

Section 4: Finance

4.1 Investment Policy

- 4.1.1 Scope - The Addison Park District Investment Policy applies to the investment activities of all funds of the Addison Park District. All financial assets will be administered in accordance with the provisions of this policy.
- 4.1.2 General Objectives - The purpose of this policy is to establish investment guidelines for Park District officials responsible for the safekeeping of public funds.
 - 4.1.2.1. Management - The Park District's investment portfolio will be managed in a manner that will avoid any transactions that might impair public confidence in the Park District.
 - 4.1.2.2. Prudence – Investments will be made with judgment and care, not for speculation, but for investment, considering the probable income to be derived, and in accordance with the standards of the “prudent person rule.”
 - 4.1.2.3. Safety – The investment portfolio should be designed with the objectives of maximum safety, liquidity, and return, in that order. Safety of principal is the foremost objective. Each transaction shall first ensure that principal losses are avoided, whether through defaults or erosion of value through fluctuation in market prices.
 - 4.1.2.4. Liquidity – The Park District's investment portfolio will remain sufficiently liquid to enable the district to meet present and anticipates cash flow requirements.
 - 4.1.2.5. Yield – The investment portfolio will have as its goal, a rate of return in excess of the average rate of return on a three month U.S. Treasury Bills. The rate of return on Park District investments will be evaluated on an annual basis. The goal will be for the total portfolio variance to be positive at the end of the fiscal
- 4.1.3 Standards of Care - The standard of prudence to be used by those employees of the Park District responsible for the investment of public funds shall be the “prudent person” standard, subject to the foregoing limitations, which state: Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the possible income to be derived. The above standard is established as the standard of professional responsibility and shall be applied in the context of managing the District's overall portfolio. The Park District's investment personnel will not incur

personal liability/responsibility for a security's credit risk or market risk due to a price change as long as they follow the Prudent Person Rule. This policy recognizes that there are circumstances beyond the control of even the most prudent investor which impact the return obtained. However, the establishment of this policy is intended to assure the Park District and individual employees that actions taken in accordance with the specific provisions hereof shall be deemed to meet the prudent person standard, provided that deviations from expectations for any investment are reported in a timely fashion, and appropriate action is taken to control adverse developments.

4.1.4. Delegation of Authority - Responsibility for the investment program will be delegated to the Executive Director and Treasurer of the Park District. No person, unless authorized by the Executive Director or Treasurer, will have the authority to make investment transactions on behalf of the Addison Park District.

4.1.4.1. Control – The Executive Director and Treasurer will be responsible for all transactions undertaken, and will establish a system of controls to regulate the activities in the portfolio.

4.1.4.2. Ethics and Conflicts of Interest – Officers, employees and Commissioners involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impact their ability to make impartial decisions. No contract for investment or financial services in which a Commissioner shall have any financial interest shall be approved by the Board of Park Commissioners unless such approval shall be in conformance with the Public Officers Prohibited Activities Act, 50 ILCS 105/0.01 et seq. Employees, investment officials, and Board Commissioners shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial investment positions that could be related to the performance of the investment portfolio. Employees, officers and Commissioners shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of their District.

4.1.5 Investment Instruments

4.1.5.1. Suitable and Authorized Investments – Investment Types – The Board of Park Commissioners has selected the following as approved investments as outlined in the State of Illinois statutes, Chapter 85, Sections 901 and 902, “Investment of Public Funds.”

1. Bonds, notes, treasury bills or other securities which are guaranteed by the full faith and credit of the United States of America.
2. Interest bearing savings accounts, interest bearing money market accounts, interest bearing certificates of deposit, or interest bearing time deposits constituting direct obligations of any bank as defined by the Illinois Banking Act and insured by the Bank Insurance Fund (BIF), the Federal

Deposit Insurance Corporation (FDIC), or the Savings Association Insurance Fund SAIF.)

3. Money market mutual funds registered under the Investment Company Act of 1940, provided the portfolio of any such money market fund is limited to bonds, notes, certificates, treasury bills, or other securities which are guaranteed as to principal and interest by the full faith and credit of the United States of America.
4. Investment in the State of Illinois Treasurer's Pool (IPTIP).
5. Investment in the Illinois Park District Liquid Asset Fund (IPDLAF).

4.1.5.2. Financial Institutions – With respect to non-interest bearing and interest bearing transaction accounts, it shall be the policy of the Addison Park District to select depositories on the following basis:

1. Security – The Park District will not maintain funds in any financial institution that is not a member of FDIC, BIF or SAIF.
2. Location - The Addison Park District will maintain operating and investment accounts in financial institutions within the Park boundaries and Village of Addison, whenever possible.

4.1.5.3. Collateral - All Park District funds on deposit in excess of insured limits must be secured by a form of collateral. The Park District will accept any of the following assets as collateral:

- U.S. Government Securities
- Obligations of Federal Agencies
- Obligations of the State of Illinois
- General Obligation Municipal Bonds rated "A" or better issued by a governing body in the State of Illinois

All collateral will have a maturity date of no greater than three years and the amount of collateral provided will not be less than 100% of the fair market value of the net amount of funds that the Park District has on deposit with each financial institution, in excess of their insurance coverage.

4.1.5.4 Delivery vs. Payment - Pledged collateral will be held by the Park District or in a safekeeping account at the Federal Reserve Bank and evidenced by a safekeeping receipt.

4.1.6 Short-Term Versus Long-Term Portfolio – Limitation on instruments, diversifications and maturity scheduling shall depend upon whether funds invested are considered short-term or long-term funds. All funds shall be considered short-term except those reserved for capital projects (i.e., bond sales and installment contract proceeds) reserved for future years.

