

**SHASTA COUNTY
NEW JUVENILE REHABILITATIVE
FACILITY PROJECT
CSA AGREEMENT NO. J11-09/11**

AUDIT REPORT

**FOR THE PERIOD APRIL 23, 2012
THROUGH NOVEMBER 24, 2013**

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SHASTA COUNTY NEW JUVENILE REHABILITATIVE FACILITY PROJECT

**SB 81 Local Youthful Offender Rehabilitative Facilities Construction Financing Program
CSA Agreement No. J11-09/11**

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
County of Shasta
Redding, California

We have audited the accompanying statement of project revenues and expenditures (statement) of the County of Shasta (County) in accordance with the SB 81 Local Youthful Offender Rehabilitative Facilities Construction Financing Program Agreement No. J11-09/11 for the period April 23, 2012 through November 24, 2013. This statement is the responsibility of the County's management. Our responsibility is to express an opinion on the statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement was prepared for the purpose of complying with the audit requirements of the SB 81 Local Youthful Offender Rehabilitative Facilities Construction Financing Program Agreement No. J11-09/11 as described in Note 1 and is not intended to be a complete presentation of the County's revenues and expenditures.

In our opinion, the statement referred to above presents fairly, in all material respects, the project revenues and expenditures of the County in accordance with the SB 81 Local Youthful Offender Rehabilitative Facilities Construction Financing Program Agreement No. J11-09/11 for the period April 23, 2012 through November 24, 2013 in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2014 on our consideration of the County's internal controls, and a report dated February 25, 2014 on the compliance with applicable laws, regulations and grant agreement requirements.

Our audit was conducted for the purpose of forming an opinion on the statement taken as a whole. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the statement. Such information has been subjected to the auditing procedures applied in the audit of the statement and, in our opinion, is fairly stated in all material respects in relation to the statement taken as a whole.

This report is intended solely for the information and use of the management of the County and the State of California's Board of State and Community Corrections. However, this report is a matter of public record and its distribution is not limited.

Roseville, California,
February 25, 2014

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SHASTA COUNTY NEW JUVENILE REHABILITATIVE FACILITY PROJECT

SB 81 Local Youthful Offender Rehabilitative Facilities Construction Financing Program
CSA Agreement No. J11-09/11

Statement of Project Revenues and Expenditures
For the Period April 23, 2012 through November 24, 2013

Revenues	
State Grant reimbursements	\$ 15,050,000
County cash match	1,975,000
County in-kind match	819,398
Interest	37,577
Capital contributions - County	622,000
Capital contributions - Other	193,800
Total Revenues	<u>18,697,775</u>
Expenditures	
Construction	15,050,000
Architectural	1,400,000
Construction Management	575,000
Audit	8,000
Site Acquisition	731,000
Needs Assessment	31,998
Transition Planning	48,400
Total Expenditures	<u>17,844,398</u>
Excess of Revenues Over Expenditures	<u><u>\$ 853,377</u></u>

The accompanying notes are an integral part of this statement.

SHASTA COUNTY NEW JUVENILE REHABILITATIVE FACILITY PROJECT

SB 81 Local Youthful Offender Rehabilitative Facilities Construction Financing Program
CSA Agreement No. J11-09/11

Notes to Statement of Project Revenues and Expenditures
For the Period April 23, 2012 through November 24, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the County's Reporting Structure

The County of Shasta is a political subdivision of the State of California. The County is governed by an elected, five-member Board of Supervisors.

The financial statements in this report are intended to present the results of operations of only the Shasta County New Juvenile Rehabilitative Facility Project. They are not intended to present the changes in financial position of the County of Shasta taken as a whole.

Description of the New Juvenile Rehabilitative Facility Project

This project will result in the replacement of the existing, antiquated 56-bed juvenile hall located in Redding with a new 90-bed juvenile detention facility and related ancillary space. Of the approximately \$18 million in project costs, the State's share is \$15,050,000. Construction began in April 2012 and was completed in November 2013.

