

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

June 30, 2021

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 Financial Statements

We have audited the accompanying 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, 2021, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Health
Oklahoma City-County Health Department

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Department, as of June 30, 2021, 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.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated March 11, 2022, 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.

BKD, LLP

Oklahoma City, Oklahoma
March 11, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Oklahoma City-County Health Department (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, 2021. 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 \$30,328,048 (net position) for 2021. This compares to the previous year when assets and deferred outflows exceeded liabilities and deferred inflows by \$20,534,679.
- Total liabilities for the Department increased by 24.5% or \$8,087,154 to \$41,034,302 during the fiscal year.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$17,279,617 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net position of \$181,133 is restricted for debt service.
 - (3) Unrestricted net position is \$12,867,298.
- The Department's funds reported total ending fund balance of \$39,118,901 this year. This compares to the prior year ending fund balance of \$26,106,419, showing an increase of 49.8% or \$13,012,482 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 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 \$30,328,048. This is an increase of 47.7% or \$9,793,369 from last year's net position. Overall the Department's financial position improved during fiscal year 2021.

Summary of Net Position

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Assets				
Current assets	\$ 41,706,580	\$ 28,853,239	\$ 12,853,341	44.5%
Capital assets, net	28,824,410	24,790,672	4,033,738	16.3%
Other noncurrent assets	1,242,023	895,601	346,422	38.7%
Total assets	<u>71,773,013</u>	<u>54,539,512</u>	<u>17,233,501</u>	31.6%
Deferred outflows	<u>2,872,232</u>	<u>2,062,742</u>	<u>809,490</u>	39.2%
Liabilities				
Current liabilities	4,057,163	3,403,219	653,944	19.2%
Noncurrent liabilities	36,977,139	29,543,929	7,433,210	25.2%
Total liabilities	<u>41,034,302</u>	<u>32,947,148</u>	<u>8,087,154</u>	24.5%
Deferred inflows	<u>3,282,895</u>	<u>3,120,427</u>	<u>162,468</u>	5.2%
Net position				
Net investment in capital assets	17,279,617	15,670,656	1,608,961	10.3%
Restricted for:				
Debt service	181,133	142,921	38,212	26.7%
Unrestricted	12,867,298	4,721,102	8,146,196	172.5%
Total net position	<u><u>\$ 30,328,048</u></u>	<u><u>\$ 20,534,679</u></u>	<u><u>\$ 9,793,369</u></u>	47.7%

Total assets increased by \$17.23 million. Cash and investments increased \$1.95 million. Restricted deposits increased \$4.22 million related to an increase in scheduled conduit borrowing principal and interest payment amounts and a bond-funded capital account. Intergovernmental receivables increased \$7.16 million primarily related to CARES Act grant funding due from the City of Oklahoma City. Capital assets, net of accumulated depreciation, increased \$4.03 million primarily related to equipment acquisition and construction costs for the Warehouse and Immunization and Testing Facility of \$860 thousand, and normal depreciation of \$1.22 million.

Total liabilities increased \$8.09 million. Accounts payable and accrued liabilities increased \$292 thousand related to timing of vendor payments. Compensated absences increased \$417 thousand due mainly to new leave policies. The actuarially determined other postemployment (OPEB) balances resulted in an increased net OPEB liability of \$1.37 million. The Department issued Series 2021 lease revenue bonds through the OCFA totaling \$5.75 million, which also resulted in a premium on issue of \$767 thousand. Normally scheduled principal payments on the conduit debt lease obligation resulted in a decrease of \$570 thousand.

Deferred outflows increased \$809 thousand and deferred inflows increased \$162 thousand related to actuarially determined OPEB calculations.

Summary of Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Charges for services	\$ 619,065	\$ 802,740	\$ (183,675)	-22.88%
Operating grants and contributions	23,075,262	10,533,911	12,541,351	119.06%
General revenues	20,919,599	20,181,377	738,222	3.66%
Total revenues	<u>44,613,926</u>	<u>31,518,028</u>	<u>13,095,898</u>	41.55%
Expenses				
Clinical services	5,764,716	8,417,960	(2,653,244)	-31.52%
Community health services	2,472,901	2,413,567	59,334	2.46%
Public health protection	15,593,200	7,464,577	8,128,623	108.90%
Strategic communications and outreach	3,452,801	5,060,306	(1,607,505)	-31.77%
General administration	5,945,839	5,977,992	(32,153)	-0.54%
Depreciation	1,216,344	925,583	290,761	31.41%
Interest on long-term debt	374,756	329,425	45,331	13.76%
Total expenses	<u>34,820,557</u>	<u>30,589,410</u>	<u>4,231,147</u>	13.83%
Changes in net position	9,793,369	928,618	8,864,751	954.62%
Beginning net position	20,534,679	19,606,061	928,618	4.74%
Ending net position	<u>\$ 30,328,048</u>	<u>\$ 20,534,679</u>	<u>\$ 9,793,369</u>	47.69%

Revenues increased \$13.10 million. Operating grants and contributions increased \$12.54 million related mainly to increased federal and state contract and grant revenues, including CARES Act grant funding received. General revenues increased \$738 thousand primarily related to increased property tax revenue of \$979 thousand. These increases are offset by decreased donations of \$180 thousand, investment revenue of \$238 thousand, and charges for services of \$184 thousand.

Expenses increased \$4.23 million in the current year. Public health protection increased by \$8.13 million offset by decreases in clinical services and strategic communication and outreach by \$2.65 million and \$1.61 million, respectively. These fluctuations are primarily related to reassignment of staff to cover COVID-19 crisis activities.

