

APPROPRIATIONS AND REVENUE SOURCES
INVESTMENTS

CAK
(LOCAL)

Primary Objectives

The primary objectives of the College District's investment policy are:

1. Preservation of capital and protection of principal;
2. Safety of funds and investments;
3. Maintenance of sufficient liquidity;
4. Diversification to avoid unreasonable or avoidable risks; and
5. Yield.

Standard of Care

The College District's portfolio shall be designed and managed in accordance with the following prudent person standard of care.

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 as well as the probable income to be derived.

This prudent person standard shall apply to the management of all College District funds.

Investment Management

In accordance with Government Code 2256.005(b)(3), the quality and capability of investment management for College District funds shall be in accordance with the standard of care, investment training, and other requirements set forth in Government Code Chapter 2256. The Board may choose to utilize an investment adviser as an investment officer for the College District.

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.

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 over a reasonable period of time as determined by the Board.

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Monitoring Market Value

The investment officer shall monitor the investment portfolio and shall keep the Board informed of significant changes in the market value of the College District's investment portfolio through monthly and quarterly reporting. Information sources shall be independent and may include financial/investment publications and electronic media, available software for tracking investments, depository banks, commercial or investment banks, and financial advisers. Reports shall be provided to the Board monthly.

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 as conditions warrant.

Monitoring of mergers and acquisitions is required for brokered certificate of deposit securities to ensure Federal Deposit Insurance Corporation (FDIC) coverage. Immediate liquidation is required if a merger has reduced the FDIC coverage.

Authorized Investments

The College District's investment authority is derived from the Public Funds Investment Act (Government Code 2256) and described further in statute and CAK(LEGAL) under Authorized Investments.

The Board authorizes investment of College District funds, including bond proceeds and pledged revenue to the extent allowed by law, in only the following investment types, consistent with the strategies and maturities defined in this policy. Changes require Board approval and amendment. They include:

1. Obligations of the U.S. Government, its agencies, or instrumentalities excluding all mortgage-backed securities.
2. Fully collateralized repurchase agreements and reverse repurchase agreements having a defined termination date and secured by any obligation of the United States, its agencies, or its instrumentalities, to include certain mortgage-backed securities of a U.S. agency. The repurchase and reverse repurchase agreement transactions are to be placed only with primary government securities dealers or state or national banks doing business in the state of Texas. Repurchase agreements are to be collateralized at 102 percent daily.
3. FDIC insured or collateralized depository certificates of deposit issued by state or national banks domiciled in the state of Texas and insured by the FDIC or its successor. The certificates must be styled in the name of the College District. Collateral for time and demand deposits shall be in accordance with this policy.

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4. Fully insured share certificates of credit unions in Texas insured by the National Credit Union Share Insurance Fund.
5. AAA-rated, SEC-registered money market mutual funds, which strive to maintain a \$1 net asset value (NAV). The fund must be rated AAA or its equivalent by at least one nationally recognized investment rating firm.
6. Texas local government investment pools that are continuously rated no lower than AAA, AAA-m, or an equivalent by at least one nationally recognized rating service. The fund must strive to maintain a \$1 NAV with a weighted average maturity no greater than 60 days.
7. Commercial paper rated not less than A-1 or P-1 or an equivalent rating by at least:
 - a. Two nationally recognized credit rating agencies; or
 - b. One nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.
8. Obligations of any U.S. state or subdivision or institution of higher learning rated "A" or better by a nationally recognized credit rating agency.
9. Fully insured or collateralized interest-bearing accounts in any financial institution doing business in Texas, to include spread product fully insured by the FDIC or its successor.
10. Fully insured brokered certificate of deposit securities of any bank in the U.S. and insured by the FDIC.

Competitive Bidding

All transactions (trades, purchases, and sales) shall be handled through a documented competitive bidding process. The investment officer shall maintain a log of investment transactions and shall be required to obtain at least three bids/offers from Board-authorized brokers/dealers when purchasing or selling securities. New issue agencies will be compared to comparable market securities before award.

Collateralization

Pledged Collateral

Collateralization is required on all bank time and demand deposits over the applicable FDIC insurance coverage. All securities pledged to the College District for these deposits shall be held by an independent third-party institution outside the holding company of the pledging bank with written confirmation.

