INVESTMENTS

I. BACKGROUND and/or LEGAL REFERENCE

All investments made by the College District shall comply with the Public Funds Investment Act (Texas Government Code Chapter 2256, Subchapter A) and all applicable federal, state, and local statutes, rules, or regulations. Investments shall be made in accordance with written policies approved by the Board. The investment policies must primarily emphasize safety of principal and liquidity and address investment diversification, yield, and maturity and the quality and capability of investment management. The policies must include:

1. A list of the types of authorized investments in which the College District’s funds may be invested;
2. The maximum allowable stated maturity of any individual investment owned by the College District;
3. For pooled fund groups, the maximum dollar-weighted average maturity allowed based on the stated maturity date of the portfolio;
4. Methods to monitor the market price of investments acquired with public funds; and
5. A requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis.Gov’t Code 2256.005(b) The investment policy and the investment strategy shall be reviewed not less than annually. The Board shall adopt a written instrument stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies. Education Code 51.0032; Gov’t Code 2256.005(e)

As part of the investment policy, the Board shall adopt a separate written investment strategy for each of the funds under the Board’s control.

Each investment strategy must describe the investment objectives for the particular fund under the following priorities in order of importance:

1. Safety and preservation of principal
2. Maintenance of sufficient liquidity to meet operating needs
3. Diversification
4. Public Trust, and
5. Optimization of earnings in the portfolio (Yield)

Gov’t Code 2256.005(d)

II. POLICY
A. Objectives

The investment policy of the District shall be to:

1. Assure the safety of the invested funds of the 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 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.
7. Avoid investment for speculation.

B. Authorized Investments

The College President or designee, who may be a contractor, engaged by the College, shall serve as the investment officer of the College and invest District funds in legally authorized and adequately secured investments.

C. Agreements

All investment transactions 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% of the cash value of the repurchase agreement.
2. All securities purchased under a repurchase agreement shall be held by the District's custodial (safekeeping) agent.
3. The seller of repurchase agreement securities shall be entitled to substitute securities upon authorization by the District.
4. No repurchase agreement shall be entered into unless a Master Repurchase Agreement has been executed between the District and its trading partners.

D. Certificates of Deposit

Bids for certificates of deposit may be solicited in writing.

E. 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 shall not allow speculation (such as anticipating 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.

F. Liquidity and Diversity

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

2. Assets of the District shall be invested in instruments whose maturities do not exceed five years at the time of purchase. The investment portfolio shall be diversified to reduce the risk of loss of investment income from over-concentration of assets in specific issue, a specific issue size, or a specific class of securities.

3. Nevertheless, the 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.

G. Internal Controls

1. The Investment Policy documents the system of internal controls for investments. This plan is 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 District. Controls deemed most important shall include:
   
   a. Control of collusion
   b. Separation of duties
   c. Separation of transaction authority from accounting and record keeping
   d. Custodial safekeeping
   e. Avoidance of bearer-form securities
   f. Clear delegation of authority
   g. Specific limitation regarding securities losses
   h. Written confirmation of telephone transactions
   i. Limiting the number of authorized investment officials
   j. Documentation of transactions and strategies

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

H. Safekeeping and Custody

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

I. Internal Management Reports

Pursuant to Section 2256.023 of the Texas Government Code, the Investment Officer shall prepare and submit to the college's Board of Trustees a quarterly written report of investment transactions for all funds for the preceding reporting period. Pursuant to Section 2256.005 (e), the Investment Officer shall prepare/update the Investment Policy and present it to the Board of Trustees for their approval annually.

(POLICY APPROVAL: 10-16-89, Board of Trustees, amended 2-19-08, amended 1-15-13)

Addendum: A copy of the District's current Board-approved investment policy can be accessed on the Wharton County Junior College website.

College President's Directive
12-23-95