

# **Oklahoma City-County Health Department**

Independent Auditor's Reports and Financial Statements

June 30, 2018





**Oklahoma City-County Health Department**  
**June 30, 2018**

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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, 2018, 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.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Department, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in *Note 1* to the financial statements, in 2018, the Department adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Additionally, as discussed in *Note 1*, the Department has elected to change its method of accounting for certain conduit debt restricted cash equivalent accounts. Our opinions are not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require the other postemployment benefits information, the budgetary comparison schedule and the note to budgetary comparison schedule, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by GASB, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by GASB, 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. Our opinions on the basic financial statements are not affected by this missing information.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The accompanying supplementary information, including the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; the notes to schedule of expenditures of federal awards; and the schedule of expenditures of state awards, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards, notes to schedule of expenditures of federal awards and the schedule of expenditures of state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2018, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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  
December 28, 2018

**Oklahoma City-County Health Department**  
**Government-Wide Financial Statement – Statement of Net Position**  
**June 30, 2018**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 20,762,443
Restricted cash equivalents	1,120,036
Accounts receivable, net of allowances	4,400,854
Inventory	693,497
Prepaid expenses	132,649
Capital assets	
Nondepreciable	8,220,090
Depreciable, net of depreciation	<u>15,690,257</u>
Total assets	<u>51,019,826</u>
<b>Liabilities</b>	
Accounts payable	924,037
Accrued liabilities	990,265
Unearned revenues	40,244
Long-term liabilities	
Due within one year	765,081
Due in more than one year	<u>27,824,716</u>
Total liabilities	<u>30,544,343</u>
<b>Deferred Inflows of Resources</b>	
OPEB items	<u>2,633,025</u>
Total deferred inflows of resources	<u>2,633,025</u>
<b>Net Position</b>	
Net investment in capital assets	12,220,350
Restricted	1,120,036
Unrestricted	<u>4,502,072</u>
Total net position	<u>\$ 17,842,458</u>

**Oklahoma City-County Health Department**  
**Government-Wide Financial Statement – Statement of Activities**  
**Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Total Governmental Activities
<b>Primary Government</b>					
Governmental activities					
Public health services	\$ (27,788,669)	\$ 1,009,591	\$ 10,093,959	\$ 1,500,000	\$ (15,185,119)
Total governmental activities	<u>\$ (27,788,669)</u>	<u>\$ 1,009,591</u>	<u>\$ 10,093,959</u>	<u>\$ 1,500,000</u>	<u>(15,185,119)</u>
<b>General Revenues</b>					
Property taxes, levied for general purposes					18,408,097
Gain on sale of capital assets					1,229
Investment earnings					258,186
Total general revenues					<u>18,667,512</u>
<b>Change in Net Position</b>					<u>3,482,393</u>
<b>Net Position, Beginning of Year, as Previously Reported</b>					25,321,222
<b>Adjustments for Changes in Accounting Principles</b>					<u>(10,961,157)</u>
<b>Net Position, Beginning of Year, as Restated</b>					<u>14,360,065</u>
<b>Net Position, End of Year</b>					<u>\$ 17,842,458</u>



**Oklahoma City-County Health Department**  
**Governmental Funds – Balance Sheet**  
**June 30, 2018**

	General	Capital Projects	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 13,994,313	\$ 6,768,130	\$ 20,762,443
Restricted cash equivalents	1,120,036	-	1,120,036
Receivables			
Ad valorem taxes receivable	1,022,423	-	1,022,423
Accounts receivable	147,532	-	147,532
Intergovernmental receivable	1,730,899	1,500,000	3,230,899
Total assets	\$ 18,015,203	\$ 8,268,130	\$ 26,283,333
 <b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 655,353	\$ 268,684	\$ 924,037
Unearned revenue	40,244	-	40,244
Accrued liabilities	990,265	-	990,265
Total liabilities	1,685,862	268,684	1,954,546
 <b>Deferred Inflows of Resources</b>			
Unavailable revenue	866,451	-	866,451
 <b>Fund Balances</b>			
Restricted – bond trustee	1,120,036	-	1,120,036
Assigned – capital projects	-	7,999,446	7,999,446
Assigned – orders on purchase	1,487,548	-	1,487,548
Unassigned	12,855,306	-	12,855,306
Total fund balances	15,462,890	7,999,446	23,462,336
Total liabilities, deferred inflows of resources and fund balances	\$ 18,015,203	\$ 8,268,130	\$ 26,283,333

**Oklahoma City-County Health Department**  
**Reconciliation of the Governmental Funds – Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2018**

