



CITY OF WASHINGTON, ILLINOIS

City Council Agenda Communication

Meeting Date: September 6, 2022

Prepared By: Joanie Baxter, Finance Director *JEB*

Agenda Item: Resolution to Adopt Financial Policies

Explanation: In preparation for the upcoming audit, Staff wanted to review existing and potentially develop some new financial policies. An Investment Policy was approved in February of 2021 and thus it just needed to be reviewed and updated as necessary. A Fixed Asset Policy was created in 2004 and it was updated as well. Three additional policies are being recommended including an Outstanding Check Policy, Credit Card Use Policy, and Fund Balance Policy.

Fiscal Impact: N/A

Recommendation/Committee Discussion Summary: The Finance and Personnel Committee reviewed these policies at its meeting of August 15, 2022 and recommend to the City Council as follows:

- Investment Policy – approve as presented
- Fixed Asset Policy – approve with threshold for capitalization being increased from \$1,000 to \$5,000 for non-infrastructure assets and remaining at \$10,000 for infrastructure assets as recommended by our auditors
- Outstanding Check Policy – new policy, approve as presented
- Credit Card Use Policy – new policy, approve as presented
- Fund Balance Policy – new policy – use the budgeted amount for the next succeeding year for calculation and defer to the auditors on if it should be based on revenue or expenditures. Per Finance Director discussion with Jamie Wilkey at Lauterbach and Amen – most communities use expenditures and thus the policy will be reflected as such. This will result in an even more conservative approach for the minimum standard balance in years when we are spending down reserves.

Action Requested: Approval of the Resolution and adoption of the Financial Policies as stated.

RESOLUTION NO. _____

**A RESOLUTION ADOPTING FINANCIAL POLICIES,
INCLUDING CAPITAL ASSET POLICY, CREDIT CARD
USE POLICY, FUND BALANCE POLICY, INVESTMENT
POLICY, AND OUTSTANDING CHECK POLICY**

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WASHINGTON,
TAZEWELL COUNTY, ILLINOIS**, that it is hereby determined that the Financial Policies
as indicated – Capital Asset Policy, Credit Card Use Policy, Fund Balance Policy,
Investment Policy, and Outstanding Check Policy are in the best interests of the City of
Washington and as such, are hereby adopted.

PASSED AND APPROVED this _____ day of September 2022.

Ayes: _____

Nays: _____

Mayor

ATTEST:

City Clerk

City of Washington, Illinois

Capital Asset Policy

Purpose

The purpose of this capital asset policy is to provide control and accountability over capital assets, and to gather and maintain information needed for the preparation of financial statements. The City of Washington capital asset policy is herein established to safeguard assets and to insure compliance with GASB34 for governmental financial reporting.

Overview

This policy is herein established to safeguard and address the City of Washington's investment in property, which comprises a significant resource. This policy is meant to ensure compliance with various accounting and financial reporting standards including Generally Accepted Accounting Principles (GAAP), and Governmental Accounting, Auditing, and Financial Reporting (GAAFR).

Further, this policy is meant to reflect the City of Washington's desire to meet the reporting requirements set forth in the Governmental Accounting Standards Board (GASB) Statement No. 34. Specifically, the GASB Statement No. 34 states that governments should provide additional disclosures in their summary of significant accounting policies including the policy for capitalizing assets and for estimating the useful lives of those assets which is used to calculate the depreciation expense. The Statement also requires disclosure of major classes of assets, beginning and end-of-year balances, capital acquisition, sales/dispositions, and current-period depreciation expense.

INVENTORY, VALUING, CAPITALIZING, AND DEPRECIATION

Inventory

Responsibility for control of capital assets will rest with the operating department wherein the asset is located. The Finance Department shall ensure that such control is maintained by establishing an inclusive capital asset inventory schedule. Asset purchases, which fall below the capitalization threshold, will not be included in the capital asset inventory.

Each Department will be responsible for control of capital assets for their department. The Department Head shall ensure that such control is maintained by establishing a capital asset inventory schedule. The inventory schedule will include the following for each asset:

- Asset Description – A description of the asset (serial #, model#)
- Asset Classification (Land and Land Improvements, Building and Building Improvements, Vehicles, Machinery and Equipment, and Infrastructure Assets)
- Department name and physical location of asset
- Date asset was purchased/acquired and or disposed
- Cost of Asset
- Method of acquisition (purchased or donated)
- Estimated useful life

This list will be maintained, updated, and reviewed by the Department Head and given to the Finance Department on an ongoing basis.

