due Within One Year	Due After One Year
Compensated absences	\$ 2,489,916	\$ 2,722,263	\$ 1,103,926	\$ 4,108,253	\$ 652,263	\$ 3,455,990
Conduit borrowings	15,554,999	-	742,443	14,812,556	928,656	13,883,900
Net OPEB liability	19,731,429	-	6,305,877	13,425,552	-	13,425,552
	\$ 37,776,344	\$ 2,722,263	\$ 8,152,246	\$ 32,346,361	\$ 1,580,919	\$ 30,765,442

III. F. DEFERRED INFLOWS OF RESOURCES

Unavailable Revenue

Unavailable revenue in the fund financial statements includes property tax revenue received more than 60 days following year-end and federal and state grant revenue received more than 180 days following year-end (unavailable to pay liabilities of the current period). At June 30, 2022, property tax revenue earned but unavailable has \$871,801. All federal and state grant revenue is expected to be received within 180 days after year-end.

Leases

A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of a lease term measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. At June 30, 2022, the Department recognized a deferred inflow of resources related to leases receivable of \$122,055.

OPEB Deferred Inflows

Differences are deferred when the OPEB Plan's actuarial estimate of the plan's experience costs for a given period differ from the actual experience costs. Deferred inflows that result from the OPEB Plan experience differences are divided by the beginning expected remaining service life of its members and amortized over that period, with the current year amount included in the determination of OPEB expense.

Difference between expected and actual OPEB Plan experience	\$ 5,269,372
Change in assumptions	3,312,846
	<u>\$ 8,582,218</u>

IV. FUND EQUITY

IV. A. NET POSITION

Net Investment in Capital Assets

Capital assets, net	\$ 31,202,685
Retainages and capital-related accounts payable	(242,119)
Conduit borrowing payable, net	(14,812,556)
Conduit borrowing issuance premium	(723,645)
Interest payable included in conduit borrowing payable	163,656
Bond construction accounts funded with bond proceeds	672,285
Bond reserve accounts funded with bond proceeds	1,239,386
Lease assets, net	109,905
Lease liability	(111,002)
	<u>17,498,595</u>

Restricted for Debt Service

Bond principal and interest accounts	300,995
Current conduit borrowing interest payable	(163,656)
	<u>137,339</u>

Unrestricted

Unrestricted	9,898,270
	<u>9,898,270</u>

Government-Wide Net Position

\$ 27,534,204

IV. B. FUND BALANCE

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Nonspendable fund balance – prepaids	\$ 67,953	\$ 112	\$ -	\$ 68,065
Restricted for debt service – restricted deposits	1,540,381	-	-	1,540,381
Assigned for purchases on order	171,684	-	-	171,684
Assigned for capital projects	-	-	3,397,495	3,397,495
Unassigned	29,331,930	(133,281)	-	29,198,649
	<u>\$ 31,111,948</u>	<u>\$ (133,169)</u>	<u>\$ 3,397,495</u>	<u>\$ 34,376,274</u>

V. REVENUES AND EXPENSES

V. A. PROPERTY TAXES

The total assessed value of property as of January 1, 2022 was \$8,176,620,676, net of homestead exemptions of \$110,155,607. The Department’s apportionment of the assessed value at 2.59 mills is \$21,177,448. Current year tax collections of \$20,844,099 were approximately 96% of the tax levy. In addition, \$14,475 was collected from previous years’ assessments.

V. B. INTERGOVERNMENTAL REVENUES

The Department contracts with the state and other governments to provide services. In addition, the Department also receives federal and state grant funding.

Inspection and Licensure Services

The Department contracts with the Oklahoma State Department of Health (OSDH) to provide inspection and licensure services. During the year, the Department reported \$1,471,660 in intergovernmental revenues related to inspection and licensure services on behalf of OSDH and \$298,974 in revenues related to other inspection and licensure services.

Federal Awards

The Department received \$9,633,309 in federal awards, including \$1,268,016 directly from the U.S. Department of Health and Human Services; \$552,299 directly from the Centers for Disease Control and Prevention; and \$942,862, \$5,873,659, \$225,980, \$20,756, and \$15,220 passed through from the City of Oklahoma City, OSDH, the MyHealth Access Network, Food and Drug Administration, and the Board of Regents of the University of Oklahoma Health Sciences Center, respectively.