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To anticipate market changes and provide a level of additional security for all funds, the market value of the collateral will be maintained at 102 percent of total principal and accrued interest. The depository will be responsible for monitoring and maintaining the collateral and margins at all times. The custodian will provide monthly reports detailing the collateral. Collateral will be pledged under the terms of a written depository agreement addressing acceptance, substitution, and valuation of collateral, executed under the terms of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA). The agreement shall be approved by resolution of the bank's board or loan committee.

Acceptable collateral shall include only:

- Obligations of the United States, its agencies, or instrumentalities including mortgage-backed securities and CMO, which pass the Federal Reserve bank test;
- Direct obligations of the state of Texas, its agencies, or instrumentalities; or
- Other state and local government bonds or obligations rated not less than "A" or its equivalent.

Repurchase
Agreements Owned
Collateral

Collateral under a repurchase agreement is owned by the College District. It will be held by an independent third-party safekeeping agent approved by the College District under an executed Master Repurchase Agreement. Collateral with a market value totaling 102 percent of the principal and accrued interest is required, and the counterparty is responsible for the monitoring and maintaining of collateral and margins at all times.

Ethics Disclosure

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 and representatives with distributors of investment pools 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). Distributors of investment pools shall also be registered in good standing with the Municipal Securities Rulemaking Board (MSRB).

The Board-designated investment officers, the College President, the vice president of finance and administration, the controller, and

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the Board must disclose personal business and certain family relationships with any entity seeking to sell investments, and a copy of each such disclosure statement must be filed with the governing body of the investing entity and the Texas Ethics Commission.

Safekeeping

To protect against potential fraud and embezzlement, the securities of the College District shall be secured through a third-party safekeeping relationship and delivery-versus-payment procedures as designated by the College District. The safekeeping will be under an executed safekeeping agreement.

Portfolio Reports

A monthly and quarterly management portfolio report shall be prepared by the investment officers relating to investments of the College District in accordance with statute. The report must:

1. Describe in detail the investment position of the entity on the date of the report;
2. Be prepared jointly by all investment officers of the entity;
3. Be prepared jointly and signed by the investment officers;
4. Contain a summary statement of each pooled fund group (sub portfolio) that states the:
 - a. Beginning market value for the reporting period;
 - b. Additions and changes to the market value during the period;
 - c. Ending market value for the period; and
 - d. Fully accrued interest for the reporting period.
5. State the book value and market value of each separately invested asset at the beginning and ending of the reporting period by the type of asset and fund invested;
6. State the stated maturity date of each separately invested asset that has a maturity date;
7. State the account, fund, or pooled group fund for which each individual investment was acquired; and
8. State the compliance of the investment portfolio as it relates to:
 - a. The investment strategy expressed in the investment policy; and
 - b. Other relevant provisions of the investment policy.

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Market values shall be obtained from an independent source.

Interest Rate Risk

To reduce exposure to changes in interest rates that could adversely affect the value of investments, the College District shall use stated maturities and weighted-average-maturity limits for reporting purposes and maintain diversification.

Investment Training

Each member of the Board shall attend at least one investment training session or view the state-approved investment training video within six months after taking office or assuming duties.

The training must include education in investment controls, security risks, strategy risks, market risks, as well as compliance with the Texas Public Funds Investment Act.

In addition, the investment officers shall attend a training session of ~~ten~~10 hours within 12 months of designation and not less than once in a fiscal two-year period. Instruction will relate to investment responsibilities and risk from an independent source approved by the Board.

Investment Authorization

The Board will designate, by resolution, the investment officers. The College President or designee shall serve as the investment officer of the College District and shall invest College District funds in accordance with the College District's Board-approved written investment policy and generally accepted accounting procedures.

Prior Authorized Investments

Authorized investment securities acquired under statute or College District policy that are no longer authorized are not required to be liquidated before the final stated maturity of the investment. However, proceeds must be reinvested under currently authorized policy.

Investment Strategy

All College District funds shall be invested in a manner consistent with the following ranked criteria:

1. Preservation of capital and protection of principal;
2. Safety of funds and investments;
3. Maintenance of sufficient liquidity;
4. Diversification to avoid unreasonable or avoidable risk; and
5. Yield.

