

**DIXON PUBLIC LIBRARY DISTRICT  
COUNTY OF SOLANO  
DIXON, CALIFORNIA**

**AUDIT REPORT**

**JUNE 30, 2011**

**DIXON PUBLIC LIBRARY DISTRICT**

**JUNE 30, 2011**

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DIXON PUBLIC LIBRARY DISTRICT

JUNE 30, 2011

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## FINANCIAL SECTION

**STEPHEN ROATCH ACCOUNTANCY CORPORATION**  
*Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Dixon Public Library District  
Dixon, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Dixon Public Library District, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Dixon Public Library District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Dixon Public Library District, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2013 on our consideration of the Dixon Public Library District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8, the budgetary comparison information on pages 27 and 28, and the schedule of funding progress on page 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Board of Trustees  
Dixon Public Library District  
Page Two

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

March 7, 2013

**DIXON PUBLIC LIBRARY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

(PREPARED BY DISTRICT MANAGEMENT)

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This section of Dixon Public Library District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2011. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 and 2, and the District's financial statements, which immediately follow this section.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities, presented on pages 9 and 10, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 11 through 14, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

**FINANCIAL HIGHLIGHTS**

- The District's financial status improved slightly during the 2010-11 fiscal year, as total net assets increased by less than 1%.
- On the Statement of Activities, total current year revenues exceeded total current year expenses by \$4,463.
- On the Statement of Revenues, Expenditures, and Changes in Fund Balances, total current year expenditures exceeded total current year revenues by \$322,649.
- Capital assets, net of depreciation, increased \$334,038 due to the current year acquisition and/or construction of \$356,197 of new capital assets, and the current year recognition of \$22,159 of depreciation expense.
- Total long-term liabilities increased \$6,927 due to the decrease in compensated absences of \$4,012 and the increase in pension obligation of \$10,939.
- Total revenues from all sources decreased \$63,221 or 6.3% during fiscal year 2010-11 due primarily in the decrease in Measure B sales tax revenue.
- Total expenditures increased \$98,841 or 8.5% during fiscal year 2010-11.
- The District's General Fund incurred an operating deficit of \$322,699 during fiscal year 2010-11.

**DIXON PUBLIC LIBRARY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

(PREPARED BY DISTRICT MANAGEMENT)

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**THE FINANCIAL REPORT**

The full annual financial report consists of three separate parts, including the basic financial statements, supplementary information, and management's discussion and analysis. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives, government-wide and funds.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.
  - ❖ Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.

Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information provides further explanations and provides additional support for the financial statements. A comparison of the District's budget for the year is included.

**Reporting the District as a Whole**

The District as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets and liabilities are included in the Statement of Net Assets. The Statement of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The District's financial health or position (net assets) can be measured by the difference between the District's assets and liabilities.

- Increases or decreases in the net assets of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as the condition of buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

In the Statement of Net Assets and the Statement of Activities, we divide the District into two kinds of activities:

*Governmental Activities:*

The library services provided by the District are included here and are primarily financed by Measure B sales tax and property tax revenues.

*Business-type Activities:*

The District does not provide any services that should be included in this category.



**DIXON PUBLIC LIBRARY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

(PREPARED BY DISTRICT MANAGEMENT)

**THE FINANCIAL REPORT (CONCLUDED)**

**Reporting the District's Most Significant Funds**

The District's fund-based financial statements provide detailed information about the District's most significant funds. Some funds are required to be established by State law and bond covenants. However, the District establishes many other funds as needed to control and manage money for specific purposes.

*Governmental Funds:*

The major governmental funds of the Dixon Public Library District are the General Fund and Special Revenue Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE - GOVERNMENTAL ACTIVITIES**

The District's net assets increased from \$2,912,665 at June 30, 2010, to \$2,917,128 at June 30, 2011, an increase of less than 1%.

<b><u>Comparative Statement of Net Assets</u></b>		
	Governmental Activities	
	2010	2011
<b><u>Assets</u></b>		
Current Assets	\$ 944,370	\$ 608,498
Capital Assets, net	2,130,858	2,464,896
Total Assets	3,075,228	3,073,394
<b><u>Liabilities</u></b>		
Current	127,352	156,266
Non-current liabilities	35,211	0
Total Liabilities	162,563	156,266
<b><u>Net Assets</u></b>		
Net investment in capital assets	2,130,858	2,464,896
Restricted	(7)	3,072
Unrestricted	781,814	449,160
Total Net Assets	\$ 2,912,665	\$ 2,917,128

*Table includes financial data of the combined governmental funds*

**DIXON PUBLIC LIBRARY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

(PREPARED BY DISTRICT MANAGEMENT)

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

GOVERNMENTAL ACTIVITIES (CONTINUED)

The District's total current year revenues exceeded total current year expenses by \$4,463.

