

# Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

**Lake Jackson Office:**  
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Lake Jackson, Texas 77566

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201 W. Webb  
El Campo, Texas 77437

**Houston Office:**  
10850 Richmond Ave., Suite 135  
Houston, Texas 77042

The Honorable County Judge  
and County Commissioners and Juvenile Board Members  
Johnson County, Texas

We have audited the combined financial statements – regulatory basis (Combined Balance Sheet, Combined Statement of Revenues, Expenditures and Changes in Fund Balance, and Combined Statement of Revenues, Expenditures and Changes in Fund Balance by Contract – Budget and Actual) of Johnson County’s Texas Juvenile Justice Department Grant Funds as of and 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 letter to you dated May 9, 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 Johnson County’s Texas Juvenile Probation Grant Funds 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 the year ended August 31, 2014. We noted no transactions entered into by the governmental unit 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.

### *Difficulties Encountered in Performing the Audit*

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

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The Honorable County Judge  
and County Commissioners and Juvenile Board  
Johnson County, Texas  
Page 2

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures 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, professional standards define a disagreement with management as 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 27, 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 governmental unit'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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the County Judge, Members of Commissioners Court, Juvenile Board Members and management of the County and is not intended to be and should not be used by anyone other than these specified parties.

*Kenneimer, Masters & Rungford, LLC*

February 27, 2015  
Lake Jackson, Texas

407 297 4075

**JOHNSON COUNTY  
TEXAS JUVENILE  
JUSTICE DEPARTMENT AUDIT**  
Cleburne, Texas

For The Year Ended  
August 31, 2014

**KENNEMER, MASTERS & LUNSFORD, LLC**  
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**JOHNSON COUNTY  
TEXAS JUVENILE JUSTICE DEPARTMENT AUDIT  
Cleburne, Texas**

*For The Year Ended August 31, 2014*

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# Kennemer, Masters & Lunsford

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## Independent Auditor's Report

Johnson County Members of the Board  
Johnson County, Texas

We have audited the accompanying financial statements of the Texas Juvenile Justice Department Grant Funds of Johnson County Juvenile Probation Department, which comprise the balance sheet - regulatory basis, statement of revenues, expenditures and changes in fund balance - regulatory basis, and 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 misstatements, 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 misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the revenue earned and expenditures incurred compared to budgeted revenues and expenditures of the County'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 the 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 financial statement presents the results of operations of the Department's Texas Juvenile Justice Department Grant Funds only and is not intended to present fairly the results of operations of Johnson County in conformity with accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated February 27, 2015 on our consideration of the Johnson County Juvenile Probation Department's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts, 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 Johnson County's internal control over financial reporting and compliance.

**Restriction on Use**

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

*Kennemer, Masters & Rungford, LLC*

February 27, 2015  
Lake Jackson, Texas



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## Independent Auditor's Report

Report on Internal Control Over Financial Reporting and Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
*Governmental Auditing Standards*

Johnson County Members of the Board  
Johnson County, Texas

We have audited, in accordance with the 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 Texas Juvenile Justice Department Grant Funds of Johnson County Juvenile Probation Department, and have issued our report thereon dated February 27, 2015.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Johnson County Juvenile Probation Department'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Johnson County Juvenile Probation Department's internal control. Accordingly, we do not express an opinion on the effectiveness of Johnson Country Juvenile Probation Department's internal control.

A *deficiency in internal controls* 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.

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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 Johnson County Juvenile Probation Department's 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 *Governmental 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.

*Kerremers, Masters & Hunsford, LLC*

February 27, 2015  
Lake Jackson, Texas

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**JOHNSON COUNTY, TEXAS**  
**TEXAS JUVENILE JUSTICE DEPARTMENT GRANT FUNDS**  
**COMBINED BALANCE SHEET - REGULATORY BASIS**  
**August 31, 2014**

