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**VILLAGE OF SUGAR GROVE  
BOARD REPORT**

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**TO:** VILLAGE PRESIDENT & BOARD OF TRUSTEES  
**FROM:** MATT ANASTASIA, FINANCE DIRECTOR  
**SUBJECT:** DISCUSSION: AMENDING THE FINANCIAL POLICIES – PURCHASING POLICY FOR THE VILLAGE OF SUGAR GROVE  
**AGENDA:** SEPTEMBER 6, 2022 REGULAR BOARD MEETING  
**DATE:** SEPTEMBER 2, 2022

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**ISSUE**

Shall the Board discuss amending the Financial Policies – Purchasing Policy.

**DISCUSSION**

The Village Board passed the current financial policies at the Board meeting held on August 7, 2018. During the Board meeting on June 7, 2022, Trustee White brought up a question on the need to bid vs. quote for purchases. These types of items are addressed in the Village's Purchasing Policy, which is a part of the entire Financial Policies document. Staff has reviewed the Purchasing Policy internally and with Village Attorney Julien to ensure it meets current statutory requirements and best practices. A redlined version of the Purchasing Policy is attached and for reference, the current Financial Policies document is attached. Proposed changes made to the Purchasing Policy are as follows:

- Addition of Statutory Language regarding Bidding Requirements.
- Definitions of "Work" and "Other Public Improvements" per State Statute.
- Added bidding requirement exemptions missing from the current policy, but are part of the current State Statute.
- Removed excess language regarding the exceptions as to clean up the policy and make it less confusing.
- Require the same process for both budgeted and unbudgeted purchases.
- Adjusted the spending limits of Department Heads and Village Administrator – a survey of surrounding communities Purchasing Limits was conducted to determine the adjustments.
  - Department Heads – Increased from \$1,500 to \$2,500
  - Village Administrator – Increased from \$5,000 to \$10,000

Attached to the Board Report is a memo from Village Attorney Julien regarding the bidding requirements per the Municipal Code.

**COST**

There was a slight attorney cost for the bidding requirements memo, this is estimated at \$300 and will be expensed in Legal Fees 01-56-6301.

**RECOMMENDATION**

That the Village Board direct staff to prepare a Resolution Approving Amended Financial Policies for the Village of Sugar Grove at the September 20, 2022 Board meeting.



## Village of Sugar Grove, Illinois Purchasing Policy

### Purpose

It is the philosophy of the Village of Sugar Grove to conduct a purchasing process which will result in maximum value in goods and services purchased for the tax dollar spent. The Village of Sugar Grove has responsibility to carefully spend public funds, to manage finances wisely, and to plan for services and facilities required by the public. It is the Village of Sugar Grove's policy that their purchasing process will achieve the following objectives:

- Purchase goods and services at the lowest cost consistent with specified quality and service levels
- Promote full competition from vendors through a standardized bidding process
- Comply with all local, state and federal regulations regarding the purchase of municipal goods and services
- Maintain continuity of supply to support the various services provided by the Village
- Maintain standards of quality in materials
- Avoid duplication, waste and obsolescence with respect to materials and equipment
- Maintain the minimum investment in materials inventory needed to provide cost effective services

The Illinois Municipal Code generally provides that in municipalities of less than 500,000, any "work or other public improvement" in excess of \$25,000 must be acquired by contractor let to the lowest responsible bidder after publicly advertising for bids (65 ILCS 5/8-9-1).

The definition of "Work or Other Public Improvement" has been established by the Courts to mean any permanent improvement upon real property owned by the Municipality. The Illinois Prevailing Wage Act (830 ILCS 130/2) also defines "public work" as all fixed works constructed or demolished by any public body or works paid for wholly or in part out of public funds.

### **Category A: Goods and Services with a cost less than or equal to \$12,500**

Purchases may be made without price solicitation and the approval by department supervisors or department head.

### **Category B: Goods and Services with a cost exceeding \$12,500 but less than or equal to \$50,000**

Pricing information will be gathered through an approved process such as price negotiations, written quotations ~~or or proposal~~ ~~telephone solicitations~~. The purchase will be made from the vendor who offers the lowest price in substantial compliance with the purchase specifications. All purchases must be approved by the Village Administrator prior to purchase. The Village Administrator may reject any and all quotes/bids/~~proposals~~.

### **Category C: Goods and Services with a cost exceeding \$50,000 but less than or equal to \$25,000**



Formal written bids/~~quotes/-or~~ proposals will be reviewed by the department supervisor or department head prior to presentation to the Village Board. The purchase will be made from the vendor who submits the lowest bid or proposal in substantial compliance with the quote/proposal specifications. All purchases must have Village Board approval prior to purchase. The Village Board may reject any and all ~~bids/quotes/proposals~~ and waive technicalities in the ~~bidding~~ process.

**Category D: Goods and Services with a cost exceeding \$25,000**

Formal sealed written bids or proposals must be submitted and will be opened after an approved solicitation process including a public notice of the opportunity to submit bids or proposals. Sugar Grove vendors will be included in the solicitation. The purchase will be made from the vendor who submits the lowest bid or proposal in substantial compliance with the bid specifications or Request for Proposal (RFP). All purchases must be formally approved by the Village Board in advance and the Village Board may reject any and all bids and waive technicalities in the ~~bidding~~ process.

**Category E: Unbudgeted Purchases**

~~Unbudgeted purchases up to \$5,000 may be made with prior approval by the Village Administrator. Unbudgeted purchases exceeding \$5,000 must have prior Village Board approval. Pricing information will be gathered through an approved process such as sealed bids, price negotiations, written quotations or telephone solicitation. Village Board approval for purchases under \$5,000 are at the discretion of the Village Administrator.~~

*For the purpose of determining which purchase category to utilize, a cost is assumed to be the invoice cost. For example, the purchase of ten (10) items with a unit cost of \$200 a piece would be one Category B purchase, rather than ten (10) Category A purchases.*

**Purchasing Policy Exceptions**

**A Municipality may elect to forego the public bidding requirement by a 2/3 vote of all the Corporate Authorities then holding office. Documentation of the reason for waiving the public bidding requirement should be attained and in the record.**

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**Exception #1: Emergency Purchases**

Description:

~~The acquisition of good and services when following the normal acquisition procedures would create an unacceptable delay in resolving an emergency situation. A delay is unacceptable if it would create an environmental hazard, place the public at risk, lead to increased damage to public facilities or create a significant inconvenience for the public. Examples include water or sewer system leaks and the unexpected failure of critical equipment or facilities.~~

Alternate Procedure:

~~The necessary goods and services will be acquired as quickly as possible. In the case of construction services, the repair contractor will be selected from the list of contractors maintained for that purpose and paid on time and material basis as defined by the Village's~~



standard specifications. Goods and other services will be acquired from the vendor that can make the earliest delivery at reasonable prices.

Approval Process:

The initial acquisition will be approved by the department head. If the acquisition cost exceeds \$5,000 but less than \$25,000, the quote or proposal will be presented to the Village Administrator for approval prior to ordering the goods or services. If the cost exceeds \$5,000, the quote or proposal will be presented to the Village President prior to purchase.

**Exception #2: Travel and Training Expenses**

Description:

Costs incurred while travelling on Village business and participating in training authorized by the Village.

Alternate Procedure:

The Village's regular Travel Policy will govern all purchases.

Approval Process:

Payments will be approved by the department head, Finance Director and Village Administrator. Bills will be paid through the normal accounts payable process and the information will be reported the Village Board after payment along with the routine accounts payable reports.

**Exception #3: Payroll Payments**

Description:

Payroll costs for employees authorized in the current budget.

Alternate Procedure:

Paychecks will be issued to employees at the end of the week following completion of a pay period.

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Approval Process:

Payroll timesheets will be approved by the department head and Village Administrator.

**Exception #4: Utility Bills**



Description:

Bills for natural gas, electricity and communications such as cellular telephones, long distance telephone and local telephone.

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Alternate Procedure:

Utility bills in all amounts will be processed through the normal accounts payable process.

Approval Process:

Payments will be approved by the Finance Director and information about the payments will be presented to the Village Board after payment along with the routine accounts payable reports.

**Exception #5: Health Insurance Payments**

Description:

Reimbursements to the City's health insurance providers for payments made to medical professionals and program participants.

