

**BASALT REGIONAL LIBRARY DISTRICT
FINANCIAL MANAGEMENT MANUAL
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BRLD FINANCIAL MANAGEMENT MANUAL

FINANCIAL MANAGEMENT OVERVIEW

Financial Policy Statement

The Basalt Regional Library District (BRLD) is committed to responsible financial management. The entire organization, including the Board of Trustees, administrators and staff will work together to make certain that all financial matters of the organization are addressed with integrity, and in the best interest of the BRLD and the public served.

The following Financial Policies and Procedures are designed to 1) protect the assets of the BRLD, 2) ensure the maintenance of accurate records of the BRLD's financial activities, 3) provide a framework of operating standards and 4) ensure compliance with federal, state and local legal and reporting requirements.

The Director and Trustees of the BRLD have responsibility for administering the Financial Policies and ensuring compliance with Financial Procedures that have been approved by the Board of Trustees. Changes, amendments or exceptions to these policies require approval by the Board.

Basis of Accounting

BRLD will use the modified accrual basis of accounting. Under this method, the revenues are recognized when measurable and available. Property taxes, , Motor Vehicle Specific Ownership (MVSO) taxes, grants and interest are considered to be subjects of accrual. Fines, fees and Fundraising Contributions are not subject to accrual because they are not measurable until received and Grant revenues are recognized as they are earned.

Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due. Expenditures for insurance, membership and other services which extend over more than one accounting period are accounted for as expenditures in the period of acquisition.

Line of Authority

Board of Trustees – have the authority to execute policy that is deemed in the best interest of the organization, within parameters of its Bylaws, or federal, state and local law.

Treasurer & Finance Committee – has whatever authority as may be designated by the Trustees, including authority to choose the bookkeeper and perform regular in-depth reviews of the organization's financial activity, oversee the development of the budget, approve the budget, set the mill levy and determine the allocation of investment deposits.

Executive Director – has authority as designated by the Trustees and Finance Committee, including but not limited to making spending decisions within the parameters of the approved budget, employing and terminating personnel, determining salary levels and entering into contractual agreements within board designated parameters.

Financial Oversight by the Finance Committee

The BRLD Treasurer will chair the Finance Committee and oversee the accounting system. A qualified, experienced Bookkeeper will be chosen by the Finance Committee to assist

with proper record keeping and disbursements. Library staff will provide additional support, as designated. The Director, President, Vice-President and Treasurer will be bonded for criminal liability. Any contracted bookkeeper hired by the Library will furnish proof of carrying adequate bonding and an Errors and Omissions policy.

Finance Committee Meetings

The Finance Committee will meet at least once a month. The monthly meeting will be held the week prior to the monthly Board Meeting. The Director or Bookkeeper will provide monthly reports from the prior month to the Treasurer, Finance Committee and other attendees. These reports will consist of, at a minimum, the prior month's BRLD Balance Sheet and General Fund Profit & Loss Performance (to include actual income/expenses and year to date percentage comparisons to annual budget); the Colorado Trust Summary Statements for the Bond Repayment Fund, Tabor Reserve Fund, Operating Fund and Capital Reserve Fund; the prior month's Alpine Bank statement showing deposits and withdrawals; copies of all cancelled checks; and Reconciliation Detail, including a listing of outstanding uncashed checks and voided checks. All reports will be available to the public.

The Finance Committee attendees will review the financial reports and will ask for further detail or clarification as needed. The Treasurer will review the reconciliation detail each month.

Finance Committee Monthly Report to the Board:

The Treasurer will present a detailed Financial Report of the previous month's activity at the monthly board meetings. Financial reports will be available to the public.

In addition, the Director, will provide annual reports to the Board on the adequacy of all Health Insurance Coverage and Property and Liability Insurance at least two months prior to the policy renewal. The Director will provide confirmation of payment and coverage.

