

# **Financial Policy**

## **Bulverde Area Rural Library District**

The policies contained in this document deal with the financial management of the Bulverde Area Rural Library District (BARLD).

### **SECTION 1 - PURPOSE AND GENERAL OBJECTIVES**

**Section 1.1:** The purpose of the financial management policies are to guide the Board of Trustees, staff, and consultants of the Bulverde Area Rural Library District in the accounting, reporting, investing and management of the financial affairs of the District and to serve as a guide for interested parties, including Friends of the BARLD, Foundation of the BARLD, local elected officials, and potential donors.

**Section 1.2:** The objectives of the financial management policies of the Bulverde Area Rural Library District are concerned with procurement, allocation and control of financial resources of the District and include the ability:

- To ensure regular and adequate supply of funds to operate the library.
- To ensure optimum funds utilization.
- To ensure safety on investment.
- To plan for long-term needs in equipment, materials, building, and improvements.

### **SECTION 2 - FUNDING FROM SALES AND USE TAX**

**Section 2.1:** The Bulverde Area Rural Library District was created as of January 15, 2000 and funded duly and lawfully by a one-half of one percent ( $\frac{1}{2}$  %) sales and use tax (operates pursuant to Texas Local Government Code Chapter 326).

**Section 2.2:** Taxes collected under subchapter §326.095 may be used only for the purposes for which the District was created and may be pledged as collateral for borrowing money to further those purposes.

**Section 2.3:** It is the responsibility of the Board to oversee, monitor and analyze receipts of the sales and use taxes monthly. Various reports concerning the sales and use tax revenue for the Bulverde Area Rural Library District may be obtained from the Texas Comptroller's office at <http://www.window.state.tx.us/taxinfo/local/other.html#rpt1>.

### **SECTION 3 - OTHER REVENUES**

Other revenues include gifts, grants, donations, fees, rewards, contributions and may be accepted to carry out the purposes of the District. Other fund-raising efforts, such as capital campaigns, following the same purposes may be organized periodically.

### **SECTION 4 - SELECTION OF DEPOSITORY**

**Section 4.1:** The Board will designate one or more banks inside or outside of the district to serve as the depository for district money. Tax revenue of the district will be deposited in a depository bank that meets the federal requirements of the Financial Institution Reform, Recovery, and Enforcement Act (FIRREA) of 1989.

**Section 4.2:** No more than \$250,000.00 may be deposited in any one financial institution due to deposit insurance restrictions not covered by FDIC except for:

- the Texas CLASS account (Texas Cooperative Liquid Assets Securities System) for special financial institutions established by the State of Texas, and
- federal bonds

**Section 4.3:** See Attachment F-1 for list of financial institutions approved by the Board.

### **SECTION 5 - FISCAL RECORDS AND AUDIT**

**Section 5.1:** Records will be kept on a fiscal year basis, from July 1 through June 30. Income and Expenses Reports will be made to the Board on a monthly basis. The final month and yearly reports will be presented at the Board's regular July meeting.

**Section 5.2:** The Library Director will be responsible for maintaining the fiscal records of the Library and for reporting to the Board of Trustees monthly. All records will be kept current and will be maintained in a manner consistent with accepted accounting practices.

**Section 5.3:** The district will keep a complete system of accounts and have an annual audit of the affairs of the district performed by an independent certified public accountant. A signed copy of the audit report will be delivered to each trustee not later than the 120th day after the closing date of each fiscal year. A copy of the audit report will be kept on file at the district office and will be made available for inspection by any interested person during regular business hours.

**Section 5.4:** Financial information of the District will be made available for the inspection of any citizen residing in the Bulverde Area Rural Library District upon request to the District Board. Such inspection shall be scheduled at the reasonable convenience of the Board.

## **SECTION 6 - INVESTMENT OFFICER**

The Board designates the Treasurer of BARLD or other Trustee of the Board as the Investment Officer. The Treasurer or Investment Officer shall exercise the judgment and care, under prevailing circumstances that a prudent person would exercise in the management of the person's own affairs, but the Board retains the ultimate responsibility as fiduciaries of the assets of the District. Unless authorized, a person may not deposit, withdraw, transfer, or manage in any other manner the funds of the District. The Treasurer will provide all passwords from the Board in a sealed envelope with a signature across the seal to the bookkeeper.

## **SECTION 7 - EXPENDITURES**

### **Section 7.1: Authorization**

The District's money may be distributed only by check, draft, money order, wire, ACH (automated clearing house), or other instrument that must be approved and/or signed by one or more officers or employees of the District as designated by the Board of Trustees. (Reference: Chapter 326.068, Local Government Code.)

Expenditures approved by the Board of Trustees in advance, including items in the approved annual budget, may be authorized by the Library Director regardless of amounts as long as they are within the budgeted amount.

