

Tulsa County Criminal Justice Authority

Financial Statements and
Independent Auditor's Report

June 30, 2021

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Independent Auditor's Report

To the Board of Trustees
Tulsa County Criminal Justice Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the Tulsa County Criminal Justice Authority (the Authority), a component unit of Tulsa County, as of and for the year ended June 30, 2021, 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

The Authority's 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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Tulsa County Criminal Justice Authority as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 3 - 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 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 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 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.

Stanfield + O'Dell, P.C.

Tulsa, Oklahoma
October 29, 2021

Management Discussion and Analysis

Management Discussion and Analysis

Management's discussion and analysis (MD&A) of Tulsa County Criminal Justice Authority's (the Authority) financial performance provides a comparison of the financial activities of the Authority for the fiscal years ended June 30, 2021 and June 30, 2020.

The Authority is classified as governmental activities on the entity-wide financial statements. The Authority uses governmental funds as the books of original entry because of its focus on current available financial resources, and the near-term inflows and outflows of financial or spendable resources. In addition, sales tax collections are the dedicated revenue source to fund the operations of the Authority.

Please review the MD&A in conjunction with the information presented in the accompanying financial statements.

Financial Highlights

- Net position of the Authority as of June 30, 2021 was approximately \$58 million. The net position was \$3.1 million lower at the end of fiscal year June 30, 2021 mainly due to increases in the amount of cash and cash equivalents being less than the decrease due to nondepreciable and depreciable capital assets, and also due to the increase in accounts payable. The net position total as of June 30, 2021 consists of \$47.8 million Investment in Capital Assets, and \$10.2 million Restricted for Authority Operations.
- Total revenue increased by \$59 thousand (0.2%) for 2021. Sales tax collections that are distributed to Tulsa County from the Oklahoma Tax Commission and then forwarded to the Authority make up most of the funding from Tulsa County. The sales tax portion increased by \$1,486,622 (5.0%) for 2021 and capital grants and contributions from Tulsa County decreased by \$1,299,831 (2,085.3%) for 2021.

Overview of the Financial Statements

The individual fund financial statements reported in subsequent pages reflect the activities of the Authority and are reported in the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance. The financial activity of the Authority is recorded in a separate fund. The fund that reports the financial activity in the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance is the Operating Fund (Special Revenue Fund). The financial activities for the fiscal year are recorded using the modified accrual basis of accounting and the flow of current financial resources measurement focus. Under this method of accounting, revenues are recognized when "measurable and available." Measurable means the amount of the transaction can be determined (capable of being expressed in dollar terms) and available means collectible within the current period or soon enough thereafter to be used to pay current liabilities. Expenditures are recorded when the related fund liability is incurred.

Under the flow of current financial resources, only current assets, current liabilities, and deferred inflows are recognized on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance includes only net current increases (revenues and other financing sources) and decreases (expenditures and other financing uses). The Authority's current financial resources helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements also describe accounting policies, methods of accounting, and the fund structure used by the Authority.

The Authority is a discretely presented component unit in the government-wide financial statements in Tulsa County's Comprehensive Annual Financial Report. In accordance with government accounting standards, the financial statements of the Authority must be converted to a full accrual basis of accounting to prepare the entity-wide statements. The full accrual basis of accounting uses the economic resource measurement focus. Under this method of accounting, revenues are recognized when earned, expenses when incurred. All assets and deferred outflows and liabilities and deferred inflows, both financial and capital, and short and long-term, are reported. The Authority's accrual basis financial statements presented are the Statement of Net Position and the Statement of Activities. The government-wide financial statements provide the long-term, economic perspective needed to complement the short-term financing perspective offered by governmental funds.

