

**GRAYSON COUNTY
COMMUNITY SUPERVISION
AND CORRECTIONS DEPARTMENT**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED AUGUST 31, 2015

WITH INDEPENDENT AUDITORS' REPORT

**GRAYSON COUNTY COMMUNITY SUPERVISION
AND CORRECTIONS DEPARTMENT**

YEAR ENDED AUGUST 31, 2015

TABLE OF CONTENTS

	<u>Page Number</u>
COMBINED FINANCIAL STATEMENTS	
Independent Auditors' Report.....	1 – 3
Combined Statement of Financial Position.....	4
Combined Statement of Revenue, Expenditures and Changes in Fund Balance	5
Combining Statement of Revenue, Expenditures and Changes in Fund Balance – All Diversion Program Funds	6
Individual Statements of Revenue, Expenditures and Changes in Fund Balance – Budget, Actual, and Variance	7 – 11
Notes to Financial Statements.....	12 – 17
SUPPLEMENTARY SCHEDULES	
Schedules of Differences Between Audit Report and CSCD Reports Sent to TDCJ-CJAD	18 – 22
COMPLIANCE SECTION	
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 <i>Government Auditing Standards</i>	23 – 24
Schedule of Findings and Responses.....	25
Fiscal Year 2015 TDCJ-CJAD Compliance Checklist.....	26 – 29

**GRAYSON COUNTY COMMUNITY SUPERVISION
AND CORRECTIONS DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying financial statements include the revenue of the Grayson County Community Supervision and Corrections Department (CSCD) related to the receipt of funds administered by the Community Justice Assistance Division of the Texas Department of Criminal Justice from State Appropriations for the Basic Supervision Fund, Community Corrections Program Fund, Diversion Program Grant Funds, Treatment Alternatives to Incarceration Program Grant Fund, local fees collected for the use of the CSCD, and the expenditures of those funds.

The Grayson County Community Supervision and Corrections Department, a special purpose district of State government, was organized to provide certain adult probation services to judicial districts.

Basis of Accounting

Since the Department receives funding from State government, it must comply with requirements of the State. Therefore, the financial statements were prepared using the basis of accounting prescribed by the TDCJ-CJAD, a comprehensive basis of accounting other than accounting principles general accepted in the United States of America.

Basis of accounting refers to the time at which revenues and expenditures are recognized in the accounts and reported in the statements. The accounts of Grayson County CSCD are organized on the basis of fund accounting, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in a fund based upon the source of the funds and the purposes for which they may be spent and the means by which the spending activities are controlled for the specific activities in accordance with laws, regulations, or other restrictions. Revenues and expenditures are accounted for using either the cash basis of accounting or the modified accrual basis of accounting until the last quarter when the modified accrual basis of accounting must be used.

The modified accrual basis of accounting is followed in that revenues are recorded when susceptible to accrual; i.e., earned, measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities for the current period. Revenues received by October 31, 2015 for financial activity performed by August 31, 2015, are considered available. Also purchases for which the commitment has been established by August 31, 2015, are considered liabilities regardless of whether possession of these goods has been received by August 31, 2015, provided that the liability purchase is received and is paid for by October 31, 2015. Exception to this method of accounting is the recording of refunds to the State as reductions of Fund Balance.

Funds of the Grayson County CSCD are grouped into the agency fund type for the purpose of operation on the Grayson County, Texas accounting system. Accounting agency funds are accounts established for deposit and disbursement of funds which are not controlled through the Grayson County, Texas budget process and are held in purely a custodial capacity.

Budgets (Accounting and Legal Compliance)

The budgets governing the funding to the programs are prepared at the beginning of each biennium and approved by the district judges and the criminal court-at-law judges with jurisdiction over the department in an open meeting and by the Texas Department of Criminal Justice - Community Justice Assistance Division. Only budget adjustment requests, at year end, received by September 30, 2015 will be reviewed and approved/disapproved by TDCJ-CJAD. TDCJ-CJAD will not accept any budget adjustments after September 30, 2015 for the previous fiscal year. Only budget adjustments approved by TDCJ-CJAD are referred to in performing the financial audit.

Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is utilized. All encumbrances not liquidated by October 31, 2015 became part of the subsequent year's budget.

Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Accrued sick pay benefits are lost upon termination. The dollar amount of these compensated absences at August 31, 2015 is \$76,195. A liability for vacation and sick leave is not recorded in these financial statements.

