

**OKLAHOMA COUNTY CRIMINAL JUSTICE
TRUST AUTHORITY**
(a component unit of Oklahoma County)

**ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

**OKLAHOMA COUNTY CRIMINAL JUSTICE AUTHORITY
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

RSMUSLLP

Board of Trustees
Oklahoma County Criminal Justice Authority
(a component unit of Oklahoma County)
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and the major fund of Oklahoma County Criminal Justice Authority (the Authority), a component unit of Oklahoma County, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority'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 the major fund of Oklahoma County Criminal Justice Authority as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

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

Management has omitted management's discussion 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 part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2021, on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.

RSM US LLP

Oklahoma City, Oklahoma
November 10, 2021

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BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

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Statement of Net Position– June 30, 2020

	<u>Governmental</u> <u>Activities</u>
ASSETS	
Cash and cash equivalents	\$ 318,875
Prepaid asset	123,238
Total Assets	442,113
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to OPEB	1,953,956
Total deferred outflows of resources	1,953,956
 LIABILITIES	
Accounts payable	51,462
Accrued payroll liabilities	29,870
Total OPEB liability	1,767,046
Total liabilities	1,848,378
 DEFERRED INFLOWS OF RESOURCES	
Deferred amounts related to OPEB	502,106
Total deferred outflows of resources	502,106
 NET POSITION	
Unrestricted	45,585
Total net position	\$ 45,585

See accompanying notes to the financial statements.

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Statement of Activities –Year Ended June 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u> <u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Net (Expense) Revenue and</u> <u>Changes in Net Position</u> <u>Primary Government</u>
<u>Primary government</u>			<u>Governmental</u> <u>Activities</u>
Governmental Activities			
Public Safety	895,835	941,329	45,494
Total governmental activities	<u>895,835</u>	<u>941,329</u>	<u>45,494</u>
Total primary government	<u>\$ 895,835</u>	<u>\$ 941,329</u>	<u>\$ 45,494</u>
General revenues:			
Investment income			91
Total general revenues			<u>91</u>
Change in net position			45,585
Net position - beginning			-
Net position - ending			<u>\$ 45,585</u>

See accompanying notes to the financial statements.

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BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

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Governmental Funds Balance Sheet - June 30, 2020

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 318,875
Prepaid asset	123,238
Total assets	<u>\$ 442,113</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 51,462
Accrued payroll payable	15,970
Total liabilities	<u>67,432</u>
Fund balances:	
Nonspendable	123,238
Unassigned	251,443
Total fund balance	<u>374,681</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 442,113</u>

See accompanying notes to the financial statements.

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Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance – Year Ended June 30, 2020

	<u>General Fund</u>
REVENUES	
Appropriations from Oklahoma County	\$ 941,329
Investment income	91
Total revenues	941,420
 EXPENDITURES	
Current:	
Public safety	566,739
Total Expenditures	566,739
Excess of revenues over expenditures	374,681
Net change in fund balance	374,681
Fund balance - beginning	-
Fund balance - ending	\$ 374,681

See accompanying notes to the financial statements.

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Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance - Net Position Reconciliation: \$ 374,681

Amounts reported for governmental activities in the Statement of Net Position are different because:

Certain long-term assets are not available to pay current fund liabilities and therefore they, along with deferred outflows, are either deferred or not reported in the funds:

OPEB related deferred outflows 1,953,956

Certain long-term liabilities are not due and payable from current financial resources and therefore they, along with deferred inflows, are not reported in the funds:

Total OPEB liability	(1,767,046)
OPEB related deferred inflows	(502,106)
Accrued compensated absences	(13,900)
	(2,283,052)

Net Position of Governmental Activities in the Statement of Net Position

\$ 45,585

Changes in Fund Balance - Changes in Net Position Reconciliation: \$ 374,681

Amounts reported for Governmental Activities in the Statement of Activities are different because:

In the Statement of Activities, the net cost of OPEB benefits earned is calculated and reported as OPEB expense. The fund financial statements report OPEB contributions as OPEB expenditures. This amount represents the difference between OPEB contributions and calculated OPEB expense. (315,196)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Change in accrued compensated absences	(13,900)
	(13,900)

Change in net position of governmental activities

\$ 45,585

See accompanying notes to the financial statements.

