



FINANCIAL POLICIES

Adopted by

BOYD COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES

Created September 2011
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Table of Contents

| | |
|-----------------------------------------------------------------|----|
| Fiscal Responsibility..... | 4 |
| District Funds | 4 |
| Personal Use of District Assets..... | 4 |
| Segregation of Fiscal Duties and Internal Controls | 4 |
| Policy Enforcement..... | 4 |
| Purchasing Policy..... | 5 |
| Purchasing authority..... | 5 |
| Purchases under \$20,000..... | 5 |
| Purchases over \$20,000..... | 5 |
| State or Federal (GSA) Contract Pricing | 5 |
| Competitive Bidding Exemptions | 6 |
| Tax Exemption | 7 |
| Payment | 7 |
| Emergency Purchases | 7 |
| Income and Disbursements Policy | 9 |
| Deposits | 9 |
| Cash deposits for fine and fees..... | 9 |
| Credit card deposits for fines and fees..... | 9 |
| Other deposits | 9 |
| Disbursements | 10 |
| Review of invoices | 10 |
| Check signatories..... | 10 |
| Refunds to patrons | 10 |
| Bank Statements and Reconciliation Reports | 10 |
| Construction or Other Major Projects..... | 11 |
| Operations Income | 11 |
| Fines and Fees..... | 11 |
| Petty Cash | 12 |
| Credit Cards..... | 13 |
| Review of Director's Expenses..... | 14 |
| Fraud Prevention..... | 15 |
| Library Sponsorship Policy and Procedures | 16 |
| Guiding Principles | 16 |
| Recognition and Acknowledgement..... | 16 |
| Approval | 17 |
| Authority for Implementation..... | 17 |
| Vehicle Purchase and Disposal..... | 18 |
| Reporting Lost or Missing Financial Information or Records..... | 19 |
| Fixed Assets or Inventory | 20 |
| Investment Policy | 21 |
| Policy Statement | 22 |
| General Policy | 22 |
| Scope | 22 |
| Investment Objectives | 22 |
| Investment Authority..... | 22 |
| Prudent Person Rule | 23 |
| Authorized Investment Instatements..... | 23 |
| Limitations on Investment Transactions | 23 |
| Diversification of Investments | 24 |

| | |
|-----------------------------------------------------|----|
| Authorized Financial Dealers and Institutions | 24 |
| Safekeeping and Custody..... | 24 |
| Collateral | 25 |
| Investment Reporting | 25 |
| Audit..... | 25 |
| Investment Policy Adoption | 26 |

FISCAL RESPONSIBILITY

Created June 2012

It is the policy of Boyd County Public Library that public office not be used for personal gain, and that Board members and the Director are to remain objective in their duties and responsive to the needs of the public they serve. Accordingly, the Director and Board members must maintain the highest commitment to their responsibilities as stewards of the Library.

District Funds:

Boyd County Public Library Board defines all district funds as "Public Funds." This includes, but is not limited to, all sums actually received in cash or negotiable instruments from all sources, whether or not the money has ever been deposited into a Library account. Any money controlled by the Library, including gifts, fines, fees and all funds received from any source, are considered "public funds" and are governed by this policy.

Personal Use of District Assets:

Neither the Director nor any Board member will use or permit the use of Library funds, vehicles, equipment, telephones, materials, or property for their own personal benefit or profit. Neither the Director nor a Board member will ask or require a Library employee to perform services for the personal benefit or profit of a Board member or the Director. The Director and all Board members will safeguard Library property, equipment, moneys and assets against unauthorized use or removal, as well as from loss due to criminal act or breach of trust.

Segregation of Fiscal Duties and Internal Controls:

No one person should control or perform all key aspects of a transaction or financial event. Segregation of duties is an important internal control activity that helps detect errors in a timely manner and deters improper activities. Internal controls instituted by the Library will assist the board in maintaining adequate fiscal oversight of the expenditure of funds.

