



November 2, 2007

Ms. Genie Roberts, Finance Director  
City of Temecula  
43200 Business Park Drive  
Temecula, CA 92589

Dear Ms. Roberts:

**Final Audit Report—City of Temecula, Library Construction Grant Agreement 2052**

Enclosed is the final report on our audit of the City of Temecula's (City) Library Construction grant agreement 2052. The Department of Finance, Office of State Audits and Evaluations (Finance), 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 revenue, expenditures, internal control, and compliance with certain agreement provisions.

The City complied with the fiscal requirements of its agreement, and its revenue and expenditures were fairly stated. Since 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 the Finance website.

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

Sincerely,

*Original signed by:*

Janet I. Rosman, Assistant Chief  
Office of State Audits and Evaluations

Enclosure

cc: Ms. Phyllis Ruse, Deputy Director of Community Services, City of Temecula  
Mr. Jason Simpson, Assistant Finance Director, Finance Department, City of Temecula  
Mr. Curtis Purnell, Bond Act Fiscal Officer, Bond Administration Office, California State  
Library

A GRANT AUDIT

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City of Temecula  
Temecula Public Library  
Proposition 14 Bond Program  
Grant Agreement 2052  
For the Period January 14, 2004  
through March 31, 2007

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

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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 (BAO).

We audited grant agreement 2052 awarded to the City of Temecula (City) for construction of the Temecula Public Library. The \$8,552,414 grant was funded from Proposition 14 and covers the period January 14, 2004 to March 31, 2007.

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 completed projects. 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:**

Frances Parmelee, CPA  
Manager

Jennifer Whitaker  
Supervisor

Amy Dieng  
Nasira Quettawala



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## INDEPENDENT AUDITOR'S REPORT

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Ms. Genie Roberts, Finance Director  
Temecula Public Library  
43200 Business Park Drive  
Temecula, CA 92589

We have audited the accompanying City of Temecula's (City) *Statement of Revenue and Expenditures* (Statement) for grant agreement 2052 for the period January 14, 2004 through March 31, 2007, as executed between the City and the California State Library, Bond Administrative Office. 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 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 an 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 a 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 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 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:*

Janet I. Rosman, CPA  
Assistant Chief, Office of State Audits and Evaluations

October 12, 2007

# STATEMENT OF REVENUE AND EXPENDITURES

**City of Temecula  
Temecula Public Library  
Grant Agreement 2052  
For the Period January 14, 2004 through March 31, 2007**

	(State Share) <u>Claimed</u>	<u>Audited</u>	<u>Questioned</u>
<b>Revenue:</b>			
Proposition 14 Funds <sup>1</sup>	\$ 8,552,414	\$ 8,552,414	\$ 0
<b>Expenditures:</b>			
Appraised Value of Land	373,750	373,750	0
New Construction	7,642,578	7,642,578	0
Furnishings and Equipment	<u>536,086</u>	<u>536,086</u>	<u>0</u>
Total Expenditures	<u>8,552,414</u>	<u>8,552,414</u>	<u>0</u>
<b>Excess of Revenue over Expenditures</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of this statement.

<sup>1</sup> Amount includes final payment of \$855,241 due from the California State Library.

# NOTES TO THE STATEMENT OF REVENUE AND EXPENDITURES

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## City of Temecula Temecula Public Library Grant Agreement 2052

### **NOTE 1 Description of the Reporting Entity**

The City Council of Temecula is made up of five non-partisan board members and is elected at large by the citizens of Temecula. The Council members make all policy decisions and adopt laws for the City of Temecula (City). The City Council appoints the City Manager who serves as the Chief Administrative Officer of the organization. The Deputy Director of Community Services is the coordinator for this 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 Agreement**

The OLC awarded the City a \$8,552,414 Proposition 14 grant for the period January 14, 2004 to December 31, 2007. This grant provides funding for the City's new 34,000 square feet public library. The BAO approved project costs totaling \$13.1 million, of which 65 percent, or approximately \$8.5 million, was eligible for reimbursement under the program.

The project has been completed and the library was opened to the public in December 2006.

**NOTE 4 Summary of Significant Accounting Policies**

A. Basis of Presentation

The Statement was prepared from the City's accounts and related financial transactions. The Statement summarizes the state-funded portion of the City's recorded project revenue and expenditures for the audit period January 14, 2004 through March 31, 2007. Although the grant term is through December 31, 2007, the last payment request was submitted March 31, 2007. The Statement summarizes the City's transactions pertaining to grant agreement 2052 only, and is not intended to represent all of its financial activities.

B. Basis of Accounting

The City's accounts are maintained under a modified accrual basis of accounting 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**

The grant agreement required the City to provide matching funds equal to 35 percent of eligible project expenditures, or approximately \$4.6 million. The City met the required match.