The only people authorized by the Board of Trustees to distribute funds from any account of the Bulverde Area Rural Library District are:

- All sworn District Trustees
- The Library Director (limit per transaction - See Attachment F-2 Schedule of Authorization)
- Any other employee or person designated by the Board

### **Section 7.2: Schedule of Authorization**

In order to authorize expenditures and that materials are received, it always takes at least two signatures--one to testify that the expenditure is correct and the other to approve the expenditure.

The amounts authorized to approve are listed in Attachment F-2 Schedule of Authorization for:

- Library Director
- Any Trustee
- Two Trustees
- Total Board

No amount can be authorized in excess of the amount budgeted without a vote of the Board of Trustees. The Board can authorize anyone to approve any amount by a vote of the total Board.

### **Section 7.3: Authorization Restrictions**

No one can authorize the reimbursement of expenses to themselves. The person requesting reimbursement must have it approved by a higher-ranking person or in the case of a Trustee; another Trustee must approve it. Any expenditure over \$500.00, authorized by a Trustee, will require notification of the Treasurer. With the exception of routine purchases of under \$500.00 for the Library Director, no one may authorize bill payment for anything they ordered.

## **SECTION 8 - PAYMENTS**

### **Section 8.1: Bill Payment**

The payment of the legitimate bills of the Library must be done in accordance with the schedule of authorization above. All bills to be paid must clearly show the business purpose of the obligation and be testified to by the person signing the bill as correct.

### **Section 8.2: Credit Card**

Most expenses for the Library should be handled by invoice and bill payment. The Library credit card may be used to purchase any items that can be purchased without penalty and that are not excluded above. Meals, transportation, lodging and miscellaneous expenses while on Library business may be charged to the Library credit card with prior approval of the Library Director. Under extenuating circumstances, cash advances for mileage, transportation fees and other library related travel can be made per Attachment F-2 Schedule of Authorization.

Employees using the library credit card for purchases must sign and turn in the receipt for their purchase to the Bookkeeper in a timely manner. No personal expenses can be charged to the Library credit card, even if they are reimbursable expenses.

All items listed on the Library's monthly credit card statement are to be supported by a receipt or a copy of an invoice or similar document from the vendor. The back-up documents must clearly identify what was purchased, from whom, when and how much was paid. The credit card bill will be authorized each month in the Board of Trustees Meeting by a majority vote.

### **Section 8.3: Expenses/Vouchers**

Personal expenses may be submitted by anyone incurring expenditures for the Library which cannot be handled by bill payment. This would include any travel, conference, meeting, mileage or other expense which are legitimate expenses of the Library. The authorization of a reimbursement for expenses will be in accordance with the Schedule of Authorization. A clear and concise statement of the business purpose of the expenditures will be required. Employees or Board Trustees will receive the mileage rate, transportation, parking fees, hotel and meals per diem according to the Texas State Comptroller. Reimbursement will be made if accompanied by detailed written receipts (see <https://fm.x.cpa.state.tx.us/fm/travel/travelrates.php>).

## **SECTION 9 - MISCELLANEOUS FUNDS**

### **Section 9.1: Petty Cash**

The Library Director will maintain a petty cash fund not to exceed the amount approved (See Attachment F-2 Schedule of Authorization). This fund will be replenished as needed by the Library

Financial Policy approved: 9/21/2023

Investment Policy approved: 9/21/2023

Director by writing a check for the cash. This account must have receipts for all transactions. The cash register tape will be reconciled with the drawer amount weekly. All receipts over the designated amount will be deposited weekly (see Attachment F-2). The entire account must be reconciled on the last day of each month.

### **Section 9.2: Encumbered Funds**

Where expending funds being held for an approved single purpose, for example, purchase of books or special project, the Board of Trustees may grant permission in advance to expend such funds. In such instances, the Library Director will include such expenditures in the regular financial reports to the Board.

## **SECTION 10 – PURCHASING ITEMS OUTSIDE OF APPROVED BUDGET**

### **Section 10.1: Purchasing Guidelines**

Purchasing is the process of acquiring those goods and services required to provide the patrons with the services they use. Public purchasing is not focused solely on cost. Purchasing should take into account the value of a product or service and should meet the following goals:

- Purchase the proper good or service to meet the Library's need.
- Get the best possible price for the good or service.
- Have the good or service available when needed.
- Assure a continuing supply of needed goods and services.
- Guard against any misappropriations of the District's assets procured by purchasing.
- Ensure that responsible bidders are given a fair opportunity to compete for the District's business. Safeguard public funds.
- Ensure spending is not used to enrich elected officials or Library employees, or to confer favors on selected constituents.

