FINANCIAL POLICIES

General
The Elmhurst Park District has a commitment to sound financial management. This section outlines the formal policies approved by the Park Board to maintain this commitment.

Budget Policies
1. Budget development is directed by specific goals and objectives as included in the Board’s Strategic Plan.
2. The budget document must provide enough detail to enable accurate projections of revenues and expenses, separation of capital and operational items, cash flow and subsequent audit trails, and disclosure of planning assumptions.
3. The staff cannot plan the expenditure in any fiscal year of more funds that are conservatively projected to be available in that period or fail to provide for appropriate fund balances at year-end.
4. The Budget (including the tax levy, tax abatements, long-term debt) must be approved by the Board prior to implementation except for a temporary continuation of the prior year’s budget.
5. The Executive Director must provide a report to the Board on budget performance on at least a quarterly basis, including a comparison of actual revenues and expenditures to budgeted amounts.
6. The District prepares a five-year financial plan that supplements the annual budget and is used to determine funding needs for the capital improvement plan.
7. The District must pass and file with the DuPage and Cook County Clerks a combined annual Budget and Appropriation Ordinance. The ordinance appropriates the monies necessary to cover the projected expenses and liabilities that the District may incur during each budget year. The Board must follow the process listed below for preparing and filing the Ordinance:
   • It must be adopted within the first quarter of each fiscal year.
   • The Ordinance shall contain a statement of cash on hand at the beginning of the fiscal year and estimate of monies expected to be received during the fiscal year from all sources as well as an estimate of expenditures for the fiscal year and an estimate of cash on hand at the end of the fiscal year.
   • It must be prepared in tentative form and made available for public inspection no less than 30 days prior to final action.
   • The Board must hold at least one public hearing regarding the ordinance before it can take final action. Notice of the hearing and a copy of the ordinance must be published in a newspaper circulated in the District at least 7 days, but no more than 21 days before the time of the hearing.
   • After Board approval, the District must file a certified copy of the ordinance with the DuPage and Cook County Clerks within 30 days.
   • No further appropriations shall be made at any other time within the fiscal year with the following exceptions:

   A) After the first six months of the fiscal year, the Board may approve by two-thirds vote transfers between items in some funds (state law requires some funds remain separate) and also between various items in any fund not exceeding, in the aggregate, ten percent of the total amount appropriated for the fund.

   B) The Board may amend the Budget and Appropriation Ordinance by the same procedure as herein provided for the original adoption of a Budget and Appropriation Ordinance provided that nothing in this section shall be construed to permit transfers between funds required by law to be kept separate (70 ILCS 1205/4-4).
8. It is the District’s policy to avoid transferring funds until near the end of the fiscal year. This timeline enables the Board to better assess which items require additional funding and which items have unexpended funds to re-allocate. However, if any funds have exceeded their approved appropriations, the Board may decide to re-allocate funds after six months.

9. State law is followed when preparing and adopting the tax levy including:
   - At least twenty (20) days prior to adopting the Tax Levy Ordinance, the Board must meet and formally determine the amount of money that it estimates will be levied. This determination must be formalized in a resolution, which it must adopt.
   - An ordinance must be passed to levy all general taxes upon the taxable property within the District.
   - The Tax Limitation Law (tax cap legislation) limits the total levy from exceeding 105% of the prior year levy or the Consumer Price Index (whichever is lower). The Special Recreation and Debt Service Funds are excluded from this limitation.
   - As also required by the Truth in Taxation Law, the District must hold a public hearing if the total levy exceeds 105% of the prior year levy. The hearing cannot be held on the same day that the Board holds the proposed budget and appropriation ordinance hearing. The hearing requires publication of a notice of the time, date and place of the hearing. It must be published in a paper of local circulation, not more than fourteen (14) days nor less than seven (7) days prior to the meeting. It must be no less than 1/8th page in size; the smallest type used in the notice must be 12 point; it must be surrounded by a black border no less than one-quarter inch wide; and the notice must not be published in the legal notice or classified advertisement sections of the newspaper. There is also specific required language for the advertisement in the Act.
   - A certified copy of the Tax Levy Ordinance must be filed with the DuPage and Cook County Clerks no later than the last Tuesday in December of each year.

10. The Park District may accumulate funds for the purpose of building repairs and improvements. Additionally, it may annually levy taxes for such purposes as are not met by the funds available in current or projected Budget and Appropriation Ordinance. These levies must fall within the procedures and limitations as set forth in the Illinois Revised Statutes (70ILCS 5-1).

**Revenue Policies**

1. The District must utilize and seek other sources of revenues to supplement the tax base, as it is not feasible to rely solely on property taxes to financially support diversified, year-round quality parks and recreation experiences. Other sources of revenues may include, but are not limited to, user and membership fees, retail sales, interest income, grants, contractual receipts, sponsorships, donations, and enterprise projects.

2. The District proposes programs fees and taxes that exceed general operating expense each year to generate a surplus for emergency reserves and future capital projects.