Amounts reported for governmental activities in the statement of net position are different because	
Total fund balances – governmental funds	\$ 23,462,336
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$3,428,829	23,910,347
Inventory and prepaid expenses are reported under the purchase method, which is expensed at the fund level, but should be accrued in the governmental activities	
Inventory	693,497
Prepaid expense	132,649
Certain assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds	
Unavailable tax revenue	866,451
Certain long-term liabilities and deferred inflows of resources are not due and payable from current financial resources and, therefore, are not reported in the funds	
Accrued compensated absences	(1,723,184)
OPEB liability	(15,445,300)
Deferred inflows of resources related to OPEB	(2,633,025)
Capital lease obligation	<u>(11,421,313)</u>
Net position of governmental fund activities	<u>\$ 17,842,458</u>

**Oklahoma City-County Health Department**  
**Governmental Funds – Statement of Revenues, Expenditures**  
**and Change in Fund Balances**  
**Year Ended June 30, 2018**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Taxes	\$ 18,353,316	\$ -	\$ 18,353,316
Intergovernmental	9,985,884	1,500,000	11,485,884
Charges for services	679,964	-	679,964
Licenses and permits	309,267	-	309,267
Investment income	141,345	116,841	258,186
Other income	128,469	-	128,469
	<u>29,598,245</u>	<u>1,616,841</u>	<u>31,215,086</u>
<b>Expenditures</b>			
Wages	13,294,741	-	13,294,741
Fringe benefits	5,528,068	-	5,528,068
Personal services	202,268	-	202,268
Travel/training	410,658	-	410,658
Maintenance	6,387,078	-	6,387,078
Capital outlay	78,475	6,278,169	6,356,644
Debt service	891,025	-	891,025
	<u>26,792,313</u>	<u>6,278,169</u>	<u>33,070,482</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>2,805,932</u>	<u>(4,661,328)</u>	<u>(1,855,396)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in (out)	(1,000,000)	1,000,000	-
Other sources (uses)	1,229	-	1,229
	<u>(998,771)</u>	<u>1,000,000</u>	<u>1,229</u>
<b>Net Change in Fund Balances</b>	<u>1,807,161</u>	<u>(3,661,328)</u>	<u>(1,854,167)</u>
<b>Fund Balances, Beginning of Year, as Previously Reported</b>	12,538,526	11,660,774	24,199,300
<b>Adjustment for Change in Accounting Principle</b>	<u>1,117,203</u>	<u>-</u>	<u>1,117,203</u>
<b>Fund Balances, Beginning of Year, as Restated</b>	<u>13,655,729</u>	<u>11,660,774</u>	<u>25,316,503</u>
<b>Fund Balances, End of Year</b>	<u>\$ 15,462,890</u>	<u>\$ 7,999,446</u>	<u>\$ 23,462,336</u>

**Oklahoma City-County Health Department**  
**Reconciliation of Net Change in Governmental Fund Balances to**  
**Governmental Activities Change in Net Position**  
**Year Ended June 30, 2018**

Net change in fund balances – total governmental funds	<u>\$ (1,854,167)</u>
<p>Amounts reported for governmental activities in the statement of activities are different because</p> <p style="padding-left: 20px;">Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the lives of the assets</p>	
Depreciation expense	(1,079,770)
Capital asset purchases capitalized	<u>6,356,644</u>
	5,276,874
Compensated absences are not considered to be expenditures in the governmental funds; however, they are recorded as expenses in the statement of activities; this amount represents the net decrease in compensated absences from the prior year	221,252
Inventory and prepaid expenses are reported under the purchase method, which are expenses at the fund level, but should be accrued in the governmental activities; this amount represents the net decrease in these items from the prior year	91,389
Some property taxes will not be collected for several months after the Department’s fiscal year ends. Property taxes are not considered “available” revenues in the governmental funds; instead, they are reported as unavailable revenue. However, they are reported as revenue in the statement of activities	54,746
Some expenditures reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in the governmental funds	(790,321)
Capital lease principal payments are recognized as expenditures in the governmental funds. However, under the governmental funds, only the interest payments are reported as expenditures	<u>482,620</u>
Change in net position of governmental activities	<u><u>\$ 3,482,393</u></u>

**Oklahoma City-County Health Department**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations***

The Oklahoma City-County Health Department (the Department) is a special unit of government which does not possess political or governmental powers other than those necessary to carry out the specific purpose for which it was created. The Department was created pursuant to 63 O.S. § 1-214 and a 1956 operating agreement (revised in 1996) between Oklahoma County (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 County 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. The primary sources of funding for the Department are a county-wide ad valorem tax levy, charges for services and intergovernmental grants and contracts.

***Basis of Accounting and Presentation***

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities incorporate data from governmental funds. Separate financial statements are provided for governmental funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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

# Oklahoma City-County Health Department

## Notes to Financial Statements

### June 30, 2018

as property taxes and 180 days for government-mandated nonexchange transactions, such as federal and state grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, capital lease expenditures, as well as expenditures related to compensated absences, other postemployment benefits (OPEB), claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

The Department reports the following major governmental funds:

- The general fund is the Department's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund
- The capital projects fund accounts for the acquisition and construction of the Department's major capital facilities

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect 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.