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

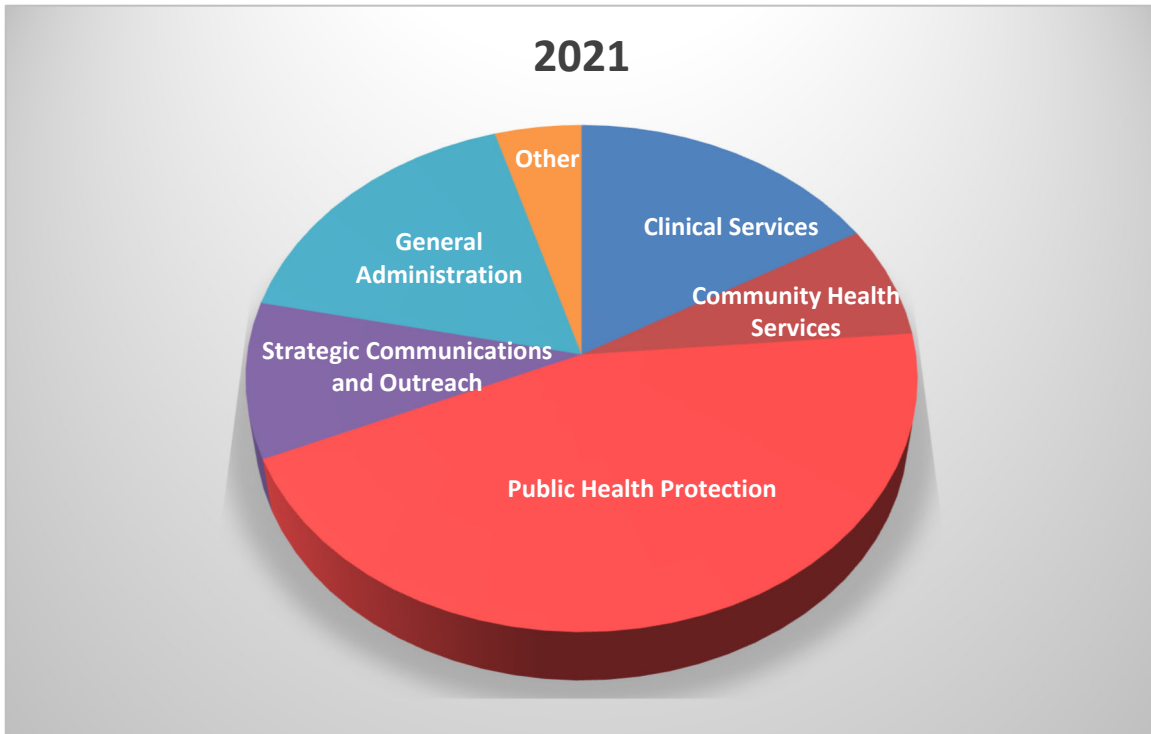
	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Taxes	\$ 20,784,362	\$ 19,805,118	\$ 979,244	4.9%
Intergovernmental revenue	4,002,371	1,425,816	2,576,555	180.7%
Charges for services	311,176	442,774	(131,598)	-29.7%
Licenses & permits	245,467	298,295	(52,828)	-17.7%
Investment income	8,321	170,757	(162,436)	-95.1%
Donations	36,748	216,410	(179,662)	-83.0%
Lease revenues	62,496	60,021	2,475	4.1%
Other income	132,772	78,584	54,188	69.0%
Total revenues	<u>25,583,713</u>	<u>22,497,775</u>	<u>3,085,938</u>	13.7%
Expenditures				
Wages and fringe benefits	11,327,580	13,581,307	(2,253,727)	-16.6%
Personal services	199,621	222,693	(23,072)	-10.4%
Travel/training	143,315	235,386	(92,071)	-39.1%
Maintenance & operations	3,895,035	5,841,664	(1,946,629)	-33.3%
Capital outlay	-	93,313	(93,313)	-100.0%
Debt service	1,043,645	887,675	155,970	17.6%
Total expenditures	<u>16,609,196</u>	<u>20,862,038</u>	<u>\$ (4,252,842)</u>	-20.4%
Excess Revenues (Expenditures)	<u>8,974,517</u>	<u>1,635,737</u>	<u>7,338,780</u>	448.7%
Transfers and other financing sources (uses)	1,758,629	637,771	1,120,858	175.7%
Changes in Fund Balance	<u>10,733,146</u>	<u>2,273,508</u>	<u>8,459,638</u>	372.1%
Beginning Fund Balance	21,438,321	19,164,813	2,273,508	11.9%
Ending Fund Balance	<u>\$ 32,171,467</u>	<u>\$ 21,438,321</u>	<u>\$ 10,733,146</u>	50.1%

Total General Fund revenues increased \$3.09 million mainly due to increased property tax collections of \$979 thousand and CARES Act funding received of \$2.54 million for expenditures incurred in 2020 related to the pandemic response. These increases are offset by a decrease in charges for services, investment income, and donations of \$131 thousand, \$162 thousand, and \$180 thousand, respectively.

Total General Fund expenditures decreased \$4.25 million due mainly to decreased maintenance and operations of \$1.95 million and wages and fringe benefits of \$2.25 million, related to the ongoing COVID-19 crisis and resulting in a shift of personnel to grant fund-related activities.

Transfers and other financing sources (uses) include amounts received for reimbursement of administrative and overhead (indirect costs) funded by federal and state grantors in the Grants Fund of \$1.05 million and amounts transferred from the Capital Projects Fund to fund projects from operating funds of \$205 thousand and a \$498 thousand premium received on the issuance of the 2021 lease revenue conduit debt.

Expenditures by Program



Expenditures by program increased from fiscal year 2020 by 47.53% overall. Public health protection expenditures and clinical services increased by a combined 77.38% from the prior year. This was offset by decreases in general administration of 0.54% and strategic communications of 31.77%.