Boyd County Public Library shall institute a system of internal controls and a segregation of duties which meet or exceed *32 guidelines outlined in the Kentucky Auditor of Public Accounts - Recommendations for Public and Nonprofit Boards* (March 2010 revision). The adequacy of these guidelines and our compliance efforts should be reviewed after each audit and as otherwise needed. Procedures shall be modified to correct any deficiencies discovered during regular audits or at any other time.

Policy Enforcement:

All Library employees, the Director and Board members are bound by this policy.

Any alleged violation of this policy by Library staff shall be investigated by the Director. If actual violation is determined, the Director shall impose sanction appropriate to the degree of violation, up to and including termination. Any employee impacted by an action under this policy may appeal to the Board, as allowed by the district's general employee policy.

Any alleged violation of this policy by the Director shall be investigated by the Board, or by a committee appointed by the Board for this purpose. If actual violation is determined, the Board shall impose sanction appropriate to the degree of violation, up to and including termination.

Any alleged violation by a Board member shall be investigated by the remaining Board members. If actual violation is determined, the Board may impose sanction as warranted, up to and including requesting the resignation of the Board member. At the option of the Board, and in accordance with KRS 65.007, the fiscal court may be requested to instigate removal proceedings for any Board member found in violation.

The Library District reserves the option of reporting any significant violation of this policy to appropriate law enforcement agencies for investigation and possible prosecution.

PURCHASING POLICY

Updated June 2012

As the governing authority of the Boyd County Public Library District, the Board is authorized to enter into contracts and otherwise purchase products and services necessary to “establish, equip and maintain libraries...and do all things necessary to provide efficient library service.” KRS 173.745(1).

I. Purchasing authority

Unless otherwise provided for in this policy, the Director, or designee, shall have the authority to purchase or lease products or services within the budget adopted, and may sign contracts and other instruments of the Board when authorized to do so by the Board. All procurement expenditures are subject to audit.

Any purchase or procurement of \$10,000 or more not specifically included as an item within the approved budget shall be brought before the Board for approval.

II. Purchases under \$20,000

- Purchases of products and services less than twenty thousand dollars (\$20,000) but more than five thousand dollars (\$5,000) may be made in the open market, without newspaper advertisement. Such purchases shall, whenever possible, be based on at least three competitive written proposals or ascertained from vendor's price lists or other quote information. Award shall be made to the supplier offering the best value.
- Purchases of products and services less than five thousand dollars (\$5,000.00) may be made without competitive proposals but shall be made with attention to the lowest possible cost, consistent with the needs of the Library with regard to durability, performance, delivery, and service.

III. Purchases over \$20,000

As required under KRS 424.260 *Bids for materials, supplies, equipment, or services*, all purchase orders or contracts for products or services in excess of twenty thousand dollars (\$20,000), except those exempted below, must be advertised for competitive bidding. Purchases may not be parceled, split, or scheduled over a period of time in order to subvert the intent of this requirement.

All such bid processes shall be conducted according to the provisions of KRS 424.130 and 424.140.

A. State or Federal (GSA) Contract Pricing

As authorized under KRS 45A.050 45A.420 and 66.470, the Library may purchase products and services outside of the bidding process if those products and services meet the specifications of price contracts awarded by the Kentucky Finance and Administration Cabinet or the Federal Government.

B. Competitive Bidding Exemptions

The following purchases are exempt by law or Finance and Administration policy from competitive bidding. However, the Board may elect at any time to solicit bids or proposals for purchase of exempt products and services in order to obtain the best value for the District.

