

FINANCIAL AND ACCOUNTING POLICIES

The following policies are contained in this section:

- Budget and Appropriation Policy
- Capitalization Policy
- Debt Management Policy
- Fund Balance Policy, General (Town) Fund, Special Revenue (General Assistance Fund)
- Fund Balance Policy, Community Mental Health Board
- Investment Policy
- Performance Measurement Policy
- Property Tax Levy Policy
- Revenue and Expenditure Management Policy
- Strategic Planning Policy
- Accounting Policies

BUDGET AND APPROPRIATION POLICY

PURPOSE: The objectives of this Budget and Appropriation Policy are to: define an appropriate budget process; set forth the Township’s statutory authority; define the basis of budgeting and set standards for the Township annual budget document.

POLICY STATEMENT: A budget process and document that is integrated with other activities of government, such as planning and management functions will provide better financial and program decisions and will lead to improved Township operations.

BUDGET PROCESS: An appropriate budget process is characterized by:

1. Incorporating a long-term perspective such as a strategic plan.
2. Establishing linkages to broad organizational goals.
3. Focusing budget decisions on results and outcomes.
4. Involving and promoting effective communications with stakeholders.
5. Providing incentives to government management and employees.

STATUTORY AUTHORITY: The Township Code (the “Code”) sets forth the requirements for the Township’s annual budget and appropriation ordinance 60 ILCS1/80-60. The Code provides that the Township follow the Illinois Municipal Budget Law 60 ILCS 1/80-60. The Illinois Municipal Budget Law (the “Law”) 50 ILCS 330/3 provides that each governing body adopt a combined annual budget and appropriation ordinance within or before the first quarter of each fiscal year.

POLICY: It is the policy of the Township Board to adopt a balanced budget while maintaining fund balances within established policy. A **Balanced Budget** requires that anticipated revenues equal the sum of budgeted expenditures for each fund. Revenues are derived from three sources: current revenue sources, new revenue sources and undesignated revenue carried forward from prior years (undesignated fund balances). It is also the policy of the Board that the Township budget is adopted and administered based on the highest standards of local governmental budgeting consistent with Generally Accepted Accounting Principles (GAAP), Governmental Accounting Standard Board (GSAB) pronouncements, and recommended practices of the Government Finance Officers Association (GFOA) and the National Advisory Council on State and Local Budgeting (NACSLB).

BASIS OF BUDGETING: The budget is prepared and reported on a modified accrual basis. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are due before the end of the year and collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred.

PROCEDURES:

1. The Township Board shall review its Strategic Plan annually and agree on broad goals to guide the budget process.
2. The Township Manager shall prepare and present information to the Township Board pertaining to the Township's financial condition and projected revenues and expenditures. Based on the Township Board's broad goals and the financial information presented, the Board shall provide guidance to the Township Manager regarding preparation of the annual budget.
3. The Township Manager shall oversee the preparation and submission of division and departmental budgets for consideration pursuant to direction from the Township Board.
4. The operating budget is adopted at the Fund level. Programs and services are evaluated based on results and outcomes.
5. The Township Board shall approve a tentative budget and, following all statutory requirements, adopt an annual budget and appropriation ordinance within or before the first quarter of each fiscal year.
6. The Township Manager is responsible for administration of the budget and shall observe all statutory responsibilities in administration of the budget.
7. The Community Mental Health Board is responsible for administration of the community mental health budget.
8. It is the responsibility of the Township Board to review financial reports provided during the year.

Adopted January 24, 2006

CAPITALIZATION POLICY

PURPOSE: The objective of this Capitalization Policy is to comply with Generally Accepted Accounting Practices (GAAP) and comply with the Governmental Accounting Standards Board (GASB) Statement 34.

PROCEDURES: The Township Board shall periodically review the Capitalization Policy for changes or modifications.

POLICY: The Capitalization Policy is as follows:

1. Minimum Capitalization Amounts: The minimum capitalization amount for individual equipment is \$5000 and for buildings and improvements is \$10,000.
2. Maintenance: The cost for maintenance will be expensed.
3. Depreciation Methods: The following depreciation methods are established:

- Appliances – 5 years, straight line
- Tools – 5 years, straight line
- Equipment – 7 years, straight line
- Vehicles 7 years, straight line
- Other Improvements – 20 years, straight line
- Buildings – 40 years, straight line

Adopted May 24, 2005

DEBT MANAGEMENT POLICY

PURPOSE: The objectives of this Debt Management Policy are to establish parameters for issuing and managing debt.

