

APPROPRIATIONS AND REVENUE SOURCES
INVESTMENTS

CAK
(LOCAL)

Investment Authority The College President, the vice president of fiscal services, and any 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 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 officers shall be bonded or shall be covered under a fidelity insurance policy. All investment transactions 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, subject to Board approval, investment of College District funds 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. A securities lending program as permitted by Government Code 2256.0115.
5. Banker's acceptances as permitted by Government Code 2256.012.
6. Commercial paper as permitted by Government Code 2256.013.
7. No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014.
8. 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.
9. Public funds investment pools as permitted by Government Code 2256.016.

Safety The primary goal of the investment program is to ensure safety of principal, to maintain liquidity, and to maximize financial returns within current market conditions in accordance with this policy. 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 fluctua-

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tions 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.

**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**

Board approval is necessary for an individual investment that requires more than a year to mature.

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 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 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 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.

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| Current Funds | Investment strategies for current funds (including any commingled pools containing current funds) shall have as their primary objectives preservation and safety of principal, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements. |
| Agency Funds | Investment strategies for agency funds shall have as their primary objectives preservation and safety of principal, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements. |
| Plant Funds | Investment strategies for plant funds shall have as their primary objective sufficient investment liquidity to timely meet plant 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 | The College District's investment and spending policies comply with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as enacted by the State of Texas on September 1, 2007. The spending policy, expressed as a percentage of market value of the Endowment, shall be determined on an annual basis by the Board upon the recommendation of the Investment Committee. In recommending a spending policy for a given fiscal year, the Investment Committee shall take into consideration the average total return over the past five years, when available. The original corpus of the endowment shall remain protected and shall not be disbursed. Newly established endowments shall be allowed to grow over a year period before being distributed. A spending cap of five percent shall be required on all spending policies. |
| 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. |
| Sellers of Investments | <p>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.</p> <p>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).</p> |
| Soliciting Bids | In order to get the best return on its investments, the College District may solicit bids in writing, by telephone, or electronically. |

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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 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 officers, a comprehensive report on the investment program and activity shall be presented annually to the Board.

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.

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.