

**GRAYSON COUNTY  
COMMUNITY SUPERVISION  
AND CORRECTIONS DEPARTMENT**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED AUGUST 31, 2016**

**WITH INDEPENDENT AUDITORS' REPORT**



**GRAYSON COUNTY COMMUNITY SUPERVISION  
AND CORRECTIONS DEPARTMENT**

**YEAR ENDED AUGUST 31, 2016**

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# **COMBINED FINANCIAL STATEMENTS**

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PATILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

Grayson County Community  
Supervision and Corrections Department  
Sherman, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Grayson County Community Supervision and Corrections Department (CSCD), which comprise the combined statement of financial position as of August 31, 2016, and the combined statement of revenue, expenditures and changes in fund balance, the combining statement of revenues, expenditures and change in fund balance – Diversion Program Funds and the individual statements of revenue, expenditures and changes in fund balance – budget, actual, and variance for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 20, 2017.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Texas Department of Criminal Justice – Community Justice Assistance Division (TDCJ-CJAD); 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.

### ***Auditors' 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 the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 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 significant and appropriate to provide a basis for our opinions.

### ***Opinion***

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities of the Grayson County Community Supervision and Corrections Department, as of August 31, 2016, and the respective changes in financial position for the year then ended, in accordance with the financial reporting provisions of the TDCJ-CJAD 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 provisions of the TDCJ-CJAD, 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 TDCJ-CJAD. Our opinion is not modified with respect to that matter.

### ***Emphasis Matter***

As discussed in Note 1, the financial statements present the operations of the Grayson County Community Supervision and Corrections Department only, and are not intended to present fairly the financial position of Grayson County, Texas and the results of its operations in conformity with accounting principles generally accepted in the United States of America.



## ***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Grayson County Community Supervision and Corrections Department's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedules of Differences between the Audit Report and CSCD Reports as Submitted to TDCJ-CJAD are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2017, on our consideration of the Grayson County Community Supervision and Corrections Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and 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 Grayson County Community Supervision and Corrections Department's internal control over financial reporting and compliance.

## **Restriction of Use**

This report is intended solely for the information and use of the management of Grayson County Community Supervision and Corrections Department, others within the organization, and the Texas Department of Criminal Justice - Community Justice Assistance Division and is not intended to be and should not be used by anyone other than these specified parties.

*Patillo, Brown & Hill, L.L.P.*

Waco, Texas  
February 20, 2017

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**GRAYSON COUNTY COMMUNITY SUPERVISION  
AND CORRECTIONS DEPARTMENT  
COMBINED STATEMENT OF FINANCIAL POSITION  
AUGUST 31, 2016**

	Basic Supervision	Community Corrections	Diversion Program	Treatment Alternatives to Incarceration	Total
<b>ASSETS</b>					
Cash and investments					
Bank balances	\$ 1,144,801	\$ 8,579	\$ 40,176	\$ 4,676	\$ 1,198,232
Total cash and investments	<u>1,144,801</u>	<u>8,579</u>	<u>40,176</u>	<u>4,676</u>	<u>1,198,232</u>
<b>Accounts Receivable</b>					
Due from TDCJ-CJAD	6,819	-	-	-	-
Investment Earnings	<u>146</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Accounts Receivable	<u>6,965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u>1,151,766</u>	<u>8,579</u>	<u>40,176</u>	<u>4,676</u>	<u>1,205,197</u>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities					
Accounts payable	29,040	-	12,166	-	41,206
Salaries payable	70,942	8,571	15,304	4,676	99,493
Due to TDCJ-CJAD	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>99,982</u>	<u>8,571</u>	<u>27,470</u>	<u>4,676</u>	<u>140,699</u>
Fund Balance	<u>1,051,784</u>	<u>8</u>	<u>12,706</u>	<u>-</u>	<u>1,064,498</u>
<b>Total liabilities and Fund balance</b>	<u>\$ 1,151,766</u>	<u>\$ 8,579</u>	<u>\$ 40,176</u>	<u>\$ 4,676</u>	<u>\$ 1,205,197</u>

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

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**GRAYSON COUNTY COMMUNITY SUPERVISION  
AND CORRECTIONS DEPARTMENT  
COMBINED STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED AUGUST 31, 2016**

	Basic Supervision	Community Corrections	Diversion Program	Treatment Alternatives to Incarceration	Total
<b>REVENUE</b>					
State aid	\$ 324,423	\$ 236,447	\$ 329,122	\$ 80,030	\$ 970,022
State aid: SAFPF	23,050	-	-	-	23,050
Community supervision fees	1,286,781	-	-	-	1,286,781
Payments by program participants	82,544	-	-	-	82,544
Interest income	6,110	-	-	-	6,110
Other revenue	8,409	-	-	-	8,409
Total revenue	<u>1,731,317</u>	<u>236,447</u>	<u>329,122</u>	<u>80,030</u>	<u>2,376,916</u>
<b>EXPENDITURES</b>					
Salaries and fringe benefits	1,434,717	219,158	333,042	93,758	2,080,675
Travel and furnished transportation	22,941	4,991	20,733	-	48,665
Contract services for offenders	13,994	-	68,225	-	82,219
Professional fees	90,817	1,773	3,538	600	96,728
Supplies and operating expenses	49,449	10,517	12,832	-	72,798
Utilities	8,291	-	-	-	8,291
Equipment	9,876	-	-	-	9,876
Total expenditures	<u>1,630,085</u>	<u>236,439</u>	<u>438,370</u>	<u>94,358</u>	<u>2,399,252</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	101,232	8	( 109,248)	( 14,328)	( 22,336)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	121,954	14,328	136,282
Transfers out	( 136,282)	-	-	-	( 136,282)
Total other financing sources (uses)	<u>( 136,282)</u>	<u>-</u>	<u>121,954</u>	<u>14,328</u>	<u>-</u>
<b>FUND BALANCE, SEPTEMBER 1, 2015</b>	1,093,375	-	-	-	1,093,375
Prior Period Adjustment	( 4,549)	-	-	-	( 4,549)
<b>Adjusted Beginning Fund Balance</b>	1,088,826	-	-	-	1,088,826
<b>PRIOR YEAR REFUND</b>	( 1,992)	-	-	-	( 1,992)
<b>REFUND DUE TO TDCJ-CJAD</b>	-	-	-	-	-
<b>FUND BALANCE, AUGUST 31, 2016</b>	<u>\$ 1,051,784</u>	<u>\$ 8</u>	<u>\$ 12,706</u>	<u>\$ -</u>	<u>\$ 1,064,498</u>