APPROVED BY FINANCE COMMITTEE 5/22/14

FINANCIAL MANAGEMENT PROCEDURES

BUDGET

DEFINITION: putting our money to use “to ensure the best possible use of limited resources and improve sustainability of our mission and programs”. The budget process consists of two parts: the annual financial plan and the long-range financial plan.

Annual Financial Plan: reflects the operating goals and objectives along with the Capital plan to maintain, replace and repair the physical structure. In addition, the budget takes into account the business conditions and special circumstances that are expected to occur in the coming year.

Long Range Financial Plan: The long-range plan will include strategic analysis of current services, hours, usage, patron numbers, technology and future objectives and goals. It projects revenues, operating and capital expenditures and fund balances, as well as assessed value growth, mill levy rates, and other revenue sources. The strategic analysis will study whether the library’s reserve account balances are maintaining their principal, growing or declining. If declining, the Director and Finance Committee must create long-range strategies for preserving or restoring reserves to keep the Library viable.

The long-range plan with strategic analysis is ideally updated annually, either prior to or in conjunction with the budget process. Management, Finance Committee and Board Trustees all are responsible for participating in the development of the long-range plan.

Final approval of the long-range plan takes place no later than the date of adoption of the annual budget, but may take place earlier if desired.

Responsibility:

1) The Director and Finance Committee will develop an Operations Plan for each fiscal year, consisting of objectives, strategies and tactics to be used as a guide in the development of the Annual Budget. The plan is based on historic trends, the needs of the community and recommendations from the Staff and Trustees on how to best meet those needs. It is applicable to all funds, departments and financial functions of the BRLD.

2) The Director and Department Managers will make recommendations for budgetary submissions for their departments, in keeping with the Operations Plan.

3) The Board of Trustees are responsible for annual approval and adoption of the budget and certification of the mill levies (operational and bond) in accordance with the time frame requirements mandated by Statute.

Annual Budget Calendar:

- Jan. 1 – beginning of new budget year
- January 15-20 - Library District Letter to taxpayers and library patrons is drafted by Treasurer and sent to district commissioners.
- Jan. 31 –Deadline for submission of budget, all resolutions and other forms to Department of Local Affairs (DOLA).

- July-August – BRLD Budget Process begins (earlier is better, due to summer Library programming)
- Aug. 25 – Eagle and Pitkin County Assessors provide Preliminary Certification of Value
- Sept. Finance Committee Meeting - Submission of first draft budget.
- Oct. 15 –Deadline for final Draft Budget to be delivered to Board of Trustees – required by State Law (CRS 29-1-105).
- Budget hearing scheduled subsequently (CRS 29-1-108 (1) –Early in November. Public hearing must be advertised (one time notice in newspaper) and copies must be made available. Budget approval, if possible
- Dec. 10 – Final Certification of Value for property tax revenue estimates.
- Dec. 15 – Final adoption of the budget, certification of mill levies, appropriation expenditures and resolutions
- Dec. 31 –Deadline for adoption of budget

Budget Considerations: State law requires budgets for the District’s governmental fund types. Budgets for the Operating Fund, Capital Reserve Fund, Bond Repayment Fund and Tabor Fund are all adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP—uniform minimum standards and guidelines for financial accounting and reporting which encompasses the conventions, rules and procedures necessary to define accepted accounting practice at a particular time.)

Budget Process

Individuals involved with the budget will examine all budget considerations early in the Budget Planning Stage (July-August). Considerations will include the following:

1. Long-term Planning by Director and Board

Trend Charts (over 3 – 5 years) showing general revenues & expenditures, property tax collections, debt burden and library usage (include specific programs).

Governmental Reports will be used to obtain demographic information such as population, population changes, median population age, foreclosures, unemployment rate, etc.

Library Fund Balances will be examined to determine adequacy of monetary reserves.

General Fund Tax Revenue Projection will be used to project estimated tax revenues for the upcoming budget year.

2. Budget Preparation by Director and Managers

The Finance Committee and Director will determine general budget parameters for the following year. The parameters will be dependent on identified trends and the library’s long-term plan. The parameters may include a range of percentages [of increase or decrease] in either the overall budget or in specific budgeting areas.