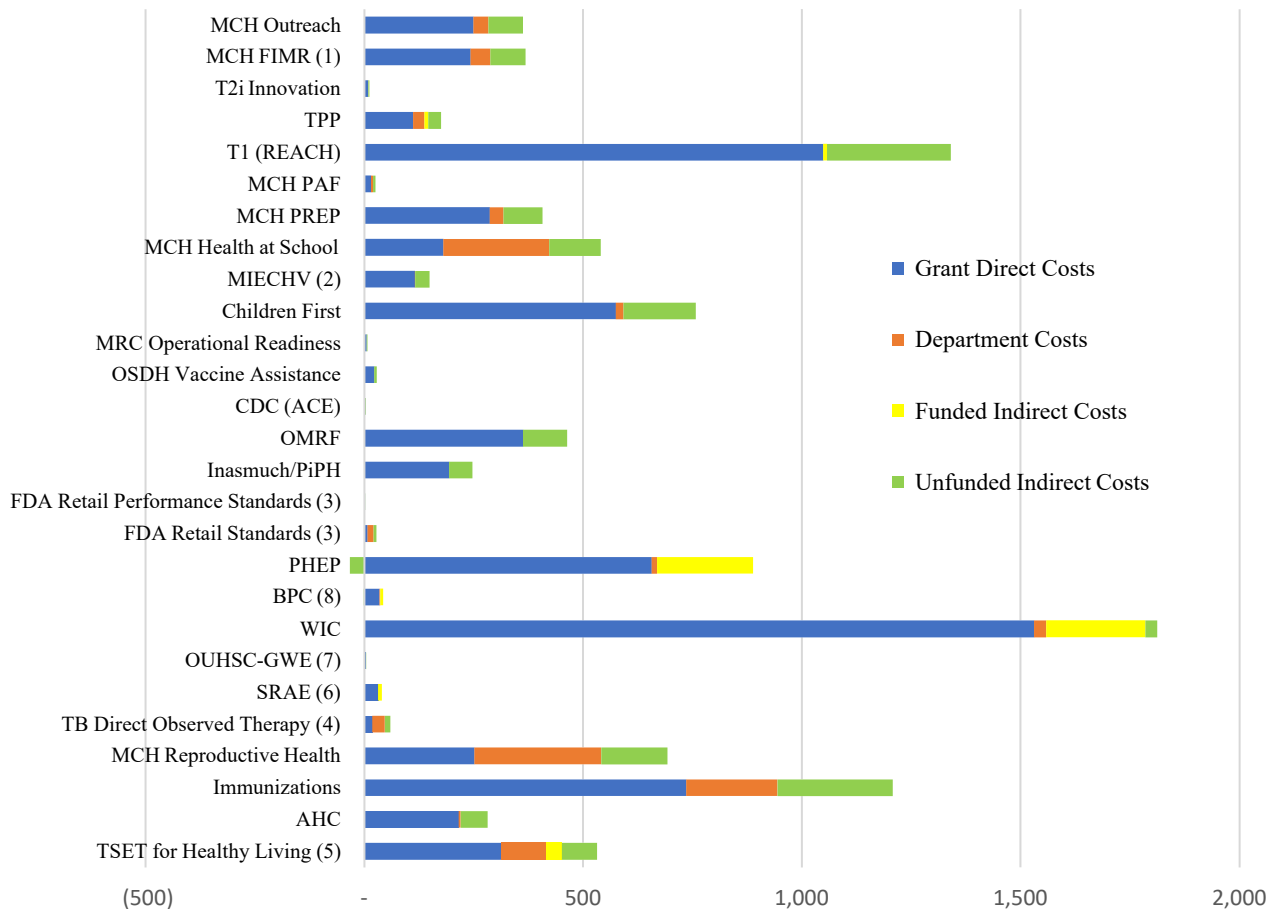
Grants Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Intergovernmental revenue	\$ 19,036,143	\$ 8,890,268	\$ 10,145,875	114.1%
Total revenues	<u>19,036,143</u>	<u>8,890,268</u>	<u>10,145,875</u>	114.1%
Expenditures				
Wages and fringe benefits	9,608,048	6,235,422	3,372,626	54.1%
Personal services	309,060	6,837	302,223	4420.4%
Travel/training	45,081	111,697	(66,616)	-59.6%
Maintenance & operations	6,285,230	2,069,147	4,216,083	203.8%
Capital outlay	1,738,731	-	1,738,731	100.0%
Total expenditures	<u>17,986,150</u>	<u>8,423,103</u>	<u>9,563,047</u>	113.5%
Excess Revenues (Expenditures)	1,049,993	467,165	582,828	124.8%
Transfers and other financing sources (uses)	(1,054,555)	(468,965)	(585,590)	124.9%
Changes in Fund Balance	<u>(4,562)</u>	<u>(1,800)</u>	<u>(2,762)</u>	153.4%
Beginning Fund Balance	1,311	3,111	(1,800)	-57.9%
Ending Fund Balance	<u>\$ (3,251)</u>	<u>\$ 1,311</u>	<u>\$ (4,562)</u>	-348.0%

Grants Fund revenues increased \$10.15 million primarily related to increases in COVID-related funding of \$11.28 million due to a refocus on COVID-19 response efforts, Tier 1 (REACH) funding of \$1.06 million, WIC funding of \$174 thousand, and Preparedness funding of \$38 thousand, offset by decreases in T1 funding of \$1.03 million, Children First funding of \$522 thousand, and Immunizations funding of \$289 thousand. These changes in grant awards also resulted in an increase in expenditures of \$9.56 million and an increase in transfers for indirect costs of \$707 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.
- (7) Breastfeeding Peer Counseling is abbreviated in the above chart as BPC.

CARES Act funding has been removed from the chart in order to more accurately reflect the remainder of grants funding. CARES Act funding sits at \$10.62 million for grant-funded costs and \$658 thousand for grant-funded indirect costs. Agency-funded costs are \$0 and Agency-funded indirect costs are \$3.00 million.

Total expenditures for grant-funded programs at June 30, 2021, were \$24.87 million, including grant-funded costs of \$17.99 million, unfunded direct costs of \$1.08 million, grant-funded indirect costs of \$1.18 million, and unfunded indirect costs of \$4.62 million. Indirect costs are calculated using the indirect cost rate. The indirect cost for the Department is 27.80% (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>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Total Revenues	\$ 1,810	\$ 77,964	\$ (76,154)	-97.7%
Expenditures				
Maintenance & operations	2,850	75,748	(72,898)	-96.2%
Capital outlay	3,511,351	1,176,394	2,334,957	198.5%
Debt service	16,750	-	16,750	100.0%
Total expenditures	3,530,951	1,252,142	2,278,809	182.0%
Excess Revenues (Expenditures)	(3,529,141)	(1,174,178)	(2,354,963)	200.6%
Transfers and other financing sources (uses)	5,813,039	(168,806)	5,981,845	-3543.6%
Changes in Fund Balance	2,283,898	(1,342,984)	3,626,882	-270.1%
Beginning Fund Balance	4,666,787	6,009,771	(1,342,984)	-22.3%
Ending Fund Balance	\$ 6,950,685	\$ 4,666,787	\$ 2,283,898	48.9%

Capital Projects Fund revenues decreased \$76 thousand because of less investment income earned. Other financing sources (uses) increased primarily due to the Series 2021 bond issue, while expenditures increased \$2.28 million primarily related to the completion of work at the Oakridge and Sequoyah facilities and the beginning of work on the Drive-Through and Warehouse project.

