Tulsa City-County Health Department

Financial Statements

and

Report of Independent Certified Public Accountants

June 30, 2012 and 2011

Contents

PAGE

Report of Independent Certified Public Accountants .... 3 - 4

Management's Discussion and Analysis .... 6 - 9

Financial Statements

Statements of Net Assets 11

Statements of Activities .... 12 - 13

Balance Sheets – Governmental Funds .... 14 - 15

Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .... 16 - 17

Notes to Financial Statements .... 18 - 29

Required Supplemental Information

Statement of Revenues, Expenditures, Encumbrances, And Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) 31

Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* .... 32 - 33

Stanfield & O'Dell PC
Beyond numbers. To solutions.
CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Certified Public Accountants

To the Board of Health
Tulsa City-County Health Department

We have audited the accompanying financial statements of the governmental activities and major funds of the Tulsa City-County Health Department (the Department), a component unit of Tulsa County, as of and for the year ended June 30, 2012 and 2011, as listed in the Table of Contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major funds of the Department at June 30, 2012 and 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "*Government Auditing Standards*," we have also issued our report dated November 30, 2012, 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 grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 9 and page 31 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.

Tulsa, Oklahoma
November 30, 2012

Stanfield & O'Dell P.C.

Management's Discussion
And Analysis

Management's Discussion and Analysis

The Tulsa City-County Health Department's (the Department) discussion and analysis is designed to present a narrative overview of the financial activities and an analysis of the Department's financial performance during the fiscal year ended June 30, 2012. Please read it in conjunction with the Department's basic financial statements following this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements are designed to provide readers with a broad overview of the Department's finances, in a manner similar to a private-sector business. Therefore, the statements are reported using the accrual basis of accounting. In this way, all assets and liabilities, both financial and capital, short and long-term, are reported. All revenues and expenses applicable to the year are reported, regardless of when cash is received or paid.

The *Statement of Net Assets* presents information on the Department's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The *Statement of Activities* presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Fund Financial Statements present the Department's financial activities in a traditional fund format. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. The fund financial statements are reported using the modified accrual basis of accounting. See Note B, section 2 at the end of the Financial Statements to learn more about the modified accrual basis of accounting.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the governmental-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Department's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Department's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They are an integral part of the financial statements and should be read in conjunction with them. The notes can be found at the end of the Financial Statements.

Financial Analysis of the Health Department as a Whole

Our discussion and analysis of the Department's performance provides an overview of the financial activities for the fiscal years ended June 30, 2012, 2011 and 2010. Prior period information is provided to facilitate comparative analysis between fiscal periods.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

The Department reported total assets of $29,162,235, $27,432,284 and $26,060,380 for the years ended June 30, 2012, 2011 and 2010 respectively. Of that total, $15,408,904, $10,112,076 and $8,877,148, respectively, or approximately 52.8 percent, 36.9 percent and 34.1 percent, respectively, is in the form of capital assets, comprised primarily of the agency's investment in its three regional health centers. Investment in capital assets, net of related debt, represented 34.5 percent, 35.5 percent and 35.9 percent, respectively, of net assets, while 56.5 percent, 18.3 percent and 5.2 percent, respectively, was unrestricted. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Department, assets exceeded liabilities at the close for each of the fiscal years listed below.

Statement of Net Assets - Condensed Comparative Information

	6/30/12	6/30/11	6/30/10
Cash	$ 6,880,193	$ 6,343,041	$ 5,470,363
Other current assets	4,193,229	3,557,963	3,543,470
Capital assets - net	15,408,904	10,112,076	8,877,148
Other non-current assets	2,679,909	7,419,204	8,169,399
Total assets	29,162,235	27,432,284	26,060,380
Current liabilities	1,299,544	1,101,238	521,431
Current portion - non-current liabiltities	324,625	357,709	337,667
Compensated absences - long-term portion	872,809	890,192	876,396
Capital lease - long-term portion	10,658,081	10,915,331	11,190,554
Total liabilities	13,155,059	13,264,470	12,926,048
Net Assets	$ 16,007,176	$ 14,167,814	$ 13,134,332

Statement of Activities

The Department reported total revenue of $29,217,629 which represents a 4.4 and 2.8 percent increase over fiscal year 2011 and 2010, respectively. The primary reason for the increase between 2012 and 2011 in total revenues is a $1,466,242 or 12.8 percent increase in intergovernmental revenue. The total revenues in 2012 as compared to fiscal year 2010 reflect an increase in intergovernmental revenue of $845,841 or 7.0 percent. It is important to note that intergovernmental revenue can only be billed after the expenditures have been incurred and paid. The $27,378,267 expenditures reported were $426,529 more than fiscal year 2011 and $179,808 more than fiscal year 2010.

