Tulsa County Juvenile Justice Trust Authority

Financial Statements and
Independent Auditor's Report

June 30, 2018 and 2017

Tulsa County Juvenile Justice Trust Authority

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Financial Reporting Section

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, 2018 and 2017, 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 opinion.

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, 2018 and 2017, 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 17, 2018 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 17, 2018

Management 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, 2018. Please read this narrative in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

- The Authority's total assets increased by $82,240 or 6% during the year ending June 30, 2018 from $1,325,929 at June 30, 2017 to $1,408,169 at June 30, 2018. The Authority's net position increased by $101,365 or 8% during the year ending June 30, 2018 from $1,303,446 at June 30, 2017 to $1,404,811 at June 30, 2018. The Authority's total assets increased by $105,411 or 8% during the year ended June 30, 2017 from $1,220,518 at June 30, 2016 to $1,325,929 at June 30, 2017. The Authority's net position increased by $125,865 or 10% during the year ended June 30, 2017 from $1,177,581 at June 30, 2016 to $1,303,446 at June 30, 2017.
- Total operating revenue of the Authority decreased by $13,004 or 3% for the year ended June 30, 2018, from $372,180 for the year ended June 30, 2017 to $359,176 for the year ended June 30, 2018. Total operating revenue of the Authority decreased by $44,357 or 12% for the year ended June 30, 2017, from $416,537 for the year ended June 30, 2016 to $372,180 for the year ended June 30, 2017.
- Total program services of the Authority decreased by $62,276 or 44% for the year ending June 30, 2018 from $141,438 for the year ended June 30, 2017 to $79,162 for the year ended June 30, 2018. Total program services of the Authority decreased by $75,008 or 40% for the year ending June 30, 2017 from $189,446 for the year ended June 30, 2016 to $141,438 for the year ended June 30, 2017.
- Total non-operating revenue increased by $1,179 or 98% for the year ended June 30, 2018 from $1,209 for the year ended June 30, 2017 to $2,388 for the year ending June 30, 2018. Total non-operating revenue increased by $916 or 76% for the year ended June 30, 2017 from $293 for the year ended June 30, 2016 to $1,209 for the year ending June 30, 2017.

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 13 and the Statements of Revenue, Expenses, and Changes in Net Position on page 12.
- 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.

STATEMENTS OF NET POSITION

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

Statements of Net Assets

	Year Ended June 30,		
	2018	2017	2016
Current and other assets	$ 1,408,169	$ 1,325,929	$ 1,220,518
Total assets	$ 1,408,169	$ 1,325,929	$ 1,220,518
Current liabilities	$ 3,358	$ 22,483	$ 42,937
Unrestricted net assets	1,404,811	1,303,446	1,177,581
Total Liabilities and Net Assets	$ 1,408,169	$ 1,325,929	$ 1,220,518

MAJOR FACTORS AFFECTING THE STATEMENTS OF NET POSITION

Cash and cash equivalents increased by $61,717 for the year end June 30, 2018. This is primarily due to a decrease in program expenses. Cash and cash equivalents increased by $129,903 for the year end June 30, 2017. The change is from a decrease in program funding.

Liabilities decreased by $19,125 for the year ended June 30, 2018. The change is attributed to timing differences and vendor invoices in account payable. Liabilities increased by $20,454 for the year ended June 30, 2017. The change is attributed to timing differences and vendor invoices in accounts payable. Liabilities increased by $23,586 for the year ended June 30, 2016. The change in liabilities is attributed to timing differences and vendor invoices in accounts payable.

CHANGE IN NET POSITION

	Year Ended June 30,		
	2018	2017	2016
Net Assets at the, beginning of the year	$ 1,303,446	$ 1,177,581	$ 1,086,247
Increase (Decrease) in Net Assets	101,365	125,865	91,334
Net Assets at the, end of the year	$ 1,404,811	$ 1,303,446	$ 1,177,581

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 attributed to increased program revenue and increased program expenses related to the funding of programs for the Juvenile Bureau.

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

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

	Year Ended June 30,		
	2018	2017	2016
Support Revenue			
Government grant	$ 359,035	$ 372,077	$ 392,782
PCCT revenue	-	-	22,607
Other	2,529	1,312	1,441
Total Support and Revenues	361,564	373,389	416,830
Expenses			
Program services	79,162	141,438	189,446
Support services	181,037	106,086	136,050
Total Expenses	260,199	247,524	325,496
Increase (Decrease) in Net Assets	$ 101,365	$ 125,865	$ 91,334

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

Total revenue decreased by $13,004 and expenses decreased by $12,675 for the year ended June 30, 2018. The decrease in revenue and expenses is due to the reduction in qualified grant participants. Total revenue decreased by $44,357 and expenses decreased by $75,008 for the year ended June 30, 2017. The decrease in revenue and expenses is due to a reduction in qualified grant participants as well as delays in receiving funding and a reduction of funding to agencies outside the Juvenile Bureau. The increases in revenue and expenses are primarily attributed to increased claim recovery funding while program service expenses continued at the same level.