- Contractual services where no competition exists, such as electrical energy, telephone service, and other public utility services. KRS 45A.095 45A.380(2)
- Services of a licensed professional, such as attorney, physician, psychiatrist, psychologist, certified public accountant, registered nurse, or educational specialist; a technician such as a plumber, electrician, carpenter, or mechanic; or an artist such as a sculptor, aesthetic painter, or musician, provided, however, that this provision shall not apply to architects or engineers providing construction management services rather than professional architect or engineer services. KRS 45A.380
- Subscriptions for the purchase of periodicals in either paper or electronic format. A subscription may include a professional journal, newspaper, or other required publication. KRS 45A.050 45A.380(1)
- Copyrighted material in either paper or electronic format for which only one source of supply is available. Items commonly covered under this section include:
 - Library books. KRS 45A.095 45A.380(1)
 - Published books, maps, periodicals, and technical pamphlets. KRS 45A.050 45A.380(1)
- Works of art for museum and public display. KRS 45A.050 45A.380(1)
- Services of a visiting speaker, professor, expert witness, or performing artist. KRS 45A.095 45A.380(3)
- Rates fixed by law or ordinance. KRS 45A.095 The local agency may adopt this provision, but it would not otherwise be binding on the agency.
- Cooperative purchases made between state agencies, political subdivisions, state universities, agencies of other states, or agencies of the federal government. KRS 45A.300 45A.420
- Advertisements, public media, public displays, billboards, signage, and booths. Dissemination of information and the purchase or rental of promotional related items for library use. FAP 111-09-00 45A.380(2)
- Equipment repair service and parts. FAP 111-09-00 45A.380(5)
- A product or service for which there is only one (1) known capable supplier as occasioned by the unique nature of the requirement, supplier, or market condition. FAP 111-10-00 45A.380(2)
- Contracts for group life insurance, group health and accident insurance, group professional liability insurance, worker's compensation insurance, and unemployment insurance. KRS 45A.380
- A product or service made necessary by an emergency which will cause public harm as a result of the delay in competitive procedures. KRS 45A.380

IV. Tax exemption

As provided for by KRS 139.470(7), the Library is exempt from Kentucky Sales and Use Tax as applied to purchases of tangible personal property or services. This exemption applies only to purchases of property or services for use by the Library. The exemption cannot be claimed by a contractor purchasing property to be used in fulfilling a contract with the Library.

As provided in Ohio Revised Code 5739.02(9)(a), the Library is also considered exempt for purchases of tangible personal property and services. Again, this exemption applies only to purchases made for use by the Library.

V. Payment

All invoices and pre-payments shall be paid promptly in accordance within generally accepted business and accounting practices. Payments are made in accordance with the Library's Income and Disbursement Policies.

VI. Emergency purchases

In certain circumstances the Director may be forced by emergency circumstances to make unbudgeted expenditures, payments, or contractual agreements that fall outside of the provisions of purchases as outlined in this policy in order to procure or provide services or goods without which the Library could suffer harm or additional harm.

Such harm may include the safety of patrons, staff, or facilities. Notification of such emergency will be given to the President of the Library Board as soon as circumstances allow. Discussion of the emergency circumstances and the authorization of the Director's expenses will take place at the next regularly scheduled meeting or special meeting at the discretion of the Board.

INCOME AND DISBURSEMENTS POLICY

Created September 2011

I. Deposits

A. Cash deposits for fine and fees

In order to provide segregation of duties in the accounting function, cash income from Library operations (fines, fees, etc) are handled at each location by the supervisor (or designee).

Other circulation staff may also be involved in the actual counting of "day end" receipts. The supervisor is responsible for ensuring that the daily receipts match the records that are provided in the Library's automation system. Any discrepancies are noted on the Library's Cash Sheet form.

At the end of the day, the money from the register will be counted, the cash sheet filled out, and both put in the money bag and locked. The bag is then locked in a secure place. Each day, the money from each branch will be sent to the Administration Office to be reconciled.

Deposits are made weekly. A record of deposits is kept in the Administration Office.

B. Credit card deposits for fines and fees

Credit card payments are made from the Library's public service desks using staff computers. Payments are processed through a third party vendor and then deposited directly into the Library's banking account less any processing fees that have been incurred.

Payments made by credit card are recorded by the Library's staff as a part of their daily reconciliation of funds received for fines and fees. The Administrative Assistant reviews reports of deposits made directly to the Library's banking accounts through credit card payments. These reports are reconciled to the reports created at the department level.