4.1.7 Internal Controls - The Superintendent of Finance and Administration is responsible for establishing and maintaining an internal control structure designed to insure that the assets of the Park District are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of the control should not exceed the

benefits likely to be derived; and (2) the valuation of costs and benefits require estimates and judgments by management. Accordingly, the Superintendent of Finance and Administration shall establish a process for annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and record keeping
- Custodial safekeeping
- Avoidance of physical delivery of securities
- Written confirmation of telephone and or electronic medium transactions for investments and wire transfers

- 4.1.8 **Reporting** - It will be the responsibility of the Superintendent of Finance & Administration to maintain current financial reports on all financial institutions in which the Park District maintains an account. The Superintendent of Finance and Administration must maintain adequate records such as current statements of condition and statements of income that are deemed necessary to maintain an accurate view of the financial stability of the institution.
- 4.1.9 **Separation Provisions of Policy and Conflicts with Illinois Law** - The above policies shall remain in full force and effect until revoked by the Board. If, after adoption of this policy, there is any conflict with the Illinois Investment Statutes, current law shall dictate.
- 4.1.10 **Adoption** - The Board of Commissioners shall adopt this policy. The Board shall review the policy with recommendations presented to the Board of Park Commissioners when needed but in no case less frequently than every two years. The Board of Park Commissioners shall approve the recommendations.
- 4.1.11 **Exceptions** - Exceptions to any of the criteria outlined in this Investment Policy for investment selection may be made only upon the specific prior approval of the Board of Park Commissioners upon a roll call vote at a regular or special meeting of the Board.

4.2 Revenue Policy

- 4.2.1. Introduction - The Addison Park District Revenue Policy has been adopted by the Board of Park Commissioners for the monitoring and control of revenues.
- 4.2.2. Scope - The Revenue Policy applies to all revenue sources of the Park District.
 - 4.2.2.1. The Basis of accounting for the majority of the Park District's funds is modified accrual.
 - 4.2.2.2. The Park District utilizes a modified accrual basis of accounting and budgeting, with revenues being recorded when the services or goods are available and measurable. Fees and charges for these funds are developed in accordance with the Fees and Charges Policy.
 - 4.2.2.3. All funds or moneys of the Park District not needed for immediate disbursement shall be invested in accordance with the Investment Policy. Investment income will be recorded in accordance with generally accepted accounting principles.
- 4.2.3. Overall Objectives - The Park Board's primary Revenue Policy goal is to maintain a diversified revenue system to protect it from possible short-term fluctuations in any of its various revenue sources. To accomplish this, revenues are monitored on a continuous basis to insure that receipts from each revenue source are at maximum levels. An understanding of economic and legal factors, which directly and indirectly affect the level of revenue collections, is an important part of the Park District's Revenue Policy. The following objectives are those that are utilized throughout the Park District's budget cycle as they pertain to revenues.
 - 4.2.3.1. The Park District will project its annual revenue through an analytical process and will adopt its budget using conservative estimates and long-term forecasting.
 - 4.2.3.2. A diversified yet stable revenue system will be utilized by the Park District to protect it from possible short-term fluctuations in any of its revenue sources.
 - 4.2.3.3. The Park District will minimize the use of one-time revenue transactions to fund programs incurring ongoing costs.
 - 4.2.3.4. The Park District will, after having considered all possible cost reduction alternatives, explore the possibility of obtaining new or expanded revenue sources as a way to help ensure a balanced budget.
 - 4.2.3.5. Cost recovery revenue sources will be analyzed on an annual basis and modified as necessary to ensure that revenue

collections reflect the cost of providing associated Park District services.

4.2.3.6. The Park District will actively oppose State and/or Federal legislation that would mandate costs to the Park District without providing or increasing a revenue source to offset those mandated costs. The Park District will continue lobbying efforts, through the Illinois Association of Park Districts, to protect revenues received from State and Federal agencies.

4.2.3.7. The Park District will review the budget for those programs that can be reasonably funded by user fees. This review will result in a policy that defines cost, specifies a percentage of the cost to be offset by a fee and establishes a rationale for the percentage. When establishing these programs, the Park District will consider:

Market pricing

1. Market Pricing
2. Increased costs associated with the programs
3. The ability of the users to pay
4. The ability of individuals to make choices between using the service and paying the fee or not using the service

4.2.3.8. The Park District will review, and if necessary adjust, user fee rates annually based on an analysis of the criteria established above. The Park District will pursue frequent small increases as opposed to infrequent large increases.

4.3 Purchasing Policy

- 4.3.1 Introduction - There are three important benefits to having written financial policies. These are:
- 4.3.1.1. Written policies unambiguously establishing goals, priorities for goals, responsibility for achieving goals, acceptable risks, management requirements and coordination of objectives.
 - 4.3.1.2. The process of formulating policies or of periodically reviewing existing policies gives senior managers, Commissioners and other responsible parties' vital opportunities to evaluate goals, risk and other key elements of the Park District's cash management activities.
 - 4.3.1.3. A formal, written policy gives employees clear guidance.

- 4.3.2 Governance – The Park District's Purchasing Policy establishes the guidelines under which all purchases are made. Under the provision of this policy, the Park District adheres to all requirements of Section 8-1(c) of the Park District Code and outlines administrative staff guidelines. It is the intent of this policy that the Park District conducts business fairly and equitably while remaining fiscally responsible to its tax payers.
- The purchasing policy is governed in part by Section 8-1(c) of the Park District

Code which provides: "Every park district shall. *** have and exercise the following powers*** (c) to acquire by gift, legacy or purchase any personal property necessary for its corporate purposes provided that all contracts for supplies, materials or work involving an expenditure in excess of \$20,000 shall be left to the lowest responsible bidder, considering conformity with specifications, terms of delivery, quality and serviceability, after due advertisement, excepting contracts which by their nature are not adapted to award by competitive bidding, such as contracts for the services of individuals possessing a high degree of professional skills where the ability or fitness of the individual plays an important part, contracts for the printing of finance committee reports and departmental reports, contracts for the printing of engraving of bonds, tax warrants and other evidence of indebtedness, contracts for utility services such as water, light, heat, telephone or telegraph. contracts for the use, purchase, delivery, movement, or installation of data processing equipment, software, or services and telecommunications and interconnect equipment, software, or services, contracts for duplication machines and supplies, contracts for goods and services procured from another governmental agency, purchase of equipment previously owned by some other district itself, contracts for the purchase of magazines, books, periodicals, pamphlets and reports and excepting where funds are expended in an emergency and such emergency expenditure is approved by 3/4ths of the members of the board.

- 4.3.3 Purpose - The Purchase of goods and services is a necessary function of the Park District. Therefore, a sound public purchasing program is important. Key

elements include openness, accountability, standardization, centralization and professionalism. These guiding principles give balance to the program of purchasing and procurement.

