ADMINISTRATIVE POLICY
CITY OF EAST JORDAN INVESTMENT POLICY
Revised Edition - A

Section 1. POLICY NEED:

As a requirement of provisions of Public Act 196 of the Public Acts of Michigan of 1997, which required governing bodies of local governmental units to adopt investment policies within 180 days of the end of the first fiscal year ending after the effective date of Public Act 196, the City of East Jordan on August 18, 1998, adopted a resolution that established this investment policy.

Section 2. POLICY PURPOSE:

It shall be the City's policy to invest funds in a manner that provides for security of principal and for high returns on investments, while meeting the City's routine and extraordinary cash flow needs in compliance with provisions of State statutes that govern investments of public funds.

Section 3. POLICY SCOPE:

Provisions of this policy shall cover all financial assets of the City that are accounted for in various funds and accounts of the City and that include:

General Fund
Special Revenue Funds
Capital Project Funds
Major Business Type Funds
Trust and Agency Funds
Debt Service Funds
Fiduciary Funds
Internal Service Funds

All other funds under the control of the City Treasurer for cash management purposes and any new fund created by the governing body, unless specifically exempted by the governing body.

Section 4. PRUDENCE:

The standard of prudence to be applied by the City Treasurer shall be the "prudent person" rule which states; "Investments shall be made with judgement 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." The prudent person rule shall be applied in the context of managing the overall portfolio. The investment official, acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

Section 5. POLICY OBJECTIVES:

Funds of the City of East Jordan shall be invested in accordance with Michigan Public Act 20 of the Public Acts of 1943, as amended by (Act 285 of 1988 & Act 44 of 1997), and in accordance with the following objectives in order of priority:

5.1 Safety of Capital-

Safety of principal is the foremost objective of the investment program. Investments of the City of East Jordan shall be undertaken to insure preservation of the portfolio's overall capital.

5.2 Liquidity-

The investment portfolio will remain sufficiently liquid to meet all operating requirements, which might be reasonably anticipated.

5.3 Return on Investments -

- The investment portfolio shall be designed with the objective of obtaining a rate of return throughout the budgetary and economic cycles, in consideration of risk constraints and cash flow characteristics of the portfolio.

5.4 Maintain the Public's Trust – All participants in the investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. In addition, the overall investment program shall be designed and managed with a degree of professionalism worthy of the public trust. Investment officials shall also avoid any transaction that might knowingly impair public confidence in the City's ability to govern effectively.

Section 6. AUTHORITY DELEGATION:

City Charter provisions and state law permit investment of City monies. Consistent with the City Charter and state law, the City Treasurer shall be responsible for establishing procedures and controls for the operation of the City's investment program consistent with this City Commission policy. Therefore, the City Treasurer shall serve as the City's Investment Officer. No person may engage in investment transactions except as provided under the terms of this policy and the procedures established by the Treasurer. In the absence of the Treasurer, the Deputy Treasurer shall assume all related investment responsibilities. And in the absence of both the City Treasurer and Deputy Treasurer, the City Administrator may assume the investment responsibilities for the City.

Section 7. ETHICS AND CONFLICT OF INTEREST:

Officers and employees involved in the investment process shall refrain from personal business activity that conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the City Administrator any material financial interest in financial institutions that conduct business with this City and they shall disclose any large personal financial/investment positions that could be related to the performance of the City's portfolio. Employees and officers shall subordinate their personal investment transactions to those of the City, particularly with regard to the timing of purchases and sales.

Section 8. AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS:

Financial institution means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office in the State of Michigan under the laws of Michigan or the United States. The Treasurer shall maintain a listing of financial institutions, which are approved for investment purposes.

The security dealers and financial institutions may include primary or regional dealers that qualify under Securities and Exchange Council Rule 15C3-1 (uniform net capital rule) and investment departments of banks, and which have been subject to the following evaluation:

1. Financial condition, loan exposure, capital adequacy, asset quality, earnings, and liquidity.
2. Regulatory status of the dealer.

3. Background and expertise of the individual representative.
4. An upper quartile rating from a nationally recognized independent bank and savings and loan rating service.

Individuals representing investment institutions doing business with the City shall receive a copy of this policy along with an Acknowledgement to Comply Agreement. By signing the Acknowledgment Agreement, they certify that they have read the investment policy, understand the provisions therein, and shall comply with the requirements of P.A. 20 of 1943, as amended, and this investment policy for the City of East Jordan. The Treasurer shall keep a copy of such certification on file.

Section 9. AUTHORIZED INSTRUMENTS:

By action of the City Commission in adopting this Policy, the Investment Officer has been authorized to invest the City's funds in one or more of the following instrument and other instruments as allowed by State law:

a. 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 of a financial institution, provided the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.

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

d. Repurchase agreements consisting of instruments listed in Section 9 (1). A Master Repurchase Agreement must be signed with the bank or dealer;

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 investment grade by not less than one standard rating service;

g. Mutual funds registered under the Investment Company Act of 1940, Title 1 of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by the City. This authorization is limited to securities whose intention is to maintain a net asset value of $1.00 per share;

h. Investment pools 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, 129.111 to 129.118; and

j. The investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

Section 10. INVESTMENT POOLS:

A thorough investigation of the pool fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed which will answer the following general questions:

1. A description of eligible investment securities, and a written statement of investment policy and objectives.
2. A description of interest calculations and how it is distributed, and how gains and losses are treated.
3. A description of how the securities are safeguarded (including the settlement processes), and how often are the securities priced and the program audited.
4. A description of who may invest in the program, how often, what size deposit and withdrawal.
5. A schedule for receiving statements and portfolio listings.
6. A fee schedule, and when and how is it assessed.