The Director is directly responsible for budgeting for maintenance of the facility, payroll and capital expenditures.

Budgets for collections, programs and technology are prepared by the Director and designated Department Managers, using guidelines issued by the Director and the Finance

Committee. Budgets will be prepared with sufficient detail (goals and objectives) and prioritization to be discussed with and adjusted by the Director.

After the Director and Finance Committee have reviewed and prioritized the individual budget submissions, they are combined and the annual capital plan is incorporated and submitted to the Board. If the combined budget does not meet the aforementioned parameters, the budget will be sent back to the Director and Finance Committee and additional budget work sessions may ensue. Following approval by both the Finance Committee and the Director, the final draft of the budget will be submitted to the Board of Trustees for approval.

APPROVED 6/17/14

CAPITAL EXPENDITURES

Capital Improvement Plan – The plan will forecast estimated costs of future capital improvements for the next eight years. The Facilities Committee will review the 25 Year Maintenance Schedule so important maintenance projects aren't overlooked. "Facility needs" will encompass:

- 1) replacement of furniture, equipment, and technology having a useful life of five years or more, and
- 2) building maintenance, repair and replacement.

The Capital Improvement Budget will be coordinated with development of the Operating Budget. The Library District will identify estimated costs and potential funding capital expenditures.

Capital Needs Analysis – The Facilities Committee will at least annually inspect the facility and equipment in order to assess potential capital repair/replacement needs.

The Library District calculates depreciation using the straight-line depreciation method over the estimated useful lives. The estimated useful lives are as follows:

Furniture and Fixtures	7 – 10 years
Equipment	5 – 7 years
Building:	40 years

Inventory Management – Each December, as part of the Capital Development Plan, a complete inventory of fixed assets will be physically verified by staff. Corrections or changes will be made on the inventory sheets. This updated inventory will also be given to the auditor.

Prioritization of Capital Expenditures: Prioritization is used to assist the decision-making process regarding timing of Capital expenditures:

Urgent: Projects that cannot reasonably be postponed; projects to remedy conditions serious to public health, welfare or safety; maintenance of critically needed programs, or projects needed to meet emergency situations.

Essential: Projects required to complete/make fully useful a major improvement, or projects required to maintain a continuing program.

Desirable: Projects that should be carried out within a few years to meet anticipated needs; projects designated to replace or remodel obsolete facilities; projects for the normal replacement of equipment; adequately planned projects needed for the expansion of current programs; projects designed to initiate new programs.

Deferrable: Adequately planned projects that could be used for ideal operations, but that can be postponed without detriment to present operations if budget reductions are necessary; projects that are definitely recommended for postponement or elimination from immediate consideration since they are questionable in terms of need, planning or timing.

APPROVED 8/25/14

AUDIT

DEFINITION: As required by the Colorado Revised Statutes (CRS), Local Government Audit Law, 29-1-601 through 29-1-608, and Library Law, 24-90-109, and the belief that sound financial reporting is an essential public sector accountability to the citizens served, the Board of Trustees of the Basalt Regional Library District will ensure that an annual audit of the financial statements of the District will be conducted for each fiscal year.

Responsibility:

Hiring an Auditor: In August, following the audit submission, the Treasurer and Finance Committee working with the Director and Bookkeeper, will recommend to retain the auditor or to conduct a search for a new auditor. If a recommendation is made for a new auditor the Finance Committee will request competitive bids from 2-3 qualified certified public accounting firms. The Trustees will evaluate applications, conduct interviews, if necessary, and will select an auditor by board vote. An engagement letter from the auditor will be requested and will be signed annually.

Pre-audit: The Director and Bookkeeper will receive a list of materials (i.e., financial statements, year-end balances, comparisons of actual and budgeted figures, as requested) to be provided to the auditor, and a date (or dates) for a site visit will be set.

Audit: The audit will be completed, and the auditor will submit an Audit Report to the BRLD Board of Trustees no later than the July board meeting. The Audit Report will contain a written Statement on Auditing Standards (SAS 114) and a description of all material strengths, weaknesses and significant deficiencies (SAS 115).