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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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Footnotes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The Oklahoma County Criminal Justice Authority (the “Authority”) whose purposes, among others, include administering funds for operating and maintaining a county jail within the territorial limits of Oklahoma County, Oklahoma. The Authority is included as a blended component unit of Oklahoma County.

The Authority is a public trust created under Title 60, Oklahoma Statutes, Sections 176, inclusive, for those purposes set forth in Article IV of the Trust Indenture of Oklahoma County Criminal Justice Authority dated May 22, 2019, for the use and benefit of the County. . All financial transactions of the Authority began after July 1, 2019; therefore, these financials exclude the period from May 22, 2019, to June 30, 2019 as there was no activity for that period.

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Authority as a primary government. The Authority does not have any component units.

The statement of net position reports all financial and capital resources of the Authority. 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 Authority’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 Authority’s assets and its liabilities is its net position. Net position is displayed in two components – investment in capital assets and restricted. Per the Authority’s Trust indenture, all assets are dedicated for public safety.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

Program revenues include: (1) charges for services which report fees and other charges to users of the Authority’s services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions of these program uses. Other revenue sources not properly included with program revenues are reported as general revenues. The funds of the financial reporting entity are described below.

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Governmental Funds:

The Authority's operations are accounted through a governmental fund. Fund financial statements consist of a balance sheet and statement of revenue, expenditures and changes in fund balance. The operations of the Authority are recorded in the Operating Fund. The Operating Fund is used to account for the revenue transferred to the Authority from the County, according to the trust indenture the County shall provide funding from a general fund appropriation. The appropriated amount is determined by the Oklahoma County Budget Board. The Operating fund is the General Fund of the Authority.

Budget Presentation

The Authority is not required to legally adopt a budget. Therefore, presentation of budget reports and comparisons with actual revenues and expenditures is not appropriate.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP). The Authority's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide statements report 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.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. *Measurable* defines the amount of the transactions and *available* means collectible within the current period or soon enough thereafter to pay current liabilities. The Authority 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, investment income and funding from Oklahoma County. Funding from Oklahoma County relates to the appropriations made by the Oklahoma Budget board and transferred to the Authority for the operation of the jail and related facilities, as well as other funding and transfers.

D. Post-Employment Benefits

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information presented is based on an actuarial valuation that may result in recognition of deferred outflow of resources and deferred inflow of resources.

Deferred outflows of resources are the consumption of net position by the Authority that are applicable to future reporting periods. The deferred amounts will be amortized as a component of OPEB expense in future periods. See note 4 for additional discussion regarding deferred outflows of resources.

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Deferred inflows of resources are the acquisition of net position by the authority that are applicable to a future reporting period. The deferred amounts will be amortized as a component of OPEB expense in future periods. See note 4 for additional discussion regarding deferred inflows of resources.

Capital Assets and Depreciation

The Authority'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 acquisition 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. Assets exceeding a cost of \$5,000 are capitalized. Capital assets are 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 30 – 40 years for buildings and leasehold improvements and 5-15 for equipment and vehicles, and 10 years for furniture and fixtures.

E. Cash and Cash Equivalents

For the purpose of financial reporting, cash and cash equivalents includes all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

F. Net Position and Fund Balances

To more clearly define fund balance categories and to make the nature and extent of the constraints placed on a government's fund balances more transparent, the Authority uses the following classifications to describe the relative strength of spending constraints:

Nonspendable – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the Authority's Board of Trustees. The Board of Trustees is the highest level of decision-making authority for the Authority. Commitments may be established, modified, or rescinded only through resolutions approved by the Trustees.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the Authority's Board of Trustees may assign amounts for specific purposes.

Unassigned – Amounts that are available for any other purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Authority has provided otherwise in its commitment or assignment actions.

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G. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

H. Compensated Absences

Accrued vacation leave is payable upon layoff, resignation, retirement, or death. Amounts of vested or accumulated vacation leave are reported in the government-wide statements and not in the governmental fund statements as the liability is not expected to be paid from current resources. A liability for these amounts is reported in governmental funds only if they have matured as a result of employee resignations and retirements. At June 30, 2020 the accrued liability for annual and compensatory leave time was \$13,900.

There is no limitation on accruing unused sick leave. Sick leave does not vest, and therefore, is not reported. Unused sick leave shall contribute toward retirement eligibility for vested employees, 20 days being equivalent to one month. The maximum allowable is 130 days, which would allow an additional year.

I. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

2. Cash, Cash Equivalents, and Investments

At June 30, 2020, the reporting entity held the following deposits and investments:

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 318,875
			<u>318,875</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents			\$ 318,875
			<u>\$ 318,875</u>

Custodial Credit Risk – Exposure to custodial credit risk related to deposits exists when the Authority holds deposits that are uninsured and uncollateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Authority’s name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the Authority holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Authority’s name.

The Authority does not have a policy as it relates to custodial credit risk to secure its uninsured deposits with collateral. However, State statutes designate the collateral requirements for the Authority’s deposits. All

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deposits are to be covered by pledged securities for amounts not covered by federal deposit insurance, at June 30, 2020, the Authority was not exposed to custodial credit risk as defined above.

3. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The Authority manages these various risks of loss as follows:

- General Liability and Physical Property (e.g. auto, crime, property) – Coverage through purchased insurance
 - Property coverage up to \$5,000,000
 - Auto coverage up to \$1,000,00
 - Crime coverage up to \$50,000
- Workers' Compensation – Covered through participation in Oklahoma Employers Safety Association.
- Employee's Group Medical – Covered through participation in Oklahoma County Self-Insured Health Insurance plan.

There were no claims in the current fiscal year.

4. Other Postemployment Benefits Plan

Plan description – The Authority as the employer, participates in the Oklahoma County defined benefit OPEB plan, a single employer plan that provides OPEB to eligible retirees and their dependents. The plan is administered by the County. The County has the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits provided – The Authority, through the Counties OPEB plan, provided medical, dental and vision plans for all eligible active and retired employees and their dependents. Employees who are covered under the group health plan prior to retirement are eligible for lifetime retiree health benefits once they meet the following eligibility requirements and have at least five (5) years of service:

1. Hired prior to January 1, 2005 - 60 points based on the sum of age and years of service.
2. Hired on or after January 1, 2005 - 75 points based on the sum of age and years of service.

A life insurance plan is offered to employees hired prior to February 1, 1987. The program is intended to offer comprehensive coverage of most life, medical with prescription drugs, dental and vision benefits. The pre Medicare medical claims are administered by HealthSmart Benefit Solutions. The dental coverage is provided through Delta Dental and the vision coverage is provided through Vision Service Plan. Eligible employees are required to pay set premiums for a portion of the cost, with the County subsidizing the remaining costs. Retirees are required to contribute 25% of the premiums for medical, prescription drugs and dental benefits. Retirees who retired prior to January 1, 1989 are grandfathered in a frozen contribution rate for their lifetime and the lifetime of their spouses, if covered. The annual frozen contribution rate for benefit coverage is \$252 for single coverage and \$576 for retiree and spouse coverage. The benefit options available to retirees under age 65 are the same as for the active employees. The contribution requirements are established and amended as needed by the Oklahoma County Budget Board on an annual basis. The premium rates are set and amended by the Budget Board and approved by the Board of County Commissioners.

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Employees covered by benefit terms - At June 30, 2020 the following employees were covered by the benefit terms:

Active Employees	5	
Inactives or beneficiaries currently receiving benefit payments	0	
Total	5	

Total OPEB Liability – The County’s total OPEB liability of \$452,010,329 was measured as of June 30, 2020; allocated to the Authority by 0.391% or \$1,767,046, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions- The total OPEB liability was determined based on an actuarial valuation prepared as of June 30, 2020 based on results of an actuarial experience study for the period July 1, 2013 to June 30, 2016 and using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal; level dollar amortization
- Discount Rate – 2.21%, based on June 30, 2020 and 3.87% for June 30, 2019 published Bond Buyer 20-year GO Index
- Inflation – 2.5% per year
- Coverage – Retirees – based on actual data; Actives – 45% of active employees are assumed to be married at retirement with 100% electing coverage for spouse.
- Retirement Age:
 - Hired prior to 11/1/2011 unreduced retirement age 50-70+ 15%-100%, reduced retirement age 55-70+ 3%-100%
 - Hired After 11/1/2011 unreduced retirement age 60-70+ 30/15%*, reduced retirement age 60-70+ 7%-100%
- Healthcare cost trend rates – fiscal year 2022 – 2081+ rate 8.5% to 5.0%
- Mortality Rates –RP-2014 Disable Morality Table with base rates projected to 2025 using scale MP2016
- Rates of Disability – Rates range from .009% at age of 20 to .300% at age of 60
- Rates of withdraw - rates used range from 24.00% for those with less than one year of service to 1.00% for those will twenty-eight or more years of service.

