



April 22, 2009

Ms. Stacey Aldrich, Acting State Librarian  
California State Library  
900 N Street, Suite 300  
Sacramento, CA 95814

Dear Ms. Aldrich:

**Final Report—City of National City Library Construction Grant Audit**

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its audit of the City of National City's (City) Library Construction grant agreement 1028 for period January 18, 2002 through December 31, 2008.

The enclosed report is for your information and use. Because there were no audit findings or issues requiring a response, we are issuing the report as final. In accordance with Finance's policy of increased transparency, the final report will be placed on our website.

We appreciate the assistance and cooperation of the City. If you have any questions regarding this report, please contact Kimberly Tarvin, Manager, or Zachary Stacy, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

David Botelho, Chief  
Office of State Audits and Evaluations

Enclosure

cc: Mr. Curtis Purnell, Bond Act Fiscal Officer, Office of Library Construction, California State Library  
Mr. Chris Zapata, City Manager, City of National City  
Ms. Jeanette Ladrido, Finance Director, City of National City  
Ms. Maryam Babaki, Director of Engineering, City of National City  
Mr. Din Daneshfar, Principal Engineer, City of National City  
Ms. Minh Duong, City Librarian, City of National City  
Ms. Tess Limfueco, Financial Services Officer, City of National City

# A GRANT AUDIT

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City of National City  
National City Public Library  
Proposition 14 Bond Program  
Grant Agreement 1028  
For the Period January 18, 2002  
to December 31, 2008



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

096120036DDR

March 2009

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**MEMBERS OF THE AUDIT TEAM**

Kimberly Tarvin, CPA  
Manager

Zachary Stacy  
Supervisor

Staff  
Patty Roth

Final reports are available on our website at <http://www.dof.ca.gov>

You can contact our office at:

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Office of State Audits and Evaluations  
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Sacramento, CA 95814  
(916) 322-2985

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## INDEPENDENT AUDITOR'S REPORT

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Ms. Stacey Aldrich, Acting State Librarian  
California State Library  
900 N Street, Suite 300  
Sacramento, CA 95814

We have audited the accompanying City of National City's (City) *Statement of Revenue and Expenditures* (Statement) for grant agreement 1028 for the period January 18, 2002 to December 31, 2008, 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 *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 *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 Statement 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 Statement 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of California State Library 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

March 22, 2009

# STATEMENT OF REVENUE AND EXPENDITURES

**City of National City  
National City Public Library  
Grant Agreement 1028  
For the Period January 18, 2002 to December 31, 2008**

	<b>(State Share) <u>Claimed</u></b>	<b><u>Audited</u></b>	<b><u>Questioned</u></b>
<b>Revenue:</b>			
Proposition 14 Funds <sup>(1)</sup>	\$ 11,112,814	\$ 11,112,814	\$ 0
<b>Expenditures:</b>			
New Construction	\$6,797,659	\$6,797,659	0
Appraised Value of Land	700,798	700,798	0
Site Development	1,197,456	1,197,456	0
Site Demolition	81,731	81,731	0
Site Permits and Fees	48,394	48,394	0
Furnishings and Equipment Costs	963,713	963,713	0
Signage	23,728	23,728	0
Architectural and Engineering Fees	884,663	884,663	0
Construction Cost Estimator Fees	31,154	31,154	0
Interior Designer Fees	49,970	49,970	0
Geotechnical/Geohazard Reports	6,566	6,566	0
Energy Audit, Structural Engineering, Feasibility and ADA Studies	38,834	38,834	0
Library Consultant Fees	31,175	31,175	0
Construction/Project Management	<u>256,973</u>	<u>256,973</u>	<u>0</u>
Total Expenditures	<u>\$11,112,814</u>	<u>\$11,112,814</u>	<u>0</u>
 <b>Excess of Revenue over Expenditures</b>	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 0</u>

<sup>(1)</sup> Amount includes final payments of \$1,124,309 due from the California State Library.

The accompanying notes are an integral part of this statement.

# NOTES TO THE STATEMENT OF REVENUE AND EXPENDITURES

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**City of National City  
National City Public Library  
Grant Agreement 1028  
For the Period January 18, 2002 to December 31, 2008**

**NOTE 1      Description of the Reporting Entity**

The City of National City (City) is located in San Diego County. The City was incorporated as a general law city on September 17, 1887 and operates under the council-manager form of government with an elected five member City Council, City Treasurer, and City Clerk. The City Council appoints a City Manager who oversees City operations. The City Manager also oversees various boards and commissions, including the Library Board of Trustees, and is responsible 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 45 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 Award 1028**

The OLC awarded the City a Proposition 14 grant in the amount of \$11,112,814. The amount was 65 percent of the budgeted \$17,096,637 to fund the construction of the National City Public Library. The project replaced the former National City Public Library, which was approximately 22,000 square feet and built in 1954, with a new 49,000 square foot facility. The grant agreement includes expenditures from January 18, 2002 to December 31, 2008. The project has been completed and the Library was opened to the public in August 2005.

**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 audit period January 18, 2002 to December 31, 2008. The Statement summarizes the City's transactions pertaining to grant agreement 1028 only, and is not intended to represent all of its financial activities.

B. Basis of Accounting

The City's accounts are maintained on a modified accrual basis. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures in the current period. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

**NOTE 5      Matching Fund Requirements**

Grant agreement 1028 requires the City to provide matching funds equal to 35 percent of eligible project expenditures. The City met the required match of approximately \$6 million.