



**SOLANO COUNTY GRAND JURY
2011-12**

**DIXON PUBLIC LIBRARY DISTRICT
FINANCIAL ANALYSIS**

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I. SUMMARY

Significant spending and shrinking revenue have combined to place the Dixon Public Library District at risk. For example, the Library District spent more than \$750,000 in building reserves between 2008 and 2011. During the same period, District revenue decreased by 13 percent. As a result, General Fund cash was reduced by \$960,000, or 63 percent, between 2008 and 2011.

The Dixon Public Library District is also in jeopardy of losing its primary revenue source. Specifically, the 1/8 cent library sales tax, which accounts for more than half the District's revenue, is set to expire in 2014.

II. INTRODUCTION

The Dixon Union High School District Library District of Solano County, California was established in 1910. In 1911, Dixon voters approved a tax measure to fund library services. A local resident donated land for the Dixon Library and the Andrew Carnegie Foundation provided a grant to build the facility. The building was constructed in 1912, and the Dixon Library opened its doors in 1913. In 2006, the district's name was changed to Dixon Public Library District.

As the Dixon Library approaches its 100th anniversary, the nation has been suffering through a severe economic recession. Although all segments of the economy have been affected, local governments (cities, counties, special districts, etc) have taken an especially hard hit. Reduced consumer spending and decreased property values have resulted in less sales and property tax revenue, which many government entities are dependent upon for their very survival. With a shrinking tax base, local governments have been forced to reduce or eliminate services. The smaller the government entity, the more difficult it is to continue with business as usual.

The 2011-12 Grand Jury elected to investigate the financial stability of the Dixon Public Library District to ensure that the Dixon Library will continue to serve the community well into the future.

III. METHODOLOGY

This investigation was accomplished almost exclusively through review and analysis of financial records and reports maintained by the County Auditor-Controller and Treasurer. In addition, the Grand Jury:

- Reviewed minutes and video of meetings held by both the Dixon Public Library District Governing Board of Library Trustees and the District's Library Commission
- Met with a District trustee and members of the Library staff

IV. STATEMENT OF FACTS

In compliance with California Education Code §18493, the Dixon Public Library District (the District) deposits all funds in the County Treasury. The District also pays the County Auditor-Controller to provide accounting and auditing services. Even though the District uses County services, the citizens of Dixon have chosen to remain separate and independent rather than join the larger Solano County Library System.

The District has biennial audits performed by an independent auditor. The last audit was performed by the County Auditor-Controller for the fiscal years ending June 30, 2009 and June 30, 2010. The audit report was dated August 1, 2011, more than a year following the end of the reporting period. Generally, audits are completed within 180 days following the end of the reporting period. Timely completion of an audit allows the governing body to view current financial information and provides an opportunity to correct small deficiencies before they become large problems.

In part, the audited financial statements for June 30, 2009 and June 30, 2010 state, “Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.” The financial statements indicate that net assets decreased \$34,554 during the fiscal year ended June 30, 2009 and \$33,391 for the fiscal year ended June 30, 2010. Available financial documents indicate that net assets decreased more than \$38,000 during the fiscal year ended June 30, 2011.