	<u>Original Budget</u>	<u>Amendments and Revisions</u>	<u>Revised Budget</u>	<u>Revenues, Expenditures, and Encumbrances</u>	<u>Variance</u>
Revenues	\$ 22,966,767	\$ 20,000	\$ 22,986,767	\$ 25,731,524	\$ (2,744,757)
Expenditures	23,757,730	6,247,250	30,004,980	18,863,416	11,141,564
Transfers and other financing sources (uses)	765,253	204,301	969,554	1,380,621	(411,067)
Net revenues (expenditures)	\$ (25,710)	\$ (6,022,949)	\$ (6,048,659)	\$ 8,248,729	\$ (14,297,388)

General Fund amendments were approved by the Board for \$6.02 million primarily for the bond issuance and the Drive-Through and Warehouse project.

In addition, a positive variance of \$11.14 million of General Fund-budgeted expenditures was created due to initial expectations of the COVID-19 crisis creating additional expenditures to be paid by the Department's General Fund. However, subsequent to the passage of the final budget, most of those funds budgeted for increased personnel, maintenance, and operations costs due to the crisis were paid for with increased funding received from CARES Act grants passed through from the City of Oklahoma City rather than from the Department's General Fund.

Fixed Assets

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 1,767,220	\$ 1,767,220	\$ -	0.0%
Construction in progress	2,611,015	654,166	1,956,849	299.1%
Nondepreciable assets	<u>4,378,235</u>	<u>2,421,386</u>	<u>1,956,849</u>	<u>80.8%</u>
Buildings	24,330,431	22,800,120	1,530,311	6.7%
Land improvements	2,080,587	2,009,242	71,345	3.6%
Computers, equipment, and vehicles	3,963,848	2,272,271	1,691,577	74.4%
Accumulated depreciation	<u>(5,928,691)</u>	<u>(4,712,347)</u>	<u>(1,216,344)</u>	<u>25.8%</u>
Depreciable assets	<u>24,446,175</u>	<u>22,369,286</u>	<u>2,076,889</u>	<u>9.3%</u>
Total	<u>\$ 28,824,410</u>	<u>\$ 24,790,672</u>	<u>\$ 4,033,738</u>	<u>16.3%</u>

Construction in progress increased \$1.96 million from 2020. Buildings increased \$1.53 million, including \$1.14 million for the Sequoyah facility, \$145 thousand for the Oakridge facility, and \$229 thousand for the digital display at Southern Oaks. Land improvements increased by \$71 thousand for a carport at the Northeast Regional Health and Wellness Center (NERHWC) location. Increases in computers, equipment, and vehicles of \$1.69 million included \$157 thousand for cubicle workstations and \$120 thousand for audio-visual upgrades. Increases in depreciation of \$1.22 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 \$8.40 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 \$5.50 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 Drive-Through and Warehouse. The OFA subsequently leased the Drive-Through and Warehouse 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>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
2012 Conduit Borrowing	\$ 5,170,000	\$ 5,560,000	\$ (390,000)	-7.0%
2015 Conduit Borrowing	4,500,000	4,680,000	(180,000)	-3.8%
2021 Conduit Borrowing	5,750,000	-	5,750,000	100.0%
Interest payable	134,999	79,919	55,080	68.9%
Total	<u>\$ 15,554,999</u>	<u>\$ 10,319,919</u>	<u>\$ 5,235,080</u>	<u>50.7%</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 is a result of scheduled debt service payments and the issuance of the \$5.75 million 2021 lease revenue bonds conduit debt.

Economic Factors and Rates

Economic Factors

Although property tax collections are not directly related to economic growth, collectability can be negatively affected in times of economic recession. The local economy experienced economic growth and property taxes increased in fiscal year 2021. 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 Rate

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, 2021

OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

<u>ASSETS</u>	<i>Governmental</i>
<u>CURRENT ASSETS</u>	<u>Activities</u>
Cash	\$ 2,610,204
Restricted deposits	4,092,991
Investments	23,906,991
Property taxes receivable, net of allowance	1,104,649
Accounts receivable, net	43,062
Intergovernmental receivable	9,260,445
Inventory	458,318
Prepays	229,920
Total current assets	<u>41,706,580</u>
 <u>NONCURRENT ASSETS</u>	
Restricted deposits	1,239,386
Prepays, noncurrent	2,637
Capital assets:	
Land and construction in progress	4,378,235
Other capital assets, net of accumulated depreciation	24,446,175
Capital assets, net	<u>28,824,410</u>
Total noncurrent assets	<u>30,066,433</u>
Total assets	<u>71,773,013</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	 <u>2,872,232</u>
 <u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Wages and benefits payable	1,074,933
Accounts payable and other accrued liabilities	1,392,534
Compensated absences	662,850
Unearned revenue	36,163
Conduit borrowing	859,999
Conduit borrowing issuance premium	30,684
Total current liabilities	<u>4,057,163</u>
<u>NONCURRENT LIABILITIES</u>	
Compensated absences	1,827,066
Conduit borrowing	14,695,000
Conduit borrowing issuance premium	723,644
Net other postemployment benefit obligation	19,731,429
Total noncurrent liabilities	<u>36,977,139</u>
Total liabilities	<u>41,034,302</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	 <u>3,282,895</u>
 <u>NET POSITION</u>	
Net investment in capital assets	17,279,617
Restricted for debt service	181,133
Unrestricted	12,867,298
Total net position	<u>\$ 30,328,048</u>

See accompanying notes to the financial statements.

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<u>Governmental Activities</u>				
Clinical services	\$ 5,764,716	\$ 149,956	\$ 3,520,894	\$ (2,093,866)
Community health services	2,472,901	-	2,044,504	(428,397)
Public health protection	15,593,200	469,109	16,760,520	1,636,429
Strategic communications and outreach	3,452,801	-	749,344	(2,703,457)
General administration	5,945,839	-	-	(5,945,839)
Depreciation	1,216,344	-	-	(1,216,344)
Interest on conduit borrowings	374,756	-	-	(374,756)
Total	<u>\$ 34,820,557</u>	<u>\$ 619,065</u>	<u>\$ 23,075,262</u>	<u>\$ (11,126,230)</u>
<u>GENERAL REVENUES</u>				
				\$ 20,763,837
Property taxes				10,131
Unrestricted investment income				145,631
Miscellaneous				<u>\$ 20,919,599</u>
Total general revenues				
Change in net position				\$ 9,793,369
Net position – beginning				20,534,679
Net position – ending				<u>\$ 30,328,048</u>

See accompanying notes to the financial statements.