<b><u>Comparative Statement of Changes in Net Assets</u></b>		
	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2011</u>
<b><u>Program Revenues</u></b>		
Charges for Services	\$ 34,877	\$ 34,040
State Operating Grants	73,492	39,205
Operating Grants & Contributions	536,657	496,690
<b><u>General Revenues</u></b>		
Property Taxes	327,708	324,343
Interest	11,120	5,027
Miscellaneous	23,054	44,382
<b>Total Revenues</b>	<b><u>1,006,908</u></b>	<b><u>943,687</u></b>
<b><u>Expenses</u></b>		
Salaries and Benefits	701,116	601,752
Library Related Materials and Supplies	76,267	53,949
Utilities	28,145	30,947
Insurance	3,419	13,998
Maintenance and Supplies	15,647	17,002
Memberships	7,945	7,170
Office Related	9,775	9,778
Professional and Specialized Services	162,039	166,607
Depreciation	28,445	22,159
Rents and Leases	4,130	5,255
Other Outgo	3,371	10,607
<b>Total Expenses</b>	<b><u>1,040,299</u></b>	<b><u>939,224</u></b>
<b>Changes in Net Assets</b>	<b><u>\$ (33,391)</u></b>	<b><u>\$ 4,463</u></b>

*Table includes financial data of the combined governmental funds*

**DIXON PUBLIC LIBRARY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

(PREPARED BY DISTRICT MANAGEMENT)

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONCLUDED)**

GOVERNMENTAL ACTIVITIES (CONCLUDED)

<b><u>Comparative Schedule of Capital Assets</u></b>		
	Governmental Activities	
	2010	2011
Land	\$ 1,602,064	\$ 1,602,064
Buildings and Improvements	1,065,201	1,065,201
Furniture and Equipment	251,468	251,468
Work-in-Progress	290,374	646,571
Subtotals	3,209,107	3,565,304
Less: Accumulated Depreciation	(1,078,249)	(1,100,408)
Capital Assets, net	<u>\$ 2,130,858</u>	<u>\$ 2,464,896</u>

Capital assets, net of depreciation, increased \$334,038 due to the current year acquisition and/or construction of \$356,197 of new capital assets, and the current year recognition of \$22,159 of depreciation expense.

<b><u>Comparative Schedule of Long-Term Liabilities</u></b>		
	Governmental Activities	
	2010	2011
Compensated Absences	\$ 17,034	\$ 13,022
Pension Obligation	18,177	29,116
Totals	<u>\$ 35,211</u>	<u>\$ 42,138</u>

Total long-term liabilities increased \$6,927 due to the decrease in compensated absences of \$4,012 and the increase in pension obligation of \$10,939.

**FINANCIAL ANALYSIS OF DISTRICT'S FUNDS**

The fund balance of the General Fund decreased \$322,699 during fiscal year 2010-11 due primarily to the new library facility construction related expenditures, while the fund balance of the Special Revenue Fund increased \$50.

**DIXON PUBLIC LIBRARY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

(PREPARED BY DISTRICT MANAGEMENT)

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**BUDGETARY HIGHLIGHTS**

The original and final budgets for the General Fund and Special Revenue Fund are presented on pages 27 and 28. There were no changes between the original and final budgets for both funds. Revenues recognized for the General Fund were less than budgeted by \$64,524, and the expenditures incurred were more than budgeted by \$58,175.

**ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

- The District anticipates a continued decline in current economic conditions that will negatively impact the significant revenue streams that fund District operations. More specifically, Measure B sales tax, property taxes, and redevelopment pass-through revenues. The District plans to offset the overall projected decrease by continuing to reduce operating costs wherever possible. This could include additional staff reductions, continued freeze on salary raises, decreases to office, programming, library materials, transportation and travel expenditures. However, the District is dedicated to sustaining and nourishing the core services provided to the community.
- On June 5, 2012, the qualified voters of Solano County voted to approve Measure L to extend Measure B which expires October 1, 2014. Measure L extends the current transactions and use tax at a rate of one-eighth of one percent (0.125%) for a maximum of 16 years, to provide funding for public library operations, programs and acquisitions.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our users with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the District's Board of Trustees, 230 North First Street, Dixon, CA 95620.

**DIXON PUBLIC LIBRARY DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2011**

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Deposits and Investments (Note 2)	\$ 560,612
Receivables:	
Measure B Sales Tax	43,667
Miscellaneous	1,890
Prepaid Expenses (Note 1H)	2,329
Capital Assets: (Note 3)	
Land	1,602,064
Buildings and Improvements	1,065,201
Furniture and Equipment	251,468
Work-in-Progress	646,571
Less: Accumulated Depreciation	(1,100,408)
	3,073,394
Total Assets	3,073,394
<b><u>Liabilities</u></b>	
Accounts Payable and Other Current Liabilities	114,129
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
Compensated Absences (Note 1H)	13,021
Pension Obligation (Note 4)	29,116
	156,266
Total Liabilities	156,266
<b><u>Net Assets</u></b>	
Invested in Capital Assets	2,464,896
Restricted:	
For Capital Projects	43
For Other Purposes	3,029
Unrestricted	449,160
	449,160
Total Net Assets	\$ 2,917,128

**DIXON PUBLIC LIBRARY DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<b>Governmental Activities</b>
<b><u>Expenses</u></b>	
Salaries and Benefits	\$ 601,752
Library Related Materials and Supplies	53,949
Utilities	30,947
Insurance	13,998
Maintenance and Supplies	17,002
Memberships	7,170
Office Related	9,778
Professional and Specialized Services	166,607
Depreciation	22,159
Rents and Leases	5,255
Other Outgo	10,607
	939,224
Total Expenses	939,224
<b><u>Program Revenues</u></b>	
Charges for Services	34,040
State Operating Grants	39,205
Operating Grants and Contributions	496,690
	569,935
Total Program Revenues	569,935
Net Expense	369,289
<b><u>General Revenues</u></b>	
Property Taxes	324,343
Interest	5,027
Miscellaneous	44,382
	373,752
Total General Revenues	373,752
Change in Net Assets	4,463
Net Assets - July 1, 2010	2,912,665
Net Assets - June 30, 2011	\$ 2,917,128

