



AGENDA ITEM # 9F

**AGENDA ITEM EXECUTIVE SUMMARY
Village Board Meeting
May 13, 2019**

Item Title: Financial Policies

Staff Contact: Tom Dahl, Finance Director

VILLAGE BOARD ACTION

Adopt a Resolution Authorizing Revisions to the Village of Roselle Financial Policies.

Executive Summary:

Attached is a resolution approving revisions to the Village of Roselle Financial Policies document recommended by Finance Staff. A recommendation (7-0) was made by the Committee of the Whole at the April 22, 2019 meeting to amend the financial policy document. The policy document is attached as Exhibit A.

Implications:

Is this item budgeted? N/A

Any other implications to be considered? No

Attachments:

Resolution Authorizing Revisions to the Village of Roselle Financial Policies
Exhibit A - Financial Policies document

RESOLUTION NO. 2019-

**A RESOLUTION AUTHORIZING REVISIONS TO THE VILLAGE OF ROSELLE
FINANCIAL POLICIES**

WHEREAS, the Corporate Authorities of the Village have reviewed the revisions to the Financial Policies recommended by staff and deem it to constitute a proper general policy of the Village of Roselle pertaining to its financial practices and fiscal policies.

NOW THEREFORE, be it resolved by the Mayor and Board of Trustees of the Village of Roselle, DuPage and Cook Counties, that the Financial Policies of May 2019 is hereby approved as constituting the general policies of the Village of Roselle pertaining to its financial practices and fiscal management. A copy of said financial policies being attached hereto and incorporated herein as if fully set forth as Exhibit A.

ADOPTED this 13th day of May 2019.

AYES:

NAYS:

ABSENT:

Mayor, Village of Roselle

ATTEST:

Village Clerk

VILLAGE OF ROSELLE

FINANCIAL POLICIES

These recommended financial policies have been formulated to insure the continued financial health of the Village. The objectives of these policies are to assist the Village Board and Village Management staff in making budgetary decisions based upon sound financial principles. These policies are not intended to be comprehensive or exhaustive. They are intended to establish a solid foundation for the financial management of the Village. Staff shall work within the context of these policies while continuing to explore lawful, creative and insightful financial recommendations to present to the Corporate Authorities of the Village for their consideration and possible implementation. The cornerstone of these policies and future financial recommendations shall be maintaining comprehensive and sound fiscal management of all Village economic resources.

Adopted: August 2004
Revised: February 2007
Revised: March 2010
Revised: July 2016
Revised: September 2017
Revised: May 2019

Budget Policy

The Village Administrator shall submit an annual budget to the Village Board which is within the Village's ability to pay. The annual budget shall provide for the following:

- a. The annual budget shall effectively communicate meaningful and understandable information to the Village residents, Village Board, Village Staff, and other readers. To accomplish this goal, the annual budget shall be prepared in conformance with the Government Finance Officers Association's (GFOA) Distinguished Budget Presentation Award Program.
- b. The annual budget shall be monitored on a monthly basis. Revenue and expenditure budget reports shall be prepared and made available to Village management staff for departmental review on a monthly basis. A monthly budget summary report (Treasurer's Report) shall be presented to the Village Board.
- c. The annual budget shall allow for the implementation of as many of the Village Board's goals and objectives as financially possible.
- d. The annual budget shall provide for the adequate funding of all pensions plans (IMRF, Police Pension Fund, and Firefighters Pension Fund). An independent actuary shall be used to determine the annual Village contributions to the Police Pension Fund and the Firefighters Pension Fund and determine if these pension funds are adequately funded.
- e. The annual budget shall provide funding for the adequate maintenance of municipal equipment, municipal facilities, and infrastructure.
- f. The annual budget shall set aside adequate funding (pay-as-you-go funding) for the replacement of vehicles and major equipment. Annual funding (depreciation funding) for these replacements will eliminate major expenditure jumps in the annual budget when these acquisitions are made.
- g. The annual budget shall finance current operating expenditures, excluding major capital expenditures, with current revenues. The use of reserves to finance current operating expenditures shall be carefully considered and avoided if possible.
- h. For budgeting purposes fund balance is defined as current assets less current liabilities and excludes interfund advances.
- i. The annual budget shall avoid the use of designated capital improvement revenues to balance operating funds.