Valuing Capital Assets

Capital assets should be valued at cost or historical costs, plus those costs necessary to place the asset in its location (i.e. freight, installation charges.) In the absence of historical costs information, a realistic estimate will be used. Donated assets will be recorded at the estimated current fair market value.

Capitalizing

When to Capitalize Assets:

Assets are capitalized at the time of acquisition. To be considered a capital asset for financial reporting purposes an item must be at or above the capitalization threshold of \$5,000 for non-infrastructure assets and \$10,000 for infrastructure assets and have a useful life of at least one year.

Assets not Capitalized:

Capital assets below the capitalization threshold on a unit basis but warranting “control” shall be inventoried at the department level and an appropriate list will be maintained.

Capital Assets should be capitalized if they meet the following criteria:

- Tangible
- Useful life of more than one year (benefit more than a single fiscal period)
- Cost exceeds designated threshold (see attached schedule)

Capital Assets include the following major classes of assets:

Land and Land Improvements – Capitalized value is to include the purchase price plus costs such as legal fees and filing fees; improvements such as parking lots, fences, pedestrian bridges, landscaping.

Building and Building Improvements – Costs include purchase price plus costs such as legal fees and filing fees; improvements include structures and all other property permanently attached to, or an integral part of the structure. These costs include re-roofing, electrical/plumbing, carpet replacement, and HVAC.

Vehicles – Costs include purchase price plus costs such as title & registration.

Machinery and Equipment – Assets included in this category are heavy equipment, traffic equipment, generators, office equipment, phone system, and kitchen equipment.

Infrastructure Assets – Infrastructure Assets are long-lived capital assets that are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets.

Depreciation

Depreciation is computed on a straight-line method with depreciation computed on a monthly basis from the month of acquisition. Additions and improvements will only be capitalized if the cost either enhances the asset’s functionality or extends the asset’s useful life.

Projects in process will be added to the asset base as the projected expenses are incurred. However, the project will first need to meet its individual threshold.

Lost or Stolen Property

When suspected or known losses of inventoried assets occur, the Department should conduct a search for the missing property. The search should include transfer to another department, storage, scrapping, surplus property. If the missing property is not found, the department must contact the Finance Department.

Approved April 19, 2004. Updated September 6, 2022

Capital Asset Useful Lives and Capitalization Thresholds

	Useful Life	Capitalization Threshold
Land	N/A - land is not depreciable but should be capitalized	
Parking Lots/Land Improvements	15	10,000
Buildings	45	10,000
Building Improvements		10,000
HVAC	20	
Re-roofing	20	
Electrical/Plumbing	30	
Carpet Replacement	10	
Vehicles	3 - 15	5,000
Machinery & Equipment	10 - 20	5,000
Furnitures & Fixtures		5,000
Office Furniture	20	
Computers	3	
Infrastructure		10,000
Chip Seal/Fog Coat	6	
Resurfacing/Mill & Overlay	12	
Wells and Lift Stations	40 - 50	
Water and Sewer Main	50	
Plant/System Improvements	50	
Subdivision Infrastructure	50	

City of Washington, Illinois

Credit Card Use Policy

Purpose

The purpose of the City of Washington, Illinois Credit Card Use Policy is to set forth authority for credit card purchased, insure appropriateness of such purchases, and provide accurate reporting and cash management.

Procedure

Cardholder Setup and Activation

The City of Washington provides City-issued credit cards to Department Heads and other authorized employees for business-use purchases. The City Credit Card Program is a credit card purchasing program that authorizes the use of a credit card with a credit limit for business purchases.

The Credit Card Program is designed to assist the organization in reducing its reliance on requisitions, purchase orders, petty cash funds, employee advances, paper checks and reduce the need to use personal funds for business purposes. The Program should help increase turnaround time in the fulfillment of orders, provide greater flexibility and reduce paperwork.

For the Credit Card Purchasing Program, the Finance Department is responsible for the implementation, program compliance, issuance, auditing, processing payment, and bank relations to solve customer service issues and card cancellations. The Finance Department reconciles all statements and maintains the statements/receipts for the Credit Card Program. The Finance Department shall also be responsible for notifying the appropriate Department staff and Department Head for any irregularities that occur.