Statement of Activities - Condensed Comparative Information

	2012	2011	2010
Intergovernmental revenue	$ 12,912,301	$ 11,446,059	$ 12,066,460
Ad Valorem taxes	12,602,148	12,540,787	12,317,496
Contributions and donations	851,172	1,030,980	967,078
Other revenues	2,852,008	2,967,394	3,077,203
Total revenues	29,217,629	27,985,220	28,428,237
General government expenditures	26,294,750	25,741,982	25,417,851
Other expenditures	1,083,517	1,209,756	1,780,608
Total expenditures	27,378,267	26,951,738	27,198,459
Increase in net assets	1,839,362	1,033,482	1,229,778
Net assets - beginning of year	14,167,814	13,134,332	11,904,554
Nets assets - end of year	$ 16,007,176	$ 14,167,814	$ 13,134,332

Financial Analysis of the Department's Funds

The Department's government functions are reported in the general and capital project funds. The general fund is the chief operating fund of the Department. The general fund reported a balance of $9,058,994, which was $442,044 and $1,152,458 more than fiscal year 2011 and 2010, respectively. On February 25, 2010, the balance of the proceeds received from the issuance of Health Facilities Revenue bonds was set-up in a capital projects fund. This money has been restricted for the construction of the new North Regional Health Department. The project fund had a balance of $1,441,027 at the end of fiscal year June 30, 2012.

Health Levy Fund Budgetary Highlights

There were no revisions to the original fiscal year 2011-2012 Health Levy Fund Budget for revenues or expenditures. As can be seen in the above table, the growth rate of the ad valorem tax revenue continued to increase. Between the fiscal years 2012 and 2011, the tax levy fund increased .5 percent in comparison to the 1.8 percent for fiscal years 2011 and 2010.

Capital Assets and Dept Administration

Capital Assets

As of June 30, 2012, the Department's net investment in capital assets for its governmental activities was $15,408,904. This investment in capital assets includes infrastructure, land and improvements, buildings, furniture, fixtures, equipment and construction in progress. The primary reason for the $5,296,828 increase in the Department's investment in capital assets for the current period was due to the construction in progress on the North Regional Health Department. Fund financial statements record capital asset purchases as expenditures.

Long-Term Debt

At June 30, 2012, the Department had total debt outstanding of $13,155,059 with $11,530,890 of it being long-term debt, compared to the long-term debt of $11,805,523 in the prior fiscal year. The change resulted primarily from a $257,250 decrease in the long-term portion of the capital lease. On February 25, 2010, the Department signed a capital lease with Tulsa County Industrial Authority (TCIA) to secure the issue of $11,350,000 in Health Facilities Revenue Bonds. Please refer to Note H.

Economic Factors and the Impact on Next Year's Budget

The Tulsa Health Department (the Department) has a fundamental and complex role as the front line for delivery of basic public health services to all citizens in Tulsa County. The Department provides core services such as adult and childhood immunizations; communicable disease control; community outreach and education; epidemiology and surveillance; environmental health regulation such as food safety services and restaurant inspections; and tuberculosis testing. Occupations include nurses, public health professionals, physicians, environmental health specialists, nutritionists, health educators, epidemiologists, and emergency preparedness responders.

Resources for some traditional services have been shrinking at the same time that challenges and demands have been increasing. More people lack health insurance and are looking to "safety net" providers for health care. Rapidly growing immigrant communities are creating a need for new services or for providing traditional services in a different way. With these challenges and changing circumstances, there is increasing urgency for an assessment of how new public health professionals are educated and how the current workforce can be trained for new skills.

The past few years have been a period of significant challenges and transitions for the Tulsa Health Department. We will carefully monitor the economic climate and the status of the recession to ensure the Department will not suffer potential budget decreases as a result. Our local public health system is under severe and increasing pressure as the Department has been expected to take on more responsibilities with fewer resources. The economic downturn has strained the system, and has exposed persistent gaps in the system's functioning and financing as funding from local, state and federal government sources have impacted capacity on an already-strapped Tulsa Health Department.

The combination of federal and state budget woes could negatively impact the Department which, if it continues, could lead to reductions in vital community-based and clinical prevention services that are in high demand right now, because of unemployment and reduced incomes due to the economic downturn. Other factors that could impact the future budgets of the Department could be state legislature decisions to not increase guilt taxes (beverage, tobacco, alcohol, etc.) as a mechanism to increase revenue, lack of implementation of Prevention Funds designated for Local Health Departments through the Affordable Care Act (ACA), and development of data sources that indicates current programs may or may not continue as community health priorities.

Request for Information

This financial report is designed to give the reader a general overview of the Department's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Office of the Controller at James O. Goodwin Health Center, 5051 South 129th East Avenue, Tulsa, Oklahoma 74134.

Financial Statements

Tulsa City-County Health Department

Statements of Net Assets

June 30,

	Governmental Activities	
	2012	2011
Assets		
Current Assets		
Cash	$ 6,880,193	$ 6,343,041
Accounts receivable - net	103,390	122,606
Intergovernmental receivable	2,558,032	1,925,178
Ad Valorem taxes receivable	687,101	727,425
Inventory	844,706	782,754
Total current assets	11,073,422	9,901,004
Non-current assets		
Restricted cash	2,271,269	6,995,794
Capital assets - net	6,491,865	6,497,070
Non-depreciable capital assets	8,917,039	3,615,006
Other assets - net	408,640	423,410
	18,088,813	17,531,280
Total assets	$ 29,162,235	$ 27,432,284
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 1,186,172	$ 893,284
Accrued liabilities	48,372	30,119
Deferred revenue	50,682	47,260
Payable to Tulsa County	14,318	130,575
Current portion - non-current liabilities	324,625	357,709
Total current liabilities	1,624,169	1,458,947
Non-current liabilities		
Compensated absences, less current portion	872,809	890,192
Capital lease, less current portion	10,658,081	10,915,331
Total liabilities	13,155,059	13,264,470
Commitments and contingencies - (note H)	-	-
Net assets		
Invested in capital assets, net of related debt	5,518,961	5,026,539
Restricted	1,441,027	6,549,345
Unrestricted	9,047,188	2,591,930
	16,007,176	14,167,814
Total liabilities and net assets	$ 29,162,235	$ 27,432,284

