

**TEXAS JUVENILE PROBATION
COMMISSION**

ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
AUGUST 31, 2013**

(UNAUDITED)

**Mike Griffiths
EXECUTIVE DIRECTOR**



TEXAS
JUVENILE JUSTICE
DEPARTMENT

November 20, 2013

Honorable Rick Perry, Governor
Honorable Susan Combs, Texas Comptroller
Ursula Parks, Director, Legislative Budget Board
John Keel, CPA, State Auditor

Ladies and Gentlemen:

We are pleased to submit the Annual Financial Report of the Texas Juvenile Probation Commission for the period ended August 31, 2013, in compliance with Texas Government Code Annotated, Section 2101.011, and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the statewide requirements embedded in **Governmental Accounting Standards Board (GASB) 34**, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the state auditor as part of the audit of the State of Texas *Comprehensive Annual Financial Report (CAFR)*; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Dorothy Roberts, Director of Fiscal Affairs and Budget at (512) 490-7652.

Sincerely,

Mike Griffiths
Executive Director

TABLE OF CONTENTS

Letter of Transmittal

General Purpose Financial Statements – Exhibits

	Page
I Combined Balance Sheet/Statement of Net Assets – Governmental Funds	1
II Combined Statement of Revenues, Expenditures and Changes in Fund Balances/ Statement of Activities – Governmental Funds.....	2

Notes to the Financial Statements

1 Summary of Significant Accounting Policies	3
2 Capital Assets	7
3 Deposits, Investments and Repurchase Agreements.....	7
4 Short-Term Debt.....	7
5 Long-Term Liabilities	7
6 Bond Indebtedness.....	8
7 Derivatives.....	8
8 Leases	8
9 Pension Plans.....	8
10 Deferred Compensation	8
11 Post-employment Health Care and Life Insurance Benefits	8
12 Interfund Activity and Transactions	9
13 Continuance Subject to Review.....	9
14 Adjustments to Fund Balances and Net Assets.....	10
15 Contingencies and Commitments	10
16 Subsequent Events	10
17 Risk Management.....	10
18 Management Discussion and Analysis (MD&A)	10
19 The Financial Reporting Entity.....	10
20 Stewardship, Compliance and Accountability.....	10
21 Not Applicable to AFR.....	10
22 Donor Restricted Endowments	11
23 Extraordinary and Special Items.....	11
24 Disaggregation of Receivable and Payable Balances	11
25 Termination Benefits.....	11
26 Segment Information	11

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Texas Juvenile Probation Commission
Exhibit I - Combined Balance Sheet/Statement of Net Position - Governmental Funds
August 31, 2013

	<u>Governmental Fund Types</u>				<u>Long-Term Liabilities Adjustments</u>	<u>Other Adjustments</u>	<u>Statement of Net Position</u>
	<u>General Funds</u>	<u>Capital Assets Adjustments</u>					
ASSETS							
Current Assets:							
Cash and Cash Equivalents (Note 3)							
Cash on Hand	\$	\$	\$	\$		\$	
Cash in Bank							
Cash in State Treasury							
Legislative Appropriations							
Total Assets	\$	-	\$	-	\$	-	\$
LIABILITIES							
Current Liabilities:							
Employees' Compensable Leave (Note 5)							
Other Current Liabilities							
Non-Current Liabilities							
Interfund Payable							
Employees' Compensable Leave (Note 5)							
Other Non-Current Liabilities							
Total Liabilities							
Fund Financial Statement							
Fund Balances (Deficits):							
Nonspendable							
Restricted							
Committed							
Assigned							
Unassigned							
Total Fund Balances		-					-
Total Liabilities, Deferred Inflows and Fund Balances	\$	-					
Government-Wide Statement of Net Position							
Net Position							
Invested in Capital Assets, Net of Related Debt							
Restricted For							
Debt Retirement							
Capital Projects							
Funds Held as Permanent Investments:							
Expendable							
Nonexpendable							
Other							
Unrestricted							
Total Net Position	\$	-	\$	-	\$	-	\$

The accompanying notes to the financial statements are an integral part of this statement.