Only eligible employees of the organization are allowed to participate in the program. Each cardholder has the responsibility to review, reconcile and submit their expenditure documentation with the appropriate receipts and signatures for processing.

All policies outlined in this manual and the City's financial and operational policies must be adhered to and any failure to comply can result in the suspension from the Credit Card Program and also include disciplinary actions that may include termination of employment. The Credit Card issued to the cardholder is the property of the City and can be canceled at any time. Periodic audits will be performed to ensure the cardholder is in compliance with policies and procedures.

Cardholder Setup and Deactivation

A new participant in the Credit Card program must complete the Credit Card Application (included in this packet) and obtain the appropriate authorization of the Department Head. The application must be submitted to the Finance Department by the applicant's Department Head. Once the application has been approved by the City Administrator and Finance Department and the bank has processed the request, an account for the cardholder may be established.

The new participant must also sign the User Agreement Form (which can be found in this packet) that outlines the responsibility of the cardholder while in possession and use of the Credit Card. Both of these documents must be completed and signed prior to the release of the Credit Card to the cardholder from the Finance Department.

When an employee separates from the City of Washington, the Credit Card must be turned into the Finance Department (through the appropriate Department Head) on or before the employee's separation date. The Finance Department will terminate the card.

Recordkeeping & Reconciliation

The cardholder is responsible for maintaining adequate receipts for goods and services purchased with the Credit Card. The cardholder must contact the vendor directly to resolve any discrepancies or incomplete orders. The documentation retained should include sales receipts, credit card transaction receipts or other documentation of the charges. Any incorrect charges, duplicate transactions or missing credits must be addressed directly between the cardholder and the vendor. Upon completion of the reconciliation, the cardholder and their Department Head or Supervisor must sign the statement documenting their agreement with the transactions appearing on their account statement.

Employees are responsible for ensuring that the credit card purchase is exempt from sales tax whenever possible.

Items that cannot be purchased:

1. Cash Advances
2. Liquor or Tobacco Products (unless used in a authorized police sting operation)
3. Personal Use

If the employee inadvertently uses the City's credit card for personal use, the employee **MUST** write a check or pay cash to reimburse the City of Washington **IMMEDIATELY**. They must notify their Department Head or Supervisor responsible for credit cards who will notify the Finance Department.

Missing Receipts

If the cardholder is missing receipts, the cardholder should attempt to contact the vendor to request a copy of the receipt. If the request cannot be honored, the cardholder must then submit a Missing Receipt Form documenting the pertinent transaction information. This documentation must be reviewed and approved by the cardholder's Department Head. A copy of the Missing Receipt Form can be found in this packet.

Disputed Transactions

At times there might be disputed transactions appearing on a cardholder's account statement. The dispute may arise but are not limited to the following: due to non-delivery of the goods or services, incorrect billing, duplicate billing, missing a valid credit not processed to the account for a return, altered charges or defective merchandise. When this occurs, the cardholder must contact the Finance Department stating the reason for the disputed item and any other transaction details available. The cardholder must also notify the vendor of the discrepancy. The cardholder is responsible for resolving the disputed item with the vendor.

If an employee has a dispute that cannot be resolved by the cardholder, the employee must contact the Finance Department for assistance.

The Finance Department must be notified of all disputed transactions within 30 days of the statement date.

Note on Returned Items: Items should be returned directly to the vendor by whichever means the vendor requires. It is the cardholder's responsibility to determine that proper credit is posted for any returned item.

Lost or Stolen Cards

If your card is lost or stolen, the cardholder must immediately contact the Finance Department and their Department Head or Supervisor. Upon notification, the card will be suspended immediately and any charges posted to the account after the "missing date" will be denied. A new card will be issued upon completion of an application which indicates that the card is a replacement.

Approved September 6, 2022

City of Washington

Credit Card Application Form

The employee designated below is authorized to apply for and receive a City of Washington Credit Card.

Name _____

Position / Department _____

Credit Limit _____
(to be completed by Finance Department)

Your signature below is verification that you have read the credit card policies and procedures and agree to comply with them.