### **Section 10.2: Purchasing Criteria**

- Items costing over \$500.00 require competitive quotes.
- For purchases of \$1000.00 or less it is not necessary to take bids.
- Competitive quotes are required for purchases of \$1000.00 to \$14,999.99. (See the Texas Comptroller website at <http://www.texasahead.org/lga/finances/purchasing/>)
- Solicited bids on uniform written specifications (Invitation to Bid/IFB) from at least three (3) bidders are required for purchases of \$15,000.00 to \$25,000.00.
- The public bid process is required for purchases over \$25,000.00. The notice must be published at least 2 weeks before the date that the bids are opened.
- Items exempt from the criteria above are professional services including: accounting, architecture, landscape architecture, land surveying, medicine, engineering, auditors, construction manager, real estate appraisal, land, and utilities. A Request for Qualifications (RFQ) is to be distributed for any professional services being considered. See Attachment F-

20 Request for Qualifications for Professional Services. (See state comptroller's office for guidelines at:

[http://www.texasahead.org/lga/finances/purchasing/96449\\_Model\\_Purchasing\\_Manual\\_11\\_10.pdf](http://www.texasahead.org/lga/finances/purchasing/96449_Model_Purchasing_Manual_11_10.pdf))

### **Section 10.3: Buying Service**

The library can utilize a buying cooperative approved by the Board to satisfy the bidding process. If the library can secure the same service or material locally at the same price, it may be bought locally.

### **Section 10.4: Purchases Under \$500.00**

In order to minimize unnecessary procedures, the Library Director is authorized to initiate and make small purchases without following formal requisitioning procedure.

- The Library Director will get quotes from at least three (3) vendors and purchase the item from the vendor with the best value.
- Invoices are processed through normal channels.

### **Section 10.5: Purchases Over \$500.00 outside of approved budget**

Requisitioning is the process of formally requesting that a purchase be made outside of the approved budget. Requisitions are required for all purchases not included in the approved budget that exceed \$500.00 in value. Specific guidelines, including specifications, are found in Attachment F-3 Requisition and Specification Procedures for Purchases over \$500.00.

For expenditures of less than \$25,000 bidding is not required. Specific procedures to be followed are determined by the anticipated dollar amount and are included in Attachment F-4 Non-bid Purchases over \$500.00.

### **Section 10.6: Competitive Bidding**

Competitive bidding is the process of allowing vendors to compete with each other to provide goods and/or services to the Library and is required for expenditures at or over \$25,000.00. See Attachment F-5 Competitive Bidding Procedures.

### **Section 10.7: Evaluating and Awarding Contracts**

Procedures for evaluating and awarding contracts are in Attachment F-6 Evaluation of Bids and Proposals and Award of Contracts.

### **Section 10.8: Sole Source Purchasing**

There may be circumstances when there is only a sole source for a needed product or service. In such cases guidelines need to be followed. (See Attachment F-7 Guidelines for Sole Source Purchasing.)

## **SECTION 11 - INVENTORY SYSTEMS**

### **Section 11.1: Labeling**

All items, received or purchased by the Bulverde Area Rural Library District whose value exceeds \$3000 when purchased, shall be identified prior to placement in service. Items will be labeled, and the label affixed to an area where easy removal or destruction is most difficult. All items, received or purchased by the Library for checkout by patrons shall be entered into the catalog system and labeled prior to placement.

### **Section 11.2: Inventory Systems and Safekeeping**

The inventory systems shall be maintained to ensure inventory control, availability of adequate insurance coverage, and for accountability purposes. Value reports by asset category will be reported at the end of the fiscal year. Updated copies of the inventories will be kept in both electronic and print form onsite in a secured location and at least one approved off-site location. There will be four inventory lists, the last three of which are not part of the Fixed Assets:

- Fixed Assets Inventory
- Library Materials Inventory
- Electronic Items Inventory
- Furnishings Inventory

(See Attachment F-8 Inventory Systems and Schedule.)

- Fixed Assets Inventory  
Fixed assets are library property whose value exceeds \$3000 at purchase. The fixed asset inventory will include purchased values, serial numbers (if applicable), date the item was placed into service, and description. Packing slips, invoices and warranties will be filed and kept in concert with the fixed asset inventory as long as those items remain valued in excess of \$3000. The Library Director or a designee will update the fixed assets inventory annually for BARLD and reported at the end of the fiscal year. The fixed assets will be physically inventoried every three years.
- Library Materials and Electronic Items Inventories  
Reference materials and items available for checkout by patrons are excluded from the fixed assets inventory. Electronic and technology items costing less than \$3000, including those for patrons to check out and those maintained in the library, will be given unique identification codes. The library materials and electronic items will be physically inventoried annually to identify damaged, lost or stolen items so that insurance claims can be filed, additional controls instituted, purchasing practices may be improved and accounting records adjusted to reflect the losses.
- Furnishings Inventory  
Other library property includes furniture, shelving, and equipment with a lower threshold than \$3000. These items will be inventoried every two years and reported at the end of the fiscal year on odd-number years.