- 4.3.4 Authorization - No person, including Park Commissioners individually, may incur any debt for the Park District without express authority of the Board of Park Commissioners at a public meeting and recorded in its proceedings. The Board expresses implied authority to purchase as defined in the annual budget.
- 4.3.5 Purchases Under \$1,000 - Supervisors have the authority to approve the purchase of budgeted items under \$1,000.
- 4.3.6 Purchases of \$1,000 up to \$4,000 - Department Heads have the authority to approve the purchase of budgeted items under \$4,000. While price quotes are not required, every effort must be made to solicit a fair, competitive price.
- 4.3.7 Purchases of \$4,000 up to \$20,000 - Department Heads have the authority to purchase budgeted items up to \$20,000, with three written competitive quotes, and written approval. Quotes may be obtained through either a request for proposal or through direct contact with the vendor. The Executive Director, or designee, will provide written approval upon review of price documentation, prior to the purchase of materials or services.
- 4.3.8 Purchases Over \$20,000 - All competitive bids for material and services in excess of \$20,000 must be sealed by the bidder and must be opened by a park board member or employee of the park board at a public bid opening at which the contents of the bids must be announced. Each bidder must receive at least 3 days notice of the time and place of the bid opening. The Park Board may require a surety bond or cash deposit of any bidder.
For the purpose of this subsection, "due advertisement" includes, but is not limited to, at least one public notice at least 10 days before the bid date in a newspaper published in the district or, if no newspaper is published in the district, in a newspaper of general circulation in the area of the district.
- 4.3.9 Emergency Acquisition Over \$20,000 - Authorizes the Executive Director to take immediate action to secure material or services necessary to protect the health or safety of park users or of severe damage to park property with approval by three-fourths of the members of the Board.
- 4.3.10 Sole Source Purchases - Contracts for parts, supplies or equipment that are available only from a single source are referred to as sole source purchases. These items shall not be subject to requirements for seeking competitive bids. However, purchases in excess of \$20,000 shall be presented to the Board prior to acquisition with a request to waive bids, approve the purchase and enter into a formal contract. Sole source procurements may arise from the following circumstances:
- 4.3.10.1. Equipment for which there is no comparable competitive product, or is available solely from one supplier.
 - 4.3.10.2. A component or replacement part for which there is no commercially available substitute, and which can be obtained only from the manufacturer or manufacturer's representative.

4.3.10.3. A used item, for example, a tow truck or office furniture.

4.3.11 Requirement of Bidders - All contracts in excess of \$20,000 (except as otherwise authorized herein) shall be awarded by the Park Board and to the lowest responsible bidder. In determining the responsibility of any bidder the Park Board may take into account other factors in addition to financial responsibility, such as past records of transactions with the bidder, experience, adequacy of equipment, ability to perform, time limits, services to be rendered by the bidder, location of bidder, conformity with specifications, terms of delivery and other pertinent considerations. Any and all bids received in response to an advertisement or otherwise may be rejected by the Park Board if the bidder is not determined responsible or the character or quality of the services, supplies, materials, equipment, or labor does not conform to the Park Board's requirements or if the public interest may otherwise be served thereby. The Park Board reserves the right to award a contract for all or only a portion of the specific bid work.

4.3.12 Purchasing Guidelines - All items purchased will be in the best interest of the Park District. Local vendors and merchants will be used if at all possible, where prices are competitive. The Finance Department shall audit all purchase requests for conformity.

4.3.12.1. Economy of resources – Whenever feasible and advantageous, the Park District shall participate in cooperative purchases with other governmental agencies such as other park districts or local government agencies as well as the State of Illinois Central Management Services, and the Illinois Park and Recreation Association's Cooperative Purchase Program.

4.3.12.2. Purchasing Guidelines

4.3.12.2.1. No reimbursement will be made to any vendor, individual or volunteer if proper purchasing procedures have not been followed.

4.3.12.2.2. All invoices are to be addressed to the Addison Park District, 120 E. Oak St, Addison, IL 60101.

4.3.12.2.3. Shipping shall be made to a Park District facility only.

4.3.12.2.4 Purchase authorization for materials or services must be pre-approved through the direct supervisor prior to purchase.

4.3.12.2.5. No purchases shall be split into separate sections to avoid provisions of this policy.

4.3.12.2.6. All promotional incentives and contest awards made available to qualifying District personnel by vendors, which are based on District purchases from those suppliers, automatically become the rightful property of the District and must be considered and administered as District owned assets.

4.3.13 Payables and Accounts Receivable - Staff will prepare all payables and collect receivables in a timely manner with proper documentation supporting each transaction. In accordance with the Prompt Payment Act, disbursements requiring payment prior to the monthly meeting of the Board of Park

Commissioners shall be authorized by the Executive Director, utilizing the most appropriate method of payment. All such payments will be included in the Ratification listing of bills presented to the Park Board at their Regular Monthly Meeting.

4.4 Fixed Asset Policy

- 4.4.1 Introduction - The Fixed Asset Policy was adopted by the Board of Commissioners for the monitoring and safeguarding of Park District assets.
- 4.4.2 Statement of Purpose - The Fixed Asset Policy was established in order to safeguard Park District assets and to gather and maintain information needed for the preparation of financial statements. Adequate accounting procedures and records for fixed assets are essential to ensure the protective custody of Park District property and to insure compliance with governmental financial reporting standards. Fixed asset management addresses the Park District's investment in property, both real and personal, which is a significant resource.
- 4.4.3 Overview - This policy is intended to ensure compliance with various accounting and reporting standards including Generally Accepted Accounting Principles (GAAP), Governmental Audit standards (GAS), and any applicable State and Federal capital asset and regulatory reporting related to property. Specifically, it reflects the Park District's desire to meet the reporting requirements as set forth in the Governmental Accounting Standards Board (GASB) *Statement No. 4 of the Governmental Standards Board, Financial Statements and Management's Discussion and Analysis – for State and Local Governments* (GASB 34).
- 4.4.4 Scope - The Finance Department is responsible for ensuring that all fixed assets are accounted for by Fund and asset category. Department Heads are responsible for ensuring that proper budgeting and purchasing guidelines are followed, that fixed assets are adequately controlled and used for appropriate Park District purposes and that such fixed assets are identified and secure.
- 4.4.5 Capital Asset - Fixed assets of the Park District are to be shown in the Capital Assets Used by Governmental Funds Group (formerly the General Fixed Assets Account Group). The sources through which general fixed assets are acquired are recorded in the accounts and are expressed as "Investment in Capital Assets". Maintaining these general ledger accounts is recommended as a means of:
- 4.4.5.1. Maintaining a physical inventory of assets.
 - 4.4.5.2. Fixing accountability.
 - 4.4.5.3. Establishing replacement costs.
 - 4.4.5.4. Determining adequate insurance costs.
 - 4.4.5.5. Preparing a capital budget.
- 4.4.6 Fixed Asset Definition - A specific piece of property must possess three characteristics to be classified as a General Fixed Asset:
- 4.4.6.1. Must be tangible in nature.
 - 4.4.6.2. Must have a useful life greater than one year.