The Tulsa County Sheriff's office has operated the jail since July 1, 2005. In July 2015, the Authority entered into an Interlocal Cooperative Jail Financing Agreement with Tulsa County. The purpose of the agreement is to coordinate financial resources and provide for a cost-sharing of expenses related to the operation and maintenance of, and capital improvement for, the Tulsa County Jail. Under the terms of the agreement, the Authority will account for and administer a quarter penny sales tax dedicated solely for jail purposes in accordance with a proposition approved by voters in 1995. Also any additional jail revenue for the Authority such as contracts, gifts, or grants will be accounted for and administered by the Authority. Since it's anticipated that the expected annual expenses needed to operate the jail will exceed expected annual revenues of the Authority, any excess expenses will be paid by Tulsa County.

Statement of Net Position

The Statement of Net Position shows the Authority's net position as of the last day of the fiscal year. Net position, the difference between the Authority's assets and deferred outflows and liabilities and deferred inflows, are an important measure of the Authority's financial health, or financial position. Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The following is a condensed summary of the Statement of Net Position as of June 30, 2021 and 2020:

Net Position (In Thousands)			
	2021	2020	% Inc. (Dec.)
Cash and cash equivalents	\$ 7,702	\$ 6,606	17%
Other current assets	4,133	3,618	14%
Capital assets	47,793	50,981	-6%
Total assets	59,628	61,205	-3%
Current liabilities	1,586	100	1486%
Total liabilities	1,586	100	1486%
Net position:			
Investment in capital assets	47,793	50,981	-6%
Restricted for Authority operations	10,249	10,124	1%
Total net position	\$ 58,042	\$ 61,105	-5%

The significant change in excess of 20% and \$500,000 was an increase in current liabilities of \$1.5 million (1486%) in 2021 due primarily to an increase in payroll payables of \$813 thousand which was impacted in large part by a change in pay period cutoffs for Tulsa County from the end of the month in previous fiscal years to the 20th of the month this fiscal year. This change resulted in the recognition of a payroll payable for salaried individuals when previously one did not exist. Further, payroll costs in general have gone up over the past fiscal year due to overtime and pay increases. The other significant component of the increase was an accounts payable transaction to a vendor for health-services related expenses of \$532 thousand.

Statement of Activities

The Statement of Activities shows the financial activity that occurred during the fiscal year ending June 30, 2021. Expenses are compared to program revenues and other general revenues to determine the change in net position for the period. Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The following condensed summary of the Statement of Activities demonstrate that the Authority's operating statement is primarily focused on charges for services, funding from Tulsa County, total program revenues, general government expenses, depreciation expense, total governmental activities, net (expense) revenue, net position-beginning of the year, and net position-end of year.

Changes in Net Position (In Thousands)			
	2021	2020	% Inc. (Dec.)
Revenues:			
Program revenues:			
Operating grants and contributions	\$ 35	\$ 115	-70%
Capital grants and contributions	62	1,362	-95%
Payment from Tulsa County	30,017	28,578	5%
Total revenues	30,114	30,055	0%
Program expenses:			
General government	29,933	28,277	6%
Depreciation	3,244	3,214	1%
Total expenses	33,177	31,491	5%
Increase (decrease) in net position	(3,063)	(1,436)	-113%
Beginning net position	61,105	62,541	-2%
Ending net position	\$ 58,042	\$ 61,105	-5%

The significant changes in excess of 20% and \$500,000 were a decrease in capital grants and contributions of \$1.3 million (95%) in 2021 due to a significant decrease in capital grants and contributions from Tulsa County as no significant purchases or projects occurred during the fiscal year, and a decrease in net position of \$1.6 million (113%) due to increased operational costs of the jail.

Capital Assets

At the end of 2021, the Criminal Justice Authority had invested \$95.8 million in a broad range of capital assets, including land, jail facilities, and furniture and fixtures. This amount represents a net decrease of \$2,479,913 or 2.5% decrease over last year (Note D to the financial statements provides additional detail

on capital assets). The decrease is due to the addition of very few assets this fiscal year and a substantial increase in the amount of asset retirements.