### **Section 11.3: Depreciation**

Depreciation will be straight line. Equipment and furniture will have a life of seven (7) years, computers for four (4) years and software for three (3) years.

### **Section 11.4: Removal of Property**

When an item is no longer in use, obsolete, or broken it may be removed in an efficient and equitable manner.

No documented assets may be removed from the library property without written documentation from the Director and at least one Trustee of the Board. A request for disposition or a suggestion as to disposition may be made to the Board by the Director to donate items to the Friends of the Library, other libraries, schools, or non-profit organizations benefitting the community. The inventory records must be updated to show the name of recipient and date of donation.

Obsolete equipment or equipment which is not accepted for donation, can be destroyed or discarded. It should be done with sensitivity to the environment and the inventory records must be updated to show its disposal.

## **SECTION 12 - DONATIONS, GIFTS, GRANTS**

### **Section 12.1: Donations of Books and Materials**

Donations of books, magazines and other library materials are encouraged. In order for the Library to make the best use of materials gifts, the following guidelines are provided.

- Acceptance of materials is the responsibility of the Library Director.
- Gifts/materials requiring special consideration (separate housing, special personnel, restricted use, limited disposition, etc.) are generally not accepted by the Library. Unusual circumstances will be referred to the Board of Trustees.
- The Library will retain those material gift items which can be reasonably added to the collection. Materials not needed by the Library will be offered to the Friends of the BARLD (FOL). Those items which cannot be reasonably added to the collection and are not accepted by FOL will be disposed of in whatever manner is deemed appropriate by the Library.
- The Library cannot evaluate materials for tax purposes. A Receipt of Donated Books and Materials may be given to the donor, but the library is not responsible for assessing monetary value of gifts. (See Attachment F-9 Receipt of Donated Materials.)

### **Section 12.2: Cash Donations for Books, Subscriptions, and Equipment**

Subscriptions and donations for gift books or equipment can be significant additions to the Library collection. When the Library receives a cash gift for the purchase of books, subscriptions, or equipment, the selection will be made by the donor and/or the purchasing Librarian. Materials gifted or purchased for the library will remain in the collection a minimum of one (1) year and after that time will be subject to the library collection maintenance guidelines (see Attachment F-10).



### **Section 12.3: Donations for Tributes**

The Bulverde Area Library District (BARLD) recognizes the desire of its patrons to establish memorials as lasting tributes to family members and/or organizations. The BARLD Memorial Policy establishes guidelines, standards, and procedures for such dedicatory donations.

The BARLD will consider donations from both individuals and groups, both public and private. Donations cannot be an avenue for commercial advertising or promotion.

Guidelines established by this policy shall apply to all donations. The Library Director will manage all memorial donations and will maintain a record of donors and the memorial installation. Any donation becomes the property of the library, and control over the maintenance and eventual relocation/disposal of the memorial remains in sole control of the library.

Memorial donations may be made toward a paver in the ground or a plaque that will be placed on a designated wall. Please refer to the MFPL Memorials brochure for sizes and costs of memorials.

#### **Applying for a Memorial**

Application forms for pavers or wall plaques are available on the library website, in the brochure available at the library, or by correspondence, which will include the required details from the website or brochure. Payment must be included with the application and delivered to the library personally or by US mail. The library will confirm acceptance of the application, and proceed to install the memorial at the earliest feasible opportunity.

Applications, along with payments, may be mailed to the Library Director c/o Mammen Family Public Library, 131 Bulverde Crossing, Bulverde, TX 78163. For additional information, contact the Mammen Family Public Library at (830) 438 – 4864.

### **Section 12.4 Other Donations**

In the event that memorial donations not addressed within this policy arise, the Library Director will recommend the item be placed on the agenda for the next available BARLD meeting for approval. The BARLD Board of Trustees and Library Director will review and make recommendations regarding those donations prior to their approval. The BARLD Board of Trustees must approve all other memorial requests prior to the Library accepting the donations.

### **Section C12.5: Grants**

The Library Director is encouraged to seek grants for the betterment of the library, collection, activities and staff development. All grants shall be managed to comply with the laws, regulations, and guidance of the grantor.

Some grants to the library may impose administrative costs to be incurred by the library. Where such costs are present, it may be necessary for the Board to authorize a payment of the library administrative operating expenses.

The Board of Trustees shall approve expenditure or placement of any grants whose use has not been restricted by the grantor.

**Section 12.6: Friends of the BARLD (FOL or Friends of the Library)**

Regular reports of the financial status of the FOL will be presented to the BARLD monthly. The financial reports of the FOL shall be shared with the BARLD Board annually or upon request.

The FOL will engage in fundraising and grant writing which enrich the Library or FOL programs.