Audit deadline: July 31: This is the date a copy of the audit must be received by the office of the State Auditor.

Audit extension: no later than 60 days after deadline, but extensions should be avoided.

Presentation of Audit by Auditor: A work session with auditor prior to the public session is considered “best practice”. This is a time when Board questions can be asked and detailed discussions can take place. Following the work session the Audit Report will be presented at the Board Meeting. Both meetings are public sessions and notice will be posted in accordance with the meeting policy.

Follow-up: The Director, Bookkeeper and Finance Committee will prepare a plan to improve areas of weakness per the auditor’s suggestions.

APPROVED 6/17/14

GENERAL OBLIGATION BONDS

History

On November 7, 2006 the electorate of the Basalt Regional Library District (BRLD) approved ballot issue 4B for the purchase of \$11,000,000 in general obligation bonds to acquire land and build a library on the present site. In addition a mill levy was approved for payment of principal and interest on the bonds.

The Basalt Regional Library District issued \$11 million in general obligation bonds in 2006 and 2007 to fund the construction of the new library. The BRLD’s bond underwriter is Don Diones, Senior Vice President, George K. Baum & Co., 1400 Wewatta St., Suite 800, Denver, CO 80202 (800) 722-1670.

Long-term Debt

1) The 2007 General Obligation Bond Series had a seven-year term, and matured in November 2013. Bond uses were: Project Fund (\$1,976,853.24), Bond Discount (\$25,382.38), Bond Insurance Premium (\$7,854.68) and Cost of Issuance (\$20,500.00), for a total of \$2,030,590.30.

2) The 2006 General Obligation Bond Series (totaling \$9,000,000) were issued on December 15, 2006 to fund purchase of land in Basalt and construction of the present library. These bonds carried interest rates ranging from 3.625% to 4.00%, payable through 2026.

The 2006 Series contained a provision for prior redemption (advance refunding), i.e., an early payment of principal. Under Colorado law, prior redemption is only allowable if the refunding will produce a savings (in payments) from the original bonds. In addition, November 1, 2015 was the earliest date on which the bonds could be called for early redemption and payment without a premium penalty (at par).

Due to favorable interest rates in 2012, the advance refunding process was initiated by the library and GK Baum & Co. in August 2012. With completion of the refunding in October 2012, the resulting interest on the refunded bonds was lowered nearly 200 basis points from a coupon rate of 4.15 to 2.23%.

The proceeds of the 2006 refunded bonds (2017-2026 principal amounts) were used to purchase United States Treasury securities (UST) that are direct obligations of the U.S. Treasury. UST will make principal and interest payments on the refunded 2006 bonds to pay the obligation in full and this portion of the 2006 bond is now defeased. An irrevocable trust escrow account was established at UMB (a commercial bank with trust powers) to hold and administer the proceeds. UMB provides regular statements of account activity to the Library. In addition, direct escrow account payments are made from UMB to the Library's Bond Repayment account.

The 2006 Series principal maturing between 2014 and 2016 was not refinanced; the balance remains outstanding and carries the original interest rate until final payment on November 1, 2016. The 2006 bonds maturing on or before November 1, 2015 are not subject to redemption prior to their maturity dates. However, 2006 bonds maturing on or after November 1, 2015 are subject to an optional early redemption on or after this date.

3) The Series 2012 General Obligation Refunding Bonds were issued on October 25, 2012 to provide funds for refunding (refinancing) of the portion of the 2006 bonds whose principal debts will mature between 2017 and 2026. The interest rate for new Series 2012 Refunding Bonds ranges between 2 – 2.5%. Due to this lower interest rate, the debt payments have been restructured; a substantial savings to taxpayers will result.

