

FINANCIAL POLICIES

June 4, 2024

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INTRODUCTION

The ensuing policy document covers the following policies applicable to the financial practices of the City of Crystal Lake. They are a key element regarding sound fiscal administration. The purpose of the City of Crystal Lake's financial policies are to serve as a foundation for long and short range planning; facilitate decision making related to financial matters; establish parameters in which the government can operate; and provide direction to staff for handling the City's day-to-day financial business. These policies also serve as a blueprint to achieve the fiscal stability necessary to carry out the City's strategic plans. Because of the broad and diverse nature of the City's offices and departments it is critical to have written, clearly defined, financial policies which minimize the risk of developing conflicting or inconsistent goals and objectives causing negative impacts on the overall financial position of the City of Crystal Lake.

These policies are reviewed whenever necessary to update for changes in law or generally accepted accounting principles. These policies may also be updated to enhance our understanding and implementation of sound financial practices, in response to changes and events that may affect our financial well-being.

SUMMARY

Policy No. 1 – Purchasing

Purchasing is a support function that directly affects all City departments and offices' operating budgets. Purchasing is an important component in accomplishing various City goals and objectives in a cost-effective manner. This policy provides the framework for acquiring goods and services on behalf of the City.

Policy No. 2 – Travel and Training

The travel and training policy establishes guidelines for business related travel and training expenditures and reimbursement. All City personnel traveling or incurring business expenses on behalf of the City, and those responsible for the approval of these expenses, are expected to use these measures to assist in maintaining control over travel expenditures. This policy applies to all funds under City control and are superseded only in those instances where funding agencies apply specific and more restrictive rules and rates.

Policy No. 3 – City Credit Card

The City's credit card program is intended to replace petty cash and the use of personal funds reimbursed through Accounts Payable. Purchases will be made within established guidelines, documented with receipts, authorized, audited and recorded in a timely manner.

Policy No. 4 – Petty Cash

The petty cash policy is a set of guidelines that govern the management and usage of small amounts of cash for nominal business expenses.

Policy No. 5 – Accounts Payable and Vendor Disbursements

The accounts payable and vendor disbursements policy provides for the management of the City's short-term payment obligations to its vendors. The mission of accounts payable is to pay only bills and invoices that are legitimate and accurate.

Policy No. 6 – Accounts Receivable and Collections
The accounts receivable and collections policy establishes a set of guidelines that govern accounts receivables and provide for the efficient collection of payment on current and past-due accounts while maintaining positive customer relationships. The policy further addresses detection of red flags.

Policy No. 7 – Cash Receipts
The cash receipts policy establishes minimum requirements for proper cash and check handling by City departments and offices. The policy prohibits the storage of credit card data by the City.

Policy No. 8 – Grant Management
The grant management policy provides guidance to staff for the application, approval, implementation and oversight of grants awarded to the City.

Policy No. 9 – Donation Acceptance
The donation acceptance policy provides the framework to accept donations, manage risk associated with donations and to comply with IRS regulations.

Policy No. 10 – Economic Development Incentives
The economic development incentives policy addresses the City's use of subsidies or other incentives to encourage private development.

Policy No. 11 – Surplus Personal Property Disposal
The City's surplus personal property disposal policy governs disposal of City-owned surplus personal property, except as specifically exempted by law.

Policy No. 12 – Annual Budget
The annual budget policy provides the framework for overall fiscal planning and management. The policy sets forth guidelines for both current and long-range planning activities and establishes fund reserve targets.

Policy No. 13 – Debt Management
The debt management policy governs the use of debt, including permissible debt instruments, conditions under which debt may be used, allowable levels of debt and compliance with post-issuance and continuing disclosure requirements.

Policy No. 14 – Investments
The investment policy is a statement of objectives and constraints in the City's approach to investing. It describes the City's investment philosophy, preferences, risk tolerance and goals.

Policy No. 15 – Fraud Reporting
The fraud reporting policy establishes the framework for identifying and reporting suspected misconduct and dishonesty by employees and others whom the City has dealings.

Policy No. 16 – Accounting and Financial Reporting
The accounting and financial reporting policy provides key accounting principles used to prepare the City's financial statements and the requirement that an independent audit will be conducted each year.

Police No. 17 – Capital Assets
The capital assets policy provides the framework for accounting for and depreciating the City of Crystal Lake's capital assets.

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TITLE:	**PURCHASING**	**POLICY NO.:**	**1**
APPLICABILITY:	All City	**APPROVAL DATE:**	04/15/2014
RESPONSIBILITY:	City Council, City Manager, Department Directors and Authorized Procurement Personnel	**REVISION DATE:**	06/04/2024

POLICY

Procurement of goods and services for the City will be conducted in an open and competitive environment to ensure that prices paid are fair and reasonable. Purchasing activities will include obligations for proper transaction documentation, fiscal responsibility, ethical behavior and adherence to City policies and procedures.

City funds will be used for legitimate City purposes only, meaning expenditures will be reasonable and appropriate and publicly defensible. Expenditures will not be, or perceived to be, excessive and must meet the following principles:

- Necessary to perform a valid business purpose fulfilling the mission of the City;
- Reasonable in that the expenditure is not extreme or excessive and reflects a prudent decision to incur the expense;
- Allowable according to the terms of any legal or regulatory arrangement, contract or City policy and procedures.

The City will not pay for goods and services until goods are received or service is rendered. Exceptions include:

- Deposits on certain jobs when approved by the Director of Finance;
- Memberships and books or periodicals;
- Payments to local, State, and Federal government entities;
- Service and maintenance contracts where necessary;
- Online orders for goods purchased using a City-issued credit or purchasing card;
- Training or course registration; or
- Other items approved by the Director of Finance or City Manager.

