

**RESOLUTION 15-67**

**RESOLUTION AUTHORIZING THE ESTABLISHMENT OF A  
FISCAL POLICIES MANUAL**

**WHEREAS**, the Village of Antioch (“Village”) is a municipality located in Lake County, Illinois; and

**WHEREAS**, the Mayor and Board of Trustees of the Village of Antioch (hereafter, “Village Board”) has established certain fiscal policies from time to time; and

**WHEREAS**, the Village Board by its actions, has established certain fiscal policies which the Village Board now wishes to formalize and memorialize to clearly define fiscal discipline of the Village of Antioch and set standards for future boards; and

**WHEREAS**, the Village Board desires to establish certain additional fiscal policies to provide guidance to the Village Board and administrative staff to aid in financial and fiscal discussions and decisions; and

**NOW, THEREFORE, Be it Resolved** by the Mayor and Board of Trustees of the Village of Antioch, Lake County, Illinois, as follows:

**Section 1:** The Preambles hereto are hereby made a part of, and operative provisions of, this Resolution as fully as if completely repeated at length herein.

**Section 2:** That this Mayor and Board of Trustees of the Village of Antioch hereby find that it is in the best interests of the Village of Antioch and its residents that the aforesaid Fiscal Policy Manual be established by said Village of Antioch, with said Fiscal Policy Manual to be substantially in the form attached hereto and made a part hereof as **EXHIBIT 1.**

**Section 3:** That the Fiscal Policy Manual may be amended from time to time to add, modify, or delete fiscal policies as deemed necessary. All amendments (additions and deletions, and modifications) to the Fiscal Policy Manual shall require a super majority vote of the board of Trustees. The affirmative vote at least two-thirds (2/3) of the Board of Trustees is required.

**Section 4:** That the Mayor and Clerk of the Village of Antioch, Lake County, Illinois are hereby authorized to execute for and on behalf of said Village of Antioch the aforesaid Fiscal Policy Manual.

**Section 5:** That this Resolution shall take effect from and after its adoption and approval.

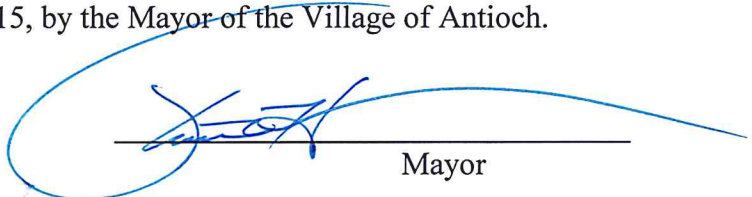
**ADOPTED** this 3<sup>rd</sup> day of August, 2015, by the Corporate Authorities of the Village of Antioch on a roll call vote as follows:

**AYES: 5:** Macek, Poulos, Jozwiak, Dominiak and Johnson.

**NAYS: 0.**

**ABSENT: 1:** Pierce.

**APPROVED** this 3<sup>rd</sup> day of August, 2015, by the Mayor of the Village of Antioch.

  
\_\_\_\_\_  
Mayor

ATTEST:

  
\_\_\_\_\_  
Village Clerk



## **EXHIBIT 1**

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## **Village of Antioch, IL**

### **Fiscal Policies Manual**

Over the last six years, the Village of Antioch has made significant progress in its financial management and compliance with generally accepted accounting principles (GAAP). Several policies were adopted by the Board in an effort to bolster its financial management practices and provide direction for strategic planning.

The Village recognizes that there are still significant improvements to be made, and while these policies contained wherein are currently practiced, the Village will follow the National Advisory Council on State and Local Budgeting (NACSLB) recommendation to formally adopt all required policies.

The Village of Antioch fiscal policies, as compiled herein, set forth the basic framework for the overall fiscal management of the Village government. Operating independently of changing economic circumstances and conditions, these policies help the decision making process of the Village Board and administration. These policies provide guidelines for evaluating both current and future activities and programs.

Most of these policies represent long-standing practices of the Village and have helped maintain its financial stability. In creating this Fiscal Policies Manual, the Village Board desires to formalize current practices to clearly define the fiscal discipline of the Village of Antioch government, and set standards to be maintained in the future.

Lawrence M. Hanson, Mayor  
Lori K. Folbrick, Village Clerk

Ted P. Poulos, Trustee and Finance Liaison  
Mary C. Dominiak, Trustee  
Jerry T. Johnson, Trustee  
Jay Jozwiak, Trustee  
Ed Macek, Trustee  
Scott A. Pierce, Trustee

James Keim, Village Administrator  
Joy McCarthy, Finance Director/Village Treasurer

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# Fiscal Policies Manual

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## I. Accounting, Auditing & Financial Reporting Policy

- A. The Village will adhere to a policy of full and open disclosure of all financial operations.
- B. The Village will:
  - 1. Comply with prevailing federal, state, and local statutes and regulations.
  - 2. Conform to generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants (AICPA), and the Government Finance Officers Association (GFOA).
  - 3. The Finance Director, with review by the Village Administrator, will establish and maintain written procedures to safeguard Village financial assets.
- C. Accounting records for general government operations are to be maintained on a modified accrual basis, with revenues recorded when measurable and available and expenditures recorded when the services of goods are received and liabilities incurred.
- D. Accounting records for the Village's pension plans and enterprise funds are to be maintained on an accrual basis with revenues recorded when earned and expenses recorded when the liabilities are incurred.
- E. The Village will produce a Comprehensive Annual Financial Report (CAFR) in accordance with generally accepted accounting practices as outlined by the Governmental Accounting Standards Board.
- F. An independent audit will be performed annually and presented to the Village Board at a regularly scheduled meeting.
- G. The Village shall adopt all applicable accounting and financial reporting standards established from time to time by the Government Accounting Standards Board (GASB) as the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A.

## II. Revenue Policies

### A. User Fees and Charges

1. The Village will periodically review its user fees and charges.
2. In establishing or changing user fees and charges, the Village will consider the operating, direct, indirect, and capital costs of providing the service.
3. The Village will consider market rates and charges levied by other municipalities of similar size for like services in establishing rates, fees and charges.

### B. Enterprise operations will be self-supporting.

### C. The Village will pursue State and Federal grants.

### D. The Village will comply with the Truth in Taxation Act with regard to the adoption of the annual property tax levy.

### E. The Village will take all necessary measures in pursuing all revenues due for services provided. This policy will hold true for revenues generated in operating, enterprise, and special revenue funds.