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021**

OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

ASSETS	General Fund	Grants Fund	Capital Projects Fund	Total
Cash	2,610,204	\$ -	\$ -	\$ 2,610,204
Restricted deposits	1,555,518	-	3,776,859	5,332,377
Investments	20,346,456	-	3,560,535	23,906,991
Property taxes receivable, net of allowance	1,104,649	-	-	1,104,649
Accounts receivable and other accrued assets	23,459	19,603	-	43,062
Intergovernmental receivable	419,176	8,841,269	-	9,260,445
Due from the Grant Fund	8,245,041	-	-	8,245,041
Prepaid expenses	232,557	-	-	232,557
Total assets	\$ 34,537,060	\$ 8,860,872	\$ 7,337,394	\$ 50,735,326
 LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
LIABILITIES				
Wages and benefits payable	803,776	271,157	-	1,074,933
Accounts payable and other accrued liabilities	663,914	341,911	386,709	1,392,534
Due to the General Fund	-	8,245,041	-	8,245,041
Unearned revenues	30,149	6,014	-	36,163
Total liabilities	1,497,839	8,864,123	386,709	10,748,671
 DEFERRED INFLOWS				
Unavailable revenues	867,754	-	-	867,754
 FUND BALANCES				
Nonspendable	232,557	-	-	232,557
Restricted for debt service	1,555,518	-	-	1,555,518
Assigned – purchases on order	198,796	-	-	198,796
Assigned – capital projects	-	-	6,950,685	6,950,685
Unassigned	30,184,596	(3,251)	-	30,181,345
Total fund balances	32,171,467	(3,251)	6,950,685	39,118,901
Total liabilities, deferred inflows, and fund balances	\$ 34,537,060	\$ 8,860,872	\$ 7,337,394	\$ 50,735,326
 <u>RECONCILIATION OF THE BALANCE SHEET, GOVERNMENTAL FUNDS, TO THE STATEMENT OF NET POSITION, GOVERNMENTAL ACTIVITIES</u>				
Total fund balances				\$ 39,118,901
Inventory				458,318
Capital assets, net of accumulated depreciation				28,824,410
Earned but unavailable revenue				867,754
Compensated absences				(2,489,916)
OPEB liability and related deferred inflows and outflows				(20,142,092)
Conduit borrowing issuance premium				(754,328)
Conduit borrowings				(15,554,999)
Net position – governmental activities				\$ 30,328,048

See accompanying notes to the financial statements.

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021**

OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
REVENUES				
Property taxes	\$ 20,784,362	\$ -	\$ -	\$ 20,784,362
Intergovernmental revenue	4,002,371	19,036,143	-	23,038,514
Charges for services	311,176	-	-	311,176
Licenses & permits	245,467	-	-	245,467
Investment income	8,321	-	1,810	10,131
Donations	36,748	-	-	36,748
Lease revenues	62,496	-	-	62,496
Other income	132,772	-	-	132,772
Total revenues	<u>25,583,713</u>	<u>19,036,143</u>	<u>1,810</u>	<u>44,621,666</u>
EXPENDITURES				
Wages	8,359,953	6,874,190	-	15,234,143
Fringe benefits	2,967,627	2,733,858	-	5,701,485
Personal services	199,621	309,060	-	508,681
Travel/training	143,315	45,081	-	188,396
Maintenance & operations	3,895,035	6,285,230	2,850	10,183,115
Capital outlay	-	1,738,731	3,511,351	5,250,082
Debt service:				-
Principal	570,000	-	-	570,000
Interest	319,675	-	-	319,675
Issuance costs	153,970	-	16,750	170,720
Total expenditures	<u>16,609,196</u>	<u>17,986,150</u>	<u>3,530,951</u>	<u>38,126,297</u>
EXCESS REVENUES (EXPENDITURES)	<u>8,974,517</u>	<u>1,049,993</u>	<u>(3,529,141)</u>	<u>6,495,369</u>
OTHER FINANCING SOURCES (USES)				
Transfers in/(out)	1,259,648	(1,054,555)	(205,093)	-
Proceeds from conduit borrowings	-	-	5,750,000	5,750,000
Premium on issuance of conduit debt	498,981	-	268,132	767,113
Net other financing sources (uses)	<u>1,758,629</u>	<u>(1,054,555)</u>	<u>5,813,039</u>	<u>6,517,113</u>
NET CHANGE IN FUND BALANCE	10,733,146	(4,562)	2,283,898	13,012,482
FUND BALANCES				
Beginning of year	21,438,321	1,311	4,666,787	26,106,419
End of year	<u>\$ 32,171,467</u>	<u>\$ (3,251)</u>	<u>\$ 6,950,685</u>	<u>\$ 39,118,901</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	\$ 13,012,482
Change in inventory	(99,358)
Capital outlay	5,250,082
Increase in conduit debt payable	(5,750,000)
Increase in conduit borrowing issuance premium	(754,328)
Depreciation expense	(1,216,344)
Recognition of earned but unavailable revenue	(20,525)
Change in compensated absences	(416,702)
Principal paid on conduit borrowings	570,000
Increase in interest payable on conduit borrowings	(55,081)
Change in OPEB liability and related deferred inflows and outflows	(726,857)
Change in net position – governmental activities	<u>\$ 9,793,369</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 (Department) financial activities for the fiscal year ended June 30, 2021.

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 2021, the Department adopted GASB Statement No. 84, *Fiduciary Activities*, and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, an amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB No. 32*. These standards provided for greater consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The adoption of these standards did not have a material impact on the Department's financial statements.

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 Department 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; (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 payers, 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 *di minimis* and are reported with expenses/expenditures in the year of payment.

I. D. 6. CAPITAL 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. Assets financed with capital lease obligations and 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.

The Department evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital asset historical cost and related accumulated depreciation 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 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 ⅔ hours/month) for 15 or more years of service. Any employee terminating from employment shall be paid for any unused, accrued annual leave up to an amount of 1,000 hours in five stages based on years of service. All other accrued annual leave over 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. No accrued, unused sick leave will be paid upon termination from employment.

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 lease agreements with the OCFA. The lease agreements obligate the Department to pay rentals sufficient to fund the principal and interest of the bonds issued by OCFA.