When procurement involves an expenditure regulated by Illinois law, by federal regulations or by another regulatory agency with jurisdiction over the expenditure, the procurement must be conducted as required by applicable laws and regulations.

DIVERSE AND INCLUSIVE PURCHASING

It is the policy of the City to promote and encourage the continuing economic development of businesses owned and operated by minority persons, women, veteran and persons with disabilities, and that these businesses serve the City's continuing interest in promoting open access in the awarding of City contracts to disadvantaged small business enterprises.

PURCHASING AGENT

The City Manager will be the purchasing agent of the City and except where specific provision to the contrary is made by law or the City Council, he/she will make all purchases of supplies, materials and equipment as authorized by the City Council and appropriated in the City budget in the manner prescribed by and subject to limitations imposed by law.

The City Manager may delegate authority to purchase certain supplies, services, or construction items to other City officials, if the City Manager determines that the delegation is necessary for the effective procurement of those item.

In accordance with Chapter 102, *Procurement*, the City Manager will be responsible for the appointment of the Procurement Officer, who will be responsible for managing the procurement process. The Director of Finance will serve as Procurement Officer.

PURCHASING STANDARDS

All authorized purchasing officials will comply with the City of Crystal Lake Code of Ethics, State Law and Federal statutory requirements in the procurement of goods and services. The following practices are specifically prohibited so as not to create a conflict of interest:

- Using information available to the authorized purchasing official solely because of their position for personal profit, gain or advantage;
- Directly or indirectly furnishing estimating services, or any other services or information not available to all prospective bidders, to any person bidding on, or who may reasonably be expected to bid on, a contract;
- Using the authorized purchasing official's position or status in the City to directly or indirectly solicit business of any kind for private use or to obtain supplies and equipment at special discounts or with special concessions from any vendor who sells or solicits sales to the City;
- Soliciting, accepting or agreeing to accept any gratuity for themselves, their families, or others that would or could result in personal gain; and
- Participating in the selection, award or administration of a contract if there is a real or apparent conflict of interest. Such a conflict of interest would arise when the authorized official, or any member of his or her immediate family, his or her partner or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract.

All authorized purchasing officials will abide by the City's Ethics Regulations as detailed in Sections 8.4 (Employee Ethics) and 8.5 (Giving and Acceptance of Gifts) of the City's Personnel Policy Manual.

LEVEL OF PURCHASING AND CONTRACT COMMITMENT AUTHORITY

The City Council delegates authority to the City Manager, and where the City Manager delegates authority to other City officials, purchases of materials, supplies and equipment will be made in accordance with thresholds set forth in the table below, provided: (1) funds have been appropriated by the City Council in the annual budget; and (2) expenditures are consistent with City goals and policies. Dollar amount thresholds include freight, handling, installation and set-up costs, etc.

No funds may be expended or encumbered for the procurement of goods or services on behalf of the City unless authorized as required by this policy. Requisitions for purchases without required supporting documentation will be returned to the originator without approval.

Splitting a foreseeable purchase or contract into smaller units for the purpose of avoiding any applicable process under this policy is a violation of this policy and a violation of City Code.

The City Manager is authorized to act on behalf of the City of Crystal Lake in the execution of certain documents including agreements, contracts, amendments, change orders and grant applications where the total annual commitment does not exceed $24,999 or the agreement, contract, amendment or change order falls within contingency amounts approved by the City Council. City Council approval is required for documents that are not within the approval authority of the City Manager.

Only the City Manager is authorized to secure legal services from an attorney other than the City Attorney. Utilization of legal services other than the City Attorney by any other member of staff will require authorization from the City Manager.

Dollar Limit	Purchase System Requirements	Supporting Documentation	Purchase Authorization(s) Required	Contract Signature Authority
$1-$999	Purchase Requisition is encouraged	Employees are encouraged to seek informal quotes	Department Director	City Manager
$1,000-$4,999	Purchase Requisition is required	Three (3) informal quotes are required	Department Director	City Manager
$5,000-$9,999	Purchase Requisition is required	Three (3) written quotes are required	Department Director, Director of Finance	City Manager
$10,000-$24,999	Purchase Requisition is required	Three (3) written quotes are required	Department Director, Director of Finance, City Manager	City Manager
$25,000+	Purchase Requisition is required	Competitive bid or proposal is required	Department Director, Director of Finance, City Manager, City Council	City officer designated by the City Council

Purchases less than $1,000 can best be described as those day-to-day purchases that are needed to perform a job or service. Examples include hand tools, office supplies and ammunition. Department Directors are responsible for purchases made in this category. Although purchases may be done without quotes or formal prior approval, the responsibility still exists for making the most economical purchases and ensuring conformity to the budget.

Purchases of $1,000 or more but less than $5,000 do not require the prior approval of the City Council. Formal bidding procedures are not required but three (3) informal quotations, such as website, email or catalog pricing should be obtained and attached to the Purchase Requisition in the City's financial software. Approval from the Department Director is required before such purchase can be made.

Submission of a completed Purchase Authorization Form, or other form designated by the City, is required when three (3) quotes cannot be acquired.

Purchases of $5,000 or more but less than $10,000 do not require the prior approval of the City Council. Formal bidding procedures are not required but three (3) written quotes should be obtained and attached to the Purchase Requisition in the City's financial software. Approval from the Department Director and Director of Finance are required before such purchase can be made. Submission of a completed Purchase Authorization Form, or other form designated by the City, is required when three (3) quotes cannot be acquired.