The Title IV-E Program Revenue is predicated on two years retrospective expenses of Tulsa County and on the eligibility of individual claims processed during the year. The claims are realized at a reduced rate due to a decrease of eligible cases.

Program services were $62,276 less in 2018 than in 2017. The Child Protection Coal funded by the Authority in 2017 was not funded in 2018. Program Services were $77,972 more in 2017 than 2016. The Truancy Program funded by the Authority in 2015 and 2016 was not funded in 2017.

CAPITAL ASSETS

As of June 30, 2018, 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 Rosemary Brown, Chief Financial Officer, 918-596-5902, rbrown@tulacounty.org, Tulsa County Juvenile Justice Trust Authority, 315 S. Gilcrease Museum Road, Tulsa, Oklahoma, 74127.

Financial Statements

Tulsa County Juvenile Justice Trust Authority

Statements of Net Position

June 30,

		2018		2017
Assets				
Cash and cash equivalents	$	1,309,831	$	1,248,114
Grants receivable		98,338		77,815
Total assets	$	1,408,169	$	1,325,929
Liabilities and Net Position				
Accounts payable	$	3,358	$	22,483
Net position				
Unrestricted		1,404,811		1,303,446
Total net position		1,404,811		1,303,446
Total liabilities and net position	$	1,408,169	$	1,325,929

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,

	2018	2017
Operating revenues		
Government grants	$ 359,035	$ 372,077
Other	141	103
Net operating revenues	359,176	372,180
Operating expenses		
Program services		
Drug court	1,376	655
Juvenile Bureau	51,549	64,055
Phoenix Rising	23,549	46,478
Child Protection Coalition	2,688	30,250
Total program services	79,162	141,438
Management and general	181,037	106,086
Total operating expenses	260,199	247,524
Operating gain	98,977	124,656
Nonoperating revenues		
Investment income	2,388	1,209
Change in net position	101,365	125,865
Net Position		
Beginning of year	1,303,446	1,177,581
End of year	$ 1,404,811	$ 1,303,446

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,

		2018		2017
Operating activities				
Cash received from grant awards	$	338,512	$	396,569
Cash received from other sources		141		103
Cash payments for goods or services		(279,324)		(267,978)
Net cash provided by operating activities		59,329		128,694
Investing activities				
Investment income		2,388		1,209
Net cash provided by investing activities		2,388		1,209
Net increase in cash and cash equivalents		61,717		129,903
Cash and cash equivalents, beginning of year		1,248,114		1,118,211
Cash and cash equivalents, end of year	$	1,309,831	$	1,248,114
Reconciliation of change in net assets to cash provided by operating activities:				
Operating gain	$	98,977	$	124,656
Adjustments to reconcile operating cost to net cash provided by operating activities:				
Changes in operating assets and liabilities:				
Grants receivable		(20,523)		24,492
Accounts payable		(19,125)		(20,454)
Net cash provided by operating activities	$	59,329	$	128,694

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 that 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.
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, 2018 and 2017.
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.
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.
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 17, 2018, the date which the financial statements were issued.

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

10. *Reclassification* – Certain prior year amounts have been reclassified to conform to current classification

Note B – Cash and Investments

The Authority's policy is to invest in those securities which are authorized by Tulsa County. Such investments may 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.

The Authority's investment at June 30, 2018 and 2017 consisted of treasury obligations.

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 and money market balances of the Authority are categorized to give an indication of the level of custodial risk assumed by the Authority at June 30, 2018 and 2017, as follows:

2018	Category				
Cash	(1)	(2)	(3)	Bank Balance	Book Balance
Cash and bank deposits	$ 250,000	$ -	$ 1,059,831	$ 1,311,243	$ 1,309,831

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 or uninsured or uncollateralized.

2017	Category				
Cash	(1)	(2)	(3)	Bank Balance	Book Balance
Cash and bank deposits	$ 250,000	$ -	$ 998,114	$ 1,253,469	$ 1,248,114

Note C – Concentrations

The Authority receives a substantial amount of its support from one grant agency. During the year ended June 30, 2018, $359,035 or 99 percent of total revenues was from this source. During the year ended June 30, 2017, $372,077 or 94 percent of total revenues came from this one grant agency.

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.

Reports Required by Governmental Auditing Standards

Stanfield + O'Dell
CPAs & ADVISORS

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*

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 the Tulsa County Juvenile Justice Trust Authority (the Authority), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 17, 2018.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a deficiency in internal control, described below, that we consider to be a significant deficiency:

> During the audit we noted account reconciliations including cash, petty cash and equity, were not prepared correctly and didn't tie to the general ledger. We recommend monthly and year-ended procedures be strengthened to ensure all key account balances are reconciled to the general ledger on a timely basis.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 17, 2018