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

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**GRAYSON COUNTY COMMUNITY SUPERVISION  
AND CORRECTIONS DEPARTMENT  
ALL DIVERSION PROGRAM FUNDS  
COMBINING STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED AUGUST 31, 2016**

	Mentally Challenged Specialized Caseload	Outpatient Substance Abuse Program	Drug Court	Total
<b>REVENUE</b>				
State aid	\$ 32,735	\$ 188,753	\$ 107,634	\$ 329,122
Total revenue	<u>32,735</u>	<u>188,753</u>	<u>107,634</u>	<u>329,122</u>
<b>EXPENDITURES</b>				
Salaries and fringe benefits	114,509	94,571	123,962	333,042
Travel and Furnished Transportation	-	20,733	-	20,733
Contact Services for Offenders	-	45,425	22,800	68,225
Professional fees	245	2,486	807	3,538
Supplies and operating expenses	<u>-</u>	<u>12,832</u>	<u>-</u>	<u>12,832</u>
Total expenditures	<u>114,754</u>	<u>176,047</u>	<u>147,569</u>	<u>438,370</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	( 82,019)	12,706	( 39,935)	( 109,248)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>82,019</u>	<u>-</u>	<u>39,935</u>	<u>121,954</u>
Total other financing sources (uses)	<u>82,019</u>	<u>-</u>	<u>39,935</u>	<u>121,954</u>
<b>FUND BALANCE, SEPTEMBER 1, 2015</b>	-	-	-	-
<b>REFUND DUE TO CJAD</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, AUGUST 31, 2016</b>	<u>\$ -</u>	<u>\$ 12,706</u>	<u>\$ -</u>	<u>\$ 12,706</u>

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

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**GRAYSON COUNTY COMMUNITY SUPERVISION  
AND CORRECTIONS DEPARTMENT  
INDIVIDUAL STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET, ACTUAL AND VARIANCE  
BASIC SUPERVISION  
FOR THE YEAR ENDED AUGUST 31, 2016**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE</b>			
State aid	\$ 546,888	\$ 324,423	\$( 222,465)
State aid: SAFPF	-	23,050	23,050
Community supervision fees	1,005,781	1,286,781	281,000
Payments by program participants	60,000	82,544	22,544
Interest income	2,101	6,110	4,009
Other revenue	-	8,409	8,409
Total revenue	<u>1,614,770</u>	<u>1,731,317</u>	<u>116,547</u>
<b>EXPENDITURES</b>			
Salaries and fringe benefits	1,515,688	1,434,717	80,971
Travel and furnished transportation	107,500	22,941	84,559
Contract services for offenders	59,500	13,994	45,506
Professional fees	106,602	90,817	15,785
Supplies and operating expenses	592,522	49,449	543,073
Utilities	12,300	8,291	4,009
Equipment	25,000	9,876	15,124
Total expenditures	<u>2,419,112</u>	<u>1,630,085</u>	<u>789,027</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	( 804,342)	101,232	905,574
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	( 145,658)	( 136,282)	9,376
Total other financing sources (uses)	<u>( 145,658)</u>	<u>( 136,282)</u>	<u>9,376</u>
<b>FUND BALANCE, SEPTEMBER 1, 2015</b>	950,000	1,093,375	143,375
Prior Period Adjustment	-	( 4,549)	( 4,549)
Adjusted Beginning Fund Balance	<u>950,000</u>	<u>1,088,826</u>	<u>138,826</u>
<b>PRIOR YEAR REFUND</b>	-	( 1,992)	( 1,992)
<b>REFUND DUE TO CJAD</b>	-	-	-
<b>FUND BALANCE, AUGUST 31, 2016</b>	<u>\$ -</u>	<u>\$ 1,051,784</u>	<u>\$ 1,051,784</u>

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

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**GRAYSON COUNTY COMMUNITY SUPERVISION  
AND CORRECTIONS DEPARTMENT  
INDIVIDUAL STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET, ACTUAL AND VARIANCE  
COMMUNITY CORRECTIONS PROGRAM  
INTENSIVE SUPERVISION PROGRAM  
FOR THE YEAR ENDED AUGUST 31, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUE</b>			
State aid	\$ 236,447	\$ 236,447	\$ -
Total revenue	<u>236,447</u>	<u>236,447</u>	<u>-</u>
<b>EXPENDITURES</b>			
Salaries and fringe benefits	219,158	219,158	-
Travel & Furnished Transportation	5,000	4,991	9
Professional fees	1,773	1,773	-
Supplies and operating	<u>10,516</u>	<u>10,517</u>	( 1)
Total expenditures	<u>236,447</u>	<u>236,439</u>	<u>8</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	-	8	8
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, SEPTEMBER 1, 2015</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, AUGUST 31, 2016</b>	<u>\$ -</u>	<u>\$ 8</u>	<u>\$ 8</u>

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part of these financial statements.