Changes in Total OPEB Liability –The following table reports the components of changes in total OPEB liability:

	Total OPEB Liability
Balances Beginning of Year	\$ -
Change for the Year:	
Service cost	1,404,499
Interest Expense	53,914
Differences between expected and actual experien	(218,080)
Changes of assumptions	549,472
Benefits paid	(22,759)
Net Changes	1,767,046
Balances End of Year	\$ 1,767,046

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate-The following presents the total OPEB liability of the employer calculated using the discount rate of 3.50%, as well as what the Plan's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Employers' total OPEB liability	\$ 2,240,466	\$ 1,767,046	\$ 1,417,861

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Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate-The following presents the total OPEB liability of the employer calculated using the healthcare cost trend rate of 5.00% 8.5%, as well as what the Plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (4.00% decreasing to 7.5%) or 1-percentage-point higher (6.00% decreasing to 9.5%) than the current rate:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
	<u>(4.00% decreasing to 7.5%)</u>	<u>(5.00% decreasing to 8.5%)</u>	<u>(6.00% decreasing to 9.5%)</u>
Employers' total OPEB liability	\$ 1,404,786	\$ 1,767,046	\$ 2,266,563

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

For the year ended June 30, 2020, the Authority recognized OPEB expense of \$337,955. At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	-	\$ 367,695
Changes in assumptions	470,976		134,411
Changes in Authority's proportionate share of contributions	1,482,980		-
Total	<u>\$ 1,953,956</u>		<u>\$ 502,106</u>

The amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2021	\$ 231,469
2022	231,469
2023	231,469
2024	231,469
2025	231,469
Thereafter	<u>294,505</u>
Total	<u>\$ 1,451,850</u>

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5. Defined Contribution Retirement Plan

Plan Description and Provisions. The Defined Contribution Plan is administered by Investrust. The Authority is responsible for making contributions as determined by written action of Oklahoma County.

Eligibility for the Defined Contribution Plan. A full time employee shall be eligible to participate in the Plan, if actively employed after June 30, 1991, or on a leave of absence authorized by the Employer on that date. For purposes of determining eligibility, consecutive service prior to Retirement is not required.

Benefits of the Defined Contribution Plan are as follows:

- a.** A Participant shall be entitled to receive the amount of their account, subject to vesting restrictions when their age plus years of service at least totals sixty (60), or if a participant's employment is terminated at an earlier age as the result of a Total and Permanent Disability.
- b.** If a participant shall continue in active employment following their Normal Retirement Date, they shall continue to participate in the Plan. Upon actual retirement, such participant shall be entitled to receive the entire amount of their contribution account as of their actual retirement date.
- c.** Upon the death of a vested participant, their beneficiary shall be entitled to receive the entire amount of the participant's vested contribution account.
- d.** If a participant's employment with the employer is terminated before their Normal Retirement Date for any reason other than Total and Permanent Disability or death, they shall be entitled to an amount equal to the "vested percentage" of their contribution account as set out in the Cash Out Policy.

A participant shall have vested and nonforfeitable rights in all or part of his account represented by Employer Contributions. Beginning November 1, 2005, per Title 19 Chapter 25 § 956.2, any Participant hired prior to November 1, 2005, will receive contributions as set forth by the percentages in the applicable table here after set forth: The Defined Contribution Plan allows for partial vesting as provided in the following schedule:

- Twenty percent (20%) vesting upon the completion of two (2) years of service;
- Forty percent (40%) vesting upon the completion of three (3) years of service;
- Sixty percent (60%) vesting upon the completion of four (4) years of service;
- Eighty percent (80%) vesting upon the completion of five (5) years of service;
- One hundred percent (100%) vesting upon the completion of (6) years of service.

If partially vested upon termination, the vested portion is retained in the individual's account, while the nonvested portion will be forfeited upon the expiration of a six (6) month break in service. A plan participant whose employment terminates prior to approval from the Retirement Board to receive retirement benefits or who is no longer eligible to receive retirement benefits due to a change in employment may, after twelve (12) months from termination or change in status date, elect to withdraw one hundred percent (100%) of the employee's vested interest in the Retirement Plan.

