Allegany College of Maryland

INVESTMENT POLICY

Adopted: 2/14/1996
Approved by Board of Trustees: 2/14/1996
Revision Approved by BOT: 10/17/2022
Type of Policy: Finance - State Mandated

BACKGROUND AND PURPOSE

Due to laws passed by the State, the purpose of this policy is to set the expectations and rules for how the college should invest the financial resources of the college.

POLICY

I. SCOPE OF THE POLICY

This policy applies to all financial assets of Allegany College of Maryland (the College). The financial assets are funds included in the College's **Comprehensive Annual Financial Report/Statements** and include:

- Current Unrestricted Funds
- Current Restricted Funds
- Agency Funds
- Endowment Fund
- Plant Funds
- Auxiliary Services Funds
- Independent Operations Funds

II. POLICY STATEMENT

It is the policy of the College to invest public funds in a manner which will provide the highest investment return/yield with the maximum security, while meeting the daily cash flow demands of the College and conforming to all state and local statutes governing the investment of public funds. In addition, in accordance with Maryland Senate Bill 86, the College will not borrow funds for the express purpose of investing those funds.

III. Prudence

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 probable income to be derived.

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy 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 appropriate action is taken to control adverse

Developments.

IV. Objective

The primary objectives, in priority order, of the Allegany Community College's investment activities shall be:

1. Safety: Safety of principal is the foremost objective of the investment program. Investments of the College shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, prudent investments, diversification, collateralization, and safekeeping are required.

2. Liquidity: The College's investment portfolio will remain sufficiently liquid to enable the College to meet all operating requirements which might be reasonably anticipated.

3. Return on Investments: The College's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the College's

investment risk constraints and the cash flow characteristics of the portfolio. Whenever practical, the College will obtain competitive quotes for investments, given the resources available.

V. Delegation of Authority

Authority to manage the College's investment program is derived from the Board of Trustees. Management responsibility for the investment program is hereby delegated to the Vice President of Finance and the Director of Accounting, who shall establish written procedures for the operation of the investment program consistent with this investment policy.

Procedures should include reference to: safekeeping, repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority 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 by the Vice President of Finance. The Vice President of Finance shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

VI. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the President of the College any material financial interests in financial institutions that conduct business within the College, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the College, particularly with regard to the time of purchases and sales.

VII. Authorized Financial Dealers and Institutions

The Vice President of Finance will maintain a list of financial institutions authorized to provide investment services for the College. No public deposit shall be made except in a qualified public depository as established by and in conformance with state laws. A current audited financial statement or annual report is required to be on file for each financial institution and broker/dealer in which the College invests.

VIII. Authorized & Suitable Investments

The College is empowered by statute to invest in the following types of securities.

a. an obligation for which the United States has pledged its faith and credit

b. an obligation that a federal agency or a federal instrumentality has issued in accordance with an Act of Congress

c. a repurchase agreement collateralized in an amount not less than 102% of the principal amount by an obligation of the United States or its agencies or instrumentalities if the collateral is held by a custodian other than the seller designated by the buyer. (Master Repurchase Agreements required) Guidelines from the Maryland State Treasurer prohibit borrowing of funds for the express purpose of investing those funds, so the college will not use reverse repurchase agreements for this purpose.

d. money market mutual funds registered under the Investment Company Act of 1940 and having the highest possible rating from at least one statistical rating organization designated by the SEC (Securities and Exchange Commission).

e. an obligation or security of, or other interest in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940 if the portfolio thereof is limited to direct obligations of the United States government and repurchase agreements fully collateralized thereby and the investment company or trust or its custodian holds the collateral.

f. Local Government Investment Pool approved by the Maryland State Treasurer.

g. interest-bearing time deposit or savings account in any bank in the State of Maryland or savings and loan association or building and loan association or national chartered bank if the bank or association has given as security for the deposits any of the following collateral:

1. an obligation of the United States or any of its agencies,

2. an obligation guaranteed by the United States or by any of its agencies,

3. an obligation insured by the United States,

4. an obligation of the State or any of its units or instrumentalities,

5. an obligation of a county of the State or any of its agencies,

6. an obligation of a municipal corporation in the State or any of its agencies,

7. an obligation of any other governmental authority in the State,

8. an obligation of the Inter-America Development Bank,

9. an obligation of the World Bank,

10. an irrevocable and absolute surety bond issued by an insurance company that is authorized to do business in this State, does not provide surety bonds for any financial institution in an amount that exceeds 10% of its policyholders' surplus and contingency reserve, net of reinsurance, and is rated in the highest category by at least two nationally recognized rating agencies, or

11. an obligation or security of, or other interest in, any open-end or closed-end management type investment company or investment trust registered under the Investment Act of 1940 if the portfolio thereof is limited to direct obligations of the United States government and repurchase agreements fully collateralized thereby and the investment company or trust of its custodian holds the collateral.

IX. Collateralization

Collateralization will be required on types certificates of deposit, repurchase agreements, and the investment pool, unless the financial instrument invests 100% in obligations of the United States Government. To anticipate market changes and provide a level of security for all funds, the collateralization level will be (102%) of the market value of the principal and accrued interest.

Collateral will always be held by an independent third party with whom the College has a current custodial agreement. A clearly marked evidence of ownership must be supplied to the College.

The right of collateral substitution is granted.

Collateralization must be in the form of those investment instruments in which the College can invest and are priced on a mark to market basis. All investments must be fully insured by the FDIC or collateralized by United States securities unless the financial instrument invests 100% in obligations of the United States government.

X. Safekeeping and Custody

All security transactions, including collateral for repurchase agreements, entered by the College shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third-party custodian designated by the Vice President of Finance and evidenced by safekeeping receipts.

XI. Diversification

To try to reduce the risks inherent with an investment portfolio, the College will diversify its investments by security type and institution. Except for U.S. Treasury securities and authorized pools, no more than 50% of the College's total investment portfolio will be invested in a single security type or with a single financial institution.

XII. Maximum Maturities

To the extent possible, the College will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the College will not directly invest in securities maturing more than one year from the date of purchase. However, the College may collateralize its repurchase agreements using longer-dated investments as approved by the Vice President of Finance.

Reserve funds may be invested in securities exceeding one year if the maturity of such investments is made to coincide as practicable with the expected use of the funds.

XIII. Internal Control

The Vice President of Finance shall establish an annual process of independent review by the College's external independent auditor. This review will provide internal control by assuring compliance with policies and procedures.

XIV. Performance Standards

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the College's investment risk constraints and the cash flow needs. The College's investment strategy is passive. Given this strategy, the basis used by the Vice President of Finance to determine whether market yields are being achieved shall be the three-month U.S. Treasury Bill rate.

XV. Reporting

The Director of Accounting and the Vice President of Finance are charged with the responsibility of including a report on investment activity and returns in the College's Annual Financial Report. The college will comply with reporting requirements of the State of Maryland. Such reports will be reviewed by the President of the College and forwarded to the Maryland State Office of the Treasurer.

XVI. Investment Policy Adoption

The College's investment policy shall be approved by the Board of Trustees. This policy may be reviewed annually by the Finance Committee and any modifications made thereto must be approved by the Board of Trustee.

XVII. Administration of Policy

The policy will be administered and periodically reviewed by the Finance and Accounting department of the College, under the oversight of the Vice President of Finance and Administration.

XVIII. Changes

Substantive changes to this policy require approval by the Board of Trustees; editorial changes, title/position changes, and/or changes to its implementation procedures may be made as required by federal or state mandate and/or institutional need with timely notice to students and employees.