

**TEXAS JUVENILE JUSTICE DEPARTMENT
GRANT FUNDS OF JACK AND WISE COUNTIES,
TEXAS
(A SPECIAL REVENUE FUND OF WISE COUNTY, TEXAS)**

ANNUAL AUDIT

AUGUST 31, 2014

**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, 2014**

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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, 2014 and the combined statement of revenues, expenditures and changes in fund balance - budget and actual - regulatory basis for the year ended August 31, 2014 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.

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

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, 2014, 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, 2014, 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 supplementary 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2015, 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 26, 2015

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, 2014**

| <u>Assets</u> | <u>2014</u> |
|---|-------------------|
| Cash and Investments | \$ 422,242 |
| Other Receivables | 58 |
| Total Assets | \$ 422,300 |
| | |
| <u>Liabilities and Fund Balance</u> | |
| Liabilities | |
| Accounts Payable | \$ 2,639 |
| Accrued Wages | 18,286 |
| Total Liabilities | 20,925 |
| Fund Balance | 401,375 |
| Total Liabilities and Fund Balance | \$ 422,300 |

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, 2014**

| | 2014 | | Variance Favorable (Unfavorable) |
|---|-------------------|-------------------|--|
| | Budget | Actual | |
| Revenues: | | | |
| State Aid | \$ 394,361 | \$ 394,361 | \$ - |
| Commitment Reduction Program | 33,638 | 33,638 | - |
| Mental Health | 29,229 | 29,229 | - |
| Jack County | 30,000 | 30,000 | - |
| Wise County | 200,000 | 200,000 | - |
| Sundry Revenues | - | 3 | 3 |
| Interest Income | 270 | 270 | - |
| Total Revenues | <u>687,498</u> | <u>687,501</u> | <u>3</u> |
| Expenditures: | | | |
| Salaries and Fringe Benefits | 488,792 | 488,792 | - |
| Travel | 19,318 | 19,317 | 1 |
| Operating Expenditures | 22,180 | 22,180 | - |
| Inter-County Contracts | 25,164 | 25,164 | - |
| External Contracts | 222,064 | 222,064 | - |
| Total Expenditures | <u>777,518</u> | <u>777,517</u> | <u>1</u> |
| Deficiency of Revenues under Expenditures | (90,020) | (90,016) | 4 |
| Fund Balance - Beginning of Year | 491,391 | 491,391 | - |
| Fund Balance - End of Year | <u>\$ 401,371</u> | <u>\$ 401,375</u> | <u>\$ 4</u> |

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

NOTES TO FINANCIAL STATEMENTS

**Texas Juvenile Justice Department Grant Funds
Of Jack and Wise Counties, Texas
(A Special Revenue Fund of Wise County, Texas)
Notes to Financial Statements
August 31, 2014**

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 purpose of the funding is to provide juvenile probation services as defined in Texas Revised Civil Statutes Annotated, Article 5138d (Vernon's 1971). The funds provide separate accountability, as required under the State Financial Assistance Contract, by TJJD. Juvenile services means services performed under the direction of a juvenile court including protective services, prevention of delinquent conduct and conduct indicating a need for supervision, diversion, informal adjustment, foster care, diagnostic, supervision, counseling, correctional, and educational services if provided by or under the direction of a juvenile probation officer including services provided by juvenile probation departments and related to the operation of juvenile detention facilities.

The funds are used to account for each separate program, matching funds and all related expenditures incurred in several broad categories - salaries and fringe benefits, travel expenses, operating expenses, inter-county contracts and external contracts.

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.

The accounting policies of the Texas Juvenile Justice Department Grant Funds of Jack and Wise Counties, Texas conform with the accounting practices prescribed by TJJD. The following is a summary of the more significant policies:

(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:

**Texas Juvenile Justice Department Grant Funds
Of Jack and Wise Counties, Texas
(A Special Revenue Fund of Wise County, Texas)
Notes to Financial Statements
August 31, 2014**

Note 1 - Summary of Significant Accounting Policies (Continued)

- (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 \$200,000, 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, 2014.