On August 24, 2007, the Local Youthful Offender Rehabilitative Facility Construction Funding Program became law (as authorized by certain provisions of Senate Bill 81, Chapter 175, Statutes of 2007). The purpose of this financing program is to support the rehabilitation of youthful offenders at the local level. As such, pursuant to the legislative intent of SB 81, rehabilitation must be a core component of the operational philosophy of the facility subject to construction, expansion or renovation. In order to receive state financing for a local youthful offender rehabilitative facility project, each participating county was required to provide a portion of the project costs in matching funds.

Basis of Financial Statement Presentation

The Statement of Project Revenues and Expenditures and accompanying schedules for the project are prepared on the method of accounting prescribed under Article 3 of Chapter 1.5 of Division 2.5 of the Welfare and Institutions Code and the corresponding regulations set forth in Title 15, Division 1, Chapter 1, Subchapter 7 of the California Code of Regulations (collectively, the "SB 81 Local Youthful Offender Rehabilitative Facility Construction Financing Program"), and the most recent Audit Guide available and are not intended to present fairly the financial position or changes in financial position of the County of Shasta in accordance with accounting principles generally accepted in the United States of America.

Basis of Accounting

The accompanying statement and schedules have been prepared in accordance with the basis of accounting prescribed by the Board of State and Community Corrections (BSCC), using original project budgets and subsequent modifications, if any, approved by the BSCC along with the Financial Invoice-Construction Program (Forms CSA 201A and CSA Form 201B).

SHASTA COUNTY NEW JUVENILE REHABILITATIVE FACILITY PROJECT

SB 81 Local Youthful Offender Rehabilitative Facilities Construction Financing Program
CSA Agreement No. J11-09/11

Notes to Statement of Project Revenues and Expenditures
For the Period April 23, 2012 through November 24, 2013

NOTE 2: MATCHING FUND REQUIREMENTS

According to the terms and provisions of the agreement with the Board of State and Community Corrections, the County is required to use Total Eligible Costs when determining the amount required for the Cash (hard) Match credit and the In-Kind (soft) Match credit. The County of Shasta is required to provide a Cash (hard) Match as described in Article 6(C) in the amount of \$1,975,000 and an In-Kind (soft) Match of \$819,398 as described in Article 6(C). The County of Shasta has complied with the terms and provisions of the contract regarding hard matching funds. The County funded the matching requirements.

NOTE 3: INTEREST EARNED

The County earned interest on these funds in the amount of \$37,577.

NOTE 4: CAPITAL CONTRIBUTIONS

County of Shasta:

Capital contributions revenue of \$622,000 from the County of Shasta in accordance with the BSCC agreement for other project costs funded by the county not included in the contract.

Other:

Other capital contributions revenue of \$193,800 from the City of Redding in accordance with the Thermal Energy Storage Letter of Agreement between the City of Redding and the County of Shasta.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE

Board of Supervisors
County of Shasta
Redding, California

We have audited the Statement of Project Revenues and Expenditures (statement) of the County of Shasta (County) in accordance with the SB 81 Local Youthful Offender Rehabilitative Facilities Construction Financing Program Agreement No. J11-09/11 for the period April 23, 2012 through November 24, 2013, and have issued our report thereon dated February 25, 2014.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the statement is free of material misstatement.

Management of the County is responsible for establishing and maintaining internal controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in internal controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the controls to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the County's statement in accordance with the SB 81 Local Youthful Offender Rehabilitative Facilities Construction Financing Program Agreement No. J11-09/11 for the period April 23, 2012 through November 24, 2013, we obtained an understanding of the County's internal controls. This understanding included the design of relevant policies and procedures, and whether they have been placed in operation; furthermore, we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal controls. Accordingly, we do not express such an opinion.

Our consideration of the internal controls would not necessarily disclose all matters that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal controls and its operation that we consider to be material weaknesses.