Employee Signature

Date

Department Head Signature

Date

City Administrator Signature

Date

City of Washington

Credit Card Use Policy/User Agreement

Cardholder Responsibilities:

1. I accept full personal responsibility for the safekeeping of the credit card assigned to me, and that absolutely no one, other than me, is permitted to use the credit card assigned to me, except authorized City personnel who may use with my permission.
2. If credit card is lost or stolen, I agree to immediately notify my Department Head who will notify the Finance Department immediately.
3. A City credit card may be used for the purchase of goods or services only for City official business.
4. I agree to submit receipts and documentation detailing the goods or services purchased, cost, and date of the purchase to the City of Washington as requested by the Finance Department in order to reconcile against the monthly credit card statement.
5. I agree to surrender the credit card immediately upon request or upon termination of employment.
6. I understand that I am financially responsible for purchases that are not approved by my Department Head.
7. I understand that I am responsible for ensuring that the credit card purchase is exempt from sales tax whenever possible.

Requirements for use of credit card:

1. The credit card is to be used only to make purchases for the legitimate business of the City of Washington.
2. The credit card must be used in accordance with the provisions of the Credit Card Policy and Procedures established by the City of Washington.

I, _____ have read and understand the City of Washington Credit Card Policy and Procedures and I agree to adhere to them.

Employee Signature

Date

Department Head Signature

Date

City of Washington

Credit Card Purchase – Missing Receipt Form

This form is to be used in the rare circumstances that an itemized receipt was not provided/requested or has been misplaced.

I am requesting vendor payment for the following expenses for which the itemized receipts are unavailable for my accounting:

Date	Amount	Vendor Name	Description

By signing below, I am certifying that the above amounts are appropriate business expenses incurred by me on behalf of the City of Washington. I further certify that these expenses comply with the requirements of all City of Washington purchasing policies.

I am aware that the City's policy states that an itemized receipt is required for all purchases.

Employee Signature

Date

Department Head Signature

Date

City of Washington, Illinois

Fund Balance Policy

Purpose

A Fund Balance/Net Position Policy establishes a minimum level at which the projected end-of-year fund balance/net position must observe, as a result of the constraints imposed upon the resources reported by the governmental and proprietary funds. This policy is established to provide financial stability, cash flow for operations, and the assurance that the City will be able to respond to emergencies with fiscal strength. More detailed fund balance financial reporting and the increased disclosures will aid the user of the financial statements in understanding the availability of resources.

It is the City'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 funds balance/net position to mitigate current and future risks. Fund balance/net position levels are also crucial consideration in long-term financial planning. Credit rating agencies carefully monitor levels of fund balance/net position and unassigned fund balance in the General Fund to evaluate the City's continued creditworthiness.

Definitions

Governmental Funds

The fund balance will be composed of three primary categories:

- 1) Nonspendable Fund Balance – portion of a Governmental Fund's fund balance that are not available to be spent, either in the short-term or long-term, or through legal restrictions (e.g., inventories, prepaid items, land held for resale and endowments).
- 2) Restricted Fund Balance – portion of a Governmental Fund's fund balance that are subject to external enforceable legal restrictions (e.g., grantor, contributor and property tax levies).
- 3) Unrestricted Fund Balance – is made up of three components:
 - A) Committed Fund Balance – the portion of a Governmental Fund's fund balance with self-imposed constraints or limitations that have been placed at the highest level of decision making through formal Board action. The same action is required to remove the commitment of fund balance.
 - B) Assigned Fund Balance – the portion of a Governmental Fund's fund balance to denote an intended use of resources but with no formal Board action.
 - C) Unassigned Fund Balance – available expendable financial resources in the General Fund that is not the object of tentative management plan.

Some funds are funded by a variety of resources, including both restricted and unrestricted (committed, assigned and unassigned). The City assumes that the order of spending fund balance is as follows: restricted, committed, assigned, unassigned.

Definitions – Continued

Proprietary Funds

Proprietary funds include enterprise and internal service funds. The net position will be composed of three primary categories:

- 1) Net Investment in Capital Assets – portion of a proprietary fund’s net position that reflects the fund’s net investment in capital assets less any amount of outstanding debt related to the purchase/acquisition of said capital assets. Related debt, for this purpose, includes the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of capital assets of the Government.
- 2) Restricted Net Position – portion of a proprietary fund’s net position that is subject to external enforceable legal restrictions (e.g., grantor, contributor and bond covenants).
- 3) Unrestricted Net Position – portion of a proprietary fund’s net position that is neither restricted nor invested in capital assets (net of related debt).