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 assets less accumulated depreciation 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 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, 2021, 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	\$ 3,776,859
Conduit borrowing bond principal and interest	316,132
Conduit borrowing bond reserve	1,239,386
	<u><u>\$ 5,332,377</u></u>

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)	\$ 5,332,377	\$ 5,332,377	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).

Investments

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)	\$ 23,906,991	\$ 23,906,991	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

	<u>Amount Receivable</u>	<u>General Fund Allowance for Uncollectible Accounts</u>	<u>Net Receivable</u>	<u>Grants Fund Amount Receivable</u>
Property taxes	\$ 1,110,476	\$ 5,827	\$ 1,104,649	\$ -
Patient billings	\$ 168,940	\$ 165,731	\$ 3,209	\$ -
Other accounts receivable	20,250	-	20,250	19,603
	<u>\$ 189,190</u>	<u>\$ 165,731</u>	<u>\$ 23,459</u>	<u>\$ 19,603</u>
Intergovernmental receivable	<u>\$ 419,176</u>	<u>\$ -</u>	<u>\$ 419,176</u>	<u>\$ 8,841,269</u>

II. C. INVENTORIES

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

	<u>NERHWC</u>	<u>SOHWC</u>	<u>West</u>	<u>Total</u>
Immunizations	\$ 280,939	\$ 70,658	\$ 20,485	\$ 372,082
Medical supplies	9,683	9,456	13,985	33,124
Other supplies	94	-	89	183
Pharmaceuticals	1,277	20,493	31,159	52,929
	<u>\$ 291,993</u>	<u>\$ 100,607</u>	<u>\$ 65,718</u>	<u>\$ 458,318</u>

II. D. PREPAID ASSETS

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Computer equipment	\$ 372	\$ -	\$ -	\$ 372
Insurance	29,000	-	-	29,000
Memberships	2,692	-	-	2,692
Software licenses	177,105	-	-	177,105
Subscriptions	7,735	-	-	7,735
Other	15,653	-	-	15,653
	<u>\$ 232,557</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 232,557</u>

Prepaid expenses of \$232,557 include \$2,637 reported with noncurrent assets.

II. E. CAPITAL ASSETS

Changes in Capital Assets

	Capital Assets, not depreciated			Capital Assets, depreciated			Total Capital Assets, depreciated	Total Capital Assets, net
	Land	Construction In Progress	Total Capital Assets, not depreciated	Buildings & Improvements	Land Improvements	Computers, Equipment, and Vehicles		
CAPITAL ASSETS								
Balance, June 30, 2020	\$ 1,767,220	\$ 654,166	\$ 2,421,386	\$ 22,800,120	\$ 2,009,242	\$ 2,272,271	\$ 27,081,633	\$ 29,503,019
Increases	-	3,316,673	3,316,673	244,544	-	1,691,577	1,936,121	5,252,794
Decreases	-	(2,712)	(2,712)	-	-	-	-	(2,712)
Transfers	-	(1,357,112)	(1,357,112)	1,285,767	71,345	-	1,357,112	-
Balance, June 30, 2021	<u>\$ 1,767,220</u>	<u>\$ 2,611,015</u>	<u>\$ 4,378,235</u>	<u>\$ 24,330,431</u>	<u>\$ 2,080,587</u>	<u>\$ 3,963,848</u>	<u>\$ 30,374,866</u>	<u>\$ 34,753,101</u>
ACCUMULATED DEPRECIATION								
Balance, June 30, 2020	\$ -	\$ -	\$ -	\$ 2,836,770	\$ 524,580	\$ 1,350,997	\$ 4,712,347	\$ 4,712,347
Increases	-	-	-	597,234	113,253	505,857	1,216,344	1,216,344
Decreases	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Balance, June 30, 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,434,004</u>	<u>637,833</u>	<u>1,856,854</u>	<u>5,928,691</u>	<u>5,928,691</u>
Total	<u>\$ 1,767,220</u>	<u>\$ 2,611,015</u>	<u>\$ 4,378,235</u>	<u>\$ 20,896,427</u>	<u>\$ 1,442,754</u>	<u>\$ 2,106,994</u>	<u>\$ 24,446,175</u>	<u>\$ 28,824,410</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 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. 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>\$2,872,232</u>

III. LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

III. A. COMPENSATED ABSENCES

Compensated absences balances changed from \$2,073,215 to \$2,489,916 by accruals of \$1,739,811 and usages of \$1,323,110.

III. B. UNEARNED REVENUES

The Department has reported unearned revenue of \$36,163 at the end of the fiscal year. Included in unearned revenue is \$29,450 collected for annual public bathing licenses.

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 Lease

Agreement (2012 Lease) 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 2012 Lease 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 \$568,150 in rental 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 Lease Agreement (2015 Lease) 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 Lease 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 \$321,525 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 Lease Agreement (2021 Lease) 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 Lease 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 \$92,656 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
2022	\$ 405,000	\$ 166,450	\$ 571,450	\$ 185,000	\$ 137,925	\$ 322,925
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
2027-2031	2,480,000	364,000	2,844,000	1,090,000	510,925	1,600,925
2032-2036	550,000	20,625	570,625	1,275,000	327,725	1,602,725
2037-2041	-	-	-	1,180,000	101,250	1,281,250
	<u>\$ 5,170,000</u>	<u>\$ 1,094,075</u>	<u>\$ 6,264,075</u>	<u>\$ 4,500,000</u>	<u>\$ 1,590,175</u>	<u>\$ 6,090,175</u>

Fiscal Year	Series 2021		
	Principal	Interest	Total
2022	\$ 135,000	\$ 210,011	\$ 345,011
2023	165,000	181,700	346,700
2024	165,000	178,400	343,400
2025	170,000	175,100	345,100
2026	175,000	171,700	346,700
2027-2031	935,000	782,800	1,717,800
2032-2036	1,120,000	606,500	1,726,500
2037-2041	1,325,000	402,000	1,727,000
2042-2046	1,560,000	159,081	1,719,081
	\$ 5,750,000	\$ 2,867,292	\$ 8,617,292

III. D. NET OPEB LIABILITY

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

Net OPEB liability	<u>\$19,731,429</u>		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset (Liability)
Beginning balance	\$ 18,357,550	\$ -	\$ 18,357,550
Service cost	838,833	-	838,833
Interest	506,221	-	506,221
Differences between expected and actual experience	(1,006,009)	-	(1,006,009)
Changes of assumptions	1,368,012	-	1,368,012
Contributions – employer	-	333,178	333,178
Benefit payments and refunds	(333,178)	(333,178)	(666,356)
	\$ 19,731,429	\$ -	\$ 19,731,429

