

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 policy is 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 of 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.

SECTION 3 - OTHER REVENUES

Other revenues include gifts, grants, donations, fees, rewards, contributions, which 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 Financial Institutions Approved for Depository 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 and quarterly basis. The final month, quarterly, and annual 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 Expenditures Authorization in Excess of Approved Budget or Outside Authorized Budget)
- Any other employee or person designated by the Board

Section 7.2: Schedule of Authorization

In order to authorize expenditures and materials received, it 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 Expenditures Authorization in Excess of Approved Budget or Outside Approved Budget 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 \$2,500.00, authorized by a Trustee, will require notification of the Treasurer. With the exception of routine purchases under \$2,500.00 for the Library Director, no other individual may authorize bill payment for items 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 Expenditures Authorization in Excess of Approved Budget or Outside Authorized Budget.

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 payment 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 the Texas State Comptroller's website).

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 Expenditures Authorization in Excess of Approved Budget or Outside Authorized Budget). This fund will be replenished as needed by the Library Director by writing a check for the cash. This account must have receipts for all transactions. All receipts over the designated amount will be deposited weekly (see Attachment F-2 Schedule of Expenditures Authorization in Excess of Approved Budget or Outside Authorized Budget). 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 GOODS AND SERVICES

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 goods or services to meet the Library's needs.
- 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 and safeguard funds.
- Ensure spending is not used to enrich elected officials or Library employees, or to confer favors on selected constituents.
- Ensure the Library follows all state and local purchasing guidelines found on the Texas Comptroller website (see the State of Texas Procurement and Contract Management Guide.pdf), and the Local Government Code 326. Library Districts.

Definitions:

Texas state and local government entities must follow specific procurement regulations outlined in the Texas Government Code and Local Government Code. The rules define a clear hierarchy based on the project's value.

- A **quote** is defined as a telephone, on-line, or written request for purchase of goods and services.
- A **bid** is an offer to contract with the Library, submitted in response to a bid invitation issued by the Library, the difference between quotes and bids being a dollar threshold.
- A **Bidders List** is a list of vendors that have expressed an interest in doing business with the State. See Centralized Master Bidders List (CMBL) on the Texas Comptroller website.
- An **Invitation for Bids (IFB)** is a written request for submission of a bid; also referred to as a bid invitation. An **Invitation for Bid (IFB)** can be used as both an informal and a formal procurement method, depending primarily on the monetary value of the purchase. State and local procurement laws set specific thresholds that dictate which process must be followed.
- An **informal bid** is an unsealed, competitive bid (IFB) submitted after being contacted by the Library by letter, telephone, or other means.
- A **formal bid** is a sealed, written bid (IFB) submitted in a sealed envelope in accordance with a prescribed format, or an electronic data interchange transmitted to the Library in accordance with procedures established by the comptroller to solicit competitive price proposals from contractors. These are kept secure and unopened until the due date and time specified in the solicitation.
- A **Request for Qualifications (RFQ)** is a written solicitation requesting the submission of qualifications or specialized services. Typically used for the procurement of professional services. The Texas Government Code, specifically Chapter 2254, authorizes the use of an RFQ to procure professional services, where the selection is based on demonstrated competence and qualifications rather than just cost.
- A **Request for Proposal (RFP)** is a written solicitation requesting the submission of proposals for goods, services, or projects. The RFP outlines the organization's needs and requirements, and vendors

respond by explaining how they can meet those needs, allowing the organization to select the best value through a competitive process that considers factors beyond just price.

- **Professional Services Procurement Act (PSPA)** Under Chapter 2254 of the Texas Government Code, selection is based **not** on competitive bids for the contract or service, but shall make the selection and award: 1) on the basis of demonstrated competence and qualifications to perform the services; and 2) for a fair and reasonable price. The professional fees under the contract may not exceed any maximum provided by law. This applies to various professional services:
 1. within the scope of the practice, as defined by state law, of: accounting, architecture, landscape architecture, land surveying, professional engineering, real estate appraising,
 2. provided in connection with the professional employment or practice of a person who is licensed or registered as: a certified public accountant, an architect, a land surveyor, a professional engineer, a state certified or state licensed real estate appraiser, or a person lawfully engaged in interior design.
- **Construction Manager at Risk (CMAR)** is an early contractor involvement strategy that seamlessly integrates owners, designers, contractors and relevant stakeholders right from the project's inception, which can occur as early as the schematic or concept design stage aiming to improve efficiency, reduce risk, and achieve optimal outcomes (see Chapter 2269 of the Texas Government Code).
 - Phase 1 – Pre-Construction Services** – (Contract 1) This initial phase involves the contractor's engagement to assist the client in the project's preliminary development lending expertise for project development, aiming to establish a solid Guaranteed Maximum Price (GMP).
 - Phase 2 – Construction Services** – (Contract 2) Once the design is well advanced, a new contract is executed based on the Guaranteed Maximum Price (GMP) agreed on Phase 1.
- **Public Opening** The public opening of bids, offers, or proposals, in which the names of the respondents to a solicitation are publicly read and recorded. No prices are divulged at an offer or proposal opening as these types of solicitations are subject to negotiation.
- **Purchase Order/Requisition** A document issued by a customer to a seller, indicating types, quantities, and agreed prices for products or services the seller will provide to the customer.
- **Solicitation** A document such as an IFB, RFO, RFP or RFQ requesting responses from vendors to provide specified goods and services. The term also refers to the process of obtaining responses from vendors to provide specified goods and services.
- **Vendor** A potential provider of goods or services to the Library.