**Section 12.7: The Foundation of the BARLD**

The Foundation of the BARLD is a 501(c)3 nonprofit incorporated organization recognized as tax exempt by the IRS with the ability to accept contributions and donations that are tax-deductible to donors. The Foundation was formed by volunteers as an independent organization at the request and with the support of the Library Board.

The purpose of the Foundation is to support the Library, and only the Library, beyond the budget possible through sales tax income. The Foundation will accept gifts of property including but not restricted to real estate, annuities, remainder trusts, life insurance, and cash. The financial policies of the Foundation are devised by the Foundation Board and donations and other funds will be managed by the Foundation Board. It is the intention of the Foundation to establish endowments with the principal remaining intact, but all gifts will be considered available for use as needed.

Regular reports of the financial status of the Foundation will be presented to the Library Board monthly. The financial reports of the Foundation shall be shared with the BARLD board annually or upon request.

The BARLD requests for fund transfers will be promptly entertained by the Foundation board. Written responses will be provided in a timely manner and approved fund transfers will be made according to the Foundation's policies.

The Foundation will engage in fund raising and grant writing which enrich the endowment fund.

**SECTION 13 - CONDUCT EXPECTATIONS OF STAFF AND TRUSTEES**

**Section 13.1: Comply with Laws**

BARLD and its employees must, at all times, comply with all applicable laws and regulations. BARLD will not condone the activities of employees who achieve results based on unethical business practices, or through violation of the law. This includes any payments for illegal acts, indirect contributions, rebates, and bribery. BARLD does not permit any activity that fails to stand the closest possible public scrutiny.

All business conduct should exceed the minimum standards required by law. Accordingly, employees must ensure that their actions cannot be interpreted as being in any way in breach of the laws and regulations governing BARLD's operations.

Employees uncertain about the application or interpretation of any legal requirements should refer the matter to their supervisor, who, if necessary, should seek the advice of the Board of Trustees.

### **Section 13.2: Code of Conduct**

BARLD expects all employees, associates, suppliers, and contractors to be honest and fair in their dealings with BARLD, and employees are expected to lead by example in these matters. The Code of Conduct sets out an approach to work that is both fair and honest, and employees must act accordingly at all times. Dishonest and illegal activity will not be tolerated.

See Attachment F-11 Code of Conduct for specifics in regards to conflict of interest, outside activities/employment/directorships, relationships with clients and suppliers, gifts/entertainment/favors, kickbacks and secret commissions, proper procedures for handling funds, records and communications, dealing with outside people and organizations, privacy and confidentiality. Also see Attachment F-12 Conflict of Interest Questionnaire and Attachment F-13 Conflict Disclosure Statement.

### **Section 13.3: Bonding**

The Board may require an officer or employee to execute a bond payable to the district and conditioned on the faithful performance of the person's duties. (Texas Local Government Code 326.051). If the Investment Officer follows all the guidelines set forth by the Board, the Investment Officer is not responsible for failure of an investment.

## **SECTION 14 - ANTI-FRAUD, ANTI-THEFT AND ANTI-CORRUPTION**

### **Section 14.1: Commitment**

BARLD is committed to making sure that the opportunity for fraud, theft and corruption is reduced to the lowest possible risk. Management has designed and implemented systems and procedures for the prevention and detection of fraud, and along with the Board of Trustees, will ensure a culture and environment that promotes honesty and ethical behavior.

As an important part of this commitment, the Anti-Fraud, Anti-Theft, and Anti-Corruption Procedures will serve to advise and guide staff on BARLD's approach to these serious issues. (See Attachment F-14 Response Plan to Theft, Fraud or Corruption.)

### **Section 14.2: Internal Control Process**

There are a number of policies and procedures to assure BARLD's financial, working, and organizational procedures are properly controlled. These are an important part of the internal control process, and it is important that all employees know about them.

- Financial Regulations (Policy Sections 7, 8, 9 above)
- Procurement Policy and Strategy (Policy Section 10 above)
- Conflict of Interest Policy (Policy Section 13.2 above, Attachments F-11, F-12, F-13)
- Response Plan to Fraud, Theft, and Corruption (Attachment F-14)
- Disclosure Form for Fraud, Theft, and Corruption (Attachment F-15)

Employees must read and understand the rules and regulations that apply to them, and act accordingly. Disregard for these rules and regulations may lead to formal disciplinary action, up to and including termination of employment.

### **Section 14.3: Preventing Fraud, Theft, and Corruption**

In order to combat fraud, theft, and corruption, efforts must be made to prevent it from happening in the first place. It is essential that there be clear rules and procedures within which employees can work. These will be reviewed regularly to address changes in the business and working environment.