3. The District will estimate annual revenues on an objective, reasonable, and conservative basis. Revenues will be estimated based on a historical trend analysis. Staff conduct an in-depth analysis of most revenues annually including customer needs, cost to provide the service, market conditions, target markets, trends, climate impact and facility availability.

4. One-time revenues will not be used to support operating expenditures, except in emergency situations.

5. Special pricing strategies are developed to increase revenue (i.e. differential fees for different types of programs or time of the year, group discounts or discounts due to repeat business or for multiple family members).

6. Enterprise facilities and programs must generate revenue that exceeds the direct operational cost of the program/facility and show a minimum profit of 15% without utilizing tax revenue.

7. Since non-residents do not support the District through taxes, non-residents pay an additional fee (fair-share) to assist with paying for overhead, facility maintenance, and program development expenses covered by taxes.

8. Budgeted revenues should be at least 60% non-tax revenue.

9. The District will refinance outstanding debt whenever economically feasible.
Expenditure Policies
1. With respect to the actual, ongoing condition of the District’s financial health, the Executive Director may not cause or allow the development of fiscal jeopardy or loss of allocation integrity with the Board’s goals.
2. The Board and staff cannot indebt the organization beyond normal accruals and accounts payables.
3. The Board and staff cannot allow cash to drop below the amount needed to settle payroll and debts in a timely manner.
4. The Board and staff cannot expend more funds than have been made available in the fiscal year to date unless the debt guideline in number 3 above is met.
5. The District must make prompt payment of purchases as provided by the Local Government Prompt Payment Act of Illinois.

Reserve Policies
If, at the end of the fiscal year, cash and investments fall below the targets described in this section, the Executive Director must include a plan for expenditure reductions and/or revenue increases. After reviewing the Executive Director’s plan, the Board will take the appropriate action necessary to restore cash and investments to acceptable levels.

First-tier cash and investment targets: To meet cash flow obligations and reduce susceptibility to emergency or unanticipated expenditures or revenue shortfalls, the Budget must meet the Board’s first-tier cash and investment reserve targets by providing for cash and investments of not less than the percents established for each of the major funds/departments. The targets vary as they reflect the unique nature of the cash flows of each of the funds and departments. A cash flow analysis should be conducted annually for all funds and an evaluation of all the cash and investment targets conducted every three years for all funds.

The reserve targets established are as follows:

- **General Fund (35% of expenses)** - Since its inflows are primarily tax receipts that are not received until the second and third quarters of the fiscal year, the cash and investments goal is intended to allow for the District to cover its expenditures until taxes are received.
- **Recreation Fund (10% of expenses)** - The revenues for this fund are tax receipts and program revenues. The program revenues provide sufficient cash flow to use a 10% target for this fund.
- **IMRF (30% of expenses) and FICA and Audit Departments (50% of expenses)** - The primary source of cash for these Departments is taxes so the year-end cash and investments goal covers the budgeted expenditures until taxes are received.
- **Liability Department (10% of expenses)** - The primary source of cash for this Department is taxes and the primary outflow for this fund is the payment of Park District Risk Management Agency membership dues. Since the dues payment is scheduled to coordinate with tax receipts, the year-end cash and investment target is 10%.
- **Special Recreation Association Department (25% of expenses)** - The primary source of revenue for this Department is taxes, but its cash outflows do not match the timing of tax receipts. Most of expenditures occur from January through September so 25% is the appropriate target for cash and investments.
Museum Department (15% of expenses) - The primary source of revenue for this Department is taxes, but its cash outflows do not match the timing of tax receipts. The largest expenditure is in mid-September (rent payment to the Elmhurst Art Museum) and spending is lower in the summer months, therefore, a target of 15% is sufficient for this Fund.

Enterprise Services Fund (15% of expenses) - The Enterprise Services Fund derives its cash flow from operations. Cash flow in April and June must be managed carefully since tennis moves outdoors and there is a debt payment in June. This fund has a two-tiered cash and investment goal. The first requirement is for a $1,200,000 level established for emergency capital needs. The second cash and investment level is for 15% of budgeted expenditures of the current year.

Several funds/departments do not have established targets due to the unique nature of their cash flow. Further detail follows on the specific cash flows of these funds/departments.

Paving & Lighting Department – The Paving and Lighting Department relies upon tax receipts for cash inflows. The statutory levy rate is very small. As a result, this Department must accumulate funds for two to three years to build up sufficient resources for a capital project. Its cash and investment goal, therefore, varies based on the future projects being planned by the District and the level of funds accumulated for those projects.

Debt Service (bond) Fund – This fund is used only to service debt so revenues are budgeted to match debt schedules and any fees. Therefore, the District does not need to establish a separate cash and investment target for this fund.

Capital Improvement Fund – The Capital Improvement Fund is used exclusively for capital projects. It relies upon transfers from other funds and any interest earned on those funds. Its cash flows are variable based upon the projects planned in that year.

Sugar Creek Golf Course Fund – This Fund derives its cash flow from operations so its cash and investments goal is determined by estimated operational and capital needs including an unreserved balance of $300,000 to cover emergency capital needs.