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

Tulsa City-County Health Department

Statement of Activities

Year Ended June 30, 2012

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue
Functions/Programs - Primary government				
General government	$ 26,294,750	$ 2,579,187	$ 13,763,473	$ (9,952,090)
Depreciation expense	523,432	-	-	(523,432)
Interest on long-term debt	453,085	-	-	(453,085)
Payment to Tulsa County	107,000	-	-	(107,000)
Total governmental activities	$ 27,378,267	$ 2,579,187	$ 13,763,473	$ (11,035,607)

General revenues:	
Ad Valorem taxes	$ 12,602,148
Interest earnings	14,447
Miscellaneous	258,374
Change in net assets	1,839,362
Net assets - beginning of year	14,167,814
Net assets - end of year	$ 16,007,176

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

Tulsa City-County Health Department

Statement of Activities

Year Ended June 30, 2011

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue
Functions/Programs - Primary government				
General government	$ 25,741,982	$ 2,712,028	$ 12,477,039	$ (10,552,915)
Depreciation expense	604,035	-	-	(604,035)
Interest on long-term debt	455,385	-	-	(455,385)
Payment to Tulsa County	150,336	-	-	(150,336)
Total governmental activities	$ 26,951,738	$ 2,712,028	$ 12,477,039	$ (11,762,671)
General revenues:				
Ad Valorem taxes				$ 12,540,787
Interest earnings				14,390
Miscellaneous				240,976
Change in net assets				1,033,482
Net assets - beginning of year				13,134,332
Net assets - end of year				$ 14,167,814

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

Tulsa City-County Health Department

Balance Sheet - Governmental Funds

June 30, 2012

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash	$ 6,880,193	$ -	$ 6,880,193
Accounts receivable - net	103,390	-	103,390
Intergovernmental receivables	1,558,823	-	1,558,823
Ad Valorem taxes receivable	141,184	-	141,184
Inventory	844,706	-	844,706
Restricted cash	250,000	2,021,269	2,271,269
Total assets	$ 9,778,296	$ 2,021,269	$ 11,799,565
Liabilities and Fund Balance			
Accounts payable	$ 605,930	$ 580,242	$ 1,186,172
Accrued liabilities	48,372	-	48,372
Deferred revenue	50,682	-	50,682
Payable to Tulsa County	14,318	-	14,318
Total liabilities	719,302	580,242	1,299,544
Commitments and contingencies - (note H)	-	-	-
Fund balance			
Non-spendable	844,706	-	844,706
Restricted	250,000	9,000	259,000
Committed	-	1,432,027	1,432,027
Unassigned	7,964,288	-	7,964,288
Total fund balance	9,058,994	1,441,027	10,500,021
Total liabilities and fund balance	$ 9,778,296	$ 2,021,269	$ 11,799,565

Reconciliation

Total fund balance - governmental fund	$ 10,500,021
Amounts reported for governmental activities in the statement of net assets are different because:	
Long-term tax and grant revenues receivable not collected are not financial resources and are not reported in the fund.	1,545,126
Capital assets used in governmental activities are not financial resources and are not reported in the fund.	15,408,904
Certain capital lease costs are not financial uses and are not reported in the fund.	408,640
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the current period.	(11,855,515)
Net assets of governmental activities	$ 16,007,176

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

Tulsa City-County Health Department

Balance Sheet - Governmental Funds

June 30, 2011

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash	$ 6,343,041	$ -	$ 6,343,041
Accounts receivable - net	122,606	-	122,606
Intergovernmental receivables	1,925,178	-	1,925,178
Ad Valorem taxes receivable	98,160	-	98,160
Inventory	782,754	-	782,754
Restricted cash	-	6,995,794	6,995,794
Total assets	$ 9,271,739	$ 6,995,794	$ 16,267,533
Liabilities and Fund Balance			
Accounts payable	$ 446,835	$ 446,449	$ 893,284
Accrued liabilities	30,119	-	30,119
Deferred revenue	47,260	-	47,260
Payable to Tulsa County	130,575	-	130,575
Total liabilities	654,789	446,449	1,101,238
Commitments and contingencies - (note H)	-	-	-
Fund balance			
Non-spendable	782,754	-	782,754
Restricted	-	1,007,731	1,007,731
Committed	-	5,541,614	5,541,614
Unassigned	7,834,196	-	7,834,196
Total fund balance	8,616,950	6,549,345	15,166,295
Total liabilities and fund balance	$ 9,271,739	$ 6,995,794	$ 16,267,533

Reconciliation

Total fund balance - governmental fund	$ 15,166,295
Amounts reported for governmental activities in the statement of net assets are different because:	
Long-term tax revenue receivable not collected are not financial resources and are not reported in the fund.	629,265
Capital assets used in governmental activities are not financial resources and are not reported in the fund.	10,112,076
Certain capital lease costs are not financial uses and are not reported in the fund.	423,410
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the current period.	(12,163,232)
Net assets of governmental activities	$ 14,167,814