**DIXON PUBLIC LIBRARY DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>			
Deposits and Investments (Note 2)	\$ 560,569	\$ 43	\$ 560,612
Receivables:			
Measure B Sales Tax	43,667		43,667
Miscellaneous	1,890		1,890
Prepaid Expenditures (Note 1H)	2,329		2,329
Total Assets	<u>\$ 608,455</u>	<u>\$ 43</u>	<u>\$ 608,498</u>
<b><u>Liabilities and Fund Balances</u></b>			
Liabilities:			
Accounts Payable	<u>\$ 114,129</u>		<u>\$ 114,129</u>
Fund Balances: (Note 6)			
Nonspendable	3,029		3,029
Restricted		\$ 43	43
Assigned	69,987		69,987
Unassigned	421,310		421,310
Total Fund Balances	<u>494,326</u>	<u>43</u>	<u>494,369</u>
Total Liabilities and Fund Balances	<u>\$ 608,455</u>	<u>\$ 43</u>	<u>\$ 608,498</u>

**DIXON PUBLIC LIBRARY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS  
JUNE 30, 2011**

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<b>Total Fund Balances - Governmental Funds</b>	\$	494,369
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Amounts reported for governmental activities in the statement of net assets are different due to the following:

Capital assets: In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation. Capital assets and accumulated depreciation are:

Capital Assets	\$ 3,565,304	
Accumulated Depreciation	(1,100,408)	
Net		2,464,896

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Compensated Absences	13,021	
Pension Obligation	29,116	
Total		(42,137)

<b>Total Net Assets - Governmental Activities</b>	\$	<u><u>2,917,128</u></u>
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**DIXON PUBLIC LIBRARY DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
<b><u>Revenues</u></b>			
Property Taxes	\$ 324,343		\$ 324,343
Sales and Use Taxes	496,690		496,690
State Revenue	39,205		39,205
Other Local Revenue	67,621	\$ 15,827	83,448
Total Revenues	<u>927,859</u>	<u>15,827</u>	<u>943,686</u>
<b><u>Expenditures</u></b>			
Salaries and Benefits	594,824		594,824
Library Related Materials and Supplies	53,949		53,949
Utilities	30,947		30,947
Insurance	13,998		13,998
Maintenance and Supplies	17,002		17,002
Memberships	7,170		7,170
Office Related	9,778		9,778
Professional and Specialized Services	166,607		166,607
Facilities Acquisition and Construction	340,421	15,777	356,198
Rents and Leases	5,255		5,255
Other Outgo	10,607		10,607
Total Expenditures	<u>1,250,558</u>	<u>15,777</u>	<u>1,266,335</u>
Net Change in Fund Balances	(322,699)	50	(322,649)
Fund Balances - (Deficit)			
July 1, 2010	<u>817,025</u>	<u>(7)</u>	<u>817,018</u>
Fund Balances - June 30, 2011	<u>\$ 494,326</u>	<u>\$ 43</u>	<u>\$ 494,369</u>

**DIXON PUBLIC LIBRARY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**Net Change in Fund Balances - Governmental Funds** \$ (322,649)

Amounts reported for governmental activities in the statement of activities are different due to the following:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Capital Outlays	\$	356,197	
Depreciation Expense		(22,159)	
Net		334,038	

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statements of activities, compensated absences are measured by the amounts earned during the fiscal year. The difference between amounts paid and amounts earned was: 4,013

Pension obligation: In governmental funds, pension obligation costs are recognized when employer contributions are made. In the statement of activities, pension obligation costs are recognized on the accrual basis. This year, the difference between pension obligation costs accrued and actual employer contributions was: (10,939)

**Change in Net Assets of Governmental Activities** \$ 4,463

**DIXON PUBLIC LIBRARY DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Dixon Public Library District in Solano County was established in 1913 to serve as the community's library. As a special district library, the District operates independent of any city or county agency's political or financial control. The District operates under California Education Code Sections 18300 et seq., and Sections 18440-18452, and the general provisions of Library Code governing the Unified School Districts and Union High School Districts Public Libraries. The District is governed by a five member Board of Trustees who are also the elected school board members for the Dixon Unified School District. The Board members serve a four-year term. The Board of Trustees appointed a five-member Board of Library Commissioners to act on their behalf in reviewing library matters relating to operations and policies. The Library Commission members are appointed to a three-year term.

The District prepares its financial statements in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the uniform accounting system for districts prescribed by the State Controller in compliance with the Government Code of the State of California.

The District is also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, when applicable, that do not conflict with or contradict GASB pronouncements.

The District has reviewed criteria to determine whether other organizations with activities that benefit the District should be included within its financial reporting entity under GASB Statement No. 14 (GASB 14), *The Financial Reporting Entity*. The criteria include, but are not limited to, whether the organization exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), the scope of public service, and a special financing relationship. The District has determined that the Dixon Public Library District and the Dixon Unified School District have a financial and operational relationship that meets the criteria of GASB 14. The Dixon Public Library District, a component unit of the Dixon Unified School District, elected to have a separate audit of its financial statements performed.

B. Implementation of New Accounting Pronouncements

In March of 2009, the GASB issued GASB Statement No. 54 (GASB 54) *Fund Balance Reporting and Governmental Fund Type Definition*, with required implementation for the District during the year ended June 30, 2011. The objective of GASB 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. GASB 54 provides for fund balance classifications such as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

**DIXON PUBLIC LIBRARY DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the District. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place.

