

Investment Disclosure

INVESTMENT MANAGEMENT PLAN

WHARTON COUNTY JUNIOR COLLEGE DISTRICT

College funds available for investment shall be invested in compliance with the Public Funds Investment Act, Government Code, Chapter 2256 and Education Code 23.80, 51.003 (b), 51.0031 (a), and 51.0032 and in accordance with the guidelines that follow. This policy will be reviewed and adopted by resolution, annually, in accordance with Government Code 2256.005 (e).

I. INVESTMENT OF COLLEGE FUNDS

A. Investment of Funds

This investment policy applies to all financial assets of all funds of the Wharton County Junior College District (WCJC) at the present time and any funds held in custody by WCJC, unless expressly prohibited by law or unless it is in contravention of any depository contract between WCJC and its depository bank. Any securities purchased prior to the 1995 Public Funds Investment Act Amendments which no longer meet current investment guidelines will be held to maturity or sold when advantageous to the college [Government Code 2256.017]. This policy is to be reviewed, updated as necessary and approved by the Wharton County Junior College Board of Trustees annually.

B. Designation of Investment Officer

The Board of Trustees designate the Treasurer as the college investment officer and authorize the investment officer to deposit, withdraw, invest, transfer, or manage the college's funds that are eligible for investment. An Investment Committee (composed of the Vice President for Administrative Services, the Dean of Financial and Business Services, Treasurer, and Investment Officer will review investments on a quarterly basis and serve in an advisory capacity on investments.

II. OBJECTIVES OF INVESTMENT POLICY

A. General Statement

WCJC funds will be invested in accordance with federal and state laws, this investment policy, and written administrative procedures. Effective cash management is recognized as essential to good fiscal management. An aggressive cash management and a conservative investment strategy will be pursued by the college to take advantage of investment interest as a viable and material source of revenue. The college's portfolio is to be designed and managed in a manner to promote the best interest of the college. Wharton County Junior College will invest according to investment strategies for each fund as they are adopted by the Wharton County Junior College Board of Trustees in accordance with the Public Funds Investment Act Section 2256.005 (d).

B. Specific Objectives

1. Assure the safety of the college's funds. WCJC is concerned with the return of its principal; therefore, safety of principal is a primary objective.

2. Maintain sufficient liquidity to provide adequate and timely working funds. The college's investment portfolio must be structured to provide for liquidity necessary to pay obligations as they become due.
3. Attain the highest possible rate of return while providing necessary protection of principal consistent with the college's operating requirements. The objective of the college is to earn the maximum rate of return allowed on its investments within the policies imposed by its safety and liquidity objectives, investment strategies for each fund, and state and federal law governing investment of public funds.
4. Match the maturity of investment instruments to the cash flow requirement of the college. Portfolio maturities will be structured to meet the obligations of the college first and then to achieve the highest return of interest.
5. Diversify investment as to maturity, instruments, and financial institutions where permitted under state law. WCJC will diversify its portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of investments. Investments of the college shall always be selected that provide for stability of income and reasonable liquidity.
6. Actively pursue portfolio management techniques. WCJC's policy is to provide training per requirements of the Public Funds Investment Act Section 2256.007 and periodic training in investments for the Investment Committee through seminars offered by professional organizations and associations in order to insure the quality, capability, and currency of the Investment Committee in making investment decisions. Additionally, members of the Board of Trustees will receive training as specified in the Public Funds Investment Act, Section 2256.007.
7. Develop investment strategies for each fund in accordance with the Public Funds Investment Act, Section 2256.005 (d).

C. Standard of Care

1. In accordance with Government Code 2256.006, investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. Investment of funds shall be governed by the following investment objectives in order of priority: preservation and safety of principal; liquidity; and yield.
2. In determining whether an investment officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:
 - i. the investment of all funds, or funds under the college's control, over which the officer had responsibility rather than a consideration as to prudence of a single investment;
 - ii. whether the investment decision was consistent with the written investment policy of the college.
3. Monitor the portfolio, on a quarterly basis, by checking book values against values listed in the Wall Street Journal or other resources.

4. The Investment Officer will purchase securities only from organizations who have delivered to the college a signed certification form as proved according to Government Code 2256.005 (k).
5. Investment transactions will be settled on a delivery basis except for investment pools and mutual funds which can be settled on a payment basis. 2256.005 (b) (4) (E).

D. Audit Control

In addition to the annual financial audit of all college funds by an independent auditing firm, the Board of Trustees will request an annual compliance audit of management controls on investments and adherence to the college's established investment policies in accordance with Government Code 2256.005 (m).

III. INVESTMENT REPORTING AND PERFORMANCE EVALUATION

A. Quarterly Report

In accordance with Government Code 2256.023, not less than quarterly, the Investment Officer shall prepare and submit to the college president and the Board of Trustees a written report of investment transactions for all funds for the preceding reporting period within a reasonable time after the end of the period.

