



Springhurst Community Association

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## **Investment Policy**

The funds entrusted to the Springhurst Community Association (SCA) are to pay for the current maintenance and management services for the common area and the pool and clubhouse and to provide reserves.

Reserves are funds held aside for future planned uses and / or contingencies. There are two separate costs for the SCA home owner. The overall annual costs of the maintenance and management of the Common Area is set by the SCA Board and applies to all homeowners (approximately 1,114 households) within the Springhurst Community Association. The annual revenue is to fund the common area expense budget and reserves.

There is a second annual cost that applies only to those specific villages/homeowners where their covenants mandate pool membership or where they have voluntarily joined the pool. The revenue from those homeowners funds a separate pool and clubhouse budget and reserves for the pool and clubhouse maintenance and management.

### **Investment of Reserves**

Therefore there are two kinds of money that SCA is responsible for: operating funds and reserve funds. In both instances, the overriding objective is the safety of the funds with a secondary objective of earning income from the prudent investment of the available dollars. It is customary for SCA to collect the vast majority of funds within the first four months of each year and therefore there are significant balances unused yet needed for operating expenses later in the year. These unused funds should be considered short term “reserves” for the current year’s spending. The amounts in the designated reserve funds are to be considered long term reserves.

The primary investment objective for the SCA reserves (short and long term) is capital preservation and current income in that order of priority.

1. Short Term Reserves - In addition to the overall objective, short term reserves should have the following priorities.

- a. Maintain sufficient liquidity to meet the near term funding and operations requirements of Springhurst Community Association
- b. Maximize current income without incurring undue risk
- c. Certificates of Deposit maturities shall not exceed the current budget year

2. Long Term Reserves - All designated reserve funds are considered long term reserves. In addition to the primary investment objective above, these reserve funds are to be invested as follows.

a. High quality, relatively short term, interest bearing securities without significant market risk.

b. "Bank paper" shall be limited to U.S. dollar denominated certificates of deposit and shall be in amounts not to exceed the FDIC Insurance limits.

c. Money Market Funds shall be limited to those funds designated to maintaining a stable unit value and investing in high quality assets.

Securities that do not meet the above investment guidelines and objectives such as equities and equity related securities, non-investment grade securities, high yield and unrated securities, convertible securities and private issue securities, shall be prohibited.

The Treasurer/ Finance Committee is charged with the responsibility of maintaining the proper investment profile and managing the investment of additional reserve funds and the reinvestment of any maturities. A report shall be provided to the SCA Board by the Treasurer, no less frequently than annually indicating the specific investments, their investment type and their maturity and interest rate.