C. Other deposits

All other cash and checks (taxes, grants, donations, etc) are recorded by the Administrative Assistant in a log listing: Date received; Payer; Type of Income; Amount; Date of deposit.

A deposit slip is prepared by the Administrative Assistant and appropriate copies for documentation are made.

The Library Director (or designee) reviews and compares deposits with log and initials deposit slip indicating the deposit totals agree with the log.

The Administrative Assistant (or designee) completes deposit transactions with the bank(s) and maintains records of those transactions.

II. Disbursements

A. Review of invoices

All invoices are reviewed in the department placing the order and receiving the materials. The invoices are compared with order documentation and packing slips for correct information to verify the material was ordered and received and the charges are correct. The invoices are initialed and the general ledger number is added.

The Library Director or designee approves all invoices for payment.

The Administrative Assistant prepares checks for payment and records these transactions in the Library's accounting program.

B. Check signatories

Check signing ability is vested with the Library Board. The Library Board may designate check signing ability as necessary to its individual members or Library Director. Generally, the Treasurer signs checks on the account on the authorization of the Board and oversees a second signature by the President or other Member of the Board.

- In the event an additional member is unavailable the Library Director may sign checks.
- Under no circumstances may a Member of the Board or the Library Director sign checks issued in his/her own name.
- Due to the separation of duties, check signing ability may not be given to the Administrative Assistant.

All checks for payment are accompanied by an invoice or other documentation indicating the purpose of the payment. A copy of this documentation remains with Library payment records.

III. Refunds to patrons

When a patron erroneously makes payment to the Library for lost materials, staff are authorized to issue a refund in amounts of less than or equal to \$20. When a refund is required that exceeds \$20, a Requisition form is sent to the Administration Office and a check is issued and mailed to the patron. All refunds must be accompanied by a receipt.

IV. Bank Statements and Reconciliation Reports

The Administrative Assistant compares bank statements monthly with interest earned, deposit records, and cancelled checks. A reconciliation report in the accounting program is prepared. The statement and reports are reviewed and approved by the Library Director (or designee).

The Board reviews and approves a monthly log of all account balances, a record of checks issued during the previous month, and a monthly update of income/expenditures as compared to the Library's annual budget.

V. Construction or Other Major Projects

Major projects may have a budget and bank account separate from the Library's general budget and bank account. Any separate budgets or bank accounts are subject to the same policies and procedures as the Library's general accounts.

Upon completion of the project, these accounts may be audited separately from the Library's annual audit as required.

VI. Operations Income

Controls over monies received at each location are implemented by the Department Supervisors in regard to fines and fees.

A. Fines and Fees

Documentation from the Library's automation system is provided to the Administration Office to verify receipts and deposits for all fines and fees collected by each branch. A receipt for all payments or waivers is always given to the patron.

- **Cash Drawers**

Each day the cash drawer at each location begins with a standard amount of money:

| | |
|----------------------|------|
| Main Circulation: | \$75 |
| Catlettsburg Branch: | \$25 |
| Kyova Branch: | \$50 |

At the end of each business day, the money in the cash drawer is counted. Any significant shortages are noted and investigated as needed. Money is then locked in money bag, then locked in cabinet.

After each daily reporting period, the Bank is restored to the original amount. The cash form for money received is balanced against the cash in excess of the original amount from the Bank. Cash form, and automation system financial reports documenting income are forwarded to the Administrative Assistant for review.

PETTY CASH

Created September 2011

The Petty Cash fund is to be used for small purchases or for purchases to solve an immediate need when a Library-issued credit card is not available or is not practical to use.

Anyone using Petty Cash is required to fill out a "Petty Cash Form" prior to receiving funds. Transactions should be reimbursed only with a receipt. At any time total cash and receipts will equal the amount allocated for each location.