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Alternate Procedure:

Individual payments are governed by the rules and regulations controlling the health insurance program.

Approval Process:

The Finance Director will approve payments to medical providers and information about the payments will be presented the Village Board after payment along with the routine accounts payable reports.

**Exception #6: Contract Payments except for Contracts for the Construction of Capital Improvements**

Description:

Partial and Final payments on all contracts, purchase orders and agreements that have been previously approved by the Village Board, unless the payment causes the total contract amount to exceed the original authorization by more than \$5,000 up to a contract price of \$50,000, or 10% over on a contract price exceeding \$50,000.

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Alternate Procedure:

Payments in all amounts, unless original contract amount will be exceed by \$5,000 up to a contract price of \$50,000 or 10% over on a contract price exceeding \$50,000, will be processed through the normal accounts payable process.

Approval Process:



~~Contract payments exceeding \$5,000 up to a contract price of \$50,000 or 10% over on a contract price exceeding \$50,000 will be approved in advance by Village Board. Information about the payments will be presented to the Village Board prior to payment for approval.~~

~~Contracts not exceeding \$5,000 up to a contract price of \$50,000 or 10% over on a contract price exceeding \$50,000 will be approved by the Village Administrator. Information about the payments will be presented to the Village Board after the payment along with the routine accounts payable reports.~~

**Exception #7: Contract Payments for the Construction of Capital Improvements**

Description:

~~Partial and final payments on all contracts for capital improvements.~~

Alternate Procedures:

~~The Village Administrator or Public Works Director shall authorize all change orders on contracts for the construction of capital improvements.~~

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Approval Process:

~~Partial and final payments on all contracts for capital improvements with change orders will be submitted to the Village Board for approval prior to payment. The payment request form will include a listing of all proposed and approved change orders, the original contract amount and the current proposed contract amount.~~

**Exception #8: Loans, Rebates and Refunds**

Description:

~~Payments due through approved programs such as utility refunds, sales tax rebates, outstanding liabilities, deposits refunds and other.~~

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Alternate Procedures:

~~Payments will be made according to the program specific administrative procedures.~~

Approval Process:

~~All payments will be made through the normal accounts payable process and the information will be presented to the Village Board after payment along with the routine accounts payable reports.~~

**Exception #9: Debt Service**



Alternate Procedure:

~~The payment schedules will be approved by the Village Board at the time the debt is incurred.~~

Approval Process:

~~The payments will be approved by the Finance Director and made through the required payment instructions process.~~

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**Exception #10: Asphalt, Concrete, Winterization materials and Construction/Maintenance Aggregates**

Description:

~~The purchase of asphalt products, ready mix concrete, salt for wells and Village infrastructure and aggregates for use in construction and maintenance activities.~~

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Alternate Procedure:

~~These materials are acquired on an as needed basis from nearby vendors based upon the product, hauling distance and purchase price.~~

Approval Process:

~~Payments will be approved by the Public Works Director and Village Administrator and made through the normal accounts payable process. The information will be reported to the Village Board after payment along with the routine accounts payable reports.~~

**Exception #11: Internal Service Fund Payments and Inter-fund Transfers**

Description:

~~Payments made from on Village fund to another for direct services such as equipment replacement schedules, debt service or transfers included in the approved budget.~~

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Alternate Procedure:

~~The transfers are all governed by approved and audited internal procedures.~~

Approval Process:

~~The payments will be approved by the Finance Director.~~

**Exception #12: Temporary Employment Service Payments**

Description:



~~Fees paid to temporary employment service contractors for temporary employees working in Village departments.~~

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~~Alternate Procedure:~~

~~Temporary service contracts are approved by the Village Board and a listing of contract service/seasonal employees is included in the budget. The short term use of temporary employees to fill vacant, full time positions is approved on a case by case basis by the Village Administrator.~~

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~~Approval Process:~~

~~The payments will be approved by the Finance Director and made through the normal accounts payable process. The information will be reported to the Village Board after payment along with the routine accounts payable reports.~~

**Exception #13: Bulk Fuel Purchases**

~~Description:~~

~~The acquisition of fuel (gasoline, diesel and ethanol) for Village equipment and vehicles.~~

~~Alternate Procedure:~~

~~These fuels are purchased as needed on a tanker load basis from the vendor who provides the lowest delivered price.~~

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~~Approval Process:~~

~~The payments will be approved by the Public Works Director and made through the normal accounts payable process. The information will be reported to the Village Board after payment along with the routine accounts payable reports.~~

**Exception #14: Payments Required by State and Federal Law**

~~Description:~~

~~Non-discretionary payments made to comply with state and federal laws such as unemployment compensation and transfer of drug forfeiture money to the State of Illinois.~~

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~~Alternate Procedure:~~

~~The payments are made pursuant to the applicable laws.~~

~~Approval Process:~~



The payments will be approved by the responsible department head and made through the appropriate payment process. The payment information will be reported to the Village Board after payment along with the routine accounts payable reports.

**Exception #15: Payments for 911 Dispatching Services**

Description:

Payments made to vendors for 911 dispatching services.

Alternate Procedure:

The payments made to continue 911 dispatching services essential to Village function.

Approval Process:

The payments will be approved by the responsible department head and made through the appropriate payment process. The payment information will be reported to the Village Board after payment along with the routine accounts payable reports.

**Exception #16: Contracts with the Federal Government**

**Exception #17: Contracts for Certain Professional Services – Local Government Professional Services Selection Act, 50 ILCS 510**

**Exception #18: Contracts for Materials, Supplies, or Equipment which are only available from a Single Source.**

**Exception #19: Contracts for Certain Printing Obligations**

**Exception #20: Contracts for Books/Periodicals**

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**VILLAGE OF SUGAR GROVE  
KANE COUNTY, ILLINOIS**

**Resolution No. 20180807A**

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**A Resolution Amending the Financial Policies for the Village of Sugar Grove  
Village of Sugar Grove,  
Kane County, Illinois**

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Adopted by the  
Board of Trustees and President  
of the Village of Sugar Grove  
this 7th day of August, 2018.

Published in Pamphlet Form  
by authority of the Board of Trustees  
of the Village of Sugar Grove, Kane County,  
Illinois, this 7th day of August, 2018.

**RESOLUTION NO. 20180807A**

**A Resolution Amending the Financial Policies for the Village of Sugar Grove  
Village of Sugar Grove,  
Kane County, Illinois**

**WHEREAS** by the President and Board of Trustees of the Village of Sugar Grove, Kane County, Illinois, desire to develop financial policies in pursuit of sound and efficient financial planning and management;

**WHEREAS**, the establishment and maintenance of prudent financial policies increases public confidence in the operation of the Village and is necessary for ensuring the integrity of financial records and Village funds;

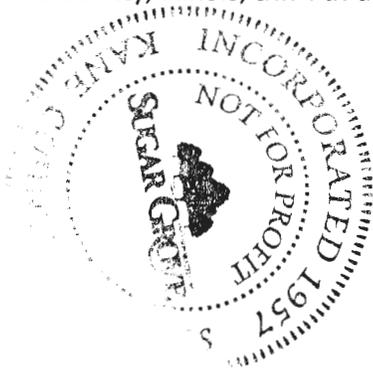
**WHEREAS**, these policies are designed to establish a framework for providing quality services to the community in an efficient and effective manner while maintaining long-term financial stability; and

**WHEREAS**, the Village has a responsibility to its citizens to carefully account for public funds, to manage municipal finances wisely, and to plan for the funding of services and facilities required by the public.

**NOW THEREFORE BE IT RESOLVED** by the President and Board of Trustees of the Village of Sugar Grove, Kane County, Illinois, as follows;

1. The recitals set forth above are adopted and incorporated herein as the material and significant findings of the President and the Board of Trustees as if fully stated herein.
2. The financial policies in the document attached hereto and incorporated herein are hereby established and approved by the corporate authorities.

**PASSED AND APPROVED** by the President and Board of Trustees of the Village of Sugar Grove, Kane County, Illinois, this 7th day of August, 2018.