4.4.6.3. Must be of significant value.

The significant value test is important because the Park District has individual assets that are tangible and long-lived, but whose value is so small that the time and expense incurred in maintaining detailed accounting and inventory records for them are not justified.

Maintaining a complete and accurate accounting for fixed assets with significant value is important for several reasons. Adequate accounting procedures and records are essential to effective property management and control. The stewardship responsibility involved in safeguarding such a large public investment is of the utmost importance to sound financial administration.

- 4.4.7 Capitalization Policy - All items purchased through the Capital Outlay Budget codes that have a useful life of more than one year, are of a tangible nature and have a value of \$5,000 or more, not including trade-ins or any applicable tax, license, etc. are considered fixed assets.

Items of less than \$5,000 are not considered to be fixed assets unless they form an integral and essential part of another piece of equipment or structure considered to be a fixed asset or part of a Capital Project.

- 4.4.8 Classification - Fixed Assets should be classified in one of the following major control groups:

4.4.8.1. Land and Improvements to Land – Land is defined as the surface of the earth which can be used to support structures and may be used to grow crops, shrubs or trees. Land is characterized as having unlimited life. Improvements to land consist of betterments, site preparation and site improvements (other than buildings) that ready the land for its intended use. The costs associated with the improvements to the land are added to the cost of the land and are non-depreciable.

4.4.8.2. Buildings and Building Improvements – A building is a structure attached to the land, has a roof, is partially or completely enclosed by walls, and is not intended to be transportable or moveable. Building improvements are capital events that materially extend the life of a building, increase the value of a building, or both.

4.4.8.3. Land Improvements – Assets (other than buildings) built, installed or established to enhance the quality or facilitate the use of land for a particular purpose. Land improvements are such items as sidewalks/pathways, hard surface courts and their improvements, field renovations and permanent attachments to the land including fences, railings, gazebos, lighting and fountains.

4.4.8.4. Machinery, Equipment and Furnishings – These are fixed or movable tangible assets to be used for operations, the benefits of which extend beyond one year.

4.4.8.5. Construction in Progress – Construction in progress reflects construction activity status of buildings and other structures, additions, reconstruction, installation and maintenance which are substantially incomplete.

- 4.4.9 Additions and Modifications to Existing Areas - Costs are often incurred in connection with fixed assets after the original acquisition cost has been

established. In general, any expenditure which is definitely an addition to a fixed asset, or an integral part of it, that significantly increases the value of, enhances the performance of or changes its useful life, should be classified as a capital expenditure and the original acquisition cost adjusted. Costs should include any fees to install or otherwise put a fixed asset in place or service.

4.4.9.1. For example, the addition of an air conditioner system to a building, or equipment to outfit a new truck, where none had existed before are some examples. When modifications, which enhance the performance or life of an asset are made, the value of the asset should be adjusted by the difference in cost between the original cost with the modification.

4.4.9.2. Improvements to existing fixed assets will be presumed (by definition) to extend the useful life of the related fixed asset and, therefore, will be subject to capitalization only if the cost of the improvement meets the \$5,000 threshold. In theory, an improvement to a fixed asset that had an original cost of less than \$5,000, but now exceeds the threshold as a result of the improvement, should be combined as single assets at the total combined cost (original cost plus the cost of the improvement) and capitalized.

4.4.10 Monitored Expensed Assets - Assets with an original cost of less than \$5,000, including ancillary cost, and with a useful life of more than one year that have or will be identified by the Park District as sensitive in nature (i.e. audiovisual equipment, computer peripherals, etc.), will be identified for monitoring and insurance purposes, but will not be included as a part of the Park District's fixed assets for financial reporting purposes.

4.4.11 Unmonitored Expensed Assets - Assets with an original cost of less than \$5,000, including ancillary cost and with a useful life of more than one year will not be monitored and will not be included as a part of the Park District's fixed assets for financial reporting purposes.

4.4.12 Valuation, Capitalization and Depreciation of Fixed Assets

4.4.12.1. Valuation - Fixed Assets should be at historical cost including all ancillary charges necessary to place the asset in its intended location and condition for use or market value on the date of acquisition.

4.4.12.1.1. Land and Land Improvements - Land is valued at the purchase price plus such costs as legal fees, filing and any work necessary to put the land in condition for its intended use.

4.4.12.1.2. Building and Building Improvements, Facilities and Land Improvements - Value is determined as all historical costs including both acquisition and capital improvement costs. Furniture and equipment are not included as a part of a building, but are included under the Machinery, Equipment and Furnishings category where applicable.

4.4.12.1.3. Machinery, Equipment and Furnishings - The actual purchase price is used for valuation of these assets.

The cost of extended maintenance/warranty contracts may be included in the cost of the asset if the contract is purchased at the same time as the capital asset.

4.4.12.1.4. Vehicles – All equipment that must be titled by the State of Illinois Division of Motor Vehicles and bears a license tag are considered vehicles. Cars, trucks and trailers are examples.

4.4.12.2. Capitalization of Fixed Assets – Assets are capitalized at the time of acquisition according to the capitalization requirements:

4.4.12.2.1. Capitalization Threshold – To be considered an asset for financial reporting purposes, an item must be at or above the capitalization threshold of \$5,000 and have a useful life of at least one year.