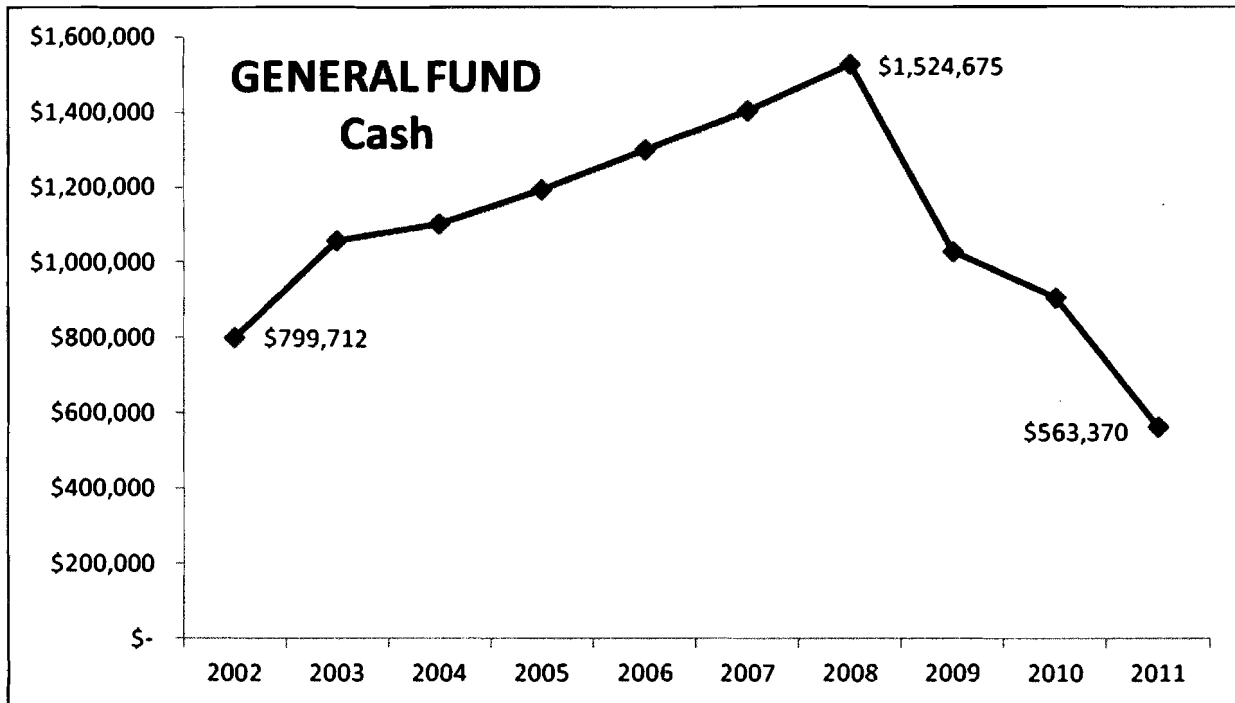
FISCAL YEAR	CHANGE IN NET ASSETS
2009	(\$34,554)
2010	(\$33,391)
2011	(\$38,788)

The District maintains two funds: A general fund, used for the operation of the Library, and a building fund. The Building Fund was established in 2004 to help pay for a new library facility (parts of the current building are nearly 100-years old). Building Fund revenue comes from fees charged for new construction and development within the District.¹ According to California Government Code §66006, the fees must be used, “solely for the purpose for which the fee was collected.” In this case, the fees can only be used to “defray the costs associated with property acquisition, site preparation, design, construction, and equipping of libraries within the [Dixon Library] District.”²

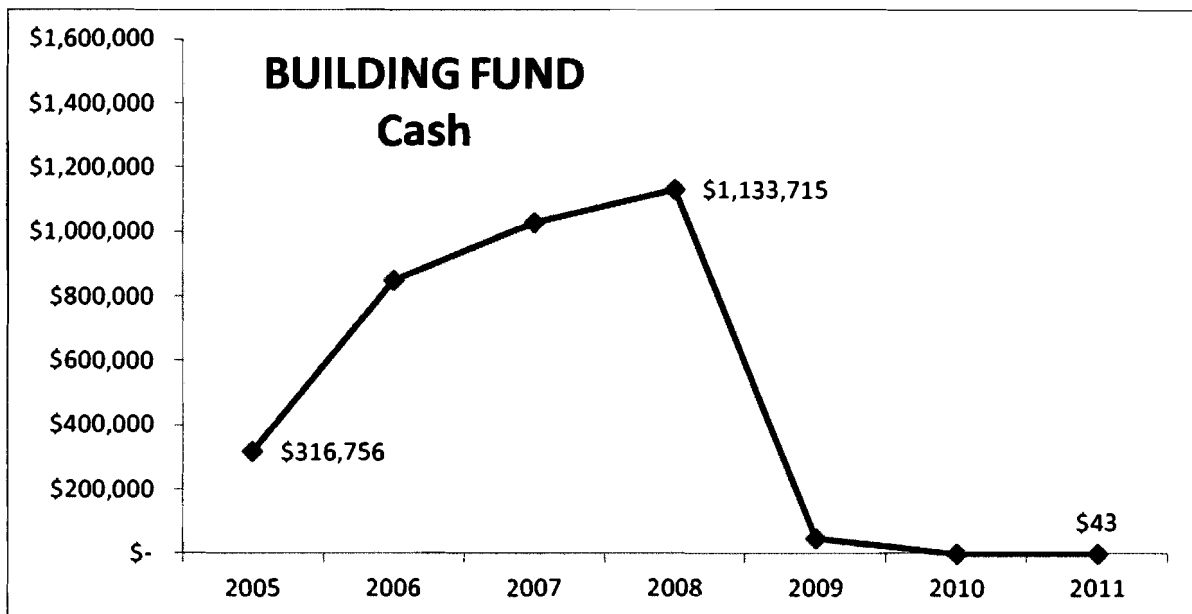
¹ Dixon Unified School District Library District Ordinance 2004-01 established the Library Facilities Fee Schedule.

