

RESOLUTION NUMBER 07 - 12

**A RESOLUTION ADOPTING FINANCIAL POLICIES FOR THE
VILLAGE OF EAST DUNDEE ILLINOIS**

WHEREAS, the Village of East Dundee is a home rule unit of local government under and pursuant to Section 6 of Article VII of the Constitution of the State of Illinois, has the authority to exercise any power and perform any function pertaining to its government and affairs, including but not limited to the power to regulate for the protection of the public health, safety, morals, and welfare; and

WHEREAS, the Village of East Dundee has developed a number of financial policies which will guide the preparation and administration of the revenue, budgeting, accounting, debt, auditing and financial reporting functions of the Village; and

WHEREAS, the President and Board of Trustees have reviewed the Financial Policies proposed and desire to adopt those policies.

NOW THEREFORE BE IT RESOLVED BY THE PRESIDENT AND BOARD OF TRUSTEES OF THE VILLAGE OF EAST DUNDEE, COOK AND KANE COUNTIES, ILLINOIS, AS FOLLOWS:

Section One. That the Village of East Dundee adopts and approves and the Village of East Dundee, Illinois, Financial Policies, a copy of which is attached hereto.

Section Two. Severability. If any section, paragraph or provision of this Resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this resolution.

Section Three. Repeal. If any section, paragraph, clause, or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause, or provision shall not affect any of the remaining provisions of this Resolution.

Section Four. Publication. This Resolution shall be in full force and effect forthwith upon its adoption, approval and publication in pamphlet form, if said publication is required by law.

Adopted this 20th day of February, 2012, pursuant to a roll call vote as follows:

AYES:

7 - Trustees Ruffalo, Gorman, Lynne Miller, Skellicorn,
NAYES: 0 VanOstenbridge & President Bartels

ABSENT: 0

Approved by me this 20th day of February, 2012.

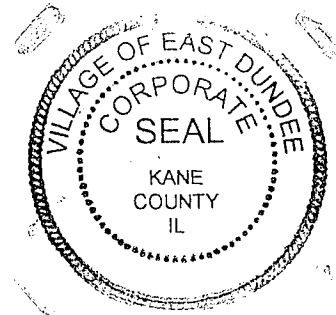
Jerald Bartels
JERALD BARTELS, President

Published in pamphlet form this 23rd day of February, 2012, under the authority of the President and Board of Trustees.

ATTEST:

Jennifer Rehberg
JENNIFER REHBERG, Village Clerk

Recorded in the Village Records on Feb. 23rd, 2012.



VILLAGE OF EAST DUNDEE, ILLINOIS

FINANCIAL POLICIES

PURPOSE

Primary among the responsibilities of the government of the Village of East Dundee to its citizens is the care of public funds and wise management of Village finances while providing for the adequate funding of the services desired by the public and the maintenance of public facilities. These financial management policies, designed to ensure the fiscal stability of the government of the Village of East Dundee, Illinois, shall guide the development and administration of the annual operating and capital budgets. These financial policies address revenues, cash management, expenditures, debt management, risk management, capital needs, and budgeting and management.

OBJECTIVES

- To protect the policy-making ability of the Village Board by ensuring that important policy decisions are not controlled by financial problems or emergencies.
- To enhance the policy-making ability of the Village Board by providing accurate information on program costs.
- To assist sound management of Village government by providing accurate and timely information on financial condition.
- To provide sound principles to guide the important decisions of the Village Board and of management which have significant fiscal impact.
- To set forth operational principles which minimize the cost of government, to the extent consistent with services desired by the public, and which minimize financial risk.
- To employ policies which prevent undue or unbalanced reliance on certain revenues, which distribute the costs of Village government services as fairly as possible, and which provide adequate funds to operate desired programs.
- To provide essential public facilities and prevent deterioration of the Village's public facilities and its capital plant.
- To protect and enhance the Village's credit rating and prevent default on any debts.
- To ensure the legal use of all Village funds through a good system of financial security and internal controls.

ACHIEVING THESE OBJECTIVES

To achieve and maintain the aforementioned objectives, the Finance Department, at the direction of the Village Administrator's Office, working with the Village Board, will conduct an annual analysis of projected financial condition and key financial indicators. It is the focus of this analysis to:

- Identify the areas where the Village is already reasonably strong in terms of protecting its financial condition;
- Identify existing or emerging problems in revenue sources, management practices, infrastructures conditions, and future funding needs;

- Forecast expenditure and revenue for the next 5 years, taking care to consider such external factors as county, state and federal actions, the bond market, sales tax trends, and management options being explored and used by other local governments, as well as internal management actions taken during the last budget cycle and being examined for application.