#### ***Cash and Cash Equivalents***

The Department considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2018, cash equivalents consisted of demand deposits and money market funds held by brokers.

#### ***Risk Management***

The Department is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Department carries commercial insurance for its physical plant with a \$75,000 deductible, participates in the Oklahoma state health and dental plans for its health benefits coverage for employees, has coverage through CompSource Oklahoma for workers' compensation coverage and is self-insured for errors and omissions and for other general liability claims under \$175,000. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Department. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the *Governmental Tort Claims Act* in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the 2018 fiscal year.

**Oklahoma City-County Health Department**  
**Notes to Financial Statements**  
**June 30, 2018**

***Investments and Investment Income***

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

***Restricted Assets***

Restricted assets include cash equivalents that are legally restricted by Oklahoma statutes or bond indentures as to their use.

***Patient and Insurance Accounts Receivable***

The Department reports patient 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.

***Inventory and Prepaid Expenses***

Inventory and prepaid expenses are reported under the purchases method and are expensed at the fund level but accrued in the governmental activities. Inventory consist of vaccines, pharmaceuticals and medical supplies, which are valued at cost using the first-in/first-out method.

***Capital Assets***

Capital assets are defined by the Department as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at cost at the date of acquisition or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Department:

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

**Oklahoma City-County Health Department**  
**Notes to Financial Statements**  
**June 30, 2018**

***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. Any employee terminating from employment shall be paid for any unused, accrued annual leave up to an amount of 480 hours. All other accrued annual leave over this amount will not be paid to the employee. For governmental activities, 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. The amount of sick leave that can be credited toward retirement will not exceed the amount in the most current retirement plan. Employees may convert up to 40 hours of sick leave to annual leave or pay each fiscal year provided a minimum of 180 hours of sick leave is maintained. An additional 40 hours per fiscal year may be converted to annual leave or pay when an employee maintains a minimum balance of 360 hours of sick leave. No accrued, unused sick leave will be paid upon termination from employment.

***Defined Benefit Other Postemployment Benefit Plan***

The Department has a single-employer defined benefit OPEB plan (the OPEB Plan). For purposes of measuring the total OPEB liability 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.

***Deferred Outflows and Deferred Inflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Department does not currently have an item that qualifies for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The Department's deferred inflows of resources are for OPEB items. More information can be found in *Note 12*. Additionally, as reported in the accompanying governmental funds – balance sheet, there are unavailable revenues attributable to ad valorem taxes not received within the 90-day recognition period.



# Oklahoma City-County Health Department

## Notes to Financial Statements

### June 30, 2018

#### **Net Position**

Net position of the Department is classified in four components:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and is reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Department, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.
- Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Department, such as permanent endowments.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

#### **Fund Balance**

Fund balance of the governmental funds is classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- **Nonspendable** – Includes amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact
- **Restricted** – Consists of fund balance with constraints placed on the use of resources either by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) laws through constitutional provisions or enabling legislation
- **Committed** – Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Department's highest level of decision-making authority. The Department's highest level of decision-making authority is made by the Board
- **Assigned** – Includes amounts that are constrained by the Department's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by the Board's action or management's decision when the Board has delegated that authority. Assignments for transfers and interest income for governmental funds are made through a budgetary process
- **Unassigned** – Represents the fund balance that has not been assigned to other funds and has not been restricted, committed or assigned to specific purposes within the general fund

It is the Department's policy to first use the restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balances are available. The Department's policy for the use of unrestricted fund balance amounts requires committed amounts be reduced first, followed by assigned amounts and

# Oklahoma City-County Health Department

## Notes to Financial Statements

### June 30, 2018

then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

#### ***Income Taxes***

The Department is not subject to federal or state income taxes.

#### ***Related Organization***

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

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

#### ***Budgetary Compliance***

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

#### ***Adoption of Accounting Principle***

The Department implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for 2018. The statement includes guidance for accounting for participating employers for both defined benefit and defined contribution OPEBs that are administered through trusts or equivalent arrangements. The note disclosure and required supplementary information requirements for employers whose employees are provided with OPEB through plans that are not administered through trusts are also addressed.

OPEB expense is no longer based on the contractually required contribution or contributions actually made, but is actuarially determined. This results in the OPEB expense and liability being recognized as benefits are earned by employees, and increases current OPEB expense along with the recognition of the total OPEB liability. This information has been added to *Note 12* and to the required supplementary information, as required. The implementation of GASB 75 resulted in the restatement of the government-wide financial statements' beginning net position as of July 1, 2017, decreasing the balance by \$11,017,425 (OPEB liability at July 1, 2017, under GASB 75 was \$17,288,004 minus the OPEB liability at July 1, 2017, under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, of \$6,270,579).