Reserve and Fund Balance Policy

Sound financial management dictates the need for adequate fund balances to enable the Village to respond to adverse circumstances without jeopardizing essential Village services.

- a. The General Fund unassigned fund balance should be maintained at a minimum of 35% of the total General Fund annual expenditures to provide financing for unanticipated expenditures and revenue shortfalls and possible delays in the state distribution of shared revenues.
- b. The Water and Sewer Operating Fund cash and investment balance should be maintained at 25% of the total annual expenses to provide financing for unanticipated expenses and revenue shortfalls.
- c. Several other Funds have been created by the Village for the purpose of accumulating funds on an ongoing basis for future capital purchases and account for specific projects and programs. The focus of each fund is different; each Fund may have a significantly different cash requirement; and each Fund may have very different revenue sources.
- d. The Village Board shall be advised annually, during the budget process, of individual Fund reserves.

Management of Fund Balances

Government Accounting Standards Board (GASB) Statement 54 increased the reporting requirement on fund balances for external financial reporting purposes. The classifications of fund balance established in GASB Statement 54 are intended to depict the nature of the net resources that are reported in the governmental funds. An individual governmental fund could include any combination of these classifications.

- a) Non-spendable Fund Balances. These fund balances are the net balance of assets and liabilities that are held legally, contractually or in a “not in spendable form.” This includes all legally or contractually restricted balances as well as prepaid, inventory, encumbrances and other items considered “not in spendable form.”
- b) Restricted Fund Balances. These fund balances are the net balance of assets and liabilities that have provisions that are externally imposed. These are grants or other funds that are restricted by debt covenants, grantors, contributors or by laws or regulations of external governments. In general these include a legally enforceable requirement that the resources be used only for the specific purposes stipulated in the grant, donation, debt covenant or by law.
- c) Committed Fund Balances. Committed fund balances are those imposed by a formal action taken by the Board of Trustees. Once the Board of Trustees has taken formal action, the assets cannot be used for other purposes unless the Board of Trustees removes or changes the specified use by taking the same action it employed previously

to commit those balances.

- d) **Assigned Fund Balance.** Assigned fund balances are the net amounts of assets and liabilities constrained by the intent of the Board of Trustees. The intent will not be done by formal action of the Board of Trustees but will be part of items such as the adopted budget or in a statement by the Board of Trustees or by the Village Administrator.
- e) **Unassigned Fund Balance.** Typically, unassigned fund balances will be limited to the General Fund and, by definition, are the residual balance of fund balance.
- f) **Priority of Use.** It will be the policy of the Village of Roselle to use restricted resources first where applicable, then committed funds, then assigned funds and last unassigned fund balance, for all expenditures from governmental funds. The Village Administrator has the authority to deviate from this policy if it is in the best interest of the Village.

Capital Improvement Policy

The Village shall prepare a multiple-year capital improvement program that is incorporated in the annual budget document. The multi-year capital improvement program shall be used to identify and prioritize future capital project and infrastructure needs and funding sources to pay for these improvements.

- a. This multi-year program shall be prepared as a five year capital improvement plan. This five year plan shall be reviewed and approved by the Village Board prior to the Village's annual budget process.
- b. The approved capital improvement plan shall be incorporated into the annual budget and adopted as part of the budget document.
- c. The operating costs to maintain capital acquisitions and improvements shall be included in the annual budget.
- d. Projects and/or improvements shall be at least \$10,000 to be included in the capital improvement plan and meet one of the following criteria:

Land Acquisition

Facility Construction or Repair with estimated life of at least five years

Equipment Purchase with estimated life of at least one year

Infrastructure Improvements such as stormwater, wastewater, and streets

- e. In addition to utility taxes, intergovernmental grant funding and/or debt financing shall be considered to finance capital improvement programs.

Capital Assets Policy

As a general rule, the Village capitalizes assets that have a minimum original cost of \$20,000 and a useful life of at least one year. Capital Assets shall include land, infrastructure, buildings, machinery, equipment, vehicles and intangible assets with a life expectancy of one year or more. Infrastructure shall include roads, bridges, water and sewer mains, pumping stations, and lift stations. Capitalization of road projects only occurs when the street is reconstructed and torn down to the base and completely rebuilt. Donated capital assets are recorded at estimated fair market value at the date of donation.

