Tulsa County Juvenile Justice Trust Authority

Financial Statements
and
Independent Auditor's Report

June 30, 2013 and 2012

Tulsa County Juvenile Justice Trust Authority

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Stanfield & O'Dell PC
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CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Trustees
Tulsa County Juvenile Justice Trust Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Tulsa County Juvenile Justice Trust Authority (the "Authority"), as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audits 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tulsa County Juvenile Justice Trust Authority as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2013 on our consideration of the Authority's 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 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 the Authority's internal control over financial reporting and compliance.

Stanfield & O'Dell P.C.

Tulsa, Oklahoma
September 4, 2013

Management's Discussion and Analysis

TULSA COUNTY JUVENILE JUSTICE TRUST AUTHORITY (THE "AUTHORITY")
MANAGEMENT DISCUSSION AND ANALYSIS

The discussion and analysis of the Authority's financial performance provides an overview of the Authority's financial activities for the year ended June 30, 2013. Please read this narrative in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

- The Authority's total assets decreased by $157,832 or 14% during the year ended June 30, 2013 from $1,160,657 at June 30, 2012 to $1,002,825 at June 30, 2013. The Authority's Net Position decreased by $188,882 or 17% during the year ended June 30, 2013 from $1,137,317 at June 30, 2012 to $948,435 at June 30, 2013.

- Total operating revenue of the Authority decreased by $16,853 or 5% for the year ended June 30, 2013, from $352,234 for the year ended June 30, 2012 to $335,381 for the year ended June 30, 2013. Total operating revenue of the Authority decreased by $368,101 or 51% for the year ended June 30, 2012, from $720,335 for the year ended June 30, 2011 to $352,234 for the year ended June 30, 2012.

- Total program services of the Authority increased by $136,986 or 52% for the year ended June 30, 2013, from $263,437 for the year ended June 30, 2012 to $400,423 for the year ended June 30, 2013. Total program services for the Authority decreased by $502,705 or 66% for the year ended June 30, 2012, from $766,142 for the year ended June 30, 2011 to $263,437 for the year ended June 30, 2012.

- Total non-operating revenue increased by $307 or 28% for the year ended June 30, 2013, from $1,081 for the year ended June 30, 2012 to $1,388 for the year ended June 30, 2013. Total non-operating revenue decreased by $526 or 33% for the year ended June 30, 2012, from $1,607 for the year ended June 30, 2011 to $1,081 for the year ended June 30, 2012.

USING THIS ANNUAL REPORT

The following summarizes the content of the Authority's financial statements and differs from previous presentations:

- Management Discussion and Analysis
- Financial Statements, including the Statements of Net Position on page 7, the Statements of Revenue, Expenses, and Changes in Net Position on page 8.
  Notes to Financial Statements

The primary focus of the Authority's financial statements is on the Authority as a whole. This perspective allows the user to address relevant questions with a basis for comparison and enhances the Authority's accountability.

ENTITY WIDE FINANCIAL STATEMENTS

The Authority engages in only public service and non-profit type activities. The financial statements are designed such that all types of activities are consolidated to a total for the entire entity. The Authority's major business activities consist of providing programs for children alleged and adjudicated to be deprived, delinquent or in need of supervision.

STATEMENT OF NET POSITION

The following table reflects the condensed Statements of Net Position compared to prior years.

	Year Ended June 30,		
	2013	2012	2011
Current and other Assets	$ 1,002,825	$ 1,160,657	$ 1,257,047
Total Assets	1,002,825	1,160,657	1,257,047
Current Liabilities	54,390	23,340	96,910
Unrestricted Net Position	948,435	1,137,317	1,160,137
Total Liabilities and Net Position	$ 1,002,825	$ 1,160,657	$ 1,257,047

MAJOR FACTORS AFFECTING THE STATEMENTS OF NET POSITION

Cash and cash equivalents decreased by $166,611 for the year ended June 30, 2013. Cash and cash equivalents increased by $41,659 for the year ended June 30, 2012. The net change for cash and cash equivalents is attributed to the withdrawal from the savings account for operations and program funding.

Liabilities increased by $31,050 for the year ended June 30, 2013 and decreased by $73,570 and for the year ended June 30, 2012. The change in liabilities is attributed to timing differences in accounts payable.

CHANGE IN UNRESTRICTED NET POSITION

	Year Ended June 30,		
	2013	2012	2011
Unrestricted Net Position at the beginning of the year	$ 1,137,317	$ 1,160,137	$ 1,322,433
Decrease in Unrestricted Net Position	(188,882)	(23,340)	(162,296)
Unrestricted Net Assets at the end of the year	$ 948,435	$ 1,136,797	$ 1,160,137

While the results of operations are a significant measure of the Authority's activities, the analysis of the change in unrestricted Net Position provides a clearer change in financial well being. The change in Unrestricted Net Position is primarily attributed to program expenses related to continued funding of the Juvenile Bureau Programs without commensurate revenue sources.

