DEPARTMENT OF FINANCE

ARNOLD SCHWARZENEGGER, GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

March 23, 2007

Ms. Jane Chisaki, Library Director
City of Alameda
1550 Oak Street
Alameda, CA 94501

Dear Ms. Chisaki:

Final Audit Report—City of Alameda, Library Construction Grant Agreement 1008

Enclosed is the final report on our audit of the City of Alameda's (City) Library Construction grant agreement 1008. 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 Richard R. Sierra, Manager, or Dennis Mehl, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by Richard R. Sierra for Diana L. Ducay:

Diana L. Ducay, Chief
Office of State Audits and Evaluations

Enclosure

cc: Ms. Debra Kurita, City Manager, City of Alameda
Ms. Juelle-Ann Boyer, Chief Financial Officer, City of Alameda
Mr. Robert G. Haun, Project Manager, Alameda Free Library Project, City of Alameda
Ms. Susan Hildreth, State Librarian, California State Library
Mr. Curtis Purnell, Bond Act Fiscal Officer, California State Library, Bond Administration Office

A Final Grant Audit

City of Alameda
Alameda Free Library
Proposition 14 Bond Program
Grant Agreement 1008
For the Period March 31, 2003
to December 31, 2006

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

076120064DIR

January 2007

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PREFACE

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 1008 awarded to the City of Alameda (City) for construction of the Alameda Free Library. The grant was funded from Proposition 14 and covered the period March 31, 2003 to December 31, 2006. We previously issued an interim audit report for the period March 31, 2003 to May 3, 2004. The final report consolidates the results from the interim audit and includes subsequent transactions through December 31, 2006.

The objective of this audit was to determine the City's fiscal compliance with the aforementioned 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:

Richard R. Sierra, CPA
Manager

Dennis Mehl
Supervisor

Veronica Green
Wendy Griffe

DEPARTMENT OF FINANCE
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INDEPENDENT AUDITOR'S REPORT

Ms. Jane Chisaki, Library Director
City of Alameda
1550 Oak Street
Alameda, CA 94501

We have audited the accompanying City of Alameda's (City) *Statement of Revenue and Expenditures* (Statement) for grant agreement 1008 for the period March 31, 2003 to December 31, 2006, 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 aforementioned 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 that are 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the Statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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 control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of state 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:

Richard R. Sierra, CPA
Audit Manager
Office of State Audits and Evaluations

January 24, 2007

STATEMENT OF REVENUE AND EXPENDITURES

City of Alameda
Alameda Free Library
Grant Agreement 1008
For the Period March 31, 2003 to December 31, 2006

	(State Share) Claimed	Audited	Questioned
Revenue:			
Proposition 14 Funds [1]	$15,487,952	$15,487,952	$ 0
Expenditures:			
Appraised Value of Land	510,250	510,250	0
Construction	11,521,400	11,521,400	0
Equipment and Other Costs	983,720	983,720	0
Consulting and Professional Fees	2,353,910	2,353,910	0
Local Project Administration Costs	118,672	118,672	0
Total Expenditures	15,487,952	15,487,952	0
Excess of Revenue over Expenditures	$ 0	$ 0	$ 0

[1] Amount includes final payment of $1,548,795 due from the California State Library

The accompanying notes are an integral part of this statement.

City of Alameda
Alameda Free Library
Grant Agreement 1008
For the Period March 31, 2003 to December 31, 2006

NOTE 1 Description of the Reporting Entity

The City of Alameda (City) was incorporated in 1854 and occupies Alameda Island on the San Francisco Bay. The City operates under the Council-Manager form of government and provides the following services: police and fire, highways and streets, sanitation, development services, public improvements, planning and zoning, and general administrative services. The City is governed by a five-member City Council. The City Manager, appointed by the Council, serves as the chief executive officer and is responsible for the operation and management of all City departments. The City's Library Director is the coordinator for this library construction project.

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 this program during the application review and approval phases, and awarded 46 projects totaling $334 million.

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 $15,487,952 Proposition 14 grant for the period March 31, 2003 to December 31, 2006. This grant provides funding for the City's new Alameda Free Library. The 47,470 square foot library is a joint venture facility, serving both city residents and Alameda School District students. The approved project budget was $23.8 million, of which 65 percent, or approximately $15.5 million, was eligible for reimbursement under the program.

The project has been completed and the Library was opened to the public in November 2006.

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 March 31, 2003 to December 31, 2006. The Statement summarizes the City's transactions pertaining to grant agreement 1008 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 1008 required the City to provide matching funds equal to 35 percent of eligible project expenditures, or approximately $8.3 million. The City met the required match.