## III. Expenditure Policies

1. The Village will maintain a level of expenditures that will provide for the public well-being and safety of the residents of the community.
2. The annual operating budget will include the capital projects identified in the Five Year Capital Improvement Program.
3. A performance-based employee compensation package consistent with comparable communities will be maintained to recruit and retain qualified employees.

## IV. Signature Policy

1. All checks, drafts or other withdrawal orders issued against the funds of the Village on deposit with an authorized depository may be signed by any two of the following: Mayor, Village Administrator, Finance Director, or Village Clerk.

## V. Investment Policy

### **Introduction:**

This statement is intended to outline the policies for maximizing the efficiency of the Village's Cash Management System and for prudent investment of the Village Funds, and to provide guidelines for suitable investments. The ultimate goal is to enhance the economic status of the Village while protecting its funds.

The Village's Cash Management System is designed to monitor and forecast expenditures and revenues accurately, thus enabling the Finance Director (Treasurer) to invest funds to the fullest extent possible. The Finance Director (Treasurer) shall attempt to obtain the highest yield, provided that all investments meet the criteria established for safety and liquidity.

The investment policies and practices of the Finance Director (Treasurer) for the Village of Antioch are based upon Federal, State, and Local law and prudent money management. The primary goals of these policies are:

1. To assure compliance with all Federal, State and Local laws governing the investment of monies under the control of the Finance Director (Treasurer),
2. To protect the principal monies entrusted to this Office, and
3. To generate the maximum amount of investment income within the parameters of this Investment Policy and the guidelines for suitable investments.

All participants in the Village's investment process shall act responsibly as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust.

### **Scope:**

This investment policy applies to the investment of available assets of all Village funds under the direct management of the Board of Trustees.

The policy for the Police Pension Fund will be as determined by the Police Pension Board and not covered by this Policy.

### **Prudence:**

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 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" standard and shall apply in the context of managing an overall portfolio.

**Objective:**

The primary objective, in order of priority, shall be:

- *Legality* - conformance with federal, state and other legal requirements
- *Safety* - preservation of capital and protection of investment principal
- *Liquidity* - maintenance of sufficient liquidity to meet operating requirements
- *Yield* - attainment of market rates of return

The portfolio will be reviewed periodically as to its effectiveness in meeting the Village's needs for safety, liquidity, rate of return, diversification and its general performance. It is intended that the Village's policy will be reviewed on an annual basis.

**Delegation of Authority:**

Management and administrative responsibility for the investment program is hereby delegated to the Finance Director (Treasurer). In the absence of the Finance Director (Treasurer), the Village Administrator shall be responsible for the investment program.

**Ethics and Conflicts of Interest:**

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.

**Authorized Financial Dealers and Institutions:**

Authorized financial institutions will be approved by the Board in the Ordinance of Authorized Depositories. In addition, a list also will be maintained of approved security brokers/dealers selected by credit worthiness. These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule).

Employees of any firm or financial institution offering securities or investments to the Village are expected to be trained in the precautions appropriate to public-sector investments and are expected to familiarize themselves with the Village's investment objectives, policies, and constraints. These firms and financial institutions are expected to make reasonable efforts to preclude imprudent transactions involving the Village's funds.

At the request of the Village, the financial institutions and firms performing investment services for the Village shall provide their most recent financial statements or Consolidated Report of Condition ("call report") for review.

Each financial institution and broker/dealer shall acknowledge that they have read and will adhere to this investment policy.

**Authorized and Suitable Investments:**

Investments may be made in certain types of securities as detailed in 30 ILCS 235/2 regarding the investment of public funds.

Among the authorized investments are:

- i. Non-negotiable certificates of deposit and other collateralized evidence of deposits with qualified public depositories
- ii. Obligations of the U.S. Government, its agencies and instrumentalities. However, this authorization shall specifically exclude Collateralized Mortgage Obligations (CMOs), Real Estate Mortgage Investment Conduits (REMICs), and other Principal Only (PO) and Interest Only (IO) obligations that are secured with mortgages issued by any federal agency, instrumentality or private firm
- iii. Prime bankers' acceptances purchased on the secondary market with ratings of A1/P1
- iv. Repurchase agreements for securities listed above, provided the transaction is structured so that the Village obtains control over the underlying securities and a Master Repurchase Agreement has been signed with the bank or dealer
- v. State of Illinois Public Treasurer's Investment Pool (The Illinois Funds)
- vi. Bonds of the State of Illinois and any local government in the State of Illinois, which bonds have at the time of investment, one of the three highest credit ratings of a nationally recognized rating agency
- vii. Any investments authorized by the Public Funds Investment Act. (30ILCS 235.0.01seq)

Investments shall be made that reflect the cash flow needs of the fund type being invested.

**Collateralization:**

Funds on deposit in excess of FDIC limits must be secured by some form of collateral, witnessed by a written agreement and held at an independent, third-party institution in the name of The Village of Antioch and evidenced by periodic reports to the Village by the third party.

To anticipate market changes and provide an adequate level of security for all funds, the collateralization level will be 110% of market value of principal and accrued interest. Collateral is limited to U. S. Treasuries. As an alternative, insurance/surety



bonds may be used as collateral to ensure certificates of deposit payments of principal and interest at the date of maturity. Insurance/surety bonds may also be used to ensure replacement on checking and money market accounts in case of a financial institution's default.

**Safekeeping and Custody:**

All security transactions, including collateral for repurchase agreements, entered into by the Village of Antioch, shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by an independent, third-party custodian designated by the Finance Director (Treasurer) and evidenced by safekeeping receipts and a written custodial agreement.

**Diversification:**

The Village of Antioch shall diversify its investments to the best of its ability based on the type of funds invested and the cash flow needs of those funds. Diversification can be by type of investment, number of institutions invested in, and length of maturity.

**Maximum Maturities:**

To the extent possible, the Village of Antioch shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Village of Antioch will not directly invest in securities maturing more than two years from the date of purchase.

Reserve funds, not otherwise restricted by Bond Ordinance, may be invested in securities exceeding two years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

**Internal Control:**

The Finance Director (Treasurer) is responsible for establishing and maintaining an internal control structure designed to ensure that assets of the Village are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The internal controls shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting
- Custodial safekeeping
- Written confirmation of telephone transactions for investments and wire transfers

The Village Treasurer is authorized to establish financial accounts for the Village with the advice and consent of the Village Board. The Village Treasurer, Village Clerk, Village Administrator and Mayor are authorized signatories of the financial accounts of the Village. All transactions must be jointly approved by two of the aforementioned persons. Investment officials shall be bonded to protect the Village against loss due to possible embezzlement and malfeasance.