III. E. CHANGES IN LONG-TERM DEBT

	Balance July 1, 2020	Additions/ Issuances	Deletions/ Retirements	Balance June 30, 2021	Due Within One Year	Due After One Year
Compensated absences	\$ 2,073,215	\$ 1,739,811	\$ 1,323,110	\$ 2,489,916	\$ 662,850	\$ 1,827,066
Conduit borrowings	10,878,169	5,566,505	889,675	15,554,999	859,999	14,695,000
Net OPEB liability	18,357,550	1,707,057	333,178	19,731,429	-	19,731,429
	\$ 31,308,934	\$ 9,013,373	\$ 2,545,963	\$ 37,776,344	\$ 1,522,849	\$ 36,253,495

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, 2021, property tax revenue earned but unavailable is \$867,756. All federal and state grant revenue is expected to be received within 180 days after year-end.

OPEB Deferred Inflows

Differences are deferred when the OPEB system’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	\$ 3,183,707
Change in assumptions	99,188
	<u>\$ 3,282,895</u>

IV. FUND EQUITY

IV. A. NET POSITION

Net Investment in Capital Assets

Capital assets, net	\$ 28,824,410
Retainages and capital-related accounts payable	(386,710)
Conduit borrowing payable, net	(15,554,999)
Conduit borrowing issuance premium	(754,328)
Interest payable included in conduit borrowing payable	134,999
Bond construction accounts funded with bond proceeds	3,776,859
Bond reserve accounts funded with bond proceeds	1,239,386
	<u>17,279,617</u>

Restricted for Debt Service

Bond principal and interest accounts	316,132
Current conduit borrowing interest payable	(134,999)
	<u>181,133</u>

Unrestricted

Unrestricted	12,867,298
	<u>12,867,298</u>

Government-Wide Net Position

\$ 30,328,048

IV. B. FUND BALANCE

	General Fund	Grants Fund	Capital Projects Fund	Total
Nonspendable fund balance – prepaids	\$ 232,557	\$ -	\$ -	\$ 232,557
Restricted for debt service – restricted deposits	1,555,518	-	-	1,555,518
Assigned for purchases on order	198,796	-	-	198,796
Assigned for capital projects	-	-	6,950,685	6,950,685
Unassigned	30,184,596	(3,251)	-	30,181,345
	\$ 32,171,467	\$ (3,251)	\$ 6,950,685	\$ 39,118,901

V. REVENUES AND EXPENSES

V. A. PROPERTY TAXES

The total assessed value of property as of January 1, 2020, was \$8,270,276,805, net of homestead exemptions of \$111,787,961. The Department’s apportionment of the assessed value at 2.59 mills is \$21,420,017. Current year tax collections of \$20,011,339 were approximately 96% of the tax levy. In addition, \$841,696 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 \$1,461,969 in intergovernmental revenues related to inspection and licensure services on behalf of OSDH and \$245,467 in revenues related to other inspection and licensure services.

Federal Awards

The Department received \$19,504,207 in federal awards, including \$1,189,371 directly from the U.S. Department of Health and Human Services; \$3,176 directly from the Centers for Disease Control and Prevention; and \$13,823,138, \$4,257,842, \$216,052, \$9,986, and \$4,642 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	\$ 242,927
OSDH Maternal and Child Health Services – Outreach Program	250,189
Children First Program	575,430
Maternal, Infant, and Early Childhood Visiting Program	6,407
Oklahoma Tobacco Settlement Endowment Trust Healthy Living	349,932
OMRF COVID-19 Services Agreement	363,000
Inasmuch/PiPH COVID-19 Vaccine Distribution & Feeding our Public Health Heroes	193,935
OSDH Breastfeeding Peer Counseling	41,834
OSDH Vaccine Assistance	23,128
OSDH Tuberculosis Direct Observed Therapy	19,070
NACCHO MRC Operations Readiness	6,486
Total state awards	<u>\$ 2,072,338</u>

V. C. LEASE REVENUES

OU Physicians

The Department leases space in GCPB to the Board of Regents of University of Oklahoma on behalf of OU Physicians. The initiating lease began in 2015 with the option to renew for four additional 12-month periods. The term of the current year lease began on July 1, 2019, and continued through June 30, 2020. Effective December 1, 2018, the lease was amended to change the location of the south clinic from the South Regional Health and Wellness Center (SRHWC) to the SOHWC. Rent for NERHWC was \$3,100 per month. Rent for SRHWC was \$1,620 per month to November 30, 2018. Rent for SOHWC was \$725 per month from December 1, 2018 through June 30, 2019. On July 1, 2019, the lease was approved for a 12-month period with the option to renew for four additional 12-month periods with a 2% increase.

OU Department of Infectious Disease

On April 1, 2019, the Department leased space in Health Center West (HCW) for a three-month period at \$1,100 per month, with the option to renew for four additional 12-month periods with a 2% increase. During the COVID-19 pandemic, a grace period was granted due to financial hardship. The rent was not paid after, and was written off for April 2020 through June 2021. There is no existing lease at this site as of July 1, 2021.

Minimum Rentals

	<u>NERHWC</u>	<u>SOHWC</u>	<u>HCW</u>	<u>OAKRIDGE</u>	<u>Total</u>
2022	\$ 39,478	\$ 9,229	\$ -	\$ 18,407	\$ 67,114
2023	40,268	9,414	-	18,775	68,457
2024	41,073	9,602	-	19,151	69,826
2025	41,894	9,794	-	19,534	71,222
	<u>\$ 162,713</u>	<u>\$ 38,039</u>	<u>\$ -</u>	<u>\$ 75,867</u>	<u>\$ 276,619</u>
Rental income	<u>\$ 38,704</u>	<u>\$ 9,048</u>	<u>\$ (3,302)</u>	<u>\$ 18,046</u>	<u>\$ 62,496</u>

V. D. OPERATING LEASES

The Department has several noncancelable leases with unrelated parties for rental of facilities, office equipment, and other items. These lease terms range from month-to-month to 60 months and expire through June 30, 2024. Additionally, certain equipment leases have contingent rental components (impression charges) that totaled approximately \$29,000 for the year ended June 30, 2021.