**DIXON PUBLIC LIBRARY DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Concluded)

Revenues - Exchange and Non-exchange Transactions (Concluded):

Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 90 days after year-end, depending on the revenue source.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Expenses/Expenditures:

On an accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditure, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District maintains the following major governmental fund types:

The *General Fund* is the general operating fund of the District. It accounts for all financial resources of the general government, except those that are required to be accounted for in another fund.

**DIXON PUBLIC LIBRARY DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Concluded)

The *Special Revenue Fund* is used to account for the public facilities fees that are legally restricted to expenditure for specified purposes.

F. Budgets and Budgetary Accounting

Pursuant to Education Code Section 18451, on or before June 1 of each year, the Library Commission shall submit or cause to be submitted to the Board of Trustees its proposed budget for operating and maintaining the library for the upcoming fiscal year. Pursuant to Education Code Section 18480, on or before September 1 of each year, the Board of Trustees shall furnish to the County Board of Supervisors an estimate of costs involved in conducting and maintaining the library for the ensuing fiscal year, procuring plans and specifications for erecting a building, and furnishing and equipping the building.

An operating budget prepared on a modified accrual basis is adopted each fiscal year for the General Fund. The original and final revised budget is presented for the General Fund, as required supplementary information on page 27. The final budget shall conform to the accounting and budgeting procedures for Special Districts contained in the California Code of Regulations. The final budget shall establish its appropriations limit pursuant to Division 9 of the Government Code. All annual appropriations lapse at fiscal year-end.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Assets, Liabilities and Equity

1. Deposits and Investments

The District is authorized to maintain cash in banks and revolving funds that are insured to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The District has adopted an investment policy to deposit all District funds with the Solano County Treasurer, pursuant to Education Code Section 18493, except for funds identified in Education Code Section 18494. The funds maintained by the County are either secured by the FDIC or are collateralized. Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

2. Prepaid Expenses/Expenditures

Payments made to vendors for goods or services that will benefit periods beyond the fiscal year ended, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed. Prepaid expenses are equally offset by a net assets reserve, which indicates that this amount is not "available for appropriation and expenditure" even though it is a component of net assets.

**DIXON PUBLIC LIBRARY DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

3. Capital Assets

Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized, if they meet the District's definition of a capital asset and meet the various threshold amounts for capitalization. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Buildings and improvements	10-40
Computer equipment	3-7
Office equipment	3-7

4. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

5. Pension Obligation

The cumulative difference between the District's annual pension cost, as determined by the annual CalPERS Actuarial Valuation, and the annual pension cost contributed is the net pension obligation.

6. Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The allowable classifications used in the governmental fund financial statements are as follows:

*Nonspendable Fund Balance* consists of funds that cannot be spent due to their form (e.g. prepaids) or funds that legally or contractually must be maintained intact.

*Restricted Fund Balance* consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

**DIXON PUBLIC LIBRARY DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

H. Assets, Liabilities and Equity (Concluded)

6. Fund Balances (Concluded)

*Committed Fund Balance* consists of funds that are set aside for a specific purpose by the District's highest level of decision making authority (Board of Trustees). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

*Assigned Fund Balance* consists of funds that are set aside with the intent to be used for a specific purpose by the District's highest level of decision making authority or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance.

*Unassigned Fund Balance* includes amounts that are available for any purpose. They are residual positive net resources of the general fund in excess of what can properly be classified in one of the other four categories. There are some reserves that do not meet the requirements of the aforementioned components of fund balance. For financial statement reporting purposes these reserves are included in unassigned fund balance.

The District considers restricted fund balances to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

7. Revenue Limit/Property Tax

The County of Solano is responsible for assessing, collecting and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternative method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll, approximately October 1 of each year.

8. Gann Appropriations Limit

Article XIII B of the California Constitution provides exceptions for some special districts for establishing an appropriations limit. As per Article XIII B, The District is not subject to the appropriations limit because the District's tax levy for fiscal year 1977-78 was below 12 ½ cents per \$100 of assessed valuation.



**DIXON PUBLIC LIBRARY DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 2 - DEPOSITS AND INVESTMENTS**

Deposits and investments as of June 30, 2011, consist of the following:

	<u>Governmental Activities</u>
Cash in Revolving Fund	\$ 700
County Pool Investments	<u>559,912</u>
Total Deposits and Investments	<u>\$ 560,612</u>

**Cash in Revolving Fund**

Cash in revolving fund consists of all cash maintained on hand and in commercial bank accounts that are used as revolving funds.

**County Pool Investments**

County pool investments consists of District cash held by the Solano County Treasury that is invested in the county investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts that are based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio).

**General Authorization**

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the following schedule:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

**DIXON PUBLIC LIBRARY DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. Generally, as the length of the maturity of an investment increases, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury that purchases a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**Segmented Time Distribution**

Information about the sensitivity of the fair value of the District's investment to market interest rate fluctuations is provided by the following schedule that shows the distribution of the District's investment by maturity:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>More Than 1 Year</u>
County Pool Investments	\$ 559,912	\$ 561,647	\$ 337,910	\$ 222,002

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>Aa</u>	<u>Unrated</u>
County Pool Investments	\$ 559,912	\$ 561,647			\$ 559,912

**Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2011, the District has no bank balance that is exposed to custodial credit risk.

**DIXON PUBLIC LIBRARY DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)**

Custodial Credit Risk - Investments

This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District does not have a policy limiting the amount of securities that can be held by counterparties. As of June 30, 2011, the District does not have any investments that are held by counterparties.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. However, the District does not hold any investments in any one issuer, at year-end, that represents five percent or more of the total investments held by the District.

