

APPROPRIATIONS AND REVENUE SOURCES
INVESTMENTS

CAK
(LOCAL)

Investment Authority The vice president of finance and administration or other person designated by Board resolution shall serve as the investment officer of the College District 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. All investment transactions except investment pool funds and mutual funds shall be settled on a delivery versus payment basis.

Approved Investment Instruments From those investments authorized by law and described further in CAK(LEGAL) under Authorized Investments, the Board shall permit investment of College District funds, including bond proceeds and pledged revenue to the extent allowed by law, in only the following investment types, consistent with the strategies and maturities defined in this policy:

1. Obligations of, or guaranteed by, governmental entities 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. No-load mutual funds, except for bond proceeds, and no-load money market mutual funds as permitted by Government Code 2256.014.
5. A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015.
6. Public funds investment pools as permitted by Government Code 2256.016.
7. Cash management and fixed income funds as permitted by Government Code 2256.020.
8. Negotiable certificates of deposit as permitted by Government Code 2256.020.
9. Corporate bonds, debentures, or similar debt obligations as permitted by Government Code 2256.020.

Safety The primary goal of the investment program is to ensure safety of principal, to maintain liquidity, and to optimize financial returns within current market conditions in accordance with this policy. Investments shall be made with the exercise of due care, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for the

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investment, considering the probable safety of their own capital as well as the probable income to be derived. Investments shall be made in a manner that ensures the preservation of capital in the overall portfolio.

The investment officers shall seek to act responsibly as custodians of the public trust. The investment officers shall avoid transactions that might impair public confidence in the College District's ability to govern effectively. Any investment officer with a personal business interest, with a business organization, or who is related by affinity or consanguinity, as provided in Government Code 2256.005(i) shall disclose that relationship to the Texas Ethics Commission and the Board.

Investment Management

In accordance with Government Code 2256.005(b)(3), the quality and capability of investment management for College District funds shall be in accordance with the standard of care, investment training, and other requirements set forth in Government Code Chapter 2256.

Liquidity and Maturity

The College District's investment portfolio shall have sufficient liquidity to meet anticipated cash flow requirements.

The maximum dollar weighted maturity and stated final maturity of the College District's investments are outlined at Funds/Strategies, below.

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 officer shall monitor the investment portfolio and shall keep the Board informed of significant changes 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 advisers, and representatives/advisers 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 take all prudent measures that are consistent with this policy to liquidate investments that do not maintain satisfactory ratings.

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Funds / Strategies	Investments of the following fund categories shall be consistent with this policy and in accordance with the applicable strategy defined below. All strategies described below for the investment of a particular fund should be based on an understanding of the suitability of an investment to the financial requirements of the College District and consider preservation and safety of principal, liquidity, marketability of an investment if the need arises to liquidate before maturity, diversification of the investment portfolio, and yield.
Operating Funds	Investment strategies for operating funds (including any commingled pools containing operating funds) shall have as their primary objectives preservation and safety of principal, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements. Any approved investment instrument is suitable and provides acceptable marketability. The maximum dollar weighted maturity shall be 270 days, and the maximum stated final maturity shall be two years. The appropriate yield target shall be the College District's main public investment pool yield.
Custodial Funds	Investment strategies for custodial funds shall have as their primary objectives preservation and safety of principal, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements. Any approved investment instrument is suitable and provides acceptable marketability. The maximum stated final maturity shall be two years. The appropriate yield target shall be the College District's main public funds investment pool yield.
Debt Service Funds	Investment strategies for debt service funds shall have as their primary objective sufficient investment liquidity to timely meet debt service payment obligations in accordance with provisions in the bond documents. Any approved investment instrument is suitable and provides acceptable marketability. The maximum stated final maturity shall be the next debt service payment date not already funded by pending approved investment instruments. The appropriate yield target shall be the College District's main public funds investment pool yield.
Capital Project Funds	Investment strategies for capital project funds shall have as their primary objective sufficient investment liquidity to timely meet capital project obligations. Any approved investment instrument is suitable and provides acceptable marketability. The maximum stated final maturity shall be the lesser of the anticipated cash flow schedule and the applicable "temporary period" allowed by the IRS. Achieving positive spread to the cost of borrowing is the desired objective, within the limits of this policy's risk constraints. The default yield target shall be the College District's main public funds investment pool yield.