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

Tulsa City-County Health Department

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

June 30, 2012

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Ad Valorem taxes	$ 12,685,496	$ -	$ 12,685,496
Licenses and permits	742,899	-	742,899
Intergovernmental revenue	11,913,153	-	11,913,153
Charge for services (fees)	1,836,229	-	1,836,229
Contributions and donations	531,942	319,230	851,172
Miscellaneous	271,435	1,385	272,820
Total revenue	27,981,154	320,615	28,301,769
Expenditures:			
Health and welfare:			
Salaries and wages	13,321,414	-	13,321,414
Employee benefits	5,432,697	-	5,432,697
Travel	493,633	-	493,633
Operating expenses	6,396,910	200,665	6,597,575
Other charges	556,412	-	556,412
Capital outlay:	671,896	5,104,331	5,776,227
Debt service:			
Principal	-	230,000	230,000
Interest	-	453,085	453,085
Total expenditures	26,872,962	5,988,081	32,861,043
Excess of revenues over expenditures	1,108,192	(5,667,466)	(4,559,274)
Other financing sources (uses):			
Transfers in (out)	(559,148)	559,148	-
Payments to Tulsa County	(107,000)	-	(107,000)
Excess of revenues over expenditures and other financing sources	442,044	(5,108,318)	(4,666,274)
Fund balance at June 30, 2011	8,616,950	6,549,345	15,166,295
Fund balance at June 30, 2012	$ 9,058,994	$ 1,441,027	$ 10,500,021

Net change in fund balances - total government funds	$ (4,666,274)
Amounts reported for governmental activities are different because:	
Long-term tax revenue receivable not collected are not financial resources and are not reported in the fund.	(83,348)
Grant revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds..	999,208
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as capital outlays exceeded depreciation in 2012.	5,296,828
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	230,000
Amortization of certain capital lease costs over the term of the lease.	(14,770)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	77,718
Changes in net assets of governmental activities	$ 1,839,362

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

Tulsa City-County Health Department

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

June 30, 2011

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Ad Valorem taxes	$ 12,497,387	$ -	$ 12,497,387
Licenses and permits	839,248	-	839,248
Intergovernmental revenue	11,446,059	-	11,446,059
Charge for services (fees)	1,872,780	-	1,872,780
Contributions and donations	444,666	586,314	1,030,980
Miscellaneous	248,898	6,468	255,366
Total revenue	27,349,038	592,782	27,941,820
Expenditures:			
Health and welfare:			
Salaries and wages	12,827,087	-	12,827,087
Employee benefits	5,212,486	-	5,212,486
Travel	461,149	-	461,149
Operating expenses	6,598,618	141,962	6,740,580
Other charges	519,899	-	519,899
Capital outlay:	192,506	1,623,852	1,816,358
Debt service:			
Principal	-	230,000	230,000
Interest	-	455,385	455,385
Total expenditures	25,811,745	2,451,199	28,262,944
Excess of revenues over expenditures	1,537,293	(1,858,417)	(321,124)
Other financing sources (uses):			
Transfers in (out)	(676,543)	676,543	-
Payments to Tulsa County	(150,336)	-	(150,336)
Excess of revenues over expenditures and other financing sources	710,414	(1,181,874)	(471,460)
Fund balance at June 30, 2010	7,906,536	7,731,219	15,637,755
Fund balance at June 30, 2011	$ 8,616,950	$ 6,549,345	$ 15,166,295

Net change in fund balances - total government funds	$ (471,460)
Amounts reported for governmental activities are different because:	
Long-term tax revenue receivable not collected are not financial resources and are not reported in the fund.	43,400
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation exceeded capital outlays in 2011.	1,234,928
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	230,000
Amortization of certain capital lease costs over the term of the lease.	(14,770)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	11,384
Changes in net assets of governmental activities	$ 1,033,482

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

Note A – Financial Reporting Entity

The Tulsa City-County Health Department (the "Department" or "TCCHD") is an agency of Tulsa County, Oklahoma, (the County) and was created in 1950 by a joint resolution between the City of Tulsa and the Board of County Commissioners. A nine (9) member board oversees the day-to-day operations of the Department. The City of Tulsa appoints five (5) members. The remaining four (4) members that are appointed by the Board of County Commissioners are only required to be registered voters. The Department, in association with the Oklahoma State Department of Health, is responsible for meeting a variety of health-related needs of the County, including code enforcement of health service regulations; family planning services; dental and health clinics and referrals; maternal and child health services, immunizations for infants; and certain psychological services for adolescents. The Department has approximately 350 employees, including resident doctors, nurses and clinicians.

The Department obtains funding through a variety of sources, including an annual Ad Valorem millage levy collected on all real property located in Tulsa County, Oklahoma, and funds appropriated to the Department from the Oklahoma State Department of Health. The Department is a component unit of Tulsa County due to the nature and significance of their relationship with a primary government. They are such that exclusion would cause the reporting entity's financial statements to be misleading and incomplete. Furthermore, Tulsa County sets the budget for the Department yearly and manages the Department's accounting records.

The accompanying financial statements present the activities of the Department (the primary government) and its blended component unit, the Community Health Foundation, Inc. (the Foundation). The Foundation is a legally separate, tax-exempt organization. It acts primarily as a fund-raising organization that receives gifts and support for Department programs and capital projects. Although the Department does not control the timing or amount of receipts from the Foundation, the Foundation's restricted resources can only be used by, or for the benefit of, the Department. Consequently, the Foundation is considered a component unit of the Department and is included in the Capital Projects Fund.