# Oklahoma City-County Health Department

## Notes to Financial Statements

### June 30, 2018

#### ***Change in Method of Applying Accounting Principle***

The Department restated the general fund's fund balance as of July 1, 2017, to record certain conduit debt restricted cash equivalent accounts that were previously accounted for as prepaid assets and not presented in the fund financial statements. These accounts are now reported as restricted cash equivalent items in both the accompanying government-wide financial statement – statement of net position and the governmental funds – balance sheet. The restatement resulted in a \$1,117,203 increase in the general fund's July 1, 2017, fund balance. The change also required restatement of the Department's government-wide financial statement's beginning net position as of July 1, 2017, increasing the balance by \$56,268 due to timing differences of payments made to the accounts during the prior year. Management believes the new method of accounting for the conduit debt accounts is preferable to the prior method because it presents a more accurate picture of management's responsibilities for the conduit debt obligations to the readers of the financial statements.

#### **Note 2: Deposits and Investments**

At year-end, cash and cash equivalents consisted of amounts in demand deposits and a money market fund. The reported amount of the Department's deposits was \$71,847, and the bank balance, excluding the money market funds discussed below, was \$291,342. Of the bank balance, 100% was covered by Federal Deposit Insurance Corporation (FDIC) insurance or collateral held by the Department's agent in the Department's name.

- **Deposits** – Custodial credit risk for deposits is the risk that in the event of a bank failure the Department may not be able to recover its deposits. The Department's policy requires banks to be 110% secured by collateral valued at market value less FDIC insurance. As of June 30, 2018, the Department's bank balance of \$291,342 was FDIC-insured for \$250,000 and the bank had pledged securities with a fair value of \$8,957,688.
- **Investments** – State law, bond indentures and the Department's policies limit the types of investments that can be purchased to certificates of deposit of bank and trust companies and direct obligations of the federal or state government.

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment. The Department limited activity to interest-bearing government obligation money market funds with balances totaling \$21,809,107 for the year ended June 30, 2018. The funds had a weighted average duration between 15–18 days.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. While the Department has no formal policy relating to the credit risk of investments, the Department's investments in money market mutual fund investments were rated AAAM by Standard & Poor's or Aaa by Moody's Investors Service.

- **Investments Measured at Fair Value** – The Department categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based

**Oklahoma City-County Health Department**  
**Notes to Financial Statements**  
**June 30, 2018**

on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Department has the following recurring fair value measurements as of June 30, 2018:

- U.S. Treasury money market mutual funds of \$21,809,107 are valued using quoted market prices (Level 1 inputs).

**Note 3: Ad Valorem Tax**

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

The assessed property value as of January 1, 2018, was \$7,082,703,668, net of homestead exemptions of \$116,554,558.

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

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

Current year tax collections for the year ended June 30, 2018, were approximately 97% of the tax levy.

**Note 4: Accounts Receivable**

Accounts receivable consisted of the following at June 30, 2018:

	<b>Accounts Receivable</b>	<b>Allowance for Uncollectible Accounts</b>	<b>Net Accounts Receivable</b>
Ad valorem taxes receivable	\$ 1,027,445	\$ (5,022)	\$ 1,022,423
Accounts receivable	145,866	-	145,866
Intergovernmental receivable	3,230,899	-	3,230,899
Patient receivable	126,162	(124,496)	1,666
	<u>\$ 4,530,372</u>	<u>\$ (129,518)</u>	<u>\$ 4,400,854</u>

**Oklahoma City-County Health Department**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 5: Inventories**

Inventories consisted of the following at June 30, 2018:

Vaccines	\$ 396,678
Pharmaceuticals	222,680
Supplies	<u>74,139</u>
	<u><u>\$ 693,497</u></u>