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

The following schedule compares the revenues and expenses for the current and previous fiscal year. As stated before, the Authority engages in only business-type activities.

	Year Ended June 30,		
	2013	2012	2011
Support Revenue			
Government Grant	$ 333,753	$ 352,234	$ 718,610
Other	1,628		1,725
	335,381	352,234	720,335
Expenses			
Program Services	400,423	263,437	883,658
Management G&A	125,228	112,698	580
Total Operating Expense	525,651	376,135	884,238
Operating Loss	(190,270)	(23,901)	(163,903)
Non-operating Revenues			
Investment Income	1,388	1,081	1,607
Change in Net Assets	(188,882)	(22,820)	(162,296)
Net Position, beginning of year	1,137,317	1,160,137	1,322,433
Net Position, end of year	$ 948,435	$ 1,137,317	$ 1,160,137

MAJOR FACTORS AFFECTING THE STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

Total revenue decreased by $16,853 and expenses increased by $149,516 for the year ended June 30, 2013. Total revenue decreased by $368,538 and expenses decreased by $508,119 for the year ended June 30, 2012. The decreases in revenue and expenses are primarily attributed to decreased grant funding and program service expenses.

The Title IV-E Program Revenue is predicated on 2 years retrospective expenses of Tulsa County and on the eligibility of individual claims processed during the year. The claims realized a decrease in both of these factors during FY13 that resulted in lower claim amounts being recovered.

The Drug Court Program expense was abated by the Juvenile Bureau for fiscal year 2012. In fiscal year 2013, the Authority again funded the program at a lower cost of $69,821.

Beginning in July, 2012, the Juvenile Bureau ceased providing accounting and administrative services to the Authority. The Authority retained the CFO to provide these services at a cost of $16,000 per year.

CAPITAL ASSETS

As of June 30, 2013, the Authority did not have any capital assets.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- The available grant funds from other government entities.
- The ability of the Authority to qualify certain Juvenile Bureau expenses under the Title IV-E grant.
- Redirection of funding directly to the Juvenile Bureau.
- The ability of the Authority to seek out and obtain other sources of grant funding.

FINANCIAL CONTACT

The individual to contact regarding this report is Bartley R. Verner, 918-604-3389, rayverner@windstream.net, Bartley R. Verner, Chief Financial Officer, Tulsa County Juvenile Justice Trust Authority, 315 S. Gilcrease Museum Road, Tulsa, Oklahoma, 74127.

Statements of Net Position

June 30,

		2013		2012
Assets				
Cash and cash equivalents	$	919,278	$	1,085,889
Grants receivable		82,856		73,782
Accrued interest receivable		115		115
Prepaid expenses and other assets		576		871
Total assets	$	1,002,825	$	1,160,657
Liabilities and Net Position				
Accounts payable	$	54,390	$	23,340
Unrestricted net position		948,435		1,137,317
Total liabilities and net position	$	1,002,825	$	1,160,657

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

Tulsa County Juvenile Justice Trust Authority

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30,

	2013	2012
Operating revenues		
Government grants	$ 333,753	$ 352,234
Other	1,628	-
Net operating revenues	335,381	352,234
Operating expenses		
Program services		
Drug court	69,821	4,340
Juvenile Bureau	6,490	5,750
Phoenix rising	280,853	184,236
Truancy	43,259	69,111
Total program services	400,423	263,437
Management and general	125,228	112,698
Total operating expenses	525,651	376,135
Operating loss	(190,270)	(23,901)
Nonoperating revenues		
Investment income	1,388	1,081
Change in net position	(188,882)	(22,820)
Net position, beginning of year	1,137,317	1,160,137
Net position, end of year	$ 948,435	$ 1,137,317

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

Tulsa County Juvenile Justice Trust Authority

Statements of Cash Flows

Years Ended June 30,

	2013	2012
Operating activities		
Cash received from grant awards	$ 324,679	$ 407,681
Cash received from other sources	1,628	-
Cash payments for goods or services	(494,306)	(450,421)
Net cash used in operating activities	(167,999)	(42,740)
Investing activities		
Sale of investments	-	-
Investment income	1,388	1,081
Net cash provided by investing activities	1,388	1,081
Net decrease in cash and cash equivalents	(166,611)	(41,659)
Unrestricted cash, beginning of year	1,085,889	1,127,548
Unrestricted cash, end of year	$ 919,278	$ 1,085,889
Reconciliation of change in net assets to cash used in operating activities:		
Operating loss	$ (190,270)	$ (23,901)
Adjustments to reconcile operating cost to net cash provided by (used in) operating activities:		
Changes in operating assets and liabilities:		
Prepaid expenses	295	(671)
Accrued interest	-	(45)
Grants receivable	(9,074)	55,447
Accounts payable	31,050	(73,570)
Net cash used in operating activities	$ (167,999)	$ (42,740)

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

Note A – Financial Reporting Entity and Summary of Significant Accounting Policies

The Tulsa County Juvenile Justice Trust Authority (the Authority) is a public trust as defined under Oklahoma Statutes and was formed on September 21, 1998. The Authority exists to provide programs for children alleged and adjudicated to be deprived, delinquent or in need of supervision. These programs secure for each child the care and guidance as will best serve the spiritual, emotional, mental and physical welfare of the child, provide a system for the rehabilitation and reintegration of juvenile delinquents into society, and preserve and strengthen family ties, including improvements of the home environment. The Authority primarily serves children and families in Tulsa County.

