INVESTMENT AUTHORITY

The College President or other person designated by Board resolution shall serve as the investment officer of the College District, shall recommend appropriate legally authorized and adequately secured investments, and shall invest College District funds as directed by the Board and in accordance with the College District's written investment policy and generally accepted accounting procedures. The investment officer shall be bonded or shall be covered under a fidelity insurance policy. All investment transactions except investment pool funds and mutual funds shall be executed on a delivery versus payment basis.

APPROVED INVESTMENT INSTRUMENTS

From those investments authorized by law and described further in CAK(LEGAL), the Board shall permit investment of College District funds in only the following investment types, consistent with the strategies and maturities defined in this policy:

1. Obligations of the U.S. or Texas or its agencies and instrumentalities and political subdivisions including collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States as permitted by Government Code 2256.009.
2. Certificates of deposit and share certificates as permitted by Government Code 2256.010.
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011.
4. Public funds investment pools as permitted by Government Code 2256.016.

SAFETY AND INVESTMENT MANAGEMENT

The investment officer shall observe financial market indicators, study financial trends, and use available educational tools in order to maintain appropriate managerial expertise. Investments shall be made using the priorities of suitability; preservation; and safety of principal, liquidity, marketability, diversification; and yield in the overall portfolio and offsets, during a 12-month period, so any market price losses resulting from interest-rate fluctuations are offset by income received from the balance of the portfolio. No individual investment transaction shall be undertaken that jeopardizes the total capital position of the overall portfolio.

LIQUIDITY, MATURITY, AND DIVERSIFICATION

Assets of the College District shall be invested in instruments whose maturities do not exceed one year from the time of purchase, subject to the following exceptions:

1. A shorter maturity is required by law. [See CAK(LEGAL)]
2. A longer maturity may be specifically authorized by the Board for a given investment provided legal limits are not exceeded.

3. Any internally created pool fund group of the College District has a maximum dollar weighted maturity of 180 days.

The College District's investment portfolio shall have sufficient liquidity to meet anticipated cash flow requirements. The College District shall have procedures to determine cash flow requirements according to generally accepted financial and accounting procedures.

DIVERSITY

The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity, or specific issuer.

MONITORING MARKET PRICES

Monitoring shall be done quarterly and more often as economic conditions warrant by using appropriate reports, indices, or benchmarks for the type of investment. The investment officer shall keep the Board informed of significant declines in the market value of the District's investment portfolio. Information sources may include financial/investment publications and electronic media, available software for tracking investments, depository banks, commercial or investment banks, financial advisors, and representatives/advisors of investment pools or money market funds. All transactions, excluding investment pools and mutual funds, shall be settled on a delivery versus payment basis.

MONITORING RATING CHANGES

In accordance with Government Code 2256.005(b), the investment officer shall develop a procedure to monitor changes in investment ratings and to liquidate investments that do not maintain satisfactory ratings.

FUNDS / STRATEGIES

Investments of the following fund categories shall be consistent with this policy and in accordance with the strategy defined below.

OPERATING FUNDS

Investment strategies for operating funds (including any commingled pools containing operating funds) shall have as their primary objective suitability, safety, liquidity, and marketability sufficient to meet anticipated cash flow requirements. Diversification and yield are secondary considerations to suitability, safety, liquidity, and marketability.

DEBT SERVICE

Investment strategies for debt service funds shall have as their objective suitability, safety, liquidity, and marketability to timely meet debt service payment obligations in accordance with provisions in the bond documents. Maturities longer than one year are authorized provided legal limits are not exceeded. Diversification and yield are secondary considerations to suitability, safety, liquidity, and marketability.

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| DEBT SERVICE RESERVE | Investment strategies of debt service reserve funds shall have as their primary objective the generation of a dependable revenue stream from high quality investments in accordance with provisions in the bond documents. Suitability, safety, liquidity, and marketability are high priority. Maturities longer than one year are authorized provided legal limits are not exceeded. Diversification and yield are secondary considerations to suitability, safety, liquidity, and marketability. |
| CAPITAL PROJECTS | Investment strategies for capital project funds (including any commingled pools containing capital project funds) shall have as their primary objective suitability, safety, liquidity, and marketability sufficient to meet anticipated cash flow requirements. Diversification and yield are secondary considerations to suitability, safety, liquidity, and marketability. |
| AGENCY | Investment strategies for agency funds (including any commingled pools containing agency funds) shall have as their primary objective suitability, safety, liquidity, and marketability sufficient to meet anticipated cash flow requirements. Diversification and yield are secondary considerations to suitability, safety, liquidity, and marketability. |
| BOARD-DESIGNATED RESERVES (PLANT FUNDS) | Investment strategies for Board-designated reserves (plant funds), including any commingled pools containing Board-designated reserves (plant funds), shall have as their primary objective suitability, safety, liquidity, and marketability sufficient to meet anticipated cash flow requirements. Diversification and yield are secondary considerations to suitability, safety, liquidity, and marketability. |
| MARY JOSEPHINE COX ESTATE | Investment strategies for Mary Josephine Cox estate operating funds, including any commingled pools containing Mary Josephine Cox estate operating funds, shall have as their primary objective suitability, safety, liquidity, and marketability sufficient to meet anticipated cash flow requirements. Diversification and yield are secondary considerations to suitability, safety, liquidity, and marketability. |
| STATE SCHOLARSHIP | Investment strategies for state scholarship operating funds, including any commingled pools containing state scholarship operating funds, shall have as their primary objective suitability, safety, liquidity, and marketability sufficient to meet anticipated cash flow requirements. Diversification and yield are secondary considerations to suitability, safety, liquidity, and marketability. |
| SAFEKEEPING AND CUSTODY | The cash, collateral, and investments of the College District shall be held by an independent third party with whom the College District has a current custodial agreement. The College District shall retain clearly marked receipts providing proof of the College Dis- |

trict's ownership, or the College District may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with College District funds.

BROKERS / DEALERS

Prior to handling investments on behalf of the College District, brokers/dealers must submit required written documents in accordance with law, and annual audited financial statements. [See SELLERS OF INVESTMENTS, CAK(LEGAL)] Representatives of brokers/dealers shall be registered with the Texas State Securities Board and must have membership in the Securities Investor Protection Corporation (SIPC) and be in good standing with the Financial Industry Regulatory Authority (FINRA).

SOLICITING BIDS

In order to get the best return on its investments, the College District may solicit bids in writing, by telephone, or electronically.

INTEREST RATE RISK

To reduce exposure to changes in interest rates that could adversely affect the value of investments, the College District shall use final and weighted-average-maturity limits and diversification.

The College District shall monitor interest rate risk using weighted average maturity and specific identification.

INTERNAL CONTROLS

A system of internal controls shall be established, documented in writing, and must include specific procedures designating who has authority to withdraw funds. The controls shall be designed to protect against losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the College District. Controls deemed most important shall include:

1. Separation of transaction authority from accounting and recordkeeping.
2. Avoidance of collusion.
3. Custodial safekeeping.
4. Clear delegation of authority.
5. Written confirmation of telephone transactions.
6. Documentation of dealer questionnaires, quotations and bids, evaluations, transactions and rationale.
7. Avoidance of bearer-form securities.

These controls shall be reviewed by the College District's independent auditing firm.

PORTFOLIO REPORT In addition to the quarterly report required by law and signed by the College District's investment officer, a comprehensive report on the investment program shall be presented annually to the Board.