

PENSACOLA STATE COLLEGE
MANUAL OF PROCEDURES

Procedure Title:	Investment of Funds	<u>Number</u> 523
Related Policy:	Investment of Funds – 6Hx20-5.006	<u>Page</u> Page 1 of 4

I. Purpose

To govern the investment of funds in accordance with sections 1010.02 and 218.415, Florida Statutes. The scope of this investment procedure applies to funds in excess of those required to meet the current expenses of the College.

II. Procedure

A. General objectives

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield:

1. Safety

The safety of the principal is the foremost objective of the investment program. Investments shall be made in a manner that will ensure that capital is preserved in the overall portfolio while mitigating credit risk and interest rate risk.

a. Credit Risk

The College will minimize the risk that the market value of securities in the portfolio will fall due to the failure of the security issuer or backer by:

- 1) Limiting investments to the safest types of securities
- 2) Prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the entity will do business
- 3) Diversifying the investment portfolio so that potential losses on individual securities will be minimized

b. Interest Rate Risk

The College will minimize the risk that the market value of securities in the portfolio will fall due to changes in the general interest rate by:

- 1) Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations to avoid the need to sell securities prior to maturity.

- 2) Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

2. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be anticipated. This is accomplished by structuring the portfolio so that securities mature when cash is needed to meet demands. A portion of the portfolio also may be placed in money market mutual funds or local government investment pools, which offer same-day liquidity for short-term funds.

3. Yield

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles. Return on investment is secondary compared to safety and liquidity. The core of investments is limited to relatively low-risk securities in anticipation of earning a fair return.

- B. Standards of care

1. Prudence

The standard of prudence to be used by investment makers shall be the prudent person standard and shall be applied in the context of managing the overall portfolio. Employees acting in accordance with written procedures and this investment procedure and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion, and the liquidity and the sale of securities are carried out in accordance with the terms of this procedure. Investments shall be made with judgment and care, for investment, not for speculation, considering the safety of capital as well as the probable income to be derived.

2. Ethics and Conflicts of Interest

Employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the entity.

3. Delegation of authority

The authority to manage the investment program is granted to the Vice President of Business Affairs. The Vice President of Business Affairs and Comptroller shall be responsible for all transactions and shall establish a system of controls to regulate the activities of subordinate employees. In the absence of the Vice President of Business Affairs, the Comptroller will authorize investment transactions.

C. Safekeeping and custody

1. Authorized financial dealers and institutions

Only those financial institutions that have open accounts previously established and authorized by the president may hold securities for the College.

2. Internal controls

The Vice President of Business Affairs is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the College are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- a. The cost of a control should not exceed the benefits derived.
- b. The valuation of costs and benefits requires estimates and judgment by management.

As part of the annual financial audit, auditors will evaluate internal controls such as:

- a. Control of collusion
- b. Separation of transaction authority from accounting and recordkeeping
- c. Custodial safekeeping
- d. Delegation of authority to subordinate staff members
- e. Written confirmation of transactions for investments and wire transfers

D. Continuing education

1. The Vice President of Business Affairs and any other employee designated by the President will be responsible for making investment decisions and must annually complete eight hours of continuing education in subjects or courses of study relating to investment practices and products.
2. If investments are only of the nature that are allowed by 218.415 Florida Statutes for governments to be invested without a formal investment procedure, then continuing education requirements may be waived.

E. Suitable and authorized investments

1. Investment types

- a. The Local Government Surplus Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in S. 163.01.
- b. Securities and Exchange Commission registered money markets funds with the highest credit quality rating from a nationally recognized rating agency.

- c. Interest-bearing time deposits or savings accounts in qualified public depositories as defined in s. 280.02.
- d. Direct obligations of the US Treasury.

F. Risk and Diversification

It is an objective of the College to diversify its investment portfolio. Assets held shall be diversified to control the risk of loss resulting from overconcentration of assets in a specific maturity, issuers, or class of security.

G. Reporting

1. Methods

The Vice President of Business Affairs or designate shall advise members of the Finance Committee on the status of investment earnings. Annual disclosures in the Annual Financial Report will inform the public on the performance of the College's investments.

2. Performance standards

The investment portfolio will be managed in accordance with the parameters specified within this procedure.

Responsible Official: Vice President of Business Affairs/Comptroller

President's Signature:

Date: 10/24/2025