POLICY STATEMENT: The Township recognizes the foundation of any well-managed debt program is a comprehensive debt policy. A debt policy sets forth the parameters for issuing debt and managing outstanding debt and provides guidance to decision makers regarding the timing and purposes for which debt may be issued, types and amounts of permissible debt, method of sale that may be used and structural features that may be incorporated. The debt policy should recognize a binding commitment to full and timely repayment of all debt as an intrinsic requirement for entry into the capital markets. Adherence to a debt policy helps to ensure that a government maintains a sound debt position and that credit quality is protected. A debt policy:

- Enhances the quality of decisions by imposing order and discipline, and promoting consistency and continuity in decision making,
- Rationalizes the decision-making process,
- Identifies objectives for staff to implement,
- Demonstrates a commitment to long-term financial planning objectives, and
- Is regarded positively by the rating agencies in reviewing credit quality.

STATUTORY LIMITATION: The Local Government Debt Limitation Act 50 ILCS 405/1 ("the Act") governs the debt limit of the Township. The Act set the limit of debt for Oak Park Township, including existing indebtedness at 2.875% on the value of the taxable property within the Township. The value of taxable property is ascertained by the last assessment for State and county taxes.

The Property Tax Extension Limitation Law (PTELL) 35 ILCS 200/18-205 limits the amount of the revenue that the Township may raise from property taxes. PTELL limits the increase in property tax that the Township may levy to 5% or the percentage increase in the Consumer Price Index during the 12-month calendar year proceeding the levy year, whichever is less. The Township may increase its extension limitation for a current year if it holds a referendum before the levy date at which a majority of voters voting on the issue approves adoption of a higher extension limitation.

POLICY: The Township has instituted sound debt management practices and will continue to follow practices that will reflect positively on the Township. Among these are the development of long-term financial plans, management of expense growth in line with revenues and maintenance of an adequate level of operating reserves.

Debt Obligations: The only long-term debt owed by the Township is for compensated absences and the rights to such benefits are vested. Township

employees, based on the length of employment and employee status, earn vacation time. Employees are generally required to use their vacation time with the exception that 40 hours can be carried to the following year. Any unused vacation time is paid to employees upon termination. The Township also allows employees to accumulate compensatory time for later use subject to an established maximum. Accumulated unused compensatory time is paid to the employee upon termination. The Township allows for carryover of unused sick time, subject to established maximum limits. Upon termination employees are paid for unused sick time at a nominal rate.

PROCEDURES: Prior to a decision to issue any additional debt the Township Board shall:

1. Consider how the issuance of debt fits with other long-term strategic planning and financial and management objectives.
2. Undertake a comprehensive review of factors affecting its ability to issue debt including trends in financial performance, service levels, the tax and revenue base, and the impact of debt on its financial outlook. The analysis will incorporate the needs and debt commitments of other governmental entities relying on the same tax base, and how planned debt issuance will affect overall debt on the community.
3. Consideration will be given to factors such as prevailing attitudes on taxes and rates and the general philosophy of the community and its leaders and the Township Board's attitude toward risk.

Adopted: December 14, 2005

**FUND BALANCE POLICY
GENERAL (TOWN) FUND
SPECIAL REVENUE (GENERAL ASSISTANCE) FUND**

PURPOSE: The objectives of this Fund Balance Policy are: to provide for contingency or emergency spending; to preserve the credit worthiness of the Township; to avoid interest expenses for operating budget needs; and to stabilize fluctuations from year to year in property taxes collected and paid to the Township.

FUND BALANCE is defined as the difference between fund assets and fund liabilities of governmental funds.

PROCEDURES: In order to achieve the objectives of this Policy, the Township Board shall adhere to the following procedure:

1. As part of the annual budget process, the Township Manager will estimate the surplus or deficit for the current year and prepare a projection of the year-end General (Town Fund) and Special Revenue (General Assistance) fund balances. Estimates will include balances for unreserved and reserved (designated and undesignated) fund balances.
2. Projections will include an analysis of trends in fund balance levels on an historical and future projection basis.
3. The Township Board shall review the Fund Balance Policy annually for changes or modification taking into consideration factors such as predictability of revenues and volatility of expenditures, availability of other resources, liquidity and existing or potential designations of fund balances.

POLICY: The Fund Balance Policy is:

1. Annual appropriated budgets are adopted for General (Town Fund) and Special Revenue (General Assistance) fund. The Financial Statements and Independent Auditor's Report are prepared at the end of the fiscal year. The Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. All appropriations lapse at the end of the fiscal year. Excess revenues over expenditures for the fiscal year accumulate in the fund balance for the associated fund.
2. An unassigned undesignated General (Town) Fund and Special Revenue (General Assistance) Fund shall be maintained as of March 31 of each year equal to a minimum of four months of the current year's budgeted fund expenditures, with a targeted maximum of six months of the current year's budgeted expenditures. The year's budgeted expenditures used for the purpose of calculating an appropriate fund balance shall not include capital expenditures.
3. The Township will exercise diligence in avoiding the appropriation of fund balance for recurring operating expenditures.