Location Petty Cash Funds

- Main branch will maintain a Petty Cash fund of \$100, located in a secured drawer in Administrative Assistance office. At any time total cash and receipts will equal \$100.
- Catlettsburg branch will maintain a Petty Cash fund of \$50, located in a secured drawer in Branch Supervisor's desk. At any time total cash and receipts will equal \$50. Only the Branch Supervisor should have access to funds.
- Kyova branch will maintain a Petty Cash fund of \$50, located in a secured drawer in Branch Supervisor's office. At any time total cash and receipts will equal \$50. Only the Branch Supervisor should have access to funds.

The Administrative Assistant will conduct an unscheduled check of all Petty Cash funds to insure proper handling. When cash is low, the Administrative Assistant will issue a check equal to the total amount of receipts to replenish the Petty Cash fund.

CREDIT CARDS

Created September 2011

Credit cards are issued to staff members who frequently make purchases for Library events, have frequent travel expenditures, or who order supplies and equipment for the Library.

The amount of available credit on each card is determined by the Library Director.

Balances on credit cards are paid in full by the Administration Office each month.

Staff members who use Library credit cards maintain all receipts for expenditures. Staff requesting credit card must present requisition form to receive card. Receipts must be presented when card is returned.

Charges on Library-issued credit cards are reviewed each month by the Director.

REVIEW OF DIRECTOR'S EXPENSES

Created September 2011

The Board of Trustees is responsible for reviewing the expenses of the Library Director. Expenses for the Director's salary and benefits are contractual. The contract is reviewed on a regular basis on a schedule that is also contractually agreed upon by the Board and the Director.

Expenses for the Director's travel on library business will be approved by the Board as a part of the regular budgeted annual expenses of the Library.

The Library-issued credit card for the Director is intended to be used in the conduct of the Library's business.

FRAUD PREVENTION

Created September 2011

Fraud is defined as a willful or deliberate act with the intention of obtaining an unauthorized benefit, such as money or property, by deception or other unethical means.

All fraudulent acts or related misconduct are included under this policy and include, but are not limited to, such activities as:

- Embezzlement, theft, misappropriation or other financial irregularities;
- Forgery or alteration of documents (checks, time sheets, contractor agreements, purchase orders, other financial documents, electronic files);
- Improprieties in the handling or reporting of financial transactions;
- Misappropriation of funds, securities, supplies, inventory or any other asset (such as furniture, fixtures, equipment, materials), including assets of the Library, patrons, suppliers, or others with whom there is a business relationship;
- Authorizing or receiving payment for goods not received or services not performed;
- Authorizing or receiving payments for hours not worked or expenses not accrued and documented;
- Profiteering as a result of insider knowledge of Library activities.

Fraud and related misconduct will not be tolerated. Employees found to have participated in such conduct will be subject to disciplinary action, up to and including termination.

Trustees and employees are expected to use their best efforts to recognize risks and exposures inherent to their areas of responsibility and to be aware of indications of fraud and related misconduct. Any Trustee or employee who knows or suspects fraud or related misconduct shall report that to the President of the Board of Trustees or the Library Director.

When fraud or related misconduct is reported, an appropriate investigation and all necessary action will be undertaken. All investigations of alleged wrongdoing will be conducted in accordance with applicable laws and Library policies/procedures. During or following the investigation, the Board may choose to consult with legal counsel and take appropriate steps to minimize recurrence.

LIBRARY SPONSORSHIP POLICY AND PROCEDURES

Created June 2012

Boyd County Public Library welcomes sponsorship from local business, corporations, families, and individuals. The aim of sponsorship is to obtain funding or in-kind support to provide services and equipment that may not otherwise be available. The Board believes that libraries play an essential role in the quality of life of our citizens, and in this important function, the Library should be supported through public funding. Therefore, sponsorship revenue should only be used to fund additional, optional services, or new "start up" services.

