

This policy shall apply to all Clarendon College funds not needed for current operations. This policy shall be reviewed annually by the Board of Regents. This review and any changes to this policy will be placed on the agenda of a meeting of the Board and formal action of the Board will be taken.

All funds of the District shall be invested in accordance with State and Federal laws and regulations and shall be managed responsibly and in accordance with this policy, for investment and not for speculation.

I. INVESTMENT OBJECTIVES

The investment objectives of Clarendon College shall be:

A. Preservation and safety of the principal.

The primary objective of all College investment activity is the preservation and safety of the principal. Each investment transaction shall ensure that capital losses are avoided, whether from security default, sale of instruments prior to maturity, or erosion of market value.

B. Maintain sufficient liquidity.

The investment portfolio will remain sufficiently liquid to provide adequate cash flow to meet the operating requirements of the College on a timely basis.

C. Minimize risks involving interest rates, maturity, and market value. All investments will be made by an investment officer given the investment officer's assessment of the desired investment risk (i.e., credit risk, market

risk, opportunity risk) in order to provide the College with the best available yield on instruments or securities that have fixed interest rates and fixed maturities.

- D. Maximize investment income within the above objectives of preservation, liquidity, and risk.

To provide diversification in the investment portfolio with regard to maturity, instruments, and financial institutions permitted under the Public Funds Investment Act. Yields on investments will need to be competitive with an analysis being made to the Board of Regents on a regular basis.

II. INVESTMENT RESPONSIBILITIES

The Board of Regents has the responsibility of designating the College's Investment Officer(s). The Vice President of Administrative Services and the Chief of Staff are the designated investment officers of the College and are responsible for the investment of the College's funds. The Board of Regents also appoints the Investment Committee, which is composed of: the President, the Vice President of Administrative Services, Chief of Staff, and a representative from the Board of Regents.

Guidelines Governing Investments

- A. 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 and the

probable income to be derived. Investment of funds shall be governed by the objectives stated in section I above on page 140.

In determining whether an Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

1. The investment of all funds or funds under the College's control over which the officer had responsibility rather than a consideration as to the prudence of a single investment, and
2. Whether the investment decision was consistent with the written investment policy of the College.

B. Liquidity of Investments

Liquidity of investments will meet the cash flow needs of the College. Diversification within allowable investment instruments to increase investment yields is encouraged.

C. Deposit of Funds and Daily Cash Requirements

All funds of the institution will be deposited daily. (State law requires that deposits be made into the depository bank within seven days of collection.)

The balance of funds not required for daily operation of the College will be invested in short-term certificates of deposit. Monitoring and transferring of these funds will be the responsibility of the College's Vice President of Administrative Services.

D. Bank Depository.

State law requires rebidding the depository bank contract every two years.

The Board may select one or more depositories as places of deposit. Depositories shall be selected on the basis of competitive bids. The funds shall either be deposited in the depository bank or banks or invested as authorized by Chapter 2256, Government Code (Public Funds Investment Act). Funds that are to be deposited in the depository bank or banks must be deposited within seven days from the date of collection.

In addition, the Board must require adequate surety bonds to secure the deposits, and the depository must pay interest on the deposits.

E. Types of Funds to Invest.

Investment officers may invest the surplus amounts of all college funds not required for the daily operation of the College. The transfer between the College's bank accounts is the responsibility of the Vice President of Administrative Services and/or the Investment Officers. Investment of funds outside the regular certificate of deposit and/or treasury notes requires approval of the Board of Regents at a regular Board meeting. All investments require the approval of at least two people (i.e., the Vice President of Administrative Services, the President, or the Chief of Staff).

F. Other Investments

Any investment of College funds or liquidation of such investments other than in the above manner must be approved by the Board of Regents. This Board action must clearly outline any associated risks to principal, maturity, interest rate, or market value.