Future Minimum Rental Cost

	Facilities	Office Equipment	Other	Total
2022	\$ 113,732	\$ 63,889	\$ -	\$ 177,621
2023	36,085	9,366	-	45,451
2024	-	221	-	221
	<u>\$ 149,817</u>	<u>\$ 73,476</u>	<u>-</u>	<u>\$ 223,293</u>
Lease payments	<u>\$ 316,532</u>	<u>\$ 66,774</u>	<u>\$ 2,436</u>	<u>\$ 385,742</u>

V. E. OPEB EXPENSE

The Department reported \$1,060,035 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

2022	\$ (285,019)
2023	(285,019)
2024	(285,016)
2025	153,822
2026	238,850
Thereafter	51,719
	<u>\$ (410,663)</u>

VI. INTERFUND TRANSACTIONS

Due to/from Other Funds

Amounts due from the Grants Fund to the General Fund of \$8,245,042 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 \$1,054,555 are for reimbursement of administrative and overhead (indirect costs) funded by federal and state grants. Transfers to the General Fund from the Capital Projects Fund of \$205,093 are to return certain excess capital project funds.

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 \$1,760,510. Forfeitures of unvested contributions for terminated employees at June 30, 2021, were \$231,920.

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 (OPEB)

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)	90
Retirees and beneficiaries currently receiving benefits (1)	243
	333

(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, 2020 with no adjustments to get to the June 30, 2020 measurement date. Liabilities as of July 1, 2019 are based on an actuarial valuation date of July 1, 2018 projected to July 1, 2019 on a “no gain / no loss” basis.
Actuarial cost method	Entry Age Normal Level % of Salary Method
Actuarial Assumptions	
Discount rate	2.19% (2.66% prior year)
Inflation rate	3.5%
Projected salary increases	3.0%
Health care trend rate	An initial rate of 8.00% 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 2.19%. 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	1.19%	\$ 23,179,236
Current single rate	2.19%	\$ 19,731,429
1% increase	3.19%	\$ 16,981,886

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 8.0%, 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%	\$ 16,470,649
Current single rate	4.50%	\$ 19,731,429
1% increase	5.50%	\$ 23,974,704

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

On July 1, 2021, the Department modified its Sick Leave procedure to allow up to 480 hours of leave to be paid upon termination. Additionally, the Annual Leave and Comp Time procedures have been extended to allow all balances accrued to be paid out upon termination. These changes will be reflected in fiscal year 2022’s compensated absences and financial reports.

XI. RECENTLY ISSUED ACCOUNTING STANDARDS

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

GASB Statement No. 87, *Leases*: GASB 87 addresses the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognizing inflows of resources or outflows of resources based on the payment provisions of the contract. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby

enhancing the relevance and consistency of information about governments' leasing activity. This statement is effective for periods beginning after June 15, 2021 (effective for the Department's June 30, 2022 year-end).

GASB Statement No. 91, *Conduit Debt Obligations*: The primary objectives of GASB 91 are to provide a single method of reporting conduit debt obligations by issuers and to eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021 (effective for the Department's June 30, 2023 year-end).

GASB Statement No. 93, *Replacement of Interbank Offered Rates*: Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) – most notably, the London InterBank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

The objective of GASB 93 is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. GASB 93 achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in GASB Statement No. 53, as amended
- Providing an exception to the lease modifications guidance in GASB 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend

The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after June 15, 2021 (effective for the Department's June 30, 2022 year-end). All other requirements of GASB 93 are effective for reporting periods beginning after June 15, 2020 (effective for the Department's June 30, 2021 year-end).

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 these statements on the Department has not been determined but could have a significant impact on its overall net position.

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

OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

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

BUDGET TO ACTUAL (1)
June 30, 2021

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							
Taxes	\$ 20,046,106	\$ -	\$ 20,046,106	\$ 20,818,698	\$ -	\$ 20,818,698	\$ 772,592
Intergovernmental revenue	1,566,966	-	1,566,966	4,002,371	-	4,002,371	2,435,405
Charges for services	417,345	-	417,345	308,065	-	308,065	(109,280)
Licenses & permits	370,147	-	370,147	242,567	-	242,567	(127,580)
Investment income	189,666	-	189,666	8,321	-	8,321	(181,345)
Donations	66,705	20,000	86,705	36,748	-	36,748	(49,957)
Lease revenues	65,647	-	65,647	62,496	-	62,496	(3,151)
Other income	244,185	-	244,185	252,258	-	252,258	8,073
Total revenues	22,966,767	20,000	22,986,767	25,731,524	-	25,731,524	2,744,757
Expenditures							
Wages and fringe benefits	16,148,373	2,911,400	19,059,773	13,345,053	1,637	13,346,690	(5,713,083)
Personal services	261,140	528,374	789,514	194,377	-	194,377	(595,137)
Travel/training	542,097	(13,922)	528,175	151,078	180	151,258	(376,917)
Maintenance & operations	5,916,445	2,816,478	8,732,923	4,283,233	190,265	4,473,498	(4,259,425)
Capital outlay	-	4,920	4,920	-	6,714	6,714	1,794
Debt service	889,675	-	889,675	889,675	-	889,675	-
Total expenditures	23,757,730	6,247,250	30,004,980	18,863,416	198,796	19,062,212	(10,942,768)
Transfers and Other Financing Sources (Uses)							
Transfers and Other	765,253	204,301	969,554	1,337,473	-	1,337,473	367,919
Total transfers and other financing sources/(uses)	765,253	204,301	969,554	1,337,473	-	1,337,473	367,919
Net revenues (expenditures)	\$ (25,710)	\$ (6,022,949)	\$ (6,048,659)	\$ 8,205,581	\$ (198,796)	8,006,785	\$ 14,055,444
<u>Reconciliation to the Statement of Revenues, Expenditures, and Changes in Fund Balance,</u>							
<u>General Fund</u>							
Revenue accruals						(260,116)	
Expenditure accruals						2,666,710	
Transfers and other sources/(uses) accruals						120,971	
Encumbrances						198,796	
Change in fund balance						\$ 10,733,146	

(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, 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, 2021, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated March 11, 2022.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

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

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

Board of Health
Oklahoma City-County Health Department

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.

BKD, LLP

Oklahoma City, Oklahoma
March 11, 2022