All expenditures related to an infrastructure project will also be capitalized (engineering, legal services, etc.). All other street construction, i.e. regrinding, patching, etc., is considered maintenance, and not capitalized. Water and sewer projects will be capitalized when the project constructs additional infrastructure or replaces infrastructure, and meets the capitalization threshold below. Repairs of water and sewer assets will only be capitalized when they materially extend the life of the original asset, and meet the capitalization threshold below.

Intangible assets lack physical substance, are nonfinancial in nature, and have a useful life of at least one year. Intangible assets include right-of-way easements, patents, copyrights, trademarks, land use rights, and purchased or licensed computer software. Intangible assets shall be recognized only if it is identifiable, has the capability of being separated and sold, transferred, licensed, etc., or arises from contractual or other legal rights, regardless of whether rights are transferable or separable. Amortizing intangible assets will follow existing guidelines for depreciation of capital assets based on original cost and estimated useful life. Intangible assets with indefinite useful lives should not be amortized.

The following table has been established to provide guidance in determining the useful life and the depreciation of capital assets:	Years
Buildings and Improvements	10-40
Waterworks, reservoirs	40
Sewerage Treatment Plants	40
Transmission, distribution and collection	40
Vehicles	5-25
Machinery and Equipment	10
Roads and Bridges	50
Storm Sewer System	50
Intangible Assets	10-20

Debt Policy

As a non-home rule community, the Village has a legal debt limit of 8.625% of its most recent equalized assessed valuation (EAV). The legal debt limit excludes debt that is repaid using user fees or property taxes. The Village shall only incur debt for capital assets and/or capital projects. It has been the Village's practice not to incur debt for operating expenditures.

- a. Although pay-as-you-go financing is the preferred method to finance capital projects, the Village shall explore all options in financing its capital improvement program, including grants, developer contributions, pay-as-you-go financing, and long-term debt paid by user charges or paid by Village-wide taxes.
- b. The term of the debt issued for capital improvement projects shall not exceed the project's useful life and generally will not exceed 20 years.
- c. Whenever possible, the Village shall market its debt through the competitive bid process or a negotiated bid process.
- d. The Village shall comply with its Continuing Disclosure Requirements pursuant to the SEC Rule 15c-12(b)(5), including filing a Comprehensive Annual Financial Report (CAFR) with each nationally-recognized municipal information repositories (NRMIR's) within 210 days following the end of each fiscal year and disclosing certain material events on an occurrence basis.

Accounting, Auditing, and Financial Reporting Policy

- a. The Village shall have an annual audit conducted on its financial records by a qualified, independent public accounting firm. The Village shall request proposals from qualified independent accounting firms to conduct the annual audit of its financial statements every three to six years by the use of a request for proposal (RFP) process.
- b. The annual audit shall be conducted on an annual basis to be completed and filed within six months after the end of each fiscal year.
- c. The Village shall submit its Comprehensive Annual Financial Report (CAFR) to the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting Program.
- d. The Village's financial statements shall be prepared according to generally-accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB).
- e. The Village shall contract with an independent actuary to determine the Village's annual contribution to the Police and Fire Pension Funds.
- f. The Village may allow customers to make payments by credit card and shall charge a fee to the customer for the convenience of paying by credit card. The Finance Director will review the fees charged by the merchant services providers and adjust the convenience fees as necessary.

Investment Policy

The investment of public monies is a major responsibility of public officials. The purpose of this policy is to establish investment guidelines and provide a general framework for the selection of investments, institutions, and maturities. This policy is intended to assure that investments are being made safely and at market rates of return.

I. Scope

This investment policy applies to the investment activities of all funds of the Village of Roselle except for the Police Pension Fund and Firefighter's Pension Fund, which are governed by the Board of Trustees of each respective fund. All financial assets of other funds shall be administered in accordance with the provisions of this policy.