REVENUE POLICIES

Statements dealing with taxes and the means whereby the Village raises revenue to fund operations.

Revenue Policy #1: Fund Balance

To achieve an "AAA" Village credit rating and meet seasonal cash flow shortfalls, the budget shall provide for an anticipated undesignated fund balance 25% for general government and enterprise fund types, of estimated annual revenues. The fund balance shall be exclusive of all reserves not anticipated to be readily available for use in emergencies and contingencies.

- Should the fund balance fall below 20% of expenditures, the Village Administrator shall prepare and submit a plan for expenditure reductions and/or revenue increases to the Village Board via the Finance Committee.
- In the event the fund balance is above 35%, the difference may be used to fund the following activities:
 - one-time capital expenditures which do not increase ongoing Village costs;
 - other one-time costs; and
 - ongoing or new Village programs, provided such action is considered in the context of Board approved multi-year projections of revenue and expenditures.
- Generally, the fund balance levels are dictated by:
 - cash flow requirements to support operating expenses;
 - relative rate stability from year to year for enterprise funds;
 - susceptibility to emergency or unanticipated expenditure;
 - credit worthiness and capacity to support debt service requirements;
 - legal or regulatory requirements affecting revenues, disbursements, and fund balances; and
 - reliability of outside revenues.
- If, at the end of a fiscal year, the fund balance falls below 25%, then the Village shall rebuild the balance within one year.

Revenue Policy #2: Contingency

- To help maintain services during short periods or economic decline and meet emergency conditions, in addition to the Fund Balance, the budget shall provide for a contingency. All general government and enterprise fund types shall maintain a contingency. The contingency shall also be exclusive of all reserves not anticipated to be readily available for use in emergencies. The contingency is established to provide for nonrecurring unanticipated expenditures, or to meet small increases in service delivery costs. The contingency reserve will be built by using 10% of the annual increase in unreserved, undesignated funds.
- Contingencies should be utilized to avoid large tax rate increases from one year to the next. Where correction of a fund balance deficit causes the contingency to fall, a gradual correction of the problem over a two-year period is preferable to a one-time jump in tax rates.

Revenue Policy #3: Sources of Revenue

- The Village will strive to maintain a diversified and stable revenue system to shelter the government from short-run fluctuations in any one-revenue source and ensure its ability to provide ongoing service.
- Restricted revenue shall only be used for the purpose intended and in a fiscally responsible manner. Programs and services funded by restricted revenue will be clearly designated as such.
- A balance will be sought in the revenue structure between the proportions of fluctuating and stable revenues. All sources of revenue authorized by the Illinois Code of Laws may be sought to achieve the desirable balance.
- Revenues sources will be examined during the annual budget process. A five (5) year pro forma shall be developed to ensure that projected future revenues meet projected future expenditures.
- In preparing the proposed budget, the Finance Department, shall make recommendations to the Village Administrator regarding options to reduce the Village's reliance on property tax revenue.

Revenue Policy #4: Home Rule Sales Tax

Home Rule Sales Tax revenue shall be restricted as follows:

- Financing for construction of water and sewer related improvements.
- Funding of the garbage collection contract.
- Capital improvements, with emphasis on infrastructure and economic development.

Revenue Policy #5: Fees-Licenses, Permits, Misc. Items

- All fees established by Village of East Dundee for licenses, permits, fines, and other miscellaneous charges shall be set to recover a designated portion of the Village's expense in providing the attendant service. These fees shall be reviewed annually. A revenue manual listing all such fees and charges of the Village shall be maintained by the Finance Department.

Revenue Policy #6: Grants/Intergovernmental Funds

- The Village shall aggressively pursue all grant opportunities; however, before accepting grants, the Village will consider the current and future implications of both accepting and rejecting the monies. Future funding obligations as required by grant requirements must be decided at grant acceptance. The Village shall seek grants and other funding opportunities which provide maximum leverage of tax supported monies. Further, the Village shall seek to minimize grant funded commitments requiring recurring fiscal expenditures.

Revenue Policy #7: Gifts, Donations and Bequests

- Prior to acceptance, all gifts, donations and/or bequests given to the Village for the use of any of its departments or divisions will be evaluated by the appropriate parties to determine what, if any, obligations are to be placed upon the Village. Gifts and bequests will be considered as "over and above" basic Village appropriations.
- Gifts and donations shall be used solely for the purpose intended by the donor. Unrestricted gifts will be expended in the manner and for the purposes authorized by Village Board.

