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## Cash and Investment Policy

Approved by WLCA Board of Directors on September 26, 2022  
Effective on September 26, 2022

### Purpose

The purpose of this document is to set forth the policies of the Waterford Lakes Community Association (WLCA) Board of Directors (BOD) relating to the investment of WLCA monies and establish procedural requirements and guidelines for investment management practice.

### Scope

This policy applies to WLCA Working Capital, Reserve Accounts and Contingency and Project funds.

### Goals and Objectives

The goals and objectives, in priority order, of WLCA's investment activities shall be:

1. Safety: Promote and ensure the preservation of the principal.
2. Liquidity: Structure maturities to ensure that assets will be liquid for anticipated needs.
3. Yield: Achieve long-term investment performance appropriate for asset classes selected.

### Delegation of Authority

Fiduciary responsibility for the investment program lies with the BOD, primarily through the Treasurer.

### Finance Committee

The WLCA Finance Committee shall advise the BOD, providing guidance on policies, liquidity needs and general strategies. The Board Treasurer shall serve as the chair of the Finance Committee.

### Ethics and Conflict of Interest

The WLCA BOD and Finance Committee shall exercise their powers and duties in good faith and with a view to the interests of WLCA. WLCA BOD and Finance Committee members, agents and WLCA employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. BOD and Finance Committee members, agents and WLCA employees shall disclose to the BOD any material interests in financial institutions that conduct business or may be under consideration to conduct business with WLCA, and they shall further disclose any significant personal financial/investment positions that could be related to the performance of the portfolio.

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## Bank Selection

The WLCA Finance Committee shall review the Association banking relationships no less frequently than every five (5) years. The confirmation/selection of the bank(s) shall consider, at least the following:

- Total assets
- Total deposits
- Regulatory capital ratios (both Tier 1 Leverage Ratio and Tier 1 Risk-based Ratio)
- Services offered and cost(s) of such services
- Convenience of services to homeowners
- Interest rates on deposits (Money Market Accounts), Certificates of Deposits, and Certificates of Deposit Account Registry Service (CDARS)

## Authorized Investments

The following securities meet the BOD's Goals and Objectives as stated above. All accounts must be fully insured by the Federal Deposit Insurance Corporation (FDIC). No investments other than those listed below may be made without written modification of this policy by the WLCA BOD.

- Bank checking & savings accounts.
- Money Market Mutual Funds investing only in US Treasury backed securities.
- Certificates of Deposits with no more than \$250,000 in any such institution unless additional deposit insurance is provided by the bank, and purchased with the intent to hold until maturity. Such certificates will not be purchased on the secondary market and hence discount or premium (which is not insured by FDIC) will not arise.
- Certificates of Deposit Account Registry Service (CDARS) following the same stipulations as Certificates of Deposits above.
- Individual securities will be selected that have maturities of one (1) to five (5) years and will be reviewed quarterly.

## Performance Standards

- **Working Capital:** A minimum of approximately three (3) months' expenses shall be maintained in liquid assets (WLCA operating account as cash or cash equivalent.) On a minimum quarterly basis, the Finance Committee will review WLCA's working capital for the upcoming three months. During this time, place and maintain in liquid accounts an amount equal to the expected expenditures for the next three months. This amount shall be defined as the base liquid portion.
- **Reserve Accounts:** Reserves are funds which are designated by the BOD for specific purposes and are not part of the Working Capital, or Contingency and Project funds. Funds are based on a reserve study by a qualified company that includes assets with a base cost of \$5,000. At the end of any fiscal year the BOD may elect to deposit additional monies into reserves after all other accounts are properly funded.

Funds will be invested in liquid assets. In structuring maturities, review the Association's Reserve Study to ensure maturing funds are sufficient to cover anticipated expenditures each year.

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- **Contingency Fund:** This fund is to ensure that sufficient financial resources are maintained for unanticipated expenditures or revenue shortfalls. The fund maintains a long-term perspective, recognizing that stated thresholds are considered minimum balances.

Contingency Fund represents dollars appropriated in the annual budget and are set aside for unanticipated or undefined costs not covered by reserves that are incurred during the year. The level of the Contingency Fund approved annually in the budget should be an amount sufficient to cover possible expenditure variations during the fiscal year.