*P. Sean Michels*

P. Sean Michels  
President of the Board of Trustees  
of the Village of Sugar Grove, Kane  
County, Illinois

ATTEST:

*Cynthia L. Galbreath*

Cynthia L. Galbreath  
Clerk, Village of Sugar Grove

	Aye	Nay	Absent	Abstain
Trustee Mari Johnson	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Trustee Sean Herron	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Trustee Ted Koch	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Trustee Heidi Lendi	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Trustee Rick Montalto	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Trustee David Paluch	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Village President P. Sean Michels	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



## **Village of Sugar Grove, Illinois Financial Policies**

### **Purpose**

The Village of Sugar Grove has a tradition of sound municipal financial management. These policies are designed to establish a framework for providing quality services to the community in an efficient and effective manner while maintaining long-term financial stability within the limitations established in the policies.

The Village of Sugar Grove has a responsibility to its citizens to carefully account for public funds, to manage municipal finances wisely, and to plan for the funding of services and facilities required by the public.

The fiscal policies of the Village of Sugar Grove have specific objectives designed to ensure the continued fiscal health of the Village. These objectives are:

- To maintain Board policy making ability by ensuring that important fiscal decisions are not driven by emergencies or financial problems.
- To provide the Board with accurate and timely information so that policy decisions can be made in a timely and accurate manner.
- To provide sound financial principles to guide the Board and management in making decisions.
- To use sound revenue policies which prevent undue reliance on a single source of revenue and which distributes the cost of municipal services fairly among all programs.
- To protect and maintain the Village's credit rating.
- To ensure legal compliance with the budget through systems of internal control.

### **Budget Policies**

Illinois law requires that all general-purpose local governments pass an appropriation ordinance within the first quarter of each fiscal year or an annual budget shall be adopted by the corporate authorities before the beginning of each fiscal year to which it applies. The Village has chosen to adopt sections 5/8-2-9.1 through and including sections 5/8-2-9.10 of Chapter 65 of the Illinois Compiled Statutes (Municipal Code) which provide for a municipality's financial operation under an annual budget in lieu of an appropriation ordinance.

The budget process is an opportunity for the Village to assess and evaluate how it commits its financial resources and make decisions regarding their continued use. The process, if conducted effectively, will result in a clearly spelled out plan for the future of this organization and a general collective understanding of how and where limited fiscal resources will be directed. The annual budget should provide for the following:



1. The Village will adopt and maintain a balanced budget in which expenditures will not be allowed to exceed reasonably estimated revenues and other available funds at the same time maintaining recommended fund balances.
2. Budget development will be directed by and should allow for the implementation of specific goals and objectives as included in the Strategic Plan and as developed by each department.
3. The tentative annual budget shall be made conveniently available to public inspection 10 days prior to the passage of the annual budget. The Village shall hold at least one public hearing on the tentative annual budget prior to final action on the budget.
4. The Village will prepare and maintain a system of regular monthly reports comparing actual revenues and expenditures to budgeted amounts.
5. Each department shall annually contribute for replacement of vehicles and equipment in order to maintain a “pay-as-you-go” basis for equipment replacement. Replacement cost and useful life for vehicles and equipment will be reevaluated on an annual basis.
6. The annual budget should effectively communicate meaningful and understandable information to the Village residents, Village Board, Village Staff, and other readers. To accomplish this goal the Village will prepare its annual budget in conformance with the Government Finance Officers Association’s (GFOA) Distinguished Budget Presentation Award Program.

### **Reserve Policies**

The purpose of these policies is to enhance long-term financial planning and mitigate the risks associated with changes in revenues due to economic and local market conditions and unanticipated expenditures that may occur. The Village of Sugar Grove has established the following fund reserve policies:

### **General Fund**

1. The Village of Sugar Grove will strive to maintain a minimum unrestricted fund balance (committed, assigned, or unassigned) in the General Fund to fund operations for a period of at least three months (“Cash Flow Commitment”). The Cash Flow Commitment in the General Fund is adjusted with the adoption of the annual budget and is calculated as three months (25%) of current year expenditures.
2. If the fund balance is anticipated to fall below 25%, a plan will be developed and implemented to restore the fund balance to an acceptable level within a reasonable period of time.



3. The Village will spend the most restricted dollars before less restricted, in the following order:
  - a. Nonspendable (if funds become spendable),
  - b. Restricted,
  - c. Committed,
  - d. Assigned, and
  - e. Unassigned.

#### Waterworks and Sewerage Fund

1. The Village of Sugar Grove will strive to maintain minimum unrestricted net assets in the Waterworks and Sewerage Fund to fund operations for a period of at least three months ("Cash Flow Commitment"). The Cash Flow Commitment in the Waterworks and Sewerage Fund is adjusted with the adoption of the annual budget and is calculated as three months (25%) of current year operating expenses (excludes capital expenses, as well as amortization and depreciation).
2. If the balance is anticipated to fall below 25%, rates will be adjusted accordingly to restore the net assets to an acceptable level within a reasonable period of time.

#### Refuse Fund

1. The Village of Sugar Grove will strive to maintain minimum unrestricted net assets in the Refuse Fund to fund operations for a period of at least one and a half months ("Cash Flow Commitment"). The Cash Flow Commitment in the Refuse Fund is adjusted with the adoption of the annual budget and is calculated as one and a half months (12.5%) of current year operating expenses.
2. If the balance is anticipated to fall below 12.5%, rates will be adjusted accordingly to restore the net assets to an acceptable level within a reasonable period of time.

#### Revenue Policies

The Village endeavors to maintain a broad-based, well-diversified, and stable portfolio of revenues to reduce the impacts of short-term fluctuations in any one revenue source. The revenue mix combines elastic and inelastic revenue sources to minimize the effects of an economic downturn. The Village also incorporates the following principles related to revenues as it furthers its financial planning and fulfills its fiscal responsibilities:

1. Each existing and potential revenue source will be examined annually on an objective, reasonable, and conservative basis. The Village will project each revenue source for at least the next three years and will update this projection through the annual financial forecast process.
2. The Village will maintain a revenue monitoring system to assist in trend analysis and revenue forecasting.



3. All charges for services, fees, licenses, permits, etc. will be reviewed regularly to insure that rates are maintained at a level that correlates to the cost of providing such services and are competitive with others providing similar services in the area.
4. Enterprise fund fees and user charges shall be set at a level that fully supports the cost of providing the services, providing for debt service, and maintaining the capital structure of the systems. Water, sewer, and refuse rates will be reviewed annually and set at levels adequate to meet expenditures for the next three years, less any excess fund balance.
5. One-time revenues will not be used to support operating expenditures, except in emergency situations. The identification of new, one-time revenue opportunities will be used to fund capital projects.
6. The Village will strive to strengthen its revenue base by bringing in additional commercial and industrial development with the assistance of the Sugar Grove Economic Development Corporation.
7. The Village will actively seek State and Federal grants.

#### **Expenditure Policies**

1. The Village will maintain a level of expenditures which will provide for the public well-being and safety of the residents and businesses of the community.
2. Expenditures will be within the confines of generated revenue and/or reserve balances. Services will parallel and adjust to the Village's elastic and inelastic revenue sources in order to maintain the highest level of service.
3. The Village will project expenditures for at least the next three years and will update this projection through the annual financial forecast process. This forecast will take into account anticipated increases in operating expenditures, significant changes in operating and staffing needs, and future capital projects and improvements that have been identified as needed for the community.
4. The annual operating budget will include the corresponding capital projects identified in the Five-Year Capital Improvement Program (CIP).
5. An employee compensation package consistent with sound economic policies will be maintained to recruit and to retain qualified employees. The Village will maintain a pay and benefit structure for its employees competitive with communities comparable to the Village.

#### **Cash Management Policies**



1. The cash management system is designed to accurately monitor and forecast revenues and expenditures, thus enabling the Village to invest funds to the fullest extent possible. The Village attempts to match funds to projected disbursements.
2. An investment policy (Exhibit A) has been adopted by the Village Board as a separate document, and is incorporated into these financial policies by reference. The investment policy provides guidelines for the prudent investment of cash reserves and temporarily idle cash and outlines the policies for maximizing the efficiency of the cash management system.
3. In order to maximize interest earnings, the Village combines the cash of all funds excluding those that are legally required to be held separately. Interest revenue derived from commingled cash is allocated to the participating funds monthly, based on the relative average cash balance of each fund.
4. Require that all bank deposits be collateralized with securities, as noted in the above policy, having a market value of 102% of the underlying deposits.
5. State statutes govern the investment of public funds and provide the general framework for investment activity and fiduciary responsibilities. The investment of Village funds must be in conformance with state statutes, local ordinances, and internal policies and procedures.
6. Criteria for selecting investments and the order of priority are: safety, liquidity, and return on investment.