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**GRAYSON COUNTY COMMUNITY SUPERVISION  
AND CORRECTIONS DEPARTMENT  
INDIVIDUAL STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET, ACTUAL AND VARIANCE  
DIVERSION PROGRAM  
MENTALLY CHALLENGED SPECIALIZED CASELOAD  
FOR THE YEAR ENDED AUGUST 31, 2016**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUE</b>			
State aid	\$ 32,735	\$ 32,735	\$ -
Total revenue	<u>32,735</u>	<u>32,735</u>	<u>-</u>
<b>EXPENDITURES</b>			
Salaries and fringe benefits	114,509	114,509	-
Professional fees	<u>245</u>	<u>245</u>	<u>-</u>
Total expenditures	<u>114,754</u>	<u>114,754</u>	<u>-</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	( 82,019)	( 82,019)	-
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>82,019</u>	<u>82,019</u>	<u>-</u>
Total other financing sources (uses)	<u>82,019</u>	<u>82,019</u>	<u>-</u>
<b>FUND BALANCE, SEPTEMBER 1, 2015</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, AUGUST 31, 2016</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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**GRAYSON COUNTY COMMUNITY SUPERVISION  
AND CORRECTIONS DEPARTMENT  
INDIVIDUAL STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET, ACTUAL AND VARIANCE  
DIVERSION PROGRAM  
OUTPATIENT SUBSTANCE ABUSE PROGRAM  
FOR THE YEAR ENDED AUGUST 31, 2016**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUE</b>			
State aid	\$ 188,753	\$ 188,753	\$ -
Total revenue	<u>188,753</u>	<u>188,753</u>	<u>-</u>
<b>EXPENDITURES</b>			
Salaries and fringe benefits	95,470	94,571	899
Travel and furnished transportation	20,753	20,733	20
Contract services for offenders	55,000	45,425	9,575
Professional fees	4,686	2,486	2,200
Supplies and operating expenses	<u>12,844</u>	<u>12,832</u>	<u>12</u>
Total expenditures	<u>188,753</u>	<u>176,047</u>	<u>12,706</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	-	12,706	12,706
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, SEPTEMBER 1, 2015</b>	-	-	-
<b>REFUND DUE TO TDCJ-CJAD</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, AUGUST 31, 2016</b>	<u>\$ -</u>	<u>\$ 12,706</u>	<u>\$ 12,706</u>

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

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**GRAYSON COUNTY COMMUNITY SUPERVISION  
AND CORRECTIONS DEPARTMENT  
INDIVIDUAL STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET, ACTUAL AND VARIANCE  
DIVERSION PROGRAM  
DRUG COURT  
FOR THE YEAR ENDED AUGUST 31, 2016**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUE</b>			
State aid	\$ 107,634	\$ 107,634	\$ -
Total revenue	<u>107,634</u>	<u>107,634</u>	<u>-</u>
<b>EXPENDITURES</b>			
Salaries and fringe benefits	124,408	123,962	446
Contract services for offenders	22,800	22,800	-
Professional fees	<u>807</u>	<u>807</u>	<u>-</u>
Total expenditures	<u>148,015</u>	<u>147,569</u>	<u>446</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	( 40,381)	( 39,935)	446
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>40,381</u>	<u>39,935</u>	( 446)
Total other financing sources (uses)	<u>40,381</u>	<u>39,935</u>	( 446)
<b>FUND BALANCE, SEPTEMBER 1, 2015</b>	-	-	-
<b>REFUND DUE TO TDCJ-CJAD</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, AUGUST 31, 2016</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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**GRAYSON COUNTY COMMUNITY SUPERVISION  
AND CORRECTIONS DEPARTMENT  
INDIVIDUAL STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET, ACTUAL AND VARIANCE  
TREATMENT ALTERNATIVES TO  
INCARCERATION PROGRAM  
FOR THE YEAR ENDED AUGUST 31, 2016**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUE</b>			
State aid	\$ 80,030	\$ 80,030	\$ -
Total revenue	<u>80,030</u>	<u>80,030</u>	<u>-</u>
<b>EXPENDITURES</b>			
Salaries and fringe benefits	102,688	93,758	8,930
Professional fees	<u>600</u>	<u>600</u>	<u>-</u>
Total expenditures	<u>103,288</u>	<u>94,358</u>	<u>8,930</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	( 23,258)	( 14,328)	8,930
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>23,258</u>	<u>14,328</u>	( 8,930)
Total other financing sources (uses)	<u>23,258</u>	<u>14,328</u>	( 8,930)
<b>FUND BALANCE, SEPTEMBER 1, 2015</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>REFUND DUE TO CJAD</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, AUGUST 31, 2016</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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# **GRAYSON COUNTY COMMUNITY SUPERVISION AND CORRECTIONS DEPARTMENT**

## **NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2016**

### **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, 2016 for financial activity performed by August 31, 2016, are considered available. Also purchases for which the commitment has been established by August 31, 2016, are considered liabilities regardless of whether possession of these goods has been received by August 31, 2016, provided that the liability purchase is received and is paid for by October 31, 2016. 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, 2016 will be reviewed and approved/disapproved by TDCJ-CJAD. TDCJ-CJAD will not accept any budget adjustments after September 30, 2016 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, 2016 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. Grayson County CSCD has adopted this policy. The dollar amount of these compensated absences at August 31, 2016 is \$81,343. A liability for vacation and sick leave is not recorded in these financial statements.