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

TJJD administers along with the Texas Department of Family and Protective Services, the Title IV-E Foster Care 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 received in the year ending August 31, 2014 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 2014.

**Texas Juvenile Justice Department Grant Funds
Of Jack and Wise Counties, Texas
(A Special Revenue Fund of Wise County, Texas)
Notes to Financial Statements
August 31, 2014**

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, 2014 is required and presented below:

| | <u>Local Funding Expended (less construction and capital outlay)</u> |
|------------------|--|
| Fiscal Year 2014 | \$320,289 |
| Fiscal Year 2006 | \$199,576 |

The Department certified the financial match requirements were fulfilled in fiscal year 2014.

Note 6 – State Financial Assistance

The Department did not receive funds for the JJAEP Juvenile Reimbursement Grant for fiscal year 2014. 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, 2014. 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, 2014 for more information.

Note 8 - Retirement Plan

Plan Description

The Juvenile Probation Department through Wise County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 656 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034, or by calling 800-823-7782. TCDRS' CAFR is also available at www.tcdrs.org.

**Texas Juvenile Justice Department Grant Funds
Of Jack and Wise Counties, Texas
(A Special Revenue Fund of Wise County, Texas)
Notes to Financial Statements
August 31, 2014**

Note 8 - Retirement Plan (Continued)

The plan provisions are adopted by the Wise County Commissioners' Court within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the Commissioners' Court within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the County's commitment to contribute.

At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy

The County has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members.

Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 10.40% for the months of the accounting year in 2013 and 10.69% for the months of the accounting year in 2014. The deposit rate payable by the employee members for calendar year 2014 is the rate of 7.00% as adopted by the Commissioners' Court. The employee deposit rate and the employer contribution rate may be changed by the Commissioners' Court within the options available in the TCDRS Act.

Annual Pension Cost

The Juvenile Probation Department employer contributions for the TCDRS plan for its employees in 2014, 2013, and 2012 were, \$40,629, \$37,046, and \$33,965, respectively, which were 100% of the annual pension cost, and total contributions to the plan in fiscal year 2014 were \$67,419.

**Texas Juvenile Justice Department Grant Funds
Of Jack and Wise Counties, Texas
(A Special Revenue Fund of Wise County, Texas)
Notes to Financial Statements
August 31, 2014**

Note 8 - Retirement Plan (Continued)

The required contribution was determined as part of the December 31, 2013 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2013 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 4.9 percent. Both (a) and (b) included an inflation component of 3.0 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2013 was 20 years.

Additional retirement plan disclosures for Wise County, as a whole, 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.

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, 2014, 2013, and 2012 were \$1,125, \$1,048, and \$906, 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, 2014

| | Supplemental Information | | | | | | | | |
|--------------------------------------|---------------------------------------|----------------|--|-----------------|---|----------|-----------------|----------------|----------|
| | State Aid Contract IJJJ-A-2014-249 | | Commitment Reduction Program Contract IJJJ-C-2014-249 | | Mental Health Contract IJJJ-N-2014-249 | | | | |
| | Final Budget | 2014 Actual | Variance | Final Budget | 2014 Actual | Variance | Final Budget | 2014 Actual | Variance |
| Revenues: | | | | | | | | | |
| TJJD Funds | \$ 394,361 | \$ 394,361 | \$ - | \$ 33,638 | \$ 33,638 | \$ - | \$ 29,229 | \$ 29,229 | \$ - |
| Total Revenues | 394,361 | 394,361 | - | 33,638 | 33,638 | - | 29,229 | 29,229 | - |
| Expenditures: | | | | | | | | | |
| Salaries and Fringe Benefits | 210,000 | 210,000 | - | - | - | - | - | - | - |
| Travel | - | - | - | - | - | - | - | - | - |
| Operating Expenditures | - | - | - | - | - | - | - | - | - |
| Inter-County Contracts | 9,005 | 9,005 | - | 16,159 | 16,159 | - | - | - | - |
| External Contracts | 175,356 | 175,356 | - | 17,479 | 17,479 | - | 29,229 | 29,229 | - |
| Total Expenditures | 394,361 | 394,361 | - | 33,638 | 33,638 | - | 29,229 | 29,229 | - |
| Excess of Revenues over Expenditures | - | - | - | - | - | - | - | - | - |
| Fund Balance - Beginning of Year | - | - | - | - | - | - | - | - | - |
| Fund Balance - End of Year | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