4. Fund balances that exceed the maximum level established for each fund may be appropriated for non-recurring capital projects or programs.
5. From time to time, as the Township Board deems necessary, the Board may designate a portion of the unassigned undesignated fund balance for the General (Town) or Special Revenue (General Assistance) Fund for an intended purpose such as capital improvements.

Adopted September 28, 2004

Amended January 11, 2006

Amended December 13, 2006

Amended June 28, 2011

**COMMUNITY MENTAL HEALTH BOARD
FUND BALANCE POLICY**

The fund balance policy provides that the Board will strive to maintain the CMH fund balance equivalent to six to eight months of operating expenditures, with the designation of \$400,000 of the unreserved fund balance for capital improvements and/or underfunded initiatives.

The historical practices of the CMHB and Township have been to maintain fund balances equivalent to nine to twelve months of operating expenditures. In FY 2005, the Township revised the Town and General Assistance fund balance policy reducing the operation expenditures to four to six months and designated \$500,000 for capital improvements.

The purpose of the Community Mental Health Fund balance is to ensure that the Community Mental Health Board has adequate reserves and resources within its operating funds to provide the capacity to:

1. Offset potential revenue shortfalls, which may include shortfalls due to economic down turn.
2. Provide sufficient cash flow for daily financial needs.
3. Provide sufficient funds to address critical service gaps.
4. Generate investment income.
5. Provide funds for unanticipated events or emergencies including under funded mandates by the State of Illinois and the Federal Government.
6. Financing possible capital expenditures and major expenditures.

The Community Mental Health Board will strive to maintain an unassigned undesignated fund within the Community Mental Health Fund equal to six to eight months operating expenditures of the preceding year's annual operating budget but not less than \$795,865 for the fund.

Reserve funds exceeding eight months of operating expenditures [\$1,061,152] of the preceding year's annual operating budget are to be transferred to be used for capital expenditures and/or underfunded initiatives or for incurring other one-time costs. The designation of unreserved fund balance funds is not a legal designation but rather an accounting designation, and is reversible if future encumbrances dictate.

If the fund balance falls below the desired level set forth in this Policy the CMHB will retain any future annual operating surpluses until such time as the desired reserve level is achieved.

The CMH fund balance will be reviewed annually and the Policy adjusted when necessary.

Rationale:

- The CMHB's funded agencies have been impacted significantly from the fiscal crisis in the State of Illinois. Illinois is making changes in the budgets of many of its departments, including the Department of Human Services, or DHS. The CMHB anticipates the increased demand for local funding support programs and services that address our target population and service priorities.
- Expenditures for liability insurance and health insurance are expected to increase approximately 15% and 20% respectively.
- The CMHB anticipates a cost increase in the continued operations for USP program. With declining state revenues, operations of the CILA and its associated costs continue to increase. The conversion in DHS funding methods will create a significant gap in CILA revenue, a delay in payments of 60 – 90 days, minimum and is scheduled to be in effect July 2005.
- As the CMHB enhances its infrastructure and service provision, the need to recruit and retain qualified professionals will pose significant concerns. As well as the CMHB being positioned to conduct a personnel structure and salary survey and make necessary position and payroll changes to ensure the CMHB personnel structure is competitive with the marketplace.
- Financing the relocation of the CMHB and USP offices.
- The issue of coordinated, quality service provision and the lack of coordinated funding to address critical service gaps will need to be financially supported in the next fiscal year.
- Provide funding that will be used to conduct a community needs assessment that will provide the following:
 - An assessment of community strengths and needs in the service environment, including identification of un-served and underserved populations;
 - A prioritization of needs according to analysis of data and as compared with current service provision;
 - A description of service and epidemiological trends;
 - A list of interventions that address identified needs, based upon a review of the literature.

Approved CMHB: November 16, 2004

Amended by Oak Park Township Board: June 28, 2011

INVESTMENT POLICY

It is always prudent for any public agency to have an Investment Policy in place for the purpose of safeguarding funds, equitably distributing the investments and maximizing income of the governmental unit. The Oak Park Township hereby approves the following Investment Policy for use.

I. Scope

This Investment Policy applies to the investment activities of all funds under the jurisdiction of Oak Park Township. This Investment Policy will also apply to any new funds or temporary funds placed under the jurisdiction of Oak Park Township. Illinois State Statutes will take precedence except where this Investment Policy is more restrictive, wherein this Investment Policy will take precedence.

