I. GOVERNING AUTHORITY

Funds of the Township will be invested in accordance with Act No. 20 of the Public Acts of 1943, as amended, being sections 129.91 through 129.93 of the Michigan Compiled Laws, Act No. 367 of the Public Acts of 1982, these policies, and any written administrative procedures.

II. SCOPE

This investment policy applies to activities of the Township with regard to the investment of short-term operating funds, including, but not limited to, the following:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Enterprise Funds
- Debt Service Funds
- Trust and Agency Funds

The Treasurer may consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

Investment of bond proceeds will be governed by the appropriate bond resolutions and applicable state law.

III. OBJECTIVES

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield.

1. Safety: Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk. To attain this objective, diversification is required and speculation is prohibited.

   a. Credit Risk: The township will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:

      Limiting investments to the safest types of securities;
      Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the township will do business;
      Diversifying the investment portfolio so that potential losses on individual securities will be minimized.
b. Interest Rate Risk: The township will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity;

Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

Interest rate risk will be disclosed using the weighted average maturity of the portfolio.

2. Liquidity: The Treasurer shall insure that funds are constantly available to meet immediate payment requirements including payroll, accounts payable and debt service. The portfolio shall be structured to meet cash requirements without the need to sell securities on the open market prior to maturity. To that end, a portion may be kept in approved investment pools described in the section on investment instruments.

3. Yield: The investment portfolio shall be designed to attain a market average rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and the cash flow characteristics of the portfolio. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

Securities shall not be sold prior to maturity with the following exceptions:

a. A security with declining credit may be sold early to minimize loss of principal.

b. A security swap would improve the quality, yield, or target duration in the portfolio.

c. Liquidity needs of the portfolio require that the security be sold.

The treasurer will routinely monitor the contents of the portfolio, the available markets and the relative values of competing instruments, and will adjust the portfolio accordingly.

IV. STANDARDS OF CARE

1. DELEGATION OF AUTHORITY

In accordance with MCLA 41.77, the Treasurer is designated as investment officer of the Township and is responsible for depositing township funds and carrying out investment decisions and activities. The Treasurer shall develop and maintain written administrative procedures for the operation of the investment program, consistent with these policies. In the absence of the Treasurer, all duties shall only be performed by the Deputy Treasurer.
2. PRUDENCE

The standard of prudence to be applied by the treasurer shall be the "prudent person" standard, which states:

"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

Treasurers acting in accordance with written procedures of this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

3. ETHICS AND CONFLICT OF INTEREST

The treasurer 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. The treasurer shall disclose to the public any material financial interests in financial institutions that conduct business with the Township, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Township's portfolio. The treasurer shall subordinate their personal investment transactions to those of the Township, particularly with regard to the timing of purchases and sales.

This standard of ethics shall in no way be interpreted to be a prohibition to the acceptance of campaign contributions from officer's or employees of institutions accepting deposits from, or doing business with, the Township.

V. QUALIFIED FINANCIAL INSTITUTIONS, DEPOSITORIES, AND BROKER/DEALERS

The Township Treasurer may invest funds in any financial institution which qualifies under the definition in P.A. 20, as amended. In addition, a list of approved security broker/dealers selected by creditworthiness will also be maintained. All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following, as appropriate:

• Audited financial statements
• Proof of National Association of Securities Dealers certification
• Certification of having read and understood and agreeing to comply with the Township’s investment policy
• Evidence of adequate insurance coverage

An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the treasurer.
Depositories shall meet the following criteria in addition to any previously mentioned:

1. Assets of at least $100 million.

2. A Highline Data (formerly Sheshunoff) rating of at least 30, OR Primary Capital as a percent of Total assets as follows:
   - 5.50% for $500 million total assets
   - 7.00% for $300 - $499 million total assets
   - 7.25% for $100 - $299 million total assets

Selection of the depository shall be based on the institution offering the most favorable terms and conditions for the handling of Township funds consistent with requirements previously stated (e.g. diversification).

VI. SAFEKEEPING AND CUSTODY

All trades of marketable securities shall be executed by delivery-versus-payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities will be held by an independent third-party custodian in a safekeeping account designated by the Treasurer and evidenced by safekeeping receipts. Securities purchased from security dealers affiliated with an approved financial institution shall be held in a safekeeping account at the member institution and evidenced by a safekeeping receipt.