#### **Accounting, Auditing and Reporting Policies**

The Village will establish and maintain a high standard of accounting practices in conformance with accounting principles generally accepted in the United States of America (GAAP) for governmental entities as promulgated by the Governmental Accounting Standards Board (GASB). The Village also incorporates the following principles related to accounting, auditing and reporting as it furthers its financial planning and fulfills its fiscal responsibilities:

1. An audit of the Village's financial statements will be performed annually in accordance with auditing standards generally accepted in the United States of America (GAAS) by an independent firm of certified public accountants, who will publicly issue an opinion that will be incorporated into the financial statements.
2. The Village will submit its Comprehensive Annual Financial Report (CAFR) annually to the Government Finance Officers Association (GFOA) for the purpose of obtaining the Certificate of Achievement for Excellence in Financial Reporting Award.
3. Governmental funds will be reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when

they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred.

4. The government-wide, proprietary fund, and fiduciary trust fund financial statements will be reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.
5. Fiduciary agency funds will be reported using the accrual basis of accounting to recognize receivables and payables. However, they do not have a measurement focus since they report only assets and liabilities, and do not report equity or changes in equity.
6. The Village will promote full disclosures in its financial statements in accordance with, but not limited to, the requirements of the Governmental Accounting Standards.

#### **Debt Administration Policies**

As a non-home rule community, the statutory limit on the amount of general obligation debt outstanding cannot exceed 8.625% of equalized assessed valuation. The legal debt limit specifically excludes general obligation alternate revenue bonds and other debt which is being repaid by a revenue source other than property taxes. Using the 2017 equalized assessed valuation (the most recent available information); this limitation would allow for \$25.5 million in debt with no outstanding general obligation debt (excluding alternate revenue bonds) as of April 30, 2018. Maintaining significantly lower debt levels provides for greater flexibility in issuing additional bonds should the need arise.

1. The Village will confine long-term borrowing to those capital improvements or one-time obligations that cannot be financed from current revenues or reserves.
2. The Village will not use long-term borrowing to fund operating expenditures.
3. The Village will maintain communications with bond rating agencies about its financial condition. The Village will follow a policy of full disclosure on every financial report and bond prospectus.
4. The maturity date for any long-term debt will not exceed the reasonably expected useful life of the capital project financed.
5. The Village will consider the refunding of outstanding debt when at least a 3% present value savings can be obtained for an advance refunding and at least a 2% present value savings can be obtained for a current refunding, as long as it is beneficial to the Village.
6. Excess fund balance may be used to 1) fund planned capital projects, thereby avoiding debt; 2) abate annual debt service on outstanding obligations; or 3) pay down outstanding obligations.



7. Continuing disclosures will be filed annually as required by the Village's outstanding debt in accordance with Securities and Exchange Commission (SEC) Rule 15c2-12.

### **Capital Asset Policies**

1. The capital asset system is designed to provide control and accountability over capital assets, thus enabling the Village to safeguard assets to the fullest extent possible. The Village utilizes this system to gather and maintain information needed for the preparation of the financial statements.
2. A capital asset policy has been adopted by the Village Board as a separate document (Exhibit B), and is incorporated into these financial policies by reference. The policy provides guidelines for the capitalization and depreciation of the Village's capital assets and insures compliance with the capital asset provisions of Governmental Accounting Standards Board (GASB) Statement No. 34.
3. When the Village constructs or acquires additional capital assets they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the Village values these capital assets at the estimated fair value of the item at the date of donation. To be considered a capital asset for financial reporting purposes an item must have a useful life of at least one year and be at or above the capitalization thresholds in the following table.

Description	Useful Life	Capitalization Threshold
Land (and inexhaustible land improvements)	N/A	\$ 1
Land improvements (exhaustible)	15 - 20	25,000
Buildings	45	50,000
Building improvements	10 - 30	50,000
Vehicles	3 - 10	10,000
Machinery and equipment	5 - 30	25,000
Computers	4	10,000
Furniture and fixtures	5 - 20	15,000
Infrastructure	20 - 50	250,000

4. The Village shall maintain a Five-Year Capital Improvement Program (CIP) in association with the Expenditure Policy noted above. Capital improvements will be made in accordance with the plan which will be updated on an annual basis. The CIP will provide for adequate design, construction, maintenance and replacement of the Village's capital plant and equipment subject to budgetary restrictions and will be used to identify and prioritize future capital needs and possible funding sources.

### **Purchasing Policy**

#### **Purpose**



It is the philosophy of the Village of Sugar Grove to conduct a purchasing process which will result in maximum value in goods and services purchased for the tax dollar spent. The Village of Sugar Grove has responsibility to carefully spend public funds, to manage finances wisely, and to plan for services and facilities required by the public. It is the Village of Sugar Grove's policy that their purchasing process will achieve the following objectives:

- Purchase goods and services at the lowest cost consistent with specified quality and service levels
- Promote full competition from vendors through a standardized bidding process
- Comply with all local, state and federal regulations regarding the purchase of municipal goods and services
- Maintain continuity of supply to support the various services provided by the Village
- Maintain standards of quality in materials
- Avoid duplication, waste and obsolescence with respect to materials and equipment
- Maintain the minimum investment in materials inventory needed to provide cost effective services

**Category A: Goods and Services with a cost less than or equal to \$1,500**

Purchases may be made without price solicitation and the approval by department supervisors or department head.

**Category B: Goods and Services with a cost exceeding \$1,500 but less than or equal to \$5,000**

Pricing information will be gathered through an approved process such as price negotiations, written quotations or telephone solicitations. The purchase will be made from the vendor who offers the lowest price in substantial compliance with the purchase specifications. All purchases must be approved by the Village Administrator prior to purchase. The Village Administrator may reject any and all quotes/bids.

**Category C: Goods and Services with a cost exceeding \$5,000 but less than or equal to \$25,000**

Formal written bids or proposals will be reviewed by the department supervisor or department head prior to presentation to the Village Board. The purchase will be made from the vendor who submits the lowest bid or proposal in substantial compliance with the quote/proposal specifications. All purchases must have Village Board approval prior to purchase. The Village Board may reject any and all quotes/proposals and waive technicalities in the bidding process.

**Category D: Goods and Services with a cost exceeding \$25,000**

Formal sealed written bids or proposals must be submitted and will be opened after an approved solicitation process including a public notice of the opportunity to submit bids or



proposals. Sugar Grove vendors will be included in the solicitation. The purchase will be made from the vendor who submits the lowest bid or proposal in substantial compliance with the bid specifications or Request for Proposal (RFP). All purchases must be formally approved by the Village Board in advance and the Village Board may reject any and all bids and waive technicalities in the bidding process.

### **Category E: Unbudgeted Purchases**

Unbudgeted purchases up to \$5,000 may be made with prior approval by the Village Administrator. Unbudgeted purchases exceeding \$5,000 must have prior Village Board approval. Pricing information will be gathered through an approved process such as sealed bids, price negotiations, written quotations or telephone solicitation. Village Board approval for purchases under \$5,000 are at the discretion of the Village Administrator.

***For the purpose of determining which purchase category to utilize, a cost is assumed to be the invoice cost. For example, the purchase of ten (10) items with a unit cost of \$200 a piece would be one Category B purchase, rather than ten (10) Category A purchases.***

### **Purchasing Policy Exceptions**

#### **Exception #1: Emergency Purchases**

##### **Description:**

The acquisition of good and services when following the normal acquisition procedures would create an unacceptable delay in resolving an emergency situation. A delay is unacceptable if it would create an environmental hazard, place the public at risk, lead to increased damage to public facilities or create a significant inconvenience for the public. Examples include water or sewer system leaks and the unexpected failure of critical equipment or facilities.