Pooling of Funds: Except for cash in certain restricted and special funds, Oak Park Township will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

II. General Objective [30 ILCS 235/2.5(a)]

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

A. Safety: 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 in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

1. Credit Risk: Oak Park Township will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to the safest types of securities;
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which Oak Park Township will do business;
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

2. Interest Rate Risk: Oak Park Township will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity;
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

B. Liquidity: 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 anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio also may be placed in money market mutual funds or local government investment pools, which offer same-day liquidity for short-term funds.

C. Yield: 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 on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- A security swap would improve the quality, yield, or target duration in the portfolio.
- Liquidity needs of the portfolio require that the security be sold.

III. Standards of Care

A. Procedure: [30 ILCS 235/2.5(a)(2)] The standard of prudence to be used by investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a

timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this Policy.

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

- B. Ethics and Conflicts of Interest: [30 ILCS 235/2.5(a)(2)]** The Public Officer Prohibited Activities Act, 50 ILCS 105 et seq. shall apply in the case of this Investment Policy. In addition, 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. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of Oak Park Township.
- C. Delegation of Authority: [30 ILCS 235/2.5(a)(7)]** Authority to manage the investment program is granted to Township Supervisor, hereinafter referred to as Investment Officer. Responsibility for the operation of the investment program is hereby delegated to the Investment Officer, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this Investment Policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this Investment Policy and the procedures established by the Investment Officer. The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

IV. Safekeeping and Custody

- A. Authorized Financial Dealers and Institutions: [30 ILCS 235/2.5(a)(11)]** A list will be maintained of financial institutions authorized to provide investment services. In addition, a list also will be maintained of approved security broker/dealers selected by creditworthiness (e.g., a

minimum capital requirement of \$10,000,000 and at least five years of operation). These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified for investment transactions must comply with the GFOA Recommended Practice of "Selection of Investment Advisers" and supply the following as appropriate:

- Audited financial statements
- Proof of National Association of Securities Dealers (NASD) certification
- Proof of state registration
- Completed broker/dealer questionnaire
- Certification of having read and understood and agreeing to comply with this Investment Policy.

An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the Investment officer in accordance with the GFOA Recommended Practice on "Governmental Relationships with Securities Dealers."

From time to time, the Investment Officer may choose to invest in instruments offered by minority and community financial institutions. In such situations, a waiver to the criteria under Paragraph 1 above may be granted. All terms and relationships will be fully disclosed prior to purchase and will be reported to the appropriate entity on a consistent basis and should be consistent with state or local law. The Oak Park Township Board of Trustees should approve these types of investment purchases in advance.

- B. Internal Controls:** [30 ILCS 235/2.5(a)(7)] The Investment Officer is responsible for overseeing establishment and maintenance an internal control structure designed to ensure that the assets of Oak Park Township are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognized that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the Investment Officer shall establish a process for an annual independent review by an external auditor to assure compliance

with policies and procedures. The internal controls shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and record keeping
- Custodial safekeeping
- Avoidance of physical delivery securities
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers
- Developments of a wire transfer agreement with the lead bank and third-party custodian.

C. Delivery vs. Payment: All trades where applicable will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. A third-party custodian as evidenced by safekeeping receipts will hold securities.

V. Suitable and Authorized Investments

A. Investment Types: [30ILCS 235/2.5(a)(1)] Oak Park Township shall invest in instruments consistent with the GFOA Policy Statement on "State Statutes Concerning Investment Practices," and defined by the Public Funds Investment Act, 30 ILCS 235/2. A summary of authorized investments follows:

- In bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest;
- In bonds, notes, debentures, or other similar obligations of the United States of America or its agencies;
- In interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act;
- In short term obligations of corporations organized in the United States with assets exceeding \$500,000,000 if (1.) such obligations are rated at the time of purchase at one of the three highest classifications established by at least two standard rating services and which mature not later than 180 days from the date of purchase, (2.) such purchases do not exceed 10% of the corporation's outstanding obligations, and (3.) no more than one-

third of the public agency's funds may be invested in short term obligations of corporations; or

- In money market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of any such money market mutual fund is limited to obligations described in paragraph (1) or (2) of this subsection and to agreements to repurchase such obligations.
- Investment in derivatives is prohibited.

B. Collateralization: [30 ILCS 235/2.5(a)(5)] Where allowed by state law and in accordance with the GFOA Recommended Practices on the Collateralization of Public Deposits, full collateralization will be required on all deposits in excess of federal depository insurance (FDIC) in accordance with GFOA Recommended Practices on "Collateralization of Public Deposits."

C. Repurchase Agreements: Repurchase agreements shall be consistent with GFOA Recommended Practices on Repurchase Agreements and Reverse Repurchase Agreements.