B. Notification of Investment Changes

It will be the duty of the Investment Officer to notify the college president of any significant changes in current investment methods and procedures prior to their implementation, regardless of whether they are authorized by this policy or not.

IV. INVESTMENT RESPONSIBILITY AND CONTROL

A. Investment Institutions Defined

The Investment Officer (in consultation with the Investment Committee) shall invest college funds with any or all of the following institutions or groups consistent with federal and state law and the current depository bank contract:

1. Depository bank;
2. Other state or national banks domiciled in Texas that are insured by FDIC;
3. Public funds investment pools; or
4. Government securities brokers and dealers
5. Brokers authorized to engage in business with Wharton County Junior College. A list of brokers adopted by the Investment Committee will be given to the Board of Trustees to assure that information is given for ethics compliance purposes. Sec 2256.025

B. Qualifications for Approval of Broker/Dealers

1. In accordance with Government Code 2256.005 (k), a written copy of this investment policy shall be presented to any person seeking to sell to the college an authorized investment. The registered principal of the business organization seeking to sell an authorized investment shall execute a written instrument substantially to the effect that the registered principal has;
 - i. received and thoroughly reviewed the investment policy of the college; and
 - ii. acknowledged that the organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of investment transactions conducted between the college and the organization.
 - iii. the investment policy is to be submitted to each business organization seeking to sell an authorized investment, annually, after approval of the policy by the Wharton County Junior College Board of Trustees.
2. Investment strategies are described in Attachment A. The investment objectives for all funds will use the following priorities of importance;
 - i. understanding of the suitability of the investment to the financial requirements of the college;
 - ii. preservation and safety of principle;
 - iii. liquidity;
 - iv. marketability of the investment if the need arises to liquidate the investment before maturity;
 - v. diversification of the investment portfolio; and
 - vi. yield.

V. RULES GOVERNING INVESTMENT TYPES

The Investment Officer shall ensure maintenance of minimum account balances necessary to operate the college each day. Excess cash in any fund shall be invested in the highest yield investment allowed by law. If the college president, any vice president, or any member of the Investment Committee has a personal business relationship with an entity or is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the college, the person must file a statement disclosing that personal business interest or relationship with the Texas Ethics Commission and the Board of Trustees in accordance with Government Code 2256.005 (i).

A. Investment Instruments

Except as provided by Government Code 2256.009 (b), the Investment Officer, in consultation with the Investment Committee, shall from this date forward use the following authorized investment instruments provided in the Public Funds Investment Act:

1. Treasury Bills, Treasury Notes, Treasury Strips, and Treasury Bonds of the United States and other direct obligations of the agencies and instrumentalities of the United States.

2. Repurchase agreements and reverse purchase agreements which are expressly defined in the Public Funds Investment Act as enacted or as it may be amended from time to time.
3. Certificates of deposit which are expressly defined in the Public Funds Investment Act as enacted or as it may be amended from time to time.
4. Investment pools as approved by Board resolution and which are authorized by the Public Funds Investment Act as enacted or as it may be amended from time to time. The only one approved by the Wharton County Junior College Board of Trustees as of November 1, 1995 is Tex-Pool.

INVESTMENT STRATEGY

May 30, 2002

The Wharton County Junior College District (WCJC) maintains portfolios which utilize specific investment strategy considerations designated to address the unique characteristics of the fund groups represented in the portfolios:

1. Operating Funds: Investment strategies for operating funds containing operating funds (current unrestricted operating, current restricted operating, agency, and auxiliary) have as their primary objective assurance that anticipated cash flows are matched with adequate investment liquidity. In order to accomplish this, the college will maintain adequate balances in short-term investments with necessary liquidity to ensure that sufficient funds are available for the continued operations of the college. Funds will not be invested in securities with stated maturities that exceed the reasonable expected operating expenditure time period.
2. Endowment Funds: Investment strategies for endowment funds shall maintain as its primary objective, the safety of principal. The college will seek to maximize the return on such funds, while assuring sufficient liquidity to meet the requirements of individual endowments.
3. Bond Funds: The college shall maintain as its primary objective, the safety of principal with regard to all monies collected. The college will seek to maximize the return on such funds, while insuring sufficient funds for timely payments of its obligations.
4. Unexpended Plant Fund: Investment strategies for the unexpended plant fund shall follow as a primary objective, safety of principal. Secondly, WCJC will seek to maximize the return on such funds while ensuring sufficient funds for timely payments of any obligation.

CERTIFICATION

In compliance with the Texas Government Code (Public Funds Investment Act) Section 2256.005(k)-(l)

_____, ("Broker") acknowledges that the registered principal and not sales personnel conducting investment transactions with Wharton County Junior College ("WCJC") have received and have thoroughly reviewed the WCJC Investment Policies. Broker acknowledges that Broker has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of investment transactions between WCJC and Broker.

(FIRM)

(Signature of Registered Principal)

(NAME)

(TITLE)

(DATE)