



POLICY TITLE:

Operating Funds Investment

APPLIES TO:

University officials responsible for the investment and management of KSU operating funds

ADMINISTRATIVE AUTHORITY:

Office of the President

Division of Finance & Administration

APPROVED BY:

Kentucky State University Board of Regents

EFFECTIVE DATE:

August 8, 2025

NEXT REVIEW DATE:

August 8, 2028

POLICY STATEMENT:

This policy governs the investment of the operating funds of Kentucky State University (KSU). It establishes KSU's primary investment objectives, defines the authority and fiduciary responsibilities of those managing KSU funds, and outlines the approved strategies and guidelines for all investment transactions to ensure the prudent financial management of KSU assets.

DEFINITIONS:

Collateral

Securities, evidence of deposit, or other assets pledged by a third party (e.g., a financial institution) to secure the repayment of a KSU deposit that exceeds the coverage provided by the Federal Deposit of Insurance Corporation (FDIC).

Operating Funds

All funds of KSU available for day-to-day operational expenses, exclusive of funds that are otherwise restricted, such as endowment funds.

Prudent Investor Standard

A standard of conduct requiring a fiduciary to manage a portfolio with the judgment and care that an institutional investor of ordinary prudence, discretion, and intelligence would exercise in the management of large investments, considering both the probable safety of capital and probable income.

PROCESS:

Management Responsibility and Authority

The Board of Regents delegates the authority to invest KSU operating funds to the President. The President may further delegate the performance of these duties to the Chief Financial Officer or another qualified designee.

Standard of Prudence

All persons responsible for managing KSU's operating funds shall perform their duties in a manner consistent with the Prudent Investor Standards. Authorized personnel acting in accordance with this policy and exercising ordinary prudence will not be held personally responsible for a specific security's credit risk or market price changes, provided that deviations are reported in a timely manner and reasonable action is taken to control adverse developments.

Investment Objectives

The investment program shall be managed to meet the following three (3) objectives, listed in order of priority:

1. **Safety of Principal:** The foremost objective is the preservation of capital. Investments shall be undertaken in a manner that seeks to ensure the security and safety of the principal in the overall portfolio.
2. **Maintenance of Liquidity**
The investment portfolio shall remain sufficiently liquid to enable KSU to meet all reasonably anticipated operating requirements, including but not limited to payroll, accounts payable, capital projects, and debt service.
3. **Return on Investment**
The funds shall be managed with the objective of attaining a market rate of return or higher, taking into account KSU's risk constraints and cash flow characteristics.

Investment Strategy and Guidelines

To ensure sufficient liquidity and to guide investment decisions, the Chief Financial Officer, or a designee, shall develop and maintain a cash flow forecast. This forecast will be used to determine the amount of excess cash available for short-term (three months to one year) and long-term (one year or longer) investments.

Authorized Investments

This policy authorizes the investment of operating funds only in the following types of securities:

- Insured and collateralized bank deposits.
- Money market funds

- Certificates of deposit
- United States treasury obligations
- United States government agency obligations

Collateralization of Bank Deposits

All cash and other bank deposits maintained in any financial institution shall be either insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized. All bank deposits of KSU in excess of the FDIC-insured amount shall be collateralized. KSU shall have either legal title to, or a perfected security interest in, any collateral. All physical collateral shall be held by an independent third-party custodial agent, and a safekeeping receipt shall be maintained by KSU as evidence of ownership. The right of collateral substitution is permitted only with the prior written permission of KSU.

Reporting and Evaluation

The President, or his or her designee, shall periodically evaluate all investment decisions and outcomes to determine if the investment objectives outlined in this policy are being met. This review shall provide direction for any changes needed to maximize the total return on all investments within the stated risk parameters.

REFERENCES AND RELATED MATERIALS:

- Kentucky Revised Statutes (KRS) Chapter 164A

CONTACTS:

Subject	Office	Telephone	E-mail
Policy Questions	CFO/Vice President of Fin. & Admin.	(502) 597-6429	Melissa.Hicks@kysu.edu

HISTORY:

Revision Type	Date of Issuance/Revision	Drafter(s)/Editor(s)
Issued (New Policy)	June 2025	Melissa Hicks and Zach Atwell