

Financial Policy

(Est. 8/21/2013; Reviewed 8/21/2019; Revised 7/21/2021, 01/22/25)

A. Purpose

1. To set policy for use of the Library's non-public monies, defined as donations of money, materials, and other real or personal property, for the benefit of the Library for investment purposes only.
2. This policy is designed to protect and enhance the security of Madison Library District's financial functions, promote the maintenance of accurate records of financial activities, and facilitate compliance with governmental and private funding source reporting requirements.
3. Public fund investing is governed by Idaho State Statutes.

B. Delegation of Authority

1. The Library Director /the Custodian of Monies, hereafter referred to as "Custodian," shall be appointed by the Board and is responsible for investing and transferring funds unless another person is appointed by a resolution of the Board. Actions taken by the Custodian with respect to Library funds shall be subject to review and approval by the Board.
2. The Custodian shall submit any recommended changes in investment strategies or fund allocations in writing to the Board.

C. Prudence

1. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the possible income to be derived.
2. The above standard is established for professional responsibility and should be applied in the context of managing the Library's overall portfolio.

D. Ethics and Conflicts of Interest

1. Trustees and Custodian involved in the investment process shall refrain from personal gain in the execution and management of the investment program or actions that could impair their ability to make impartial decisions.
2. Trustees and Custodian shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio.
3. The Custodian acting in accordance with this investment policy, should be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectation are reported in a timely fashion, and appropriate action is taken to control adverse developments.

E. Objectives

1. Risk Avoidance - The primary objective of investing Library funds is preservation of principal.
2. Yield - The Library should strive to achieve a maximum return in consideration of the foregoing risk avoidance and liquidity objectives.
3. Liquidity - The types and length of investments shall be managed to maximize yield.
4. Local Institutions - Preference will be given to financial institutions located within the Madison Library District as long as yields are competitive with other institutions for comparable instruments.

F. Authorized Financial Dealers and Institutions

1. The Custodian shall evaluate the financial condition of each depository or financial institution. Data considered may be in the form of Federal Deposit Insurance Corporation (FDIC) regulatory reports, proof of State registration, or certification by the National Association of Security Dealers (NASD).
2. A current audited financial statement for each financial institution or broker/dealer in which the Library invests is required to be on file or available on-line.

G. Performance Standards

1. The investments will be managed in accordance with the parameters specified within this policy and the donor.
2. The investment goal is to obtain a market average rate of return during a market/economic environment of stable interest rates.
3. Portfolio performance should be compared to an appropriate benchmark on a regular basis. The benchmark used by the Custodian to determine whether market yields are being achieved shall be the three-month U.S. Treasury Bill.

H. Reporting

1. The Custodian shall present to the Board the quarterly statement of the investment, including a succinct management summary that provides a clear picture of the status of the current investment.
2. The Custodian may invite the Financial Advisor to come to an annual Board meeting to help the Board to ascertain whether investment activities during the reporting period have conformed to the investment policy.