The Director must make sure that suitable levels of internal checks and balances are included in work procedures, particularly financial procedures. A segregation of duties of the authorization, custody and record keeping of finances reduces the likelihood of errors and irregularities. It is important that duties are organized so that no one person can carry out a complete transaction without some measure of checks and balances as part of the process. Only employees, not volunteers, are allowed to handle cash related to Library business.

Details of reporting avenues will be published to employees, and a review of the Anti-Fraud, Anti-Theft and Anti-Corruption Procedures will be included as part of the new employee orientation (see Policy F-13 and F-14, Policy D-5.1 and D 6.2, and Employee Handbook). All information received must be investigated and addressed promptly and appropriately.

### **Section 14.4: Employee Role**

Employees can play a vital role in dealing with fraud, theft, and corruption. BARLD encourages all employees to report any suspected fraud, theft, or corruption (see Attachment F-15 Disclosure Form for Fraud, Theft, Corruption). All information will be dealt with fairly and confidentially, and BARLD will make every effort to protect the identity of the person(s) providing the information.

### **Section 14.5: Reporting Suspicions and Disclosure Procedures**

Employees can contact the Board of Trustees to obtain a Disclosure Form for Fraud, Theft, and Corruption (Attachment F-15). Completing this form, and returning it to the Board of Trustees, can provide information that may prevent or halt fraud, theft, or corruption.

### **Section 14.6: Response Plan**

BARLD will deal firmly and quickly with anyone who is responsible for fraud, theft, or corruption. The Board of Trustees, may refer matters to the police if any criminal activity is suspected. The investigative process should not be misused, and therefore, any abuse, such as raising unfounded malicious allegations, will be addressed as a separate disciplinary matter.

See BARLD's Response Plan to Fraud, Theft, and Corruption (Attachment F-14) for more on this issue.

#### **Section 14.7: Detecting and Investigating Fraud, Theft and Corruption**

BARLD's Disclosure Form for Theft, Fraud or Corruption (see Attachment F-15) is intended to encourage and enable employees to raise serious concerns on a range of matters including possible fraud, theft, or corruption.

The Board of Trustees will decide on the type and course of the investigation. This will include referring cases to the police where necessary. BARLD will prosecute offenders, and carry out disciplinary action in accordance with this or other applicable disciplinary policies. In deciding whether an incident should be reported, the following factors will be taken into account:

- the extent of the fraud, theft, or corruption
- the sufficiency and adequacy of the evidence
- whether the public interest will be served

#### **Section 14.8: Training**

BARLD understands that the key to a successful Anti-Fraud, Anti-Theft, and Anti-Corruption Policy is training and awareness. BARLD and/or the Director will provide training for employees who are involved in and/or manage internal control systems to make sure that their responsibilities and duties are regularly reviewed and reinforced. Additionally, the Director will provide suitable training to employees involved in investigating fraud, theft, and corruption.

#### **Section 14.9: Review of Policies**

BARLD will continue to review the Anti-Fraud, Anti-Theft, and Anti-Corruption Policy to ensure it is effective. The response to any report of fraud, theft, or corruption will be in accordance with the procedures included in this policy.

### **SECTION 15 - INVESTMENT POLICY FOR PUBLIC FUNDS**

#### **Section 15.1: Purpose of Investment Policy for Public Funds**

The primary purpose of the investment policy for public funds is to establish authority and assurance for investment decisions, create and maintain a comprehensive and effective investment policy, provide accountability, and evaluate the effectiveness of investment strategies.

#### **Section 15.2: Authority for Investments for Public Funds**

Tax revenue of the District may be invested in an obligation that is an authorized investment for the state and District in accordance with policies adopted by the Board (Texas Government Code Chapter 326.067, Subchapter 1204). All investments made by BARLD shall comply with the Public Funds Investment Act (Texas Government Code Chapter 2256, Subchapter A) and all federal, state, and local statutes, rules or regulations.

A list of qualified brokers who are authorized to engage in investment transactions with BARLD will be adopted.

#### **Section 15.3: Objectives of Investment Policy for Public Funds**

The public funds investments made on behalf of BARLD will emphasize safety of principal, liquidity, investment diversification, yield, maturity and the quality and capability of investment management. Funds of the district may be invested and reinvested by the Board or its authorized representative and placed in certificates of deposit or savings accounts of state or national banks or state or federal savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds of counties of the state.