4.4.12.2.2. Individual Units – The \$5,000 capitalization threshold applies to both an individual unit of purpose, or to an aggregate sum of individual units. An individual office chair with a cost of \$1,500 would not qualify for capitalization, while four \$1,500 office chairs totaling in excess of the capitalization threshold would qualify to be capitalized.

4.4.12.2.3. Components – A unit composed of components, such as a computer composed of central processing unit (CPU), monitor, extended memory, etc., would not have the capitalization threshold applied to the individual components, but rather to the unit as a whole.

4.4.12.2.4. Repairs and Improvements – Capitalization of repairs and improvements is done only when the repair meets the capitalization threshold and extends the useful life of the asset.

4.4.12.2.5. Capital Projects – All capital projects are classified as “Construction in Progress” until completed.

4.4.12.3. Depreciation – Fixed assets will be depreciated on a straight line basis using the approved schedule of standard new life. Certain assets may be depreciated differently, based on current governmental accounting practices. The straight-line method [(historical cost – residual value) / useful life] is used for all but the following exceptions:

4.4.12.3.1. Land and improvements to land are inexhaustible assets and do not depreciate over time.

4.4.12.3.2. Construction in Progress – Depreciation is not applicable while assets are accounted for as Construction in Progress. These assets are capitalized to their appropriate capital asset category upon the earlier occurrence of execution of substantial completion contract documents, occupancy, or when the asset is placed into service.

- 4.4.13 Recording and Accounting of Fixed Assets - The Park District shall classify capital expenditures as capital outlays with the fund from which the expenditure was made in accordance with the Chart of Accounts of the Addison Park District. When an asset is purchased, it is recorded at the moment the District takes delivery of or when placed in service. Assets may be acquired under other arrangements including:
- 4.4.13.1. Purchased on a deferred payment plan.
 - 4.4.13.2. Acquisition under capital lease.
 - 4.4.13.3. Acquisition by exchange or non-monetary basis.
 - 4.4.13.4. Acquisition by issuance of securities.
 - 4.4.13.5. Acquisition by donation or self-discovery. (Donated items that meet the criteria for Fixed Assets are approved for acceptance by the Park Board and added to the asset record. In accordance with GAAP, donated items should be accounted for at the Fair Market Value at the time of acquisition.
 - 4.4.13.6. Acquisition of assets by means other than purchase for cash or donation will be recorded in accordance with GAAP.
- 4.4.14 Disposal of Fixed Assets - A disposal represents the physical removal of an asset from custody or accountability. Assets deemed of no further use to the Park district may be identified as surplus and may be disposed of as follows:
- 4.4.14.1. Auction – Items identified as no longer of value which are sold at an approved auction.
 - 4.4.14.2. Donation – Items no longer of value to the Park District may be donated to an approved third party non-profit organization.
 - 4.4.14.3. Conversion to Another Asset – Items deemed no longer of value in their current condition may be converted to another asset. An example of which is the plow attachment of a truck that is to be auctioned may be removed from the truck and converted for use on another Park District vehicle.
 - 4.4.14.4. Deletion – Items for which the Park District no longer has a use, for which there is no interested third party desiring purchase and no option of recouping any cost. These items are disposed of.
 - 4.4.14.5. Sale – All parameters of the Addison Park District Policy for Disposition of District Personal Property, must be followed when items (not applicable to auction or donation) are identified for sale.
 - 4.4.14.6. Records - A written record shall be kept of any and all disposition of Park District property.
- 4.4.15 Physical Inventory - The existence, location and condition of all fixed assets should be verified by meticulous record keeping. Each department has the responsibility to complete an annual year-end physical inventory of its assigned fixed assets. It is the responsibility of the Department Head to notify the Finance Department of fixed asset acquisition and deletions. Fixed assets are subject to inventory if they meet at least one of the following criteria:
- 4.4.15.1. The original cost of the fixed asset is equal to or greater than \$5,000.
 - 4.4.15.2. An asset that costs less than \$5,000, but is requested to be inventoried by a department head. This may include certain machinery and equipment that, due to portability, value outside

of the office, or character, is susceptible to theft or loss. It may also include an asset that has been requested by a department to be controlled in order to satisfy an internal (operational) requirement. For example, the Park District may wish to inventory all computer hardware and software in order to establish replacement and upgrade requirements.

4.4.15.3. An asset is required to be controlled and separately reported pursuant to externally imposed reporting requirement. For example, a grant program that has funded the acquisition of a fixed asset may impose a requirement that the fixed asset be tracked and identified as a grant-funded event.

4.4.16 Reports - Year-end reports will be processed and maintained within these guidelines; Department inventory reports will be made available upon request. The Finance Department should be notified of any discrepancies found in these reports without delay.

4.4.17 Items Not Considered to be Fixed Assets - In order to clarify the question of asset classification, the following list of specific examples is provided:

4.4.17.1. Maintenance and Repair/Replacement – The replacement cost of component parts of a fixed asset, not the entire asset itself, during a maintenance and repair operation which also enhances the performance or life of the asset, are not generally considered to be capital asset additions or modifications. For example, replacing an original disk drive with a higher capacity disk in a microcomputer, or a more powerful engine in a mower, would be considered maintenance and repair.

4.4.17.2 Draperies and carpet – The original purchase of draperies and carpet is considered an addition to the total asset value of the building. Replacement of either of these items is classified as maintenance to the building.

4.4.17.3. Supplies – Any supply, regardless of cost, that is not permanent and will be consumed within a year is not considered a fixed asset.