**Note 6: Capital Assets**

Capital assets activity for the fiscal year ended June 30, 2018, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Ending Balance</b>
Capital assets not being depreciated					
Land	\$ 1,569,135	\$ -	\$ -	\$ (68,598)	\$ 1,500,537
Construction in progress	<u>2,193,048</u>	<u>6,155,135</u>	<u>-</u>	<u>(1,628,630)</u>	<u>6,719,553</u>
Total capital assets not being depreciated	<u>3,762,183</u>	<u>6,155,135</u>	<u>-</u>	<u>(1,697,228)</u>	<u>8,220,090</u>
Capital assets being depreciated					
Land improvements	1,681,443	10,883	-	224,747	1,917,073
Buildings	14,559,355	-	-	-	14,559,355
Computers	327,613	121,992	-	1,381,160	1,830,765
Equipment	370,315	34,200	-	(77,548)	326,967
Vehicles	281,624	27,410	-	-	309,034
Software	-	-	-	65,491	65,491
Miscellaneous	<u>-</u>	<u>7,023</u>	<u>-</u>	<u>103,378</u>	<u>110,401</u>
Total capital assets being depreciated	<u>17,220,350</u>	<u>201,508</u>	<u>-</u>	<u>1,697,228</u>	<u>19,119,086</u>
Less accumulated depreciation					
Land improvements	(206,157)	(105,448)	-	-	(311,605)
Buildings	(1,397,935)	(369,471)	-	-	(1,767,406)
Computers	(294,113)	(528,471)	-	-	(822,584)
Equipment	(282,324)	(27,246)	-	-	(309,570)
Vehicles	(168,530)	(37,677)	-	-	(206,207)
Software	-	-	-	-	-
Miscellaneous	<u>-</u>	<u>(11,457)</u>	<u>-</u>	<u>-</u>	<u>(11,457)</u>
Total accumulated depreciation	<u>(2,349,059)</u>	<u>(1,079,770)</u>	<u>-</u>	<u>-</u>	<u>(3,428,829)</u>
Net capital assets being depreciated	<u>14,871,291</u>	<u>(878,262)</u>	<u>-</u>	<u>1,697,228</u>	<u>15,690,257</u>
Capital assets, net	<u>\$ 18,633,474</u>	<u>\$ 5,276,873</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,910,347</u>

**Oklahoma City-County Health Department**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 7: Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities included in current liabilities for the year ended June 30, 2018, were as follows:

Payable to vendors	\$ 924,037
Payable to employees	669,470
Payroll benefits payable	198,434
Payable to pension plan	75,703
Accrued liabilities	<u>46,658</u>
	<u><u>\$ 1,914,302</u></u>

**Note 8: Operating Leases**

The Department has several noncancellable leases with unrelated parties for rental of office equipment. These lease terms range from month-to-month to 60 months and expire through June 2021. These leases primarily do not contain renewal options. The lease expense is approximately \$89,000 for the year ended June 30, 2018.

The Department has several noncancellable leases with unrelated parties for rental of facilities. These lease terms are for one year and expire through January 2019. These leases primarily contain the option to renew for another year. The lease expense for the leases was approximately \$421,000 for the year ended June 30, 2018.

Future minimum lease payments at June 30, 2018, were as follows:

2019	\$ 78,977
2020	8,728
2021	<u>8,531</u>
	<u><u>\$ 96,236</u></u>

**Oklahoma City-County Health Department**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 9: Long-Term Liabilities**

Long-term liability activity included in the accompanying statement of net position as of June 30 is as follows:

	<b>Beginning Balance, as Restated</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Compensated absences	\$ 1,944,436	\$ 175,355	\$ (396,607)	\$ 1,723,184
OPEB liability	17,288,004	-	(1,842,704)	15,445,300
Capital lease obligation	<u>11,903,933</u>	<u>-</u>	<u>(482,620)</u>	<u>11,421,313</u>
	31,136,373	175,355	(2,721,931)	28,589,797
Due within one year	<u>(536,250)</u>	<u>(765,081)</u>	<u>536,250</u>	<u>(765,081)</u>
	<u>\$ 30,600,123</u>	<u>\$ (589,726)</u>	<u>\$ (2,185,681)</u>	<u>\$ 27,824,716</u>

For governmental activities, OPEB have historically been the responsibility of the general fund.

**Note 10: Capital Lease Obligations**

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

The underlying financing for these projects are revenue bonds that meet the definition of conduit debt bond issuances by the Authority to the Department. Conduit debt issuances are described as certain limited obligation debt instruments that are issued by a state or local government entity (in this case the Authority) for the express purpose of providing capital financing for a specific third party (in this case the Department) that is not a part of the issuer's financial reporting entity. Although conduit debt obligations bear the name of the governmental issuer, the issuer has no obligation for such debt beyond the resources provided by the above lease with the third party on whose behalf they are issued.

Descriptions of the conduit debt issued by the Authority on behalf of the Department are as follows:

- Series 2012 Revenue Bonds consist of lease revenue bonds (the 2012 Bonds) in the original amount of \$8,395,000 dated January 1, 2012, which bear interest at 2.00% to 3.75%. The 2012 Bonds are payable in annual installments through April 1, 2032. The

**Oklahoma City-County Health Department**  
**Notes to Financial Statements**  
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Department is required to make monthly deposits of approximately \$47,500 to the debt service fund held by the trustee. All of the 2012 Bonds still outstanding may be redeemed at the Authority's option and the Department's direction on or after April 1, 2022, at par plus interest accrued to the date fixed for redemption. The 2012 Bonds are secured by the assignment of revenues and receipts required to make timely payment on the 2012 Bonds and the interest thereon of the Authority and the assets restricted under the bond indenture agreement.

