

# High Country Estates Policies & Procedures

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## Investment Policy

Pursuant to Colorado State Law (SB 100 & CCIOA 38-33.3 209.5), the High Country Estates Homeowners Association does hereby adopt the following policy to govern the investment of the Association's reserve funds.

### **PURPOSE**

The purpose of this policy is to institute proper guidelines for the ongoing management of the Association's investment of its reserve funds and to protect and ensure the safety of the assets and capital improvements of the Association and to protect and guide those volunteers who participate in the investment process.

The following investment policy addresses the methods, procedures and practices which must be exercised to ensure effective and judicious fiscal investment management of the Association's reserve funds. This policy does not set forth: (1) the minimum reserve fund balance required of the Association; (2) any mandate for an annual reserve fund study; or (3) the tax consequences of the investment options contained herein.

### **INVESTMENT OBJECTIVES**

Reserve funds are for the maintenance, repair, and replacement of those items for which the Association is responsible and that must be periodically maintained, repaired, or replaced. Reserve funds are to be invested in a manner that assures maximum safety and appropriate liquidity and, secondarily, maximizes yield within such constraints.

The investment objectives are, in order of priority, as follows:

1. Preservation and safety of principal;
2. Liquidity and accessibility to meet expected and unexpected expenditures; and
3. Maximization of yield

### **INVESTMENT RESPONSIBILITIES**

The Board of Directors has sole authority to approve and amend, alter or otherwise make changes to the investment policy. Any modifications to this policy shall be in writing and approved by the Board.

The Board shall have direct control with regard to opening appropriate bank accounts and establishing safekeeping accounts or other arrangements for the custody of securities and execute such documents as may be necessary. The Board may employ the service of a qualified investment advisor to direct a portion or all of the investment activities of the Association consistent with guidelines set forth in this investment policy.

The Board will monitor ongoing investment activities to ensure proper liquidity and that the investment strategy is consistent with the Association's objectives.

### ***Delegation of Authority***

Responsibility for conducting investment transactions for the Association resides with the Treasurer. The President of the Board of Directors will be considered an authorized person to assist the Treasurer in performing investment management, cash management, or treasury functions. Persons authorized

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to transact investment business for the Association are limited to these two officers. The Treasurer will provide a copy of this investment policy to all of the Association's investment service providers. Association Members will receive a copy of this investment policy from the Treasurer upon request.

The Treasurer may engage the support services of outside professionals, subject to the availability of budgeted funds and approval from the Board of Directors. The Board of Directors shall provide a copy of this policy to the newly elected Treasurer at the assumption of office.

## **INVESTMENT GUIDELINES**

### ***Strategy***

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This will be accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Investments shall be structured so they mature in successive years by diversifying the maturity dates of fixed-income instruments utilizing a laddered investment approach.

#### **Investment Strategy: Liquid Portion**

On a quarterly basis, review the Association's reserve schedule for the upcoming quarter. During each quarter, place and maintain in liquid accounts an amount equal to the expected expenditures plus a twenty percent (20%) "cushion" for unexpected expenditures. This amount shall be defined as the base liquid portion.

#### **Investment Strategy: Non-liquid Portion**

Except for those funds which will remain liquid, it is expected that assets will be invested in non-liquid assets as follows:

- Laddering Strategy

Select individual securities that have maturities of one to five years. Structure these maturities so that an approximately equal proportion comes due every month. With matured funds, consistently purchase securities at the long end of the maturity range. The Board may reduce the longest maturity as market conditions warrant.

(For example, during periods of very low interest rates, the Board may wish to purchase securities with maturities shorter than five years.)

The expectation of this laddering strategy is that the assets shall benefit from longer-term rates, which are commonly higher than short-term rates, while maintaining readily available funds and cash flow.

In structuring maturities, review the Association's Reserve Study to ensure that maturing funds are sufficient to cover anticipated expenditures each year.

- New Funds

As the liquid portion of the reserve assets grows (from earnings as well as from new reserve contributions), additional amounts will become investable into the non-liquid portion. Newly investable funds are defined as those in excess of the base liquid portion. Combine these newly investable funds with proceeds from laddered securities when they mature, and invest the combined amount,

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maintaining the basic ladder structure.

## **Security Classes Selected**

The following securities meet the Board's Goals and Objectives as stated above:

- a. HOA Bank liquid accounts
- b. HOA money market mutual funds investing only in U.S. Treasury and Treasury-backed securities
- c. Certificates of deposit in FDIC-insured financial institutions, with no more than \$100,000 in any such institution, unless additional deposit insurance is provided by the bank, and purchased with the intent to hold to maturity. Such certificates will not be purchased on the secondary market and hence discount or premium (which is not insured by the FDIC) will not arise;
- d. Treasury bills, notes or bonds purchased with the intent to hold to maturity.

## **Review and Control**

All investments will be purchased in the name of the Association.

The signatures of at least two Board members must be obtained for withdrawals or transfers of reserve assets.

Banks must provide timely and accurate monthly statements to Board or Management, which will reconcile all statements within 30 days of receipt. Such statements and reconciliations will be provided to the Board for its review.

Each month the Board will review financial statements to check to see that its goals and objectives are being met.

## **Custodian**

Investments will be held in custodial accounts with approved banks or financial institutions federally insured either through FDIC or through the US Government, with no more than \$250,000 held in any one bank.

## **Yield**

The investment portfolio shall be managed with the objective of attaining a competitive rate of return given the constraints of the aforementioned safety and liquidity objectives.

## **Prudence**

All Board members involved in the investment process shall act responsibly as fiduciaries of the Association members' trust. Such persons shall invest and manage the Association's assets as a prudent investor would, by considering the purposes, terms, risks, and goals. In satisfying this standard, all such persons shall exercise reasonable care, skill, and caution.

## **Ethics and Conflicts Of Interest**

Board members involved in the investment process shall refrain from personal business activity that

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could create an appearance of impropriety or could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

Board members shall disclose to the Board and members any financial interests in financial institutions that conduct the Association's investment business and any relationships with entities issuing securities held by the Association and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Association's portfolio.

In the event a court of competent jurisdiction finds a provision of this policy void or otherwise unenforceable, the other provisions shall remain in full force and effect.

The Board of Directors reserves the right to change policy as needed.

Adopted by the Board of Directors of HIGH COUNTRY ESTATES HOA at a duly called meeting on the 22<sup>nd</sup> day of March, 2017.

The Conflict of Interest Policy is APPROVED.



March 31, 2017

Signature/Date

President

Title