II. Delegation of Authority

The establishment of investment policies is the responsibility of the Village Board. Management and administrative responsibility for the investment program of the Village of Roselle is hereby delegated to the Director of Finance, who shall establish and follow these written procedures for the operation of the investment program. Such procedures shall include explicit delegation of authority to other positions responsible for investment transactions and investment records. No position may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Director of Finance. The Director of Finance shall be responsible for all transactions undertaken, and shall establish a system of internal controls to regulate the activities of subordinate officials. The Director of Finance may on occasion amend the written procedures in a manner consistent with this policy or with state law.

III. Investment Objectives

The overall direction of the Village of Roselle investment program may be found in the following objectives which are listed in order of priority: (1) safety; (2) liquidity; and (3) yield.

1. **Safety.** Safety shall be the main objective of the Investment 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 by mitigating credit risk, custodial risk and interest rate risk.
 - a) **Legality.** All investments shall be in conformance with federal and state laws, as well as compliance with internal policies.
 - b) **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:
 - i. Limiting investments to the types of securities identified in the policy.

- ii. Diversifying the portfolio in accordance with the 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.
 - iii. Pre-qualifying the financial institutions, Broker-Dealers, intermediaries and advisors with which the Village will do business.
 - c) 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:
 - i. 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.
 - ii. Investing operating funds primarily in shorter-term securities, money markets or similar investment pools.
 - d) Custodial Risk. The Village will minimize custodial risk by placing its securities with a third-party custodian, who will hold the securities in the Village's name, as evidenced by the safekeeping contract and monthly statements.
 - e) Concentration of Credit Risk. Concentration of credit risk is the risk that the Village has a high percentage of investments in one type of investment. The Village will minimize concentration of credit risk by diversifying its investments to the best of its ability. With the exception of U.S. Treasury obligations or investments fully collateralized by U.S. Treasuries or Agencies no more than 10% of the Village's investments shall be invested in a single financial institution.
- 2. **Liquidity.** The investment portfolio shall remain sufficiently liquid to enable the Village to meet all operating requirements which may be reasonably anticipated.
- 3. **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. Securities shall not be sold prior to maturity with the following exceptions:
 - a) A security with declining credit may be sold early to minimize loss of principal.
 - b) A security trade will improve the quality, yield or target duration in the portfolio.
 - c) Liquidity needs of the portfolio require that the security be sold.

IV. Standards of Care; Ethics; Internal Controls

- 1. **Prudence.** In managing its investment portfolio, the Village shall avoid any transactions that might impair public confidence in the government of the Village of Roselle.

The standard of prudence to be used by the Director of Finance and employees responsible for the investment of public funds shall be the "prudent person" standard, subject to the foregoing limitations, which states:

Investments shall be made with judgment and care, under circumstances then

prevailing, which persons knowledgeable of investment practices, and 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 possible income to be derived.

The above standard is established as the standard of professional responsibility and shall be applied in the context on managing the Village investment portfolio. This policy recognizes that there are circumstances beyond the control of even the most prudent investor which impact the return obtained. However, officials and employees of the Village acting in accordance with this Investment Policy and written procedures as may be established and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectation are reported in a timely fashion, and appropriate action is taken to control adverse developments.

2. **Ethics and Conflicts of Interest.** Officers and employees involved in the investment process shall not engage or conduct any business with an authorized financial institution, or person employed by or acting as an agent for the authorized financial institution, which shall violate:
 - a) 50ILCS105/3 et seq. "Interest in Contracts"; or
 - b) 720ILCS5/33 "Official Misconduct"; or
 - c) Roselle Gift Ban Ordinance, or
 - d) Any other applicable State Statutes pertaining to conflicts of interest or which prohibit officers or employees from engaging in conduct which is adverse to the Village's investment process.