Purchases of $10,000 or more but less than $25,000 do not require the prior approval of the City Council. Formal bidding procedures are not required but three (3) written quotes should be obtained and attached to the Purchase Requisition in the City's financial software. Approval from the Department Director, Director of Finance and the City Manager are required before such purchase can be made. Submission of a completed Purchase Authorization Form, or other form designated by the City, is required when three (3) quotes cannot be acquired.

Small, frequent purchases made from one vendor for a particular item or service or like types of items or services exceeding a cost of $24,999 per year must be accomplished through formal bidding procedures or by a bid waiver approved by the City Council. This requirement will also apply to multi-year contracts where the sum total of the anticipated purchase is expected to exceed $24,999 over the life of the contract. If doubt exists as to whether formal bidding is required, the Procurement Officer should be consulted before any purchase is initiated.

DELEGATION OF APPROVAL AUTHORITY

Approvers play a critical role in ensuring that only appropriate activities occur. Those with approval authority are expected to exercise sound judgement in evaluating reasonableness of transactions in consideration of the scrutiny that is applied to the stewardship of public funds. Each of these positions (Department Director or City Manager) may delegate assigned authority for approving purchases to an appropriate designee in the event that they are unavailable to approve purchases. The appropriate designee must have sufficient competency in the subject matter to verify accuracy, allow ability and consistency with City policy.

COMPETITIVE BIDS AND PROPOSALS

Purchases of $25,000 or more will be awarded by competitive bidding except as otherwise provided in this policy.

Some contracts, by their nature, are not adapted to award by competitive bidding. Examples include but are not limited to, contracts for the services of individuals possessing a high degree or professional skill, such as attorneys, architects, engineers or land surveyors where education, experience or character of the individual is a significant factor in determining their ability to meet the City's needs. Competitive proposals, typically solicited through a request for proposals (RFP), may be practical when the use of a competitive bidding process either is not practicable or otherwise not advantageous to the City, and one or more of the following conditions, or similar conditions, exist:

- The contract needs to other than a fixed-price type;
- Oral or written discussions may need to be conducted with proposers concerning technical and price aspects of their proposals;

- The work is highly specialized or otherwise requires extraordinary, defined skills or experience in a particular area not generally available;
- Proposers may need to be afforded the opportunity to revise their proposals, including prices;
- An award may need to be based upon a comparative evaluation, as stated in the RFP, of differing price, quality, and contractual factors in order for the City to determine the most advantageous proposal. Quality factors may include technical and performance capability and the content of the technical proposal; or
- Important criteria other than price will be considered in determining an award.

As a Home Rule unit, the City is not required to adhere to the requirements of the Local Government Professional Services Selection Act (50 ILCS 510) when hiring an architect, engineer or land surveyor. The City will generally adhere to the Act, except that the City may consider cost as a selection factor unless otherwise required by law, and the City may choose not to use a formal selection process for architectural, engineering or land surveying services costing less than $25,000. If there is a satisfactory relationship between the City and one or more firms from a previous phase(s) of a project then the City Council may waive requirements for an RFP and retain the firm(s) for additional phases of the same project.

Periodically, the City receives federal funds to use for engineering and design-related consultant service. When procuring these services, and when federal funds are available for that particular service, the City will follow qualification-based selection (QBS) criteria that meet requirements of the Code of Federal Regulations (23 CFR 172) and the Brooks Act.

Generally, the Procurement Officer will prescribe the requirements to be met whenever competitive bidding is utilized or proposals are solicited or requested. In any instance where the competitive bid process is exempt by virtue of this policy, the procurement will be accomplished in a manner that will be most advantageous to the City, giving due consideration to the cost of and quality of goods and services, the ability of the vendor to perform, or other relevant factors.

The Procurement Officer will prescribe the procedures by which competitive bids or proposals for any specific procurement will be received, the time limit for receiving such bids or proposals and the procedure by which bids or proposals will be opened, accepted and examined, and by which recommendations for the acceptance or rejection of bids or proposals will be made to the City Council.

RESPONSIBILITY OF BIDDERS AND PROPOSERS

Bidders and proposers may be deemed “unqualified” by the Procurement Officer if the bidder or proposer that would have been awarded a contract is found unresponsive or irresponsible. Failure of a bidder or proposer to supply information promptly in connection with an inquiry from the City with respect to responsibility may be grounds for a determination of unqualified.

BID AND PERFORMANCE BONDS

Bid bonds, labor and materials payment bonds, and performance bonds or other security may be requested for supply contracts or service contracts as the Procurement Officer, in consultation with the appropriate department director or City Manager, deems advisable to protect the City’s interests. All bonding requirements should be established in the bid or solicitation documents. Bid bonds, labor and materials payment bonds, and performance bonds or other security may not be used as a substitute for a determination of a bidder’s or proposer’s responsibility.

CANCELLATION OF INVITATIONS FOR BIDS OR REQUESTS FOR PROPOSALS

The City may cancel an invitation for bids, a request for proposals, or any other solicitation and may reject any or all bids or proposals in whole or in part, when that cancellation or rejection is in the best interest of the City.

SPECIFICATIONS GENERALLY

Bid specifications must be drafted so as to promote maximum value at the lowest cost, to promote overall economy for the purposes intended, and to encourage competition in satisfying the City's needs. Specifications must not be unduly or unnecessarily restrictive.

PREVAILING WAGES

The City will comply with Prevailing Wage Act (820 ILCS 130) requirements for its public works projects. The provisions of the Act are not applicable to Federal construction projects which require a prevailing wage determination by the United States Secretary of Labor.

