

**GRAYSON COUNTY
JUVENILE PROBATION DEPARTMENT**

AUDIT REPORT

FOR THE YEAR ENDED AUGUST 31, 2015

**GRANT TJJD-A-15-091
GRANT TJJD-C-15-091
GRANT TJJD-N-15-091
GRANT TJJD-S-15-091**

**GRAYSON COUNTY
JUVENILE PROBATION DEPARTMENT
TEXAS JUVENILE JUSTICE DEPARTMENT GRANT FUNDS
REGULATORY BASIS**

FOR THE YEAR ENDED AUGUST 31, 2015

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P A T T I L L O , B R O W N & H I L L , L . L . P .
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Members of the Board
The Grayson County Juvenile Board
Grayson County, Texas

Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the Texas Juvenile Justice Department Grant Funds of Grayson County Juvenile Probation Department (Department), which comprise the statement of revenues, expenditures and changes in fund balances – budget and actual-regulatory basis for the year ended August 31, 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Texas Juvenile Justice Department. Management is also responsible for 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditors' 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 revenue earned and expenditures incurred compared to budgeted revenues and expenditures of the Department's Texas Juvenile Justice Department Grant funds for the year ended August 31, 2015, in accordance with the financial reporting provisions of the Texas Juvenile Justice Department as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of the financial reporting provision of the Texas Juvenile Justice Department, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Texas Juvenile Justice Department. Our opinion is not modified with respect to that matter.

Emphasis Matter

As discussed in Note 1, the financial statement presents the results of operations of the Department's Texas Juvenile Justice Department Grant Funds only and is not intended to present fairly the results of operations of the County in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2016, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Grayson County's internal control over financial reporting and compliance.

Restriction on Use

This report is intended solely for the information and use of management, Grayson County, others within Grayson County Juvenile Probation Department and the Texas Juvenile Justice Department and is not intended to be and should not be used by anyone other than these specified parties.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
February 17, 2016

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FINANCIAL SECTION

**GRAYSON COUNTY JUVENILE PROBATION DEPARTMENT
TEXAS JUVENILE JUSTICE DEPARTMENT GRANT FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE BY CONTRACT
BUDGET AND ACTUAL (REGULATORY BASIS)**

FOR THE YEAR ENDED AUGUST 31, 2015

	A-2015-091		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
TJJD funds	\$ 907,814	\$ 907,814	\$ -
Total Revenue	907,814	907,814	-
EXPENDITURES			
Staff Services, Salaries and Fringe Benefits	737,000	716,390	20,610
Travel and Training	10,500	8,651	1,849
Operating Expenditures	22,000	16,633	5,367
Inter-County Contracts	138,314	156,715	(18,401)
External Contracts	-	9,425	(9,425)
Total Expenditures	907,814	907,814	-
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	-	-	-
FUND BALANCE, BEGINNING OF YEAR	-	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ -

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

C-2015-091			N-2015-091		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 93,631	\$ 93,631	\$ -	\$ 158,893	\$ 158,893	\$ -
<u>93,631</u>	<u>93,631</u>	<u>-</u>	<u>158,893</u>	<u>158,893</u>	<u>-</u>
-	-	-	100,000	100,000	-
-	-	-	-	-	-
-	-	-	-	-	-
93,631	71,789	21,842	34,893	34,893	-
-	21,842	(21,842)	24,000	24,000	-
<u>93,631</u>	<u>93,631</u>	<u>-</u>	<u>158,893</u>	<u>158,893</u>	<u>-</u>
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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**GRAYSON COUNTY JUVENILE PROBATION DEPARTMENT
TEXAS JUVENILE JUSTICE DEPARTMENT GRANT FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE BY CONTRACT
BUDGET AND ACTUAL (REGULATORY BASIS)**

FOR THE YEAR ENDED AUGUST 31, 2015

	S-2015-091		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUE			
TJJD funds	\$ 5,890	\$ 5,890	\$ -
Total Revenue	<u>5,890</u>	<u>5,890</u>	<u>-</u>
EXPENDITURES			
Staff Services, Salaries and Fringe Benefits	-	-	-
Travel and Training	-	-	-
Operating Expenditures	-	-	-
Inter-County Contracts	-	-	-
External Contracts	5,890	5,890	-
Total Expenditures	<u>5,890</u>	<u>5,890</u>	<u>-</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	-	-	-
FUND BALANCE, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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**GRAYSON COUNTY
JUVENILE PROBATION DEPARTMENT
TEXAS JUVENILE JUSTICE DEPARTMENT GRANT FUNDS**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Entity

The Texas Juvenile Justice Department Grant Funds of Grayson County (the “Funds”) were established to account for juvenile probation services funded by the Texas Juvenile Justice Department (TJJD) in Grayson County, Texas.

The Funds provide separate accountability as required under the State Financial Assistance Contract, by TJJD. The Funds are used to account for each separate program, matching funds and all related expenditures incurred.

Basis of Accounting

The financial statements were prepared in conformity with the accounting practices prescribed by TJJD, which prescribes policies and procedures for county probation departments, which is a comprehensive basis of accounting other than generally accepted accounting principles. These accounting practices include the following:

- The financial statements are reported using the accrual basis of accounting. Revenues are recorded when all eligibility requirements have been met and expenditures are recorded when incurred.
- The accompanying financial statements do not represent financial statements prepared in accordance with provisions for governmental funds as prescribed by the Governmental Accounting Standards Board.
- The accompanying financial statements are prepared in a format to facilitate uniform financial reporting by county probation departments.