VI. Investment Parameters

A. Diversification: [30 ILCS 235/2.5(a)(4)] The investments shall be diversified by:

- Limiting investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities),
- Limiting investment in securities that have higher credit risks,
- Investing in securities with varying maturities, and
- Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations in accordance with the GFOA Recommended Practice on "Diversification of Investments in a Portfolio".

B. Maximum Maturities: [30 ILCS 235/2.5(a)(3): To the extent possible, Oak Park Township shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, Oak Park Township will not directly invest in securities maturing more than five (5) years from the date of purchase or in accordance with state and local statutes and ordinances. Oak Park Township shall adopt weighted average maturity limitations (which often range from 90 days to 3 years), consistent with the investment objectives.

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the legislative body in accordance with the GFOA Recommended Practice on "Maturities of Investments in a Portfolio".

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

VII. Reporting

A. Methods: [30 ILCS 235/2.5(a)(10)] The investment officer shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner, which will allow Oak Park Township to ascertain whether investment activities during the reporting period have conformed to the Investment Policy. The investment officer should provide the report to the Township Board of Trustees. The report will include the following:

- Listing of individual securities held at the end of the reporting period.
- Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration that are not intended to be held until maturity (in accordance with Governmental Accounting Standards Board (GASB) requirements).
- Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
- Listing of investment by maturity date.
- Percentage of the total portfolio, which each type of investment represents.

B. Performance Standards: [30 ILCS 235/2.5(a)(8)] The investment portfolio will be managed in accordance with the parameters specified within this Investment Policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. The use of U. S. Treasury bills, average Fed Fund rate,

IPTIP, or other stable markers shall be used to determine whether market average yield benchmarks are being achieved.

- C. Marking to Market: [30 ILCS 235/2.5(a)(8)]** The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed consistent with the GFOA Recommended Practice on "Mark-to-Market Practices for State and Local Government Investment Portfolios and Investment Pools. In defining market value, considerations should be given to the GASB Statement 31 pronouncement.

VIII. Policy Considerations

- A. Exemption:** Any investment currently held that does not meet the guidelines of this Policy shall be exempted from the requirements of this Policy. At maturity or liquidation, such monies shall be reinvested only as provided by this Policy.
- B. Amendments:** This Policy shall be reviewed on an annual basis. The Township Supervisor and Board of Trustees must approve any changes.

IX. Captions and Headings

The captions and heading used herein are for convenience of reference only and do not define or limit the contents.

Adopted November 17, 1999

Reviewed and adopted January 24, 2006

Amended October 11, 2006

PERFORMANCE MEASUREMENT POLICY

PURPOSE: The objective of this Performance Measurement Policy is to establish the framework for long-term plan of using performance measurements to determine how a program is accomplishing its mission, goals, and objectives through the delivery of products, services or processes.

POLICY STATEMENT: It is the responsibility of the Township to develop and manage programs and services as efficiently and effectively as possible. Developing and implementing a performance management system is one way to fulfill this responsibility. When linked to the budget and strategic planning process, performance measurements can assess accomplishments on an organization-wide basis. When used in long-term planning and goal setting performance measures can assist the Township Board, staff and citizens in identifying financial and program results, evaluating past resource decisions and facilitating qualitative improvements in future decisions regarding resource allocation and service delivery.

POLICY: It is the Policy of the Township Board that performance measures will be used as an integral part of the budget process. Performance measures shall relate to the mission, goals and objectives of each department and over time will be used to report on the outcomes of each program. Program and service performance measures are to be developed and used as an important component of long term strategic planning and decision making which will be linked to resource allocation (budgeting). As experience is gained with developing and utilizing performance measurements, the measures will be linked to the policy statements, mission, goals and objectives of the organization.

PERFORMANCE MEASUREMENT SYSTEM: A Performance Measurement System is a comprehensive and systematic process of using performance measurements to assess, monitor and improve the accomplishment of programs and service delivery goals and objectives. A comprehensive performance measurement system consists of indicators that answer these questions:

- Are patrons satisfied with the program's service delivery?
- Did the program produce outcomes consistent with its goals, objectives and inputs?
- What was the quantity of output in relation to its inputs?
- What were the program's outcomes?
- What were the program costs incurred producing the output?

Adopted January 11, 2006

PROPERTY TAX LEVY POLICY

PURPOSE: State law provides that a township may levy a tax on taxable property in the township to defray the charges of the township (60 ILCS 1/80-40). The objectives of this Township Board Policy are: (1) to annually evaluate the need for a levy; (2) if the need exists, determine the amount of the levy, and; (3) consider the levy amount for each Township fund.