CLAIMS RELATING TO SOLICITATIONS

Any bidder, proposer, or vendor ("claimant") that has a protest, dispute or other claim about a matter related to a City bidding process, City RFP process, or other form of City solicitation, may file a written notice of claim with the Procurement Officer within 10 days after the claimant knows or should have known of the facts giving rise to the claim. Reasonable efforts will be made by the City to address the claim within 20 days following its receipt.

SUSPENSIONS

The Procurement Officer, with approval of the City Manager, may suspend a vendor, services provider, contractor or other person for cause from eligibility to receive a purchase order, contract or other order or agreement from the City for any period of time up to three (3) years. The causes for suspension include:

- Conviction of the contractor for commission of a criminal offense related to obtaining or attempting to obtain any contract or subcontract, whether public or private, or relating to the performance of a contract or subcontract;
- Conviction of the contractor under any state or federal statute of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, or any other offense indicating a lack of business integrity or business honesty;
- Conviction of the contractor under any state or federal antitrust statute arising out of the submission of bids or proposals;
- One or more contractor violations of contract provisions of a character that are regarded by the Procurement Officer or City Manager to be so serious as to justify suspension. Examples of such violations are, but not limited to:
    - A deliberate failure to perform in accordance with the terms or specifications provided in the contract; or
    - Repeated failures to perform, or repeated instances of unsatisfactory performance, without satisfactory excuse or mitigating circumstances.
- Suspension or debarment by another governmental agency;
- Any other cause the Procurement Officer or City Manager determines to be so serious and compelling as to affect responsibility as a contractor;

- Violation by the contractor of an ethical standard related to contracts, contracting, or construction.

A contractor may appeal a suspension by filing a written notice of appeal to the office of the City Clerk within five days.

EXCEPTIONS TO COMPETITIVE BID REQUIREMENTS

Exceptions to competitive bid requirements include:

- Emergency purchases;
- Sole source purchases;
- Joint Purchasing Cooperatives;
- Pass-Through Contracts;
- Employment Contracts;
- Equipment leases;
- Insurance or bond purchases;
- Professional licenses and memberships;
- Publications and subscriptions;
- Conferences and seminars including registration, tuition, room and board, etc.; or
- Waiver of bidding requirement by the City Council.

EMERGENCY PURCHASES

Notwithstanding any other provisions of this policy, the City Manager may make, or authorize the Procurement Officer and others to make emergency procurements of supplies, services or construction items when unforeseeable circumstances require an immediate response to avert an actual or potential threat to human life, health or to public property. An emergency procurement must be made with as much competition as is practicable under the circumstances. A determination of the basis for the emergency and for the selection of the particular contractor must be documented using a Purchase Authorization form, or other form designated by the City, and attached to the purchasing record in the City's financial software. The City Manager will promptly report emergency expenditures in excess of $24,999 to the City Council.

SOLE SOURCE PURCHASES

Certain purchases of supplies or services may be awarded without the use of competitive bids or proposals. A contract may be awarded without competition when the Procurement Officer determines that there is only one source for the commodity or service. The Procurement Officer will only make such a determination after conducting, and documenting in writing, a good faith review of any potential sources. A record of each sole source purchase shall be documented using a Purchase Authorization form, or other form designated by the City, and attached to the purchasing record in the City's financial software. Authorization for sole source purchases may be made in accordance with dollar thresholds above. Eligible purchases must meet at least one of the following conditions:

- Purchases which can be made at a public auction, close-out sale, bankruptcy sale or other similar sale at a cost below the market cost in the community;
- Equipment for which there is no comparable competitive product or is available only from one supplier;
- Public utility services from natural or regulated monopolies;

- A component or replacement part for which there is no commercially available substitute, and which can be obtained only from the manufacturer or their designated servicing dealer; or
- An item where compatibility is the overriding consideration, such as computer software.

JOINT PURCHASING COOPERATIVES

Contracts for joint purchasing of construction, repair and maintenance projects, supplies or services with one or more governmental units must conform to the requirements of applicable law, such as, without limitation, the Governmental Joint Purchasing Act (30 ILCS 525 *et seq*.) and the Intergovernmental Cooperation Act (5 ILCS 220 *et seq.*). Care should be taken when procuring goods and services through joint purchasing to ensure that the bid process and resulting contract requirements conform to State law. `

Certain items are annually let for bids by the Procurement Division of the State of Illinois. Any unit of government in the State may avail themselves to these bid prices. State Purchasing can be best described as governmental bodies of the State of Illinois joining together for what is essentially a central purchasing system. Purchasing through State Purchasing satisfies the requirements by local ordinance or State Statute even though purchases may be in excess of $24,999.

It is incumbent upon authorized purchasing officials to consider State Purchasing or other Joint Purchasing opportunities before making purchases. State Purchasing and other Joint Purchasing programs not only satisfy the requirements for bidding but also satisfies the need for any quotations, saves shopping around and generally saves money. However, authorized purchasing officials will be responsible for ensuring that goods or services are of quality sufficient to meet the City's needs and that pricing is competitive.

A record of each joint or cooperative procurement must be documented using a Purchase Authorization form, or other form designated by the City, and attached to the purchasing record in the City's financial software. Authorization for joint purchases may be made in accordance with dollar thresholds above.

PASS-THROUGH CONTRACTS

Pass-through contracts are contracts that are entered into by the City, where City obligations for payment pursuant to such contracts are paid entirely by other entities or persons. Except as may be required pursuant to the provisions of Illinois Compiled Statutes (65 ILCS 5/8-9-1), the City Manager or his/her designee, may award and execute all pass-through contracts, regardless of price, for supplies, equipment, services or construction which are funded entirely by non-City entities or persons without the expenditure of City funds or commitment to future City funds, provided that prior to the execution of the contract, a commitment for payment from the funding source is obtained through a funding agreement or a deposit and reimbursement agreement.

