

ARTICLE 1

Investment Policy

I. Purpose

This policy strives to provide the necessary guidance for management to invest HSVPOA funds in a manner which maximizes the safety and security of funds while seeking a return on investment and meeting daily cash flow demands.

II. Delegation of Authority

Bylaws, Article XI, Section 5, states “The Treasurer is the Officer entrusted with, and the Custodian of the funds of the Association.”

The Treasurer may assign management of the daily and short-term investments within the portfolio to an HSVPOA employee, but only after a vote of approval from the Board of Directors. The Treasurer will still retain the fiduciary duty to monitor that the designated employee is adhering to the investment policy and the Prudent Investor Rule. Upon the appointment of a new Treasurer, if so, asked by the Treasurer, the Board of Directors must in a timely fashion, reaffirm the appointment of the designated employee handling the investments of the HSVPOA.

III. Investment Objectives

- A. Ensure the safety of funds
- B. Maintain adequate liquidity for operations
- C. Maximize income from investable funds subject to items I and II as stated in this Investment Policy.

IV. Investment Instruments

- A. The following is a list of approved investment instruments
 1. Treasury Bills, Notes or Bonds issued by the U.S. Government
 2. Municipal General Obligation Bonds that are rated “A or higher” and secured by a tax or guaranteed revenue of the issuer and should be additionally insured.
 3. Certificates of Deposits in any financial institution not to exceed the guaranteed limit which shall include the accumulated Interest to be earned. Investments shall not to exceed the insurance offered by the F.D.I.C or the S.P.I.C. If the financial institution offers additional insurance above the amount guaranteed by the U.S. Government, careful consideration should be given to what the additional insurance will cover.
 4. Bank money management funds or sweep accounts in approved banks.
 5. Money Market Funds focusing mainly on U.S. Government Treasury Instruments, Banker’s Acceptance and Commercial Paper and other accepted instruments with a low volatility ratio.
 6. Banker’s Acceptance and Commercial Paper issued by a United States Corporation or their subsidiaries that are rated “A1” or higher by Moody’s Investor’s Services or “P1” by Standard and Poor’s Corporation with a maturity of 270 days or less.

7. Hot Springs Village POA will not purchase securities that are considered highly sensitive. A security is considered highly sensitive when the instrument's contract term makes the securities fair value sensitive to interest rate changes.
8. Hot Springs Village POA will not purchase securities that could expose the Association to foreign currency risk.
9. Hot Springs Village POA will not purchase derivatives.

V. Safekeeping and Custody

1. Any Bank authorized under the laws of the United States, or and State, to exercise corporate trust powers, including by not limited to the bank from which the investment is purchased.
2. A Primary reporting Broker Dealer in the United States, regulated by the securities and exchange commission and maintaining a combined capital and surplus of \$40,000,000 or more, exclusive of subordinated debt.
3. The Treasurer shall establish a system of internal controls. Controls shall be designed to prevent the loss of HSVPOA funds arising from fraud, employee error, and/or misrepresentation by third parties, and/or imprudent action by employees and officers of the HSVPOA.

VI. Investment Earnings

1. Interest earnings will be credited to the source of the invested funds, at least quarterly, based on the average daily cash balance during the fiscal quarter. Market value adjustments and interest accruals will be allocated at the end of each fiscal quarter.

VII. Banks

1. Banks should have a minimum capital/asset ratio of 6: 1, should have been profitable 3 of the last 4 quarters and profitable for the prior 12-month period. Factors such as non-performing loans and ratios of 1.) loans to deposits, 2.) types of deposits, 3.) types of loans to types of deposits, etc. should also be considered.
2. In addition, if rated, the approved banks or their holding company should have a satisfactory rating from a recognized rating agency.

Approved: 07-15-20