##### **Alternate Procedure:**

The necessary goods and services will be acquired as quickly as possible. In the case of construction services, the repair contractor will be selected from the list of contractors maintained for that purpose and paid on time and material basis as defined by the Village's standard specifications. Goods and other services will be acquired from the vendor that can make the earliest delivery at reasonable prices.

##### **Approval Process:**

The initial acquisition will be approved by the department head. If the acquisition cost exceeds \$5,000 but less than \$25,000, the quote or proposal will be presented to the Village Administrator for approval prior to ordering the goods or services. If the cost exceeds \$5,000, the quote or proposal will be presented to the Village President prior to purchase.



## **Exception #2: Travel and Training Expenses**

### Description:

Costs incurred while travelling on Village business and participating in training authorized by the Village.

### Alternate Procedure:

The Village's regular Travel Policy will govern all purchases.

### Approval Process:

Payments will be approved by the department head, Finance Director and Village Administrator. Bills will be paid through the normal accounts payable process and the information will be reported the Village Board after payment along with the routine accounts payable reports.

## **Exception #3: Payroll Payments**

### Description:

Payroll costs for employees authorized in the current budget.

### Alternate Procedure:

Paychecks will be issued to employees at the end of the week following completion of a pay period.

### Approval Process:

Payroll timesheets will be approved by the department head and Village Administrator.

## **Exception #4: Utility Bills**

### Description:

Bills for natural gas, electricity and communications such as cellular telephones, long distance telephone and local telephone.

### Alternate Procedure:

Utility bills in all amounts will be processed through the normal accounts payable process.



Approval Process:

Payments will be approved by the Finance Director and information about the payments will be presented to the Village Board after payment along with the routine accounts payable reports.

**Exception #6: Health Insurance Payments**

Description:

Reimbursements to the City's health insurance providers for payments made to medical professionals and program participants.

Alternate Procedure:

Individual payments are governed by the rules and regulations controlling the health insurance program.

Approval Process:

The Finance Director will approve payments to medical providers and information about the payments will be presented the Village Board after payment along with the routine accounts payable reports.

**Exception #7: Contract Payments except for Contracts for the Construction of Capital Improvements**

Description:

Partial and Final payments on all contracts, purchase orders and agreements that have been previously approved by the Village Board, unless the payment causes the total contract amount to exceed the original authorization by more than \$5,000 up to a contract price of \$50,000, or 10% over on a contract price exceeding \$50,000.

Alternate Procedure:

Payments in all amounts, unless original contract amount will be exceed by \$5,000 up to a contract price of \$50,000 or 10% over on a contract price exceeding \$50,000, will be processed through the normal accounts payable process.

Approval Process:

Contract payments exceeding \$5,000 up to a contract price of \$50,000 or 10% over on a contract price exceeding \$50,000 will be approved in advance by Village Board.



Information about the payments will be presented to the Village Board prior to payment for approval.

Contracts not exceeding \$5,000 up to a contract price of \$50,000 or 10% over on a contract price exceeding \$50,000 will be approved by the Village Administrator. Information about the payments will be presented to the Village Board after the payment along with the routine accounts payable reports.

#### **Exception #8: Contract Payments for the Construction of Capital Improvements**

##### Description:

Partial and final payments on all contracts for capital improvements.

##### Alternate Procedures:

The Village Administrator or Public Works Director shall authorize all change orders on contracts for the construction of capital improvements.

##### Approval Process:

Partial and final payments on all contracts for capital improvements with change orders will be submitted to the Village Board for approval prior to payment. The payment request form will include a listing of all proposed and approved change orders, the original contract amount and the current proposed contract amount.

#### **Exception #9: Loans, Rebates and Refunds**

##### Description:

Payments due through approved programs such as utility refunds, sales tax rebates, outstanding liabilities, deposits refunds and other.

##### Alternate Procedures:

Payments will be made according to the program specific administrative procedures.

##### Approval Process:

All payments will be made through the normal accounts payable process and the information will be presented to the Village Board after payment along with the routine accounts payable reports.

#### **Exception #10: Debt Service**

##### Alternate Procedure:



The payment schedules will be approved by the Village Board at the time the debt is incurred.

Approval Process:

The payments will be approved by the Finance Director and made through the required payment instructions process.

**Exception #11: Asphalt, Concrete, Winterization materials and Construction/Maintenance Aggregates**

Description:

The purchase of asphalt products, ready-mix concrete, salt for wells and Village infrastructure and aggregates for use in construction and maintenance activities.

Alternate Procedure:

These materials are acquired on an as-needed basis from nearby vendors based upon the product, hauling distance and purchase price.

Approval Process:

Payments will be approved by the Public Works Director and Village Administrator and made through the normal accounts payable process. The information will be reported to the Village Board after payment along with the routine accounts payable reports.

**Exception #12: Internal Service Fund Payments and Inter-fund Transfers**

Description:

Payments made from on Village fund to another for direct services such as equipment replacement schedules, debt service or transfers included in the approved budget.

Alternate Procedure:

The transfers are all governed by approved and audited internal procedures.

Approval Process:

The payments will be approved by the Finance Director.

**Exception #13: Temporary Employment Service Payments**

Description:



Fees paid to temporary employment service contractors for temporary employees working in Village departments.

Alternate Procedure:

Temporary service contracts are approved by the Village Board and a listing of contract service/seasonal employees is included in the budget. The short-term use of temporary employees to fill vacant, full-time positions is approved on a case-by-case basis by the Village Administrator.

Approval Process:

The payments will be approved by the Finance Director and made through the normal accounts payable process. The Information will be reported to the Village Board after payment along with the routine accounts payable reports.

**Exception #14: Bulk Fuel Purchases**

Description:

The acquisition of fuel (gasoline, diesel and ethanol) for Village equipment and vehicles.

Alternate Procedure:

These fuels are purchased as-needed on a tanker load basis from the vendor who provides the lowest delivered price.

Approval Process:

The payments will be approved by the Public Works Director and made through the normal accounts payable process. The information will be reported to the Village Board after payment along with the routine accounts payable reports.

**Exception #15: Payments Required by State and Federal Law**

Description:

Non-discretionary payments made to comply with state and federal laws such as unemployment compensation and transfer of drug forfeiture money to the State of Illinois.

Alternate Procedure:

The payments are made pursuant to the applicable laws.



Approval Process:

The payments will be approved by the responsible department head and made through the appropriate payment process. The payment information will be reported to the Village Board after payment along with the routine accounts payable reports.

**Exception #16: Payments for 911 Dispatching Services**

Description:

Payments made to vendors for 911 dispatching services.

Alternate Procedure:

The payments made to continue 911 dispatching services essential to Village function.

Approval Process:

The payments will be approved by the responsible department head and made through the appropriate payment process. The payment information will be reported to the Village Board after payment along with the routine accounts payable reports.

# Exhibit A



## **Purpose**

The purpose of this investment policy (Policy) is to formalize the framework for the Village of Sugar Grove, Illinois' (Village) investment activities. This policy applies to all of the Village's financial assets and is intended to be broad enough to allow the Village to function properly within the parameters of responsibility and authority, while adequately safeguarding such assets. All transactions involving the Village's financial assets, and related activity, shall be administered and conducted in accordance with this Policy.

## **Governing Authority**

The Village's investment program shall comply at all times with the Illinois Public Funds Investment Act (30 ILCS 235/1 *et seq.*) and other state laws governing the investment of public funds, as amended from time to time. In the event of any conflict between this Policy and the Illinois Public Funds Investment Act and other state laws, the provisions of the Illinois Public Funds Investment Act and other state laws shall control.

## **Scope**

This Policy applies to the investment activities of the Village with regard to the financial assets of all funds, with the following exceptions:

- A. The Village of Sugar Grove Police Pension Fund is governed by the Sugar Grove Police Pension Board and has a separate investment policy.
- B. Funds set aside to decrease Village debt in conjunction with a refunding agreement will be invested in accordance with appropriate bond documents and not necessarily in compliance with this Policy.
- C. Should bond covenants be more restrictive than this Policy, funds will be invested in full compliance with those restrictions.

The following funds are accounted for in the Village's Comprehensive Annual Financial Report and are covered under this Policy:

- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Project Funds
- Enterprise Funds
- Agency Funds
- Any new fund created by the Village President and Board of Trustees (collectively the "Board"), unless specifically exempted above

Except for cash and investments in certain restricted and special funds, the Village commingles its cash and investments to maximize investment earnings and to increase efficiencies with



regard to pricing, safekeeping, and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with accounting principles generally accepted in the United States of America.