4.5 Debt Policy

- 4.5.1. Statement of Purpose - The establishment of this policy is for both internal and external identification of fiscal responsibility. The Park District's primary objective in debt management is to keep the level of indebtedness to within available resources and within the legal debt limitations established by state law.
- 4.5.2. Debt Philosophy - The Park District's debt philosophy is to maintain the ability to provide high quality essential services in a cost-efficient manner at a minimum cost to the taxpayer.
- 4.5.3. Debt Guidelines - The Park District adheres to the following guidelines when approaching the option of debt as a source of revenue:
 - 4.5.3.1. Debt is used only to provide financing for essential and necessary capital projects. Long-term borrowing will not be used to finance current operations or normal maintenance.
 - 4.5.3.2. The goal of providing cost-effective services must be weighed against the ability to borrow at the lowest possible rate.
 - 4.5.3.3. The benefits of the improvement must out-weigh its costs, including the interest cost of financing.
 - 4.5.3.4. All debt issued, including lease purchase methods, will be repaid within a period not to exceed the expected useful life of the improvements financed by the debt.
 - 4.5.3.5. The cumulative debt profile will be retired within an average life of twelve years.
 - 4.5.3.6. Financing of improvements will not exceed its useful life.
- 4.5.4. Financing Options - The Park District will strive to maintain a high reliance on pay-as-you-go financing for its capital expenditures. When it has been determined that the incurring of debt is the best available option, the Park District shall choose from the following alternatives:
 - 4.5.4.1. Front Door Referenda – These are referenda that require placement on the ballot with voter approval:
 - 4.5.4.1.1. Tax Rate Increase – The public is approached for either a permanent or temporary increase in the tax rate for specific funds (corporate or recreation).
 - 4.5.4.1.2. Referenda Bonds – These unlimited tax general obligation bonds are limited to a twenty-five (25) year maturity and count against the District's statutory debt limit of 2.875% of the Park District's most recent Equalized Assessed Valuation (EAV.)
 - 4.5.4.2. Back Door Referenda – Alternate Revenue Bonds do not require voter approval, but the Park District must publish a Notice of Intent to issue. This type of bond does not count against the Park

District's debt limit nor does it count against the Park District's non-referendum authority.

4.5.4.3. Tax Anticipation Notes – The Park District will not issue tax anticipation notes.

4.5.4.4. Non-Referendum Options – There are several non-referenda debt choices:

4.5.4.4.1. Non-Referendum General Obligation Bonds

4.5.4.4.2. Installment contracts

4.5.4.4.3. Capital Appreciation Bonds

4.5.4.4.4. Revenue Bonds

4.5.5. Standards for Debt Issuance

4.5.5.1. All debt issued, including lease-purchase methods, shall be repaid within a period not to exceed the useful life of the improvements financed by the debt.

4.5.5.2. When the Park District issues debt to be utilized for enterprise funds, these funds that support debt shall conduct an annual rate study to ensure that the fees or rates are sufficient to meet the debt service requirements.

4.5.6. Selecting a Service Provider

4.5.6.1. The Park District shall retain an independent financial advisor for advice on debt structuring, the rating review process, marketing debt issuances, sale and post-sale services and preparation of the official statement.

4.5.6.2. The Park District shall retain bond counsel for legal and procedural advice on all debt issuances.

4.5.7. Choosing a Method of Sale

4.5.7.1. When feasible and economical, obligations shall be issued by competitive rather than negotiated sale.

4.5.7.2. A sale may be negotiated when the issue is predominately a refunding issue or in other non-routine situations which require more flexibility than a competitive offer allows.

4.5.7.3. Whenever the option exists to offer an issue either for competition or for negotiation, analysis of the options shall be performed to aid the decision making process.

4.5.7.4. When a sale is not competitively bid, the Park District shall participate with the financial advisor in the selection of the underwriter or direct purchase.

4.5.8. Bond Rating - The Park District shall be committed to establishing and maintaining the best possible rating from a Municipal Bond Rating agency having a Nationally Recognized Statistical Rating Organization (NRSRO) designation so as to minimize borrowing cost. The Park District shall maintain good communications with the bond rating agencies about its financial condition and will follow a policy of full and open disclosure on every financial report and bond prospectus.

4.5.9 Arbitrage Compliance - The Park District actively monitors its investment practices to ensure maximum returns on its invested bond funds while

complying with Federal arbitrage guidelines. The Park District shall calculate arbitrage rebates, with review by bond counsel, on all debt issues subject to IRS and U.S. Treasury Department regulations.

- 4.5.10 Restructuring Options - The Park District shall consider restructuring funding debt whenever an analysis indicates the potential for present value savings of approximately 5% of the principal being refunded or at least \$200,000. The Park District shall not restructure less than 5% of its outstanding debt at one time except in unusual circumstances.

4.6 Capital Improvement Policy

- 4.6.1 Statement of Purpose - The Capital Improvement Program is a multi-year planning instrument used by the Park District to identify needed capital projects and to coordinate financing and timing of improvements in a way that maximizes the return to residents.

The first year of the Capital Improvement Program translates into the current year capital budget. The capital budget is incorporated into the annual budget which appropriates funds for specific facilities, equipment and improvements. Projects slated for subsequent years in the program are approved on a planning basis and do not receive ultimate expenditure authority until they are eventually incorporated in a capital budget. The Capital Improvement Program is a “rolling” process. Projects that may not be funded for the current year must be reconsidered in subsequent years.

- 4.6.2 Capital Projects - Capital Projects are major projects undertaken by the Park District that are generally not recurring on a “year-in, year-out” basis, and fit within one or more of the following categories:
- 4.6.2.1. All projects requiring debt obligation or borrowing.
 - 4.6.2.2. Any acquisition of land.
 - 4.6.2.3. Construction of a new buildings or facilities including engineering, design, and other pre-construction costs with an estimated cost in excess of \$5,000.
 - 4.6.2.4. Major building or facility improvements that are not routine expenses and that substantially enhance the value of the existing structure.
 - 4.6.2.5. Major equipment or furnishings required to improve buildings or other projects in excess of \$5,000 and with a life expectancy or more than five years.
 - 4.6.2.6. Major studies requiring contracting of outside professional consultants in excess of \$5,000.
- 4.6.3. Capital Improvement Program Guidelines *(not listed in any order of priority.)*
- 4.6.3.1. Projects included in the Capital Improvement Program shall be consistent with the Addison Park District’s Comprehensive Master Plan.
 - 4.6.3.2. The Capital Improvement Program shall incorporate all of the Park District’s capital project resources (Park District funds allocated to capital projects, grants, bonds, donations, and any other funding available).
 - 4.6.3.3. Effort should be made to secure grants or private funds for the purpose of funding capital projects, if available.
 - 4.6.3.4. Effort should be made to engage other agencies for funding of joint projects.