## **2. FUNDING SOURCES – STATE AID**

### **Basic Supervision Fund**

The 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 direct community supervision and pre-trial supervision based on the CSCD's share of the state total population of direct and pre-trial 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.

Substance Abuse Felony Punishment Facility (SAFPF) Funding: Aftercare caseloads are funded on a per case basis and must meet specific supervision requirements. Funding for SAFPf 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 81<sup>st</sup> 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, 2016:

Source	Amount Received	Restrictions for Use	Expended in Accordance with Restrictions
Supervision Fees	\$ 1,286,781	<i>Financial Management Manual for TDCJ-CJAD Funding</i> restrictions	Yes
Payments by Program Participants	82,544	<i>Financial Management Manual for TDCJ-CJAD Funding</i> restrictions	Yes
Interest Income	6,110	<i>Financial Management Manual for TDCJ-CJAD Funding</i> restrictions	Yes
Credit Card Fees	7,173	<i>Financial Management Manual for TDCJ-CJAD Funding</i> restrictions	Yes
HHS Commission on Restitution	1,105	<i>Financial Management Manual for TDCJ-CJAD Funding</i> restrictions	Yes
Supervision Overpayment refunds - unclaimed	131	<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, 2016:

Source	Amount Received	Restrictions for Use	Accordance with Restrictions	Fund Balance
Victim Restitution	\$ 370,168	Government Code 76.013, paid directly to victim within certain timelines	Yes	\$ -
Bond Supervision Fee	55,032	Article 17.40 of the Code of Criminal Procedure \ Senate Bill (SB) 880 in the 82nd Legislature	Yes	-
Supervision Fee for Sex Offenders	1,653	Article 42.12, Section 19 (f) of the Code of Criminal Procedure	Yes	-
Attorney Fees	20,251	Local Government Code, Chapter 113, Section 113.022	Yes	-
Overpayment of Court Fees	1,125	Paid directly to Probationers	Yes	-
Family Violence	4,032	Code of Criminal Procedure, Article 42.12, Section 11, Subsection (h)	Yes	-
DPS Fees	16,636	Paid directly to the DPS for fee reimbursement	Yes	-
Crime Stoppers Fees	1,552	Local Government Code, Chapter 414, Section 414.010	Yes	-
Interpreter Fees	50	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 did not have any excess expenditures over \$15,000 or 15% of the approved line item budgeted amount.

**7. ACCOUNTS RECEIVABLE AND / OR PAYABLE AS STATED ON THE COMBINED STATEMENT OF FINANCIAL POSITION AS OF AUGUST 31, 2016**

The accounts receivable, in the amount of \$6,819, consists of receivables due from TDCJ-CJAD as of August 31, 2016. The accounts receivable, in the amount of \$146, consists of accrued interest earnings as of August 31, 2016.

The accounts payable, in the amount of \$41,206, consists of payments to vendors for services or supplies outstanding as of August 31, 2016. The accounts payable, in the amount of \$99,493, consists of accrued salaries as of August 31, 2016.

**8. INTERFUND TRANSFERS**

**Interfund Transfers**

<b>From</b>	<b>To</b>	<b>Dollar Amount</b>	<b>Purpose</b>
Basic	DP	\$ 82,019	To fund Mentally Challenged Specialized Caseload
Basic	DP	39,935	To fund Drug Court Program
Basic	TAIP	14,328	To fund Treatment Alternatives to Incarceration Program

**9. VENDOR CONTRACTS FOR OFFENDER SERVICES**

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

**10. 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, 2016.

**11. PRIOR PERIOD ADJUSTMENTS**

There was a prior period adjustment to the Basic Supervision in the amount of \$4,549. This was due to a refund in the amount of \$2,454 that was spent in excess of 15% of a budgeted line item. An additional \$2,095 was due to a refund of the amount that was spent in excess of \$15,000 of a budgeted line item.

**12. REFUNDS**

There was a Prior Year Refund for Basic Supervision in the amount of \$1,992.

**13. SUBSEQUENT EVENTS**

The Department does not have any subsequent events that require disclosure.

**14. OTHER**

The Department does not have any other matters that require disclosure.

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## **SUPPLEMENTARY SCHEDULES**

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**GRAYSON COUNTY COMMUNITY SUPERVISION  
AND CORRECTIONS DEPARTMENT  
SCHEDULE OF DIFFERENCES BETWEEN  
AUDIT REPORT AND CSCD REPORTS AS SUBMITTED TO TDCJ-CJAD  
BASIC SUPERVISION  
FOR THE YEAR ENDED AUGUST 31, 2016**

	<u>Audit</u>	<u>Per CSCD Report</u>	<u>Difference</u>
<b>REVENUE</b>			
State aid	\$ 324,423	\$ 324,423	\$ -
State aid: SAFPF	23,050	23,050	-
Community supervision fees	1,286,781	1,286,781	-
Payments made by program participants	82,544	82,544	-
Interest income	6,110	6,110	-
Other revenue	8,409	8,409	-
Total revenue	<u>1,731,317</u>	<u>1,731,317</u>	<u>-</u>
<b>EXPENDITURES</b>			
Salaries and fringe benefits	1,434,717	1,434,717	-
Travel and furnished transportation	22,941	22,941	-
Contract services for offenders	13,994	13,994	-
Professional fees	90,817	90,817	-
Supplies and operating expenses	49,449	49,449	-
Utilities	8,291	8,291	-
Equipment	9,876	9,876	-
Total expenditures	<u>1,630,085</u>	<u>1,630,085</u>	<u>-</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	101,232	101,232	-
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	( 136,282)	( 136,282)	-
Total other financing sources (uses)	<u>( 136,282)</u>	<u>( 136,282)</u>	<u>-</u>
<b>FUND BALANCE, SEPTEMBER 1, 2015</b>	1,093,375	1,093,375	-
Prior Period Adjustments	( 4,549)	( 4,549)	-
Adjusted Beginning Fund Balance	<u>1,088,826</u>	<u>1,088,826</u>	<u>-</u>
<b>PRIOR YEAR REFUND</b>	( 1,992)	( 1,992)	-
<b>FUND BALANCE, AUGUST 31, 2016</b>	<u>\$ 1,051,784</u>	<u>\$ 1,051,784</u>	<u>\$ -</u>