**Capital Assets
(In Thousands)**

	2021	2020
Land and improvements	\$ 2,879	\$ 2,879
Building	89,809	92,282
Furniture and fixtures	3,121	3,127
Totals	<u>\$ 95,809</u>	<u>\$ 98,288</u>

There were only seven total capital assets added during the fiscal year that collectively totaled \$62,334 in furniture and fixtures. Major decreases in capital assets were \$2,473,750 in buildings (the old court holding facility) and \$68,497 in furniture and fixtures.

Fund Financial Statements

In 2021, the fund financial position increased approximately \$126 thousand on a modified accrual basis of accounting and the 2020 results of operation showed an increase of about \$450 thousand. The increase in financial position in 2021 is the result of revenue sources exceeding operational and capital expenses. Total revenue showed an increase between 2021 and 2020 of \$1.4 million mainly due to an increase in funding from Tulsa County from sales tax. Total expenditures increased by \$1.7 million in 2021 due mainly to an increase in contracted operational costs.

Jail Operations

As of July 1, 2005, the Authority terminated its agreement with a private contractor for operations of the jail. Since that time, the jail operations have been managed by the Tulsa County Sheriff's office. The final settlement with the previous operator of the jail was reflected in the financial statements as of June 30, 2005.

Economic Factors and Next Year's Budget

For fiscal year 2021-2022, the Authority is estimating sales tax revenue transferred from Tulsa County at \$28,315,799 which is 4% lower than the fiscal year 2020-2021 budget. There were no other revenues budgeted for the Authority in fiscal year 2020-2021 nor in fiscal year 2021-2022. Fiscal year 2021-2022 budgeted revenue only includes the sales tax revenue at \$28,315,799 and budgeted operating expenses at \$29,315,799.

Request for Information

This financial report is designed to give the reader a general overview of the Tulsa County Criminal Justice Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Michael Willis, Tulsa County Clerk, 218 West 6th Street, 7th Floor, Tulsa, Oklahoma 74119-1004 or online at www.tulsacounty.org.

Financial Statements

Tulsa County Criminal Justice Authority

Statement of Net Position

June 30, 2021

Assets	
Current assets	
Cash and cash equivalents	\$ 7,701,911
Intergovernmental receivables:	
Due from Tulsa County	<u>4,133,822</u>
Sub-total current assets	<u>11,835,733</u>
Non-current assets	
Nondepreciable capital assets	2,879,371
Depreciable capital assets, net of accumulated depreciation	<u>44,913,246</u>
Sub-total non-current assets	<u>47,792,617</u>
Total assets	<u><u>\$ 59,628,350</u></u>
Liabilities and Net Position	
Current liabilities	
Accounts payable	<u>\$ 1,585,817</u>
Net position	
Investment in capital assets	47,792,617
Restricted for Criminal Justice Authority operations	<u>10,249,916</u>
Total net position	<u>58,042,533</u>
Total liabilities and net position	<u><u>\$ 59,628,350</u></u>

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

Tulsa County Criminal Justice Authority

Statement of Activities

Year Ended June 30, 2021

	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Functions/Programs				
Primary government				
General government	\$ 29,933,285	\$ 35,092	\$ 62,334	\$ (29,835,859)
Depreciation expense	3,243,966	-	-	(3,243,966)
Funding from Tulsa County	-	30,017,255	-	30,017,255
Total governmental activities	<u>\$ 33,177,251</u>	<u>\$ 30,052,347</u>	<u>\$ 62,334</u>	<u>\$ (3,062,570)</u>
Changes in net position				
Net revenue				\$ (3,062,570)
Net position - beginning of year				<u>61,105,103</u>
Net position - end of year				<u>\$ 58,042,533</u>