**Performance Standards:**

This investment portfolio will be managed in accordance with the parameters specified within this policy. The Village's investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account the Village's investment risk constraints and cash flow needs. Portfolio performance should be compared to benchmarks with similar maturity, liquidity and credit quality as the portfolio. Portfolio performance shall be compared to the current Illinois Funds Money Market rate, or other appropriate benchmark such as the average three (3) month U.S. Treasury Bill return, to determine whether market average yields are being achieved. The investment program shall seek to augment returns above this threshold, consistent with prudent investment principles and the risk limitations identified herein.

**Reporting:**

Monthly Treasurer Reports shall be provided to the Board of Trustees, showing the monthly cash and investment transactions.

A statement of the market value of the investment portfolio shall be issued by the Finance Director (Treasurer) to the Board of Trustees quarterly. The report should be available to the public upon request. The report will be in a format suitable for review by the general public. A report will also be provided to the Board of Trustees on an annual basis.

**Savings Clause:**

In the event any state or federal legislation or regulation should further restrict instruments or institutions authorized by this policy, such restrictions shall be deemed to be immediately incorporated into this policy.

If new legislation or regulation should liberalize the permitted instruments or institutions, such changes shall be available and included in this policy only after written notification to the Village Board and their subsequent approval of said changes.

**Investment Policy Adoption:**

The policy shall be reviewed annually by the Investment Officer and any modifications made thereto must be approved by the Village Board.

## VI. Debt Management

The Village will follow a policy of full disclosure on every financial report and bond prospectus. General obligation debt will not be used for enterprise activities without a designated retiring revenue source.

1. Debt financing will be used in the following circumstances:
  - a. The Village will confine long-term borrowing to capital improvements, capital projects, and moral obligations.
  - b. When the useful project life will exceed the term of the financing.
  - c. When project revenues or specific resources can be proven to be sufficient to cover the long-term debt.
  - d. For projects that will benefit the residents of Antioch.
2. The Village will maintain good communications with bond rating agencies about its financial condition.
3. The repayment of debt issued to finance projects shall be kept as short as financially possible. The Village desires to maintain a debt repayment term of not greater than twenty (20) years whenever feasible. However, in no case should the debt repayment term exceed the useful life of the equipment, improvement, or project being financed.
4. Due to the heavy burden placed on Antioch property owners by overlapping taxing districts, the Village Board has maintained a practice of managing the amount of debt service provided through property taxes. The Village shall continue this practice to the extent possible.
5. The Village Board will strive to utilize methods of borrowing that result in the lowest debt service costs.
6. When possible, the Village will use revenue sources other than property taxes to support the debt service. If general obligation debt is utilized in such instances where an alternate revenue or funding source has been identified, that portion of the debt service shall be supported by that revenue or other funding sources and the corresponding debt service levy requirements shall be abated and filed with the County Clerk to avoid the levy of property taxes otherwise required.



7. Funding and debt service for all capital projects should consider potential impacts on the Village's bond rating.
8. Funding of capital projects and related debt service should not impact the Village's ability to accommodate future needs.
9. As a non-home rule unit, the Village must comply with the mandatory debt ceiling set by State Statute. In the event that the Village attains home-rule status in the future, the Village shall strive to maintain its debt limit to no greater than the statutory limit of 8.625% of assessed value.
10. It is acknowledge that the Offering Statements issued in conjunction with a bond issue are critical to the sale and marketing of bonds. As such, this document should not include material misstatements or omissions and requires careful review before issuance. While other individuals may participate and assist in the preparation of the Offering Statement, at a minimum, the Village Treasurer shall be required to review the document before its release.
11. The Village Treasurer shall maintain adequate records related to the bond transaction.
12. The Village Treasurer shall be the designated Compliance Officer in relation to monitoring bond issues and related SEC filing requirements.

## VII. Fund Balance and Reserve Policy

### **Purpose:**

To maintain the Village's credit rating, meet seasonal cash flow shortfalls, provide for unexpected contingencies, and continue to provide Village services by establishing an unrestricted reserve balance in the Village's General and Enterprise Funds.

1. Fund Balance Reserve is to be used for unanticipated reductions in state, development or other anticipated revenues as well as emergency and contingency expenditure needs.
2. The Village shall continue to demonstrate a strong capacity to meet its financial commitments by improving its bond rating, developing and capturing all potential revenue sources, and attaining a minimum operating fund reserve of 25% of operating expenses.
3. The Reserve Fund shall be funded each year at the time of budget approval. This will be accomplished by establishing and maintaining a separate line item in the fiscal budget.
4. Consideration of a reduction in projected expenditures shall be evaluated prior to use of Fund Balance Reserve funds.
5. Use of the Fund Balance Reserves may reflect a change in budgeting policy in future years and therefore requires the approval of the Village Board of Trustees.
6. The Village shall attempt to accumulate the Fund Balance Reserve over a 10-year period by reserving up to 5% per year through the budget process.
7. Any excess Fund Balance Reserves shall be included in the next fiscal year budget. Excess Fund Balance Reserves under this policy are actual undesignated fund balance dollars available on the year-end financial statements.
8. Oversight of the Fund Balance Reserve Policy and the day to day management and administrative responsibility for the Policy is delegated to the Village Finance Director/Treasurer.
9. Fund Balance Reserves will be reported on the monthly Treasurer's report and during the budget process.

## VIII. Budget Policy

The budget provides the annual financial plan for the management of the Village's activities. The document compiles the financial data needed to support the comprehensive decision making/policy development processes. The budget is based on the goals of the Village Board, the Capital Improvement Plan, the Village's financial policies, and department operations.

### A. Annual Budget

1. Budgets are adopted on a basis consistent with generally accepted accounting principles.
2. An annual budget should be adopted by the Village Board before the beginning of the fiscal year.
3. Estimates of annual revenues and expenses for budgetary purposes will be made through conservative, objective, and analytical processes.
4. One-time revenues will be used only to fund one-time expenses.
5. Budgetary control is maintained at the fund level.
6. Budgetary authority lapses at the end of the fiscal year.
7. The Village will make every effort to pass a balanced budget. A balanced budget is attained when revenues and other financing sources are more than or equal to expenditures and other financing uses.
8. Revisions that alter the total expenditures of any fund must be approved by the Village Board.
9. The Village will attempt to maintain its present service levels for all priority and essential services.
10. When budgeted expenditures exceed anticipated revenues, fund balance, if adequate, will be used to balance the budget.
11. Expenditures may not legally exceed appropriations at the fund level.

12.