POLICY STATEMENT: The Township Board recognizes that property taxes are a concern for Oak Park residents. Yet, property taxes are the major revenue source for the Township. The current level and quality of programs and services could not be maintained without collecting the maximum allowable amount of revenue through the levy. Along with maintaining the current level and quality of programs and services, the Board is committed to ensuring that all Township revenues are used wisely and for the purposes intended.

POLICY: The Property Tax Levy Policy is:

1. To limit the levy to the amount necessary to defray Township expenses.
2. To continue the current level and quality of programs and services.
3. To maintain current and actively seek new non-property tax based revenue.
4. To consider the factors below in determining the levy.

PROCEDURES: The Township Board shall adhere to the following procedures:

1. The Property Tax Extension Limitation Law (PTELL) limits the amount of the property tax levy (35 ILCS 200/18-205). PTELL limits the increase in the aggregate Township property tax levy to the lesser of 5% or the percentage increase in the Consumer Price Index (CPI) over the previous year extended levy. As part of the annual levy process, the Township Manager will present information to the Board regarding the allowable levy pursuant to PTELL.
2. In determining the levy, the Board shall consider each fund's statutory authority, purpose and projected:
 - a. Revenues
 - b. Expenditures
 - c. Fund balance
 - d. Five-year revenues and expenditures.
 - e. Need considering the aggregate limit set by PTELL.
3. The Board shall determine that the amount of money collected by the levy is necessary to defray Township charges.

Adopted October 25, 2005

REVENUE AND EXPENDITURE MANAGEMENT POLICY

PURPOSE: The objective of this Revenue and Expenditure Management Policy is to provide guidance for management decisions to ensure consistency and quality control in revenue and expenditure management.

POLICY STATEMENT: Development and use of revenue and expenditure policies aid in the consistent provision of public services and help ensure financial stability regardless of economic fluctuations.

The Government Finance Officers Association (GFOA), through its recommended practices, endorsement of the National Advisory Council on State and Local Budgeting (NACSLB) recommended budget practices, and the GFOA Distinguished Budget Presentation Awards program, recommends that governments develop financial policies. This Revenue and Expenditure Management Policy is part of a comprehensive financial policy program.

REVENUE POLICY: The Revenue Policy supports the following practices to provide financial stability and avoid potential service disruptions:

1. **Diversification and stabilization:** A diversified and stable revenue system will be maintained as a protection from short-run fluctuations. One-time revenues will not be used to fund ongoing expenditures. The use of one-time revenues is limited to the purpose for which they were intended, or for a capital expenditure.
2. **Revenue estimates:** Revenues will be estimated conservatively, using an objective and analytical approach appropriate for Township revenues. Multi-year forecasts will be utilized to give the Board lead-time to react to expected revenue shortfalls.
3. **User fees:** User fees will be set at appropriate levels in order to recover a portion of the costs associated with providing the service. The fees will be reviewed as needed, but in no case longer than every other year.
4. **Taxes:** The Board will strive to reduce constituents' tax burden through development of other revenue sources.¹

EXPENDITURE POLICY: The Expenditure Policy is to use prudent expenditure planning and accountability to ensure fiscal stability through the following practices:

1. **Maintenance of Capital Assets:** Within the resources available each fiscal year, the Township shall maintain capital assets and infrastructure at a sufficient level to protect the Township's investment, to minimize future replacement and maintenance costs and to continue service levels.
2. **Pension Funding:** The Township shall fully fund all pension obligations.

¹ The Board's complete policy on property taxes is set forth separately in its Property Tax Levy Policy.

3. Program Review: Develop and use technology and productivity advancements that will help reduce or avoid increasing costs.

Adopted January 11, 2006

STRATEGIC PLANNING POLICY

PURPOSE: The objectives of this Strategic Planning Policy are to establish Board procedures for developing, monitoring and assessing the Township's Strategic Plan.

POLICY STATEMENT: Strategic planning is a comprehensive and systematic management tool which will help the Township assess current environmental conditions, anticipate and respond appropriately to changes in the environment, envision the future, increase effectiveness, develop commitment to the Township's mission and seek consensus on strategies and objectives for achieving the Township mission.

POLICY: It is the Policy of the Township Board to provide a long-term perspective for service delivery and budgeting by establishing broad organizational goals logically linked to budgeted expenditures.