2. FUNDING SOURCES – STATE AID

Basic Supervision Fund

This state funding is a per capita allocation based on statistics from the previous full calendar year. The per capita formula includes calendar year misdemeanor placements, direct felony and felony pre-trial cases. Funding is first allocated to misdemeanor placements for 182 days. The remaining funding is allocated to felons under community supervision and pretrial supervision based on the CSCD's share of the state total population of direct and pretrial felons. Basic Supervision is distributed only to CSCDs.

Community Corrections (CC) Program Fund

This appropriation line item is allocation based. The funding is based on two equally assigned factors: the percentage of the state's population residing in the counties served by the Department and the percentage of all felony defendants in the state under direct community supervision by the Department. CSCDs are the only entities eligible for Community Corrections funds.

Diversion Program (DP) Grant Funds

This discretionary appropriation line item funding is awarded on a competitive basis. The priorities for distribution are determined biennially. All requests are reviewed by TDCJ-CJAD staff, approved by management and then presented to the Judicial Advisory Council. Diversion Program funds shall not be used for Basic Supervision services.

Substance Abuse Felony Punishment Facility (SAFPF) Funding: Aftercare caseloads are funded on a per case basis and must meet specific supervision requirements. Funding for SAFP aftercare caseloads is allocated by TDCJ-CJAD through the DP line item but is budgeted and reported by CSCDs as state aid under Basic Supervision.

Dedicated Salary Funding: Funds were appropriated by the 81st Legislature specifically for community supervision officers and direct care staff salary increases of 3.5% of the salaries as of August 31, 2009 for FY2010 and another 3.5% increase of the August 31, 2009 salaries for FY 2011. To date, the dedicated salary funding amounts are the same as in FY 2011. Appropriations of the Dedicated Salary are allocated by TDCJ-CJAD through the DP line item but are budgeted and reported by CSCDs as state aid under Basic Supervisions.

Treatment Alternative to Incarceration Programs (TAIP) Grant Fund

The Treatment Alternative to Incarcerations Program provides a continuum of substance abuse treatment services and accountability programming for individual offenders, subject to TAIP funding and guidelines. Services include assessment, screening, and referral to treatment services.

3. FUNDS COLLECTED BY THE CSCD FROM SOURCES OTHER THAN TDCJ-CJAD WHICH ARE REQUIRED TO BE REPORTED ON THE TDCJ-CJAD QUARTERLY FINANCIAL REPORTS (community supervision fees collected, program participation fees collected, county contributions, donations, interest, commissions, etc.)

The Department utilized the following funds collected from sources other than TDCJ-CJAD which are required to be reported for the year ended August 31, 2015:

Source	Amount Received	Restrictions for Use	Expended in Accordance with Restrictions
Supervision Fees	\$ 1,207,992	<i>Financial Management Manual for TDCJ-CJAD Funding</i> restrictions	Yes
Payments by Program Participants	73,809	<i>Financial Management Manual for TDCJ-CJAD Funding</i> restrictions	Yes
Interest Income	4,066	<i>Financial Management Manual for TDCJ-CJAD Funding</i> restrictions	Yes
Credit Card Fees	5,014	<i>Financial Management Manual for TDCJ-CJAD Funding</i> restrictions	Yes
HHS Commission on Restitution	1,686	<i>Financial Management Manual for TDCJ-CJAD Funding</i> restrictions	Yes

Locally generated revenues are expended in accordance with the Financial Management Manual for TDCJ-CJAD Funding, TDCJ-CJAD Funding and Fiscal Management Updates, TDCJ-CJAD Standards, TDCJ-CJAD Field Correspondence, TDCJ-CJAD Policy Statements, Standard and Special Grant Conditions, and applicable laws.

4. FUNDS COLLECTED BY THE CSCD FROM SOURCES OTHER THAN TDCJ-CJAD WHICH ARE NOT REQUIRED TO BE REPORTED ON THE TDCJ-CJAD QUARTERLY FINANCIAL REPORTS (civil fees, victim restitution funds, federal grants, bond supervision funds, grants from sources other than TDCJ-CJAD, etc.)