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Texas Juvenile Probation Commission
Exhibit II - Combined Statement of Revenues, Expenditures and Changes in Fund
Balances/Statement of Activities - Governmental Funds
For the Fiscal Year Ended August 31, 2013

	General Funds	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Activities
REVENUES*					
Legislative Appropriations					
Original Appropriations (GR)	\$ 0	-	-	-	-
Unexpended Balance Forward	(543,987.63)				(543,987.63)
Total Revenues	(543,987.63)	-	-	-	(543,987.63)
EXPENDITURES					
Salaries and Wages					-
Payroll Related Costs			491,548.64		491,548.64
Professional Fees and Services					-
Travel	(391.00)				(391.00)
Materials and Supplies	3,119.12				3,119.12
Other Expenditures	2,396.73				2,396.73
Total Expenditures/Expenses	5,124.85	-	491,548.64	-	496,673.49
Excess (Deficiency) of Revenues over ..	(549,112.48)	-	(491,548.64)	-	(1,040,661.12)
OTHER FINANCING SOURCES (USES)					
Transfer Out	(283,237.97)				(283,237.97)
Legislative Transfer In					-
Legislative Transfer Out	(283,375.02)				(283,375.02)
Gain (Loss) on Sale of Capital Assets					-
Inc (Dec) in Net Position Due to Interagency Transfer					-
Total Other Financing Sources (Uses)	(566,612.99)	-	-	-	(566,612.99)
Net Change in Fund Balances/Net Position	(1,115,725.47)				(1,607,274.11)
Fund Financial Statement - Fund Balances					
Fund Balances, September 1, 2012	1,261,467.54				1,261,467.54
Restatements					-
Fund Balances, September 1, 2012, as Restated	1,261,467.54				1,261,467.54
Appropriations Lapsed	(145,742.07)				(145,742.07)
Fund Balances, August 31, 2013	\$ 0				(491,548.64)
Government-Wide Statement of Net Position					
Net Position/Net Change in Net Position		-	(491,548.64)	-	(491,548.64)
Net Position, September 1, 2012			491,548.64		491,548.64
Restatements					-
Net Position, September 1, 2012, as Restated			491,548.64	-	491,548.64
Net Position, August 31, 2013			-	-	-

The accompanying notes to the financial statements are an integral part of this statement.

Texas Juvenile Probation Commission

NOTE 1: Summary of Significant Accounting Policies

Entity

The Texas Juvenile Probation Commission (TJPC) was an agency of the State of Texas and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for State Agencies.

Senate Bill 653, 82nd Leg., amended the Human Resources Code to abolish the Texas Youth Commission (TYC) and the Texas Juvenile Probation Commission (TJPC) and to transfer the duties of those agencies to the Texas Juvenile Justice Board and the Texas Juvenile Justice Department, as created by the bill. The bill made the abolishment and transfer of duties effective December 1, 2011.

Due to the statewide requirements embedded in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

Blended Component Units

No component units have been identified which should have been blended into an appropriate fund.

Fund Structure

The accompanying financial statements are presented on the basis of funds, each of which is considered a separate accounting entity.

Governmental Fund Types and Government-wide Adjustment Fund Types

General Revenue Fund

The General Fund is the principal operating fund used to account for most of the state's general activities. It accounts for all financial resources except those accounted for in the other funds.

Capital Projects Fund

Capital Project funds are used to account for financial resources used for the acquisition, repair, renovation or construction of major capital facilities (other than those financed by proprietary or other similar trust funds).

Capital Asset Adjustment Fund Type

Capital Asset Adjustment fund type will be used to convert governmental fund types' capital assets from modified accrual to full accrual.

Long-Term Liabilities Adjustment Fund Type

Long-Term Liabilities Adjustment fund type will be used to convert governmental fund types' debt from modified accrual to full accrual.