1. *Basis of Accounting* – The Authority prepares its financial statements on the accrual basis of accounting. The basic financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

2. *Basis of Presentation* – The Authority has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") Opinions issued on or before November 30, 1989, unless those pronouncements conflict with, or contradict, GASB pronouncements. Certain 2012 expenses have been reclassified to conform to current classifications.

3. *Cash and Cash Equivalents* – All highly liquid debt instruments with original maturities of 90 days or less when purchased are considered to be cash equivalents. Cash balances are maintained at one financial institution.

4. *Grants Receivable* – Grants receivable consists of amounts due from grantors and are uncollateralized. Grants receivable are stated at the amount billed. The carrying amount of Grants receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. Management has determined that no allowance for bad debts is necessary at June 30, 2013 and 2012.

5. *Income Taxes* – The Authority is exempt from federal income taxes under the Internal Revenue Code. Therefore, no provision for income taxes is included in these financial statements.

6. *Operating Revenues and Expenses* – The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses consist of governmental grant revenues and expenses associated with operating and administering programs consistent with the Authority's purpose. All other revenues and expenses are reported as non-operating revenues and expenses.

Note A – Financial Reporting Entity and Summary of Significant Accounting Policies - Continued

7. *Net Position* – Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. As of June 30, 2013 and 2012, there was no restricted Net Position.

8. *Use of Estimates* – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

9. *Subsequent Events* – The Authority has evaluated subsequent events through September 4, 2013, the date which the financial statements were issued.

Note B – Cash and Investments

The Authority's policy is to invest in those securities which are authorized by Tulsa County. Such investments generally consist of obligations of the U.S. government and its agencies and instrumentalities, collateralized or insured certificates of deposit or other bank deposits, and certain other commercial instruments. The primary objectives of the Authority's investment policy are safety, liquidity, yield and administrative costs.

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. Deposit balances of the Authority are categorized to give an indication of the level of custodial risk assumed by the Authority at June 30, 2013 and 2012, as follows:

2013	Category				
Cash	(1)	(2)	(3)	Bank Balance	Book Balance
Cash and bank deposits	$ 98,024	$ -	$ 851,935	$ 949,959	$ 919,278

1 – FDIC insured.
2 – Collateralized with securities held by the pledging financial institution.
3 – Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor government's name.

Note B – Cash and Investments - Continued

2012	Category				
Cash	(1)	(2)	(3)	Bank Balance	Book Balance
Cash and bank deposits	$ 104,902	$ -	$1,000,553	$ 1,105,455	$ 1,085,889

Note C – Concentrations

The Authority receives a substantial amount of its support from one grant agency. During the year ended June 30, 2013, $333,753 or 99 percent of total revenues was from this source. During the year ended June 30, 2012, approximately $352,234 or 100 percent of total revenues came from one of three grant agencies.

A significant reduction in the level of this support, if this were to occur, may have an effect on the Authority's programs and activities. In addition, the Authority's Grant programs are subject to audit by the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of the funds. Management believes that any liability for reimbursement which may arise as the result of audits of Grant funds would not be material.

Note D – Related Party Transactions

Tulsa County (the County) provides services for the Authority that are primarily funded by government grants. The Trust reimbursed the County for all direct and indirect personnel service costs totaling approximately $301,500 and $172,500 for the years ended June 30, 2013 and 2012, respectively.

In 2012, the Juvenile Bureau of the District Court of Tulsa County, Oklahoma (the Bureau) provided services for the Authority related to the Title IV-E Grant. The Authority does not reimburse the Bureau for these services. Approximately 165 hours of administrative time with a value of $8,000 were donated by the Bureau to the Authority for the year ended June 30, 2012.

Reports Required by Governmental Auditing Standards

Independent Auditors' Report
on Internal Control over Financial Reporting
and Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

The Board of Trustees
Tulsa County Juvenile Justice Trust Authority

We have audited, in accordance with 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 Tulsa County Juvenile Justice Trust Authority as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Tulsa County Juvenile Justice Trust Authority's basic financial statements, and have issued our report thereon dated September 4, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tulsa County Juvenile Justice Trust Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tulsa County Juvenile Justice Trust Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Tulsa County Juvenile Justice Trust Authority'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting 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 Tulsa County Juvenile Justice Trust Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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.

Stanfield & O'Dell P.C.

Tulsa, Oklahoma
September 4, 2013