Revenue Policy # 8: Operating Transfers

- To the maximum extent feasible and appropriate, General Fund transfers to other funds shall be defined as payments intended for the support of specific programs or services. Amounts not needed to support such specific program or service expenses shall revert to the General Fund's fund balance, unless Board direction establishing the transfer for other items is enacted. Should the fund accumulate an unexpected unencumbered balance, this excess shall be used first to repay the advance. At the time of closing out the fund, all assets of the fund revert to the General Fund, not contrary to any other applicable Federal, State or local law.

OPERATING BUDGET POLICIES

Statements dealing with the expenditures of the operating budget

Operating Budget Policy #1: Operating Budget – Pay-As-You-Go

- The Village shall attempt to conduct its operations on a pay-as-you-go basis from existing or foreseeable revenue sources. The control of costs will be emphasized. Achieving pay-as-you-go requires the following practices: current operations, maintenance and depreciation costs to be funded with current revenues, direct and indirect costs of services must be fully identified, and sound and expenditures forecasts must be prepared.
- The Village Administrator shall annually prepare a full cost allocation plan to provide accurate, complete estimates of service costs.

Operating Budget Policy #2: Budget Performance Reporting

- The Village Administrator shall submit a quarterly report comparing actual revenues and expenditures with budgeted revenue and expenditures.
- Where practical, Village departments shall develop and employ performance measures and/or benchmarks with selected and comparable municipalities to be included in the budget.

Operating Budget Policy #3: Maintenance, Repair & Replacement

- All equipment replacement and maintenance needs for the next five years will be projected and the projection will be updated each year.
- Replacement of capital outlay items shall be timed at fairly stable intervals so as not to spend excessively in one year and restrictively in the next.

Operating Budget Policy #4: Maintenance of Capital Assets

- The budget should provide sufficient funds for the regular repair and maintenance of all Village of East Dundee capital assets.
- Future maintenance needs for all new capital facilities will be fully identified.

Operating Budget Policy #5: Personnel Services

- Village of East Dundee shall strive to pay prevailing market rates of pay to its employees. Prevailing market rate is defined to include both salary and fringe benefit levels.

- In establishing pay rates, a cost analysis or rate increase will be conducted and shall include the effect of such increases on the Village's share of related fringe benefits and unfunded liabilities (including non-salary related benefits).
- Long term costs of changes in benefit packages shall be estimated and fully disclosed to the Board before implementation and annual wage adjustments are affirmed.

CAPITAL IMPROVEMENT POLICIES

Policies relating to the five-year capital improvement program and special funds necessary to address particular needs of the Village of East Dundee community:

Capital Improvement Policy #1: Capital Improvement Plan

- A five-year Capital Improvement Plan shall be developed and presented annually by staff in accordance with the Capital Improvement Program Policies, and approved by the Village Board. This plan shall contain all capital improvements from all funds and departments of Village government. The first year of the plan shall constitute the next year's capital budget.
- A high priority shall be placed on replacement of capital improvements when such improvements have deteriorated to the point of becoming hazardous, incur high maintenance costs, are negatively affecting property values, and/or are no longer functionally serving their intended purposes.
- Capital improvements constructed in the Village shall be based on construction standards which minimize construction costs, while assuring that accepted useful life minimum maintenance costs will result.

Capital Improvement Policy #2: Capital Improvement Financing

- Within the limitation of existing law, various funding sources may be utilized for capital improvements. Funding via long term debt should be avoided whenever possible. Capital projects shall not be dictated by the nature of funding available except to the extent that the projects meet an initial test of being required to achieve Village goals and to the extent that projects must be placed in priority dictated by the nature of funds available.
- Upon completion of capital projects, the Finance Department shall certify any unspent funds from the project, and such funds shall revert to the Capital Project Reserve as appropriate. Unspent capital project funds shall be reported to the Village Board. The Village Administrator shall include in the annual budget and capital improvement program recommendations to dispose of unspent capital project funds. In no case shall projects incur a funding deficit without the express approval of the Village Board.

INVESTMENT POLICIES

This investment policy applies to all monetary assets of the government of Village of East Dundee and as managed by the Village of East Dundee Treasurer.

Whenever there is an available cash balance in the Village treasury that is more than sufficient to meet the current expenditures properly payable, the Village should invest such portion of funds as is expedient. Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital as prescribed the Illinois Code of Laws.

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipate demands. Full collateralization of the entire portfolio is required.

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return of investment is of secondary importance compared to the safety and liquidity objectives described above.