After the expiration of the twelve (12) month break in service, the amounts forfeited shall be used to offset prospective Employer contributions or to pay expenses associated with the Retirement Plan. Any Participant hired on or after November 1, 2005, will be fully vested after five (5) years of service

Contributions: The Authority contributes an amount equal to 12% for the employer with no required contribution for the employees, the contribution requirement is established by the plan established by Oklahoma County. During fiscal year ending June 30, 2020 the Authority contributions were \$6,662, which are reflected as pension expense in the financial statements.

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As of and for the Year Ended June 30, 2020**

6. Related Party Transactions

Funding from Oklahoma County provides the principle source of revenues for the operations of the Authority. This funding consists primarily of appropriated amounts made by the County for the operations of the Oklahoma County Jail.

7. Subsequent Events

The authority has a lease agreement with Oklahoma County that commences on July 1, 2020 where the Authority will receive further appropriations from the County for the operation of the Oklahoma County Detention Center and maintenance of all associated furniture, fixtures, and equipment. The Authority has responsibility for the cost of capital repair and replacement. This transition will result in potential significant financial transactions for fiscal year 2021 in comparison to activity for fiscal year 2020.

On September 29, 2021 an application to convene a grand jury was filed by the District Attorney for Oklahoma County for the purpose of investigating the operation of the Oklahoma County Jail. The District Court of Oklahoma County granted the application, with a grand jury to convene on October 18, 2021. The Authority believes that it has meritorious defenses to the allegations in the application, including the measurable and recorded progress made both in terms of staffing and efforts to improve the health and safety of the facility since the Authority began operating the Oklahoma County Jail.

8. New accounting pronouncements issue not yet adopted

The GASB has issued new accounting pronouncements which will be effective in subsequent fiscal years. The authority is currently evaluating the impact that these new standards will have on its financial statements. Those that are assumed to have an impact on the authority are described below:

- GASB Statement No. 87, *Leases*, issued June 2017, establishes a single approach to accounting for and reporting leases by state and local governments. Under this statement, a government entity that is a lessee must recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. In addition, the Authority must report the (1) amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (2) interest expense on the lease liability and (3) note disclosures about the lease. The statement provides exceptions from the single-approach for short-term leases, financial purchases, leases of assets that are investments, and certain regulated leases. This statement also addresses accounting for lease terminations and modifications, sale-leaseback transactions, non-lease components embedded in lease contracts (such as service agreements), and leases with related parties. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The Authority is currently evaluating the impact of the adoption of this statement.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, issued May 2020, which defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. To the extent relevant, this statement is based on the standards established in GASB Statement No. 87. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The Authority is currently evaluating the impact of the adoption of this statement.

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REQUIRED SUPPLEMENTARY INFORMATION

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Other Postemployment Benefits

Schedule of Changes in Total OPEB Liability and Related Ratios

	2020
Total OPEB liability	
Service cost	\$ 1,404,499
Interest	53,914
Change in assumptions	549,472
Differences between expected and actual experience	(218,080)
Benefit payments, including refunds of member contributions	(22,759)
Net change in total OPEB liability	1,767,046
Total OPEB liability - beginning	-
Total OPEB liability - ending (a)	\$ 1,767,046
Covered employee payroll	\$ 344,847
Total OPEB liability as a percentage of covered- employee payroll	512.41%

Notes to Schedule:

Only the one year is presented because 10-year data is not yet available.

The discount rate used for June 30, 2020 is 2.21% which represents a change in assumption from the June 30, 2019 rate of 3.87%

**OKLAHOMA COUNTY CRIMINAL JUSTICE AUTHORITY
ANNUAL FINANCIAL REPORT
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INTERNAL CONTROL AND COMPLIANCE INFORMATION



RSM US LLP

**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 Trustees
Oklahoma County Criminal Justice Authority
(a Component Unit of the State of Oklahoma)
Oklahoma City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Oklahoma County Criminal Justice Authority (the Authority), a component unit of Oklahoma County, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 10, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses at items 2021-001, 2021-002 and 2021-003 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Authority's Response to Finding

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

RSM US LLP

Oklahoma City, Oklahoma
November 10, 2021

**Oklahoma County Criminal Justice Authority
(a Component Unit of Oklahoma County)
Oklahoma City, Oklahoma**

Year Ended June 30, 2020

Schedule of Findings and Responses

Finding 2021-001

Audit Finding: The Authority's employees are participants in the Oklahoma County Defined Benefits Other Post-Employment Benefits (OPEB) plan. The Authority records its pro-rata allocation of the total OPEB liability of the Plan based upon an actuarial valuation of the plan performed by actuaries of Oklahoma County. For the year ended June 30, 2020, the County's actuarial valuation contained an assumption error that resulted in an understatement of the Authority's allocation of the OPEB liability.