Derivative Investments

The District does not directly invest in any derivative investments. Information relating to the use of derivative investments by the Solano County Treasury was not available.

**NOTE 3 - CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2011, was as follows:

	<u>Balances</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>June 30, 2011</u>
Land	\$ 1,602,064			\$ 1,602,064
Buildings and Improvements	1,065,201			1,065,201
Furniture and Equipment	251,468			251,468
Work-in-Progress	290,374	\$ 356,197		646,571
Totals at Historical Cost	<u>3,209,107</u>	<u>356,197</u>	<u>\$ 0</u>	<u>3,565,304</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	849,526	15,234		864,760
Furniture and Equipment	228,723	6,925		235,648
Total Accumulated Depreciation	<u>1,078,249</u>	<u>22,159</u>	<u>0</u>	<u>1,100,408</u>
Governmental Activities				
Capital Assets, net	<u>\$ 2,130,858</u>	<u>\$ 334,038</u>	<u>\$ 0</u>	<u>\$ 2,464,896</u>

**DIXON PUBLIC LIBRARY DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**NOTE 4 - DEFINED BENEFIT PENSION PLAN**

Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statutes. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their annual covered salary. The District makes these contributions required of District employees on their behalf and for their account. In addition, the District is required to contribute an actuarially determined rate necessary to fund the benefits for its members. The required employer contribution rate for fiscal year 2010-11 was 13.124%. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS.

Pension Obligation

On an annual basis, CalPERS prepares and issues to the District an actuarial valuation report of their pension plan. Since the District's pension plan had less than 100 active members and at least one valuation since June 30, 2003, it is required to participate in a risk pool. The District's pension plan is part of the Miscellaneous 2% at 55 Risk Pool, a cost-sharing multiple-employer defined benefit plan. The District's pension cost for fiscal year 2010-11 was \$81,470. The required contribution was determined as part of the June 30, 2008 valuation report using the entry age actuarial cost method with the contribution determined as a level percent of payroll. The actuarial assumptions utilized a 7.75% discount rate (net of administrative expenses), projected salary increases ranging from 3.25% to 14.45% depending on age, service, and type of employment, payroll growth of 3.25%, and inflation of 3%.

The District's annual pension cost, percentage of annual pension cost contributed to the plan, and net pension obligation for the last three fiscal years are presented in the following table:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	\$ 81,470	86.6%	\$ 29,116
June 30, 2010	96,907	91.8%	18,177
June 30, 2009	108,384	90.5%	10,237

**DIXON PUBLIC LIBRARY DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 5 - LONG-TERM LIABILITIES**

A schedule of changes in long-term liabilities for the year ended June 30, 2011, is shown below:

	Balances July 1, 2010	Additions	Deductions	Balances June 30, 2011	Due within One Year
Compensated Absences	\$ 17,034	\$ 13,022	\$ 17,034	\$ 13,022	\$ 13,022
Pension Obligation	18,177	81,470	70,531	29,116	29,116
Totals	<u>\$ 35,211</u>	<u>\$ 94,492</u>	<u>\$ 87,565</u>	<u>\$ 42,138</u>	<u>\$ 42,138</u>

**NOTE 6 - FUND BALANCES**

The District's fund balances at June 30, 2011 consisted of the following:

	General Fund	Special Revenue Fund	Totals
Nonspendable	\$ 3,029		\$ 3,029
Restricted		\$ 43	43
Assigned	69,987		69,987
Unassigned:			
Operating Reserve	250,000		250,000
Other	171,310		171,310
Totals	<u>\$ 494,326</u>	<u>\$ 43</u>	<u>\$ 494,369</u>

**NOTE 7 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District, as a member of the Special District Risk Management Authority (SDRMA), has purchased various insurance policies for property and liability. SDRMA's purpose is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

The District maintains workers' compensation coverage and employer's liability coverage in accordance with the statutory requirements of the State of California.

**DIXON PUBLIC LIBRARY DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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NOTE 8 - CONTINGENCIES

A. State Awards and Grants

The District has received state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

B. Litigation

The District is subject to various legal proceedings and claims. In the opinion of management, the ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

NOTE 9 - ECONOMIC DEPENDENCY

During the 2010-11 fiscal year, the District received \$496,690 of Measure B sales tax revenue that is subject to voter approval. Measure B was approved on June 2, 1998, and imposed a transactions and use tax at a rate of one-eighth of one percent (0.125%) for a maximum of 16 years, to provide funding for public library operations, programs and acquisitions. Measure B expires on October 1, 2014.

NOTE 10 - SUBSEQUENT EVENTS

A. In January 2012, the Board of Trustees took action to dissolve the Library Commission effective June 30, 2012, pursuant to Education Code Section 18452.

B. On June 5, 2012, the qualified voters of Solano County voted to approve Measure L to extend Measure B. Measure L extends the current transactions and use tax at a rate of one-eighth of one percent (0.125%) for a maximum of 16 years, to provide funding for public library operations, programs and acquisitions.