3. **Internal Controls.** The Finance Director is responsible for establishing and maintaining an adequate internal control structure designed to reasonably protect the assets of the Village from loss, theft or misuse. The concept of "reasonable protection" recognizes 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 the Finance Director. Accordingly, the Finance Director shall establish a process for an annual independent review by an external auditor to assure compliance with this Policy and the internal controls established by the Finance Director. One of the required elements of the system of internal controls shall be the timely reconciliation of all Village bank accounts. Bank reconciliations shall be performed on a monthly basis and shall be completed no later than thirty (30) days after the end of the monthly cycle. The internal controls should address the following points:
 - a) Control of collusion
 - b) Separation of transaction authority from accounting and record keeping
 - c) Confirmation of transactions for investments and wire transfers
 - d) Custodial safekeeping
 - e) Avoidance of physical delivery of securities whenever possible
 - f) Address control requirements for physical delivery where necessary
 - g) Clear delegation of authority to subordinate staff members
 - h) Development of a wire transfer agreement with the lead bank and third-party

- custodian and implementation of the appropriate safeguards
- i) Compliance and oversight with investment parameters including diversification and maximum maturities
- j) Staff training
- k) List of approved Brokers-Dealers, safekeeping and financial institutions

V. Authorized Financial Institutions, Brokers-Dealers, Investment Advisors and Depositories

1. **Authorized Financial Institutions and Brokers-Dealers.** Financial institutions may include depositories, investment advisors, brokers/dealers and local government investment pools as authorized in this policy. The Finance Director shall maintain a list of financial institutions authorized to provide investment services. The list of approved financial institutions shall be selected through a process that ensures due diligence in the selection process. Financial institutions may include “primary” dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule). Regional brokers and dealers must have an office in Illinois in order to be considered for doing business with the Village. The Village will limit all security purchases to financial institutions on the approved list. Additions or deletions from the list shall be made at the Finance Director’s discretion.

The Village of Roselle shall not select as depository, any financial institution in which the Village funds on deposit exceed 50% of the institution's capital stock and surplus. While local Roselle institutions will be given preference, the Finance Director may request bids from institutions outside the Village of Roselle as long as they meet the requirements set forth within this investment policy.

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, electronic delivery is preferred):

- a) Audited financial statements
- b) Proof of state registration
- c) Evidence of adequate insurance coverage

All financial institutions who desire to be considered for investment transactions, must supply the following, in writing (electronic delivery is preferred):

- a) Audited financial statements
- b) Proof of Financial Industry Regulatory, Inc (FINRA) registration
- c) Proof of state registration
- d) Completed Broker-Dealer questionnaire
- e) Certification of having read and understood and agreeing to comply with the Village’s investment policy
- f) Evidence of adequate insurance coverage

An annual review of the financial condition and registration of financial institutions and

brokers/dealers on the list shall be conducted by the Finance Director.

If the Village utilizes an external investment advisor, the advisor is authorized to transact with its own approved Broker-Dealer list on behalf of the Village. The advisor will perform all due diligence for the Brokers-Dealers on its approved list. The advisor will annually provide the Village their approved Broker-Dealer list so that the Finance Director may conduct its own review.

Any financial institution selected by the Village may be requested to provide cash management services, including but not limited to: checking accounts, wire and ACH 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 Finance Director of the Village.

2. **Investment Advisor.** The Finance Director may engage the services of an external investment advisor to assist in the management of the Village's investment portfolio. All investment transactions executed by the external investment advisor on behalf of the Village must be consistent with this policy and be pre-approved in writing by the Finance Director.

A list will be maintained of approved external investment advisors selected by the Finance Director using a fair selection process. An annual review of all external investment advisors shall be conducted by the Finance Director to determine their continued eligibility with the requirements below. All investment advisors must supply the following (as appropriate):

- a) Audited financial statements
- b) SEC Form ADV – Parts 1 and 2
- c) Proof of state or SEC registration
- d) Evidence of adequate insurance coverage
- e) Have certified that all of the representatives of the investment advisor who conduct investment transactions on behalf of the Village have read, understood and agreed to comply with the Village's investment policy.

If the Village uses an external investment advisor, the advisor is authorized to enter into transactions with its own approved Broker-Dealer list on behalf of the Village. The advisor shall perform all due diligence for all brokers/dealers on its approved list. The external investment advisor shall annually provide the Village its approved Broker-Dealer list so that the Finance Director may conduct his or her own review.