Section 10.2: Purchases Under \$2,500.00

In order to minimize unnecessary procedures, the Library Director is authorized to initiate and make small purchases without following formal requisitioning procedure. (see Attachment F-2 Schedule of Expenditures Authorization in Excess of Approved Budget or Outside Authorized Budget.)

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

Section 10.3: Purchasing Criteria

- Currently purchases of under \$10,000.00 do not need bidding, only quotes. Purchases up to \$100,000.00 only require an informal bid process, excluding direct publications and professional memberships purchases which the competitive process is not required (see the Texas Comptroller website.) An Invitation to Bid (IFB) can be used for informal bidding, but must be used for formal bidding processes (see Attachment F-3 Invitation for Bids (IFB) and Attachment F-4 Non-Bid Purchases Over \$10,000.00.)
- A formal, written, public, sealed bid process is required for purchases of \$100,000.00 and above, see Attachment F-5 Evaluation and Award of Bids or Proposals. The notice must be published at least two (2) weeks before the bids are opened.
- “Best value standard” dictates that the lowest bid may not be the best option. Document reasons for making an alternate selection.
- Construction contracts require an RFP or RFQ process. A lawyer is recommended for this and for land purchases (see Attachment F-6 Request For Proposal (RFP) and Attachment F-7 Request for Qualifications (RFQ) for Professional Services.)
- Certain professional services and one-time purchases do not require bidding. Items exempt from competitive bids for the contract or service are those under the Professional Services Procurement Act (see list in definition above). See Attachment F-8 Construction Manager at Risk (CMAR).
- A Request for Qualifications (RFQ) is to be distributed for any professional services being considered, see Attachment F-8 Request for Qualifications (RFQ) for Professional Services.
- State Purchasing Resources are pre-bid by the State. See Centralized Master Bidders List (CMBL) on the Texas Comptroller website.
- Applicable laws:
 - Local Government Code 271 – Purchasing and Contracting Authority of Municipalities, Counties, and Certain Other Local Governments
 - Local Government Code 272 – Sale or Lease of Property
 - Local Government Code 273 – Purchase of Property
 - Local Government Code 280 – Gifts of Land
 - Government Code 2269 – Contracting and Delivery Procedures for Construction Projects (easier to read version)

Section 10.4: Purchases Over \$2500.00 Outside 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 \$2,500.00 in value. Specific guidelines, including specifications, are found in Attachment F-9 BARLD Requisition and Specification Procedures for Purchases over \$2,500.00 Outside Approved Budget.

For expenditures of less than \$10,000.00, bidding is not required, only quotes. Specific procedures to be followed are determined by the anticipated dollar amount and are included in Attachment F-4 Non-Bid Purchases Over \$10,000.00 and Attachment F-10 Sample Vendor Form.

Section 10.5: 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 10.6 Competitive Bidding Outside Approved Budget

Competitive bidding is the process of allowing vendors to compete with each other to provide goods and services to the Library and is required for expenditures at or above \$100,000.00. (See Attachment F-11 Competitive Bidding.)

Section 10.7 Evaluating and Awarding Contracts

Procedures for evaluating and awarding contracts are in Attachment F-5 Evaluation and Award of Bids or Proposals.

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-12 Guidelines for Sole Source Purchases.)

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-13 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 Materials may be given to the donor, but the library is not responsible for assessing monetary value of gifts. (See Attachment F-14 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-15 Collection Maintenance Guidelines).

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 a memorial donation is not addressed within this policy, 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 the donation prior to their approval. The BARLD Board of Trustees must approve all “Other Donations” requests prior to the Library accepting the donations. (See Attachment F-16 Library Donation Proposal Form.)

Section 12.5: 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 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-17 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-18 Conflict of Interest Questionnaire, Attachment F-19 Conflicts Disclosure Statement, and F-20 Conflict of Interest Policy.

A conflict of interest statement should be signed by the BARLD Board of Trustees, the Library Director, and employees that deal with contracts and payments annually.

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-21 Response Plan for Fraud, Theft, and 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-17, F-18, F-19, F-20)
- Response Plan for Fraud, Theft, and Corruption (Attachment F-21)
- Disclosure Form for Fraud, Theft, and Corruption (Attachment F-22)

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, and authorized 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 Attachment F-17, F-21, F-22, 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-22 Disclosure Form for Fraud, Theft, and 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 obtain a copy of Attachment F-22 Disclosure Form for Fraud, Theft, and Corruption. 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 Attachment F-21 Response Plan for Fraud, Theft, and Corruption for more on this issue.

Section 14.7: Detecting and Investigating Fraud, Theft and Corruption

BARLD's F-22 Disclosure Form for Fraud, Theft, and Corruption 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 (see Attachment F-1 Financial Institutions Approved for Depository) and placed in certificates of deposit, 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-18 Conflict of Interest Questionnaire, F-19 Conflict Disclosure Statement, and F-20 Conflict of Interest Policy. Refer to Local Government Code on the Texas Constitution and Statutes website.

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 Texas Class. 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 and annual investment reports. (See Attachment F-23 Approval Form for Review of Quarterly Investment Report, and Attachment F-24 Approval Form for Review of Annual 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-25 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-26 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-27 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.

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