Guiding Principles

The following principles will guide the Library in the solicitation and acceptance of gifts, grants, or other support to enhance or develop library programs and services:

- All gifts, grants, and/or support must further the Library's mission, goals, objectives, and priorities. They must not drive the Library's agenda or priorities.
- All gifts, grants, and/or support must not compromise equity of access to Library services. Sponsorship agreements must not give unfair advantage to, or cause discrimination against, any sectors of the community.
- All gifts, grants, and/or support must protect the principle of intellectual freedom. Sponsors may not direct the selection of collections or require endorsement of any products or services.
- All gifts, grants, and/or support must ensure the confidentiality of user records. The Library will not sell or provide access to Library records in exchange for gifts or support.
- All gifts, grants, and/or support must leave open the opportunity for other actual or potential donors to have similar opportunities to provide support to the Library.
- Gifts of books or other Library materials will be accepted in accordance with the terms outlined in the Library's Collection Management Plan.

Recognition and Acknowledgement

The Library will ensure that each sponsor receives acknowledgement, and to the degree that the donor is willing, public recognition. The following guidelines will be used in providing acknowledgement to and recognition of sponsors:

- A letter of acknowledgement for gifts of money and in-kind support will be sent to all sponsors and a copy will be placed on file.
- Any special recognition agreements will be stipulated in the letter.
- Public acknowledgement of sponsorship in the Library's promotional materials will normally be restricted to a statement of the sponsor's name and a display of logo. Standards controlling the size format and location of such acknowledgment will be developed by the appropriate staff person to ensure both consistency and quality of appearance. Such acknowledgement will not take precedence or have prominence over the library's own logo or promotional material.
- For gifts and/or sponsorships valued at over \$500, the Library may submit a press release to local newspapers and/or publish an article regarding the sponsorship in their own newsletter if the sponsor is willing.

- Acknowledgement of sponsorship may also take the following forms at the Library's discretion:
 - Launch of a special program or media campaign to announce the gift.
 - Include sponsor's name on promotional materials.
 - Small standardized plaques may be placed on donated furniture or equipment.
 - Library bookplates may be placed on donated items.
 - In all cases, the type and scope of donor recognition required by the donor will be weighed against the benefit to the Library.

Approval

All gifts, grants or in-kind support given with special requirements must be approved by the Director. The solicitation of gifts, grants or in-kind support by library staff or Friends of the Library and valued at over \$500 must receive prior approval of the Director.

Authority for Implementation

The library reserves the right to make decisions regarding the implementation of each grant, gift, or offer of in-kind support. Purchasing decisions, including type of equipment, materials, furnishings, and other components of a gift will reside with Library management. All details as to design of programs and allocation of resources will also reside with Library management. The Library reserves the right to deny partnerships or sponsorships for any reason and to end these arrangements at any time if, in the opinion of the Director, the services or image of the Library warrant such action.

VEHICLE PURCHASE AND DISPOSAL
Created June 2012

[Auditor Recommendations #28]

Under development.

REPORTING LOST OR MISSING FINANCIAL INFORMATION OR RECORDS

Created June 2012

[Auditor Recommendations #30]

Under development.

Receipts

Archived records

FIXED ASSETS AND INVENTORY

Created June 2012

[Auditor Recommendations #31]

Under development.

INVESTMENT POLICY

Created January 1995
Revised January 2010

I. Policy Statement

Boyd County Public Library district ("The Library") has been entrusted by the community with funds to provide the best services possible. These funds come primarily through taxes, fines, fees, grants, and gifts. It is the responsibility of the library, board of trustees, and director to ensure that those funds will be used in a responsible and prudent manner to meet The Library's mission.

The mission of the Boyd County Public Library District is to provide quality resources and access to information for all users.

This is done by offering an up-to-date collection of materials in many different formats, delivering entertaining, enlightening, and educational programming for all ages, providing access to information and resources beyond the physical building, having a well trained and helpful staff, ensuring comfortable and welcoming facilities, and being accountable to the community, the county, and the state. It also entails planning for the future; be it changes in content delivery, keeping up with technology, maintaining facilities, or preparing for a new building.