Diversification and Suitability

The portfolio shall be designed with the protection of principal and maintenance of sufficient liquidity as the highest priority of the investment strategy. After consideration of safety and liquidity, the

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College District portfolio shall be directed towards achieving a competitive yield. The risk-return relationship shall be maintained and controlled through these investment parameters, operating requirements, and the guiding Board policies. Market and security risks shall be minimized by adequate collateralization and delivery-versus-payment procedures, which shall be utilized at all times.

Market and credit risk shall be minimized by diversification. Diversification by market sector and security types, as well as maturity, will be used to protect the College District against market and credit risk as well as aiding in liquidity requirements. The portfolio shall be structured to benefit from anticipated market conditions and to achieve a reasonable yield.

Cash needs and cash expectations shall take priority in designing and structuring the portfolio. Income and expenditure history shall be developed and periodically updated to determine the liquidity needs of the College District. These cash flow needs shall be used to develop the maturity structure of the portfolio and shall be designed to ensure sufficient liquidity as needed. The maturities of the investments shall be distributed such that there will be a continuing stream of securities maturing at frequent intervals.

Maximum Maturities

The College District funds may be combined for investment purposes recognizing the unique needs and uses of the funds represented. The maximum maturity for College District funds is five years. The maximum weighted average maturity of the total portfolio is two years.

Authorized Brokers / Dealers

The investment officer will maintain a list of financial institutions and brokers/dealers authorized to do business with the College District. These firms will be selected according to credit worthiness and service. All brokers/dealers must provide the investment officer with a:

1. FINRA registration;
2. Registration with the Texas State Securities Commission; and
3. Completed College District questionnaire.

All authorized brokers/dealers will be sent the investment policy and any changes made in the future.

In accordance with statute, a copy of the investment policy shall be presented to any pool in which the city participates for certification.

Review of Investment Policy

DATE ISSUED: |
~~1/24/2022~~ 12/12/2024
~~LDU 2022-01~~ UPDATE 48
CAK(LOCAL)-X

~~ADOPTED:~~ Adopted:

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The Board shall review the investment policy and investment strategies not less than annually and, upon review, shall adopt a resolution that shall confirm the review and shall include any changes to the policy or strategies.

Annual Audit

In conjunction with the annual financial audit, the investment officers of the College District shall perform a compliance internal audit of management controls on investments and adherence to the College District's established investment policies and state law.

All Board members, employees, vendors, contractors, agents, consultants, volunteers, and any other parties who are involved in the College District's financial transactions shall act with integrity and diligence in duties involving the College District's fiscal resources.

Note: See the following policies and/or administrative regulations regarding conflicts of interest, ethics, and financial oversight:

- Code of ethics:
 - for Board members—BBF
 - for employees—DH
 - Financial conflicts of interest:
 - for public officials—BBFA
 - for all employees—DBD
 - for vendors—CFE
 - Compliance with state and federal grant and award requirements: CAA, CAAB
 - Financial conflicts and gifts and gratuities regarding federal funds: CAA, CAAB
 - Systems for monitoring the College District's investment program: CAK
 - Budget planning and evaluation: CC
 - Compliance with accounting regulations: CDC
 - Criminal history record information for employees: DC
 - Disciplinary action for fraud by employees: DCC and DM series
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Fraud and Financial Impropriety

The College District prohibits fraud and financial impropriety, as defined below, in the actions of its Board members, employees, vendors, contractors, agents, consultants, volunteers, and others seeking or maintaining a business relationship with the College District.

Definition

Fraud and financial impropriety shall include but not be limited to:

1. Forgery or unauthorized alteration of any document or account belonging to the College District.

2. Forgery or unauthorized alteration of a check, bank draft, or any other financial document.
3. Misappropriation of funds, securities, supplies, or other College District assets, including employee time.
4. Impropriety in the handling of money or reporting of College District financial transactions.
5. Profiteering as a result of insider knowledge of College District information or activities.
6. Unauthorized disclosure of confidential or proprietary information to outside parties.
7. Unauthorized disclosure of investment activities engaged in or contemplated by the College District.
8. Accepting or seeking anything of material value from contractors, vendors, or other persons providing services or materials to the College District, except as otherwise permitted by law or College District policy. [See [CAA](#), DBD]
9. Inappropriately destroying, removing, or using records, furniture, fixtures, or equipment.
10. Failing to provide financial records required by federal, state, or local entities.
11. Failure to disclose conflicts of interest as required by law or College District policy.
12. Any other dishonest act regarding the finances of the College District.
13. Failure to comply with requirements imposed by law, the awarding agency, or a pass-through entity for state and federal awards.