Section 11. COLLATERALIZATION:

The State of Michigan does not require collateralization of public funds. However negotiable instruments transactions having a value greater than SPIC or other applicable insurance will be settled on a Delivery-vs-Payment basis. A Trust (Safekeeping) Receipt and proof of the applicable insurance will be required. Non-negotiable, non-collateralized Certificates of Deposit, as is the law in the State of Michigan, shall be evidenced by a Safekeeping Receipt from the issuing bank.

Section 12. SAFEKEEPING:

All securities purchased by the City of East Jordan under this section shall be properly designated as an asset of the City and held in safekeeping by a third party custodial bank charted by the United States government or the State of Michigan, and no withdrawal of such securities, in whole or in part, shall be made from safekeeping except by the Treasurer as authorized herein, or by it's respective designees.

All security transactions, including collateral for repurchase agreements and financial institution deposits, that are entered into by the City may be held on a cash basis for a delivery-versus-payment basis as determined by the Investment Officer. A third-party custodian may hold securities as designated by the Investment Officer and evidenced by safekeeping receipts as determined by the Investment Officer. A Safekeeping Receipt from the issuing bank, as is the law in the State of Michigan, shall evidence non-negotiable, non-collateralized Certificates of Deposit.

Section 13. DIVERSIFICATION:

By dividing investments by specific dates, security types and institutions so that potential losses of individual securities do not exceed income that would be generated by the remainder of the portfolio. Investment maturities for operating funds shall be scheduled to coincide with projected cash flow needs, taking into account routine needs (payroll, bills, debt service) as well as considering anticipated revenue (taxes, state revenue sharing payments).

Section 14. MAXIMUM MATURITIES:

To the extent possible, the City of East Jordan will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than two (2) years from the date of purchase. Reserve funds or Capital Project Funds may be invested in securities exceeding two (2) but not more than five (5) years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of the funds.

Section 15. INTERNAL CONTROLS:

The City Treasurer shall establish an annual process of independent review by the City's designated auditor. This review will provide internal control by assuring compliance with policies and procedures and will prevent loss of public funds due to fraud, error, misrepresentation, or imprudent actions.

Section 16. PERFORMANCE STANDARDS:

The investment portfolio will be designed to obtain market average rate of return during budgetary and economic cycles, taking into account the City's investment risk constraints and cash flow needs.

Section 17. REPORTING:

The Treasurer shall provide to the City Administrator quarterly investment reports, which provide a clear picture of the status of the current investment portfolio. The report shall include types of investments; total interests received, and indicate any suggested or planned revision(s) of investment strategies.

Section 18. POLICY ADOPTION:

This investment policy shall be adopted by resolution of the City Commission. Any modifications made thereto must be approved by the City Commission. This policy shall be effective the day following adoption by the City Commission.

a. Exemption any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

Section 19. GLOSSARY:

Because this policy is to be available to the public as well as the governing body, it is important a glossary of related terminology be part of the policy.

AGENCIES: Federal agency securities and/or Government-sponsored enterprises.

ASKED: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit, or other property that a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for is own account.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued a discount and redeemed at maturity for full face value, e.g. U.S. Treasury Bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small-business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to $100,000 per deposit.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment Standard in some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state-the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money, that is, increasing bank reserves.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE 15C3-1: See Uniform Net Capital Rule.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

TREASURY NOTES: Medium-term coupon bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ration of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The rate of annual income return on an investment, expressed as a percentage.
(a) INCOME YIELD is obtained by dividing the current dollar income by the current market price, for the security.
(b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

CITY OF EAST JORDAN
Susan R. Moreau, City Treasurer

ACKNOWLEDGMENT OF RECEIPT OF INVESTMENT POLICY
AND AGREEMENT TO COMPLY

I have read and fully understand Act 20 PA 1943, as amended, and the Investment Policy of City of East Jordan.

Any investment advice or recommendation given by _________________________, representing ____________________________________, to the City shall comply with the requirements of Act 20 PA 1943, as amended, and the Investment Policy of City of East Jordan. Any existing investment not conforming to the statute or the policy will be disclosed promptly.

By: ________________________

Title: ________________________

Date: ________________________

CITY OF EAST JORDAN
Susan R. Moreau, City Treasurer

INVESTMENT PROCEDURES

The established procedures used as a guideline when investing city funds are as outlined.

Safekeeping: All CD Investments and Bank Agreements shall be held secure in the City's safe located in the City Treasurer's Office and or safe deposit box. Any investment securities held by a third party will be evidenced by receipts deposited in the city safe.

Delivery vs. payment: All investments shall be purchased by cash or wire transfer. Likewise delivery at maturity shall be in the same manner and documented.

Accounting: Investment accounting shall be recorded in the City Treasurer's cash ledger to the proper fund. Likewise the investment shall be posted to the city's accounting records in a timely manner and balanced by fund monthly by the City Treasurer.

Agreements: All financial institution agreements shall bear the signature of the City Treasurer or an authorized subordinate official and be held in safekeeping by the City Treasurer on behalf of the city. Only subordinantge officials authorized by the City Treasurer may transact city investments on behalf of the city.

CITY OF EAST JORDAN
Susan R. Moreau, City Treasurer

ANNUAL INVESTMENT REPORT
FY __/__

Institution	Maturity	Rate	Fund	July 1st Balance	Additions	Reductions	June 30th Balance

Adopted: August 18, 1998
Revised & Adopted: May 15, 2007