- VI. **Authorized and Suitable Investments.** Investments may be made in any type of security allowed for in Illinois statutes regarding the investment of public funds. Investments shall be made that reflect the cash flow needs of the fund type being invested. The following investments will be permitted by this policy and are those defined by state law:

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, its agencies and its instrumentalities.
3. 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.
4. Short term obligations of corporations organized in the United States with assets exceeding \$500,000,000 if (i) 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 3 years from the date of purchase, (ii) such purchases do not exceed 10% of the corporation's outstanding obligations and (iii) no more than one-third of the Village's funds may be invested in short term obligations of corporations.
5. 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 (i) 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 and (ii) Bonds, notes, debentures or other similar obligations of the United States of America, its agencies and its instrumentalities.
6. 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 Village or held under a custodial agreement at a bank. The bonds shall be rated at the time of purchase within the 3 highest general classifications established by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions.
7. Short term discount obligations of the Federal National Mortgage Association.
8. 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. 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.
9. A Public Treasurers' Investment Pool created under Section 17 of the State Treasurer Act (e.g., Illinois Funds).
10. Any other investment permitted by Illinois statute.

VII. Investment Parameters

1. **Collateralization.** Funds on deposit (checking accounts, certificates of deposit, etc.) in excess of FDIC limits must be secured by some form of collateral allowed by Illinois state statute (30 ILCS 235/6d), witnessed by a written agreement and held at an independent third party institution in the name of the Village of Roselle. Securities held as collateral must not be of a type in violation of this investment policy. The amount of collateral provided will not be less than 110% of the market value of the net amount of public funds secured. Substitution or exchange of securities held in safekeeping shall not be done without prior written notice of the Village at least 10 days prior 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. 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.
2. **Safekeeping and Custody.** All security transactions entered into by the Village where applicable shall be conducted on a delivery-versus-payment (DVP) basis to ensure that securities are deposited in an eligible financial institution prior to release of funds. Securities will be held by an independent third party custodian designated by the Finance Director and evidenced by safekeeping receipts and a written custodial agreement.
3. **Diversification.** The Village shall diversify its investments to the best of its ability based on the type of funds invested and the cash flow needs of those funds. Diversification may be by type of investment, number of institutions invested in and length of maturity.
4. **Maximum Maturities.** To the extent possible, the Village shall 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.

VIII. Reporting and Performance Standards

1. **Cash Management.** The Village's policy regarding cash management is based upon the realization that there is a time value to money. Temporarily idle cash may be invested for a period of one day to in excess of one year depending upon when the money is needed. Accordingly, the Director of Finance shall cause to be prepared written cash management procedures which shall include, but not be limited to, the following:
 - a) Receipts. All monies due the Village shall be collected as promptly as possible. Monies that are received shall be deposited in an approved financial institution no later than the next business day after receipt by the Village.
 - b) Disbursements. Disbursements shall be approved by the Village Board. The Village Administrator and the Director of Finance may authorize the disbursement

of funds prior to Board approval for scheduled items (i.e. payroll, FICA, and IMRF disbursements, etc.) and on an emergency basis where operations could be materially impaired.

- c) Cash Forecast. At least annually a cash forecast shall be prepared using expected revenue sources and items of expenditure to project cash requirements over the fiscal year of the Village. The forecasts shall be updated at least semiannually to identify the future available balances.
- d) Pooling of Cash. The Director of Finance shall be authorized to pool the cash of various funds to maximize investment earnings where it is advantageous and prudent to do so. Investment income shall be allocated to the various funds based upon their respective participation. No pooling of cash shall be done where restricted by state law, bond ordinances, or other action of the Village Board.

2. **Accounting**. The Village of Roselle maintains its accounting records on the basis of funds each of which is considered a separate accounting entity. All investment transactions shall be recorded in the various funds of the Village in accordance with generally accepted accounting principles as promulgated by the Government Accounting Standards Board.

3. **Reporting**. The Finance Director shall prepare a monthly investment report that includes the following:

- a) Listing of individual securities held at the end of the reporting period.
- b) 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).
- c) Listing of investment by maturity date.
- d) Percentage of the total portfolio which each type of investment represents.

4. **Statement of Condition**. The Village of Roselle shall maintain, for public and managerial inspection, current statements of condition for each financial institution named as depository.

IX. Amendment

This policy shall be reviewed from time to time and any proposed changes shall be presented to the Village Board for their approval.

List of Authorized Personnel

The following Village officials/employees shall have the authority to make investments and approve purchases as dictated by Village policy:

Mayor
Village Administrator
Finance Director