Board of Supervisors
County of Shasta

This report is intended for the information of the County's management and the California Board of State and Community Corrections. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Gallina LLP". The signature is written in black ink and is positioned above the typed name and date.

Roseville, California
February 25, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS,
REGULATIONS AND AGREEMENT REQUIREMENTS**

Board of Supervisors
County of Shasta
Redding, California

We have audited the Statement of Project Revenues and Expenditures (statement) of the County of Shasta (County) in accordance with the SB 81 Local Youthful Offender Rehabilitative Facilities Construction Financing Program Agreement No. J11-09/11 for the period April 23, 2012 through November 24, 2013, and have issued our report thereon dated February 25, 2014.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement.

Compliance with laws, regulations, agreements, and grants applicable to the County is the responsibility of the County's management. As part of obtaining reasonable assurance as to whether the financial statement is free of material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, and grant agreement requirements. However, the objective of our audit of the statement was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, the county complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the County had not complied, in all material respects, with those provisions.

Roseville, California
February 25, 2014

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SUPPLEMENTAL SCHEDULES

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SHASTA COUNTY NEW JUVENILE REHABILITATIVE FACILITY PROJECT

SB 81 Local Youthful Offender Rehabilitative Facilities Construction Financing Program
CSA Agreement No. J11-09/11

Schedule of Agreement to Actual Costs (Budget to Actual)
For the Period April 23, 2012 through November 24, 2013

<u>Budget Line Item</u>	<u>Budget</u>	<u>Expenditures</u>	<u>(Over)/Under</u>
Construction	\$ 15,050,000	\$ 15,050,000	\$ --
Architectural	1,400,000	1,400,000	--
Construction Management	575,000	575,000	--
Audit	20,000	8,000	12,000
Site Acquisition	731,000	731,000	--
Needs Assessment	65,000	31,998	33,002
Transition Planning	67,000	48,400	18,600
Total	<u>\$ 17,908,000</u>	<u>\$ 17,844,398</u>	<u>\$ 63,602</u>

The accompanying notes are an integral part of this statement.

SHASTA COUNTY NEW JUVENILE REHABILITATIVE FACILITY PROJECT

SB 81 Local Youthful Offender Rehabilitative Facilities Construction Financing Program
CSA Agreement No. J11-09/11

Schedule of Eligible Project Costs
For the Period April 23, 2012 through November 24, 2013

Budget Line Item	State Costs Claimed	Cash Match	In-Kind Match	Other Costs	Total
Construction	\$ 15,050,000	\$ --	\$ --	\$ --	\$ 15,050,000
Architectural	--	1,400,000	--	--	1,400,000
Construction Management	--	575,000	--	--	575,000
Audit	--	--	8,000	--	8,000
Site Acquisition	--	--	731,000	--	731,000
Needs Assessment	--	--	31,998	--	31,998
Transition Planning	--	--	48,400	--	48,400
Total	\$ 15,050,000	\$ 1,975,000	\$ 819,398	\$ --	\$ 17,844,398

The accompanying notes are an integral part of this statement.

SHASTA COUNTY NEW JUVENILE REHABILITATIVE FACILITY PROJECT

SB 81 Local Youthful Offender Rehabilitative Facilities Construction Financing Program
CSA Agreement No. J11-09/11

Schedule of Recommended Disallowed Costs (State Funds)
For the Period April 23, 2012 through November 24, 2013

<u>Budget Line Item</u>	<u>Total Costs Claimed</u>	<u>Costs Accepted</u>	<u>Recommended Disallowances</u>
Construction	\$ 15,050,000	\$ 15,050,000	\$ --
Architectural	1,400,000	1,400,000	--
Construction Management	575,000	575,000	--
Audit	8,000	8,000	--
Site Acquisition	731,000	731,000	--
Needs Assessment	31,998	31,998	--
Transition Planning	48,400	48,400	--
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 17,844,398</u>	<u>\$ 17,844,398</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.