² Dixon Unified School District Library District Ordinance 2004-01.

On June 30, 2008, the District's General Fund had \$1,524,675 on deposit with the County Treasurer. Just three years later (June 30, 2011) cash in the Treasury was \$563,370, a reduction of more than \$960,000 (63 percent). A graph of General Fund's cash balance over the last ten years is below. Note that the graph reflects the balance as of June 30 of the year indicated.



A similar graph of the Building Fund from its inception through June 30, 2011 revealed the following:



Grand Jury inquiry determined that the declining cash balance of the two funds was the result of the District expending funds for pre-construction costs associated with the building of a new library facility. Specifically, in fiscal year 2006 the Governing Board set aside General Fund monies for the purpose of offsetting costs associated with the construction process. By fiscal year 2007, the reserves totaled nearly \$764,000. Although set aside for construction of the new library, the General Fund building reserves were not protected by law, and the Governing Board could have used the money for other purposes. Despite the economic downturn, in fiscal year 2009 the District began using the building reserves as originally intended. Land was purchased (\$427,000), an environmental survey was accomplished (\$110,000), conceptual plans were prepared (\$85,000), and other pre-construction costs incurred. At the time of the Grand Jury review, the building reserve within the General Fund had a balance of \$0.12.

Like the building reserves, the separate Building Fund has been used to pay for pre-construction costs. The largest expenditure, \$1,175,000, was used to purchase additional land. Although construction and development fees continue to be deposited in the Building Fund, the fund balance as of June 30, 2011 was \$43.26.

To date, the District has spent more than \$2 million on pre-construction costs for a new library; however, the District has no money to actually build the facility. The Grand Jury learned that a plan to ask voters to approve a bond measure to pay for construction was never finalized.

The District is dependent on sales and property taxes for more than 80 percent of its revenue. From June 30, 2009 to June 30, 2011, District revenue from sales tax decreased by 17 percent. During the same period, revenue from property tax decreased by 8 percent.

REVENUE SOURCE	2009	2010	2011	CHANGE 2009-2011
Sales Tax	\$ 598,029	\$ 536,657	\$ 496,690	-17%
Property Tax	\$ 304,934	\$ 288,390	\$ 281,944	-8%
All Other	\$ 159,296	\$ 164,595	\$ 149,225	-6%
TOTAL	\$ 1,062,259	\$ 989,641	\$ 927,859	-13%

A voter-approved 1/8 cent sales tax used exclusively to fund Solano County libraries accounts for more than 50 percent of the District's revenue. If not extended, the library sales tax is scheduled to expire on October 1, 2014. As a result, Dixon Library services could be severely impacted.

V. FINDINGS AND RECOMMENDATIONS

Finding 1 – Audits are not timely. Specifically, the last audit was completed more than a year after the end of the fiscal period. Timely completion of an audit allows the governing body to view current financial information and provides an opportunity to correct small deficiencies before they become large problems.

Recommendation 1 – Governing Board of Library Trustees require that future audits be completed no less than 180 days following the end of the fiscal period.

Finding 2 – The financial stability of the Dixon Public Library District may be in jeopardy. District spending and shrinking revenues between 2008 and 2011 resulted in the following:

- A decrease in net assets of approximately \$100,000
- A decrease in General Fund cash of more than \$960,000
- A decrease in Building Fund cash from \$1,133,715 to \$43

Recommendation 2a – Governing Board of Library Trustees develop a financial plan to address the decline in net assets and cash.

Recommendation 2b – Governing Board of Library Trustees coordinate with the County Director of Library Services to determine the economic benefit and viability of joining the Solano County Library System.

Finding 3 – The Dixon Public Library District is in danger of losing the 1/8 cent library sales tax which is due to expire on October 1, 2014. This funding source accounts for more than 50 percent of the District's revenues.

Recommendation 3 – Governing Board of Library Trustees develop a plan of action to deal with the possibility that the 1/8 cent library sales tax will not be extended.

COMMENTS

The Grand Jury questions the District's decision to proceed with a new construction project prior to obtaining adequate funding. The District has little to show for its \$2 million dollar investment and little hope of building a new library facility in the near future.

REQUIRED RESPONSES

Dixon Public Library District Governing Board of Library Trustees

COURTESY COPIES

Dixon Public Library District Library Commission
Solano County Board of Supervisors
Solano County Auditor-Controller
Solano County Director of Library Services
Solano County Treasurer-Tax Collector-County Clerk