Note B – Summary of Significant Accounting Policies

1. ***Basic Financial Statements – GASB Statement #34*** - The basic financial statements include both government-wide and fund financial statements.

Government-Wide Statements – The government-wide financial statements include the Statements of Net Assets and the Statements of Activities. These statements report financial information for the Department, and is represented by a primary government.

Statements of Net Assets – The Statements of Net Assets report all financial and capital resources of the Department. These assets and liabilities are presented in order of their relative liquidity. An asset's liquidity is determined by how readily it converts to cash and whether restrictions limit the Department's ability to use the resources. A liability's liquidity is based on its maturity, or when cash is used to liquidate it. The difference between the Department's assets and its liabilities is its *net assets.* Net assets

.

Note B – Summary of Significant Accounting Policies - Continued

are displayed in three components – invested in capital assets, net of related debt, unrestricted and restricted.

Statements of Activities – The Statements of Activities report the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and includes the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the Department's services; (2) operating grants and contributions which finance annual operating activities. These revenues are subject to externally imposed restrictions of these program uses. Other revenue sources and Ad Valorem taxes not properly included with program revenues are reported as general revenues.

General Fund – This fund type is used to account for all financial resources, except those required by law or administrative action, to be accounted for in another fund. The general fund is always reported as a major fund in the governmental fund statements.

Capital Projects Fund – This fund accounts for financial resources earmarked or segregated for the acquisition and construction of major capital facilities and other project-oriented activities. This fund is a major fund in the governmental fund statements.

2. *Measurement Focus, Basis of Accounting and Financial Statement Presentation* – The financial statements of the Department are prepared in accordance with generally accepted accounting principles (GAAP). The Department's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide financial statements apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinion issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

The Government-Wide Statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental Fund Financial Statements use the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. *Measurable* defines the amount of the transactions and *available* means collectible within the current period or soon enough thereafter to pay current liabilities. The Department considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: intergovernmental revenues, patient services, investment income and Ad Valorem taxes.

.

Note B – Summary of Significant Accounting Policies - Continued

3. *Assets, Liabilities and Net Assets*

Cash – State law requires that all cash belonging to the County be placed in the custody of the County Treasurer. A "pooled cash" concept is used in maintaining the cash and investment records. Under this concept, all cash is pooled together for investment purposes. Interest income is credited to the appropriate funds or departments.

Accounts Receivable – Accounts receivable include amounts due from patient fees incurred as of year-end, and amounts due from private insurance carriers and state insurance programs, (i.e., Medicaid and private carriers). These amounts are shown net of an allowance for uncollectible balances. Outstanding fees greater than 15 months are written-off.

Intergovernmental Receivables – Balance represents amounts earned but not received under federal and state grants.

Inventories – Inventories are stated at the lower of cost or market, determined by the first-in, first-out method of accounting. Inventories are comprised of vaccines, most of which are donated by the Oklahoma Department of Health. During 2012 and 2011, approximately $2,470,000 and $2,240,000, respectively, in vaccines were received from the State.

Capital Assets and Depreciation – The Department's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets in excess of $500 are capitalized and depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives for depreciable assets are 40 – 50 years for buildings and leasehold improvements and 8 – 18 years for furniture, fixtures and equipment.

Deferred Revenue – The Department's deferred revenue represents funds not used from donations and contracts from other organizations. The donations stipulate that funds are required to be returned if not expended for the designated purpose; therefore, revenue is earned upon use of funds for designated purposes.

Compensated Absences – It is the Department's policy to permit employees to accumulate earned but unused annual vacation leave benefits. Employees earn annual leave based on years of service. Unused annual leave may be carried forward each year up to a maximum level, based on years of service. All accrued annual leave that has been earned is payable to the employee upon layoff, resignation, retirement or death. Each full-time employee also earns personal (sick) leave at a rate of 10 hours per calendar month or 15 days per calendar year of service. An employee may accrue a maximum of 90 days (720 hours) of sick leave. Accrued sick leave is not paid to an employee upon separation and, therefore, no

.

Note B – Summary of Significant Accounting Policies - Continued

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

accrual has been recorded. The governmental fund financial statements record expenditures when employees are paid for annual leave. The government-wide financial statements present the cost of accumulated vacation leaves as a liability. The Department's compensated absence for the years ended June 30, 2012 and 2011 was $940,573 and $972,678, respectively. The current portion of the compensated absences is $67,764 as of June 30, 2012.

Net Assets – The government-wide financial statements utilize a net asset presentation that is categorized as investment in fixed assets (net of related debt), restricted and unrestricted. Investment in capital assets (net of related debt) was intended to reflect the portion of net assets which are associated with non-liquid capital assets less outstanding capital asset related debt. Restricted net assets at June 30, 2012 and 2011 consist of $342,606 and $341,544 for debt service payments and $1,928,663 and $6,654,250 for capital outlay, respectively. Unrestricted net assets represent unrestricted liquid assets.

When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted assets first, then unrestricted resources as they are needed.

4. *Revenues, Expenses and Expenditures*

Property Tax Revenue − The Department receives an apportionment of Ad Valorem tax collected by the County, which acts as a collecting agent for many other governmental entities. The County is responsible for assessing, billing, collecting and distributing the Ad Valorem tax to the Department. In fiscal years 2012 and 2011, the County levied 2.5 mills for the Department's operations. Tax collections are recorded as revenue in the year received. In addition, the Department may also receive miscellaneous revenues collected by the County.