2. RECONCILIATION OF INTEREST EARNED

Idle funds were maintained in an interest bearing account. The reconciliation of interest earned on funds received from TJJD is as follows:

	Interest Earned TJJD Funds Fiscal Year 2015	Total Interest
	<u>2015</u>	<u>Interest</u>
Beginning balance, September 1, 2014	\$ -	\$ -
Interest earned on funds received from TJJD in the period of September 1, 2014 - August 31, 2015	<u>560</u>	<u>560</u>
Total interest at August 31, 2015	560	560
Minus interest expenditures in FY 2015	<u>(560)</u>	<u>(560)</u>
Ending balance, August 31, 2015	<u>\$ -</u>	<u>\$ -</u>

3. OPERATING COSTS FOR A SECURE JUVENILE FACILITY OPERATED BY GRAYSON COUNTY

The Department operates two secure juvenile facilities – a post-adjudication and pre-adjudication facility. The schedule of expenditures for each facility is as follows:

Operating Costs
Grayson County Post-Adjudication Juvenile Facility
For the Year Ended August 31, 2015

	TJJD Funding	Local Funding	Total
	<u>Funding</u>	<u>Funding</u>	<u>Total</u>
Salary related expenses	\$ -	\$ 2,412,571	\$ 2,412,571
Student related expenses	-	244,631	244,631
Facility expenses	<u>-</u>	<u>301,934</u>	<u>301,934</u>
Total Operating Expenditures	<u>\$ -</u>	<u>\$ 2,959,136</u>	<u>\$ 2,959,136</u>

Operating Costs
 Grayson County Pre-Adjudication Juvenile Facility
 Ended August 31, 2015

	TJJD Funding	Local Funding	Total
Salary related expenses	\$ -	\$ 604,844	\$ 604,844
Facility expenses	-	31,229	31,229
Total Operating Expenditures	\$ -	\$ 636,073	\$ 636,073

4. FEDERAL FINANCIAL ASSISTANCE

The Texas Juvenile Justice Department administers, along with the Texas Department of Family and Protective Services, the Title IV-E Program (CFDA 93.658). TJJD disburses funds to Grayson County Juvenile Probation Department on a cost reimbursement basis. The Department did not receive any Title IV-E funds during fiscal year 2015.

5. FINANCIAL MATCH REQUIREMENTS

To receive Texas Juvenile Department state funds, the juvenile probation departments are required to certify that the amount of local or county funds expended for juvenile services is at least equal to or greater than the amount spent in the 2006 county fiscal year excluding construction and capital outlay expenses. A confirmation of local funds for the year ending August 31, 2015 is required and presented below:

Local Funding Expended (less construction and capital outlay)

FY 2015	\$ 1,475,470
FY 2006	816,186

The Juvenile Probation Department certified the financial match requirements were fulfilled in FY 2015.

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COMPLIANCE SECTION

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INDEPENDENT AUDITORS' 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

Members of the Board
The Grayson County Juvenile Board
Grayson County, Texas

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 Texas Juvenile Justice Department Grant Funds of Grayson County Juvenile Probation Department, and have issued our report thereon dated February 17, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Grayson County Juvenile Probation Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which as described in the accompanying Schedule of Findings and Responses as item 2015-1.

Grayson County Juvenile Probation Department's Response to Finding

Grayson County Juvenile Probation Department's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Grayson County Juvenile Probation Department'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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
February 17, 2016

**GRAYSON COUNTY
JUVENILE PROBATION DEPARTMENT
TEXAS JUVENILE JUSTICE DEPARTMENT GRANT FUNDS**

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED AUGUST 31, 2015

Finding No. 2015-1

Affected Grants: Grant A and C

Criteria: In accordance with the Texas Juvenile Justice Department requirements, the Department's actual expenditures, by category, may not exceed the final approved budget by more than 5%,

Condition: The Department exceeded the budget in Inter-County and External Contract expenditures for Grant A and External Contract expenditures for Grant C.

Cause: The Grayson County Juvenile Probation Department is allocating expenditures into categories which were required prior to the changes made by the Texas Juvenile Justice Department in 2014. Beginning in 2014, the Texas Juvenile Justice Department requires that expenditures be presented in the following new categories: salaries and fringe benefits, travel and training, operating expenditures, inter-county contracts, and external contracts.

Effect: Grant A Inter-County and External Contract expenditures and Grant C External Contract expenditures were more than 5% over budget.

Recommendation: The individual responsible for approving grant expenditures should review monthly expenditure reports and current obligations to ensure the grants are expended within the requirements and allocated in accordance with the requirements of the Texas Juvenile Justice Department.

Questioned Cost: \$11,485 of Grant A Inter-County Contracts and \$9,425 of External Contracts expenditures as well as \$21,842 of External Contract expenditures of Grant C are questioned.

Corrective Action Plan: The Department will adopt procedures to ensure that expenditures are not obligated in excess of the approved budget. Additionally, the Department will training personnel to allocate the budget and expenditures in accordance with the Texas Juvenile Justice Department guidelines.

Person Responsible for
Finding Resolution: Chief Financial Officer

Target Completion Date: February 15, 2016

**GRAYSON COUNTY
JUVENILE PROBATION DEPARTMENT
TEXAS JUVENILE JUSTICE DEPARTMENT GRANT FUNDS**

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

FOR THE YEAR ENDED AUGUST 31, 2015

There were no findings or questioned costs in the prior year.