Bond Repayment

The BRLD bonds are financed by a mill levy that was approved by the electorate of the BRLD in November 2006. The district boundaries extend through a portion of Eagle and Pitkin Counties. Per the language provided in the 2006 ballot issue, the mill levy is tied to the total assessed property tax valuations, which are calculated by each county's assessor's offices by August 25 each year. Per the language in the ballot issue, BRLD has authority to adjust the mill levy for the following year in order to meet its debt obligation (principal and interest payments, plus County Treasurers' fees for collecting the property tax). Bond interest payments are due on May 1 and November 1, and annual principal payments are due November 1 each year.

Operation and Accounting of Bond Repayment Schedule (Accounting Procedure)

Using the appropriate bond schedules for each outstanding bond series, the Bookkeeper will calculate a projected Bond Repayment Schedule to seven years. This gives a projection of principal and interest payments due for each outstanding Bond Series, and shows dates when each bond is retired. The variable that fluctuates from year to year is the annual assessed property valuation.

August 25 of each calendar year is the date when the Pitkin and Eagle County Treasurers' Offices will provide an estimated valuation of taxable property for the

following year. The Director will receive these reports and will forward them to the Bookkeeper and Board. The Director will direct the Bookkeeper to calculate the appropriate bond mill levy. The Director reports the mill levy to the Board and it is adopted by Resolution. The Certification of tax levies is sent to the Pitkin and Eagle County Treasurers' Offices by December 15th.

APPROVED 8/25/14

INVESTMENTS

The BRLD Board of Trustees is responsible for protecting the financial resources of the library. It is the policy of BRLD to invest excess funds that are not needed for current operations or obligations to the best advantage of the library in such securities and/or depositories as are permitted by law, as defined in C.R.S. 24-75-601.

Investment Responsibilities

The Treasurer and the Finance Committee are responsible for setting investment policy and carrying out procedures in accordance with safekeeping, investment accounting, wire transfer agreements and collateral/depository agreements.

The Board Treasurer is designated as the investment officer and is responsible for providing periodic reports of investment activities to the Board of Trustees. The investment Policy will be reviewed at least annually, during the budget process.

The Treasurer and Finance Committee will be guided by the "*Prudent Investor Rule*". The Prudent Investor Rule states that investments will be made with judgment and care under circumstances then prevailing, not for speculation but for investment, considering the probable safety of their capital as well as probable income derived.

The guiding principals for investments are:

Safety of Principal – the primary objective is to protect against loss of principal.

Liquidity – Investments are managed to ensure that funds are available to meet obligations as necessary.

Yield – Investments are managed to optimize returns within the appropriate safety and liquidity constraints.

BRLD Financial Accounts

A list will be maintained of financial institutions and depositories authorized to provide financial and investment services. In addition, a list will be maintained of approved security brokers/dealers selected by creditworthiness.

The BRLD manages its funds by maintaining the following accounts:

- **Alpine Bank Checking Account** – This account is not an investment account, but is used to disburse money for budgeted library expenses. Funds are transferred from other accounts on an as needed basis. Two signatures are required on each check. The Director, plus two or three designated Trustees will be authorized to sign checks. The list of authorized signers is reviewed annually and any person without signing authority is removed.
- **ColoTrust Accounts** – ColoTrust is a “pooling” entity set up by the State to manage funds for state taxing districts. The Districts are allowed to deposit and withdraw any amounts of their funds whenever they wish.
The four Reserve Accounts currently held with ColoTrust are the BRLD’s Operating Fund, Bond Repayment Fund, Capital Reserve Fund and Tabor Reserve Fund.
- **UMB** – a commercial bank with trust powers, UMB holds an irrevocable trust escrow account containing U.S. Treasury securities purchased from the sale of refunded 2006 bonds. This investment is structured to transfer interest and principal payments on the refunded bonds to the Bond Repayment Fund as payments come due.
- **Credit Card** - The Director is authorized to hold a credit card to charge approved Library expenses and the Director shall supply detailed accounting of card use monthly to the Bookkeeper.

Investment Advisors, Consultants: To facilitate timely communication with the Library’s financial institutions, a list of names, addresses and contact information will be kept in the Accounting Procedure Manual. The Board Treasurer will establish contact with and obtain reports at least annually from the financial institutions stating their financial condition, interest rates and other pertinent information.

