

Investment cash (reserves) is primarily received from Members' dues, fees and revenue from HOA operations. It is generally divided in to two categories :

Reserves required for operations during the calendar year

Restricted Reserves for replacement of fixed assets or capital improvements

The following principles are required for the care and maintenance of these funds:

I. PRESERVATION OF CAPITAL

A. Promote and assure the preservation of principal of all liquid assets

B. The following are acceptable liquid asset investment categories:

1. Bank (financial institution) deposits, including checking, savings, money market accounts and certificates of deposit, in amounts not exceeding the FDIC insurance coverage. Deposits in excess of FDIC insurance coverage must be collateralized by specific securities, held by the bank, in its U.S. Government or Agency portfolio, in an amount that exceeds the uninsured deposit amount, by at least 5 percent (5%).

(Deposits in banks under the "Certificate of Deposit Account Registry Service, CDARS, are included in FDIC insured deposits)

2. Short and intermediate term General Obligation U.S. Government Bonds, Bills, Notes and U.S. Agency securities, in Investment Grade, as defined by Moody's or Standard & Poorer's rating service.

3. Maturities should not exceed five years.

4. All securities should be purchased, with the intent, of hold to maturity.

5. When investing in U.S. Agency securities (GSE), you must identify and consider the duration period of the security, as well as the reinvestment strategy for prepaid principal.

6. At no time will DERIVATIVES or complex structured securities be considered, including those derived from U.S. Government securities.

II. INVESTMENT LIQUIDITY

A. A laddering strategy, by maturity, should be employed.

B. Structure maturities to ensure that funds are available for anticipated needs.

III. INVESTMENT PERFORMANCE

A. Achieve short and intermediate term investment performance that is appropriate for their asset class.

B. Other than those investments required for liquidity, funds should be invested to obtain yield, while adhering to principles in assessing credit and interest rate risks.

C. Dividends and interest from investments in Restricted Reserve accounts should be reinvested in same, to ensure the growth and sustainability of Restricted Reserves.

IV. FINANCIAL SERVICES SELECTION

A. Financial institutions, providing general banking and/or investment services, shall be approved, by written resolution, of the HOA Board of Directors. The financial condition and/or qualifications, of these deposit or investment institutions, should be reviewed annually by the Finance Committee.

V. DELEGATION OF AUTHORITY

A. The responsibility for conducting investment transactions for the Association resides with the Treasurer and the Board of Directors.