B. Enterprise Fund

The Village Water and Sewer Fund will be self-supporting.

C. Capital Improvement Plan (CIP)

1. The Village will develop a multi-year plan for capital improvements updated annually and will budget all capital improvements in accordance with the plan.
2. The CIP should cover, at a minimum, a period of five (5) years and shall be updated annually.
3. The CIP shall also identify all funding sources to support capital outlay.
4. The Village will maintain its physical assets at a level adequate to protect the capital investment and to minimize future maintenance and replacement cost.
5. The operating budget will provide for adequate maintenance and orderly replacement of the capital plan and equipment from current revenues where possible.
6. Capital investment objectives will be prioritized by the Village Board and appropriately reflected in the capital budget.
7. The CIP shall include both large capital purchases and construction projects costing more than \$10,000. A capital improvement includes all real property expenditures and other expenditures that have a life expectancy of at least five (5) years. Items below this threshold should be accommodated within the operating budget.

D. Fiscal Analysis

1. Trend analysis can provide insight into projecting future revenues and expenses based on historic activities.
  - a. Trend analysis of key revenue sources shall be maintained for a minimum of a three (3) year look back period.
  - b. Revenue trend analysis shall be reviewed regularly.

## 2. Budget surveillance

- a. The Village will maintain a budgetary control system to ensure adherence to the budget and will prepare periodic reports comparing actual revenues and expenditures with budgeted amounts.
- b. The Treasurer will present monthly budget reports to the Village Board.
- c. Department Heads will be provided with monthly budget to revenue and budget to expenditure comparison reports.



## IX. Fixed Asset Policy

### **Purpose:**

The purpose of this fixed asset policy is to provide control and accountability over fixed assets, and to gather and maintain information needed for the preparation of financial statements. The Village of Antioch's fixed asset policy is herein established to safeguard Village assets and to ensure compliance with GASB34 for governmental financial reporting.

### **Overview:**

This policy is herein established to safeguard and address the Village's investment in property, which comprises a significant resource. This policy is meant to ensure compliance with various accounting and financial reporting standards including Generally Accepted Accounting Principles (GAAP), and Governmental Accounting, Auditing, and Financial Reporting (GAAFR).

Further, this policy is meant to reflect the Village's desire to meet the reporting requirements set forth in the Governmental Accounting Standards Board (GASB) Statement No. 34 (which is effective for FYE 04/30/04). Specifically, the GASB Statement No. 34 states that governments should provide additional disclosures in their summary of significant accounting policies including the policy for capitalizing assets and for estimating the useful lives of those assets which is used to calculate the depreciation expense. The Statement also requires disclosure of major classes of assets, beginning and end-of-year balances, capital acquisition, sales/dispositions, and current-period depreciation expense.

## **INVENTORY, VALUING, CAPITALIZING, AND DEPRECIATION**

### **Inventory:**

Responsibility for control of fixed assets will rest with the operating department wherein the asset is located. The Finance Department shall ensure that such control is maintained by establishing an inclusive fixed asset inventory schedule. Asset purchases, which fall below the capitalization threshold, will not be included in the fixed asset inventory.

Each Department will be responsible for control of fixed assets for their department. The Department Head shall ensure that such control is maintained by establishing a fixed asset inventory schedule. The inventory schedule will include the following for each asset:

- Asset Description – A description of the asset (serial #, model#)
- Asset Classification (Land and Land Improvements, Building and Building Improvements, Vehicles, Machinery and Equipment, and Infrastructure Assets)
- Department name and physical location of asset

- Date asset was purchased/acquired and or disposed
- Cost of Asset
- Method of acquisition (purchased or donated)
- Estimated useful life

This list will be maintained, updated, and reviewed by the Department Head and given to the Finance Department quarterly, i.e., May 1<sup>st</sup>, August 1<sup>st</sup>, November 1<sup>st</sup>, and February 1<sup>st</sup>.

### **Valuing Fixed Assets**

Fixed assets should be valued at cost or historical costs, plus those costs necessary to place the asset in its location (i.e. freight, installation charges.) In the absence of historical costs information, a realistic estimate will be used. Donated assets will be recorded at the estimated current fair market value.

### **Capitalizing**

#### *When to Capitalize Assets:*

Assets are capitalized at the time of acquisition. To be considered a capital asset for financial reporting purposes an item must be at or above the capitalization threshold (see schedule-page 3 & 4) and have a useful life of at least one year.

#### *Assets not Capitalized:*

Capital assets below the capitalization threshold (see schedule-page 3 & 4) on a unit basis but warranting “control” shall be inventoried at the department level and an appropriate list will be maintained.

Capital Assets should be capitalized if they meet the following criteria:

- Tangible
- Useful life of more than one year (benefit more than a single fiscal period)
- Cost exceeds designated threshold (see schedule-page 3 & 4)

Capital Assets include the following major classes of assets:

**Land and Land Improvements** – Capitalized value is to include the purchase price plus costs such as legal fees and filing fees; improvements such as parking lots, fences, pedestrian bridges, landscaping.

**Building and Building Improvements** – Costs include purchase price plus costs such as legal fees and filing fees; improvements include structures and all other property permanently attached to, or an integral part of the structure. These costs include re-roofing, electrical/plumbing, carpet replacement, and HVAC.

**Vehicles** – Costs include purchase price plus costs such as title & registration.

**Machinery and Equipment** – Assets included in this category are heavy equipment (P.W.), traffic equipment, generators, office equipment, and phone system.

**Infrastructure Assets** – Infrastructure Assets are long-lived capital assets that are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Included in this category are roads/streets, water & sewer system, wells, water tanks, water towers, and drainage systems.

### **Depreciation**

Depreciation is computed on a straight-line method with depreciation computed on a monthly basis from the month of acquisition. Additions and improvements will only be capitalized if the cost either enhances the asset's functionality or extends the asset's useful life.

As such, the following costs for improvements are expensed as opposed to being capitalized:

- Road Resurfacing/Sealing
- Sidewalk/Curb Patching
- Re-Alignment of Sewer Line
- Manhole Restorations
- Water Main Repairs

Projects in process will be added to the asset base as the projected expenses are incurred. However, the project will first need to meet its individual threshold (\$50,000 for building projects, \$250,000 for infrastructure projects....)

Annexations (related land, ROW, infrastructure-roads, water, sewer, drainage) will be added to the asset base in total on the date the annexation is accepted by the Village (via Board action). Upon completion, an “annexation” form will be prepared by the Planning, Building and Zoning department and submitted to Finance. Finance will then complete the form and add the component value of the annexation to the books. (In some cases, parks may be added to the asset base before the rest of the annexation).