### **General Objectives**

The primary objectives (Objectives), in order of priority, of all investment activities involving the financial assets of the Village shall be:

- A. **Safety:** Safety shall be the foremost objective of this Policy and refers to the preservation of capital and protection of investment principal. Village investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the Village's overall portfolio (Portfolio) by mitigating credit and interest rate risk.
  1. **Credit Risk:** Credit risk is the risk that an issuer of a debt security will not pay its par value upon maturity. The goal will be to minimize credit risk by:
    - Limiting investments to the types of securities identified in Section IX of this Policy; and
    - Diversifying the Portfolio in accordance with Section XI of this Policy, so that potential losses on individual securities will be minimized. Diversification reduces the risk that potential losses on individual securities might exceed the income generated from the remainder of the Portfolio.
  2. **Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The goal will be to minimize interest rate risk by:
    - Structuring the 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; and
    - Investing operating funds primarily in shorter-term securities, money markets, or similar investment pools.
- B. **Liquidity:** The Portfolio shall maintain sufficient liquidity to enable the Village to meet all operating requirements and expected liabilities which may be reasonably anticipated in any Village fund.
- C. **Return:** The Portfolio shall be designed to obtain a reasonable return, which for the purposes of this Policy means the Portfolio should obtain a market-average rate of return in accordance with Section XIV of this Policy, taking into account the Village's investment risk constraints and cash flow needs of the Village's funds.

### **Standards of Care**

- A. **Prudence:** 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. Investments and deposits of public funds shall be made with judgment and care under the 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. Village officers and employees acting in accordance with this Policy, and any other written procedures, and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market changes, provided that officers and employees report deviations from expectations in a timely fashion and take appropriate action to control adverse developments.

- B. **Maintaining the Public Trust:** All participants in the investment process shall seek to act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the Village.
- C. **Ethics and Conflicts of Interest:** Officers and employees of the Village who are involved in the investment process shall refrain from personal business activity that could conflict with proper execution and management of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Board any material interests in financial institutions with which they conduct business. They shall further disclose any material personal financial or investment positions that could be related to the performance of the Portfolio. Employees and officers shall subordinate their personal investment transactions to those of the Village, particularly with regard to the timing of purchases and sales.

#### **Delegation of Authority and Responsibilities**

- A. **Governing Body:** The Board will retain ultimate fiduciary responsibility for the Portfolio. The Board will receive monthly reports, designate investment officers, and approve changes to the investment policy.
- B. **Investment Officer:** Authority to manage the investment program is granted to the Treasurer hereinafter referred to as investment officer as designated by 30 ILCS 235/2.5(a)(7). Management responsibility for the operation of the investment program is hereby delegated to the Treasurer, with the advice and consent of the Budget Officer, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this Policy.

#### **Authorized Financial Institutions**

The Treasurer will maintain a list and is hereby authorized to deposit Village monies, in accordance with 65 ILCS 5/3.1-35-50, in financial institutions as attached hereto as Appendix A. The Treasurer shall review this list from time to time and shall submit any modifications thereto to the Board for approval. The Treasurer shall be discharged from responsibility for all funds or money the Treasurer deposits in a designated financial institution while the funds and money are so deposited.



Financial institutions may include depositories, investment advisors, broker/dealers, and local government investment pools as authorized in this Policy. Financial institutions who desire to become qualified for transactions must provide certification of having read and understood this Policy, agree to comply with this Policy, and ensure all investments proposed for purchase will conform to this Policy and applicable State statutes. Selection of financial institutions authorized to engage in transactions with the Village shall be at the sole discretion of the Village. Financial institutions will be selected based on financial condition, proper registration, level of service, experience with Illinois municipalities, and competitive pricing.

All depositories shall be insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA) and may consist of banks, savings and loan associations, and credit unions. All financial institutions who desire to become designated depositories must supply the following (as appropriate):

- Audited financial statements
- Proof of state registration
- Evidence of adequate insurance coverage

All investment advisors shall be registered under the Investment Advisors Act of 1940. All financial institutions who desire to become designated investment advisors must supply the following (as appropriate):

- Audited financial statements
- Securities and Exchange Commission (SEC) Form ADV – Parts 1 and 2
- Proof of state or SEC registration as appropriate
- Evidence of adequate insurance coverage

All broker/dealers shall be insured by the Securities Investor Protection Corporation (SIPC). All financial institutions who desire to become designated broker/dealers must supply the following (as appropriate):

- Audited financial statements
- Proof of Financial Industry Regulatory Authority (FINRA) certification
- Proof of state registration
- Evidence of adequate insurance coverage

A periodic review of the financial condition and registration of all designated financial institutions will be conducted by the Treasurer, or his or her designee.

Any financial institution selected by the Village of Sugar Grove may be requested to provide cash management services, including but not limited to: checking accounts, wire transfers, purchase and sale of investment securities and safekeeping services. Fees for banking services shall be mutually agreed to by an authorized representative of the financial institution and the Treasurer of the Village.

### **Safekeeping and Custody**



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

### **Authorized Investments**

The Village is empowered by statute to invest in the following:

- A. 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;
- B. Bonds, notes, debentures, or other similar obligations of the United States of America, its agencies, and its instrumentalities;
- C. 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; provided, however, that such investments may be made only in banks which are insured by the Federal Deposit Insurance Corporation;
- D. 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 3 highest classifications established by at least 2 standard rating services and which mature not later than 270 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 Village's funds may be invested in short term obligations of corporations;
- E. 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 (1) 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, (2) bonds, notes, debentures, or other similar obligations of the United States of America, or its agencies, and its instrumentalities, or (3) agreements to repurchase such obligations;
- F. Interest-bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, of any other state, or of any political subdivision or agency of the State of Illinois or of any other state. The bonds shall be registered in the name of the municipality or held under a custodial agreement at a bank. The bonds shall be rated at the time of purchase within the 4 highest general classifications established by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions;
- G. Short term discount obligations of the Federal National Mortgage Association;



- H. Shares or other forms of securities legally issuable by State or Federal savings banks or savings and loan associations which are insured by the FDIC;
- I. Dividend-bearing share accounts, share certificate accounts or class of share accounts of a credit union chartered under the laws of the State of Illinois or the laws of the United States; provided, however, the principal office of any such credit union must be located within the State of Illinois whose accounts of which are insured by applicable law;
- J. Local Government Investment Pools (LGIPS)
- K. Interest-bearing bonds of the Village of Sugar Grove, Illinois. The bonds shall be registered in the name of the municipality, held under a custodial agreement at a bank, or held at the Village offices;
- L. Any other investment permitted by Illinois statute.

### **Collateralization**

The Village shall require that deposits in excess of Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) insurable limits in a single financial institution be secured by some form of collateral. To fulfill this requirement, every pledge of collateral must be documented by an approved written security and pledge agreement, executed by the financial institution contemporaneously with the acquisition of the pledged collateral by the financial institution.

To the extent that there are funds in excess of FDIC, NCUA, and/or SIPC insurance protection, eligible collateral instruments are as follows:

- Bonds, notes, or other securities constituting direct and general obligations of the United States;
- Bonds, notes, or other securities constituting the direct and general obligation of any agency or instrumentality of the United States, the interest and principal of which is unconditionally guaranteed by the United States;
- Bonds, notes, or other securities or evidence of indebtedness constituting the obligation of a U.S. agency or instrumentality;
- Direct and general obligation bonds of the State of Illinois or of any other state of the United States; provided, however, the bonds shall be rated at the time of purchase within the 4 highest general classifications established by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions;



- Revenue bonds of the State of Illinois or any authority, board, commission, or similar agency thereof; provided, however, the bonds shall be rated at the time of purchase within the 4 highest general classifications established by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions;
- Direct and general obligation bonds of any city, town, county, school district, or other taxing body of any state, the debt service of which is payable from general ad valorem taxes; provided, however, the bonds shall be rated at the time of purchase within the 4 highest general classifications established by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions;
- Revenue bonds of any city, town, county, or school district of the State of Illinois; provided, however, the bonds shall be rated at the time of purchase within the 4 highest general classifications established by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions;

The amount of collateral provided will not be less than 102% of the market value of the net amount of public funds secured. The ratio of fair market value of collateral to the amount of funds secured shall be reviewed monthly and additional collateral will be requested when the ratio declines below the level required.