Authority

Governmental Funds

Committed Fund Balance – A self-imposed constraint on spending the fund balance must be approved by ordinance or resolution of the Board. Any modifications or removal of the self-imposed constraint must use the same action used to commit the fund balance. Formal action to commit fund balance must occur before the end of the fiscal year. The dollar amount of the commitment can be determined after year end.

Assigned Fund Balance – A self-imposed constraint on spending the fund balance based on the Government’s intent to use fund balance for a specific purpose. The authority may be delegated to members of the management team by the City Council.

Minimum Unrestricted Fund Balance Levels

Governmental Funds

General Fund

Purpose – Is a major fund and the general operating fund of the City. It is used to account for all activities that are not accounted for in another fund.

Fund Balance – Unrestricted fund balance targets should represent no less than three months and no more than six months of operating expenditures (not including capital outlay) as budgeted for the next succeeding year. Balances above the maximum are transferred to other funds or to capital projects at the City's discretion.

Special Revenue Funds

Purpose - Used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Financing – Special revenue funds are provided by a specific annual property tax levy or other restricted and/or committed revenue source. Financing may also be received from other charges for services, etc.

Fund Balance – Derived from property taxes (other another restricted revenue source); therefore, legally restricted. The fund balance amount (restricted and/or committed) will be targeted at a minimum level of 25% of annual budgeted expenditures as budgeted for the next succeeding year. This will be adjusted annually with the adoption of the annual budget and is calculated at a minimum of three months of expenditures not including capital, debt service and transfers.

Debt Service Funds

Purpose – Established to account for financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Financing – The municipality levies an amount or transfers in an amount close to the principal and interest that is anticipated to be paid.

Fund Balance – Derived from property taxes; therefore, legally restricted. Any fund balance accumulation should be at a maximum the amount of the next principal and interest payment due.

Capital Project Funds

Purpose - Established to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets, excluding those types of capital related outflows financed by proprietary funds.

Financing – Debt financing, grants, or interfund transfers are used to finance projects.

Fund Balance – Considered segregated for maintenance, construction and/or development; therefore, considered committed, restricted, or assigned depending on the intended source/use of the funds. No specific minimum established for the capital projects fund.

Proprietary Funds

Enterprise Funds

Purpose - Established to account for and report financial resources that are invested in capital assets, net of related debt, restricted, or unrestricted for future spending related to the fund. The focus of enterprise fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Enterprise funds are required to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

Financing – User fees, debt financing, or grants are used to finance operations, capital outlay and improvements, and debt service retirements.

Net Position – Considered invested in capital assets net of related debt (for amounts capitalized as capital assets, less the outstanding debt related to the acquisition of said assets). Restricted net position relates to bond covenant reserves as outlined in the bond ordinance. Unrestricted net position targets should represent no less than three months of operating expenses (excluding debt service and capitalized asset expenses) as budgeted for the next succeeding year.

Internal Service Funds

Purpose - Established to account for and report financial resources that are invested in capital assets, net of related debt, restricted, or unrestricted for future spending related to the fund. The focus of internal service fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the Government on a cost-reimbursement basis.

Financing – User fees charged to other departments, funds, or component units, or debt financing are used to finance operations, capital outlay and improvements, and debt service retirements.

Net Position – Considered invested in capital assets net of related debt (for amounts capitalized as capital assets, less the outstanding debt related to the acquisition of said assets. Restricted net position relates to bond covenant reserves as outlined in the bond ordinance. Unrestricted net position targets should represent appropriate levels given the activity of the fund and the discretion of the City and management (excluding debt service and capitalized asset expenses) as budgeted for the next succeeding year.