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**GRAYSON COUNTY COMMUNITY SUPERVISION  
AND CORRECTIONS DEPARTMENT  
SCHEDULE OF DIFFERENCES BETWEEN  
AUDIT REPORT AND CSCD REPORTS AS SUBMITTED TO TDCJ-CJAD  
COMMUNITY CORRECTIONS PROGRAM  
INTENSIVE SUPERVISION PROGRAM  
FOR THE YEAR ENDED AUGUST 31, 2016**

	<u>Audit</u>	<u>Per CSCD Report</u>	<u>Difference</u>
<b>REVENUE</b>			
State aid	\$ 236,447	\$ 236,447	\$ -
Total revenue	<u>236,447</u>	<u>236,447</u>	<u>-</u>
<b>EXPENDITURES</b>			
Salaries and fringe benefits	219,158	219,158	-
Travel & Furnished Transportation	4,991	4,991	-
Professional fees	1,773	1,773	-
Supplies and operating	<u>10,517</u>	<u>10,517</u>	<u>-</u>
Total expenditures	<u>236,439</u>	<u>236,439</u>	<u>-</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	8	8	-
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, SEPTEMBER 1, 2015</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, AUGUST 31, 2016</b>	<u><u>\$ 8</u></u>	<u><u>\$ 8</u></u>	<u><u>\$ -</u></u>

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**GRAYSON COUNTY COMMUNITY SUPERVISION  
AND CORRECTIONS DEPARTMENT  
SCHEDULE OF DIFFERENCES BETWEEN  
AUDIT REPORT AND CSCD REPORTS AS SUBMITTED TO TDCJ-CJAD  
DIVERSION PROGRAM  
MENTALLY CHALLENGED SPECIALIZED CASELOAD  
FOR THE YEAR ENDED AUGUST 31, 2016**

	<u>Audit</u>	<u>Per CSCD Report</u>	<u>Difference</u>
<b>REVENUE</b>			
State aid	\$ 32,735	\$ 32,735	\$ -
Total revenue	<u>32,735</u>	<u>32,735</u>	<u>-</u>
<b>EXPENDITURES</b>			
Salaries and fringe benefits	114,509	114,509	-
Professional fees	<u>245</u>	<u>245</u>	<u>-</u>
Total expenditures	<u>114,754</u>	<u>114,754</u>	<u>-</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	( 82,019)	( 82,019)	-
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>82,019</u>	<u>82,019</u>	<u>-</u>
Total other financing sources (uses)	<u>82,019</u>	<u>82,019</u>	<u>-</u>
<b>FUND BALANCE, SEPTEMBER 1, 2015</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, AUGUST 31, 2016</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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**GRAYSON COUNTY COMMUNITY SUPERVISION  
AND CORRECTIONS DEPARTMENT  
SCHEDULE OF DIFFERENCES BETWEEN  
AUDIT REPORT AND CSCD REPORTS AS SUBMITTED TO TDCJ-CJAD  
DIVERSION PROGRAM  
OUTPATIENT SUBSTANCE ABUSE PROGRAM  
FOR THE YEAR ENDED AUGUST 31, 2016**

	<u>Audit</u>	<u>Per CSCD Report</u>	<u>Difference</u>
<b>REVENUE</b>			
State aid	\$ 188,753	\$ 188,753	\$ -
Total revenue	<u>188,753</u>	<u>188,753</u>	<u>-</u>
<b>EXPENDITURES</b>			
Salaries and fringe benefits	94,571	94,571	-
Contract services for offenders	45,425	45,425	-
Travel and furnished transportation	20,733	20,733	-
Professional fees	2,486	2,486	-
Supplies and operating expenses	<u>12,832</u>	<u>12,832</u>	<u>-</u>
Total expenditures	<u>176,047</u>	<u>176,047</u>	<u>-</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	12,706	12,706	-
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, SEPTEMBER 1, 2015</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, AUGUST 31, 2016</b>	<u><u>\$ 12,706</u></u>	<u><u>\$ 12,706</u></u>	<u><u>\$ -</u></u>

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**GRAYSON COUNTY COMMUNITY SUPERVISION  
AND CORRECTIONS DEPARTMENT  
SCHEDULE OF DIFFERENCES BETWEEN  
AUDIT REPORT AND CSCD REPORTS AS SUBMITTED TO TDCJ-CJAD  
DIVERSION PROGRAM  
DRUG COURT  
FOR THE YEAR ENDED AUGUST 31, 2016**