Third party safekeeping shall be required for all collateral, which may be held at the following locations:

- A Federal Reserve Bank or its branch office; or
- By an independent third party with whom the Village has a current custodial agreement, unless physical securities are involved.

Safekeeping shall be documented by written agreement which may take the form of a safekeeping agreement, trust agreement, escrow agreement, or custody agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the Village. Substitution or exchange of securities held in safekeeping shall not be done without prior written notice of the Village to any proposed substitutions and provided that the market value of the replacement securities are equal or greater than the market value of the securities being replaced. The Village must pre-approve all substitution and exchanges of securities.

### **Diversification**

It is the policy of the Village to diversify its Portfolio. Investments shall be diversified to mitigate the risk of loss and balance the effect of interest rate changes on different types of securities. Investment shall be diversified by:

- Limiting investments to avoid over-concentration in securities from a specific issuer;
- Investing in securities with varying maturities;



- Investing a portion of the Portfolio in readily available funds such as bank cash management accounts, money market funds, or Local Government Investment Pools or AAA rated LGIPS to ensure liquidity is maintained to meet ongoing obligations.

With the exception of U.S. Treasury and U.S. agency securities, as well as Illinois Funds, IMET, and Illinois Trust no more than 90% of the Village of Sugar Grove's total investment portfolio will be invested in a single security type and no more than 50% of the Village of Sugar Grove's total investment portfolio will be invested with a single financial institution.

### **Maximum Maturities**

To the extent possible, the Village of Sugar Grove will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Village will not directly invest in securities maturing more than three (3) years from the date of purchase. However, reserve funds may be invested in securities exceeding three (3) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds. In addition, reserve funds may be invested in securities under Section IX, Subsection M maturing not more than five (5) years from the date of purchase.

### **Internal Controls**

The Treasurer shall establish a system of internal controls, which shall be documented in writing. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent action by officers and employees of the Village.

### **Performance Standards**

The Portfolio will be managed in accordance with the parameters specified within this Policy. The Portfolio should 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. The Village's investment strategy is passive, which means securities are intended to be held to maturity. Given this strategy, the investment portfolio of the Village shall be designed with the general objective of regularly exceeding the average return of the 90-day U.S. Treasury Bill. The investment program shall seek to augment returns above this level, consistent with risk limitations identified herein and prudent investment principles.

### **Reporting**

- Monthly: The Treasurer shall submit a written cash and investment report to the Board which lists the individual components of the Portfolio by maturity date, valuation by fund, and rate of return.



- Quarterly: The Treasurer shall ensure that the Portfolio is reviewed to determine its general performance and effectiveness in meeting the Objectives.
- Annually: The Comprehensive Annual Financial Report of the Village shall include all investment information and disclosures required by accounting principles generally accepted in the United States of America as promulgated by the Government Accounting Standards Board.

#### **Amendment of Policy**

The Treasurer shall review this Policy from time to time and shall submit any modifications thereto to the Board for approval.

In the event that any state or federal legislation or regulation should further restrict instruments, institutions or procedures authorized by this Policy, such restrictions shall be deemed to be immediately incorporated in this Policy. If new legislation or regulation should liberalize the permitted instruments, institutions or procedures, such changes shall be available and included in this Policy only after written notification to the Board and their subsequent approval of said changes.



## Appendix A

### Village of Sugar Grove Listing of Authorized Financial Institutions

#### List of Depositories

Amalgamated Bank  
American Heartland Bank and Trust  
Associated Bank  
BMO Harris Bank  
Castle Bank, A division of First National Bank of Omaha  
Cole Taylor Bank  
Fifth Third Bank  
FirstMerit Bank  
J.P. Morgan Chase Bank  
Old Second National Bank  
PMA Financial Network, Inc. (and any bank participating in their program)  
U.S. Bank  
West Suburban Bank  
Wintrust Financial Corporation (including its wholly owned banking subsidiaries)

#### List of Investment Advisors

PFM Asset Management LLC  
Prudent Man Advisors, Inc.

#### List of Broker/Dealers

Fifth Third Securities, Inc.  
J.P. Morgan Securities LLC  
PFM Fund Distributors, Inc.  
PMA Securities, Inc.

#### List of Local Government Investment Pools

Illinois Funds  
Illinois Metropolitan Investment Fund  
Illinois Trust

## Exhibit B



## **Village of Sugar Grove Capital Asset Policy**

### **Purpose**

The Village of Sugar Grove invests a significant amount in capital assets in pursuit of its mission, as well as to maintain or improve the level of service expected by its citizens. These assets play an essential role in the Village's ability to diversify, expand and cope with growth, and improve environmental conditions. That level of service can only be assured if adequate consideration is given to maintaining and expanding public facilities and infrastructure. If a government fails to maintain its capital assets, equipment, facilities and infrastructure will deteriorate more quickly and necessitate costly emergency allocations of financial resources.

The objective of this policy is to establish and maintain capital asset records to comply with governmental financial reporting standards, to ensure adequate control and appropriate use of capital assets, and to provide accountability for property control.

### **Definition**

Capital assets are real or personal property used in operations that have a value equal to or greater than the capitalization threshold for their respective asset class and have an estimated initial useful life of greater than one year. Capital assets shall include land, land improvements, buildings, building improvements, machinery and equipment, vehicles, and infrastructure. A capital asset is to be reported and depreciated, if applicable, in the government-wide and enterprise fund financial statements. Assets not capitalized are expended in the year of acquisition.

For further clarification, infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets and are normally stationary in nature. Infrastructure shall include roads, sidewalks, bike paths, bridges, drainage systems, water systems, sewer systems, and other like assets subject to the capitalization threshold for their respective asset class.

### **Valuation**

Capital assets should be reported at historical cost (original cost when acquired). All costs associated with the purchase or construction of a capital asset should be considered, including ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges may include freight and transportation, site preparation, installation, professional fees, temporary and permanent easements, engineering, construction management, and legal costs directly attributable to asset acquisition. Costs for training, maintenance agreements, and extended warranties which can be separately identified from the cost of the capital asset should not be capitalized.

In the absence of historical cost information the asset's estimated historical cost may be used to value the capital asset. Donated capital assets should be reported at their estimated fair value

at the time of acceptance plus ancillary charges, if any. Developer contributions should be reported at their estimated fair value at the time of acceptance by the Village.

The costs associated with general maintenance and repair that do not add value to the capital asset or materially extend the capital asset's useful life are expended in the period incurred rather than being capitalized. Significant costs, subject to the capitalization threshold for their respective asset class, which increase capacity (i.e. additional lanes on a road) or materially extend the useful life of an asset are capitalized and depreciated over the remaining useful life of the asset.

### Asset Class

The Village reports the following asset classes:

- Land
- Land improvements
- Buildings
- Building improvements
- Machinery and equipment
- Vehicles
- Infrastructure

### Land

Land is defined as the surface or crust of the earth, which can be used to support structures and roadways. All land is to be included in this classification regardless of its value for both tracking and reporting purposes. Expenditures for land improvements that do not require maintenance or replacement, bring land into condition to commence erection of structures, not identified with structures, or that do not deteriorate with use or passage of time are additions to the cost of land and are generally not exhaustible. Land is characterized as having an unlimited life (inexhaustible) and is not depreciated. Examples of items to be capitalized as land are as follows:

- Purchase price or fair value at time of donation
- Professional fees (i.e. title searches, architect, legal, engineering, appraisal, surveying, environmental assessments, etc.)
- Land excavation, fill, grading, and drainage
- Demolition of existing buildings and improvements
- Removal, relocation, or reconstruction of property of others (i.e. railroad, telephone and power lines, etc.)
- Recording costs

Easements are interests in land owned by another that entitles its holder to the right to use the land for a specific or limited purpose. An easement does not give the holder a right of "possession" of the property, only a right of use. A right-of-way is a type of easement in which fee simple title is obtained, defined as an absolute estate in perpetuity and one in which the owner is entitled to the entire property, with unconditional power of disposition. Therefore, easements or right-of-way acquired or donated is considered land and should be capitalized as such. However, an easement for temporary access will not be capitalized.