Other Considerations

In establishing the above policies for unrestricted fund balance/net position levels, the City considered the following factors:

- The predictability of the City's revenues and the volatility of its expenditures (i.e., higher levels of unrestricted fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile)
- The City's perceived exposure to significant one-time outlays (e.g., disasters, immediate capital needs, state budget cuts)
- The potential drain upon General Fund resources from other funds as well as the availability of resources in other funds (i.e., deficits in other funds may require a higher level of unrestricted fund balance be maintained in the General Fund, just as, the availability of resources in other funds may reduce the amount of unrestricted fund balance needed in the General Fund)
- Liquidity (i.e., a disparity between when financial resources actually become available to make payments and the average maturity of related liabilities may require that a higher level of resources be maintained)
- Commitments and assignments (i.e., governments may wish to maintain higher levels of unrestricted fund balance to compensate for any portion of unrestricted fund balance already committed or assigned by the government for a specific purpose)

If any of the above factors change, the City should readdress current unrestricted fund balance/net asset levels to ensure amounts are appropriate.

Approved September 6, 2022

City of Washington, Illinois

Investment Policy

I. PURPOSE

It is the policy of the City of Washington to invest public funds in a manner which will provide the highest return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all state and local statutes governing the investment of public funds.

II. SCOPE

This investment policy applies to all financial assets of the City of Washington and governed by the Washington City Council

III. POOLING OF FUNDS

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

IV. PRUDENCE

Investments shall be made with judgement and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived. The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio.

V. OBJECTIVES

The primary objectives of the City's investment activities shall be:

1. **Legality** - The City's investments will be in compliance with all statutes governing the investment of public funds and will conform to federal, state, and other legal requirements.
2. **Safety**- Safety of principal is one of the foremost objectives of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
3. **Liquidity** - The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which may be reasonably anticipated.
4. **Return on Investments** - The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

VI. DELEGATION OF AUTHORITY

Management and administrative responsibility for the investment program is hereby delegated to the City Treasurer and the Finance Director who, under the delegation of the City Council, shall establish written procedures for the operation of the investment program.

VII. ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.

VIII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The City Treasurer and Finance Director will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security brokers/dealers, if deemed appropriate.

IX. 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.

X. COLLATERALIZATION

Funds on deposit (checking accounts, certificates of deposit, etc.) in excess of FDIC limits must be secured by some form of collateral, witnessed by a written agreement and held at an independent third-party institution in the name of the municipality.

XI. SAFEKEEPING AND CUSTODY

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

XII. DIVERSIFICATION

The City shall diversify its investments to the best of its ability based on the type of funds invested, the credit worthiness of the institution it is investing in, and the cash flow needs of the City's funds. Diversification can be by type of investment, number of institutions invested in, and length of maturity.

XIII. INTERNAL CONTROL

The Finance Director and City Treasurer are responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The internal controls shall address the following points:

1. Control of collusion
2. Separation of transaction authority from accounting
3. Custodial Safekeeping
4. Written confirmation of telephone transaction for investments and wire transfers

XIV. REPORTING

The Finance Director shall prepare an investment report at least monthly. The report should be provided to the City Council and available upon request. The report should be in a format suitable for review. An annual report should also be provided to the City Council.

XV. SUSTAINABILITY FACTORS

The City Council, Treasurer and Finance Director have considered and regularly considers material, relevant, and decision-useful sustainability factors, within the bounds of financial and fiduciary prudence, in evaluating investment decisions. Such factors include but are not limited to: (1) corporate governance and leadership factors; (2) environmental factors; (3) social capital factors; (4) human capital factors; and (5) business model and innovation factors, as provided under the Illinois Sustainable Investing Act.

XVI. INVESTMENT POLICY ADOPTION

The investment policy shall be adopted by the City Council. The policy shall be reviewed on an annual basis by the Finance Director and Treasurer and any modifications made thereto must be reviewed by the Finance and Personnel Committee and approved by the City Council.

City of Washington, Illinois Outstanding Check Policy

Purpose

The purpose of the City of Washington, Illinois Outstanding Check Policy is to insure accurate cash reporting and management.

Procedure

At least once each year, the City of Washington's Treasurer, or his/her designee, shall prepare a listing of all checks that have been outstanding for more than six (6) months and notification shall be made to the payee by first class mail that the check was issued and is still outstanding. The letter shall indicate the check number, check date, and the amount of the outstanding check. The payee will have 30 days to claim the outstanding check.

Once a year prior to the reporting deadline, the City of Washington's Treasurer, or his/her designee, will review the listing of all checks that have been outstanding to determine which outstanding checks will be sent to the State of Illinois, Unclaimed Property Division, in accordance with State Statute.

Approved September 6, 2022