- 4.6.3.5. Projects mandated by other State and Federal agencies and applicable legislation will receive priority consideration.
 - 4.6.3.6. Projects which have been previously initiated and are a completion of subsequent phases shall receive priority consideration.
 - 4.6.3.7. Projects which preserve and protect the health and safety of the residents shall receive priority consideration.
 - 4.6.3.8. Projects which provide for the renovation of existing facilities, resulting in preservation of the Park District's prior investment or which reduce maintenance and operating costs, shall receive priority consideration.
 - 4.6.3.9. Facilities whose construction or acquisition in new or substantially increased operating costs should be considered only after an assessment indicates a clear need for the project and plans for funding operating costs, including payment of debt, are considered.
 - 4.6.3.10. Capital projects for the Enterprise Funds should be financed to the greatest extent possible through user fees where direct benefit to users result from the project.
- 4.6.4 General Obligation Bond Issues - The Park District will assess and evaluate the long-term economic impact of public debt in relation to concerns such as municipal bond credit ratings, effect on the operating budget, tax rates and commitments to future operations and maintenance costs.
- 4.6.4.1. The Park District will confine long-term borrowing to capital improvements or projects that cannot be financed from current revenues.
 - 4.6.4.2. When the Park District finances capital projects by issuing bonds, it will attempt to keep the average maturity of general obligation bonds at or below twelve years with balanced repayment schedules.
 - 4.6.4.3. The net bonded debt of the Park District will not exceed 575% of the equalized assessed valuation of taxable property.
- 4.6.5 Contingency Funds - Each project budget shall include, where necessary, a reasonable provision for contingencies:
- 4.6.5.1. The contingency budget may, unless otherwise directed by the Board of Park Commissioners, be used only to compensate for unforeseen circumstances that arise requiring additional funds to complete the project according to the original project scope and identified needs.
 - 4.6.5.2. All charges against the contingency fund must receive prior approval of the Executive Director and the Superintendent of Finance and Administration.
- 4.6.6 Monitoring the Capital Improvement Program - Status reports shall be prepared on the progress of each active project in the Capital Improvement Plan. These reports shall summarize progress made to date on each project, identifying changes in targeted completion dates and financial requirements.

There shall be a quarterly review of all capital projects in progress so that any funds no longer needed for the original purpose, may be de-obligated and re-assigned.

Section 4: Finance

4.7 Prompt Payment Policy

- 4.7.1 Introduction - This Prompt Payment Policy has been adopted by the Park Board of Commissioners for the monitoring and control of expenses. This Policy is in compliance with all of the provisions of "The Local Government Prompt Payment Act (50 ILCS 505/1 et seq).
- 4.7.2 Approval of Invoices
- 4.7.2.1. The Park District shall approve or disapprove an invoice from a vendor or contractor for goods or services furnished within 30 days after the receipt of such invoice or within 30 days after the date on which the goods or services were received, whichever is later.
- 4.7.2.2. When safety or quality assurance testing of goods by the Park District is necessary before approval or disapproval of an invoice and such testing cannot be completed within 30 days after receipt of the goods, approval or disapproval of the invoice shall be made immediately upon the completion of the testing or within 60 days after the receipt of the goods, whichever comes first.
- 4.7.2.3. Written notice shall be mailed to the vendor or contractor immediately if an invoice is disapproved.
- 4.7.2.4. If the Park District fails to approve or disapprove an invoice within the specified 30 day time period, the penalty for late payment of that invoice shall be computed from the date 60 days after the receipt of that invoice or the date 60 days after the goods or services are received, whichever is later.
- 4.7.3 Payment of Invoices - Invoices approved for payment shall be paid within 30 days after the date of approval.
- 4.7.3.1. If payment is not made within such 30 days, an interest penalty may be assessed on the unpaid balance for each month or fraction thereof after the expiration of the initial 30 day period, until final payment is made.
- 4.7.3.2. Any time period agreed to by the Park District and a particular vendor or contractor that exceeds the specified 30 day time period shall super cede the provisions of this Policy.
- 4.7.3.3. Payment shall be made to the supplier/contractor within 30 days of completion and acceptance of the project by the Park District. In turn, the supplier/contractor shall pay each subcontractor according to the provisions of and in compliance with The Local Government Prompt Payment Act (50 ILCS 505/1 et seq).

4.8 Fund Balance Policy

- 4.8.1 Statement of Purpose - The purpose of this Policy is to establish target ratios for the unreserved fund balances of the operating funds to achieve both sustainability and growth.
- 4.8.2 Fund Balance Philosophy - It is the Park District's philosophy to support long-term financial strategies, where fiscal sustainability is its first priority, while also building funds for future growth. It is essential to maintain adequate levels of fund balances to mitigate current and future risks (e.g. revenue shortfalls, and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are also a crucial consideration in long-term financial planning. The Executive Director or designee shall inform the Board of Park Commissioners whenever the Park District must draw upon its reserve or borrow money.
- 4.8.3 Scope - This policy provides for the minimum amount of unreserved fund balance each governmental fund should maintain. Should the fund balance exceed the target percentage by a significant amount, it is done with the intention to provide for needs caused by unforeseen events, and build the fund for planning and growth. Fund balance minimums are to provide for the operational stability of the Park District in case of unforeseen events as well as for growth. Reasons that the Park District needs to have a healthy fund balances are:
- 4.8.3.1. To provide for a temporary increase in available funds to meet expenditures until a permanent source of revenue, or expenditure control, is implemented.
 - 4.8.3.2. To allow the Park District to take advantage of unforeseen growth opportunities when they occur or to aid in helping the Park District achieve long-range goals.
 - 4.8.3.3. Reserves can support the Park District in the event of a natural disaster or downturn in the economy.

Credit rating agencies carefully monitor levels of fund balance and unreserved fund balance in the general fund to evaluate the Park District's continued creditworthiness. The Park District is committed to holding fund balances stable and attaining a minimum balance of 25% for annual operating expenses for major funds, which is approximately three months operating expenditures. Governmental units carrying a fund balance of more than two years of unreserved fund balance may face a legal liability. The unreserved fund balances will be detailed on the Comprehensive Annual Financial Report.