	<u>Audit</u>	<u>Per CSCD Report</u>	<u>Difference</u>
<b>REVENUE</b>			
State aid	\$ 107,634	\$ 107,634	\$ -
Total revenue	<u>107,634</u>	<u>107,634</u>	<u>-</u>
<b>EXPENDITURES</b>			
Salaries and fringe benefits	123,962	123,962	-
Contract services for offenders	22,800	22,800	-
Professional fees	<u>807</u>	<u>807</u>	<u>-</u>
Total expenditures	<u>147,569</u>	<u>147,569</u>	<u>-</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	( 39,935)	( 39,935)	-
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>39,935</u>	<u>39,935</u>	<u>-</u>
Total other financing sources (uses)	<u>39,935</u>	<u>39,935</u>	<u>-</u>
<b>FUND BALANCE, SEPTEMBER 1, 2015</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, AUGUST 31, 2016</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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**GRAYSON COUNTY COMMUNITY SUPERVISION  
AND CORRECTIONS DEPARTMENT  
SCHEDULE OF DIFFERENCES BETWEEN  
AUDIT REPORT AND CSCD REPORTS AS SUBMITTED TO TDCJ-CJAD  
TREATMENT ALTERNATIVES TO  
INCARCERATION PROGRAM  
FOR THE YEAR ENDED AUGUST 31, 2016**

	<u>Audit</u>	<u>Per CSCD Report</u>	<u>Difference</u>
<b>REVENUE</b>			
State aid	\$ 80,030	\$ 80,030	\$ -
Total revenue	<u>80,030</u>	<u>80,030</u>	<u>-</u>
<b>EXPENDITURES</b>			
Salaries and fringe benefits	93,758	93,758	-
Professional fees	<u>600</u>	<u>600</u>	<u>-</u>
Total expenditures	<u>94,358</u>	<u>94,358</u>	<u>-</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	( 14,328)	( 14,328)	-
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>14,328</u>	<u>14,328</u>	<u>-</u>
Total other financing sources (uses)	<u>14,328</u>	<u>14,328</u>	<u>-</u>
<b>FUND BALANCE, SEPTEMBER 1, 2015</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, AUGUST 31, 2016</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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## **COMPLIANCE SECTION**

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PATILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**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**

Grayson County Community  
Supervision and Corrections Department  
Sherman, 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 Grayson County Community Supervision and Corrections Department, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the Grayson County Community Supervision and Corrections Department's financial statements, and have issued our report thereon dated February 20, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Grayson County Community Supervision and Corrections Department's internal control over financial reporting to determine the 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 Grayson County Community Supervision and Corrections Department's internal control. Accordingly, we do not express an opinion on the effectiveness of Grayson County Community Supervision and Corrections 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 Grayson County Community Supervision and Corrections Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provision 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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.

This report is intended solely for the information and use of the Grayson County Community Supervision and Corrections Department, others within the organization, and the Texas Department of Criminal Justice – Community Justice Assistance Division 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 20, 2017

**GRAYSON COUNTY COMMUNITY SUPERVISION  
AND CORRECTIONS DEPARTMENT**

**SCHEDULE OF FINDINGS AND RESPONSES**

**FOR THE YEAR ENDED AUGUST 31, 2016**

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

**GRAYSON COUNTY COMMUNITY SUPERVISION  
AND CORRECTIONS DEPARTMENT**

**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**

**FOR THE YEAR ENDED AUGUST 31, 2016**

**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.

Current Status: This issue has been resolved.



## Fiscal Year 2016 TDCJ-CJAD Compliance Checklist

Indicate whether these compliance requirements have been met by answering “Yes,” “No,” or “NA” (Not Applicable): (Note: The first eighteen (18) checklist items are to be answered “Yes” or “No” only.)

	YES	NO	N/A	
1.	<u>YES</u>	___		Is separate accountability maintained for TDCJ-CJAD funds; i.e., fund accounting of self-balancing funds? If not, explain in the Notes to the Financial Statements or in the Schedule of Findings and Questioned Costs.
2.	<u>YES</u>	___		Are Revenues and Expenditures reported to TDCJ-CJAD in agreement with, or reconcilable to, the funding recipient’s accounting records and with audited expenditures in each budget category? If not, explain in the Notes to the Financial Statements or in the Schedule of Findings and Questioned Costs.
3.	<u>YES</u>	___		Are TDCJ-CJAD funds and locally generated revenues expended in accordance with the <i>Financial Management Manual for TDCJ-CJAD Funding (FMM)</i> , TDCJ-CJAD Standards, TDCJ-CJAD Field Correspondence, TDCJ-CJAD Policy Statements, Standard and Special Grant Conditions, and applicable laws? If not, explain in the Notes to the Financial Statements or in the Schedule of Findings and Questioned Costs.
4.	<u>YES</u>	___		Are proper cutoff procedures observed at the end of each fiscal period? The cutoff date for revenues recognition and expenditures payments of FY 2016 is <b>October 31, 2016</b> .
5.	<u>YES</u>	___		Is the modified accrual basis of accounting used in preparing the fourth quarter reports for submission to TDCJ-CJAD? If not, explain in the Notes to the Financial Statements or in the Schedule of Findings and Questioned Costs.
6.	___	<u>NO</u>		Are any TDCJ-CJAD funds used to pay judges’ salaries (unless specifically approved by TDCJ-CJAD in a Program Budget; i.e., DWI Courts), community justice council members’ salaries, or other court-related expenses? If any of these salaries or expenses are paid, explain in the Notes to the Financial Statements or in the Schedule of Findings and Questioned Costs.
7.	<u>YES</u>	___		Are expenditures and revenues supported by adequate documentation? If not, explain in the Notes to the Financial Statements or in the Schedule of Findings and Questioned Costs.
8.	<u>YES</u>	___		Are all employees with access to funds covered by a surety bond? If not, explain in the Notes to the Financial Statements or in the Schedule of Findings and Questioned Costs.
9.	<u>YES</u>	___		Does the CSCD have an existing policy on budget approval, operate by the policy, and the policy has been approved by the judges charged with oversight of the CSCD (Government Code, Section 76.002, and the <i>Financial Management Manual for TDCJ-CJAD Funding (FMM)</i> Pages 8-10)). If not, explain in the Notes to the Financial Statements or in the Schedule of Findings and Questioned Costs.
10.	<u>YES</u>	___		Are all of the CSCD’s funds and collections deposited in the county treasury (county’s bank account)? ( <i>FMM</i> Pages 7-8; Government Code, Section 509.011; Local Government Code, Section 140.003 (f); and Attorney General’s Opinion DM-257, dated September 15, 1993) If not, explain in the Notes to the Financial Statements and include in the Schedule of Findings and Questioned Costs.
11.	<u>YES</u>	___		Are all of the CSCD’s funds and collections disbursed by the county treasurer on behalf of the CSCD? ( <i>FMM</i> Pages 7-8; Government Code, Section 509.011; Local