Financial Controls and Oversight

Each employee who supervises or prepares College District financial reports or transactions shall set an example of honest and ethical behavior and shall actively monitor his or her area of responsibility for fraud and financial impropriety.

Fraud Prevention

The College President or designee shall maintain a system of internal controls to deter and monitor for fraud or financial impropriety in the College District.

Reports

Any person who suspects fraud or financial impropriety in the College District shall report the suspicions immediately to a person with authority to investigate them, including any supervisor, the

College President or designee, the Board President, or local law enforcement.

Reports of suspected fraud or financial impropriety shall be treated as confidential to the extent permitted by law. Limited disclosure may be necessary to complete a full investigation or to comply with law. All employees involved in an investigation shall be advised to keep information about the investigation confidential.

Protection from Retaliation

Neither the Board nor any College District employee shall unlawfully retaliate against a person who in good faith reports perceived fraud or financial impropriety. [See DG]

Fraud Investigations

In coordination with legal counsel and other internal or external departments or agencies, as appropriate, the College President, Board President, or a designee shall promptly investigate reports of potential fraud or financial impropriety.

Response

If an investigation substantiates a report of fraud or financial impropriety, the College President or designee shall promptly inform the Board of the report, the investigation, and any responsive action taken or recommended by the administration.

If an employee is found to have committed fraud or financial impropriety, the College President or designee shall take or recommend appropriate disciplinary action, which may include termination of employment. If a contractor or vendor is found to have committed fraud or financial impropriety, the College District shall take appropriate action, which may include cancellation of the College District's relationship with the contractor or vendor.

When circumstances warrant, the Board, College President, or designee may refer matters to appropriate law enforcement or regulatory authorities. In cases involving monetary loss to the College District, the College District may seek to recover lost or misappropriated funds.

The final disposition of the matter and any decision to file a criminal complaint or to refer the matter to the appropriate law enforcement or regulatory agency for independent investigation shall be made in consultation with legal counsel.

Federal Awards Disclosure

The College District shall promptly disclose, in a timely manner in writing ~~to~~whenever, in connection with the federal ~~awarding agency award, which includes any activities~~ or ~~pass-through entity, all violations~~subawards, the College District has credible evidence of the commission of a violation of federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations ~~potentially affecting a~~found in federal ~~grant award~~law, including the Civil False Claims Act. [See CAAB]

Analysis of Fraud

After any investigation substantiates a report of fraud or financial impropriety, the College President or designee shall analyze conditions or factors that may have contributed to the fraudulent or improper activity. The College President or designee shall ensure that appropriate administrative procedures are developed and implemented to prevent future misconduct. These measures shall be presented to the Board for review.

Reporting

Any person who has reasonable cause to believe that a child's physical or mental health or welfare has been adversely affected by abuse or neglect has a responsibility under state law to immediately report the suspected abuse or neglect to an appropriate authority.

As defined in state law, child abuse and neglect include both sex and labor trafficking of a child.

A professional who has reasonable cause to believe that a child has been or may be abused or neglected or may have been a victim of indecency with a child has an additional legal obligation to submit a written or oral report within 48 hours after the professional first has reasonable cause to believe the abuse or neglect has occurred or may be occurring. A "professional" is anyone licensed or certified by the state who has direct contact with children in the normal course of duties for which the individual is licensed or certified.

A person is required to make a report if the person has reasonable cause to believe that an adult was a victim of abuse or neglect as a child and the person determines in good faith that disclosure of the information is necessary to protect the health and safety of another child or an elderly or disabled person.

Oral Reports

Making a Report

As required by law, an oral report made to the Texas Department of Family and Protective Services (DFPS) is recorded.