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

Tulsa County Criminal Justice Authority

Balance Sheet - Governmental Fund

June 30, 2021

Assets	
Cash and cash equivalents	\$ 7,701,911
Intergovernmental receivables:	
Due from Tulsa County	<u>4,133,822</u>
Total assets	<u>\$ 11,835,733</u>
 Liabilities and Fund Balance	
Liabilities:	
Accounts payable	<u>\$ 1,585,817</u>
Fund balance	
Restricted for Criminal Justice Authority operations - contract revenue	750
Restricted for Criminal Justice Authority operations - sales tax	<u>10,249,166</u>
Total fund balance	<u>10,249,916</u>
Total liabilities and fund balance	<u>\$ 11,835,733</u>
Total fund balance - total governmental funds	\$ 10,249,916
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of \$95,808,620 net of accumulated depreciation of \$48,016,003 are not financial resources and, therefore, are not reported in the funds.	<u>47,792,617</u>
Net position of governmental activities	<u>\$ 58,042,533</u>

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

Tulsa County Criminal Justice Authority

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Governmental Fund**

Year Ended June 30, 2021

Revenue

Investment income	\$ 35,092
Funding from Tulsa County - sales tax	30,015,807
Funding from Tulsa County - other support	<u>1,448</u>
Total revenue	<u>30,052,347</u>

Expenditures

Current:

Jail operating costs - sales tax	29,926,211
Jail operating costs - contract revenue	<u>300</u>

Total expenditures	<u>29,926,511</u>
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Excess of revenues over expenditures	125,836
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Fund balance at beginning of the year	<u>10,124,080</u>
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Fund balance at end of the year	<u><u>\$ 10,249,916</u></u>
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Net change in fund balances - total governmental funds	\$ 125,836
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Amounts reported for governmental activities are different because:

Book value of capital assets disposed is not a financial use and is not reported in the funds. However, in the Statement of Activities it is reported as an expenditure.	(6,774)
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Capital assets contributed from Tulsa County are not financial resources and, therefore, are not recognized in the funds. They are reported as capital contributions revenue in the Statement of Activities	62,334
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Governmental funds report capital outlays as expenditures. However, in the Statements of Activities, the costs are depreciated over the estimated useful lives:	
Depreciation expense	<u>(3,243,966)</u>

Change in net position of governmental activities	<u><u>\$ (3,062,570)</u></u>
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The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

June 30, 2021

Note A – Financial Reporting Entity

The Tulsa County Criminal Justice Authority's (the "Authority") purpose, among others, is to administer funds for operating and maintaining a county jail within the territorial limits of Tulsa County, Oklahoma. The Authority is included as a discretely presented component unit in Tulsa County's comprehensive annual financial report.

In July 2015, the Authority entered into an Interlocal Cooperative Jail Financing Agreement with Tulsa County. The purpose of the agreement is to coordinate financial resources and provide for a cost-sharing of expenses related to the operation and maintenance of, and capital improvement for, the Tulsa County Jail. Under the terms of the agreement, the Authority will account for and administer a quarter penny sales tax dedicated solely for jail purposes in accordance with a proposition approved by voters in 1995. Also, any additional jail revenue for the Authority such as contracts, gifts, or grants will be accounted for and administered by the Authority. Since it is anticipated that the expected annual expenses needed to operate the jail will exceed expected annual revenues of the Authority, any excess expenses will be paid by Tulsa County.

The Authority is a public trust created under Title 60, Oklahoma Statutes, Sections 176-180.3, inclusive, for those purposes set forth in Article III of the Amended and Restated Declaration of Trust of Tulsa County Criminal Justice Authority dated October 20, 1995, as amended by the First Amendment to Amended and Restated Declaration of Trust dated January 22, 2010. As a public trust for the use and benefit of the County, and the City of Bixby, Oklahoma; the City of Broken Arrow, Oklahoma; the City of Collinsville, Oklahoma; the City of Glenpool, Oklahoma; the City of Jenks, Oklahoma; the City of Owasso, Oklahoma; the City of Sand Springs, Oklahoma; the City of Skiatook, Oklahoma; the Town of Sperry, Oklahoma; and the City of Tulsa, Oklahoma; under authority of and pursuant to the provisions of Title 60, Oklahoma Statutes, as amended and supplemented. The Authority is governed by seven trustees, including the three presently acting County Commissioners of Tulsa County, the presently acting Mayor of the City of Tulsa, Oklahoma, and three acting mayors chosen from the remaining cities of the Authority. The Chairman of the Board for the County Commissioners of the County also serves as Chairman of the Authority's Board of Trustees.