**Fixed Assets Useful Lives are as follows:**

	<u>Useful Life</u>	<u>Capitalization Threshold</u>	<u>Inventory Threshold</u>
Land (and Inexhaustible Land Impr)	N/A	\$ 1	\$ 1
Land Improvements (Exhaustible)		25,000	1
Structure			
Parking Lots	20		
Fences	15		
Groundwork (landscaping)	20		
Buildings			
Buildings	45	50,000	1
Building Improvements		50,000	1
HVAC	20		
Re-Roofing	20		
Electrical/Plumbing	30		
Carpet Replacement	10		
Vehicles		35,000	1
Vehicles – Police Squads	3		
Vehicles – General	7		
Small Trucks	7		
Large Trucks	10		



**Fixed Assets Useful Lives - (Continued)**

	<u>Useful Life</u>	<u>Capitalization Threshold</u>	<u>Inventory Threshold</u>
Machinery & Equipment		25,000	1,000
Police Equipment (comm. equip)	5		
Heavy Equipment (PW)	15		
Recreational Equipment	20		
Traffic Equipment	30		
Generators	20		
Computers	4	10,000	1
Furniture & Fixtures		15,000	5,000
Office Furniture	20		
Office Equipment	5		
Phone System	10		
Kitchen Equipment	10		
Infrastructure		250,000	50,000
Roads/Streets	20		
Water & Sewer System			
Lift Stations	40		
Wells	40		
Pumping Stations	40		
Water Towers	40		
Water/Sewer-Mains	50		
Interceptor System	50		
Drainage System	50		

**Removing Fixed Assets from Inventory**

Fixed assets are to be removed from inventory once they are obsolete or claimed as surplus property. The item must be removed from the department inventory listing and reported to the Finance Department.

**Donations or Transfer**

Each Department must add additions and deletions from donated or transferred assets to the inventory listing.

**Surplus Property**

Each Department must report all fixed assets classified as surplus to the finance department. The Village will have an auction or sealed bid as needed to sell the surplus property.

**Lost or Stolen Property**

When suspected or known losses of inventoried assets occur, the Department should conduct a search for the missing property. The search should include transfer to another department, storage, scrapping, and surplus property. If the missing property is not found, the department must contact the Finance Department.



## X. Purchasing Policy and Procedures

### I. Purpose

The purpose of this policy is to provide procedures for soliciting, processing, awarding and rejecting bids, proposals, quotations and change orders in a competitive and unbiased manner. This directive applies to all Village purchases. Additional procedures may be required of Public Works engineering contracts for capital improvements.

The following topics are addressed in this Policy:

- I. Purpose
- II. Selection of Vendors
- III. Village Purchasing Procedures
- IV. Standard Competitive Purchasing
- V. Sole Source Contracts
- VI. Centralized Purchasing Programs
- VII. Change Orders
- VIII. Processing Payments For Materials And Services Received
- IX. Definitions

### II. Selection of Vendors

**A. Preference for Competitive Purchasing.** Where a competitive market exists for a particular purchase, the vendor is to be the lowest responsible bidder, selected on the basis of a competitive purchasing procedure.

**B. Preference for Local Vendors:** Purchase recommendations are to be made using vendors located within the corporate limits of the Village where two or more bids, quotes, or proposals are substantially equal in

- Quality, and
- Other material elements

**C. Product Specifications Based on Function.** Product designation or specification must be reasonably related to the function or purpose to be served by the item selected. Specifications shall not limit the selection to a particular brand or vendor, either expressly or by effect, or exclude the use of recycled materials, unless required to serve a particular need or objective. When a brand is used as a reference, such as compatibility, the phrase “or equivalent” will be included in the specifications.

### III. Purchasing Procedures

**A. In General:** Purchasing decisions are a cooperative effort; involve the Administration, User Department and the Finance Department. The User

Department will prepare the purchase requisition after discussing the purchase with the Village Administrator, to confirm that the purchase meets the Village's goals. After the Administrator approves the purchase, the User Department will start processing the purchasing documentation. The Finance Department will review the purchase documentation to confirm that it is in compliance with Village's fiscal and budgetary parameters and create the Purchase Order. The Village Administrator will refer legal documents to the Village Attorney for review. A Departmental Director/Chief may purchase materials and services for Village operations using one of the following procedures, as appropriate:

1. **Standard Competitive Purchases** (*Section IV*)

- a. Verbal Quotation
- b. Written Quotation
- c. Bid
- d. Request for Proposals (RFP)
- e. Extensions

2. **Sole Source Contract** (*Section V*)

3. **Centralized Purchase** (*Section VI*)

**B. Standardized Forms:** The Finance Department will develop, and periodically update, forms and materials for use in Village-wide purchasing, including bidding and RFP checklists, documents, as well as electronic documents that will be stored in the "Finance Department Forms" folder on the shared drive.

**C. Fiscal Review and Recommendations:** The Finance Department will review requisitions for compliance with this Purchasing Policy, grant requirements, budget considerations, and accounting procedures. The Finance Department may request additional information and offer suggestions and modifications related to any purchase to ensure that the purchase complies with the above. The Finance Department will hold any purchase that is not in conformance with this policy. The Finance Department may modify the accounting to conform to Village accounting methods and budgetary procedures, after discussing the changes with the Director/Chief.

**D. Purchase Justifications:** The Director/Chief shall provide purchase justifications for any purchase in excess of \$2,000.00. A "purchase justification" is defined as a description of the purchase, including budget information, a description of the material or service sought, information regarding any bids or proposals, and the basis for the recommended vendor or product. The form of this justification will depend upon the level of approval needed. (Please see Table 1. Purchasing Procedures below, in *Section III: F - Approval Limits*)



**E. Approval Process:** The Director/Chief must approve all purchases and change orders within budgetary limits. The approval process is outlined in Table 1, Section III:F. To designate a vendor as a 'sole source supplier' the Finance Director's approval is required for purchases over \$2,000.00. (See Section V: Sole Source Contracts)

1. The Village Administrator's approval is also required for any purchase which exceeds \$2,000, any change orders which cause the total cost of the purchase to exceed \$5,000, or any purchase or change order exceeding budget. In addition, the Finance Department may refer a change-order to the Village Administrator for approval of any purchase where special or unusual circumstances exist.
2. The Village Board of Trustees approval is also required for any purchase which exceeds \$20,000, any change orders which cause the total cost of the purchase to exceed \$10,000, or any purchase or change order exceeding budget.
3. To obtain Village Administrator Board of Trustees approval, a purchase justification, and supporting documents, including bid tabulations if applicable, shall be submitted to the Finance Director for review, who will then submit it to the Village Administrator. (The Village Administrator will refer the issue to the Village Board of Trustees, as appropriate, based on these guidelines.) The Finance Department will coordinate presentation of such matters to the Administrator and Village Board of Trustees in cooperation with the User Departments. The User Department should submit the request for a change order to the Finance Director via email.

