



Mackinac Island State Park Commission
Policy

Financial Investments

Minutes: March 18, 1988, p. 2388
Revised: March 25, 1994
May 28, 2004

MACKINAC ISLAND STATE PARK COMMISSION FINANCIAL INVESTMENT POLICY

Scope

This policy applies to all revenue bond financial assets of the Mackinac Island State Park Commission, with the exception of the Historical Facilities System Trust established September 25, 1990 which includes its own investment requirements. These funds are accounted for in the annual financial audit report and include:

Operation and Maintenance Funds
Depreciation and Program Development Funds
Debt Retirement Funds
Publications Funds
Risk Management Funds
Martin and Patricia Jahn Collections Development Fund

Any new fund created by the Commission shall be included unless specifically exempted. This policy applies to all transactions involving the financial assets and related activity of all the foregoing funds.

Objective

The primary investment objective is to earn market rates of return while preserving and protecting capital. It is the intent of the Mackinac Island State Park Commission to maximize its return on idle cash balances by actively investing all available balances within the guidelines established by this policy.

Investments

Assets shall be diversified to eliminate the risks of loss resulting from over-concentration of assets in a specific class of securities. Diversification strategies shall be determined and revised periodically for all funds. Speculation is inappropriate under all circumstances. Volatile instruments are to be avoided.

FINANCIAL INVESTMENTS

Page 2 of 3

The Mackinac Island State Park Commission recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Diversification shall be employed as a way to control risk. The investment program shall be operated in a prudent manner to minimize default risk.

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.

The standard of prudence to be used by investment officials shall be the 'prudent person' and shall be applied in the context of managing the overall system. Investment officers acting in accordance with these written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

Acceptable for purchase and prudent investment are the following:

U.S. Treasury Obligations
U.S. Agency Obligations
Federal Instrumentalities (Guaranteed by U.S. Government)
Repurchase Agreements (collateralized only)
Money Market Funds
Commercial Bank Certificates of Deposits
Mutual funds composed of investment vehicles which are legal for direct investment
by local units of government in Michigan

Banks selected for a depository must be eligible to hold public money under the laws of the State of Michigan. Investment of funds in a certificate of deposit, savings account, or deposit account, must be with a bank, savings and loan, or credit union which is insured by Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), or the National Credit Union Administration (NCUA).

Investments in any institution shall not exceed one percent of the assets of the institution.

Investments in any institution shall not exceed twenty-five per-cent of the total invested and cash operating funds.

Assets shall be invested in instruments whose maturities do not exceed two years at the time of purchase, unless a temporary extension of maturities is approved by the Commission. Exception is made by the Commission for its holdings in GNMA's, which may be marketed on demand.

Delegation and Authority

Management responsibility for the investment program is delegated to the Director of the Mackinac Island State Park Commission, who shall follow the Financial Investment Policy for the operation. Responsibility shall include explicit delegation of authority to persons responsible for investment transactions. Any investment advisor doing business with the Commission will be provided with a copy of this policy and asked to certify by letter that they have read and understand the policy, and will not present any investment recommendations that are not in compliance with policy.

The Director shall be responsible for all transactions undertaken and shall establish a system of internal controls to regulate the activities of subordinate officials.

To the extent that the Director invests money pursuant to this policy, he shall not be liable for any losses.

Reporting

Quarterly and annual reports of investments and earnings shall be prepared by the Director and shall become the basis for reappraisal of past strategies as well as current market conditions.

A quarterly cash forecast will be prepared identifying cash flow projection and the projection of investable cash balances to provide the basis for the investment horizon.