III. AUTHORIZED INVESTMENTS

Funds are to be invested in accordance with the Public Funds Investment Act of 1995 which requires the investment of funds as follows:

- a. Obligations of the United States or its agencies and instrumentalities;
- b. Certificates of Deposit issued by state and national banks domiciled in this state;
- c. Direct obligations of this state or its agencies and instrumentalities;
- d. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
- e. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of this state or the United States or their respective agencies and instrumentalities and;
- f. Obligations of States, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.
- g. Fully collateralized direct repurchase agreements having a defined termination date, and secured by obligations described by this subdivision.
- h. 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 graduations within those categories.

IV. AUTHORIZED AND PROHIBITED TRANSACTIONS

- A. Authorized transactions are those within the limits of the Public Funds

Investment Act of 1995 as listed in Part III above.

Any item outside of the Clarendon College depository bank shall require approval by the Investment Committee and require Board action, and be recorded in the Board minutes.

- B. Prohibited transactions are any that are not within the limits of those listed in Part III. Examples are as follows:
 - 1. Common Stock or any stock in a corporation
 - 2. Investments in a Savings and Loan
 - 3. Bonds other than those listed above (No Junk Bonds)
 - 4. Sales of donated stock are kept until receiving a fair market price.

V. CRITERIA FOR MEASURING INVESTMENT PERFORMANCE

- A. Each month the Investment Officer shall prepare a written report of investment transactions for all College funds for the preceding reporting period and submit this report to the President and to the Board of Regents. This report must contain the type of instrument, type of funds invested, interest accrued, length of time for investment, maturity date, rate of return, projected return, and principal invested. This report must be prepared jointly by all investment officers of the College and be signed by each investment officer.
- B. The College's auditing firm shall perform a compliance audit of management controls on investments and adherence to this investment policy. The audit must include a formal review of the monthly investment reports to the Board. Any findings that result from these audit procedures

shall be reported to the Board of Regents in the annual report to the Board by the independent audit.

VI. PERSONNEL AND BOARD TRAINING

Each member of the governing board of a state agency and its investment officer shall attend at least one training session relating to the person's responsibilities under the Public Funds Investment Act within six months after taking office or assuming duties. The Coordinating Board shall provide the training under Government Code 2256.007. The training must include education in:

- Investment controls;
- Security risks;
- Strategy risks;
- Market risks;
- Diversification of investment portfolio; and
- Compliance with the Public Funds Investment Act.

The investment officer shall attend a training session not less than once each state fiscal biennium and may receive training from any independent source approved by the governing body of the state agency. The investment officer shall prepare a report on the Public Funds Investment Act and deliver it to the governing body of the state agency no later than the 180th day after the last day of each regular session of the legislature.

VII. INVESTMENT POLICY ACKNOWLEDGMENT

- A. A written copy of the Clarendon College Investment Policy shall be presented to any person seeking to sell an authorized investment to the

College. The registered principal of the organization seeking to sell an authorized investment shall execute a written instrument substantially to the effect that the organization has:

1. Received and thoroughly reviewed the investment policy of the College; and
2. 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.

B. If the investment officer fails to obtain an acknowledgment from an organization selling securities, securities may not be purchased from the organization.

VIII. 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 – Invest 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. Bi-annual checks should be made by the investment officers to check on the rate of bonds. 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 payment obligations in accordance with the provisions of the donor. Maturities longer than one year are authorized provided legal limits are not exceeded.

VIII. SAFEKEEPING AND COLLATERALIZATION

The laws of the state and prudent treasury management require that all purchased securities be bought on delivery versus payment basis and be held in safekeeping by either the College, and independent third-party financial institution, or the College's designated depository.

All safekeeping arrangements shall be designated by the investment officers. Each safekeeping receipt shall specify security, rate, description, maturity, CUSIP number, and other pertinent information as required by the College's external auditors.

Each safekeeping receipt shall be clearly marked that the security is held for the College or pledged to the College.