**F Approval Limits:** Separate purchases or contracts shall not be entered into for the purpose of avoiding the cost limits. Table 1 outlines the purchase approval limits, outlined in items F.1 through F.5, and the recommended purchase processing.

1. **Purchases Under \$2,000.00:** For purchases under \$2,000.00, a Director/Chief may purchase materials or services in the open market.
2. **Purchases of \$2,000.00 but under \$5,000.00:** For purchases of \$2,000.00 or more, but under \$5,000.00, a Director/Chief may purchase materials or services in the open market by submitting a requisition, with three written quotations, and required purchase justification, to the Finance Department. The Village Administrator must approve such requisitions.
3. **Purchases of \$5,000.00 but under \$20,000.00:** For purchases of \$5,000.00 or more, but under \$20,000.00, a Director/Chief may purchase materials or services in the open market following the Village's guidelines for obtaining a Bid or RFP (see *Section IV B – Bids*). The Director/Chief will submit a requisition, with appropriate purchase justification, to the Finance

Department for initial review. The Finance Director will submit the approved requisition for approval by the Village Administrator.

4. **Purchases of \$20,000.00 or More:** For purchases of \$20,000.00 or more a Director/Chief may purchase materials or services in the open market following the Village guidelines for obtaining a Bid or RFP (see *Section IV B – Bids* and *C – Requests for Proposals*). The Director/Chief will submit a requisition, with appropriate purchase justification, to the Finance Department for initial review. The Finance Director will submit the requisition to the Village Administrator for inclusion on the Board of Trustees Agenda and approval by the Village Board of Trustees.

Table 1. Approval Limits

<b>Dollar Limits:</b>				
0 to \$999	\$1,000 to \$1,999	\$2,000 to \$4,999	\$5,000 to \$19,999	\$20,000 and over
<b>Approval Level:</b>				
Director/Chief approval	Director/Chief approval	Administrator approval with 3 quotes. Finance Director if sole source vendor	Administrator approval	Board of Trustees Approval
<b><u>Purchase Justification:</u></b>				
No justification report required	No justification report required	Requisition with justification attached	Requisition with justification attached	Administrator approval, followed by a requisition
<b>Competitive Process:</b>				
	1 quote (or 3 quotes if over budget)	3 written quotes	Bid or RFP – or 3 quotes	Bid or RFP – or 3 quotes



#### IV. Standard Competitive Purchasing

- A. In General:** All purchases, except as otherwise directed by Village Board of Trustees, will be subject to the competitive purchasing process for amounts in excess of \$2,000.00 as outlined in Table 1 in *Section IV.F, Approval Limits*.
- B. Purchasing Assistance:** The Finance Department will provide administrative support when requested by User Departments for obtaining quotes, preparing and/or reviewing bids and requests for proposals (RFP's), arranging for appropriate advertising, conducting pre-bid conferences, and bid openings.
- C. Quotations, Bids and Requests for Proposals.** The appropriate solicitation of quotations, written quotes, bids or proposals is based on the dollar value and the type of material or service desired. The following provides guidance on the use of these purchasing procedures.
1. **In General:** Quotes are used to purchase goods and services valued less than \$10,000. The purchase should be made from the lowest qualified quote, (using the standards for *lowest responsible bidder* described in *Section IX: Definitions*). When the award is not given to the lowest quote, the reasons for placing the order elsewhere shall be prepared by the Director/Chief and included in the purchase justification. Once quotes have been secured and the lowest qualified vendor has been identified, subsequent purchases during the same calendar year may be ordered from the same approved vendor, if the price does not change.
  2. **Verbal Quotes:** A verbal quote is permitted for purchases under \$2,000. These are to be documented by the User Department and included with the requisition in the accounting system. Verbal quotes must be summarized and attached to the vendor invoice for purchases made without a Purchase Order (under \$2,000).
  3. **Written Quotes:** Written quotations are to include the following:
    - i. Written quotations must be presented on a firm's letterhead, or preprinted quotation form.
    - ii. Written quotations must have an effective date. Expired quotations cannot be accepted.
    - iii. Duration of the written quotation (i.e. 30 days) should be specified.
    - iv. All additional charges, including delivery and set-up, should be included in the written quotation.

- v. The written quotation needs a signature by an authorized agent of the firm. Unsigned quotations cannot be accepted.
- vii. A faxed or E-mailed quotation from the vendor is acceptable.

#### **D. Bids**

1. **Definition.** Bids should be used where over \$10,000 of specifically identified products or services are sought. A bid is a written response by a vendor to Village-created list of specified products or services. The list is made available to interested vendors and the vendor responses are compared for price and compliance to the original list of items.
2. **Preparation of Specifications:** A User Department will prepare specifications for the desired purchase. The specifications shall include approved provisions regarding insurance, bidding procedures and other related items as established on standardized forms available from the Finance Department. Variations from these standard provisions are permitted where appropriate; provided such variations are approved by the Finance Department and, as appropriate, the Village Attorney.
3. **Advertisement:** Solicitation for bids will be advertised on the Village website, in local newspapers, or in such publications as the Village Clerk determines as appropriate, based on the material or service involved. Except for emergency matters, this advertisement will occur not less than 10 days prior to bid opening. Solicitations may also be faxed, mailed or e-mailed to prospective bidders at the discretion of the Finance Department, Village Clerk or the Director/Chief.
4. **Processing:** The Finance Department, the Village Clerk and the User Department will coordinate the pre-bid processing including any pre-bid conference, modifications to the specifications and bid openings.
5. **Review And Recommendations:** Following the bid opening by the Village Clerk, the Director/Chief and the Finance Director will review the bids and make appropriate recommendations regarding acceptance or rejection of any bid and the *lowest responsible bidder* (see *Section IX: DEFINITIONS*). The Director/Chief will prepare an Administrator's Approval Report as required by the dollar limitations outlined in *Section III F – Approval Limits*. A purchase justification will be attached, including bid tabulation, the identification of the recommended vendor, budget information, and background information as may be appropriate. When the lowest bidder is not recommended, the reasons for placing the order elsewhere shall be included in the purchase justification prepared by the Director/Chief.