- Series 2015 Revenue Bonds consist of lease revenue bonds (the 2015 Bonds) in the original amount of \$5,500,000 dated January 29, 2015, or upon date of delivery, which bear interest at 2.000% to 3.375%. The 2015 Bonds are payable in annual installments through April 1, 2040. The Department is required to make monthly deposits of approximately \$26,500 to the debt service fund held by the trustee. All of the 2015 Bonds still outstanding may be redeemed at the Authority's option and the Department's direction on or after April 1, 2024, at par plus interest accrued to the date fixed for redemption. The 2015 Bonds are secured by the assignment of revenues and receipts required to make timely payment on the 2015 Bonds and the interest thereon of the Authority and the assets restricted under the bond indenture agreement.

As described above, the Authority and the Department have capital lease agreements in place to pay the debt obligations. During the year ended June 30, 2018, the Department paid \$891,025 in principal and interest on the buildings. Future lease payments for the leases are as follows:

2019	\$ 965,313
2020	888,050
2021	890,025
2022	893,450
2023	888,850
2024–2028	4,448,600
2029–2033	3,879,253
2034–2038	1,602,463
2039–2040	<u>560,903</u>
Total minimum lease payments	15,016,907
Less amount representing interest	<u>(3,595,594)</u>
Present value of future minimum lease payments	<u>\$ 11,421,313</u>

**Note 11: 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.



**Oklahoma City-County Health Department**  
**Notes to Financial Statements**  
**June 30, 2018**

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 beneficiary(ies) is eligible to receive the participant's retirement benefits.

Retiring participants may choose from a variety of options from the distribution of benefits under the defined contribution plan. These options include immediate lump-sum distribution of the entire account balance, various installment-style distributions and/or various annuity options. The Department contributes 12% of each employee's salary. Employees make no contributions. The Department's cash contributions to the defined contribution plan for the year ended June 30, 2018, were \$1,573,208. Forfeitures available at June 30, 2018, were \$262,278. A copy of the plan may be obtained from the Department's Finance Office at 2600 NE 63rd, Oklahoma City, Oklahoma 73111 or by calling 405.425.4349.

**Note 12: Other Postemployment Benefits**

***Plan Description and Benefits Provided***

The Department provides postemployment healthcare benefits for eligible retired employees and their dependents through a single-employer defined benefit OPEB Plan covering all eligible employees. The OPEB Plan is administered by the Department's Board of Health. Benefit provisions are contained in the plan document and were established and can be amended by action of the Department's governing body. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75. 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.

Employees are eligible to participate in the OPEB Plan as follows:

- Employees hired prior to January 1, 2010, are under the rule of 60 (age plus years of service) with a minimum of eight years of service.
- Employees hired after January 1, 2010, and before January 1, 2017, are the rule of 60 (age plus years of service) with a minimum of eight years of service to keep their insurance coverage. In order to receive an employer subsidy, the employee must meet the rule of 75 (age plus years of service).
- Employees hired after January 1, 2017, are not allowed to retain their insurance coverages upon retirement.

**Oklahoma City-County Health Department**  
**Notes to Financial Statements**  
**June 30, 2018**

At June 30, 2018, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	\$ 77
Terminated employees entitled to benefits, but not yet receiving them	-
Active employees	<u>244</u>
 Total	 <u><u>\$ 321</u></u>

**Total OPEB Liability**

The Department's total OPEB liability of \$15,445,300 was measured as of June 30, 2018, for the year ended June 30, 2018, and was determined by actuarial valuations as of those dates.

The total OPEB liability in the June 30, 2018, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

<b>Discount Rate</b>	3.87% (3.58% in prior year)
<b>Payroll Growth</b>	3.00% per year, plus salary merit increases
<b>Inflation Rate</b>	3.00% per year
<b>Cost Method</b>	Entry Age Normal Level % of Salary
<b>Mortality</b>	RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017
<b>Medical/Rx Trends</b>	9.00% in 2019 declining to 5.00% in 2027

The discount rate was based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

No actuarial experience study has been performed.

**Oklahoma City-County Health Department**  
**Notes to Financial Statements**  
**June 30, 2018**

**Changes in the Total OPEB Liability**

Changes in the total OPEB liability are:

Balance, beginning of year, July 1, 2017	<u>\$ 17,288,004</u>
Changes for the year	
Service cost	871,820
Interest on total OPEB liability	645,018
Differences between expected and actual experience	(2,840,423)
Effect of assumptions changes or inputs	(231,440)
Benefit payments	<u>(287,679)</u>
Net changes	<u>(1,842,704)</u>
Balance, end of year, June 30, 2018	<u><u>\$ 15,445,300</u></u>

**Sensitivity of the Department's Total OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates**

The Department's total OPEB liability has been calculated using a discount rate of 3.87%. The following presents the Department's total OPEB liability calculated using a discount rate 1% higher and 1% lower than the current rate.