- Government Code, Section 140.003 (f); and Attorney General's Opinion DM-257, dated September 15, 1993) If not, explain in the Notes to the Financial Statements and include in the Schedule of Findings and Questioned Costs.
- Are all of the CSCD's funds and collections deposited in the county treasury (county's bank account) within the time period required by Local Government Code 113.022? (*FMM* Pages 7-8) If not, explain in the Notes to the Financial Statements and include in the Schedule of Findings and Questioned Costs.
12. YES \_\_\_\_\_
- Did the Fiscal Officer follow the applicable laws, guidelines, and duties as specified on Pages 34-38 of the *Financial Management Manual for TDCJ-CJAD Funding*? If not, explain in the Notes to the Financial Statements or in the Schedule of Findings and Questioned Costs.
13. YES \_\_\_\_\_
- Were purchasing laws, including required competitive bidding, followed as directed in accordance with the same procedures applicable to a county? (Texas Local Government Code Section 140.003 and Chapter 262, *FMM* Pages 39-40) If not, explain in the Notes to the Financial Statements or in the Schedule of Findings and Questioned Costs.
14. YES \_\_\_\_\_
- Were there any instances of fraud, non-compliance, waste, or abuse noted by the auditor (Chapter 4, Item 4.25 *Government Auditing Standards*)? If yes, explain in the Notes to the Financial Statements or in the Schedule of Findings and Questioned Costs.
15. \_\_\_\_\_ NO
- Are locally generated funds, and other collections, documented with a proper receipt system, and can they be traced to probationers' accounts, bank deposits and statements? If not, explain in the Notes to the Financial Statements or in the Schedule of Findings and Questioned Costs.
16. YES \_\_\_\_\_
- Is equipment physically inventoried and adequately supported with an inventory form? If not, explain in the Notes to the Financial Statements or in the Schedule of Findings and Questioned Costs.
17. YES \_\_\_\_\_
- Is surplus equipment disposed of in accordance with TDCJ-CJAD guidelines? (*FMM* Page 27-28) If not, explain in the Notes to the Financial Statements or in the Schedule of Findings and Questioned Costs.
18. YES \_\_\_\_\_
- Was an explanation given in the Schedule of Differences for any changes or adjustments that were made to Revenues and Expenditures (by either the CSCD or the Independent Auditor) that adjusted the previous amounts reported to TDCJ-CJAD? If not, explain in the Schedule of Differences, Notes to the Financial Statements or in the Schedule of Findings and Questioned Costs.
19. \_\_\_\_\_ N/A
- Are expenditures that benefit both juveniles and adults prorated on an equitable basis? Is determination of the method of prorating such expenditures supported by adequate documentation, including an annual time study? (*FMM* Pages 28-29) If not, explain in the Notes to the Financial Statements or in the Schedule of Findings and Questioned Costs.
20. \_\_\_\_\_ N/A
- If the CSCD determines that an increase or decrease in revenue or expenditures is required, were budget adjustments submitted to TDCJ-CJAD, **by September 30, 2016**, and in accordance with the *Financial Management Manual for TDCJ-CJAD Funding*? (*FMM* Pages 8-10) If not, explain in the Notes to the Financial Statements or in the Schedule of Findings and Questioned Costs.
21. YES \_\_\_\_\_
- Are all non-TDCJ-CJAD funded program fees expended in accordance with applicable limitations; i.e., civil fees, Federal grants, bond fees, sex offender fees, crime victims compensation fund fees, etc.? If not, explain in the Notes to the
22. YES \_\_\_\_\_

Financial Statements or in the Schedule of Findings and Questioned Costs.

Are Victim Restitution Funds accounted for in accordance with Texas Government Code, Section 76.013, and are unclaimed funds tracked for the required five-year period prior to sending to the State Comptroller? (*FMM* Page 31) If not, explain in the Notes to the Financial Statements or in the Schedule of Findings and Questioned Costs.

23. YES    \_\_\_    \_\_\_

Have TDCJ-CJAD policies regarding contracts with vendors been followed, which includes maintaining a Contract Monitoring Plan (policy) to monitor vendor payments and compliance with contracts? (*CMM* and Pages 13-14 of these Guidelines) If not, explain in the Notes to the Financial Statements or in the Schedule of Findings and Questioned Costs.

24. YES    \_\_\_    \_\_\_

Does the CSCD have a policy regarding eligibility for employee salary merit increases, if merit or one-time increases are given? (*FMM* Page 50) If such increases are given without a written policy, explain in the Notes to the Financial Statements or in the Schedule of Findings and Questioned Costs.