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**Safekeeping and
Custody**

The College District shall retain clearly marked receipts providing proof of the College District's ownership. The College District may delegate, however, to an investment pool the authority to hold legal title as custodian of investments purchased with College District funds by the investment pool.

Safekeeping
Agreement

The College District shall contract with a third-party financial institution for the safekeeping of securities owned by the College District as a part of its investment portfolio.

Collateralization

Consistent with the requirements of state law, the College District requires all banks, savings banks, and credit union deposits to be federally insured or collateralized with eligible obligations. Financial institutions serving as College District depositories will be required to sign an agreement with the College District in compliance with federal regulations. The agreement shall require compliance with Government Code 2256 and this investment policy; establish an independent custodian for all pledged collateral; define the eligible collateral and the College District's rights to the collateral in case of default, bankruptcy, or closing; and establish a perfected security interest in compliance with federal and state regulations. Specifically, the agreement must be:

- In writing;
- Executed by the depository and the College District contemporaneously with the acquisition of the asset;
- Approved by resolution of the board of directors or the designated committee of the depository, and a copy of the meeting minutes or resolution reference must be delivered to the College District; and
- Part of the depository's official record continuously since its execution.

Allowable Collateral

For financial institution deposits, eligible collateral is defined by Government Code 2257. The eligibility of specific issues as collateral may at times be restricted or prohibited, at the sole discretion of the College District.

Collateral Levels

Collateral is valued at current market plus interest accrued through the date of valuation.

For financial institution deposits, the market value of securities pledged as collateral for deposits must at all times be equal to or greater than 102 percent of the par value of the deposit plus accrued interest, less the amount insured by the FDIC or the National Credit Union Share Insurance Fund or their successors. The depository shall be liable for monitoring and maintaining the collateral

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and collateral margins at all times. Letters of credit pledged as collateral shall at all times be equal to the total value of the deposits plus accrued interest less the applicable level of FDIC insurance. The letters of credit shall expire not less than two business days after the anticipated deposit withdrawal. If rolling letters of credit are utilized, advance notice prior to any expiration must be provided along with a letter of credit extension. Any letter of credit extension issued to cover the expiration of an investment should expire no less than two business days beyond the final maturity date of the investment.

Monitoring
Collateral Adequacy

For financial institution deposits, the College District requires monthly reports with market values of pledged securities from all the custodians of financial institutions with which the College District has collateralized deposits. The College District will regularly monitor the adequacy of collateral.

Collateral
Reductions

Should the collateral's market value exceed the required amount, any broker/dealer or financial institution may request approval from the investment officer(s) to reduce collateral. Collateral reductions may be permitted only if the College District's records indicate that the collateral's market value exceeds the required amount.

Custody of
Collateral

All collateral-securing financial institution deposits must be held by an independent, third-party financial institution approved by the College District, a Federal Home Loan Bank, or the Federal Reserve Bank.

**Sellers of
Investments**

Prior to handling investments on behalf of the College District, a broker/dealer or a qualified representative of a business organization must submit required written documents in accordance with law.

The College District will provide all investment providers with updates to the investment policy and will require acknowledgment of receipt of the policy from the investment providers.

Brokers / Dealers

Securities shall only be purchased from brokers/dealers approved by the Board. This list of approved brokers/dealers must be reviewed at least annually by the Board.

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).

Competitive
Environment

In order to get the best return on its investments, the College District may solicit quotes from multiple providers for each investment transaction, including certificates of deposit.

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**Soliciting Bids for
CDs**

In order to get the best return on its investments, the College District may solicit bids for certificates of deposit in writing, by telephone, or electronically, or by a combination of these methods.

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 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 and electronic transfer of funds.
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 and activity shall be presented annually to the Board. The annual report may be a component of the fourth quarter report. Weighted average yield to maturity shall be the portfolio performance standard presented in the report.

Annual Review

The Board shall review this investment policy and investment strategies not less than annually and shall document its review in writing, which shall include whether any changes were made to either the investment policy or investment strategies.

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Annual Audit

In conjunction with the annual financial audit, the College District shall perform a compliance audit of management controls on investments and adherence to the College District's established investment policies.