SUPPLEMENTARY INFORMATION SECTION

**DIXON PUBLIC LIBRARY DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b><u>Revenues</u></b>				
Property Taxes	\$ 336,923	\$ 336,923	\$ 324,343	\$ (12,580)
Sales and Use Taxes	536,657	536,657	496,690	(39,967)
State Revenue	42,000	42,000	39,205	(2,795)
Other Local Revenue	76,803	76,803	67,621	(9,182)
Total Revenues	<u>992,383</u>	<u>992,383</u>	<u>927,859</u>	<u>(64,524)</u>
<b><u>Expenditures</u></b>				
Salaries and Benefits	659,925	659,925	594,824	65,101
Library Related Materials and Supplies	80,153	80,153	53,949	26,204
Utilities	31,060	31,060	30,947	113
Insurance	14,000	14,000	13,998	2
Maintenance and Supplies	12,000	12,000	17,002	(5,002)
Memberships	8,000	8,000	7,170	830
Office Related	9,804	9,804	9,778	26
Professional and Specialized Services	155,183	155,183	166,607	(11,424)
Facilities Acquisition and Construction	200,000	200,000	340,421	(140,421)
Rents and Leases	3,800	3,800	5,255	(1,455)
Other Outgo	18,458	18,458	10,607	7,851
Total Expenditures	<u>1,192,383</u>	<u>1,192,383</u>	<u>1,250,558</u>	<u>(58,175)</u>
Net Changes in Fund Balances	(200,000)	(200,000)	(322,699)	<u>\$ (122,699)</u>
Fund Balances - July 1, 2010	<u>817,025</u>	<u>817,025</u>	<u>817,025</u>	
Fund Balances - June 30, 2011	<u>\$ 617,025</u>	<u>\$ 617,025</u>	<u>\$ 494,326</u>	



**DIXON PUBLIC LIBRARY DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - SPECIAL REVENUE FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b><u>Revenues</u></b>				
Other Local Revenue	\$ 16,000	\$ 16,000	\$ 15,827	\$ (173)
<b><u>Expenditures</u></b>				
Professional and Specialized Services	200	200		200
Facilities Acquisition and Construction	15,800	15,800	15,777	23
Total Expenditures	16,000	16,000	15,777	223
Net Changes in Fund Balances	0	0	50	\$ 50
Fund Balances (Deficit) - July 1, 2010	(7)	(7)	(7)	
Fund Balances (Deficit) - June 30, 2011	\$ (7)	\$ (7)	\$ 43	

**DIXON PUBLIC LIBRARY DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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<u>Actuarial Valuation Date</u>	<u>Accrued Liabilities (AL)</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Unfunded Liabilities (UL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Percentage of Covered Payroll</u>
6/30/2008	\$2,780,280,768	\$ 2,547,323,278	\$ 232,957,490	91.6%	\$ 688,606,681	33.8%
6/30/2007	\$2,611,746,790	\$ 2,391,434,447	\$ 220,312,343	91.6%	\$ 665,522,859	33.1%
6/30/2006	\$2,754,396,608	\$ 2,492,226,176	\$ 262,170,432	90.5%	\$ 699,897,835	37.5%

SEE NOTES TO SUPPLEMENTARY INFORMATION

**DIXON PUBLIC LIBRARY DISTRICT  
BOARD OF TRUSTEES/LIBRARY COMMISSION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
John Gabby	President	December, 2011
Herb Cross	Vice President	December, 2013
Gildardo Piñon	Secretary	December, 2013
Irina Okhremtchouk	Member	December, 2013
Jim Ernst	Member	December, 2011

LIBRARY COMMISSION

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Greta Galindo	President	2012/13
Susan Ostergard	Vice President	2012/13
Shane Taber	Secretary	2010/11
Marjorie Rothrock	Member	2010/11
Olivia Stringer	Member	2011/12
Herb Cross	Board of Trustees Liaison	

**DIXON PUBLIC LIBRARY DISTRICT  
RECONCILIATION OF FINANCIAL REPORT  
WITH AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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	<u>General Fund</u>
June 30, 2011 Financial Report Fund Balance	<u>\$ 545,498</u>
Adjustments Decreasing Fund Balance:	
Understatement of Professional and Specialized Services Expenditures	(8,396)
Understatement of Facilities Acquisition and Construction Expenditures	<u>(42,776)</u>
Total Adjustments Decreasing Fund Balance	<u>(51,172)</u>
June 30, 2011 Audited Financial Statements Fund Balance	<u><u>\$ 494,326</u></u>

Auditor's Comments

The audited financial statements of the Special Revenue Fund were in agreement with the Financial Report for the fiscal year ended June 30, 2011.

**DIXON PUBLIC LIBRARY DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES**

**A. Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the District is required to present a Schedule of Revenues, Expenditures, and Changes in Fund Balance budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget, final adopted budget, and the actual revenues and expenditures of each of these funds by object.

**B. Schedule of Funding Progress**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 27, the District is required to present a Schedule of Funding Progress which shows the funding progress of the District's pension plan for the most recent valuation and the two preceding valuations. The information required to be disclosed includes the valuation date, the actuarial value of plan assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the unfunded actuarial liability (or funding excess) to annual covered payroll. The information presented is for the Miscellaneous 2% at 55 Risk Pool of the California Public Employee's Retirement Systems (CalPERS) as performed by the CalPERS' staff actuaries.

**C. Reconciliation of Financial Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balances of all funds as reported in the Financial Report to the audited financial statements.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

**STEPHEN ROATCH ACCOUNTANCY CORPORATION**  
*Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Dixon Public Library District  
Dixon, California

We have audited the financial statements of the governmental activities and each major fund of the Dixon Public Library District, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 7, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses, and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses, as noted on pages 36-40.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies, as noted on pages 41-43.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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 or other matters that are required to be reported under *Government Auditing Standards*.

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the District's Board of Trustees, management, California State Controller's Office, and Solano County Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

March 7, 2013



## FINDINGS AND QUESTIONED COSTS SECTION

DIXON PUBLIC LIBRARY DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weaknesses identified?