PROCEDURES:

1. The Township Board will conduct a biennial Strategic Planning process. The process will thoroughly examine the Township's internal environment focusing on strengths and weaknesses and external environment focusing on opportunities and threats.
2. The results of the process will be compiled into a Strategic Plan, which will be updated biennially and approved by the Township Board. The Strategic Plan will reaffirm or revise the Township's mission and policy statements as needed to support the goals and objectives set forth in the plan.
3. An action plan will be created that describes how the Strategic Plan will be implemented. Measurable objectives will be developed to evaluate the implementation of the Strategic Plan.
4. The Strategic Plan will be reviewed annually and may be adjusted to establish priorities for the following year.
5. The Strategic Plan will drive the operating budget, capital plans and the Township's other financial planning efforts.
6. Progress toward planned goals will be monitored at regular intervals to determine the extent to which strategic goals have been met.

Adopted: December 14, 2005

ACCOUNTING POLICIES

Oak Park Township operates under the Township Code 60 ILCS and the Revenue Code 35 ILCS of the Illinois Compiled Statutes (ILCS). The Township provides services as authorized by its charter including youth and senior services, mental health services, general assistance (locally administered welfare), property tax related matters and general administrative services.

The Township financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units (hereinafter referred to as Generally Accepted Accounting Principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

FINANCIAL REPORTING ENTITY

The financial reporting entity consists of the primary government, as well as its component units, which are not legally separate organizations. The elected officials of the primary government are financially accountable for its component units. Financial accountability is defined as:

1. Appointment of a voting majority of the component unit's board, and either a.) the ability to impose will by the primary government, or b.) the possibility that the component unit will provide a financial benefit to, or impose a financial burden on the primary government; or
2. Fiscal dependency on the primary government.

The Township has a separately elected Board, the power to levy taxes, the authorization to expend funds, the responsibility to designate management, the ability to prepare and modify the annual budget and the authority to issue debt. Therefore, the Township is not included as a component unit of any other entity.

BASIS OF PRESENTATION FUND ACCOUNTING

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be set and the means by which spending activities are controlled. Funds are classified into the following categories: governmental, propriety and fiduciary.

Governmental funds are used to account for all or most of the Township's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of capital assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the Township not accounted for in some other fund. The Township has no capital projects or debt service funds.

The Township has no proprietary or fiduciary funds.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Township's government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Township. The effect of material inter-fund activity has been eliminated from the statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1.) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2.) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statement.

The Township reports the following major governmental funds:

The *General (Town) Fund* accounts for the resources traditionally associated with the Township's operations that are not required legally or by sound financial management to be accounted for in another fund.

The *General Assistance Fund* accounts for the resources needed to provide financial assistance to adult unemployed Oak Park residents or residents applying for Supplemental Security Income (SSI).

The *Community Mental Health Fund* accounts for the revenues and expenditures needed to finance the Community Mental Health Board's support of services and

programs in the areas of mental health, developmental disabilities and alcohol and substance abuse.

BASIS OF ACCOUNTING

Oak Park Township does not distinguish between Basis of Budgeting and Basis of Accounting.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied (i.e., intended to finance). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are due before the end of the year and collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

Charges for services and miscellaneous revenues (except investment income) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment income is susceptible to accrual and is recognized as revenues of the current period since recognition criteria indicated above are met.

In applying the susceptible to accrual concept to intergovernmental revenues (i.e., federal and state grants), the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Township; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditures and are generally revocable only for failure to comply with prescribed eligibility requirement, such as equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criterion.

The Township reports deferred/ unearned revenue on its financial statements. Deferred revenues arise when potential revenue does not meet both the measurable

and available or earned criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Township before it has a legal claim to them or prior to the provision of services, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Township has a legal claim to the resources, the liability for deferred revenue is removed from the financial statements and revenue is recognized.

CASH AND INVESTMENTS

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition.

Investments with a maturity of one year or less when purchased and all non-negotiable certificates of deposit are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased, if any, are reported at fair value.

Under Illinois law and the Township's own investment policy, the Township is restricted to investing funds in specified types of investment instruments. The following generally represent the types of instruments allowable:

- In bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest;
- In bonds, notes, debentures, or other similar obligations of the United States of America or its agencies;
- In interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act;
- In short term obligations of corporations organized in the United States with assets exceeding \$500,000,000 if 1.) such obligations are rated at the time of purchase at one of the three highest classifications established by at least two standard rating services and which mature not later than 180 days from the date of purchase, 2.) such purchases do not exceed 10% of the corporation's outstanding obligations, and 3.) no more than one-third of the public agency's funds may be invested in short term obligations of corporations; or
- In money market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of any such money market mutual fund is limited to obligations described in paragraph (1) or (2) of this subsection and to agreements to repurchase such obligations;
- Investment in derivatives is prohibited.

Where allowed by state law and in accordance with the GFOA Recommended Practices on the Collateralization of Public Deposits, full collateralization is required

on all deposits in excess of federal depository insurance (FDIC) in accordance with GFOA Recommended Practices on "Collateralization of Public Deposits."