Texas Juvenile Probation Commission

Summary of Significant Accounting Policies (continued)

Fiduciary Fund Types

Agency Funds

Agency funds are used to account for assets the government holds on behalf of others in a purely custodial capacity. Agency funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Basis of Accounting

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Governmental fund types that build the fund financial statements are accounted for using the modified accrual basis of accounting. Under the modified accrual method, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year end. The State of Texas considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year for Fund Financial Statements prepared on the modified basis of accrual. Expenditures and other uses of financial resources are recognized when the related liability is incurred.

Governmental adjustment fund types that will build the government-wide financial statements are accounted for using the full accrual method of accounting. This includes capital assets, accumulated depreciation, unpaid Employee Compensable leave, the unmatured debt service (principal and interest) on general long-term liabilities, long-term capital leases, and long-term claims and judgments. The activity will be recognized in these fund types.

Proprietary funds, pension trust funds, external investment trust funds and private-purpose trust funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Proprietary funds distinguish operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary funds principal ongoing operations. Operating expenses for the enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

Budget and Budgetary Accounting

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act).

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

Texas Juvenile Probation Commission

Summary of Significant Accounting Policies (continued)

Assets, Liabilities, and Fund Balances/Net Assets

Assets

Cash and Cash Equivalents

Short-term highly liquid investments with an original maturity date of three months or less are considered cash equivalents.

Inventories and Prepaid Items

Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost, generally utilizing the last-in, first-out method. The consumption method of accounting is used to account for inventories and prepaid items that appear in the governmental and proprietary fund types. The cost of these items is expensed when the items are consumed.

Capital Assets

Assets with an initial, individual cost of more than \$ 5,000 and an estimated useful life in excess of one year should be capitalized. These assets are capitalized at cost or, if any purchased, at appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all "exhaustible" assets. "Inexhaustible" assets such as works of art and historical treasures are not depreciated. Road and highway infrastructure is reported on the modified basis. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

All capital assets acquired by proprietary funds or trust funds are reported at cost or estimated historical cost, if actual historical cost is not available. Donated assets are reported at fair value on the acquisition date. Depreciation is charged to operations over the estimated useful life of each asset, using the straight-line method.

Liabilities

Accounts Payable

Accounts Payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

Employees' Compensable Leave Balances

Employees' Compensable Leave Balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the statement of net assets.

Fund Balances/Net Assets

The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary and fiduciary fund statements, and the "Fund Balance" is the difference between fund assets and liabilities on the governmental fund statements.

Fund Balance Components

Fund balances for governmental funds are classified as nonspendable, restricted, committed, assigned or unassigned in the fund financial statements.

Texas Juvenile Probation Commission

Summary of Significant Accounting Policies (continued)

Nonspendable fund balance includes amounts not available to be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

Restricted fund balance includes those resources that have constraints placed on their use through external parties or by law through constitutional provisions.

Committed fund balance can be used only for specific purposes pursuant to constraints imposed by a formal action of the Texas Legislature, the state's highest level of decision making authority.

Assigned fund balance includes amounts constrained by the state's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (1) the Texas Legislature or (2) a body (for example, a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that was not assigned to other funds and was not restricted, committed or assigned to specific purposes within the general fund.

Invested in Capital Assets, Net of Related Debt

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted Net Assets

Restricted net assets result when constraints placed on net assets are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets

Unrestricted net assets consist of net assets, which do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources, which are imposed by management, but can be removed or modified.

Interfund Activities and Balances

TJPC has the following type of transactions between funds and/or agencies:

- 1) Legally required transfers that are reported when incurred as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.
- 2) Reimbursements: Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.

The composition of TJPC's interfund activities and balances are presented in Note 12.

Texas Juvenile Probation Commission

NOTE 2: Capital Assets

All capital assets have been transferred to agency 644 Texas Juvenile Justice Department and will appear on the Annual Financial Report as of 08/31/2013.

NOTE 3: Deposits, Investments, and Repurchase Agreements

TJPC had no deposits, investments, or repurchase agreements during the year ending 08/31/2013.