Reports may be made to any of the following:

1. A state or local law enforcement agency;
2. The Child Protective Services (CPS) division of ~~the Texas Department of Family and Protective Services (DFPS)~~ DFPS at (800) 252-5400 or the [Texas Abuse Hotline Website](#)¹;
3. A local CPS office; or
4. If applicable, the state agency operating, licensing, certifying, or registering the facility in which the suspected abuse or neglect occurred.

However, if the suspected abuse or neglect involves a person responsible for the care, custody, or welfare of the child, the report must be made to DFPS, unless the report is to the state agency that operates, licenses, certifies, or registers the facility where the suspected abuse or neglect took place; or the report is to the Texas Juvenile Justice Department as a report of suspected abuse or neglect in a juvenile justice program or facility.

EMPLOYEE STANDARDS OF CONDUCT
CHILD ABUSE AND NEGLECT REPORTING

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An individual does not fulfill the person's responsibilities under the law by only reporting suspicion of abuse or neglect to the College President <u>College President</u> or another College District staff member. The College District shall not require an employee to first report the employee's suspicion to a College District or campus administrator.	
Confidentiality	<p><u>In accordance with law, an individual must provide the individual's name and telephone number. If the individual making the report is a professional, as defined by law, the individual must also provide the individual's business address and profession.</u></p> <p>In accordance with state law, the<u>The</u> identity of a person making a report of suspected child abuse or neglect shall be kept confidential and shall be disclosed only in accordance with <u>law and</u> the rules of the investigating agency.</p>
Immunity	A person who in good faith reports or assists in the investigation of a report of child abuse or neglect is immune from civil or criminal liability.
Failure to Report	<p>By failing to report suspicion of child abuse or neglect, an employee:</p> <ol style="list-style-type: none">1. May be placing a child at risk of continued abuse or neglect;2. Violates the law and may be subject to legal penalties, including criminal sanctions for knowingly failing to make a required report; and3. Violates Board policy and may be subject to disciplinary action, including possible termination of employment. <p>It is a criminal offense to coerce someone into suppressing or failing to report child abuse or neglect.</p>
Responsibilities Regarding Investigations	<p>In accordance with law, College District officials shall be prohibited from:</p> <ol style="list-style-type: none">1. Denying an investigator's request to interview a child on campus in connection with an investigation of child abuse or neglect;2. Requiring a parent or College District employee be present during the interview; or3. Coercing someone into suppressing or failing to report child abuse or neglect. <p>College District personnel shall cooperate fully and without parental consent with an investigation of reported child abuse or neglect.</p>

EMPLOYEE STANDARDS OF CONDUCT
CHILD ABUSE AND NEGLECT REPORTING

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**Adverse
Employment Action
Prohibited**

The College District prohibits any adverse employment action, including termination or discrimination, against any employee who in good faith reports child abuse or neglect or participates in a related investigation.

Training

The College District shall provide training to employees as required by law. Training shall address reporting requirements and techniques to prevent and recognize sexual abuse, trafficking, and all other maltreatment of children.

¹ Texas Abuse Hotline Website: <https://www.txabusehotline.org>

Note: For complaints of discrimination, harassment, and retaliation on the basis of sex or gender, see FFDA. For all other discrimination, harassment, and retaliation complaints related to this policy, see FFDB.

Procedures

The College President or designee shall develop procedures addressing protections and accommodations, consistent with law, for students who are pregnant or parenting, including procedures addressing early registration or pre-registration and leaves of absence.

Liaison

The College President shall designate a pregnant and parenting students liaison for current ~~or~~and incoming students ~~at the institution who are pregnant or~~ who are the parents or guardians of children ~~younger than~~under 18 years ~~of age~~old. The liaison shall provide the students information ~~regarding support services and other available~~on and access to resources ~~and~~designed to help them successfully and timely complete a degree or certificate. ~~The liaison shall also~~ serve as the point of contact for a student requesting a protection or accommodation under Education Code 51.982. The liaison's contact information shall be included in the procedures described above.

Publication

The procedures and the liaison's contact information shall be published in the student and employee handbooks and posted on the College District's website. ~~in a location that is readily available to current and incoming students who are pregnant or who are the parents or guardians of children under 18 years old.~~