# DEERLAKE VILLAGE COMMUNITY ASSOCIATION
# INVESTEMENT POLICY

## I. Introduction

The DVCA funds investment policy will be conservative in nature. This will protect the association's funds while still earning interest

## II. Policy

Deerlake Village Community Association's investment objective is for the preservation of capital. Income is important but of secondary consideration. To further insure safety it will be prudent to maintain no more than the maximum insured by the FDIC (currently $250,000) at any one financial institution.

The Association will only invest in guaranteed investment instruments. This includes such investment instruments as Certificates of Deposits or Treasury Bills. Bank Money Market instruments will be used to park the Association's ready cash.

## III. Definitions

`Certificate of Deposits:`

A CD is a timed deposit insured by the FDIC. Federal law requires a minimum penalty of seven days interest for early withdrawal on any account classified as a time deposit. However, there is not maximum penalty. As a result banks usually charge more.

`Treasury Bills, Notes, Bonds:`

Treasury bills (or T-bills) are short-term securities that mature in one year or less from their issue date. T-bills are purchased for a price less than their par (face) value. At maturity, the par value is returned. . They can be bought and sold in the open market.

On the other hand, Treasury notes and bonds are securities that pay a fixed rate of interest every six months until the security matures. Treasury notes mature in more than a year, but not more than 10 years from their issue date. Bonds, on the other hand, mature in more than 10 years from their issue date.

`Money Market Account:`

A higher interest rate account than a standard savings account, usually requires a minimum balance, limits check writing and often charges a monthly service fee if the minimum balance isn't maintained. The FDIC insures these accounts.

## IV. Investment Strategy

Background Information:

In any one year, most of DVCA's income is from the annual assessment. The majority of our annual income is used to fund the Association's operating expenses. These are the funds required and budgeted to run the day-to-day operations of the association. The remainder of the Associations income is used to fund the reserves. Reserves are established to provide an orderly method to accumulate funds to maintain and replace the capital assets of the association.

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Strategy:
We will ladder our investments. Laddering is a method of staggering investments, such as CDs, in order to vary and obtain an overall better rate of return over time.
This method allows for averaging rates over a period of time. However, the length of investment may be adjusted due to any shift of funds requirements.

Investment Process:

1. Preparing the Annual Investment Plan.
As part of the Annual Budget Process the Finance Committee will prepare the following for Board Approval:
   a. Five-year reserve projections
   b. For the following three years (the budget year plus the next two years), average the end of year reserve balances.
   c. Recommend the % of the three year average reserve balance to be invested
   d. Evaluate current investments and prepare the laddering investment recommendation for the following (budget) year.

2. Investing
   a. The minimum investment size should be $20,000.
   b. When an investment nears maturity the Finance Committee will use the approved list of financial institutions and evaluate the current rates and terms for the investment renewal. In all cases, the finance committee will insure the financial institution of choice continues to merit its position in the investment list.
   c. Any deviations from the approved investment plan (see item 1 above) require Board approval.

This policy was approved by the DVCA Board of Directors on the 15th of September 2009.