

APPROPRIATIONS AND REVENUE SOURCES
INVESTMENTS

CAK
(LOCAL)

Objectives

The investment policy of the College District shall be to:

1. Ensure the safety of the invested funds of the College District;
2. Maintain sufficient liquidity to provide adequate and timely working funds;
3. Attain the highest possible rate of return while providing necessary protection of principal consistent with College District operating requirements as determined by the Board;
4. Match the maturity of investment instruments to the daily cash flow requirements;
5. Diversify investments as to maturity, instruments, and financial institutions where permitted under state law;
6. Actively pursue portfolio management techniques; and
7. Avoid investment for speculation.

**Authorized
Investments**

Agreements

The College District's chief financial officer shall serve as the investment officer of the College District. The investment officer shall be required to obtain at least five hours of investment training within the first 12 months of assuming duties and shall be required to earn an additional five hours of investment training in every subsequent biennium. To ensure the accomplishment of the policy and the objectives listed, the investment officer of the College District shall be authorized to invest the various funds of the College District in legally authorized and adequately secured certificates of deposit and/or U.S. Treasury Bills with a maximum maturity of 12 months. No other investments shall be made without approval of a majority of the Board. All investment transactions except investment pool funds and mutual funds shall be executed on a delivery versus payment basis. With respect to repurchase agreements:

1. The market value of the collateral shall equal at least 102 percent of the cash value of the repurchase agreement.
2. All securities purchased under a repurchase agreement shall be held by the College District's custodial (safekeeping) agent.
3. The seller of repurchase agreement securities shall be entitled to substitute securities upon authorization by the College District.

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4. No repurchase agreement shall be entered into unless a Master Repurchase Agreement has been executed between the College District and its trading partners.

Certificates of
Deposit

Bids for certificates of deposit may be solicited orally, in writing, electronically, or in any combination of those methods.

**Safety and
Investment
Management**

The investment officer shall exhibit prudence and discretion in the selection and management of securities. Skill and judgment shall be exercised in order that no individual or group of transactions undertaken would jeopardize the total capital sum of the overall portfolio. The College District shall not allow speculation (such as anticipating an appreciation of capital through changes in market interest rates) in the selection of any investments. The investment officer shall observe financial market indicators, study financial trends, and utilize available educational tools in order to maintain appropriate managerial expertise.

**Liquidity and
Diversity**

To meet the investment objectives of the College District, the maturity of investments shall be targeted to coincide with the cash flow needs of the College District.

Assets of the College District shall be invested in instruments whose maturities do not exceed one year at the time of purchase. Assets held in debt retirement funds may be invested in maturities exceeding one year. The investment portfolio shall be diversified to reduce the risk of loss of investment income from overconcentration of assets in a specific issue, a specific issue size, or a specific class of securities.

Nevertheless, the College District recognizes that in a diversified portfolio, occasional measured losses are inevitable and must be considered within the context of the overall portfolio's investment return. Also, it is intended that investments in all funds shall be managed in such a way that any market price losses resulting from interest rate volatility shall be offset by income received from the balance of the portfolio during a 12-month period.

Internal Controls

A system of internal controls shall be documented in writing. Also, they shall be designed to prevent 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. Control of collusion;

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2. Separation of duties;
3. Separation of transaction authority from accounting and recordkeeping;
4. Custodial safekeeping;
5. Avoidance of bearer-form securities;
6. Clear delegation of authority;
7. Specific limitations regarding securities losses;
8. Written confirmation of telephone transactions;
9. Limiting the number of authorized investment officials; and
10. Documentation of transactions and strategies.

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

Safekeeping and Custody

To protect against potential fraud and embezzlement, the cash and investments of the College District shall be secured through third-party custody and safekeeping procedures as designated by the College District. Investment officials shall be bonded.

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.

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).

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.

Portfolio Report

A monthly management portfolio report shall be prepared by the investment officer relating to investments of the College District and appropriate collateral pledged for those investment instruments requiring security. A comprehensive report on the investment program and investment activity shall be presented annually to the Board. A compliance audit of management controls on investments

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and adherence to approved investment policies shall be performed in conjunction with the annual financial audit, along with a state agency compliance audit performed at least every two years.

Monitoring Market Prices

Monitoring shall be done monthly 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 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 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.

Investment Strategy

The College District maintains portfolios that utilize specific investment strategy considerations designed to address the unique characteristics of the following fund groups represented in the portfolios:

1. Operating Funds. Investment strategies for operating funds and commingled pools containing operating funds have as their primary objective the assurance that anticipated cash flow are matched with adequate investment liquidity. In order to accomplish this, the College District shall maintain adequate balances in short-term investments with necessary liquidity to ensure that sufficient funds are available for the continued operations of the College District. Funds shall not be invested in securities with stated maturities that exceed the reasonable expected expenditure time period.
2. Debt Service Funds. The College District shall maintain as its primary objective, the safety of principal with regard to all monies collected or allocated for debt service. Secondly, the College District shall seek to maximize the return on such funds while ensuring sufficient funds for timely payments of its debt obligations. In order to accomplish this, the College District shall invest such funds in amounts and maturity dates that most likely will meet the debt service requirements of the College District.

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3. Capital Improvement Fund. The College District shall maintain as its primary objective, the safety of principal with regard to all monies collected. The College District shall seek to maximize the return of such funds while ensuring sufficient funds for timely payments of its obligations.
4. Special Projects or Special Purpose Funds. Portfolios for these funds shall have as their primary objective the assurance that anticipated cash flows are matched with adequate investment liquidity. The stated final maturity dates of securities held should not exceed the estimated project completion date.