TEXAS JUVENILE JUSTICE DEPARTMENT GRANT FUNDS OF JACK AND WISE COUNTIES, TEXAS

(A SPECIAL REVENUE FUND OF WISE COUNTY, TEXAS)

ANNUAL AUDIT

AUGUST 31, 2016

Texas Juvenile Justice Department Grant Funds
of Jack and Wise Counties, Texas
(A Special Revenue Fund of Wise County, Texas)
Annual Financial Report
For the Fiscal Year Ended August 31, 2016

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SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Juvenile Probation Board of
Jack and Wise Counties, Texas
Decatur, Texas

We have audited the accompanying financial statements of the Texas Juvenile Justice Department Grant Funds of Jack and Wise Counties, Texas (a Special Revenue Fund of Wise County, Texas), which comprise the combined balance sheet as of August 31, 2016 and the combined statement of revenues, expenditures and changes in fund balance - budget and actual - regulatory basis for the year ended August 31, 2016 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 error or fraud.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Texas Juvenile Justice Department Grant Funds of Jack and Wise Counties, Texas (a Special Revenue Fund of Wise County, Texas) as of August 31, 2016, and the revenue earned and expenditures incurred compared to the budgeted revenues and expenditures of the Department's Texas Juvenile Justice Department Grant Funds for the year ended August 31, 2016, 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 financial reporting provisions 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 of Matter

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the accompanying financial statements of the Texas Juvenile Justice Department Grant Funds of Jack and Wise Counties, Texas (a Special Revenue Fund of Wise County, Texas) as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates 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 13, 2017, on our consideration of the Texas Juvenile Justice Department Grant Funds of Jack and Wise Counties, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Juvenile Probation Department of Jack and Wise Counties, Texas' internal control over financial reporting and compliance.

Restriction of Use

This report is intended solely for the information and use of management of the Juvenile Probation Board of Jack and Wise Counties, Texas and the Texas Juvenile Justice Department and is not intended to be and should not be used by anyone other than these specified parties.

Snow Garrett Williams

Snow Garrett Williams
February 13, 2017

FINANCIAL STATEMENTS

Texas Juvenile Justice Department Grant Funds of Jack and Wise Counties, Texas
(A Special Revenue Fund of Wise County, Texas)
Combined Balance Sheet - Regulatory Basis
August 31, 2016

Assets	2016
Cash and Investments	$ 286,094
Other Receivables	157
Total Assets	$ 286,251
Liabilities and Fund Balance	
Liabilities	
Accounts Payable	$ 14,699
Accrued Wages	5,707
Total Liabilities	20,406
Fund Balance	265,845
Total Liabilities and Fund Balance	$ 286,251

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

Texas Juvenile Justice Department Grant Funds of Jack and Wise Counties, Texas

(A Special Revenue Fund of Wise County, Texas)
Combined Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Regulatory Basis
For the Fiscal Year Ended August 31, 2016

	2016		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
State Aid	$ 115,000	$ 115,000	$ -
Commitment Division	32,994	32,994	-
Community Programs	102,836	102,836	-
Pre Post Adjudications	157,261	157,261	-
Mental Health Services	28,054	28,054	-
Local Revenues:			
Jack County	30,000	30,000	-
Wise County	300,000	300,000	-
Sundry Revenues	264	264	-
Child Support	100	100	-
Interest Income	548	548	-
Total Revenues	767,057	767,057	-
Expenditures:			
Local Budget	435,609	441,310	(5,701)
Basic Probation Services	115,000	115,000	-
Community Programs	102,836	102,836	-
Pre Post Adjudications	157,261	157,261	-
Commitment Division	32,994	32,994	-
Mental Health Services	28,054	28,054	-
Total Expenditures	871,754	877,455	(5,701)
Deficiency of Revenues under Expenditures	(104,697)	(110,398)	(5,701)
Fund Balance - Beginning of Year	376,243	376,243	-
Fund Balance - End of Year	$ 271,546	$ 265,845	$ (5,701)

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

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

(a) Financial Reporting Entity

The Texas Juvenile Justice Department Grant Funds of Jack and Wise Counties, Texas (a Special Revenue Fund of Wise County, Texas) were established to account for juvenile probation services funded by the Texas Juvenile Justice Department (TJJD) in Jack and Wise Counties.