	<b>1% Decrease (2.87%)</b>	<b>Current Discount Rate</b>	<b>1% Increase (4.87%)</b>
Total OPEB liability	\$ 17,941,113	\$ 15,445,300	\$ 13,427,224

The Department's total OPEB liability has been calculated using current medical cost trend rates that start at an initial rate of 9%, decreasing to an ultimate rate of 5%. The following presents the Department's total OPEB liability calculated using a current medical cost trend rate 1% higher and 1% lower than the current rates.

	<b>1% Decrease</b>	<b>Current Trend Rates</b>	<b>1% Increase</b>
Total OPEB liability	\$ 13,140,580	\$ 15,445,300	\$ 18,392,597

**Oklahoma City-County Health Department**  
**Notes to Financial Statements**  
**June 30, 2018**

***OPEB Expense and Deferred Inflows of Resources Related to OPEB***

For the year ended June 30, 2018, the Department recognized OPEB expense of \$1,078,000. At June 30, 2018, the Department reported deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ (2,434,648)
Changes of assumption	<u>(198,377)</u>
Total	<u><u>\$ (2,633,025)</u></u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized as an increase (reduction) in OPEB expense as follows for the years ended June 30:

2019	\$ (438,838)
2020	(438,838)
2021	(438,838)
2022	(438,838)
2023	(438,838)
Thereafter	<u>(438,835)</u>
	<u><u>\$ (2,633,025)</u></u>

**Note 13: Contingencies**

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

## **Required Supplementary Information**

**Oklahoma City-County Health Department**  
**Schedule of Changes in the Department's Total OPEB Liability and Related Ratios**

Total OPEB liability		
Service cost	\$	871,820
Interest on total OPEB liability		645,018
Differences between expected and actual experience		(2,840,423)
Effect of assumptions changes or inputs		(231,440)
Benefit payments		<u>(287,679)</u>
Net change in total OPEB liability		(1,842,704)
Department's total OPEB liability, beginning		<u>17,288,004</u>
Department's total OPEB liability, ending	\$	<u><u>15,445,300</u></u>
Covered employee payroll	\$	<u><u>12,490,382</u></u>
The Department's total OPEB liability as a percentage of covered employee payroll		123.66%

***Note to Schedule***

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

**Oklahoma City-County Health Department**  
**Budgetary Comparison Schedule – General Fund**  
**Year Ended June 30, 2018**

	<b>Original Budget</b>	<b>Revisions</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenue</b>					
Taxes	\$ 18,333,927	\$ -	\$ 18,333,927	\$ 18,456,300	\$ 122,373
Intergovernmental revenue	8,826,749	366,362	9,193,111	7,786,918	(1,406,193)
Charges for services	624,850	(8,425)	616,425	609,844	(6,581)
Licenses and permits	307,118	(30)	307,088	267,305	(39,783)
Investment income	58,750	20,000	78,750	141,345	62,595
Other revenue	<u>355,721</u>	<u>30,140</u>	<u>385,861</u>	<u>401,570</u>	<u>15,709</u>
Total revenue	<u>28,507,115</u>	<u>408,047</u>	<u>28,915,162</u>	<u>27,663,282</u>	<u>(1,251,880)</u>
<b>Expenditures</b>					
Wages	13,637,280	(76,658)	13,560,622	13,269,269	(291,353)
Fringe benefits	6,259,149	(367,890)	5,891,259	5,528,434	(362,825)
Personal services	274,094	47,770	321,864	257,861	(64,003)
Travel/training	534,817	(40,710)	494,107	417,329	(76,778)
Maintenance	6,780,761	206,581	6,987,342	5,441,269	(1,546,073)
Capital outlay	109,300	(18,321)	90,979	73,319	(17,660)
Debt service	<u>889,789</u>	<u>-</u>	<u>889,789</u>	<u>891,025</u>	<u>1,236</u>
Total expenditures	<u>28,485,190</u>	<u>(249,228)</u>	<u>28,235,962</u>	<u>25,878,506</u>	<u>(2,357,456)</u>
Other financing uses (sources)	<u>-</u>	<u>(1,340,027)</u>	<u>(1,340,027)</u>	<u>(998,771)</u>	<u>341,256</u>
Net revenue over expenditures	<u>\$ 21,925</u>	<u>\$ (682,752)</u>	<u>\$ (660,827)</u>	786,005	<u>\$ 1,446,832</u>

Items required to adjust the general fund balance reported on the budgetary basis to those reported within the fund financial statements as of and for the year ended June 30, 2018:

Current year revenue accruals	1,934,959
Current year expenditure accruals	(2,401,351)
Current year encumbrances included in expenditures	<u>1,487,548</u>
	1,807,161
Fund balance – budgetary basis, June 30, 2018, as restated	<u>13,655,729</u>
Fund balance – fund financial statements, June 30, 2018	<u>\$ 15,462,890</u>

**Oklahoma City-County Health Department**  
**Note to Budgetary Comparison Schedule**  
**Year Ended June 30, 2018**

**Note 1: Budgetary Comparison Schedule**

The budgetary comparison schedule presents comparisons of the legally adopted budget with actual data. The “actual” data presented in the comparison of budget and actual will differ from the data presented in the financial statements because the budgetary basis of accounting includes encumbrances related to the budget year.