### Land improvements

Land improvements consist of permanent improvements, other than buildings, which add value to land, require maintenance or replacement, are typically identified with structures, deteriorate with use or passage of time, and are generally exhaustible. Examples of items to be capitalized as land improvements are as follows:

- Parking lots
- Landscaping
- Fencing
- Monuments (i.e. gateway signs)

### Buildings

A building is a structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls, and is not intended to be transportable or moveable. It is generally used to house persons, property, and fixtures attached to and forming a permanent part of such a structure. Examples of items to be capitalized as buildings are as follows:

- Purchase price or fair value at time of donation
- Expenditures for remodeling, reconditioning, or altering a building to make it ready for use for the purpose for which it is intended
- Environmental compliance (i.e. asbestos abatement)
- Professional fees (i.e. architect, legal, engineering, inspections, etc.)
- Cost of permits and licenses
- Completed project costs associated with the original construction of a building
- Additions to building (i.e. expansion, extension, or enlargement)

### Building improvements

Improvements to existing buildings, as part of a major rehabilitation project, which materially extend the useful life of a building, increase the value of a building, or both should be capitalized. Examples of items to be capitalized as building improvements are as follows:

- Installation or upgrade of heating and cooling systems
- Installation or upgrade of wall or ceiling coverings (i.e. carpet, tile, etc.)
- Installation or replacement of structural components (i.e. beams, rafter, joists, interior framing, etc.)
- Installation or upgrade of windows, doors, or cabinets
- Installation or upgrade of plumbing or electrical wiring
- Installation or upgrade of phone or closed circuit television systems, networks, fiber optic cable, or wiring required for equipment (that will remain in the building)
- Installation or replacement of exterior components (i.e. siding, roofing, masonry, etc.)

Maintenance costs are incurred to keep assets in normal operating condition and to help maintain the original use of the building and are not capitalized.

### Machinery and equipment

Machinery is defined as any mechanical or electrical device that transmits or modifies energy to perform or assist in the performance of human tasks. Equipment is defined as a movable or fixed unit of furniture or furnishings, instrument, machine, or apparatus to be used for operations, the benefits of which extend beyond one year from date of acquisition. Examples of items to be capitalized as machinery and equipment include but are not limited to:

- Computers
- Communications equipment
- Office equipment
- Kitchen equipment
- Light machinery (Public Works)
- Phone system
- Tractors
- Loaders, backhoes, and excavators
- Trailers, chippers, and grinders
- Generators
- Office furniture
- Vehicles (i.e. cars, trucks, etc.)

### Infrastructure

Infrastructure assets are long-lived capital assets that are normally stationary in nature and can be preserved for a significantly greater number of years than most capital assets. They are the basic physical structures needed for the functioning of a community or society, such as transportation and communications systems and water and power lines. Expenditures to be capitalized as infrastructure include, but are not limited to:

- Roads
- Bridges
- Sanitary sewer lift stations
- Interceptors
- Sanitary sewer mains
- Water mains
- Wells and water pump stations
- Water treatment plant, piping and equipment
- Water storage tanks
- Stormwater drainage improvements

Maintenance costs allow a government to continue to use an infrastructure asset during its originally established useful life and are not capitalized. Preservation costs extend the useful life of an asset beyond its original estimated useful life and should be capitalized, subject to the capitalization threshold. Additions and improvements are costs that increase the capacity of the asset (i.e. additional lanes on a road) and should be capitalized, subject to the capitalization threshold. Individual components of infrastructure that do not meet the capitalization threshold, such as street lights, sidewalks, signal improvements, paths and trails are not to be capitalized.

### Construction in progress



Construction in progress reflects the activity of capital assets which are substantially incomplete, such as buildings and roads. Each project must first be evaluated to determine whether it meets the capitalization threshold for the applicable asset class. Expenditures will then be added to the value of the capital asset as incurred. Projects should be reclassified to the appropriate asset class upon substantial completion.

**Capitalization Threshold and Useful Life**

The capitalization threshold is the dollar value the Village uses to determine whether a given asset should be capitalized and reported on the balance sheet as a capital asset. The responsibility for protecting and controlling the use of capital assets rests with the department wherein the asset is located. The Finance Department shall ensure that control over capital assets is maintained by establishing a capital asset inventory that is updated annually and documents all additions and deletions to the capital asset records. Capital assets will be recorded and depreciated using the Village’s financial software and will include a description (including serial and model number if applicable), asset class, department name, location, date acquired, cost, and useful life. Assets that do not meet the capitalization threshold for their respective asset class on a per unit basis shall be expensed in the period incurred rather than being capitalized (see Property control).

The useful life of a capital asset is the estimate of the period over which the Village expects said asset to be useful (normally the shortest of its physical, technological, or legal life). The actual life of a capital asset may extend beyond its useful life.

The following table is not all-inclusive and is meant to serve as a guide to identify the asset class, capitalization threshold, and useful life of each capital asset the Village owns:

<u>Asset Class</u>	<u>Capitalization Threshold (Dollars)</u>	<u>Useful Life (Years)</u>
Land	\$ 1	
Land		N/A
Land improvements (inexhaustible)		N/A
Right-of-way		N/A
Land improvements (exhaustible)	\$ 25,000	
Fencing		15
Lighting		15
Emergency sirens		20
Landscaping		20
Monuments		20
Parking lots		20
Sidewalks, paths, and trails		20
Buildings	\$ 50,000	45
	Capitalization	Useful



<u>Asset Class</u>	<u>Threshold (Dollars)</u>	<u>Life (Years)</u>
Building improvements	\$ 50,000	
Flooring		10
Low-voltage systems		10
Cabinets		15
Heating and cooling systems		20
Roofing		20
Windows and doors		25
Plumbing and electrical		30
Siding and masonry		30
Machinery and equipment	\$ 25,000	
Computers		4
Communications equipment		5
Office equipment		5
Kitchen equipment		10
Light machinery (Public Works)		10
Phone system		10
Heavy machinery (Public Works)		15
Generator		20
Office furniture		20
Recreational equipment		20
Traffic equipment		30
Vehicles	\$ 10,000	
Police squad – Patrol		4
Police squad – Sergeant		5
Police squad – Other		8
Truck – small		7
Truck – large		10
Infrastructure	\$ 250,000	
Sanitary sewer system		
Lift station		40
Interceptor system		50
Sanitary sewer main		50
Stormwater system		
Storm sewer main		50
Transportation		
Roads		20
Bridges		40



<u>Asset Class</u>	<u>Capitalization Threshold (Dollars)</u>	<u>Useful Life (Years)</u>
Infrastructure (Continued)	\$ 250,000	
Water system (potable)		
Painting of storage tank		20
Pump station		40
Storage tank (elevated or ground)		40
Wells		40
Treatment plant		50
Water main		50

### **Depreciation**

Depreciation is the measure of the decrease in the value of a capital asset over a specific period of time. Capital assets shall be depreciated over their estimated useful lives using the straight-line method beginning in the month it was acquired unless they are:

- Inexhaustible (i.e. land)
- Construction in progress

### **Disposition**

When a capital asset is disposed of, its cost and accumulated depreciation shall be removed from the Village's capital asset records and a gain or loss be recognized, if applicable. Disposition of an asset may be due to destruction, obsolescence, retirement, sale, trade, scrap, or donation. In addition, the Village shall approve an ordinance to sell, trade, convert, or dispose of said property when it is determined by the Village that personal property is no longer necessary or useful to or for the best interest of the Village pursuant to 65 ILCS 5/11-76-4 of the Illinois Municipal Code.

### **Transfers**

Capital assets transferred from one department to another should be reported by the department who is initiating the transfer. The asset shall be reported at its current book value as of the date of said transfer.

### **Property control**

Assets below the capitalization threshold but warranting control or considered sensitive may include, but are not limited to, weapons, radios, personal computers, laptop computers, printers, and small power tools. Stewardship of these minor but sensitive items is the express responsibility of the department utilizing these assets. The responsible department shall maintain control and keep an inventory list of these assets. The inventory shall include a description, location, and other information that assists in control or is deemed relevant.