Each investment strategy for public funds must describe the investment objectives for a particular fund using the following priorities in order of importance [PFIA 2256.005 (d)]: understanding of the suitability of the investment to the financial requirements of the entity;

- preservation and safety of principal;
- liquidity;
- marketability of the investment if the need arises to liquidate the investment before maturity;
- diversification of the investment portfolio; and
- yield (assign performance benchmarks as appropriate)

The Board, by resolution, may provide that an authorized representative of the district may invest and reinvest the public funds of the district and provide for money to be withdrawn from the appropriate accounts of the district for investments on terms the Board considers advisable. (Texas Government Code 325.068, Subchapter 437)

#### **Section 15.4: Investment Training for Public Funds**

Within 12 months after taking office or assuming duties, the treasurer shall attend at least one training session from an independent source approved either by the Board or by a designated investment committee advising the investment officer. This initial training must contain at least ten (10) hours of instruction relating to their respective responsibilities under the Public Funds Investment Act [Government Code 2256.008 (a)]. This investment training shall include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the PFIA, Government Code, Chapter 2256 [Government Code 2256.008 (c)].

The treasurer or other designated officer also must attend an investment training session not less than once in a two-year period that begins on the first day of July and consists of two consecutive years after that date and not less than once in each state fiscal biennium. The training received must relate to the investment responsibilities under the Public Funds Investment Act from an independent source approved by the Board or a designated investment committee advising the investment officer. This training requirement may be satisfied by having a Board officer attend ten (10) hours of appropriate instruction in a two-year period.

#### **Section 15.5: Standards of Care and Prudent Person Rule for Public Funds**

Investments of public funds shall be made with judgment and care, under prevailing circumstances that a person of prudence, discretion, and intelligence would exercise in the

management of his or her own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. Investments shall be governed by the following objectives in order of priority:

- Preservation and safety of principal;
- Liquidity; and
- Yield

#### **Section 15.6: Safekeeping, Custody, and Collateral for Public Funds**

Securities and collateral will be held by a third party custodian designated by the Board, and held in BARLD's name as evidenced by safekeeping receipts of the institution with which the securities are deposited. Settlement of all transactions requires delivery vs. payment reporting.

Collateral management will follow the requirements of the Texas Government Code for Public Funds Collateral Act, Chapter 2257 and include all uninsured collected balances, plus accrued interest, if any. The total value of eligible security to secure a deposit of public funds must be in an amount not less than the amount of the deposit of public funds.

Contracts for securing deposit of public funds must agree to meet all statutory and program requirements and state a term or condition relating to the possession of the collateral, substitution or release of an investment security, ownership of the investment securities of the bank used to secure a deposit of public funds, and a method by which an investment security used to secure a deposit of public funds is valued.

#### **Section 15.7: Personal Interest and Public Funds**

A District Trustee including the Investment Officer who has a personal business relationship with a business organization offering to engage in an investment transaction with the District shall file a statement disclosing that personal business interest. A Trustee including the Investment Officer who is related within the second degree by affinity or consanguinity, as determined by Government Code Chapter 573, to an individual seeking to sell an investment to the investment officer's District shall file a statement disclosing that relationship. The required statement must be filed with the Board and with the Texas Ethics Commission. See Attachment F-12 & F-13 Conflict of Interest Questionnaire and Conflict Disclosure Statement. For purposes of this policy, a Trustee including the Investment Officer has a personal business relationship with a business organization if:

- The Trustee including the Investment Officer owns ten percent (10%) or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
- Fund received by the Trustee including the Investment Officer from the business organization exceed ten percent (10%) of the Trustee's gross income for the previous year; or The Trustee including the Investment Officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the Trustee including the Investment Officer.

### **Section 15.8: Suitable and Authorized Investments and Marking to Market for Public Funds**

Investments of public funds by the District should be in certificates of deposit, money market accounts, Treasury bills and TexasClass. The Financial Officer will monitor rating changes and report to the Board quarterly. All prudent measures will be taken to liquidate an investment that is downgraded to less than the required minimum rating.

The market value of the portfolio must be determined at least and included in the quarterly investment reports. (See Attachment F-16 Approval Form for Review of Quarterly Investment Report.) Methods to monitor the market price of investments acquired with public funds will include reports of published interest rates from area financial institutions, information on the web, and newspapers.

BARLD is not required to liquidate existing investments that were authorized investments at the time of purchase.

### **Section 15.9: Weighted Average Maturity for Public Funds**

A valuation of mortgage loans pooled into a mortgage pass-through security pooled fund group for investing purposes may be established. The maximum dollar-weighted average maturity of the portfolio, based on the stated maturity date, should not exceed 20 months.

### **Section 15.10: Prohibited Investments for Public Funds**

Only certificates of deposit, money market accounts, Treasury bills and TexasClass investment holdings are authorized for investment of public funds.

### **Section 15.11: Authorized Dealers and Institutions for Public Funds**

Investments of public funds shall only be made with those business organizations that have provided the Board with a written instrument, executed by a qualified representative of the firms, acknowledging that the business organization has:

- received and reviewed the BARLD Investment Policy for Public Funds; and
- implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the entity and the organization that are not authorized by the Board's Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the entity's entire portfolio or requires an interpretation of subjective investment standards (Texas Government Code PFIA 1156.005 [k-l]).