Second tier cash and investment targets - If the first tier targets are achieved as described above, the budget must provide the surplus funds necessary to implement the Capital Improvement Plan (current or future projects) or fund future debt. To determine the amount of surplus funds needed to meet future capital and debt obligations, the Executive Director shall prepare a five-year funding projection annually.

Excess reserve over targets - If cash and investments are greater than the first and second tier targets at the end of any fiscal year, the excess may be used in one or in a combination of the following ways:

• One-time expenditures that do not increase recurring operating costs.
• Start-up expenditures for new programs undertaken mid-year.

Capital Improvements Policy
1. The District shall maintain a Capital Improvement Plan and capital improvements will be made in accordance with that plan. The Plan should be updated annually.
2. As part of the development of the Capital Improvement Plan, the condition of the District’s infrastructure will be evaluated to appropriately prioritize and schedule maintenance and replacement.
3. The Capital Improvement Plan will be developed using a team approach and prior to completing the operating budget to ensure adequate resources are available to fund all the projects in the Plan.
4. Projects are evaluated using the following criteria: safety, government mandates, comprehensive plan or strategic plan priority, financial impact, outside funding availability, and operating efficiencies.

5. The corresponding year of the Capital Improvement Plan will be incorporated into the annual operating budget as the Capital Budget. Projects slated for subsequent years are approved on a planning basis only.

6. The District defines a capital project as having a relatively high monetary value (at least $5,000 for operating equipment and machinery and at least $25,000 for land acquisition and improvements), a long useful life (at least five years), and results in the creation of a fixed asset or the revitalization of a fixed asset.

7. Funding for the Capital Improvement Plan includes accumulated budget surpluses in the form of fund balances, user fees, grants plus debt management.

**Debt Policies**

1. The District will confine long-term borrowing to capital improvements or one-time obligations that cannot be financed from current revenues or reserves.

2. Capital projects financed through the issuance of bonds shall be financed for a period not to exceed the expected useful life of the improvement or 20 years.

3. The District will maintain good communications with bond rating agencies regarding its financial condition.

4. The aggregate indebtedness of the District cannot exceed 2.875% of the value of the taxable property (EAV) and .575% of taxable property is the non-referendum legal debt limit.

5. Based on state law, the District cannot issue more than $1.04 million in non-referendum General Obligation Bond debt annually.

6. The District will not consider long-term debt that, through its issuance, would cause the District’s bond rating to be lowered.

7. The District retains external bond counsel for all debt issuances to ensure compliance with applicable federal and state tax and other laws and regulations pertaining to public financing. The District will not issue debt without a written opinion by bond counsel.

8. The District will retain an external financial advisor to be utilized in selected debt issuances.

**Cash Management (Investments)**

1. An investment policy has been adopted by the Board, which provides guidelines for the prudent investment of temporary idle cash and outlines the policies for maximizing the efficiency of the cash management system. The ultimate goal is to enhance the economic status of the District while protecting its pooled cash.

2. All funds must be invested or held in secure instruments that are both (a) allowed by state law AND (b) insured by either an agency of the federal government, collateralized by the holding institution, or judged to be safe by Illinois Park District Liquid Asset Fund (IPDLAF) or any successor group which guides investments for a consortium of park districts or other municipal governments.

3. The District’s cash management system is designed to accurately monitor and forecast expenditures and revenues, thus enabling the District to invest funds to the fullest extent possible. The District attempts to match funds to projected disbursements.

4. Criteria for selecting investments and the order of priority are: safety, liquidity, and yield.

**Capital Asset**

1. The District has a capital assets policy that includes guidelines for identifying, recording, depreciating and retiring capital assets.

2. All assets must be insured against theft and casualty losses to at least 80% replacement value and against liability losses to Board members, staff, or the organization itself to beyond the minimally acceptable prudent level.

3. A comprehensive evaluation of the District assets must be performed every five to seven years.

4. The District capitalizes all assets that are projected to last more than one year and cost more than $5,000 for machinery equipment and $25,000 for land, land improvements, buildings, and infrastructure.
5. Estimated useful life of the various categories of assets has been established.
6. Assets subject to depreciation will be depreciated using a straight-line method. The cost of the asset will be written off evenly over the useful life of the asset beginning in the month that the asset was purchased or put in service.
7. This policy is intended to address those capital assets that must be tracked for external financial reporting purposes. There are other assets that do not need to be included in the external financial reports due to their relatively low value. However, Departments are expected to exert appropriate control on them.

**Financial Reporting Policies**

1. All funds must be received, processed, or disbursed under controls sufficient to meet the Board-appointed auditor’s standards.
2. As required by law, the District conducts an annual audit of all funds, property, and financial practices by an independent certified public accounting firm.
3. The audit is conducted according to Generally Accepted Auditing Standards (GAAS).
4. The audit is made available for public inspection and filed with the DuPage and Cook County Clerks.
5. As required by law, a supplemental financial report with a copy of the audit is completed and filed with the Comptroller of the State of Illinois within six months following the close of each fiscal year.
6. The District’s Treasurer must prepare, publish and file with the County Clerk a financial report at the end of the fiscal year as required in the Public Funds Statement Publication Act.