	<u>TJJD</u> <u>A-2014-12</u>	<u>TJJD</u> <u>C-2014-126</u>	<u>TJJD</u> <u>N-2014-126</u>	<u>Combined</u> <u>Total</u>
<b><u>Assets</u></b>				
Cash and temporary investments	\$ 61,842	\$	\$	\$ 61,842
Prepaid expenditures	<u>52</u>	<u></u>	<u></u>	<u>52</u>
Total assets	<u>\$ 61,894</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 61,894</u>
 <b><u>Liabilities and Fund Balance</u></b>				
<b>Liabilities:</b>				
Accounts payable and accrued interest	\$ 31,753	\$	\$	\$ 31,753
Accrued salaries and benefits	29,717	<u></u>	<u></u>	29,717
Due to others	<u>424</u>	<u></u>	<u></u>	<u>424</u>
Total liabilities	61,894	-0-	-0-	61,894
<b>Fund Balance:</b>				
Total fund balance	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total liabilities and fund balance	<u>\$ 61,894</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 61,894</u>

See notes to the combined financial statements.

**JOHNSON COUNTY, TEXAS**  
**TEXAS JUVENILE JUSTICE DEPARTMENT GRANT FUNDS**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - REGULATORY BASIS**  
For the Year Ended August 31, 2014

	<u>TJJD</u> <u>A-2014-126</u>	<u>TJJD</u> <u>C-2014-126</u>	<u>TJJD</u> <u>N-2014-126</u>	<u>Combined</u> <u>Total</u>
<b>Revenues:</b>				
Texas Juvenile Probation Grant	\$ 663,169	\$ 71,856	\$ 89,770	\$ 824,795
<b>Total revenues</b>	<u>663,169</u>	<u>71,856</u>	<u>89,770</u>	<u>824,795</u>
<b>Expenditures:</b>				
Salaries and fringe benefits	567,772			567,772
Operating expenses	12,205			12,205
External contracts	<u>83,192</u>	<u>71,856</u>	<u>89,770</u>	<u>244,818</u>
<b>Total expenditures</b>	<u>663,169</u>	<u>71,856</u>	<u>89,770</u>	<u>824,795</u>
Excess of revenues over (under) expenditures	-0-	-0-	-0-	-0-
<b>Other Financing Sources (Uses):</b>				
Transfers out	( 424)			( 424)
<b>Fund Balance:</b>				
Beginning of year	<u>424</u>			<u>424</u>
End of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
<b>Additional Information:</b>				
<u>Refunds paid to Commission subsequent to 8/31/14:</u>				
01/30/2015	\$ 2,852			

See notes to the combined financial statements.

**JOHNSON COUNTY, TEXAS**

*TEXAS JUVENILE JUSTICE DEPARTMENT GRANT FUNDS*

*COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BY CONTRACT - BUDGET AND ACTUAL - REGULATORY BASIS*

For the Year Ended August 31, 2014

	TJJD A-2014-126		
	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Texas Juvenile Justice Department Grant Funds	\$ 663,169	\$ 663,169	\$ -0-
Total revenues	<u>663,169</u>	<u>663,169</u>	<u>-0-</u>
<b>Expenditures:</b>			
Salaries and fringe benefits	\$ 594,877	\$ 567,772	\$ 27,105
Operating expenses	7,360	12,205	( 4,845)
External contracts	<u>60,932</u>	<u>83,192</u>	<u>( 22,260)</u>
Total expenditures	<u>663,169</u>	<u>663,169</u>	<u>-0-</u>
Excess of revenues over (under) expenditures	-0-	-0-	-0-
<b>Fund Balance:</b>			
Beginning of year			<u>-0-</u>
End of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See notes to the combined financial statements.

TJJD C-2014-126			TJJD N-2014-126		
Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
\$ 71,856	\$ 71,856	\$ -0-	\$ 89,770	\$ 89,770	\$ -0-
<u>71,856</u>	<u>71,856</u>	<u>-0-</u>	<u>89,770</u>	<u>89,770</u>	<u>-0-</u>
\$	\$	\$ -0-	\$	\$	\$ -0-
<u>71,856</u>	<u>71,856</u>	<u>-0-</u>	<u>89,770</u>	<u>89,770</u>	<u>-0-</u>
<u>71,856</u>	<u>71,856</u>	<u>-0-</u>	<u>89,770</u>	<u>89,770</u>	<u>-0-</u>
-0-	-0-	-0-	-0-	-0-	-0-
		-0-			-0-
<u><u>-0-</u></u>	<u><u>-0-</u></u>	<u><u>-0-</u></u>	<u><u>-0-</u></u>	<u><u>-0-</u></u>	<u><u>-0-</u></u>