6. **Award/Rejection:** After consulting with the Director/Chief and Finance Director the Village Administrator will recommend the award or rejection of bids to the Village Board of Trustees.

#### **E. Request for Proposals (RFP's)**

1. **In General.** A request for proposal (RFP) is used to make a purchasing contract for services or materials in the amount of \$10,000 or more, and when detailed specifications are not reasonable (i.e. architectural services to design a building).
2. **Definition.** An RFP is Village-created outline of a specific service or need. The vendor proposes a way to meet the Village-defined service or need and outlines the cost associated with the proposal. A proposal may, in the discretion of the Village, be subject to further negotiations, modifications, and rejections until the Village accepts the proposal.
3. **Preparation of Request:** Requests for proposals (RFP's) are to be prepared and submitted by the User Department for review and comment by the Finance Department, and the Administrator prior to advertising or soliciting of bids. All requests shall include approved provisions regarding insurance, response procedures and other related items as established on standardized forms available from the Finance Department. Variations from these standard provisions are permitted where appropriate; provided such variations shall be approved by the Finance Department and, as appropriate, the Village Attorney.
4. **Advertisement:** Requests for proposals will be advertised on the Village website, in a local newspaper, or in such publications as the Village Clerk determines as appropriate, based on the material or service involved. Except for emergency matters, this advertisement will occur not less than 10 days prior to the due date for proposals. Requests may also be faxed, mailed, or E-mailed to prospective proposal submitters at the discretion of the Finance Department or the Director/Chief.
5. **RFP Processing:** The Finance Department and the User Department shall coordinate the processing of all RFP's including any modifications to the requests and negotiations for final proposals.
6. **Review and Recommendations:** Following the due date for proposals, the Director/Chief of the User Department, and the Finance Director, will coordinate the review of the proposals, including evaluating the product and interviewing vendors as necessary, and shall make appropriate recommendations regarding acceptance or rejection of any proposals. The Director/Chief and Finance Director may enter into further negotiations with one or more of the proposed vendors to secure the most favorable terms for the

Village. For purchases in excess of \$10,000, the Director/Chief will prepare an Administrator's Approval Report attaching a purchase justification which will include a summary of the proposals received, any negotiations, the recommended vendor, the budget, options, and background information as may be appropriate. The recommendation should be made from the lowest qualified proposal using the standards for lowest responsible bidder (described in *Section IX – Definitions*, above). When the lowest proposal is not recommended, the reasons for placing the order elsewhere shall be included in the purchase justification prepared by the Director/Chief.

7. **Award/Rejection:** The Chief/Director is responsible for recommending the award or rejection of proposals according to *Section III*, which outlines *E - Approval Processing* and *F - Approval Limits*.

#### **F. Extensions**

**In General.** Contract extensions must be approved by the Village Board of Trustees and may be granted for previously approved contracts if the contract price does not increase by more than 2% over the originally approved contract. Contracts may be extended twice, under this constraint. Contracts must be re-bid, or new Requests for Proposals must be made after a contract has been extended twice.

#### **V. Sole Source Contracts**

1. **In General:** When it is determined that a particular product, service or work is not subject to competitive bidding due to limitations arising out of the nature of the product, service or work or its availability, the Village may be required to negotiate and enter into contracts for materials or services with a sole source supplier. The approval of the Village Administrator is required to designate a vendor as a sole source supplier.
2. **Sole Source Purchasing:** A Director/Chief may purchase materials or authorize work from an approved sole source supplier by submitting purchase justification to the Finance Department for approval. The approval of the sole source purchase is subject to the guidelines in *Section III E – Approval Process* and *F- Approval Limits*.



3. **Sole Source Supplier Contract.** In addition to the purchasing justifications required in this directive, based on the dollar value and type of purchase, any recommended contract from a sole source supplier must be supported by submitting the following:
  1. The basis for concluding that the product or service sought is limited to a particular sole source, including specifying how it is in the best interests of the Village to use the vendor as a sole source supplier
  2. The options, such as product substitution, which are available, including a discussion of the impact of each option.

## **VI. CENTRALIZED PURCHASING PROGRAMS**

Centralized purchasing has been established for certain commonly shared materials or services, such as cellular phone services. Purchases of such materials or services will be coordinated through a designated Village budgetary program. The Finance Director will be responsible for applying these purchasing policy guidelines to the Village-wide centralized purchasing of the designated material or services.

## **VII. CHANGE ORDERS**

- A. **In General:** A Change Order means and includes a change in a contract term other than as specifically provided for in the contract which authorizes or necessitates any increase in the cost of a contract or the time of completion and which was not reasonably foreseeable at the time the contract was entered into, was not within the contemplation of the original contract or is in the best interests of the Village.
- B. The approval of change orders, in addition to that outlined in *Section III E-Approval Process* and *F-Approval Limits*, is limited by the percent of change. The approved change orders which, when added to the original cost and any previous change orders, may not cause the total cost of a purchase/contract to exceed 105% of the original contract or \$15,000 dollars, whichever is greater. The Board of Trustees must approve all change orders that would cause the total cost of a purchase contract to exceed 105% of the original contract or fifteen thousand dollars (\$15,000).
- C. **Processing:** A Director/Chief may authorize a change order that is within budget limits and does not cause the total cost of the purchase to exceed \$4,000. For change orders over the amount of \$4,000, the Director/Chief shall send a change order explanation, via email, to the Finance Director for approval. This explanation will describe the need for the change, the cost and the budget information. Upon approval by the Finance Director, those items

over the amount of \$4,000 will then be submitted to the Administrator for approval. In the event a proposed change order would cause the total cost of a purchase contract to exceed 105% of the original contract or \$15,000, whichever is greater, the change order explanation shall be submitted to the Village Board of Trustees for final approval.

#### **VIII. PROCESSING PAYMENTS FOR MATERIALS AND SERVICES**

- A. Documentation:** Purchasing documentation will be attached to invoices presented for payment. For example, invoices for contractual purchases that have received Board of Trustees Approval will include the date of Board of Trustees approval.
- B. Purchase order numbers:** The User Department will advise vendors to reference purchase order numbers on the invoice, when purchase orders are required by this directive.