Criteria: GASB Statement No. 75 establishes criteria for which actuarial assumptions should be based in measuring the total OPEB liability. One of those criteria is that for a plan that does not have assets that accumulate in a trust, as is the case with the County's plan, the discount rate should be based on a 20-year municipal bond rate as of the measurement date. The County's actuary based the discount rate on the year prior to the measurement date, which was not an allowable methodology under GASB Statement No. 75. This error was not detected by Authority's management in preparing its financial statements.

Cause: The Authority relied upon the County's actuary in determining the Total OPEB Liability and did not independently evaluate the reasonableness of the assumptions.

Effect: Using the incorrect discount resulted in the County's OPEB liability being understated by approximately \$100,000,000, and the Authority's allocation of the OPEB liability was understated by approximately \$432,000. The Authority's management corrected this error in its 2020 financial statements.

Recommendation: We recommend that Authority management review the County's actuarial valuation to determine that the actuarial assumptions are and methods are in accordance with GASB Statement No. 75.

Authority's Response: Going forward, management will review the County's actuarial valuation to confirm compliance with GASB Statement No. 75.

**Oklahoma County Criminal Justice Authority
(a Component Unit of Oklahoma County)
Oklahoma City, Oklahoma**

Year Ended June 30, 2020

Finding 2021-002

Audit Finding: The Authority incorrectly recorded an item as a prepaid expense asset when it should have been recorded as an expenditure/expense in the 2020 financial statements. In addition, the Authority incorrectly recorded amortization of a prepaid expense asset in 2020, when such amortization should not have been recorded until beginning with the fiscal year ended June 30, 2021.

Criteria: Prepaid assets should be recognized when a transaction results in payment for a good or service that will be consumed in a future period. Amortization of a prepaid asset should occur over the period in which the good or service will be consumed.

Cause: The Authority did not fully review the underlying substance of each transaction to determine proper recording in accordance with GAAP.

Effect: The net effect of the two errors was that Prepaid Expenses were overstated by approximately \$21,000 at June 30, 2020. The Authority's management corrected these errors in its 2020 financial statements.

Recommendation: We recommend that for each item that the Authority has classified as Prepaid Expense, management evaluate whether (1) the item is consumed when acquired or consumed in a future period and (2) that the amortization of the item be recorded over the period in which it will be consumed.

Authority's Response: Management agrees with the recommendation and will evaluate all subsequent Prepaid Expenses using the proposed methodology.

**Oklahoma County Criminal Justice Authority
(a Component Unit of Oklahoma County)
Oklahoma City, Oklahoma**

Year Ended June 30, 2020

Finding 2021-003

Audit Finding: The Authority included a liability for Accrued Compensated Absences in its General Fund, which is a governmental fund. In addition, the Authority omitted certain required disclosures in its notes to the financial statements related to the compensated absences liability.

Criteria: U.S. GAAP for governmental organizations require that governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. This measurement focus excludes certain long-term liabilities, such as compensated absences, which should only be reported in the government-wide financial statements. In addition, U.S. GAAP also require that organizations include certain disclosures, such as activity in the current year and classification between current and non-current, in its financial statements.

Cause: The Authority appropriately calculated its accrued compensated absences liability, but when it recorded it, it combined the liability with other General Fund liability accounts rather than recording it as a stand-alone liability account.

Effect: For the General Fund, liabilities were overstated and fund balance was understated by \$13,900. The government-wide financial statements were fairly stated. The Authority revised its draft financial statements to properly state the General Fund liabilities and fund balance. The Authority determined that the effects of not including the required disclosures were not material to the financial statements.

Recommendation: We recommend that the Authority maintain separate general ledger accounts for all financial statement items that will only be reported on a government-wide basis. This will help facilitate the preparation of financial statements in accordance with U.S. GAAP. In addition, we recommend that in future years, the Authority include disclosures related to the compensated absences liability.

Authority's Response: Management agrees with the recommendation and will maintain separate general ledger accounts as proposed, and will include required disclosures related to the liability in subsequent audited financial statements.