The Department utilized the following funds collected from sources other than TDCJ-CJAD which are not required to be reported for the year ended August 31, 2015:

Source	Amount Received	Restrictions for Use	Accordance with Restrictions	Fund Balance
Victim Restitution	\$ 364,000	Government Code 76.013, paid directly to victim within certain timelines	Yes	\$ -
Bond Supervision Fee	52,986	Article 17.40 of the Code of Criminal Procedure \ Senate Bill (SB) 880 in the 82nd Legislature	Yes	-
Supervision Fee for Sex Offenders	1,919	Article 42.12, Section 19 (f) of the Code of Criminal Procedure	Yes	-
Attorney Fees	14,363	Local Government Code, Chapter 113, Section 113.022	Yes	-
Overpayment of Court Fees	395	Paid directly to Probationers	Yes	-
Family Violence	4,892	Code of Criminal Procedure, Article 42.12, Section 11, Subsection (h)	Yes	-
DPS Fees	12,978	Paid directly to the DPS for fee reimbursement	Yes	-
Civil UA Fees	175	Local Government Code, Chapter 113, Section 113.022	Yes	-
Interpreter Fees	90	Local Government Code, Chapter 113, Section 113.022	Yes	-

Locally generated revenues are expended in accordance with the Financial Management Manual for TDCJ-CJAD Funding, TDCJ-CJAD Funding and Fiscal Management Updates, TDCJ-CJAD Standards, TDCJ-CJAD Field Correspondence, TDCJ-CJAD Policy Statements, Standard and Special Grant Conditions, and applicable laws.

5. CASH, PETTY CASH AND INVESTMENTS

Collection or clearing accounts are trust funds and must be covered by pledged collateral to cover the estimated highest daily balance of funds operated in conjunction with or through the county depository by the CSCD. Collection accounts must be transferred to the CSCD account within the time frames listed in Local Government Code 113.022. All CSCD funds must be in the county treasury and must be disbursed by the County Treasurer.

The Department does not maintain a petty cash account.

Idle funds to be invested, if any, shall only be within the depository of the county in a manner that protects the integrity of the principal and guarantees no loss of principal to the CSCD.

6. EXCESS OF EXPENDITURES OVER BUDGETS IN INDIVIDUAL PROGRAMS

The Department had excess expenditures over \$15,000 or 15% of the approved line item budgeted amount as described in the table below.

	Budget	Actual	Variance Favorable (Unfavorable)	Over \$15,000	Over 15%
Basic Supervision Program					
Utilities	\$ 6,500	\$ 9,165	\$(2,665)	\$ -	\$ 1,690
Outpatient Substance Abuse Program					
Supplies and operating expenses	12,253	14,855	(2,602)	-	764

7. ACCOUNTS RECEIVABLE AND\OR PAYABLE AND\OR INTERFUND TRANSFERS RECEIVABLE AND\OR PAYABLE AT AUGUST 31, 2015

The accounts payable consists of payments to vendors for services or supplies outstanding as of August 31, 2015. There were no interfund receivable or payable balances at August 31, 2015.

8. VENDOR CONTRACTS FOR OFFENDER SERVICES

The Department did not have any vendors that provided services to offenders in excess of \$100,000.

9. COMMITMENTS AND CONTINGENCIES

The Department is contingently liable in respect to lawsuits and other claims in the ordinary course of its operations. The potential settlement (if any) of such contingencies under the budgetary process would require appropriation of revenues yet to be realized and in the opinion of Department management would not materially affect the financial position of the Department at August 31, 2015.

10. PRIOR PERIOD ADJUSTMENTS AND REFUNDS

The Department had no material prior period adjustments or refunds that require disclosure.

11. SUBSEQUENT EVENTS

The Department has no subsequent events that require disclosure.

SUPPLEMENTARY SCHEDULES

COMBINED FINANCIAL STATEMENTS

COMPLIANCE SECTION

**GRAYSON COUNTY COMMUNITY SUPERVISION
AND CORRECTIONS DEPARTMENT**

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED AUGUST 31, 2015

Findings No. 2015-001:

Criteria: The County’s actual expenditures, by category, may not exceed the final approved budget by more than \$15,000 or 15%.

Condition: The County exceeded expenditures as follows:

	Budget	Actual	Variance Favorable (Unfavorable)	Over \$15,000	Over 15%
Basic Supervision Program					
Utilities	\$ 6,500	\$ 9,165	\$(2,665)	\$ -	\$ 1,690
Outpatient Substance Abuse Program					
Supplies and operating expenses	12,253	14,855	(2,602)	-	764

Cause: The individual responsible for approving the contract expenditures did not submit a request for budget amendment prior to spending State funds.

Effect or potential effect: As a result of this finding, the expenditures noted above are deemed unauthorized expenditures and subject to refund per TDCJ-CJAD guidelines.

Statement of Corrective Action: The department will ensure that the County does not obligate expenditures in excess of 15% of the approved budget in the future, regardless of whether the excess is under \$15,000. The County interpreted the financial management manual, page 9, as such that they ensured that expenditures were not spent in excess of 15% or \$15,000, whichever is greater.