



July 29, 2008

Ms. Susan Hildreth, State Librarian
California State Library
P.O. Box 942837
Sacramento, CA 94237-0001

Dear Ms. Hildreth:

Final Audit Report—City of Orange, Main Library Expansion Grant Agreement 1041

Enclosed is the final report on our audit of the City of Orange, Main Library Expansion Construction grant agreement 1041. The Department of Finance, Office of State Audits and Evaluations, performed this audit of the California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2000 (Proposition 14) funds in response to the Governor's directive. The audit included a review of receipts, expenditures, internal control, and compliance with certain agreement provisions.

The City complied with the fiscal requirements of the agreement, and its revenue and expenditures were fairly stated. Because there were no audit findings or issues requiring a response, we are issuing the report as final.

We appreciate the City's assistance and cooperation with our audit. If you have any questions regarding this report, please contact Mary Kelly, Manager, at (916) 322-2985.

Sincerely,

Original signed by:

David Botelho, CPA
Chief, Office of State Audits and Evaluations

Enclosure

cc: Ms. Nora Jacob, Library Services Director, City of Orange
Mr. Richard Jacobs, Finance Director, City of Orange
Mr. Curtis Purnell, Bond Act Fiscal Officer, California State Library

A FINAL GRANT AUDIT

City of Orange Main Library Expansion Proposition 14 Bond Program Agreement 1041



Prepared By:
Office of State Audits and Evaluations
Department of Finance

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July 2008

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The Department of Finance, Office of State Audits and Evaluations, performed this audit of the California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2000 (Proposition 14) funds in response to the Governor's directive, and under an interagency agreement with the California State Library, Bond Administration Office.

We audited grant agreement 1041 awarded to the City of Orange (City) for construction of the Main Library Expansion. The grant was funded from Proposition 14 and covered the period April 29, 2003 to December 1, 2007. We previously issued an interim audit report for the period April 29, 2003 to December 31, 2003. The final report consolidates the results from the interim audit and includes subsequent transactions through August 29, 2007.

The objective of this audit was to determine the City's fiscal compliance with this specific grant. We did not assess the efficiency or effectiveness of program operations, or the quality of the completed project. The responsibility for financial reporting and compliance rests with the City.

This report is intended for the information and use of state and City management. However, this report is a matter of public record and its distribution is not limited.

STAFF:

Mary Kelly, CPA, CGFM
Manager

Derk Symons
Randy McClendon



INDEPENDENT AUDITOR'S REPORT

Ms. Susan Hildreth, State Librarian
California State Library
P.O. Box 942837
Sacramento, CA 94237-0001

We have audited the accompanying City of Orange (City) *Statement of Revenue and Expenditures* (Statement) for grant agreement 1041 for the period April 29, 2003 to December 1, 2007, as executed between the City and the California State Library. This Statement was prepared from the City's records and is the responsibility of its management. Our responsibility is to express an opinion on the Statement based on our audit.

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

The accompanying Statement was prepared, as described in Note 4, for the purpose of determining the City's fiscal compliance with the grant agreement. The Statement is not intended to be a presentation of the City's total revenue and expenditures.

In our opinion, the *Statement of Revenue and Expenditures* presents fairly, in all material respects, the claimed and audited revenue and expenditures for the agreement number and period specified in paragraph one, in conformity with accounting principles generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Statement is free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of 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, as described in the Finding and Recommendation section of this report that is required to be reported under *Generally Accepted Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

This report is intended solely for the information and use of California State Library, Bond Administration Office and City management, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Original signed by:

David Botelho, CPA
Chief, Office of State Audits and Evaluations

July 28, 2008

STATEMENT OF REVENUE AND EXPENDITURES

**City of Orange
Main Library
Grant Agreement 1041
For the Period April 29, 2003 to December 1, 2007**

	(State Share) <u>Claimed</u>	<u>Audited</u>	<u>Questioned</u>
Revenue:			
Proposition 14 Funds	\$9,127,700	\$9,127,700	\$ 0
Expenditures:			
Appraised Value of Land	622,908	622,908	0
Construction	5,844,804	5,844,804	0
Relocation and Land Acquisition Expenses	1,489,819	1,489,819	0
Consulting and Professional Fees	1,170,169	1,170,169	0
Local Project Administration Costs Expenses	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>9,127,700</u>	<u>9,127,700</u>	<u>0</u>
Excess of Revenue over Expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of this statement.

NOTES TO THE STATEMENT OF REVENUE AND EXPENDITURES

**City of Orange
Main Library
Grant Agreement 1041
For the Period April 29, 2003 to December 1, 2007**

NOTE 1 Description of the Reporting Entity

The City of Orange (City) was incorporated as a charter city in 1888 under the general laws of the State of California. The City operates under a Council-Manager form of government and provides the following services: public safety, public works, community development and redevelopment, parks and library, health and sanitation, and general administrative services.

NOTE 2 Program Information

In March 2000, California voters approved the California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act (Proposition 14), which authorized the State of California to sell \$350 million in general obligation bonds to support public library construction and renovation. The California State Library, Office of Library Construction (OLC), administered these programs, making grants to local government entities.

In 2006, the OLC was reorganized as the Bond Administration Office (BAO), which now administers the program. The BAO authorizes the disbursement of bond proceeds to local agencies via grants and these agencies expend the funds on approved projects. Program requirements are codified in Title 5 and Title 24 of the California Code of Regulations.

NOTE 3 Description of Grant Agreement

The OLC awarded the City a \$9,127,700 Proposition 14 grant for the period April 29, 2003 to December 1, 2007 which provided funding for the Main Library Expansion. The expansion project added 28,000 square feet to the existing 17,000 square foot library for a total of 45,000 square feet in the completed facility. The approved project budget was \$14,042,616, of which 65 percent, or \$9,127,700, was eligible for reimbursement under the program. The City expended all of the \$9,127,700 available state funds.

The project has been completed and the Library was opened to the public in April 2007.

NOTE 4 Summary of Significant Accounting Policies

A. Basis of Presentation

The Statement was prepared from the City's accounts and financial transactions. The Statement summarizes the state-funded portion of the City's recorded project revenue and expenditures for the final audit period April 29, 2003 to December 1, 2007. The Statement summarizes the City's transactions pertaining to grant agreement 1041 only, and is not intended to represent all of its financial activities.

B. Basis of Accounting

The City's governmental funds and accounts are maintained on a modified accrual basis and in accordance with the principles of fund accounting. Under the modified accrual basis, revenues are recorded as they become measurable and available, and expenditures are recorded at the time the liabilities are incurred.

NOTE 5 Matching Fund Requirements

Grant Agreement 1041 required the City to provide matching funds equal to 35 percent of eligible project expenditures, or approximately \$4.9 million. The City met the required match.