State Awards and Contracts

<u>Grant/Contract Program Title</u>	
OSDH Maternal and Child Health Services	
Fetal Infant Mortality Review Program	\$ 251,377
OSDH Maternal and Child Health Services – Outreach Program	237,161
Children First Program	1,109,925
OSDH Consumer Protection OMNIBUS	1,471,693
Oklahoma Tobacco Settlement Endowment Trust Healthy Living	379,599
OSDH Breastfeeding Peer Counseling	65,476
Oklahoma Caring Foundation, Inc.	48,979
OSDH Tuberculosis Direct Observed Therapy	24,257
Emerging Leaders in Public Health	6,650
NACCHO MRC Operations Readiness	1,784
Total state awards	<u><u>\$ 3,596,901</u></u>

V. C. LEASING OPERATIONS

The Department leases office equipment and office space, the terms of which expire in various years through 2029. The leases were measured based upon an estimated incremental borrowing rate established at lease commencement. Variable payments based upon the use of the underlying asset are not included in the lease liability because they are not fixed in substance. During the year ended June 30, 2022, the Department recognized approximately \$30,000 of rental expense for variable payments based on the usage of the underlying assets not previously included in the measurement of the lease liability.

The following is a schedule by year of payments under the leases as of June 30, 2022:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 17,072	\$ 5,899	\$ 22,971
2024	18,107	4,845	22,952
2025	13,451	3,810	17,261
2026	14,258	2,958	17,216
2027	15,113	2,056	17,169
2028 and thereafter	33,001	1,184	34,185
	<u>\$ 111,002</u>	<u>\$ 20,752</u>	<u>\$ 131,754</u>

The Department has several noncancelable subleases with unrelated parties for rental of office space. These lease terms generally range from three to five years, including extensions. Revenue recognized under sublease contracts during the year ended June 30, 2022 was \$58,920, which includes both lease revenue and interest earned.

V. D. OPEB EXPENSE

The Department reported \$84,120 in OPEB expense. The amounts reported as deferred inflows and outflows of resources in the accompanying statement of net position will be recognized as an increase (decrease) in OPEB expense in future years.

Deferred Inflows of Resources and Deferred Outflows of Resources to be Recognized in Future OPEB Expense

2023	\$ (1,308,830)
2024	(1,308,827)
2025	(869,989)
2026	(784,961)
2027	(972,092)
Thereafter	(1,023,809)
	<u>\$ (6,268,508)</u>

VI. INTERFUND TRANSACTIONS

Due to/from Other Funds

Amounts due from the Grants Fund to the General Fund of \$4,130,454 represent negative cash in the Grants Fund related to amounts expended but not yet reimbursed by federal and state grantors.

Transfers

Transfers from the Grants Fund to the General Fund of \$1,160,462 are for reimbursement of administrative and overhead (indirect costs) funded by federal and state grants. Transfers from the General Fund to the Capital Projects Fund of \$626,685 are to fund capital costs budgeted from operating net revenues.

VII. DEFINED CONTRIBUTION 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. 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 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 beneficiaries are 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 were \$1,825,549. Forfeitures of unvested contributions for terminated employees at June 30, 2022 were \$304,149.

A copy of the plan may be obtained from the Department’s Finance Office at 2600 Northeast 63rd, Oklahoma City, Oklahoma 73111 or by calling 405.425.4484.

VIII. OTHER POSTEMPLOYMENT BENEFITS

The Department provides postemployment health care benefits for eligible retired employees and their dependents through a single-employer defined benefit OPEB plan covering all eligible employees hired before January 1, 2017. The OPEB Plan is administered by the Board. Benefit provisions are contained in the plan document and were established and can be amended by action of the Board. Contributions are equal to the Department’s share of insurance premiums due during the year. No assets are accumulated in a trust. Benefits are provided through a third-party insurer, the Oklahoma Office of Management Enterprise Services (OMES) Employees Group Insurance Division (EGID). Employees who officially retire from the Department are eligible for subsidies of up to 75% of the retiree’s portion of monthly health and dental premiums. Other types of coverage can be elected, based on eligibility, for vision, life, and disability insurance, but retirees are responsible for all premium payments for those options.