In order to meet these goals and support the mission of The Library, the board of trustees and the library director establishes an annual budget, a five-year Capital Outlay program, and a long range plan. At times it is desirable to create an investment portfolio with some library funds as the best method of achieving those goals.

The purpose of this investment policy is to provide a legal and financial document that explains the rationale, regulations, and procedures for making investments. Most sections of The Library's Investment Policy are set forth in Kentucky Revised Statutes (KRS 66.480 Investment of public funds -- Limitations -- Written investment policy -- Duties of state local debt officer -- Investment pool (Effective until January 1, 2010)) states:

[Section (1)] The governing body of a city, county, urban-county, charter county, school district (provided that its general procedure for action is approved by the Kentucky Board of Education), or other local governmental unit or political subdivision, may invest and reinvest money subject to its control and jurisdiction...

[Section (3)] The governing body of every local government or political subdivision that invests or reinvests money subject to its control or jurisdiction according to the provisions of subsection (1) of this section shall by January 1, 1995, adopt a written investment policy that shall govern the investment of funds by the local government or political subdivision.

II. GENERAL POLICY

It is the policy of Boyd County Public Library District to invest public funds in a manner that will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands and conforming to all state statutes and regulations governing the investment of public funds.

III. SCOPE

This investment policy applies to all financial assets held directly by The Library. These financial assets are accounted for in The Library's annual financial report and include all moneys in the following funds:

- General Fund
- And any other fund created by the governing body.

IV. INVESTMENT OBJECTIVES

The Library's primary investment objectives, in order of priority, are the following:

Safety. Safety of principal is the foremost objective of The Library investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Liquidity. The Library's investment portfolio shall remain sufficiently liquid to meet all operating requirements which might be reasonably anticipated.

Return on Investment. The Library's investment portfolio shall be designed with the objective of attaining a market rate of return throughout the budgetary and economic cycles, taking into account investment risk constraints and the cash flow characteristics of the portfolio.

V. INVESTMENT AUTHORITY

Management responsibility for the investment policy may be delegated by the Board to a designated official, who is usually the Library Director or Board Treasurer. The official shall have the authority to establish additional specific written procedures for the operation of the investment program, which are consistent with this investment policy. The procedures shall include explicit delegation of authority, if any, to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established. The designated official shall be ultimately responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and employees. The controls shall be designed to prevent and control losses of funds arising from fraud, employees' error, misrepresentation by third parties, or imprudent actions by officers and employees. The designated official shall maintain all records related to the Library's investment program, and furnish a monthly investment report to the Board for their approval.

VI. PRUDENT PERSON RULE

The actions of the designated official in the performance of his and her duties as manager of The Library's funds shall be evaluated using the "prudent person" standard. Investments shall be made with judgment and care under prevailing circumstances that a person of prudence, discretion, and intelligence exercise in the management of his/her own affairs, not for speculation, but for investment considering the probable safety of the capital as well as the probable income to be derived.

VII. AUTHORIZED INVESTMENTS

The funds of the Library available for investment shall be invested in accordance with this policy and all applicable state statutes only in the following type of investment instruments:

A. Authorized Investment Instruments (as listed in KRS 66.480)

1. Obligations of the United States and its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian.
2. Obligations and contracts for future delivery or purchase of obligations backed by the full faith credit of the United States or a United States government agency and/or obligations of any corporation of the United States government as per KRS 41.240.
3. Certificates of deposit insured by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by KRS 41.240(4).
4. Shares of mutual funds and money markets, each of which will have the following characteristics:
 - a. the mutual funds shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
 - b. the management company of the investment company shall have been in operation for at least (5) years;
 - c. all of the securities in the mutual fund shall be eligible investments under this section.

B. Limitation on Investment Transactions

With regard to the investments authorized in this section, the following limitation shall apply:

No investments shall be purchased for the Library on a margin basis or through the use of any similar leveraging technique.