- 4.8.4 Minimum Unreserved Fund Balance Levels - This policy applies to the Park District's governmental funds as follows:

- 4.8.4.1. General Corporate Fund – The unreserved fund balance for this fund will be maintained at a minimum level of 25% of annual budgeted expenditures. Additional amounts may be designated with a specific purpose for the future use of those funds. The unreserved undesignated fund balance will be reviewed annually during the budget process. Balances in excess of 40% may be transferred to the Capital Improvements Fund to support future capital projects.
- 4.8.4.2. Recreation Fund – The unreserved fund balance for this fund will be maintained at a minimum of 25% of annual budgeted expenditures. Additional amounts can be accrued with a specific purpose for future use of those funds.
- 4.8.4.3. Special Recreation Fund – The unreserved fund balance for this fund will be maintained at 25% of annual budgeted expenditures. However, additional amounts may be accrued with a specific purpose for the future use of these funds.
- 4.8.4.4. Illinois Municipal Retirement (IMRF) and Social Security Funds – The unreserved fund balance for these funds shall be maintained at 25% of annual budgeted expenditures.
- 4.8.4.5. Audit Fund – The unreserved fund balance for this fund will be maintained at 10% of annual budgeted expenditures.
- 4.8.4.6. Liability Insurance Fund – The unreserved fund balance for this fund shall be maintained at 25% of annual budgeted expenditures.
- 4.8.4.7. Bond and Interest Fund – The Park District levies an amount close to the principal and interest that is anticipated to be paid. Any fund balance accumulation should be minimum and less than 5%. This fund's fund balance is considered designated and not available for future use.
- 4.8.4.8. Paving & Lighting – The unreserved fund balance for this fund should be maintained at 25% of annual budgeted expenditures. Additional amounts could be accrued with a specific purpose for the future use of those funds.
- 4.8.4.9. Capital Improvements Fund – The unreserved fund balance for this fund should be maintained at a minimum of 25% of annual budgeted expenditures. Additional amounts can be accrued with a specific purpose for future use of those funds. This fund is supported through grant revenue that is not guaranteed at any level and the annual bond issue. Expenditures from a bond issue must be expended in a timely manner as requires by law.
- 4.8.4.10. Police Fund - The unreserved fund balance for this fund will be maintained at 25% of annual budgeted expenditures.
- 4.8.4.11. Links & Tees, Dome, and Club Fitness Funds – As enterprise funds, the unreserved fund balance for each of these funds should be a minimum of 35% of annual budgeted expenditures. Additional amounts can be accrued with a specific purpose for future use of those funds.
- 4.8.4.12. Developer Donations Fund – The unreserved fund balance should be maintained at a minimum of 20% of annual budgeted expenditures. The annual revenue for this fund is not guaranteed at any level.

When balances are below stated minimums, the Park District will strive to achieve those balances over a reasonable period of time.

4.8.5 Board Approved Methods for Supplemental Funding of an Under-Appropriated Fund.

- 4.8.5.1. Once the appropriation ordinance is adopted and certified, state law prohibits spending beyond the appropriations set forth in the ordinances at anytime within the same fiscal year. After the first six months of the fiscal year, the Board of Park Commissioners has the authority to make transfers between some funds and also between the various items in any one fund in the appropriation ordinance. Transfers man not exceed 10% in the aggregate of the total amount appropriated for the fund, and must be approved by a 2/3 vote.
- 4.8.5.2. The Board of Park Commissioners may amend the Budget and Appropriation Ordinance by following the same formality observed when adopting the original ordinance. (70 ILCS 1205/4-4)
- 4.8.5.3. The Board of Park Commissioners may authorize an inter-fund transfer of earned interest from a surplus fund eligible to transfer, to a fund that is most in need of additional funds. (70 ILCS 1205/8-8a) The Park District Treasurer would request such a change, with approval of a simple majority.
- 4.8.5.4. The Board of Park Commissioners may borrow from surpluses in one fund to cover shortfalls in another fund, (50 ILCS 340/1. *et. Seq.*) Tax anticipation warrants or general obligation bonds are issued by the Park District in the name of the particular fund from which the surplus monies were used to purchase these securities.

4.9 Gifts and Bequests

- 4.9.1 Statement of Purpose – The Addison Park District welcomes donations in the form of gifts and bequest to further the mission of the district.
- 4.9.2 Scope – The Addison Park District may receive donations, bequests, endowments, planned giving and trusts. Restricted donations are those to which the donor has defined specific terms, conditions and purposes. Unrestricted donations are those to which the donor has not specified terms, conditions or purposes.
- 4.9.3 Definitions
 - 4.9.3.1. Donation – A voluntary transfer of property or money without the expectation that any benefit will accrue to the donor or anyone designated by the donor.
 - 4.9.3.2. Bequest – A donation of assets made at death by an individual through a will or trust.
 - 4.9.3.3. Donor – An individual, organization, foundation or business that makes a monetary or in-kind contribution.
 - 4.9.3.4. Endowment – A donation providing for the continuing support, maintenance or operation of the District.
- 4.9.4 Provisions – Overall, donation practices must be ethical and sound and further the Park District’s mission, goals, objectives and priorities.
 - 4.9.4.1. Direct Monetary Donations – The District will encourage donors to make unrestricted donations.
 - 4.9.4.1.1. If donated funds are unrestricted, they may be expended by authorization of the Executive Director within the scope of its statutory authority.
 - 4.9.4.1.2. Unrestricted donations received for park district equipment, furniture, and playgrounds will be acknowledged in writing to the donor.
 - 4.9.4.2. Restricted Donations – Are reviewed by the Executive Director and subject to acceptance by the Board of Commissioners.
 - 4.9.4.3. The Board of Commissioners reserves the right to accept or reject any donation, endowment or bequest.
 - 4.9.4.4. The donor will determine whether a donation is being made to the Addison Park District or the Addison Park District Foundation.
 - 4.9.4.5. Donation of real property will be accepted upon recommendation of the Executive Director and approval by the Board of Commissioners. Land parcels must be free and clear of mortgage or lien, and will include a reverter clause should environmental contamination be found, or evidence of other potential liability be uncovered.