Note B – Summary of Significant Accounting Policies

1. *Government-Wide 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.

Notes to Financial Statements

June 30, 2021

Note B – Summary of Significant Accounting Policies - Continued

1. *Government-Wide Statements - continued*

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.

2. *Fund Financial Statements*

The Authority's operations are accounted through a governmental fund. Fund financial statements consist of a balance sheet and a 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, generated by the County's 3/12-cent sales tax. The fund accounts for the revenue and sales tax received and expended for jail operations costs of the David L. Moss Criminal Justice Center and related activities.

3. *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.

Notes to Financial Statements

June 30, 2021

Note B – Summary of Significant Accounting Policies – Continued

3. *Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued*

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 Tulsa County. Funding from Tulsa County relates to the sales tax collected by Tulsa County and transferred to the Authority for the operation of the jail and related facilities, as well as other funding and transfers.

4. *Budget Presentation*

The Authority is not required to legally adopt a budget because the revenues are not appropriated from the budget board. Therefore, presentation of budget reports and comparisons with actual revenues and expenditures is not appropriate.

5. *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 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. 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 20 – 40 years for buildings and leasehold improvements, and 10 years for furniture and fixtures.

6. *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.

Notes to Financial Statements

June 30, 2021

Note B – Summary of Significant Accounting Policies - Continued

6. *Fund Balances - Continued*

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.

7. *Income Tax*

The Authority, as a political subdivision, is exempt from taxation under Section 115(1) of the Internal Revenue Code.

8. *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.

Note C – Cash and Investments

The Authority follows the provisions of GASB No. 31, *Certain Investments and External Investment Pools*, which requires governmental entities to report their investments at fiscal year-end at fair value in the balance sheets and statements of net position. State statutes govern the Authority's investment policies. Allowable investments for general purposes (non-pension) include certificates of deposit, savings accounts, and direct obligations of the U.S. Government and its agencies.

Notes to Financial Statements

June 30, 2021

Note C – Cash and Investments - Continued

State statutes designate the collateral requirements for the Authority's deposits. All deposits are to be covered by pledged securities for amounts not covered by federal deposit insurance. The Authority's policy is to maintain pledged securities at 110 percent of current deposits. No gains were realized as a result of the sale of investments during the year ended June 30, 2021.

The Authority deposits its funds with the Tulsa County Treasurer in the pooled cash of the county as the Tulsa County Treasurer also serves as the treasurer of the Authority in accordance with the Trust Indenture.

Note D – Capital Assets

	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021
Primary government/ Governmental activities				
Nondepreciable capital assets				
Land and improvements	\$ 2,879,371	\$ -	\$ -	\$ 2,879,371
	<u>2,879,371</u>	<u>-</u>	<u>-</u>	<u>2,879,371</u>
Depreciable capital asset				
Building	92,282,324	-	(2,473,750)	89,808,574
Furniture and fixtures	3,126,838	62,334	(68,497)	3,120,675
	<u>95,409,162</u>	<u>62,334</u>	<u>(2,542,247)</u>	<u>92,929,249</u>
Accumulated depreciation				
Building	46,213,849	2,955,543	(2,473,391)	46,696,001
Furniture and fixtures	1,093,661	288,423	(62,082)	1,320,002
	<u>47,307,510</u>	<u>3,243,966</u>	<u>(2,535,473)</u>	<u>48,016,003</u>
Net depreciable assets	<u>48,101,652</u>	<u>(3,181,632)</u>	<u>(6,774)</u>	<u>44,913,246</u>
Net capital assets	<u>\$ 50,981,023</u>	<u>\$ (3,181,632)</u>	<u>\$ (6,774)</u>	<u>\$ 47,792,617</u>

Depreciation expense for the year ended June 30, 2021 was \$3,243,966.