ACCOUNTING POLICIES

Policies relating to the procedures that the Village utilizes in accounting for its financial transactions:

Accounting Policy #1: Accounting System and Standards

- The Village's accounting and reporting system shall demonstrate the following characteristics:
 - Reliability;
 - Accuracy;
 - Consistency;
 - Responsiveness; and
 - Conformity with all legal requirements.
- The Village's accounting system shall be maintained in such a way so as to conform to the generally accepted accounting principles established by the Governmental Accounting Standards Board, State of Illinois and Federal laws, and result in an unqualified opinion by the Village's independent auditor.
- The Village shall annually prepare and publish, no later than October 31st of each year, a comprehensive annual financial report (CAFR) prepared in conformity with generally accepted accounting principles.
- The Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting shall be pursued annually.

Accounting Policy #2: Collateralization of Demand Deposit Accounts

All demand deposit bank accounts under the authority of Village of East Dundee will be required to be adequately collateralized to the extent that the balance exceeds the \$250,000 limit covered by FDIC insurance. Pledged collateral should be held either in a Federal Reserve pledge account, or by an independent third-party institution that is the agent of Village of East Dundee. Pledged collateral should be held in the name of Village of East Dundee.

Accounting Policy # 3: Cash Handling Policy

The establishment of strong internal controls for cash collections is necessary to prevent mishandling of funds and to safeguard against loss. Strong internal controls are also designed to protect employees from inappropriate charges of mishandling funds by defining his/her responsibilities in the cash handling process. Cash is considered to be any type of payment for goods or services including: coin, checks, money orders, credit cards and electronic funds transfers. New employees handling cash are required to have their credit history checked. All employees handling cash may be subject to a credit history check and review. All Village of East Dundee departments receiving cash should have the following procedures in place:

- Proper accounting for cash as it is received.
- Adequate separation of duties with regard to cash receipts.
- Adequate safeguards for handling and storing cash.

- Approval of any voided cash receipts.
- Timely deposit of cash directly with the Village of East Dundee Treasurer or in a departmental bank account.
- Timely notification of the Finance Department of any changes in cash handling procedures.

Cash handling procedures are subject to audit by the Village of East Dundee Finance Department and/or external audit firm.

DEBT POLICIES

Policies relating to the long-term financing of the Village's Capital Improvement Program:

Debt Policy #1: Use of Debt Financing

- The government of Village of East Dundee, Illinois shall only use long term debt for capital projects that cannot be financed out of current revenues within the Revenue Policy guidelines. Further debt financing shall generally be limited to one-time capital improvements projects and only under the following circumstances:
 - when the project's useful life will exceed the term of the financing;
 - when project revenue or specific resources will be sufficient to service the debt; and,
 - when the project will significantly benefit the citizens of Village of East Dundee.
- Debt financing shall not be considered appropriate for;
 - current operating and maintenance expenses; and
 - any recurring purpose.

Debt Policy #2: Limits on Issuance of Debt

- Outstanding general obligation indebtedness of the Village, other than enterprise or special revenue backed bonds, shall not exceed the percentage of the assessed value of the taxable property within Village of East Dundee as permitted by the Illinois Constitution.

Debt Policy #3: Self-Imposed/Board Limits on Issuance on Debt

- Except for the enterprise funds, debt service for long-term issues (greater than five years) shall not exceed 20% of the combined operating and capital budgets.

Debt Policy #4: Leasing

- Lease purchase shall be considered only when the useful life of the item is equal to or greater than the length of the lease.

Debt Policy #5: Rating Agency Relationship

- The Village shall maintain good communication with bond rating agencies about its financial condition. The Village will follow a policy of full disclosure on bond prospectus.

Debt Policy #6: Debt Management Plan

- A Comprehensive Debt Management Plan shall be developed and presented to Village Board annually by staff, encompassing all debt of the Village and including, but not limited to:
 - a detailing of the sources of funding for all debt,
 - current and future debt capacity analysis,
 - issues to be addressed for sound debt management, and
 - reporting as to the Village's compliance with its debt policies.

Debt Policy #7: Economic Development Bonds

The Village shall strive to promote the economic welfare of the citizens of Village of East Dundee by providing employment opportunities and a diverse industrial base. The Village shall utilize the following financing methods for industrial development:

- Industrial Revenue Bonds and the Jobs – Economic Development Authority Act.
- Fee in Lieu of Tax agreements.
- Special Source Revenue Bonds (including use of Business Development District revenues) for industrial/business parks or fee in lieu of taxes transaction for the acquisitions of land, buildings, and improvements or the expansion of an existing project.