**JOHNSON COUNTY, TEXAS**

**TEXAS JUVENILE JUSTICE DEPARTMENT GRANT FUNDS**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BY CONTRACT - BUDGET AND ACTUAL - REGULATORY BASIS**

For the Year Ended August 31, 2014

	Combined Total		
	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Texas Juvenile Justice Department Grant Funds	\$ 824,795	\$ 824,795	\$ -0-
Total revenues	<u>824,795</u>	<u>824,795</u>	<u>-0-</u>
Expenditures:			
Salaries and fringe benefits	\$ 594,877	\$ 567,772	\$ 27,105
Operating expenses	7,360	12,205	( 4,845)
External contracts	<u>222,558</u>	<u>244,818</u>	<u>( 22,260)</u>
Total expenditures	<u>824,795</u>	<u>824,795</u>	<u>-0-</u>
Excess of revenues over (under) expenditures	-0-	-0-	-0-
Fund Balance:			
Beginning of year			-0-
End of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See notes to the combined financial statements.



**JOHNSON COUNTY, TEXAS**  
**TEXAS JUVENILE JUSTICE DEPARTMENT (TJJD)**  
*Notes to TJJD Combined Financial Statements*  
For The Year Ended August 31, 2014

NOTE 1 - Summary of Significant Accounting Policies

A. Entity - The Texas Juvenile Justice Department Grant Funds of Johnson County, Texas (the "Funds") were established to account for juvenile probation services funded by the Texas Juvenile Justice Department in Johnson County, Texas.

The Funds provide separate accountability as required under the State Financial Assistance Contract, by the Texas Juvenile Justice Department. The Funds are used to account for each separate program, matching funds and all related expenditures incurred.

B. Basis of Accounting - The financial statements were prepared in conformity with the accounting practices prescribed by the TJJD, which prescribe 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:

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

NOTE 2 - Reconciliation of Interest Earned

Idle funds were maintained in an interest bearing account. The reconciliation of interest earned on funds received from TJJD is as follows:

Interest:	Interest Earned TJJD Funds F/Y 2014
	<u>                    </u>
Beginning balance, September 1, 2013	\$ 424
Interest earned on funds received for the period of 9/01/13 - 8/31/14	<u>244</u>
Total interest at August 31, 2014	<u>668</u>
Minus interest expenditures F/Y 2014	<u>668</u>
Ending balance, August 31, 2014	<u>\$ -0-</u>

**JOHNSON COUNTY, TEXAS**  
**TEXAS JUVENILE JUSTICE DEPARTMENT (TJJD)**  
*Notes to TJJD Combined Financial Statements*  
For The Year Ended August 31, 2014

NOTE 3 - Operating Cost For a Secure Juvenile Facility Operated by Johnson County

The Johnson County Juvenile Probation Department does not operate a secure juvenile facility.

NOTE 4 - 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>	
FY 2014	\$	990,494
FY 2006	\$	767,069

The juvenile probation department certified the financial match requirements were fulfilled for the year ending August 31, 2014.

NOTE 5 - State Financial Assistance

The Texas Juvenile Justice Department provided Johnson County the following funds for the JJAEP Juvenile Reimbursement Grant Funds. A confirmation of revenue received in the year ending August 31, 2014 is required and presented below.

<u>Contract Number</u>	<u>Amount Received (Cash Basis) August 31, 2014</u>	
P-14-126	\$	112,002
P-13-126		4,266

**JOHNSON COUNTY, TEXAS**  
**TEXAS JUVENILE JUSTICE DEPARTMENT (TJJD)**  
*Schedule of Findings and Questioned Costs*  
For The Year Ended August 31, 2014

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

**JOHNSON COUNTY, TEXAS**  
**TEXAS JUVENILE JUSTICE DEPARTMENT (TJJD)**  
*Schedule of Prior Findings and Questioned Costs*  
For The Year Ended August 31, 2014

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