A List of names, addresses and contact information of BRLD’s financial institutions will be put into Accounting Manual. The District’s bond underwriter and auditor will be included in this list.

Additional Safeguards

To further provide for the safety of the Library’s assets, The Board of Trustees will also carry:

- **Property and Liability Insurance** to protect against loss or damage to the building and/or its contents, and to provide coverage against lawsuits arising from property damage or bodily injury.
- **Indemnity Insurance** to cover errors and omissions committed by the Director, employees and board members in the line of duty.
- **Professional Liability Insurance**- contract employees must show proof of carrying a policy for coverage against claims of wrongful acts (including errors, omissions and negligence).

Internal Controls – will address the following:

- Separation of transaction authority between Management and Bookkeeper. The Bookkeeper will notify the Director when a transfer of funds is necessary. All wire transfers require written confirmation: The Director and Board President or Treasurer will co-authorize wire transfers to be made by the Bookkeeper. (If a signature cannot be immediately obtained, an email from the person authorizing the transaction will suffice until the approval document can be signed in person.) Signed authorizations will be kept with monthly accounting records.
- Compliance will be assured by the District’s annual independent audit.

The following investments are permitted by this policy:

- U.S. Treasury obligations which carry the full faith and credit guarantee of the U.S. Government and are considered to be the most secure instruments available
- Local Government investment pools either state-administered or developed through joint powers statutes and other intergovernmental agreement legislation
- *Other FINANCIALLY SUITABLE INSTITUTIONS AS SELECTED BY THE BOARD*

FUND BALANCES

It is the policy of BRLD to establish reserves of District funds for specified reasons or purposes. The reserves represent District funds, assets or revenues that have been set aside and not generally available for appropriation for the current year’s capital or operating budgets unless authorized by the Board of Trustees. Reasons and purposes for the reserves may include compliance with laws governing the District, compliance with legal obligations resulting from obligations from binding agreements entered into by the District for prudent and responsible management of the District’s financial affairs and for other reasons that may be specified by the Board of Trustees. Reserves and reserve amounts are approved annually through the budget process.

Funding Accounts for BRLD have been established for the following reasons and purposes:

General Operating Fund: This fund accounts for all financial resources of the District, except those that are required to be deposited into another fund.

The Operating Fund is funded by General Mill Levy proceeds from Pitkin and Eagle Counties, and by a Motor Vehicle Specific Ownership (MVS) Tax collected by the two counties. The annual mill levy amount is fixed at 2.61 mills. The District will maintain in the General Operating Fund a reserve equal to at least 6 MONTHS (180 DAYS) of estimated operating expenditures for the budget year. The purpose of the retained balance is to lessen the impact to the District in the event of an unforeseen revenue shortfall or emergency.

Bond Repayment Fund: This fund accounts for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs. It consists of funds

collected from annually adjustable mill levy proceeds collected from Pitkin and Eagle Counties, plus deposits of escrowed funds resulting from the refunding of 2006 bonds in 2012. The sum of at least \$500,000.00 will be retained in this account to lessen the impact to the District of unforeseen circumstances or emergency.

Capital Reserve Fund: This fund is used to account for the accumulation of resources for approved capital expenditures. The BRLD will maintain a reserve fund for replacement and maintenance of fixed assets using the Library's 25-year Major Maintenance and Replacement Plan, plus other Library CAPITAL ASSETS (computers, etc.) This fund is used to provide annual transfers to the Operating Budget for the purpose of funding capital purchases for that year.

Tabor Reserve Fund: This fund is retained within the General Operating Fund as required by State statute (Article X, Section 20 of the Colorado Constitution).

APPROVED BY FINANCE COMMITTEE JANUARY 14, 2015 – SENT TO AUDITOR, COLLICE P. (“PETE”) BLAIR – AUDITOR’S APPROVAL RECEIVED FEBRUARY 26, 2015.