

**SOUTH FLORIDA STATE COLLEGE
ADMINISTRATIVE PROCEDURES**

PROCEDURE NO. 4150

TITLE: INVESTMENT OF FUNDS

BASED ON POLICY: 4.15 INVESTMENT OF SURPLUS FUNDS

OFFICE OF PRIMARY RESPONSIBILITY: VICE PRESIDENT FOR ADMINISTRATIVE SERVICES/CONTROLLER

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

Safety of 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 the portfolio will fall due to changes in 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 which business is conducted on behalf of the entity.

3. Delegation of authority

Authority to manage the investment program is granted to the controller. The controller 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 controller, the president or the vice president for administrative services 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 controller 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 require 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 controller and any other designated employee responsible for making investment decisions 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. U.S. government obligations, U.S. government agency obligations, and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value
- b. Certificates of deposits issued by any bank, trust company, or national banking association
- c. Investment-grade obligations of state, provincial, and local governments and public authorities
- d. Repurchase agreements whose underlying purchased securities consist of the foregoing; and collateral is held by the company or any agent acting solely for the company over the full term of such agreements
- e. Commercial paper having a rating of at least an A1 or P1, by any two nationally known rating agencies
- f. Bankers acceptances issued by a bank with an underlying credit rating of at least single A
- g. Corporate bonds having one of the top two ratings by any two nationally known rating agencies
- h. Money market funds regulated by the Securities and Exchange Commission
- i. Securities of, or other interests in, any open-end or closed-end management type investment company or investment fund advised by

a Registered Investment Advisor under rule 3c7 of the Investment Company Act of 1940, provided that the fund's investment guidelines state that the fund will seek to maintain a \$1 per share net asset value

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 controller or designee shall prepare an investment report at least quarterly of the status of the current investment portfolio and transactions made over the last quarter if investments are made in those other than authorized by Section 218.415, Florida Statutes. This report will allow the College to ascertain whether investment activities during the reporting period have conformed to this investment procedure.

2. Performance standards

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

HISTORY: Last Reviewed: 10/22/19

Adopted: 6/30/08

Reviewed: 5/01/12, 10/22/19

Revised: -