Grant Revenue − Revenues from State and Federal grants are recognized when expenditures are made.

5. *Subsequent Events*

The Department has evaluated subsequent events through November 30, 2012, the date the financial statements were issued.

Note C – Stewardship, Compliance and Accountability

Under Oklahoma law, the Department may not obligate funds for periods extending beyond the current fiscal year, except for the issuance of general obligation bonds. All lease and lease-purchase agreements, whether or not they are capitalized, must be re-approved at the beginning of each fiscal year. Federal and State grant revenues and expenditures are accounted for in accordance with applicable contract provisions.

.

Note C – Stewardship, Compliance and Accountability - Continued

Budget Law and Practice – Guidelines for the County Budget Act are documented in Title 19, Section 1410 of the Oklahoma Statutes. At least thirty (30) days prior to the beginning of each fiscal year, the County Budget Board shall complete a budget for each fund, including the TCCHD, of the county for which a budget is required. Each budget shall provide a complete financial plan for the budget year. The budget format shall be as prescribed by the State Auditor and Inspector. The format shall contain at least the following in tabular form for each fund, itemized by department and account within each fund:

1. Actual revenues and expenditures for the immediate prior fiscal year;

2. Estimated actual revenues and expenditures for the current fiscal year; and

3. Estimated revenues and proposed expenditures for the budget year.

The Budget Board of Tulsa County complies with the purpose of the Budget Act, which is to:

1. Establish uniform and sound fiscal procedures for the preparation, adoption, execution and control of budgets;

2. Enable counties to make financial plans for both current and capital expenditures and to ensure that their executive staffs administer their respective functions in accordance with adopted budget;

3. Make available to public and investors sufficient information as to the financial conditions, requirements and expectations of the county government;

4. Assist county governments to improve and implement generally accepted accounting principles as applied to governmental accounting, auditing and financial reporting and standards of governmental finance management.

The legal level of control is that expenditures budgeted in each fund may not exceed the budgeted revenues, including fund balance, for the fund. Once approved, the County Budget Board may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Budgets are submitted annually in accordance with the budget act. The budgets are prepared on the cash and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected, and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. The budget and actual financial statements are reported on this basis. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end. Budgets are adopted on a basis consistent with State legal requirements. A reconciliation from the budgetary basis to generally accepted accounting principles is presented in the Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual.

Note C – Stewardship, Compliance and Accountability - Continued

Budgetary Control – TCCHD's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and character (health and welfare and capital outlay) that constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to authorization by the Department Head and approval by the Budget Board. All budget revisions are subject to final review by the County Budget Board. No budget revisions were made during the year ended June 30, 2012.

Encumbrances – Encumbrances represent commitments related to unperformed contracts for goods or services. Under the governmental reporting model, encumbrances include purchase orders, contracts and other commitments for expenditure of resources. The encumbrance reserves the applicable appropriated revenue source. Encumbrances outstanding at year-end are reported as part of unassigned fund balance in the general fund balance in the amount of $416,229 at June 30, 2012, and do not constitute expenditures or liabilities because the commitment will be honored during the subsequent year.

Budget Variance – Budget variance is the difference between the revised appropriation and the actual amount received or expended and encumbered during the current year.

Note D – Fund Equity

Beginning with fiscal year 2010, the Department implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Non-spendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact (such as inventory).

Restricted – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed – Amounts constrained to specific purposes by the Department itself, using its highest level of decision-making authority (i.e., Board of Health). To be reported as committed, amounts cannot be used for any other purpose unless the Department takes the same highest level action to remove or change the constraint.

Assigned – Amounts that are designated by the Department for a specific purpose but are not spendable until a budget ordinance is passed by the Board of Health.

Unassigned – All amounts not included in other spendable classifications. Positive amounts are reported only in the general fund.

Note D – Fund Equity - Continued

The General Fund has Restricted Funds of $250,000, which is restricted for expenditures related to the new North Regional Health Center and an Unassigned Fund Balance of $7,964,288 at June 30, 2012. The Unassigned Fund Balance includes $325,344 designated for capital improvements and $150,810 for self-insurance. Inventory of $844,706 is considered Non-spendable Fund Balance.

The Capital Projects Fund has Restricted Funds of $9,000 at June 30, 2012, which is restricted for debt service payments and to assist in constructing the new North Regional Health & Wellness Center. Committed Funds of $1,432,027 consist primarily of unspent bond funds to construct the new North Regional Health & Wellness Center.

Note E – Cash

All cash is maintained by the treasurer of Tulsa County and is subject to the depository collateral risk of all the pooled funds of Tulsa County.

Restricted cash consists of money market funds held in trust at a local bank for the repayment of debt.