Oklahoma statutes require the Department to prepare a formal budget for the Board.

At the end of the fiscal year, unencumbered appropriations lapse.



## **Supplementary Information**

**Oklahoma City-County Health Department**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

Federal Grantor/Pass-Through Entity/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Agriculture</b>				
<i>Passed-through from the Oklahoma State Department of Health</i>				
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	73-6017987	\$ -	\$ 1,607,336
Total U.S. Department of Agriculture			-	1,607,336
<b>U.S. Department of Health and Human Services</b>				
<i>Passed-through from the Association of Food and Drug Officials</i>				
Food and Drug Administration Research	93.103	74-6051887	-	58,028
<i>Passed-through from the Oklahoma State Department of Health</i>				
Community-Based Child Abuse Prevention	93.590	73-6017987	-	221,485
Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements	93.074	73-6017987	-	903,720
<i>Affordable Care Act (ACA) Personal Responsibility Education Program</i>	93.092	73-6017987	-	332,784
Tuberculosis Demonstration, Research, Public and Professional Education	93.116	73-6017987	-	17,726
Family Planning Services	93.217	73-6017987	-	508,132
Immunization Cooperative Agreements	93.268	73-6017987	-	112,088
Immunization Cooperative Agreements – Noncash Assistance	93.268	73-6017987	-	1,141,119
<i>Total CFDA No. 93.268</i>			-	1,253,207
Support for Pregnant and Parenting Teens and Women	93.500	73-6017987	-	14,756
<i>Maternal, Infant and Early Childhood Home Visiting Cluster</i>				
Maternal, Infant and Early Childhood Home Visiting Cluster and ACA	93.505	73-6017987	-	302,291
Preventative Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	73-6017987	-	52,461
<i>Medicaid Cluster</i>				
Medical Assistance Program	93.778	73-6017987	-	197,169
Maternal and Child Health Services Block Grant to the States	93.994	73-6017987	-	180,858
<i>Direct Program</i>				
Teenage Pregnancy Prevention Program	93.297	N/A	475,577	1,121,401
Total U.S. Department of Health and Human Services			475,577	5,164,018
Total expenditures of federal awards			\$ 475,577	\$ 6,771,354

**Oklahoma City-County Health Department**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Department under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Department, it is not intended to, and does not, present the financial position, changes in net position or cash flows of the Department.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Department has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 2: Federal CFDA Numbers**

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

**Note 3: Immunization Cooperative Agreements, CFDA Number 93.268**

Noncash assistance in the form of vaccines was received from the Oklahoma State Department of Health. The fair value of \$1,141,119 in noncash assistance received is included in the Schedule.

**Oklahoma City-County Health Department**  
**Schedule of Expenditures of State Awards**  
**Year Ended June 30, 2018**

State Grantor/Grant Program Title	State Identification Number	State Expenditures
<b>Oklahoma State Department of Health</b>		
Maternal & Child Health Services	S020009	\$ 451,297
Children First Program	S021275	<u>970,386</u>
Total nonfederal awards		<u>\$ 1,421,683</u>

**Note 1: Basis of Presentation**

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

**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 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, 2018, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated December 28, 2018, which contained an *Emphasis of Matter* paragraph regarding changes in accounting principles.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Department'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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BKD, LLP**

Oklahoma City, Oklahoma  
December 28, 2018

## Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance

### Independent Auditor's Report

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

#### Report on Compliance for Each Major Federal Program

We have audited the Oklahoma City-County Health Department's (the Department) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Department's major federal programs for the year ended June 30, 2018. The Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Department's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

In our opinion, the Department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

### **Report on Internal Control over Compliance**

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

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

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

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

*BKD, LLP*

Oklahoma City, Oklahoma  
December 28, 2018





**Oklahoma City-County Health Department**  
**Schedule of Findings and Questioned Costs, continued**  
**Year Ended June 30, 2018**

**Findings Required to be Reported by *Government Auditing Standards***

<b>Reference Number</b>	<b>Finding</b>
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No matters are reportable.

**Findings Required to be Reported by the Uniform Guidance**

<b>Reference Number</b>	<b>Finding</b>
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No matters are reportable.

**Oklahoma City-County Health Department**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2018**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
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No matters are reportable.