

**Tulsa County Juvenile Justice Trust Authority**

Financial Statements  
and  
Independent Auditor's Report

**June 30, 2014 and 2013**

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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, 2014 and 2013, 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, 2014 and 2013, 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 22, 2014 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.

Tulsa, Oklahoma  
September 22, 2014

*Stanfield & O'Dell P.C.*

**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 increased by \$30,926 or 3% during the year ended June 30, 2014 from \$1,002,825 at June 30, 2013 to \$1,033,751 at June 30, 2014. The Authority’s net position increased by \$49,597 or 5% during the year ended June 30, 2014 from \$948,435 at June 30, 2013 to \$998,032 at June 30, 2014.
- Total operating revenue of the Authority decreased by \$42,406 or 13% for the year ended June 30, 2014, from \$335,381 for the year ended June 30, 2013 to \$292,975 for the year ended June 30, 2014. 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 program services of the Authority decreased by \$275,044 or 69% for the year ended June 30, 2014, from \$400,423 for the year ended June 30, 2013 to \$125,379 for the year ended June 30, 2014. Total program services for 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 non-operating revenue decreased by \$714 or 51% for the year ended June 30, 2014, from \$1,388 for the year ended June 30, 2013 to \$674 for the year ended June 30, 2014. Total non-operating revenue decreased 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.

**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.

### STATEMENTS OF NET POSITION

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

	Year Ended June 30,		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current and other Assets	\$ 1,033,751	\$ 1,002,825	\$ 1,160,657
Total Assets	<u>1,033,751</u>	<u>1,002,825</u>	<u>1,160,657</u>
Current Liabilities	35,719	54,390	23,340
Unrestricted net Assets	998,032	948,435	1,137,317
Total Liabilities and Net Assets	<u>\$ 1,033,751</u>	<u>\$ 1,002,825</u>	<u>\$ 1,160,657</u>

### MAJOR FACTORS AFFECTING THE STATEMENTS OF NET POSITION

Cash and cash equivalents decreased by \$552,750 for the year ended June 30, 2014. Cash and cash equivalents decreased by \$166,611 for the year ended June 30, 2013. The net change for cash and cash equivalents is attributed to the withdrawal from the savings account for operations and program funding as well as a large portion being transferred to investments.

Liabilities decreased by \$18,671 for the year ended June 30, 2014 and increased by \$31,050 for the year ended June 30, 2013. The change in liabilities is attributed to timing differences in accounts payable.

### CHANGE IN UNRESTRICTED NET POSITION

	Year Ended June 30,		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Unrestricted Net Assets at the beginning of the year	\$ 948,435	\$ 1,137,317	\$ 1,160,657
Increase (Decrease) in Unrestricted Net Assets	<u>49,597</u>	<u>(188,882)</u>	<u>(23,340)</u>
Unrestricted Net Assets at the end of the year	<u>\$ 998,032</u>	<u>\$ 948,435</u>	<u>\$ 1,137,317</u>



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 years. As stated before, the Authority engages in only business-type activities.

	Year Ended June 30,		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Support Revenue			
Government Grant	\$ 291,949	\$ 333,753	\$ 352,234
Other	1,026	1,628	-
	<u>292,975</u>	<u>335,381</u>	<u>352,234</u>
Expenses			
Program Services	125,379	400,423	263,437
Management G&A	118,673	125,228	112,698
	<u>244,052</u>	<u>525,651</u>	<u>376,135</u>
Total Operating Expense			
Operating Gain (Loss)	48,923	(190,270)	(23,901)
Non-operating Revenues			
Investment Income	674	1,388	1,081
	<u>49,597</u>	<u>(188,882)</u>	<u>(22,820)</u>
Change in Net Position			
Net Position, beginning of year	948,435	1,137,317	1,160,137
	<u>948,435</u>	<u>1,137,317</u>	<u>1,160,137</u>
Net Position, end of year	\$ 998,032	\$ 948,435	\$ 1,137,317
	<u>\$ 998,032</u>	<u>\$ 948,435</u>	<u>\$ 1,137,317</u>

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

Total revenue decreased by \$42,406 and expenses decreased by \$281,599 for the year ended June 30, 2014. Total revenue decreased by \$16,853 and expenses decreased by \$149,516 for the year ended June 30, 2013. 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, on the qualifying expenditures of the Juvenile Bureau, and on the eligibility of individual cases processed during the year. The expenditures and cases decreased in FY14, and that resulted in lower claim amounts being recovered.

The Drug Court Program expense was abated by the Juvenile Bureau for fiscal year 2013. In fiscal year 2014, the Authority again funded the program at a lower cost of \$4,439.