WAIVER OF COMPETITIVE BIDDING

The City Council, by a two-thirds vote of all the Council members holding office, may waive bidding procedures and enter into a contract or agreement. Requests for bid waivers must be made only when goods or services are proprietary (e.g. sole source), where standardization is necessary or desirable (e.g. furniture), in emergencies as defined in this policy or when it is in the best interests of the City to do so. In any instance, a statement justifying the need for a bid waiver must be included in the department's recommendation to City Council.

CHANGE ORDERS AND AMENDMENTS TO CONTRACTS

A change order is a written order to a contractor that is executed by the City, in accordance with an existing contract, that authorizes an addition to, deletion from, or an adjustment or revision of requirements of contract documents, or to the time for performance of a contract, or a combination thereof.

City policies and procedures must be followed to ensure that proposals underlying an anticipated increase in expenditures is appropriate, accurate and cost efficient. Authorized personnel will negotiate the best possible price for the City when seeking expenditures in excess of the original contract price. A change order or an accumulation of change orders pushing a contract or purchase total into a higher commitment dollar threshold must be approved as required for that higher signature dollar threshold.

The City Manager is authorized to execute change orders to contracts that were originally approved by the City Council, so long as accumulated change orders for such projects do not exceed the amount approved by City Council including any contingency amount.

Any change order to a public works contract that, when added to all other changes to the contract, increases the original price of the contract or any subcontract by 50% or more, will require the portion covered by the change order to be resubmitted to bidding or quotes in the same manner as applicable to the original contract or subcontract (50 ILCS 525/5).

ASSIGNMENT OF CONTRACTS

No purchase order, contract or other obligation between the City and a vendor, services provider or contractor will be assignable or transferable in any manner by the vendor, services provider or contractor without the written consent of the City Manager.

PERSONNEL EXPENDITURES

Because personnel costs are the largest expenditure area of the annual budget, compensation guidelines are established annually by City ordinance or defined in local bargaining agreements.

TRAVEL AND TRAINING

Control of travel and training expenses are the responsibility of each department director. It is a two-part process that requires: 1) authorization of estimated expenses in advance, and 2) approval of actual expenses post-event. It is the responsibility of all personnel incurring business expenses on behalf of the City and those responsible for the approval of these types of expenses to know and comply with the City's Travel and Training policy.

CITY-ISSUED CREDIT CARDS

City-issued credit cards may be used to pay for supplies, materials, or other items in accordance with City policies. City-issued credit cards may be used in making online purchases; purchases from vendors who are expected to be used for a one-time purchase; when a vendor will not invoice the City; or when a conference registration cannot be completed by mail due to check processing and mailing times. Using a City-issued credit card will not preclude authorized personnel from requirements to obtain quotes prior to completing purchases when applicable. It is the responsibility of each cardholder to know and comply with the City's Credit Card policy. Opening retail accounts, lines of credit and other accounts in the name of the City is strictly prohibited unless authorized and directed by the Director of Finance.

PETTY CASH
Petty cash funds are established to pay for infrequent purchases that are generally less than $50 and require immediate payment. Notary fees, postage and emergency purchases of office supplies are traditional expenses that fall into this category. It is the responsibility of employees to know and to comply with the City's Petty Cash Policy.

REBATES
Rebates are types of incentive programs that suppliers offer their customers. Whether a rebate is in the form of money, "free" merchandise or future benefits, rebates or rights to claim rebates will be property of the City. No employee may apply for or claim a rebate for goods and services paid by the City. All applications for rebates may be made only by the Director of Finance or his/her designee.

TAX EXEMPTION
City purchases are exempt from State retail/occupation taxes as evidenced by the City's tax exemption certificate. Employees must take steps necessary to provide City tax exemption information to vendors so the City is not charged for these taxes.

W-9 INFORMATION REQUIRED
All vendors will be required to submit a completed Internal Revenue Service (IRS) Form W-9 to the City prior to the execution of a contract or purchase.

NON-BUDGETED EXPENDITURES
Non-budgeted expenditures will require City Council approval of a budget amendment before the purchase or commitment is made.

PURCHASES MADE NEAR YEAR END
Purchases made near the end of the fiscal year (December 31) will be expensed against the fiscal year in which goods are received or service rendered regardless of when a Purchase Requisition was processed.

CONFLICT WITH OTHER LAWS AND REQUIREMENTS
If any contract or amendment thereto is entered into or purchase or expenditure of funds is made at any time in violation of this policy, City Code or any other law, the contract or amendment thereto may be declared void by the City Manager or may be ratified and affirmed, provided the City Manager determines that ratification is in the best interest of the City. If the contract is ratified and affirmed, it will be without prejudice to the City's rights to any appropriate damages.

In the event of a conflict between this policy and the requirements of any federal law binding the City, such federal law will take precedence. In the event of a conflict between this policy and State law requirements, this policy will take precedence to the full extent of the City's home rule power. To the extent permitted by law, this policy will not prevent the City from complying with terms and conditions of any grant, gift, agreement or bequest.

RECORD RETENTION
All records will be retained in accordance with the Illinois Local Records Act (50 ILCS 205), federal regulations, grant agreements or bond covenants, whichever is applicable and most restrictive.