  X   Yes             No

Significant deficiencies identified not considered  
to be material weaknesses?

  X   Yes             None reported

Noncompliance material to financial statements noted?

       Yes        X   No

**DIXON PUBLIC LIBRARY DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

**MATERIAL WEAKNESS**

**AVAILABLE RESERVES**

<b><u>Criteria:</u></b>	All districts should maintain an adequate reserve to provide the necessary resources that are occasionally needed to cope with unforeseen events or emergencies.
<b><u>Condition:</u></b>	The District deficit spent \$322,699, \$114,169, and \$538,595 during fiscal years 2010-11, 2009-10, and 2008-09, respectively. As a result, the fund balance of the District's General Fund decreased from \$1,469,789 at June 30, 2008 to \$494,326 at June 30, 2011 or 66.4%.
<b><u>Questioned Costs:</u></b>	None.
<b><u>Context:</u></b>	The District incurred operating deficits in each of the past three fiscal years.
<b><u>Effect:</u></b>	If the trend of deficit spending continues, it will significantly impair the District's ability to meet its obligations as they become due in the future.
<b><u>Cause:</u></b>	The District expended \$938,669 over the past three fiscal years for construction related expenditures related to the new library facility.
<b><u>Recommendation:</u></b>	The District should implement appropriate program reductions and cost saving plans to ensure that the District maintains adequate reserves to cope with unforeseen events or emergencies.
<b><u>District Response:</u></b>	The Board agrees with all findings of the audit report and is committed to implementing, without reservation or modification, all recommendations contained in the audit report.

**DIXON PUBLIC LIBRARY DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**MATERIAL WEAKNESS**

**FINANCIAL REPORTING**

<u>Criteria:</u>	The District Librarian is responsible for reporting complete and accurate financial information to the Board of Trustees on an annual basis. Accordingly, the District should have an effective system of internal control over financial reporting that will ensure that the information contained in the financial report is free of material misstatement.
<u>Condition:</u>	The District's financial reports included misstatements that we consider to be material to the District's annual financial statements. Accordingly, it appears that internal control over financial reporting was inadequate in the areas where the audit adjustments were required.
<u>Questioned Costs:</u>	None.
<u>Context:</u>	The adjustments that were made to ensure that the financial statements were fairly stated are presented on page 31 of this report.
<u>Effect:</u>	When an effective system of internal control over financial reporting is not in place, there is a reasonable possibility that material misstatements of the District's financial statements will not be prevented, or detected and corrected on a timely basis.
<u>Cause:</u>	The District did not appear to perform a formal comprehensive financial reporting review of the information that is presented in the financial reports.
<u>Recommendation:</u>	The District should develop a comprehensive financial reporting checklist, which can be used by staff during the year-end closing process, to prevent material misstatements from occurring in the future.
<u>District Response:</u>	The Board agrees with all findings of the audit report and is committed to implementing, without reservation or modification, all recommendations contained in the audit report.

**DIXON PUBLIC LIBRARY DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**MATERIAL WEAKNESS**

**PAYROLL**

- Criteria:** All districts should establish appropriate policies and procedures for payroll to ensure that:
- Payments are supported by contracts or personnel action forms.
  - Personnel action forms are reviewed and signed by the Librarian.
  - Supporting documentation is maintained for each payroll processed.
  - Employees are compensated for working overtime.
  - Longevity is paid to employees when earned.
  - Payroll reports are filed chronologically by fiscal year.
- Conditions:**
1. The contract with the Librarian ended June 1, 2009, and the District was unable to provide a renewed contract for the period that covered the 2010-11 fiscal year. However, the hourly rate of pay did not change from the prior fiscal year.
  2. Personnel action forms, which document the hourly rate of pay of District employees, were prepared and signed by the Administrative Support Manager, and we could not verify that they were reviewed by the Librarian.
  3. Supporting documentation could not be located to support the calculation of vacation hours paid to one employee.
  4. Employees are required to track their own overtime hours, which per District policy, can be used as compensatory time off at a rate of one and one half hours for each hour of overtime worked. Per discussion with employees, some track their overtime hours and some do not.
  5. The District does not have a procedure for tracking District employees' years of continuous service for longevity purposes. As a result, some employees are paid longevity, some are not, and some employees were paid the incorrect longevity pay.
  6. Payroll reports are not filed in an auditable manner. The reports were not filed chronologically and were commingled with the prior fiscal year's payroll reports.
- Questioned Costs:** None. We determined that there were no improper payments made to employees tested in fiscal year 2010-11.
- Context:** The conditions existed throughout fiscal year 2010-11.

**DIXON PUBLIC LIBRARY DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)**

PAYROLL (CONCLUDED)

- Effects:
- 1-5. Errors or irregularities may occur and not be detected in a timely manner.
  6. It is difficult to locate payroll reports in a timely manner.

Cause: The District has not been informed of these internal control deficiencies in the past.

- Recommendations:
1. The District should ensure that all future contracts with the Librarian are in place and valid prior to processing payroll.
  2. All personnel action forms should be reviewed and approved by the Librarian.
  3. All payments for vacation, prior month adjustments, overtime, etc., should be documented and maintained with the related payroll report for audit purposes.
  - 4 & 5. The District should develop a system to track employee overtime hours and years of continuous service to ensure they are compensated according to District policy.
  6. Payroll reports should be filed in chronological order by fiscal year.

District Response: The Board agrees with all findings of the audit report and is committed to implementing, without reservation or modification, all recommendations contained in the audit report.