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.

The Juvenile Probation Department utilizes one fund, a Special Revenue Fund, which is used to account for all financial resources. A fund is described as a set of self- balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures.

(b) Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

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:

(1) 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.

(2) 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.

(3) The accompanying financial statements are prepared in a format to facilitate uniform financial reporting by county probation departments.

(c) Budgeting

Budgets are adopted on the regulatory basis of accounting. The budgeted amounts presented in these statements are as originally adopted, or as amended by, the Juvenile Probation Department of Jack and Wise Counties and submitted to TJJD.

Note 2 – Reconciliation of Earned Interest

The following is presented in accordance with Chapter 341 of the Texas Administrative Code Sec. 6(f) relating to *Investment of Idle Funds Requirements* which states that interest accrued on funds received from TJJD should be generated income and should be reported to the Commission as such.

> Jack and Wise Counties contributed $30,000 and $300,000, respectively. It is deemed that all expenditures are made from State monies first; therefore, there are no idle funds and no accrued interest as of August 31, 2016.

Note 3 – Operating Cost for a Secure Juvenile Facility Operated by the Department

The Juvenile Probation Department of Jack and Wise Counties does not operate a secure juvenile facility.

Note 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 the Juvenile Probation Department of Jack and Wise Counties on a cost reimbursement basis. A confirmation of revenue receipted in the year ending August 31, 2016 is required and presented below. This includes receipts for direct and enhanced administrative foster care claims.

The Juvenile Probation Department of Jack and Wise Counties did not receive or expend Title IV-E funds in fiscal year 2016.

Note 5 – Financial Match Requirements

To receive Texas Juvenile Justice 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, 2016 is required and presented below:

	Local Funding Expended (less construction and capital outlay)
Fiscal Year 2016	$441,310
Fiscal Year 2006	$199,576

The juvenile probation department certified the financial match requirements were fulfilled in fiscal year 2016.

Note 6 – State Financial Assistance

The Department did not receive funds for the JJAEP Juvenile Reimbursement Grant for fiscal year 2016. The Department's Grant A State Assistance Grant was approved to be used in one fiscal year.

Note 7 – Deposits, Securities and Investments

The Department's deposits were held by the First Financial Bank at August 31, 2016. The Department's cash is required to be deposited under the terms of the depository contract of Wise County, Texas. The pledging of securities is maintained at the Wise County level. See the Annual Financial Report for Wise County, Texas for the fiscal year ended September 30, 2016 for more information.

The Department invests its funds according to the Wise County Investment Policy. As of August 31, 2016, the Department had $50,000 invested in Texas Local Government Investment Pool (TexPool), which is a local government pool, established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. See the Annual Financial Report for Wise County, Texas for the fiscal year ended September 30, 2016 for more information.

Note 8 – Defined Benefit Pension Plans

Plan Description

The Department through Wise County participates as one of 701 plans in the nontraditional defined benefit pension plan administered by the Texas County and District Retirement System (TCDRS). TCDRS was created by the Texas Legislature and is overseen by an independent Board of Trustees, which is responsible for the administration of the System. TCDRS is a statewide, agent multiple-employer, public employee retirement system for county and district employees in the State of Texas. The TCDRS Act places the general administration and management of the System with a nine-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TCDRS is not fiscally dependent on the State of Texas. TCDRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code.

All employees (except temporary staff) of the Department are required to participate in TCDRS.

TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available at www.tcdrs.org.

Benefits Provided

TCDRS provides retirement, disability, and survivor benefits. Benefit provisions are adopted by the Wise County Commissioners' Court, within the options available in the state statutes governing TCDRS. Plan provisions for Wise County are as follows:

Employee deposit rate	7.0%
Matching ratio (County to employee)	2.25 to 1
Prior service credit	1.65 to 1
Years required for vesting	8
Service retirement eligibility (expressed as age/years of service)	60/8, 0/20, 75 total age plus service

Note 8 – Defined Benefit Pension Plans (continued)

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the employer-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven actuarially equivalent payment options. Wise County has also opted to provide prior service credit which gives employees monetary credit for time worked for an organization before it joined the System.