TITLE:	**TRAVEL AND TRAINING**	**POLICY NO.:**	**2**
APPLICABILITY:	All City	**APPROVAL DATE:**	04/15/2014
RESPONSIBILITY:	All City personnel responsible for initiation, execution and authorization of travel and training expenses	**REVISION DATE:**	06/04/2024

POLICY

Control of travel and training expenses are the responsibility of each department director. It is a two-part process that requires: 1) authorization of estimated expenses in advance, and 2) approval of actual expenses post-event. Authorization of estimated expenses in advance allows the employee and the department director to agree on expected costs before accommodations are booked and ensures that adequate budget funds are available. Approval of actual expenses post-event indicate that expenses are appropriate and in compliance with City policies.

When conducting business on behalf of the City, City of Crystal Lake employees will be guided by principles of accountability, transparency, efficiency and economy. City personnel incurring business expenses on behalf of the City, and those responsible for approval of these expenses, are expected to use the same care that a prudent person would exercise if traveling on personal business or using personal funds. Consideration should be given to staffing requirements of the department and to the cost of non-productive or lost work time while in travel.

The City will not reimburse employees for travel costs of immediate family members traveling with employees on official City business. Should a family member accompany the employee for personal reasons, only those costs related to the employee's travel may be reimbursed.

Whenever an employee, for his/her convenience, travels by an indirect route or interrupts City travel for personal travel, any additional expenses related to personal travel will be the responsibility of the employee.

All non-mandatory training and related travel expenses may be subject to recovery by the City in the event that an employee voluntarily terminates his or her employment within three (3) months from the conclusion of the training. Collective bargaining agreements may impose additional restrictions.

This policy will apply to all funds under City control for travel and training and are superseded only in those instances where grant agencies apply specific and more restrictive rules and rates.

TRAVEL AND TRAINING AUTHORIZATION

Unless otherwise noted, allowances for travel by personal vehicle will be limited to standard mileage rates for business use as established by the Internal Revenue Service (IRS). Travel allowances for lodging and meal expenses may be limited to per diem rates established by the U.S. General Services Administration (GSA).

Written requests for travel and training authorization must include the following as applicable:

- Documentation detailing the cost of any training conference or seminar;
- Documentation detailing the cost of transportation (e.g. a printout of a ticket of intended purchase or of a price comparison website showing the cost of the ticket);
- Documentation detailing the cost of lodging (e.g. a printout of the lodging price or of a price comparison website showing the cost of lodging);
- Documentation detailing the per diem lodging rate for the destination (a printout from the GSA website); and
- Documentation detailing the per diem meal and incidental expense rate for the travel destination (a printout from the GSA website).

Failure to submit required documentation will result in the denial of a request.

Allowances greater than per diem rates established by the U.S. Governmental Services Administration (GSA) may be authorized when lodging and/or meals are secured at a pre-arranged location such as a hotel where a meeting, conference or training session is held; costs have escalated because of special events or natural disasters; or for other reasons approved by the department director and City Manager.

Excess costs, circuitous routes, luxury accommodations and services unnecessary or unjustified in the performance of official business are not acceptable.

MAXIMUM ALLOWABLE EXPENSES

Airfare

City employees are expected to obtain the lowest available airfare that reasonably meets business travel needs. This may require the employee to book flights as far in advance as necessary to avoid premium pricing and to make reasonable adjustments to their travel plans for flights that include a stopover or a connecting flight taking into consideration other travel expenses that may become necessary. Some discounted fares have travel restrictions and may require payment of change or cancellation fees so good business judgment must be exercised when purchasing a non-refundable ticket.

When common carriers furnish the same service at different fares between the same points for the same type of accommodations, the lowest cost provider should be selected.

Reimbursement for air travel will be limited to coach or economy class tickets only. Airline receipts or itineraries must reflect the City employee's name, flight information, ticket number, airfare amount and form of payment.

Fees for the first piece of checked baggage will be eligible for reimbursement only with a receipt or other supporting documentation accepted by the City. Additional bags or special baggage fees will not be eligible for reimbursement unless approved by the department director prior to travel.

In the event that a flight is cancelled, the employee must notify his/her department director and take appropriate steps to recover any unused fare and bag fees.

Ground transportation to and from the airport is eligible for reimbursement. This includes personal automobiles, public transportation, taxi or ride-sharing services as appropriate. Employees are encouraged to use the lowest cost option that allows for the safety of the traveler. Ground transportation expenses are eligible for reimbursement with a receipt.

Lodging

Lodging reservations should be made at the same time as air travel to ensure availability. No reimbursement will be made for trips less than 100 miles from an employee's residence unless a special exception due to a compelling need or business reason is granted by the City Manager before booking.

Lodging should be reserved at the best available rate (government or corporate rate, if available), that allows for the convenience and safety of the employee. Lodging expenses will be eligible for reimbursement up to: 1) the cost using lodging at a pre-arranged group rate in conjunction with a conference or meeting; or 2) the daily lodging rate as determined by the U.S. General Services Administration (GSA) for the geographical location of lodging. More information relating to a per diem allowance is available on the GSA website.

Reimbursement for lodging accommodations will be limited to standard room rates (or equivalent) for the maximum number of nights required to conduct City business.

Itemized receipts showing daily expenses and form of payment will be required for lodging expenses. Receipts must reflect the number of occupants and specific details for any additional charges (meals or amenities such as the use of an internet connection, etc.).

In the event of a change in plans or a cancellation, the employee must notify his/her department director and take appropriate steps to cancel the lodging reservation so as not to incur cancellation charges. Cancellation charges will not be reimbursed by the City unless approved by the City Manager.