NOTE 4: Short-Term Debt

Not applicable.

NOTE 5: Long-Term Liabilities

Changes in Long-Term Liabilities

During the year ended August 31, 2013, the employees' compensable leave for TJPC was transferred out to agency 644 Texas Juvenile Justice Department.

Governmental Activities	Balance 09/01/2012	Additions	Reductions	Balance 08/31/2013	Amounts Due Within One Year	Amounts Due thereafter
Employees' Compensable Leave	\$ 491,548.64	\$ -	\$ 491,548.64	\$ -	\$ -	\$ -
Total Governmental Activities	\$ 491,548.64	\$ -	\$ 491,548.64	\$ -	\$ -	\$ -

Employees' Compensable Leave

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Assets. An expense and liability for proprietary fund types are recorded in the proprietary funds as benefits accrue to the employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Texas Juvenile Probation Commission

NOTE 6: Bonded Indebtedness

Not applicable.

NOTE 7: Derivatives

Not applicable.

NOTE 8: Leases

Not applicable.

NOTE 9: Pension Plans (administering entities only)

Not applicable.

NOTE 10: Deferred Compensation (administering agencies only)

Not applicable.

**NOTE 11: Post Employment Health Care and Life Insurance Benefits
(administering agencies only)**

Not applicable.

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Texas Juvenile Probation Commission

NOTE 12: Interfund Activity and Transactions

As explained in Note 1 on Interfund Activities and Balances, there are numerous transactions between agencies. At year-end amounts to be received or paid are reported as:

Due From Other Agencies or Due To Other Agencies
Transfers In or Transfers Out

TJPC transferred funds out to agency 644 Texas Juvenile Justice Department as part of the consolidation of agencies.

Individual balances and activity at August 31, 2013, follows:

	Legislative Transfer In	Legislative Transfer Out
General Revenue Fund		
Agency 644, Fund 0001 - TJJD	\$	\$ 212,502.91
Agency 902, Fund 0001 - CPA		70,735.06
Total Legislative Transfers In/Out (Exh II)	\$	\$ 283,237.97

	Transfers In	Transfers Out	Source
General Revenue Fund			
Agency 644, Fund 0001 - TJJD	\$	\$ 283,375.02	S.B. 653 transfer
Total Transfers In/Out (Exh II)	\$	\$ 283,375.02	

NOTE 13: Continuance Subject to Review

Senate Bill 653, 82nd Leg., amended the Human Resources Code to abolish the Texas Youth Commission (TYC) and the Texas Juvenile Probation Commission (TJPC) and to transfer the duties of those agencies to the Texas Juvenile Justice Board and the Texas Juvenile Justice Department, as created by the bill. The bill made the abolishment and transfer of duties effective December 1, 2011. The bill continued the board and the department until September 1, 2017, and specified that the goal of the department is, among other priorities, to support a county-based continuum of effective interventions, supports, and services that reduce the need for commitment to state facilities. The bill established an advisory council on juvenile services to assist the department in specified areas.

Texas Juvenile Probation Commission

NOTE 14: Adjustments to Fund Balances/Net Assets

Not applicable.

NOTE 15: Contingencies and Commitments.

Not applicable.

NOTE 16: Subsequent Events

Not applicable.

NOTE 17: Risk Management

Not applicable.

NOTE 18: Management Discussion and Analysis (MD&A)

Not applicable.

NOTE 19: The Financial Reporting Entity

Not applicable

NOTE 20: Stewardship, Compliance and Accountability

Not applicable.

Texas Juvenile Probation Commission

NOTE 21: Not Applicable to the AFR

Not applicable.

NOTE 22: Donor-Restricted Endowments

Not applicable.

NOTE 23: Extraordinary Items and Special Items

Not applicable.

NOTE 24: Disaggregation of Receivable and Payable Balances

Not applicable.

NOTE 25: Termination Benefits

Not applicable

NOTE 26: Segment Information

Not applicable.