#### **IX. DEFINITIONS**

The Purchasing Ordinance sets forth various definitions that are applicable to this directive. In addition, the following terms are defined as follows:

- A. Director/Chief** means and includes the Village Administrator; Fire Chief; Police Chief; any Department Head and any designee of the foregoing provided that the Village Administrator has approved such designee.
- B. User Department** means the department or departments purchasing material or service and from whose budget the costs thereof will be charged.
- C. Lowest Responsible Bidder.** In determining the "lowest responsible bidder", in addition to price, the following should be considered:
  - 1. The ability, capacity and skill of the bidder to perform the contract or provide the service required.
  - 2. Whether the bidder can perform the contract or provide their service promptly, or within the time specified, without delay or interference.
  - 3. The character, integrity, reputation, judgment, experience and efficiency of the bidder.
  - 4. The quality of performance of previous contracts or services.
  - 5. The previous and existing compliance by the bidder with laws and ordinances relating to the contract or service.

6. The sufficiency of the financial resources and ability of the bidder to perform the contract or provide the service.
7. The quality, availability and adaptability of the supplies, or contractual services to the particular use required.
8. The ability of the bidder to provide future maintenance and service for the use of the subject of the contract.
9. The number and scope of conditions attached to the bid.

**Sole Source Supplier** Refers to a vendor designated as the only provider that can meet the needs of the Village, based on the nature of the materials or services; the timing of delivery; or other factors that relate to the best interests of the Village of Antioch. The value-based parameters, as outlined in *Section III: Village Purchasing Procedures*, are applied to the designation of sole source supplier. The Finance Director must approve of the designation as a sole source supplier for all purchases over \$1,000.00, additionally, the Village Administrator must approve the designation for purchases over \$5,000 and Board of Trustees' approval is required for the designation as a sole source supplier for purchases in amounts over \$10,000.

**Purchase Justification** is a description of the purchase, including budget information, a description of the material or service sought, information regarding any bids or proposals, and the basis for the recommended vendor or product. The form of a purchase justification depends upon the dollar value of the purchase and the level of approval needed.

**Quotation** can be either a verbal or written response by a vendor to a Village inquiry on a specific product or service. (See *Section IV: A - Quotations*)

**Bid** is a written response by a vendor to Village-created list of specified products or services. (See *Section IV: B - Bids*)

**Request For Proposal (RFP)** is a Village-created outline of a specific service or need. The vendor proposes a way to meet the Village-defined service or need and outlines the cost associated with the proposal. A proposal may, in the discretion of the Village, be subject to further negotiations, modifications, and rejections until the Village accepts the proposal. (See *Section IV: C – Request for Proposals*)



## XI. Significant Accounting Policies

### **Financial Statements**

The government-wide financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the Village's accounting policies established in GAAP and used by the Village are described below.

### **Reporting Entity**

The Village is the Primary Government entity for financial reporting. In determining the financial reporting entity, the Village complies with the provisions of GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units - an Amendment of GASB Statement No. 14," and includes all component units that have a significant operational or financial relationship with the Village. Based upon the criteria set forth in the GASB Statement No. 39, there are no component units included in the reporting entity.

### **Police Pension Employees Retirement System**

The Village's sworn police employees participate in the Police Pension Employees Retirement System (PPERS). PPERS functions for the benefit of these employees and is governed by a five-member pension board. Two members appointed by the Village's President, one elected pension beneficiary and two elected police employees constitute the pension board. The participants are required to contribute a percentage of salary as established by state statute and the Village is obligated to fund all remaining PPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the Village is authorized to approve the actuarial assumptions used in the determination of contribution levels.

Although it is legally separate from the Village, the PPERS is reported as if it were part of the primary government because its sole purpose is to provide retirement benefits for the Village's police employees. The PPERS is reported as a fiduciary fund, and specifically a pension trust fund, due to the fiduciary responsibility exercised over the PPERS.

### **Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability/deferred inflow is incurred or economic asset used. Revenues, expenses, gains, losses, assets/deferred outflows, and liabilities/deferred inflows resulting from exchange and exchange-like transactions are recognized when the exchange takes place.



In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. The Village recognizes property taxes when they become both measurable and available in accordance with GASB Codification Section P70. A sixty-day availability period is used for revenue recognition for all other governmental fund revenues. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are recognized when due.

In applying the susceptible to accrual concept under the modified accrual basis, those revenues susceptible to accrual are property taxes, sales and use taxes, franchise taxes, licenses, interest revenue, and charges for services. All other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

All proprietary, pension trust and agency funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Village's enterprise funds are charges to customers for sales and services. The Village also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### **Cash and Investments**

Cash and cash equivalents on the Statement of Net Position are considered to be cash on hand, demand deposits, cash with fiscal agent. For the purpose of the proprietary funds "Statement of Cash Flows," cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent, and all highly liquid investments with an original maturity of three months or less.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have any established market, if any, are reported at estimated fair value.

**Prepays**

Prepays are valued at cost, which approximates market. The cost of governmental fund-type prepaids are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in both the government-wide and fund financial statements.

**Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenditures/expenses at the time of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## **XII. Pension and Retirement Benefits**

### **A. Police Pension**

The Police Pension Plan is a single-employer defined benefit pension plan that covers all sworn police personnel. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois State Statutes and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund.

1. The Village shall levy 100% of the annual actuarially determined contribution to the Police Pension Fund, as determined by the Illinois Department of Insurance or an independent actuary.

### **B. Post-Employment Benefits**

1. The Village provides post-employment health care insurance benefits for its eligible retired employees through a single employer defined benefit plan.
2. Eligible employees must qualify for retirement under one of the Village's retirement plans.
3. Elected officials are eligible for benefits if they qualify for retirement through the Illinois Municipal Retirement Fund.
4. All retirees contribute 100% of the actuarially determined premium to the plan.

### **C. Pension Funding**

The Village Board acknowledges that:

1. The adequate funding of pensions is important to the financial health of the pension fund and its ability to provide the statutory benefits to the participants over time.
2. The Village Board has very limited input or control over the actions taken by the pension boards and the investments made and held by the respective pension boards, or the investment returns derived upon these investments
3. The actuarially determined funding level is a recognized means to provide a measure of the financial health of a pension fund.



4. The actuarially determined funding level is subject to constant change due to investment returns, changes in eligible compensation of participants, among other factors.
5. While the Village Board would desire the Village's pension funds maintain an actuarially determined funding level of 80% or better, it also recognizes that this actuarially determined benchmark is not within the control of the Village Board beyond its commitments to provide the required contributions and funding on an annual basis as provided under State Statutes and Federal Law.

### XIII. Conflict of Interest

The Village will not enter into contracts or transactions with any corporation, partnership, association, or other organization in which the Mayor, Board of Trustees, or Executive staff are directors, officers, or have a financial interest without prior approval by an affirmative vote of the majority of disinterested Trustees.