**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, 2014, and the related notes to the financial statements which collectively comprise the Department's financial statements and have issued our report thereon dated February 26, 2015.

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 of 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*.

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 26, 2015

**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, 2014**

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, 2014**

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



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

February 26, 2015

To the Juvenile Probation Board of
Jack and Wise Counties, Texas

We have audited the financial statements of the Juvenile Probation Department of Jack and Wise Counties, Texas (a Special Revenue Fund of Wise County, Texas) for the year ended August 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 20, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Juvenile Probation Department of Jack and Wise Counties are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the Department during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, if any. In addition, none of the misstatements detected as a result of audit procedures, if any, and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 26, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Department's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Department's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were engaged to report on supplementary information, which accompanies the financial statements but is not RSI. With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the basis of accounting used for reporting to the Texas Juvenile Justice Department, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,

Snow Garrett Williams

Snow Garrett Williams



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

MANAGEMENT LETTER

February 26, 2015

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

In connection with our audit of 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) for the year ended August 31, 2014, we have made a review of the accounting procedures and internal controls. While the primary objective of such a review is to afford us a basis of determining the scope of our audit procedures, it nevertheless presents us with an opportunity to submit, for management's consideration, suggestions for changes in procedures which, in our opinion, could strengthen internal control or contribute to the improvement of operating efficiency.

The comments in this letter are based upon observations made in the course of such a review. The review was not designed for the purpose of expressing an opinion on internal control, and it would not necessarily disclose all weaknesses in the system. The matters discussed herein were considered during our audit of the above-mentioned financial statements, and they did not modify the opinion expressed in our report on those financial statements. However, we offer for your review, the comments as noted on the following page.

We have discussed the following comments in detail with the appropriate staff of the County to insure understanding of the comments and implementation of recommendations. If you have any questions regarding these or any other matters, please feel free to contact us.

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

Finally, we take this opportunity to thank you and your staff for your courtesy and cooperation during our audit. Thank you for your business.

Sincerely yours,

Snow Garrett Williams

Snow Garrett Williams
Certified Public Accountants

CURRENT YEAR COMMENTS

Quarterly State Reporting

Comment: The Texas Juvenile Justice Department revised its reporting requirements for fiscal year 2014 and included new categories for expenditure reporting. These changes resulted in the Department making amendments in February 2015 to budget and actual amounts reported on the quarterly expenditure reports submitted to the State for the fiscal year ended August 31, 2014.

Recommendation: We suggest that the Juvenile Probation Department of Jack and Wise Counties consider developing and implementing stronger internal controls over financial reporting to ensure that expenditures are recorded and reported timely in the correct categories on quarterly expenditure reports and budgets submitted to the State.

OBJECTIVE OF INTERNAL CONTROL

The objective of internal control is to provide reasonable, but not absolute, assurance that the Department's assets will be safeguarded against loss from unauthorized use or disposition, and that the reliability of financial records for preparing financial statements and maintaining accountability for assets will be preserved. The concept of reasonable assurance recognizes that the cost of a system of internal control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Control procedures whose effectiveness depends upon the segregation of duties can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projections of any evaluation of the internal control over financial reporting to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.