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, 2014, 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, 918-607-3389, [rayverner@windstream.net](mailto:rayverner@windstream.net), Bartley R. Verner, Chief Financial Officer, 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,

	2014	2013
<b>Assets</b>		
Cash and cash equivalents	\$ 366,528	\$ 919,278
Investments	600,480	-
Grants receivable	62,153	82,856
Expense advances	4,590	691
<b>Total assets</b>	<b>\$ 1,033,751</b>	<b>\$ 1,002,825</b>
<b>Liabilities and Net Position</b>		
Accounts payable	\$ 35,719	\$ 54,390
Unrestricted net position	998,032	948,435
<b>Total liabilities and net position</b>	<b>\$ 1,033,751</b>	<b>\$ 1,002,825</b>

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,

	2014	2013
<b>Operating revenues</b>		
Government grants	\$ 291,949	\$ 333,753
Other	1,026	1,628
Net operating revenues	<u>292,975</u>	<u>335,381</u>
<b>Operating expenses</b>		
Program services		
Drug court	4,439	69,821
Juvenile Bureau	34,646	6,490
Phoenix rising	10,891	280,853
Truancy	75,403	43,259
Total program services	<u>125,379</u>	<u>400,423</u>
Management and general	118,673	125,228
Total operating expenses	<u>244,052</u>	<u>525,651</u>
<b>Operating gain (loss)</b>	48,923	(190,270)
<b>Nonoperating revenues</b>		
Investment income	674	1,388
<b>Change in net position</b>	49,597	(188,882)
<b>Net position, beginning of year</b>	<u>948,435</u>	<u>1,137,317</u>
<b>Net position, end of year</b>	<u>\$ 998,032</u>	<u>\$ 948,435</u>

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,

	2014	2013
<b>Operating activities</b>		
Cash received from grant awards	\$ 312,652	\$ 324,679
Cash received from other sources	1,026	1,628
Cash payments for goods or services	(266,622)	(494,306)
Net cash provided by (used in) operating activities	47,056	(167,999)
<b>Investing activities</b>		
Purchase of investments	(600,480)	-
Investment income	674	1,388
Net cash provided by (used in) investing activities	(599,806)	1,388
<b>Net decrease in cash and cash equivalents</b>	(552,750)	(166,611)
<b>Unrestricted cash, beginning of year</b>	919,278	1,085,889
<b>Unrestricted cash, end of year</b>	\$ 366,528	\$ 919,278
<b>Reconciliation of change in net assets to cash provided by (used in) operating activities:</b>		
Operating gain (loss)	\$ 48,923	\$ (190,270)
Adjustments to reconcile operating cost to net cash provided by (used in) operating activities:		
Changes in operating assets and liabilities:		
Prepaid expenses	-	295
Accrued interest	(3,899)	-
Grants receivable	20,703	(9,074)
Accounts payable	(18,671)	31,050
Net cash provided by (used in) operating activities	\$ 47,056	\$ (167,999)

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

## Notes to Financial Statements

June 30, 2014 and 2013

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### 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.
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, 2014 and 2013.
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.

**Notes to Financial Statements**

June 30, 2014 and 2013

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**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, 2014 and 2013, 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 22, 2014, 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, 2014 and 2013, as follows:

<u>2014</u>	<u>Category</u>			Bank	Book
Cash	( 1 )	( 2 )	( 3 )	Balance	Balance
Cash and bank deposits	\$ 98,024	\$ -	\$ 227,237	\$ 325,261	\$ 967,008

- 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.



Tulsa County Juvenile Justice Trust Authority

**Notes to Financial Statements**

June 30, 2014 and 2013

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**Note B – Cash and Investments - Continued**

<u>2013</u>	<u>Category</u>			Bank	Book
Cash	( 1 )	( 2 )	( 3 )	Balance	Balance
Cash and bank deposits	\$ 104,902	\$ -	\$ 851,935	\$ 956,837	\$ 919,278

**Note C – Concentrations**

The Authority receives a substantial amount of its support from one grant agency. During the year ended June 30, 2014, \$276,949 or 95 percent of total revenues was from this source. During the year ended June 30, 2013, \$333,753 or 99 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.

**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 \$373,000 and \$301,500 for the years ended June 30, 2014 and 2013, respectively.

## **Reports Required by Governmental Auditing Standards**



**Independent Auditor's 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, 2014, 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 22, 2014.

**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.

Tulsa, Oklahoma  
September 22, 2013

*Stanfield & O'Sell P.C.*