On January 10, 1997, the Authority passed a resolution conveying all of the real property owned by the Authority, at that time totaling \$3,767,244, to the County pursuant to a lease agreement between the Authority and the County. The lease agreement provided that the County lease back to the Authority such real property for the purpose of building a criminal justice facility on such real property. The term of the lease was for ten years, commencing March 1, 1997, through February 28, 2007, and so long thereafter as indebtedness may be incurred by the Authority and secured by such real property remains outstanding. Since the execution of the original lease, it has been renewed for additional ten year periods in March 2007 and March 2017. The renewal in March 2017 will extend the lease through February 2027. There are no payment terms contained in the lease.

Notes to Financial Statements

June 30, 2021

Note D – Capital Assets - Continued

During the fiscal year ended June 30, 2017, the Authority completed construction for the expansion of the David L. Moss Criminal Justice Center. This project was funded with \$9,595,000 of bond proceeds issued by the Tulsa County Industrial Authority. The bonds will be repaid with .026% restricted sales tax approved by the voters. The sales tax will be in effect from July 1, 2014 through July 1, 2029. The sales tax can be used not only for debt service on the bonds but also for acquiring, constructing, furnishing, equipping, operating, maintaining, remodeling, and repairing an expansion of the David L. Moss Criminal Justice Center.

Note E – Commitments and Contingencies

The Authority is party to various legal actions normally associated with public trusts, the aggregate effect of which, in management's and legal counsel's opinion, would not be material to the financial condition of the Authority.

Note F – Related Party Transactions

The jail is operated by the Tulsa County Sheriff's office in accordance with the authority given it by state statutes. As such, the Authority has no employees and has no liability for the employee benefits.

Funding from Tulsa County provides the principle source of revenues for the operations of the Authority. This funding consists primarily of sales taxes collected by the County for the operations of the Tulsa County Jail.

The Authority and Tulsa County entered into an Interlocal Cooperative Jail Financing Agreement effective July 1, 2015. The agreement changed how revenues and expenses are divided between the two parties. The Authority now deposits, expends, and accounts for the restricted quarter-penny sales tax, other Authority revenue, and Authority grant revenue. All other jail-related revenues and expenses are administered by Tulsa County.

Note G – Jail Operations

Since July 1, 2005, when the Tulsa County Sheriff's office began managing the operations of the jail in accordance with the authority granted it by state statutes, the Authority and the Sheriff's office have annually agreed upon a budget for operating the jail. The budget is approved by the Authority's Board of Trustees. For the year ended June 30, 2021, the approved budget to operate the jail totaled \$29,500,000.

Note H – Subsequent Events

The Authority has evaluated subsequent events through October 29, 2021, the date which the financial statements were available to be issued.



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

The Board of Trustees
Tulsa County Criminal Justice Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of Tulsa County Criminal Justice Authority (the Authority) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 29, 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 opinions 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.

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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described below, that we consider to be a significant deficiency.

During expenditure cutoff testing, we noted a significant vendor invoice for fiscal year 2021 services had not been accrued during the year-end closing process. A post-closing adjustment was subsequently recorded to reflect the liability in the financial statements. We recommend management ensure year-end expenditure cut-off controls are effectively executed in order to limit potential misstatements.

Management's response:

The year-end accrual calculation is currently a manual process. As such, while we are diligent in reviewing all invoices eligible for accrual, one invoice was missed in the accrual calculations. Additional training and controls have been put in place to mitigate this type of error. Furthermore, a new ERP system will be in service for FY22 which automates this process and eliminates manual calculations.

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 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*.

Tulsa County Criminal Justice Authority's Response to Findings

The Tulsa County Criminal Justice Authority's response to the finding identified in our audit is described above. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Stanfield + O'Dell, P.C.

Tulsa, Oklahoma
October 29, 2021