Frederick Community College
Board of Trustees

Monitoring Report:
EL 10 – Investments

[Full Compliance]

Report Date: 11/19/2025
Reporting Period: 7/1/2024 – 6/30/2025

This is the annual report on compliance with the Board's Executive Limitation Policy: "EL-10 Investments." I certify that the information contained herein is true and represents compliance, within a reasonable interpretation of the established policy, unless specifically stated otherwise below. Please note that all of my interpretations of the policy remain unchanged from the previous report, unless otherwise noted.

Annesa Cheek 11/19/2025

Annesa Cheek, Ed.D. Date
President

Note: Board Policy is indicated in bold typeface throughout the report.

The President shall not permit investments that are inconsistent with federal, state or local laws, nor to be managed in a way that is inconsistent with the primary investment objectives of capital preservation and reasonably assured revenue growth.

Further, without limiting the scope of the above statement by the following list, the President shall not:

1. **Permit investments to be managed without the active involvement of well-qualified investment advisors with a proven track record, and who are independent of any investment fund.**

Interpretation

Compliance will be demonstrated when:

a. The College utilizes well-qualified investment advisors, who are also independent of any investment fund, to make the securities purchases.

Evidence

On 10/1/2025, the Chief Financial Officer and Vice President for Administration (CFO/VPA) confirmed that the College's investment management structure consisted of:

- Public fund interest checking and public fund money rate savings accounts with Truist Bank, which are collateralized as best practice to manage risks associated with public depositories. Participation in the Maryland Local Government Investment Pool (MLGIP) through PNC Bank, is authorized under Maryland Code, Title 17 of the Local Government Article.
- Both institutions meet the College's criteria for qualified, independent advisors.
- A copy of the MLGIP Annual Statement and the College's Investment Summary Report verify all active holdings, maturity schedules, and advisor designations as of 6/30/2025.

Status

In compliance.

This interpretation is reasonable because the investment of the College's available funds is managed by a bonded, legally accountable administrator, and secondary fund custodian.

1.1. Permit the advisor to take title to any assets.

Interpretation

Compliance will be demonstrated when:

a. *The funds held by the asset custodian, and security purchases made by the investment advisor, are held in the College's name only.*

Evidence

On 10/1/2025, the CFO/VPA verified that all FY 2025 cash and investment accounts—including the College's public fund holdings at Truist Bank and investments in the MLGIP through PNC Bank—were titled solely in the legal name of Frederick Community College.

Monthly custodial statements from Truist Bank and MLGIP confirm that all funds and securities are recorded under the College's name, with no external party or advisor listed as owner or co-owner.

Status

In compliance.

This interpretation is reasonable because by requiring the asset custodian and investment advisor to align with this practice, the College can clearly demonstrate ownership and control, consistent with its fiduciary duties and regulatory obligations. This approach aligns with the Board's expectation of prudent financial stewardship and risk management.

1.2. Permit the advisor to withdraw any funds from the accounts except to cover payment of previously agreed-to fees, or at the specific direction of the College's Chief Financial Officer or President.

Interpretation

Compliance will be demonstrated when:

a. *The advisor does not withdraw funds from the accounts, unless they are for fees specified in the agreements of the engaged financial and asset management organizations, or as directed by the CFO or President.*

Evidence

On 10/1/2025, the CFO/VPA confirmed that during FY 2025 no withdrawals other than routine, pre-authorized advisor fees were recorded. Verification was supported through:

- Monthly Truist Bank and MLGIP statements show no unauthorized withdrawals or transfers.
- Review of advisor service agreements that document all permissible fee deductions.

Status

In compliance.

This interpretation is reasonable because by specifying fees in formal agreements, the College can clearly define the costs associated with these services, avoid ambiguity, and ensure that financial management practices are aligned with industry standards and the College's strategic financial goals.

2. Permit investments that are insufficiently liquid to meet the organization's anticipated expenditures without incurring penalties.

Interpretation

Compliance will be demonstrated when:

a. *Investment maturity dates are structured to mature at times that meet the cash flow needs of the College based upon a planned schedule; and*

Evidence

On 10/1/2025, the CFO/VPA confirmed that during FY 2025 all investments were maintained in cash or cash-equivalent accounts to ensure immediate liquidity for operational and capital needs. Verification was based on:

- Review of monthly cash flow projections aligned with the College's operating budget and payroll schedules.

- Truist Bank and MLGIP statements confirming that all invested funds were held in short-term or on-demand instruments, allowing same-day or next-day withdrawal without penalty.
- No instances of early redemption fees, penalties, or delayed access to funds were reported during FY 2025.

Status

In compliance.

Interpretation

b. The actual interest-based revenue return matches the anticipated return without penalties for withdrawal.

Evidence

On 10/1/2025, the CFO/VPA confirmed that FY 2025 interest revenue matched the anticipated return. A review of the monthly statements showed no withdrawal penalties.

Status

In compliance.

This interpretation is reasonable because it maximizes the return on the investment and liquidity at reduced costs and is compliant with Title 16 – Community Colleges of the Education Article, Maryland Annotated Code.

3. Permit borrowing money for the sole purposes of investment.

Interpretation

Compliance will be demonstrated when:

a. Borrowing is undertaken solely for the purpose of supporting the College's educational objectives, such as capital projects, program funding, or other initiatives that support the institution's mission. In cases where borrowing is required, it must be justified by clear, mission-related needs rather than financial speculation.

Evidence

On 10/1/2025, the CFO/VPA confirmed that in FY 2025, the only debt incurred supported FCC's educational or capital objectives. The College financed the building of the Parking Deck in 2010 and refinanced the debt twice (2020 and 2022) to attain lower interest rates and decrease interest expense. The debt will be paid off on 6/1/2035.

Review of the FY 2025 audited financial statements verified that no new borrowing occurred beyond these mission-related obligations and that no debt instruments were used for financial gain or speculation. Supporting documentation includes bond schedules and the FY 2025 external audit report (S B & Company, LLC).

Status

In compliance.

This interpretation is reasonable because it demonstrates sound financial stewardship, maintains public trust, and safeguards the College's resources against risky financial maneuvers that do not directly benefit students or the institution's educational programs.

4. **Permit the investment of cash accounts (or operating capital) in anything other than those which comply with the applicable sections of the State Finance and Procurement Article of the Maryland Code.**

Interpretation

Compliance will be demonstrated when:

a. *The College's participation in investment activities is done via an investment pool composed entirely of investment instruments that are legal for all Maryland community colleges.*

Evidence

Maryland Code, Title 17 of the Local Government Article and the College's investment policy (EL-10 Investments) determine the allowable investment instruments for Maryland Community Colleges. These include certificates of deposit with Maryland commercial banks, U.S. government agency obligations, repurchase agreements, bankers' acceptances from approved banks with acceptable credit ratings, commercial paper from entities with an acceptable credit rating, money market funds, and participation in the MLGIP. On 10/1/2025, the CFO/VPA confirmed that FCC's investments for FY 2025 were included in the MLGIP. The MLGIP's FY 2024 Annual Report (issued by the Office of the State Treasurer), verified that all investments in the pool complied with Maryland law.

Status

In compliance.

This interpretation is reasonable because Maryland state law defines what is permissible for a community college's investments.