Funding Policies, Contribution Methods, and Benefit Provisions

Determination of contribution requirements	Board Resolution
Contribution rates:	
Employer	75% of premium
Plan members	25% of premium
Eligibility for distribution	General employees are eligible for membership in the Plan under the “rule of 60” if hired before January 1, 2010 with a minimum of 8 years of service and total age plus years of service equal 60. General employees hired after January 1, 2010 and before January 1, 2017 are eligible for membership under the “rule of 75” if they retire with a minimum of 8 years of service and total age plus years of service equal 75.

Membership

Active members (1)	222
Retirees and beneficiaries currently receiving benefits (1)	93
	<u>315</u>

(1) Membership represents the number of members at the date of the actuarial report

Annual Required Contributions – Actuarial Assumptions

Provisions for	
Disability benefits	Yes
Death benefits	Yes
Valuation date	June 30, 2022 with no adjustments to get to the June 30, 2022 measurement date. Liabilities as of July 1, 2021 are based on an actuarial valuation date of July 1, 2020 projected to July 1, 2021 on a “no gain/no loss” basis.
Actuarial cost method	Entry Age Normal Level % of Salary Method
Actuarial Assumptions	
Discount rate	4.09% (2.19% prior year)
Inflation rate	3.25%
Projected salary increases	3.25%
Health care trend rate	An initial rate of 7.50% decreasing 0.5% per year to an ultimate rate of 4.50% in 2028 and thereafter
Mortality table	SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019

The discount rate is based on a yield for 20-year tax-exempt general obligation municipal bonds (S&P Municipal Bond 20-Year High Grade Rate Index) with an average rating of AA/Aa or higher (or equivalent quality on other rating scales).

Projections of benefits for financial reporting purposes are based on the substantive plan (the OPEB Plan as understood by the Department and OPEB Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Department and OPEB Plan members to that point. Actuarial calculations reflect a long-term perspective. The actuarial methods and assumptions used techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations. No experience study has been performed.

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

The Department’s total OPEB liability has been calculated using a discount rate of 4.09%. The Department’s sensitivity to the discount rate is calculated using a discount rate 1% higher and 1% lower than the current rate.

	<u>Rate</u>	
1% decrease	3.09%	\$ 15,429,010
Current single rate	4.09%	\$ 13,425,552
1% increase	5.09%	\$ 11,791,383

Sensitivity of Total OPEB Liability to Changes in the Health Care Trend Rate

The Department’s total OPEB liability has been calculated using a health care trend rate that starts at an initial rate of 7.5% decreasing to an ultimate rate of 4.5%. The Department’s sensitivity to the health care trend rate is calculated using a discount rate 1% higher and 1% lower than the current rate.

	<u>Rate</u>		
1% decrease	3.50%	\$	11,621,400
Current single rate	4.50%	\$	13,425,552
1% increase	5.50%	\$	15,691,050

IX. 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 that may be disallowed by the grantor cannot be determined at this time; however, the Department expects such amounts, if any, to be immaterial.

As a result of the continuing spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen that may negatively affect the financial position and changes in financial position of the Department. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

X. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 28, 2023, which is the date the financial statements were available to be issued.

XI. RECENTLY ISSUED ACCOUNTING STANDARD

The following accounting standard has been recently issued and will be adopted as applicable by the Department in future years.

GASB Statement No. 96, Subscription-Based Technology Arrangements: GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). GASB 96 (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. GASB 96 is effective for reporting periods beginning after June 15, 2022 (effective for the Department’s June 30, 2023 year-end).

The effect of this statement on the Department has not been determined but could have a significant impact on its overall net position.