Contributions

The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee compensation, as adopted by the employer's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees. Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis.

Employees for the Department were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Department were 10.57% and 10.28% in calendar years 2015 and 2016, respectively. The Department's and employee's contributions to TCDRS for the year ended August 31, 2016 were $41,507 and $29,775, respectively, and were equal to the required contributions.

Additional retirement plan information and details are available in Wise County's annual audit report.

Note 9 - Postemployment Benefits Other Than Pensions

Plan Description:

The Texas Juvenile Justice Department Grant Funds of Jack and Wise Counties, through Wise County, participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by the Texas County and District Retirement System (TCDRS). This plan is referred to as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees. The coverage provided to retired employees is a postemployment benefit other than pension benefits (OPEB). Retired employees are insured for $5,000.

The GTLF is a separate trust administered by TCDRS Board of Trustees. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the GTLF. This report may be obtained by writing to the Texas County and District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 800-823-7782. TCDRS' CAFR is also available at www.tcdrs.org.

Note 9 - Postemployment Benefits Other Than Pensions (continued)

Funding Policy:

Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The Department's contributions to the GTLF for the years ended August 31, 2016, 2015, and 2014 were $1,160, $1,139, and $1,125, respectively, which equaled the contractually required contributions each year.

Additional OPEB plan disclosures for Wise County, as a whole, are available in Wise County's annual audit report.

SUPPLEMENTAL INFORMATION

Texas Juvenile Justice Department Grant Funds
of Jack and Wise Counties, Texas
(A Special Revenue Fund of Wise County, Texas)
Statement of Revenues, Expenditures and
Changes in Fund Balance by Contract - Budget and Actual - Regulatory Basis
For the Fiscal Year Ended August 31, 2016

	Supplemental Information		
	State Aid		
	Grant A-16-249		
	Final Budget	2016 Actual	Variance
Revenues:			
TJJD Funds	$ 436,145	$ 436,145	$ -
Total Revenues	436,145	436,145	-
Expenditures:			
Basic Probation Services	$ 115,000	$ 115,000	-
Community Programs	102,836	102,836	-
Pre Post Adjudications	157,261	157,261	-
Commitment Division	32,994	32,994	-
Mental Health Services	28,054	28,054	-
Total Expenditures	436,145	436,145	-
Excess of Revenues over Expenditures	-	-	-
Fund Balance - Beginning of Year	-	-	-
Fund Balance - End of Year	$ -	$ -	$ -

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

OVERALL COMPLIANCE
AND
INTERNAL CONTROL SECTION

SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Juvenile Probation Board of
Jack and Wise Counties, Texas
Decatur, Texas

We have audited, in accordance with the 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, the financial statements of the Texas Juvenile Justice Department Grant Funds of Jack and Wise Counties, Texas (a Special Revenue Fund of Wise County, Texas) as of and for the year ended August 31, 2016, and the related notes to the financial statements which collectively comprise the Department's financial statements and have issued our report thereon dated February 13, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Texas Juvenile Justice Department Grant Funds of Jack and Wise Counties, Texas' 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 the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 Texas Juvenile Justice Department Grant Funds of Jack and Wise Counties, Texas' (a Special Revenue Fund of Wise County, Texas) 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Texas Juvenile Justice Department Grant Funds
Of Jack and Wise Counties, Texas

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.

Snow Garrett Williams

Snow Garrett Williams
February 13, 2017

Texas Juvenile Justice Department Grant Funds
Of Jack and Wise Counties, Texas
(A Special Revenue Fund of Wise County, Texas)
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended August 31, 2016

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

Texas Juvenile Justice Department Grant Funds
Of Jack and Wise Counties, Texas
(A Special Revenue Fund of Wise County, Texas)
Schedule of Prior Year Findings and Questioned Costs
For the Fiscal Year Ended August 31, 2016

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