25. YES    \_\_\_    \_\_\_

If a Judge allows an offender to pay a fee or donate goods to a local food bank or food pantry in the community in which the defendant resides or another nonprofit organization that: (A) has a 501 (a) IRS exemption as listed in Section 501 (c) (3) of that code and (B) provides services or assistance to needy individuals and families in the community in which the defendant resides in lieu of performing community service restitution (CSR) work hours, does the CSCD have a written **CSR Policy** stating that fact? (As amended in Section 16 (f), Article 42.12, Code of Criminal Procedure) If not, explain in the Notes to the Financial Statements or in the Schedule of Findings of Questioned Costs.

26. YES    \_\_\_    \_\_\_

Are petty cash funds (not change funds) authorized by the county auditor or fiscal officer? (*FMM*, Pages 8, 21-22, 27 and 38) If not, explain in the Notes to the Financial Statements or in the Schedule of Findings and Questioned Costs.

27.    \_\_\_    \_\_\_    N/A

Are petty cash funds used only for specific purposes for allowable items as listed in the *Financial Management Manual for TDCJ-CJAD Funding* and expended only for emergency situations authorized by a written policy and approved by the CSCD director? (*FMM*, Pages 8, 21-22, 27 and 38) If not, explain in the Notes to the Financial Statements or in the Schedule of Findings and Questioned Costs.

28.    \_\_\_    \_\_\_    N/A

If a CSCD employee (or more than one employee where cumulative time is not over 10% of one full-time equivalent position) spends no more than 10% of his/her time on the Bond/Other Supervision Program activities (Pre-Trial Bond, Surety Bond, Bail etc.), separation of expenses is considered immaterial and is not required. However, all revenue generated from these fees must be accounted for separately in a local budget. Is this being properly captured? (*FMM* Pages 23, 32 and TDCJ-CJAD Policy Statement No. CJAD-PS-09) If not, explain in the Notes to the Financial Statements or in the Schedule of Findings and Questioned Costs.

29. YES    \_\_\_    \_\_\_

With prior TDCJ-CJAD approval, CSCDs may use Basic Supervision, CC, DP, or TAIP funds as required cash matching for grants from other governmental agencies, non-profit organizations, or private foundations, etc., for the purpose of expanding an existing program. Was cash matching properly authorized, budgeted, and expended? (*FMM* Pages 24-25) If not, explain in the Notes to the Financial Statements or in the Schedule of Findings and Questioned Costs.

30.    \_\_\_    \_\_\_    N/A

The Texas Code of Criminal Procedure, Article 42.12, Section 19 (e) requires as a condition of probation that certain sex offenders pay \$5.00 per month during the period of supervision. These fees are in addition to court costs or any other fee

31. YES    \_\_\_    \_\_\_

imposed on the offender as court ordered. Are these fees collected and accounted for by the CSCD and remitted to the State Comptroller? (*FMM* Pages 30-31) If fees are collected, include them in the Note to the Financial Statements for funds not required to be budgeted. If not, explain in the Notes to the Financial Statements or in the Schedule of Findings and Questioned Costs.

Article 42.12, Section 11 (a) (18), Code of Criminal Procedure authorizes the court to order a defendant, as a condition of community supervision, to reimburse the Crime Victims' Compensation Fund for any amounts paid from that fund to a victim of the defendant's offense or, if no reimbursement is required, make one payment to the fund in an amount not to exceed \$50 if the offense is a misdemeanor or not to exceed \$100 if the offense is a felony. If these fees were collected, were they remitted to the State Comptroller in compliance with the timelines outlined by the State Comptroller's Office? (*FMM* Page 31) If these fees are collected, include in the Note to the Financial Statements for funds not required to be budgeted. If not, explain in the Notes to the Financial Statements or in the Schedule of Findings and Questioned Costs.

32.     \_\_\_     \_\_\_     N/A

Were pretrial diversion/intervention fees properly collected and accounted for as payments by program participants or as community supervision fees? (*FMM* Pages 31-32, Government Code, Section 76.015 (c), Texas Code of Criminal Procedure, Article 102.012) If not, explain in the Notes to the Financial Statements or in the Schedule of Findings and Questioned Costs.

33.     \_\_\_     \_\_\_     N/A

Is there proper identification on motor vehicles that are issued exempt license plates? (*FMM* Page 33, Transportation Code, Chapter 721) If not, explain in the Notes to the Financial Statements or in the Schedule of Findings and Questioned Costs.

34.     YES     \_\_\_     \_\_\_

Is the transactions' administrative fee, if collected, accounted for on a consistent basis? (*FMM* Page 33) If not, explain in the Notes to the Financial Statements or in the Schedule of Findings and Questioned Costs.

35.     \_\_\_     \_\_\_     N/A

Were interfund transfers, if any, correctly identified in the financial statements (*FMM*, Pages 16-17)? If not, explain in the Notes to the Financial Statements or in the Schedule of Findings and Questioned Costs.

36.     YES     \_\_\_     \_\_\_

It is inappropriate for government funded programs to end a fiscal year in a deficit. If there were negative fund balances at the end of the fiscal year, were they covered by interfund transfers as described in the *Financial Management Manual* for TDCJ-CJAD Funding? (*FMM* Page 37) If not, explain in the Notes to the Financial Statements or in the Schedule of Findings and Questioned Costs.

37.     YES     \_\_\_     \_\_\_

Do action plans exist for all significant findings from prior audits, if applicable, and are action plans current? (Chapter 4, Item 4.05, Government Auditing Standards) If not, explain in the Notes to the Financial Statements or in the Schedule of Findings and Questioned Costs.

38.     YES     \_\_\_     \_\_\_