### **Section 15.12: Investment Strategies for Public Funds**

Investment strategies will focus on diversification and maximum, but reasonable, maturities. Investment maturities will be staggered throughout the budget cycle. The Financial Officer will submit quarterly investment reports to the Board describing each investment strategy and investment and maintain files of each investment to include rating information, letters of certification, and statements, and yield curve, if applicable.

### **Section 15.13: Review of Investment Policy and Financial Reports for Public Funds**



The Board of Trustees shall review its investment policy and investment strategies of public funds not less than annually. The Board will use GTOT Investment Policy Checklist (Government Treasurers' Organization of Texas) for the review and in accordance with the PFIA.

The Board shall adopt a written instrument stating that it has reviewed the investment policy and investment strategies, and the written instrument so adopted shall record any changes made to either the investment policy or investment strategies of the public funds. See Attachment F-17 - Adoption of Annual Review of the Public Funds Financial Investment Policy.

The quarterly reports must be formally reviewed at least annually by an independent auditor and reported to the governing body.

A compliance audit of management controls on investments and adherence to the Board's established investment policies of public funds shall be conducted in conjunction with the annual financial audit.

## **SECTION 16 - INVESTMENT POLICY FOR NON-SALES TAX REVENUE**

### **Section 16.1: Sources of Non-Sales Tax Revenue**

Non-sales tax revenue includes fees, rewards, and bank interest on this revenue. See Attachment F-18 - Sources of Non-Sales Tax Revenue.

### **Section 16.2: Purpose and Scope of Investment of Non-Sales Tax Revenue**

This policy shall apply to all non-sales tax revenues of the District, including restricted and endowment funds. The purpose and scope of the policy is to:

- establish authority and assurance for investment decisions for these funds
- create and maintain a comprehensive and effective investment policy for these funds
- provide accountability for these funds
- evaluate the effectiveness of investment strategies for these funds

### **Section 16.3: Goals and Objectives of Investment Policy of Non-Sales Tax Revenue**

The main goal of the investment program of non-sales tax revenue is to ensure its safety, as well as to obtain reasonable financial returns with current market conditions in accordance with this Policy.

The objectives of the investment program made on behalf of BARLD with non-sales tax revenue will:

- ensure that investments provide limited investment risk with low volatility
- enhance interest earnings and minimize idle cash
- be managed in a responsible manner

### **Section 16.4: Authority of Investment and Authorization Resolution of Non-Sales Tax Revenue**

The Board shall annually designate the treasurer or another trustee as the Investment Officer of the Non-Sales Tax Revenue, who shall recommend appropriate legally-authorized and adequately secured investments, and who shall invest District non-sales tax revenue as directed by the Board and in accordance with this policy and generally accepted accounting procedures.

The Investment Officer is authorized to engage in investment transactions on behalf of the District through resolution. The person(s) authorized by resolution to transact business for the District are also authorized to approve wired transfers used in the process of investing.

**Section 16.5: Standards of Care and Prudent Person Rule for Non-Sales Tax Revenue**

Investments shall be made with judgment and care, under prevailing circumstances that a person of prudence, discretion, and intelligence would exercise in the management of his or her own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. Investments shall be governed by the following objectives in order of priority:

- Preservation and safety of principal;
- Liquidity; and
- Yield

**Section 16.6: Indemnification of Investment Officer of Non-Sales Tax Revenue**

The Investment Officer of Non-Sales Tax Revenue, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for a specific security's credit risk or market price changes, provided that these deviations are reported in a timely fashion and the appropriate action is taken to control adverse developments.

**Section 16.7: Investment Strategies for Non-Sales Tax Revenue**

Investment strategies will focus on diversification and maximum, but reasonable, maturities. Investment maturities will be staggered throughout the budget cycle. The Investment Officer will submit quarterly investment reports to the Board describing each investment strategy and investment and maintain files of each investment to include rating information, letters of certification, and statements, and yield curve, if applicable.

**Section -16.8: Performance Evaluation and Reporting of Non-Sales Tax Revenue**

The Board of Trustees shall review its investment policy and investment strategies of non-sales tax revenue not less than annually.

The Board shall adopt a written instrument stating that it has reviewed the investment policy and investment strategies, and the written instrument so adopted shall record any changes made to either the investment policy or investment strategies. (See Attachment F-19 Adoption of Annual Review of the Non-Sales Tax Revenue Financial Investment Policy.)

The quarterly reports must be formally reviewed at least annually by an independent auditor and reported to the governing body.

A compliance audit of management controls on investments and adherence to the Board's established investment policies shall be conducted in conjunction with the annual financial audit.

Date Revised: 9-06-2006, 9-14-2009, 1-12-15, 5-11-15, 9-14-15, 9-10-18, 8-14-19, 9-21-23