Note F – Accounts Receivable

Accounts receivable is comprised of the following at June 30:

	2012	2011
Private pay	$ 233,691	$ 277,854
Accrued interest	-	-
	233,691	277,854
Less: allowance for doubtful accounts	(130,301)	(155,248)
	$ 103,390	$ 122,606

Note G – Capital Assets

Capital asset activity for the years ended June 30, 2012 and 2011 is as follows:

	Balance June 30, 2011	Acquisitions	Sales or Disposals	Balance June 30, 2012
Primary government				
Governmental activities				
Capital assets, not depreciated				
Land and improvements	$ 1,969,939	$ -	$ -	$ 1,969,939
Construction in progress	1,645,067	5,302,033	-	6,947,100
Total capital assets, not depreciated	3,615,006	5,302,033	-	8,917,039
Capital assets, depreciated				
Building	10,014,200	-	-	10,014,200
Furniture, fixtures and equipment	3,129,483	503,457	-	3,632,940
Infrastructure	131,148	-	-	131,148
Total capital assets, depreciated	13,274,831	503,457	-	13,778,288
Capital assets	16,889,837	5,805,490	-	22,695,327
Accumulated depreciation				
Building	4,949,067	196,335	-	5,145,402
Furniture, fixtures and equipment	1,813,016	309,644	-	2,122,660
Infrastructure	15,678	2,683	-	18,361
Total accumulated depreciation	6,777,761	508,662	-	7,286,423
Depreciable assets, net	6,497,070	(5,205)	-	6,491,865
Governmental capital assets, net	$ 10,112,076	$ 5,296,828	$ -	$ 15,408,904

Depreciation expense of $508,662 was charged to general government for the year ended June 30, 2012.

Note G – Capital Assets - Continued

	Balance June 30, 2010	Acquisitions	Sales or Disposals	Balance June 30, 2011
Primary government				
Governmental activities				
Capital assets, not depreciated				
Land and improvements	$ 1,969,939	$ -	$ -	$ 1,969,939
Construction in progress	13,380	1,631,687	-	1,645,067
Total capital assets, not depreciated	1,983,319	1,631,687	-	3,615,006
Capital assets, depreciated				
Building	10,014,200	-	-	10,014,200
Furniture, fixtures and equipment	2,936,977	192,506	-	3,129,483
Infrastructure	131,148	-	-	131,148
Total capital assets, depreciated	13,082,325	192,506	-	13,274,831
Capital assets	15,065,644	1,824,193	-	16,889,837
Accumulated depreciation				
Building	4,752,732	196,335	-	4,949,067
Furniture, fixtures and equipment	1,422,709	390,307	-	1,813,016
Infrastructure	13,055	2,623	-	15,678
Total accumulated depreciation	6,188,496	589,265	-	6,777,761
Depreciable assets, net	6,893,829	(396,759)	-	6,497,070
Governmental capital assets, net	$ 8,877,148	$ 1,234,928	$ -	$ 10,112,076

Note H – Capital Lease

On February 25, 2010, Tulsa County Industrial Authority (TCIA) issued $11,350,000 of Health Facilities Revenue bonds. Repayment of these bonds is secured by a capital lease with the Department. The bonds were issued at a discount that is amortized over the term of the lease. The amount of the discount is $112,875 and $116,955 at June 30, 2012 and 2011, respectively. The amortization of these costs is included as a component of interest expense and was approximately $9,500 and $4,400 during the years ended June 30, 2012 and 2011. A portion of the bond proceeds was retained in trust and is used to retire interest and principal of the capital lease. At June 30, 2012 and 2011, $342,606 and $341,544 was held for future debt payments. Under the terms of the lease, quarterly payments are made to the bond trustee for retirement of the applicable bonds and the related interest. The lease matures in January 2040, bears interest from 1 to 4.7 percent and is secured by certain property.

Note H – Capital Lease - Continued

The Department leases certain land, buildings, improvements and equipment under an agreement classified as a capital lease. The cost of these assets represents approximately $8,112,000 and accumulated amortization at June 30, 2012 and 2011 was approximately $2,417,000 and $2,258,000, respectively. Capital leases are capitalized using interest rates appropriate at the inception of the lease. Amortization of these assets is included in depreciation expense.

Minimum lease commitments under the capital lease are as follows:

Year ended June 30:	Principal	Interest	Total
2013	$ 235,000	$ 448,448	$ 683,448
2014	240,000	444,285	684,285
2015	245,000	439,006	684,006
2016	245,000	432,881	677,881
2017	255,000	426,001	681,001
2018 - 2022	1,400,000	1,996,348	3,396,348
2023 - 2027	980,000	1,644,929	2,624,929
2028 - 2032	1,915,000	1,278,260	3,193,260
2033 - 2037	2,385,000	738,558	3,123,558
2038 - 2039	2,990,000	217,508	3,207,508
	$ 10,890,000	$ 8,066,224	$ 18,956,224

The Department leases certain copy machines under an agreement classified as a capital lease. The costs of these assets represent approximately $185,000. Capital leases are capitalized using interest rates appropriate at the inception of the lease. Amortization of these assets is included in depreciation expense. The future maturities of copier leases are as follows: $21,861 in 2013 and $3,081 in 2014.

Changes in all types of debt as reflected in the statements of net assets are as follows:

	Balance 07/01/11	Additions	Deletions	Balance 06/30/12	Due Within One Year
Capital lease - Building	$ 11,120,000	$ -	$ 230,000	$ 10,890,000	$ 235,000
Capital leases - Copiers	70,554	-	45,612	24,942	21,861
Compensated absences	972,678	-	32,105	940,573	67,764
	$ 12,163,232	$ -	$ 307,717	$ 11,855,515	$ 324,625

.

Note I – Commitments and Contingencies

Operating Leases – The Department normally enters into leases for facility rental. Oklahoma law prohibits the Department from obligating funds for periods exceeding one year. The governing board on a yearly basis must approve all operating lease agreements. As a result, future payments for operating leases are not disclosed.