VIII. DIVERSIFICATION OF INVESTMENTS

The Library recognizes that some level of risk is inherent in any investment transaction. Losses may be incurred due to market price changes or closing investments prior to maturity due to unanticipated cash flow needs. Diversification of the Library's investment portfolio by type of investment instrument and term to maturity is the primary method to minimize investment risk.

To the extent possible, the Library will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow need, the Library's funds should not, in general, be invested in securities maturing more than 1 year from the date of the purchase. However, the Library may collateralize its repurchase agreements using longer-dated investments not to exceed 30 years, if maturities of the investments are made to coincide as nearly as practical with the expected use of the funds. Reserve funds may be invested in securities exceeding 1 year, if maturities of the investments are made to coincide as nearly as practical with the expected use of the funds.

IX. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Board shall maintain a list of financial institutions authorized to provide investment services to the Library. All financial institutions that desire to provide investment services to the Library shall supply the Board with information sufficient to adequately evaluate the institution and answer any and all inquiries posed by the Board, including the following information:

- A. Audited financial statements.
- B. Regulatory reports on financial condition.
- C. Written Memorandum of Agreement for the deposit of public funds or trading resolution, as appropriate.
- D. Any additional information considered necessary to allow the Board to evaluate the creditworthiness of the institution.

No financial institution shall be selected as a depository of Library funds if the Library funds on deposit at any time will exceed 10% of the institution's capital surplus and stock.

The Board shall evaluate the financial capacity and creditworthiness of financial institutions prior to the placement of the Library's funds. The Board shall conduct an annual review of the financial condition and registrations of financial institutions and based on the review, make any recommendations regarding investment policy or program changes determined to be necessary.

X. SAFEKEEPING AND CUSTODY

To protect against potential fraud and embezzlement, investment assets shall be secured through third-party custody and safekeeping procedures. Bearer instruments shall be held only through third-party institutions. Any officer or employee of the Library

authorized to engage in investment transactions shall be bonded in an amount established by the Board.

Collateralized securities, such as repurchase agreements shall be purchased using the delivery vs. payment procedure. The safekeeping procedures utilized in the Library's investment program shall be reviewed by an independent auditor in accordance with KRS 65.065.

XI. COLLATERAL

It is the policy of the Library to require that all cash and investments in excess of the amount insured by the FDIC maintained in any financial institution named as a depository be collateralized. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be 100% of the market value of principal, plus accrued interest. Collateral shall be limited to the types of instruments authorized as collateral for state funds in KRS 41.240.

Collateral shall always be held by an independent third-party custodian with whom the Library has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the Library and retained by the Board.

XII. INVESTMENT REPORTING

The Director and/or Treasurer shall prepare and submit to the governing body an annual report regarding the status of the entity's investment program. As to each investment, the report shall include the following information:

- A. Name of financial institution from which the investment was purchased or in which assets are deposited.
- B. Type of investment.
- C. Certificate or other reference number, if applicable.
- D. Percentage yield on an annualized basis.
- E. Purchase date, purchase price, and maturity date.
- F. Current market value of the investment.

The annual report shall also summarize economic developments and indicate any areas of policy concern and suggested revisions of investment strategies. Copies of the report shall be submitted to each member of the governing body and the library director.

XIII. AUDIT

In connection with the audit of Library's funds conducted by an independent certified public accountant, the auditor shall conduct a review of the Library's investment program, including internal controls and procedures, and the results of the review, including recommended changes, shall be included in the Library's audit.

XIV. INVESTMENT POLICY ADOPTION

The Library's investment policy shall be adopted by order of the Library Board and shall become effective on the date set forth in the order. The policy shall be reviewed annually and revised, as appropriate. Any amendments or changes to this policy must be made by order of the Board.

At maturity or liquidation, the monies previously invested, if reinvested, shall be invested only in accordance with this policy. The Board may take a reasonable period of time to adjust the existing portfolio to the provisions of this policy in order to avoid the premature liquidation of any current investment.