

Vernon College
244501

APPROPRIATIONS AND REVENUE SOURCES:
INVESTMENTS

CAK
(LOCAL)

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. Certificates of deposit as permitted by Acts of the 74th Legislative Session, Chapter 32.
2. Public funds investment pools as permitted by Gov't Code 2256.016-2256.019.

SAFETY AND INVESTMENT MANAGEMENT The investment officer 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.

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

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 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.

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 safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements.

DEBT
SERVICE

Investment strategies for debt service 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.

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 securities in accordance with provisions in the bond documents. Maturities longer than one year are authorized provided legal limits are not exceeded.

CAPITAL
PROJECTS

Investment strategies for capital projects funds shall have as their objective sufficient investment liquidity to timely meet capital project obligations. If the College District has funds from bond proceeds, they

shall be invested in accordance with provisions in the bond documents. Maturities longer than one year are authorized provided legal limits are not exceeded.

ENDOWMENT FUND Investment strategies for endowment 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.

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.

BROKERS / DEALERS Prior to handling investments on behalf of the College District, broker/dealers must submit required written documents and annual audited financial statements to the College District and be in good standing with the National Association of Securities Dealers. [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).

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

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 record keeping.
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 investment activity shall be presented annually to the Board. This report shall include a performance evaluation which may include, but not be limited to, comparisons to 91-day U.S. Treasury Bills, six-month U.S. Treasury Bills, the Fed Fund rate, the Lehman bond index, and rates from investment pools. The annual report shall include a review of the activities and total yield for the preceding 12 months, suggest policies, strategies, and improvements that might enhance the investment program, and propose an investment plan for the ensuing year.

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