**DIXON PUBLIC LIBRARY DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**MATERIAL WEAKNESS**

**ACCOUNTS RECEIVABLE / PREPAID / PAYABLE RECONCILIATION**

<u>Criteria:</u>	An effective system of internal control over financial reporting requires all accounts receivable accruals, prepaid expense balances, and accounts payable accruals established in the prior fiscal year to be reconciled to amounts actually received and paid. In addition, any differences noted between the amounts accrued or established and the amounts actually received and paid should be investigated and cleared in a timely manner.
<u>Condition:</u>	The accounts receivable accruals, prepaid expense balances, and accounts payable accruals that were established in the prior fiscal year were not reconciled to the amounts actually received and paid during the current year. As a result, several uncleared accrual or established balances from the prior year were carried over into the current year.
<u>Questioned Costs:</u>	None. The misstated balances were not material to the financial statements.
<u>Context:</u>	General ledger balances as of June 30, 2011.
<u>Effect:</u>	Revenues and expenditures/expenses may be misstated.
<u>Cause:</u>	The District has not adequately established procedures to ensure that only legitimate accounts receivable, prepaid expenses, and accounts payable balances are included on the general ledger at June 30 of each fiscal year.
<u>Recommendation:</u>	The District should establish procedures that require all accounts receivable accruals, prepaid expense balances, and accounts payable accruals, established in the prior fiscal year, to be reconciled to the amounts received and paid. Any differences noted between the amounts accrued or established and the amounts actually received and paid should be investigated and cleared in a timely manner.
<u>District Response:</u>	The Board agrees with all findings of the audit report and is committed to implementing, without reservation or modification, all recommendations contained in the audit report.

**DIXON PUBLIC LIBRARY DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**SIGNIFICANT DEFICIENCY**

**CASH DISBURSEMENTS**

Criteria: Internal control procedures over cash disbursements should ensure that authorization for payment is obtained, documented, and maintained prior to forwarding the invoices to the Solano County Auditor for processing.

Condition: The District is required to prepare and submit an authorization sheet along with the related invoices to the Solano County Auditor as authorization to process the invoices for payment. The authorization sheet is used to document that the Librarian reviewed and approved the invoices for payment. The District however, did not maintain any copies of the authorization sheets used during fiscal year 2010-11.

Questioned Cost: None. It does not appear that this internal control weakness resulted in any improper use of District funds.

Context: The condition existed throughout fiscal year 2010-11.

Effect: Employees may commit the District to paying for goods or services that have not been properly approved.

Cause: The District has not been informed of this internal control deficiency in the past.

Recommendation: The District should maintain copies of all authorization sheets submitted to the Solano County Auditor.

District Response: The Board agrees with all findings of the audit report and is committed to implementing, without reservation or modification, all recommendations contained in the audit report.



**DIXON PUBLIC LIBRARY DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**SIGNIFICANT DEFICIENCY**

**CASH RECEIPTS**

**Criteria:** Cash receipts from the print management machine should be collected by two employees, and counted and summarized on a cash deposit summary sheet by one employee and verified by the second employee. Both employees should sign the summary sheet which should be maintained as support for the deposit.

**Condition:** There was no written supporting documentation for revenues collected from the print management machine. The Administrative Support Manager opened the machine, counted the cash receipts and made the deposits.

**Questioned Costs:** None.

**Context:** The condition existed throughout fiscal year 2010-11.

**Effect:** There is no way to determine the completeness of cash receipts if cash is not counted and summarized on a cash deposit summary sheet by the individuals who counted the cash, prior to being deposited. As a result, errors or improprieties may occur and not be detected in a timely manner.

**Cause:** The District has not been informed of this internal control deficiency in the past.

**Recommendation:** The District should establish and enforce procedures, which require cash receipts from the print management machine to be collected by two employees, and counted and summarized on a cash deposit summary sheet by one employee and verified by the second employee. Both employees should sign the summary sheet which should be maintained as support for the deposit.

**District Response:** The Board agrees with all findings of the audit report and is committed to implementing, without reservation or modification, all recommendations contained in the audit report.

**DIXON PUBLIC LIBRARY DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**SECTION II - FINANCIAL STATEMENT FINDINGS (CONCLUDED)**

**SIGNIFICANT DEFICIENCY**

**REVOLVING ACCOUNT**

**Criteria:** The register balances for the revolving bank accounts and the cash on hand should be reconciled to the imprest balance on a monthly basis.

**Condition:** The revolving bank account register balances and cash on hand were not reconciled to the imprest balance of \$700. In addition, the sum of the register balances and cash on hand exceeded the \$700 imprest balance as of June 30, 2011, and no explanation for the excess cash was provided.

**Questioned Costs:** None.

**Context:** The condition was noted throughout fiscal year 2010-11.

**Effect:** Errors or irregularities may occur and not be detected in a timely manner.

**Cause:** The District has not established procedures, which require the revolving bank accounts and cash on hand to be reconciled to the imprest balance on a monthly basis.

**Recommendation:** The register balances for the revolving bank accounts and the cash on hand should be reconciled to the imprest balance of \$700 on a monthly basis. The balance in excess of the \$700 imprest balance should be cleared to the County Treasury. In addition, due to the infrequent use of the revolving accounts, the District should consider lowering the imprest balance to \$300.

**District Response:** The Board agrees with all findings of the audit report and is committed to implementing, without reservation or modification, all recommendations contained in the audit report.

**DIXON PUBLIC LIBRARY DISTRICT  
STATUS OF PRIOR YEAR RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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There were no matters reported in the prior year audit report.