

## **INVESTMENT POLICY (CAK – LOCAL)**

***(IN ACCORD WITH THE PUBLIC FUNDS INVESTMENT ACT, THE BOARD OF TRUSTEES OF GRAYSON COUNTY COLLEGE PERFORMED ITS ANNUAL REVIEW OF THIS POLICY ON JULY 15, 2003.)***

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### **INTRODUCTION**

The purpose of this document is to set forth specific investment policy and strategy guidelines for Grayson County College, the Junior College District of Grayson County, in order to achieve the goals of safety, liquidity, yield, and public trust for all investment activity. The Board of Trustees of Grayson County College shall review its investment policy annually. This policy serves to satisfy the statutory requirement of the Public Funds Investment Act, Texas Government Code Section 2256, to define, adopt and review a formal investment strategy and policy.

### **INVESTMENT STRATEGY**

The investments will be diversified by security type and maturity. The buy and sell decisions in regard to investments entered into the portfolio, will be made by the investment team. The investment team shall be composed of the President, Vice President for Business Services (Investment Officer) and Director of Fiscal Services.

### **DIVERSIFICATION**

Buy and sell decisions will be primarily influenced by cash flow in each of the respective funds. The fundamental investment strategy of Grayson County College will be to buy an investment and hold it until its maturity. However, because of changes in market conditions and changes in anticipated cash flow there may be instances where decisions will need to be made to liquidate the investment prior to its maturity.

When the investment team makes decisions in regard to purchasing securities for the portfolio, the team must interpret the interest rate cycle and may choose to make relatively long term purchases for the purpose of "locking in" a favorable interest rate or choose to make shorter term purchases if they anticipate interest rates to be more favorable in the future. The market price of investments should be monitored on a weekly basis. Settlement of all transactions, except investment pool funds, will be on a delivery basis.

The investment team is given the responsibility for putting into place an investment portfolio which serves the College's financial requirements, and also attempt to protect the College against market condition changes. It is the intent of this document to give the investment team the latitude to purchase investments within the scope outlined.

### **MAXIMUM MATURITIES**

Grayson County College will normally limit final maturities on any securities to five years or less. To the extent possible, Grayson County College will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, Grayson County College will not directly invest in securities maturing more than five (5) years from the date of purchase. The Investment Officer will analyze each fund and determine what the appropriate average weighted maturity of the portfolio should be.

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The following funds will require investments that are shorter term in maturity. The funds will require investments that generally mature in one year or less:

Education and General Fund  
Auxiliary Enterprises Fund  
Plant Fund  
Agency Fund

The following funds will normally allow for maturities of longer than one year:

Endowment Fund  
Debt Service Fund

### **SCOPE**

This investment policy applies to all financial assets and funds held by Grayson County College and include:

- Educational and General Fund
- Auxiliary Enterprises Fund
- Plant Fund
- Debt Service Fund
- Endowment Fund
- Agency Fund

### **OBJECTIVES**

The objectives and priorities of the investment policy of Grayson County College are as follows:

1. To comply with the laws of the State of Texas as defined in Government Code 10 (Chapter 22565); known as the "Public Funds Investment Act."
2. To provide for the safety of principal of all Grayson County College funds.
3. To provide sufficient funds to meet the cash needs of the continuing operations of Grayson County College.
4. To earn the highest possible rates of return on investments consistent with the foregoing objectives and guidelines.
5. To allow for diversification in the types, issues and maturities of investments so as to avoid incurring unreasonable and avoidable risks.
6. To maintain the highest professional and ethical standards as custodians of the public trust.
7. To invest with well established and financially secure institutions approved to do business with the District.

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### RESPONSIBILITY AND CONTROL

#### *DELEGATION AUTHORITY*

The Vice President for Business Services is designated as Investment Officer of the District and is responsible for investment decisions and activities. The Vice President for Business Services shall establish and maintain written procedures for the operation of the investment program, consistent with this investment policy. The Vice President for Business Services shall attend at least ten hours of training relating to these duties every two years. Training must be from an independent source and not Grayson County College.

### INTERNAL CONTROLS

Internal control is the process by which Grayson County College's Board of Trustees and management obtain reasonable assurance as to achievement of specified objectives. It consists of interrelated components with integrity, ethical values and competence, and the control environment serving as the foundation for establishing objectives, risk assessment, information systems, control procedures, communication, managing change, and monitoring .