The treasurer shall establish a system of written internal controls, which shall be reviewed by the independent auditor. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated financial market changes, or imprudent actions by employees or officers of the Township.

VII. SUITABLE AND AUTHORIZED INVESTMENTS

The treasurer shall be permitted to invest surplus funds of the Township in the following investment types:

a. In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States

b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2).

c. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.

d. Repurchase agreements consisting of instruments listed in subdivision (a).

e. Bankers' acceptances of United States banks.
(f) Obligations of this state or any of its political subdivisions that at the
time of purchase are rated as investment grade by not less than 1 standard
rating service.

(g) Mutual funds registered under the investment company act of 1940, title
I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-
64, with authority to purchase only investment vehicles that are legal for
direct investment by a public corporation. However, a mutual fund is not
disqualified as a permissible investment solely by reason of either of the
following:

(i) The purchase of securities on a when-issued or delayed delivery
basis.

(ii) The ability to lend portfolio securities as long as the mutual fund
receives collateral at all times equal to at least 100% of the value of
the securities loaned.

(iii) The limited ability to borrow and pledge a like portion of the
portfolio's assets for temporary or emergency purposes.

(h) Obligations described in subdivisions (a) through (g) if purchased
through an interlocal agreement under the Urban Cooperation Act of 1967,
1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.

(i) Investment pools organized under the surplus funds investment pool act,
1982 PA 367, MCL 129.111 to 129.118.

(j) The investment pools organized under the local government investment
pool act, 1985 PA 121, MCL 129.141 to 129.150.

VIII. INVESTMENT PARAMETERS

1. Diversification

It is the policy of the township to diversify its investment portfolios. To eliminate
risk of loss resulting from the over-concentration of assets in a specific maturity,
issuer, or class of securities, all cash and cash equivalent assets in all funds shall
be diversified by maturity, issuer, and class of security. Diversification strategies
shall be determined and revised periodically by the treasurer.

In establishing specific diversification strategies, the following general policies
and constraints shall apply:
Portfolio maturities shall be staggered to avoid undue concentration of assets in a
specific maturity sector. Maturities selected shall provide for stability of income
and reasonable liquidity. Liquidity shall be assured through practices ensuring
that the next disbursement date and payroll date are covered through maturing
investments or marketable securities.

The following diversification limitations shall be imposed on the portfolio:
Maturity: No more than ten percent of the portfolio may be invested beyond twelve months, except for monies in debt retirement not needed for current debt payments, and the weighted average maturity of the portfolio shall never exceed one year. Investment maturities shall be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures, as well as considering sizeable blocks of anticipated revenue.

Default risk: No more than ten percent of the overall portfolio may be invested in the securities of a single issuer, except for securities of the U.S. Treasury. No more than 20 percent of the portfolio may be invested in each of the following categories of securities:

a) Commercial paper,
b) Bankers’ acceptances,
c) Any other obligation that does not bear the full faith and credit of the United States government
d) No more than 50 percent of the total portfolio may be invested in the foregoing instruments at any time.
e) No more than 25 percent of the total portfolio in any one bank.

Liquidity risk: At least ten percent of the portfolio shall be invested in overnight instruments or in marketable securities which can be sold to raise cash in one day’s notice.

2. Maximum Maturities

To the extent possible, the treasurer shall attempt to match investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the treasurer will not directly invest in securities maturing more than five years from the date of purchase. The treasurer shall adopt weighted average maturity limitations consistent with the investment objectives.

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as local government investment pools, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

IX. PERFORMANCE EVALUATION AND REPORTING

1. Methods

The Treasurer shall produce quarterly investment reports for the Township Board. The report shall summarize recent market conditions, economic developments and anticipated investment conditions. The report shall show the investments, the institution, maturity date, and interest rate. A report of balances in funds shall be
included. A yearly report to the Board shall be provided as required by law.

The report shall show the quarter’s total investment return. The report shall be in compliance with state law and shall be distributed to the governing body. Within 60 days of the end of the fiscal year, the investment officer shall present a comprehensive annual report on the investment program and investment activity.

2. Performance Standards

The cash management portfolio shall be designed with the objective of regularly meeting or exceeding a selected performance benchmark, which could be the average return on six-month U.S. Treasury bills, a bank investment pool, or the average rate of Fed funds. These indices are considered benchmarks for lower risk investment transactions and therefore comprise a minimum standard for the portfolio’s rate of return.

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