Federal and State Grants – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the operating fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Department expects such amounts, if any, to be immaterial.

Litigation – The Department is routinely involved in various legal matters. Management is of the opinion that these matters will not have a material adverse impact on the Department's financial statements.

Note J – Retirement/Benefit Plans

As provided by Title 19 of the Oklahoma Statutes, the County maintains a single-employer, defined benefit contributory pension plan designated the *Tulsa County Employees' Retirement System (TCERS)* which covers participants with retirement, death and disability benefits. Membership in the TCERS is mandatory for all eligible employees. As stipulated by State law, contribution rates are set by the TCERS' board. During the year ended June 30, 2012 and 2011, the Department contributed 14 percent (the legal maximum is 16.5 percent) of the employee's base salary or $1,646,997 and $1,569,614, respectively. Each employee contributed $2.50 per $1,000 of their salary. The TCERS has a separately issued pension plan report and can be obtained by contacting the Tulsa County.

The Department also sponsors a defined contribution retirement plan (a 401(a) plan) for employees who choose to participate. During the years ended June 30, 2012 and 2011, the Department made contributions of approximately $136,000 and $134,000, respectively. The Department also sponsors a post-retirement defined benefit plan covering retired employees. Contributions of approximately $219,290 and $213,430 were made during the years ended June 30, 2012 and 2011, respectively.

Note K – Related Party Transactions

There were no related party transactions during the fiscal years ended June 30, 2012 and 2011.

.

Note L – Recent Accounting Pronouncements

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61, *The Financial Reporting Entity: Omnibus,* modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also needs to be present between the primary government and that organization for it to be included in the reporting as a component unit. The provision of the Statement are effective for periods beginning after July 25, 2012. The Department is currently evaluating the effects that Statement 61 may have on their financial statements.

In June 2011, The Governmental Accounts Standards Board (GASB) issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The Statement specifies that the statement of net position should report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Statement 63 also specifies that the statement of net position should report the residual amount as net position rather than net assets. Under the Statement, net position should be displayed in three components similar to those currently required for net assets; net investment in capital assets, restricted, and unrestricted. The provisions of this Statement are effective for periods beginning after December 15, 2012 and will be applied on a prospective basis. The Department is currently evaluating the effects that Statement No. 63 may have on their financial statements.

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. Statement No. 65 reclassifies and recognizes certain times currently being reported as assets and liabilities as one of four financial statement elements: deferred outflows of resources, outflows of resources, deferred inflows of resources, or inflows of resources. The provisions of this Statement are effective for periods beginning after December 15, 2012, and will be applied on a prospective basis. The Department is currently evaluating the effects that Statement No. 65 may have on their financial statements.

In June, 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which improves accounting and financial reporting of public employee pensions by state and local governments. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The provisions in Statement No. 68 are effective for fiscal years beginning after June 15, 2014. However, early application is encouraged. The Department is currently evaluating the effects that Statement No. 68 will have on their financial statements.

Required Supplemental Information

Tulsa City-County Health Department

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

Year Ended June 30, 2012

	Original Budget	Total Actual	Variance
Revenues			
Ad Valorem taxes	$ 12,761,680	$ 12,642,470	$ (119,210)
Licenses and permits	741,500	697,932	(43,568)
Intergovernmental revenue	9,867,764	9,839,055	(28,709)
Charge for services (fees)	2,017,627	1,809,059	(208,568)
Miscellaneous	522,900	964,687	441,787
Reimbursements	19,118	20,443	1,325
Total revenues	25,930,589	25,973,646	43,057
Expenditures and Encumbrances			
Health and welfare:			
Salaries and wages	13,857,476	13,318,327	(539,149)
Employee benefits	5,461,770	5,421,664	(40,106)
Travel	501,250	493,634	(7,616)
Operating expenses	4,194,388	4,052,001	(142,387)
Other charges	662,013	651,414	(10,599)
Capital outlay	356,537	565,391	208,854
Debt service	-	-	-
Total expenditures and encumbrances	25,033,434	24,502,431	(531,003)
Excess of revenues over expenditures and encumbrances	897,155	1,471,215	574,060
Other Financing Sources			
Other	-	493	493
Other Financing Uses			
Transfer to other funds	(571,148)	(559,148)	12,000
Excess of revenues over expenditures, encumbrances and other uses	$ 326,007	912,560	$ 586,553
Fund balance, beginning (Non-GAAP budgetary basis)		5,314,363	
Fund balance, ending (Non-GAAP budgetary basis)		6,226,923	
Adjustments to Generally Accepted Accounting Principles			
Current year encumbrances included in expenditures		578,150	
Revenue and expense accruals		1,634,136	
Net adjustments to restate beginning of year balances		1,618,994	
Fund balance, ending (GAAP basis)		$ 10,058,203	

Stanfield & O'Dell PC
Beyond numbers. To solutions.
CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

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

The Board of Health
Tulsa City-County Health Department

We have audited the financial statements and major funds of the Tulsa City-County Health Department (the "Department") as of and for the years ended June 30, 2012, which collectively comprise the Department's basic financial statements and have issued our report thereon dated November 30, 2012. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 grants, 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 that are required to be reported under *Government Auditing Standards.*

We noted certain matters that we have reported to management if the Tulsa City-County Health Department in a separate letter dated November 30, 2012.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Tulsa, Oklahoma
November 30, 2012

Stanfield & O'Dell PC.