INVESTMENT AUTHORITY

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

APPROVED INVESTMENT INSTRUMENTS

From those investments authorized by law, 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, and are subject to Board approval:

1. Obligations of the U.S. or Texas or its agencies and instrumentalities and political subdivisions as permitted by Government Code 2256.009.
2. Certificates of deposit as permitted by Government Code 2256.010.
3. Fully collateralized repurchase agreements as permitted by Government Code 2256.011.
4. Banker's acceptances as permitted by Government Code 2256.012.
5. Commercial paper as permitted by Government Code 2256.016-2256.013.
6. Mutual funds as permitted by Government Code 2256.016–2256.014.
7. Guaranteed investment contracts as permitted by Government Code 2256.015.
8. Investment pools as permitted by Government Code 2256.016.
9. Existing investments as permitted by Government Code 2256.016–2256.017.

SAFETY AND INVESTMENT MANAGEMENT

The investment officers shall observe financial market indicators, study financial trends, and utilize available educational tools in order to maintain appropriate managerial expertise. Investments shall be made in a manner that ensures the preservation of capital in the overall portfolio and offsets, during a 12-month period, any market price losses resulting from interest-rate fluctuations 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 AND MATURITY

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, projected on a weekly, monthly, and annual basis. 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

The investment officers shall monitor the investment portfolio and shall keep the Board informed of significant declines in the market value of the College 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. Monitoring shall be done at least quarterly, as required by law, and more often as economic conditions warrant by using appropriate reports, indices, or benchmarks for the type of investment.

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.

CURRENT FUNDS

Investment strategies for current funds (including any commingled pools containing current funds) shall have as their primary objectives safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements.

AGENCY FUNDS

Investment strategies for agency funds shall have as their primary objectives safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements.

PLANT FUNDS

Investment strategies for plant funds shall have as their objective sufficient investment liquidity 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.

ENDOWMENT AND SIMILAR FUNDS

Investment strategies for endowment and similar funds shall have as their objective sufficient investment liquidity to timely meet obligations of the fund. If the College District has funds from bond proceeds, the funds shall be invested in accordance with provisions in the bond documents. Maturities longer than one year are authorized provided legal limits are not exceeded.

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 District'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.

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 may use final and weighted-average-maturity limits and diversification.

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

INTERNAL CONTROLS

A system of internal controls shall be established and documented in writing and must include specific procedures designating who has authority to withdraw funds. Also, they 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 officers, a comprehensive report on the investment program and activity shall be presented annually to the Board.