The Investment Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft, or misuse. Accordingly, the Investment Officer shall establish a process for annual independent review by an external auditor to assure compliance with policies and procedures. The external auditor's report will be delivered directly to the President of the Board of Trustees. The internal controls shall address the following points:

1. Control of collusion.
2. Separation of transaction authority from accounting and record keeping.
3. Custodial safekeeping.
4. Avoidance of bearer-form securities.
5. Clear delegation of authority.
6. Written confirmation for telephone transactions for investments and wire transfers.

### PRUDENCE

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in context of managing an overall portfolio. Investment officers acting in accordance with procedures and this investment policy, and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy. Investments shall be made with the judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

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### **ETHICS AND CONFLICT INTEREST**

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the OF proper execution and management of the investment program, or that could impair the ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of their entity. An investment officer who has a personal business relationship with any entity seeking to sell an investment to Grayson County College, or who is related in the second degree by marriage (affinity) or blood relations (consanguinity) to an individual seeking to sell an investment to Grayson County College, is required to file a statement disclosing the relationship with the Texas Ethics Commission and the Grayson County College Board of Trustees.

### **TRAINING**

Training of appropriate Board Members, the President, and the Vice President for Business Services will occur on an annual basis as provided by the Texas Higher Education Coordinating Board.

### **QUARTERLY REPORTING**

The Vice President for Business Services shall prepare and submit to the Board of Trustees a signed quarterly investment report for all funds for the preceding reporting period. The report will:

1. Describe in detail the investment position of the District on the date of the report.
2. Contain a summary statement of each fund that states the beginning market value for the reporting period, additions and changes to the market value during the period, the ending market value for the period, and fully accrued interest for the reporting period.
3. State the book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested.
4. State the maturity date of each separately invested asset that has a maturity date.
5. Contain a statement of compliance of the District's investment portfolio with State Law and the investment strategy and policy approved by the Board of Trustees.

### **SAFEKEEPING AND CUSTODY**

The Investment Officer shall invest District funds with any or all of the following institutions or groups consistent with federal and state law and the current bank depository contract:

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### **AUTHORIZED FINANCIAL DEALER AND INSTITUTIONS**

1. Depository bank;
2. Other state or national banks domiciled in Texas that are insured by the FDIC;
3. Savings and loan associations domiciled in Texas that are insured by the FSLIC;
4. Public funds investment pools; or
5. Government securities brokers and dealers.

Grayson County College shall maintain a list of Authorized broker/dealers and financial institutions which are approved for investment purposes. It shall be the policy of the district to place investments with and purchase securities only from authorized institutions and firms. A list of institutions which are approved to do business with the District shall be reviewed annually. Broker/dealers must be in good standing with the National Association of Securities Dealers. Representatives of brokers/dealers shall be registered with the Texas State Securities Board.

The Investment Officer of the District may not buy securities from a person who has not delivered to the District an Investment Policy Affidavit acknowledged by the principal of the organization.

### **SUITABLE AND AUTHORIZED INVESTMENTS**

The following investments will be permitted by this policy:

#### **INVESTMENT TYPES**

1. U.S. Government obligations such as Treasury Bills, Treasury Notes, Treasury Bonds, Discount Notes and Debentures;
2. U.S. Government agency obligations such as Farm Credit System, Farmers Home Administration, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, Small Business Administration, Student Loan Marketing Association, and Tennessee Valley Authority;
3. Open time account with the depository institution (secured by a pledge of approved securities);
4. Certificates of deposit (secured by a pledge of approved securities);
5. Savings and loan association deposits (secured by a pledge of approved securities);
6. Prime commercial paper that has a state maturity of 270 days or less and is rated not less than A-1 or P-1 by at least two nationally recognized credit rating agencies;
7. Investment-grade obligations of the State of Texas, local governments, and public authorities;

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8. Investment Pools such as Tex Pool operated by the Texas Comptroller's Office and Lone Star operated by the Texas Association of School Boards. These investment pools must meet the requirements of Section 2256.06 of the Public Funds Investment Act and must be rated AAA or AAA-M by at least one nationally recognized rating service;
9. Cash management and fixed income funds sponsored by organizations exempt from federal income taxation under Section 501(f), Internal Revenue Code of 1986 (26 U.S.C. Section 501 (4));
10. Corporate bonds, debentures, or similar debt obligations rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to gradation within those categories.

**COLLATERALIZATION**

In accordance with state law, full collateralization will be required on certificates of deposit and open time deposits from banks and savings and loan associations.