City-Owned Motor Vehicle

Employees are encouraged to utilize a City-owned motor vehicle in order to conduct City business rather than taking their personal vehicle. See the City's Motor Vehicle policy for more information.

Employees are encouraged to utilize the City's fuel card for fuel purchases whenever practical. Fuel purchases will be eligible for reimbursement only with a receipt.

Toll charges and parking fees, substantiated by receipts or other documentation acceptable to the Director of Finance, will be eligible for reimbursement. Tickets, fines and/or lock-out fees will not be reimbursed.

Privately-Owned Automobiles

Employees receiving a monthly flat rate vehicle allowance as part of a compensation package will be required to travel for City business using their personal automobile. The vehicle allowance covers costs related to the operation of the employee vehicle, including service, maintenance, insurance, depreciation and fuel. Fuel is not eligible for reimbursement under the vehicle allowance method and fuel purchases using a City-issued credit card are prohibited.

Reimbursement for vehicle mileage to an employee who occasionally uses their personal vehicle for City business and are not in receipt of a monthly vehicle stipend, may be approved if considered advantageous to the City. Personal vehicle mileage is advantageous when it is the least costly method (taking into account the cost of additional travel time) of all options including a City motor vehicle, public transportation, ride-share, taxi, or rental car. Personal vehicle mileage may be eligible for reimbursement based on the IRS standard mileage rate.

Mileage-based reimbursement will be limited to the lesser of:

- The distance from the individual's workplace to the destination, and back to the individual's workplace; or
- The distance of the individual's place of residence to the destination, and back to the individual's place of residence.

Travel must utilize the most direct route unless an alternate route will be less time consuming, safer and/or more effective. Normal commuting costs of traveling to and from work will not be reimbursed.

Mileage-based reimbursement covers all costs related to the operation of a vehicle, including service, maintenance, insurance, depreciation and fuel. Fuel is not eligible for reimbursement under the standard mileage rate method and fuel purchases using a City-issued credit card are prohibited.

Toll charges and parking fees, substantiated by receipts or other documentation acceptable to the Director of Finance, will be eligible for reimbursement. Tickets, fines and/or lock-out fees will not be reimbursed.

See Section 6.9 (Vehicle Allowance) and 7.12 (Personally Owned Vehicles Used in Service to the City) of the City's Personnel Policy Manual for additional information.

Automobile Rentals

Rental automobiles may be used as necessary but must be approved in advance by the department director and the City Manager.

Vehicle rental agencies may have minimum age requirements and all require a valid driver's license. Insurance coverage requirements should be confirmed by the City Manager's office prior to making any automobile rental arrangements.

Reimbursement will be limited to compact or mid-sized vehicles when two or fewer employees are traveling together. A full-sized vehicle may be used for three or more employees traveling together.

Employees are encouraged to decline pre-fill options and make every effort to refuel at a gas station prior to returning the vehicle at the end of the rental period. Fuel charges will be eligible for reimbursement when substantiated by a receipt.

Only Global Position System (GPS) upgrades are eligible for reimbursement; other upgrades (e.g. satellite radio) will not be reimbursed.

To be eligible for reimbursement, itemized vehicle rental receipts must reflect vehicle mileage in/out and form of payment.

Employees may accept "Personal Effects and Personal Accident" coverage to insure against loss of personal items due to theft at their own discretion. However, this expense is not reimbursable.

Toll charges and parking fees, substantiated by receipts or other documentation acceptable to the Director of Finance, will be eligible for reimbursement. Tickets, fines and/or lock-out fees will not be reimbursed.

Other Ground Transportation

Whenever practical, employees moving between locations within a destination, such as between airports, lodging and meeting sites, are encouraged to use airport shuttles, hotel shuttles and other public transportation. Taxi or ride-sharing services may be used as appropriate, taking into consideration the cost of other means of transportation. These expenses are eligible for reimbursement only with a receipt.

Reasonable local transit costs may be authorized in order to obtain meals only when the nature and location of the training, conference or meeting is such that meals cannot be obtained within reasonable walking distance. Expenses claimed to obtain a meal for personal convenience or preference, however, will not be reimbursed.

Meals

The per diem allowance for meals and incidentals (M&IE) while on City business will follow rates (including any applicable tax and tip) determined by the U.S. General Services Administration (GSA). Per diem allowances vary by geographical location. More information relating to a per diem allowance is available on the GSA website.

Per diem meal expenses may be eligible for reimbursement based on the schedule below.

Meal	If travel is required to begin before	Or, if travel is required to conclude after
Breakfast	6:00 a.m.	8:00 a.m.
Lunch	11:00 a.m.	1:00 p.m.
Dinner	5:00 p.m.	7:00 p.m.

If the cost of a meal is included in the registration for a seminar or conference, no reimbursement will be made unless dietary or religious reasons prevent the employee from consuming a conference-provided meal. Exemptions require advance approval from the department director. No reimbursement will be provided for meals included in daily lodging rates or for meals provided by an event's sponsor.

Employees must obtain itemized meal receipts that reflect such standard elements as the date and time of purchase, specific item(s) purchased and related details such as taxes and gratuities (if applicable) in order to be eligible for reimbursement. The meal's business purpose and names of other attendees (if applicable) must be documented.

Expenses for luncheon meetings that are job related through professional associations may be exempted from per diem requirements with advance approval from the department director.

Alcoholic beverages, non-alcoholic beer (which may contain up to 0.5% alcohol by volume) and cannabis-infused products will not be eligible for reimbursement. ***Receipts containing these types of items will not be accepted by the City and reimbursement for any legitimate costs reflected therein will be forfeited.***

Conference Registration Fees
Registration fees for conferences will normally be paid by the City prior to the actual event. A copy of the registration form must be forwarded to the Finance Department for processing or otherwise paid using a City-issued credit card.