Each year the Contingency Fund balance must be a minimum of 10% of the Operating Budget. Based on an assessment of expenditure risk for the upcoming fiscal year, the Finance Committee may recommend a higher level of contingency and include such recommendation in the proposed budget. The amount to be deposited into the Contingency Fund must be approved by a majority vote of the BOD.

Money may only be withdrawn from the Contingency Fund to:

1. Cover an overall budget shortfall at the end of the fiscal year.
2. Cover an emergency short-term need for cash resulting from a legal or property issue, when sufficient cash could not otherwise be drawn from the Association's regular accounts, or when such a withdrawal would prevent normal operations of the Association.
3. Cover the recovery costs following a natural disaster.
4. Cover any other unexpected emergency where time is of the essence.

Any withdrawals from the Contingency Fund require a majority vote of the BOD.

- **Project Fund:** This fund accumulates cash to finance large projects identified and approved by the BOD. Contributions to and withdrawals from the fund will be determined during the annual budgeting process. Minimums in this fund will be determined based on long range capital projects.

### **Safekeeping and Custody**

The BOD, primarily through the Treasurer, is responsible to ensure WLCA's investment portfolio is properly accounted for. In so doing, the BOD may delegate, work with, and rely on reports generated by WLCA's Finance Committee and General Manager. The BOD also may work with and rely on accounting and/or other financial/investment professionals.

### **Review and Internal Control**

- The established process of independent review shall be performed annually as a part of WLCA's annual audit as required by a Certified Public Accounting firm, consistent with American Institute of Certified Public Accountants Standards for Accounting for Common Interest Realty Associations.

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- The annual audit shall be performed in accordance with Florida State Statute, Chapter 720, which may change from time to time.
- Management shall deposit all payments and cash received at least weekly.
- Transfers of budgeted additions to reserves shall be made on a monthly basis.
- The BOD shall approve all expenditures, account transfers or withdrawals as follows:
  - All checks shall be signed by two members of the BOD. If possible, the Treasurer will always sign. If the Treasurer is not available, any available BOD member will sign.
  - Management shall not be authorized to sign checks on any account.
  - Withdrawal from investment accounts requires the signature of the Treasurer and another member of the BOD. This is not required for BOD approved transfers between accounts.
- Banks must provide timely and accurate monthly statements to BOD or management, which will reconcile all statements within 30 days of receipt. Such statements and reconciliations will be provided to the BOD for its review.
- Each month the BOD will review financial statements to ensure that its goals and objectives are being met.
- Association employees, volunteers and BOD members shall be covered by fidelity insurance. The amount of the coverage shall be reviewed annually and be equal to or greater than the total cash funds.

### **Petty Cash Fund**

Management shall maintain a petty cash fund not to exceed \$500. The fund shall be reconciled at least once a month. The WLCA Treasurer or their designee shall approve this reconciliation and itemized expenses prior to the processing (refunding) of the balance.

### **Community Credit Card(s)**

The WLCA BOD may authorize the opening of a credit card in the name of the Community. In doing this, the BOD will specifically name employee(s) authorized to hold, use and sign on behalf of the Community.

- The credit limit on the account shall be reviewed by the WLCA Finance Committee, recommended to the WLCA BOD and approved by the BOD. In no case shall the cumulative credit card limit (total of all credit cards) be greater than \$10,000.
- The individual authorized to use the card on behalf of the Association shall submit a monthly report of all charges including original receipts.
- The General Manager for the Community shall review and approve charges made by employees.
- The Treasurer or Treasurer's designee shall review and approve charges made by the General Manager.
- In no event shall the monthly payment be made before charges are approved.
- Use of the Community credit card for purposes other than Community expenses is prohibited.
- Debit cards will not be issued under any circumstances.

This policy may be amended from time to time as recommended by the Finance Committee and approved by the BOD.

Approved: 

**Effective Dates and Change Control**

Date of Change	Date of Board Approval of Change	Change(s) Made
3/23/15	4/1/15	First issue.
11/27/17	11/27/17	Added specific standards for Working capital and Contingency funds.
3/25/19	3/25/19	Changed cumulative credit card limit (total of all credit cards) from \$4,000 to \$10,000.
11/23/20	2/1/21	Added definitions and guidelines for Budget Deficit and Project funds.
9/26/22		Removed the Budget Deficit fund. Repetitious of Item 4 under Contingency Fund. Added asset baseline for reserve study. Changed reserve funding to be determined by a qualified company instead of voting members.

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