**SCHEDULE OF CHANGES IN TOTAL OTHER
POSTEMPLOYMENT (OPEB) LIABILITY AND
RELATED RATIOS (1)(2)**

OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service cost	\$ 945,912	\$ 838,833	\$ 811,677	\$ 772,092	\$ 871,820
Interest	447,038	506,221	583,340	622,166	645,018
Difference between expected and actual experience of the total OPEB liability	(3,378,836)	(1,006,009)	(421,013)	(1,405,894)	(2,840,423)
Changes of assumptions	(3,787,839)	1,368,012	1,730,947	810,701	(231,440)
Benefit payments, including refunds of employee contributions	<u>(532,152)</u>	<u>(333,178)</u>	<u>(307,569)</u>	<u>(284,197)</u>	<u>(287,679)</u>
Net Change in Total OPEB Liability	(6,305,877)	1,373,879	2,397,382	514,868	(1,842,704)
OPEB liability, beginning	<u>19,731,429</u>	<u>18,357,550</u>	<u>15,960,168</u>	<u>15,445,300</u>	<u>17,288,004</u>
OPEB liability, ending	<u>\$ 13,425,552</u>	<u>\$ 19,731,429</u>	<u>\$ 18,357,550</u>	<u>\$ 15,960,168</u>	<u>\$ 15,445,300</u>
Covered payroll	\$ 13,070,208	\$ 13,362,802	\$ 12,910,920	\$ 13,417,233	\$ 12,490,382
Total OPEB liability as a percentage of covered payroll	102.72%	147.66%	142.19%	118.95%	123.66%

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, results for measurement years before June 30, 2018 are not available. This information will be developed prospectively beginning in 2018 until eventually 10 years of information is available.
- (2) For each year presented, assumptions made for the discount rate are updated using current year estimates.

**GENERAL FUND
BUDGET TO ACTUAL (1)
June 30, 2022**

OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

	<u>Original Budget</u>	<u>Amendments and Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Total</u>	<u>Variance</u>
Revenues							
Property taxes	\$ 20,647,488	\$ -	\$ 20,647,488	\$ 20,867,186	\$ -	\$ 20,867,186	\$ 219,698
Intergovernmental revenue	1,572,232	-	1,572,232	1,542,378	-	1,542,378	(29,854)
Charges for services	361,120	(69,750)	291,370	436,619	-	436,619	145,249
Licenses and permits	418,600	-	418,600	289,184	-	289,184	(129,416)
Investment income	170,000	-	170,000	46,271	-	46,271	(123,729)
Donations	-	-	-	363	-	363	363
Lease revenues	65,647	-	65,647	65,648	-	65,648	1
Other income	237,573	290,647	528,220	538,995	-	538,995	10,775
Total revenues	23,472,660	220,897	23,693,557	23,786,644	-	23,786,644	93,087
Expenditures							
Wages and fringe benefits	16,138,566	1,571,877	17,710,443	17,271,450	-	17,271,450	(438,993)
Personal services	2,828,438	(1,372,142)	1,456,296	1,121,782	156,290	1,278,072	(178,224)
Travel/training	682,096	(199,735)	482,361	179,887	3,468	183,355	(299,006)
Maintenance and operations	5,724,924	-	5,724,924	5,428,354	11,926	5,440,280	(284,644)
Capital outlay	-	-	-	(50)	-	(50)	(50)
Debt service	1,239,386	-	1,239,386	1,239,386	-	1,239,386	-
Total expenditures	26,613,410	-	26,613,410	25,240,809	171,684	25,412,493	(1,200,917)
Transfers and Other Financing Sources (Uses)							
Transfers and Other	568,016	-	568,016	533,777	-	533,777	(34,239)
Total transfers and other financing sources (uses)	568,016	-	568,016	533,777	-	533,777	(34,239)
Net revenues (expenditures)	\$ (2,572,734)	\$ 220,897	\$ (2,351,837)	\$ (920,388)	\$ (171,684)	(1,092,072)	\$ 1,259,765

Reconciliation to the Statement of Revenues, Expenditures, and Changes in Fund Balance,

<u>General Fund</u>	
Revenue accruals	(252,201)
Expenditure accruals	113,070
Encumbrances	171,684
Change in fund balance	\$ (1,059,519)

- (1) This schedule is prepared on the budgetary basis. Amounts reported as actual revenues and expenditures will differ from the amounts reported in the statement of revenues, expenditures, and changes in fund balance because the budgetary basis of accounting does not include certain revenue and expenditure accruals or encumbrances.

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

Independent Auditor's Report

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 (*Government Auditing Standards*), the financial statements of the governmental activities and each major fund of the Oklahoma City-County Health Department (the Department), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated September 28, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 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 or significant deficiencies may exist that were not identified.

Board of Health
Oklahoma City-County Health Department

Report on 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 financial statements. 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.

FORVIS, LLP

Oklahoma City, Oklahoma
September 28, 2023