RECEIVABLES

Receivables consist primarily of property taxes, intergovernmental and other miscellaneous amounts due to the Township.

COMPENSATED ABSENCES

Vacation time is earned by employees of the Township based on length of employment and employee status. Employees are generally required to use their vacation time with the exception that 40 hours can be carried to the following year. Any unused vacation time is paid to employees upon termination.

The Township also allows employees to accumulate compensatory time for later use (subject to an established maximum). Accumulated unused compensatory time is paid to the employee on termination.

The Township allows for carryover of unused sick time, subject to maximum limits. Upon termination employees are paid for unused sick time at a nominal rate.

Vested or accumulated vacation, compensatory time and sick leave that is owed to retirees or terminated employees is reported as an expenditure and a fund liability of the governmental fund that will pay it in the fund financial statements. Vested or accumulated vacation, compensatory time and sick leave of governmental activities at the government-wide level is recorded as an expense and liability as the benefits accrue to employees.

CAPITAL ASSETS

Capital assets, which include property and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. The minimum capitalization amount for individual equipment is \$5,000 and for buildings and improvements is \$10,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Appliances	5
Tools	5
Equipment	7
Vehicles	7
Other Improv.	20
Buildings	40

LONG-TERM OBLIGATIONS

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

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 expenditures.

FUND BALANCES/NET ASSETS

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose. Invested in capital assets, net of related debt, represents the book value of capital assets less any long-term debt principal outstanding issued to construct capital assets.

PERMITTED DEPOSITS AND INVESTMENTS

Illinois Complied Statutes (ILCS) and the Township's investment policy authorizes the Township to make deposits, and time deposits of any bank as defined the Illinois Banking Act, obligations of the U.S. Treasury and U.S. Agencies, certain short term corporate obligations, and certain money market mutual funds, including Illinois Funds.

Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investment in Illinois Funds is valued at Illinois Fund's share price, the price for which the investment could be sold.

It is the policy of the Township to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily

cash flow demands of the Township and conforming to all state and local statutes governing the investment of public funds, using the “prudent person” standard for managing the overall portfolio. The primary objectives of the policy are safety (preservation of capital and protection of investment principal), liquidity and yield.

DEPOSITS WITH FINANCIAL INSTITUTIONS

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Township’s deposits may not be returned to it. The Township’s investment policy requires pledging of collateral for all non-negotiable certificates of deposit.

INVESTMENTS

The Township’s investments are invested in the Illinois Funds, which is rated AAA by both Standard and Poor’s and Moody’s, and is in accordance with the Township’s investment policy. The Township has invested greater than 5% of its overall portfolio in the Illinois Funds which is in accordance with the investment policy because no specific limits are set on how much the Township can invest in the Illinois Funds.

PROPERTY TAXES

The Township’s property tax is levied each calendar year on all taxable real property located in the Township. For governmental funds, property taxes received in the period intended to finance and collected within 60 days subsequent to year-end are recorded as revenue.

The County Assessor is responsible for assessment of all taxable real property within Cook County, except for certain railroad property which is assessed directly by the State. Reassessments occur based on market conditions. The County Clerk computes the annual tax for each parcel of real property and prepares tax books used by the County Collector as the basis for issuing tax bills to all taxpayers in the County.

Property taxes are collected by the County Collector and are submitted to the County Treasurer, who remits to the units their respective share of the collections. Taxes are levied in one year become due and payable in two installments on or about March 1 and August 1 during the following year. Taxes must be levied by the last Tuesday in December of the levy year and the levy becomes an enforceable lien against the property as of January 1 of the levy year.

The 2009 property tax levy is recorded as a receivable at March 31, 2010, net of estimated uncollectibles and amounts collected as of March 31, 2010. Based on collection histories, the Township has provided at March 31, 2010 an allowance for uncollectible real property equivalent to 3% of the current year’s tax levy. A deferred revenue for the entire 2009 levy will be recorded as of March 31, 2010 as it is intended to finance the subsequent fiscal year. The 2010 tax levy will not be

recorded as a receivable at March 31, 2010; the tax attaches as a lien on property as of January 1, 2010, however, the tax will not be levied until December 2010 and, accordingly is not measurable at March 31, 2010.

RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; illnesses of employees; and natural disasters. The Township purchases third party indemnity insurance for general liability, property casualty, workmen's compensation and health. The policies are in effect annually from December 1 through November 30. The policies limit the Township's exposure to deductibles of \$1,000 per occurrence. Settled claims have not exceeded this commercial coverage in the current fiscal year or in the prior two fiscal years.

CONTINGENT LIABILITIES

Amounts received and receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Township expects such amounts, if any, to be immaterial.