Tipping
Tipping by a City employee for shuttle service, ride-sharing services or taxi is allowed up to 15% of the fare amount, however it is only eligible for reimbursement when supported by a receipt.

Tipping by a City employee for meals is allowed up to 15% (20% for parties of 6 or more) of the pre-tax bill and will only be eligible for reimbursement when a detailed receipt is provided. Tips are included in the GSA's calculation of the per diem allowance for meals and incidentals (M&IE).

Courtesy tipping, such as tips paid to parking attendants, bellhops or housekeeping, are not essential to the transaction of official City business. Therefore, they are will not be reimbursed.

UNAUTHORIZED EXPENSES

City of Crystal Lake funds must not be used for personal travel or for travel by members of the employee's party who are not traveling on City business. Further, employees will not be compensated for personal travel costs incurred in conjunction with business travel.

The following are common expenses that are considered personal and, will not be reimbursed:

- Alcoholic beverages, cannabis-infused products and tobacco products;
- Membership fees to airport clubs;
- Optional baggage insurance;
- Passports;
- Personal vehicle insurance;
- Repairs to personal vehicles that may be damaged while on City business;
- Car washes and detailing;
- Traffic violations and court costs;
- Gasoline purchases when mileage is being reimbursed;
- In-room entertainment (movies, games, etc.);
- Optional conference activities not included in general conference fees;
- Reading materials for use during travel;
- Clothing, luggage and toiletries;
- Cleaning, pressing and laundry;
- Medication (prescription or over-the-counter) or personal medical devices;
- Beautician, barber, manicurist and shoe shine;
- House-sitting fees, pet care or kennel fees; and
- Financing or late fees charged against personal credit cards.

EXPENSE REPORTING AND AUTHORIZATION OF EXPENSES

Expenses associated with travel and training must be reconciled and substantiated using an expense report form approved by the Director of Finance, within 10 business days of the business travel end date. Approved, actual expenses that total more than any travel advance will be reimbursed to the

employee; approved, actual expenses that are less than the advanced amount will require the employee to return all excess money to the City at the time the expense report is made.

City employees will be responsible for submitting completed and accurate expense reports to the department director in a timely manner but no more than 10 business days following the business event end date. All expenses, regardless of whether they were paid directly to a vendor (e.g. registration fee) or paid using a City-issued credit card (e.g. hotel bill), must be documented on the expense report. All expenses must be substantiated by receipts that include standard elements such as date and time of purchase, specific item(s) purchased and related details such as taxes and gratuities (if applicable).

The department director fiscally responsible for the organizational unit to which expenses will be charged has the primary responsibility for reviewing and approving travel and training expenses so that only appropriate expenses are paid from City funds. Individuals must not authorize their own travel and training expenses, or approve expenses for employees to whom they report. Expenses of the City Manager must be submitted to the Mayor or Director of Finance for approval.

The department director or his/her designee is responsible for:

- Reviewing transactions for legitimacy, accuracy and sufficiency of documentation;
- Forwarding travel expense reports and supporting documentation to the Finance Department for processing;
- Promptly reporting an employee's departure from approved policies to the Finance Director; and
- Reporting known or suspected misappropriations to the Finance Director.

USE OF CITY-ISSUED CREDIT CARDS

A City-issued credit card may make travel easier for eligible employees to pay for business travel expenses by eliminating the need for travel advances and reimbursements and eliminating most out-of-pocket expenses. However, employees will still be responsible for obtaining necessary authorization, original receipts and for submitting a completed travel expense report to the department director. It is the responsibility of each cardholder to know and comply with the City's Credit Card policy.

TRAVEL ADVANCES

For employees who cannot otherwise use a City-issued credit card or their own personal credit card, travel advances may be issued for certain estimated out-of-pocket expenses. However, a travel advance will not be issued to an employee who has an overdue or delinquent advance. Travel advances must be approved by the department director, Director of Finance and the City Manager.

RECORD RETENTION

All records will be retained in accordance with the Illinois Local Records Act (50 ILCS 205), federal regulations, grant agreements or bond covenants, whichever is applicable and most restrictive.

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TITLE:	**CITY-ISSUED CREDIT CARD**	**POLICY NO.:**	**3**
APPLICABILITY:	All City	**APPROVAL DATE:**	04/15/2014
RESPONSIBILITY:	All City personnel responsible for initiation, execution and authorization of purchases using City-issued credit cards	**REVISION DATE:**	06/04/2024

POLICY

It is the policy of the City of Crystal Lake to allow authorized employees to use City-issued credit cards for specific procurements. City-issued credit cards are designed to provide a convenient and efficient method of procuring low value goods and services, some examples include travel expenses, departmental supplies, subscriptions, online purchases and recurring vendor payments (where applicable). Their use will be subject to all other rules and regulations regarding purchasing and expenditure of public funds.

The Director of Finance will be responsible for the management of the program and for ensuring that departments follow federal, state and local laws, rules and policies relating to purchasing functions. Each department director will be responsible for the management of their employees' cardholder accounts.

CREDIT CARD ADMINISTRATOR

The Director of Finance will be responsible for the appointment of a City Credit Card Administrator. The City Credit Card Administrator will be the City of Crystal Lake's primary representative who will act as liaison between the credit card issuer and individual City credit cardholders. The City Credit Card Administrator will be responsible for setting up and maintaining individual credit card accounts, issuing cards, renewing cards and cancelling cards.

The City Credit Card Administrator will maintain access to any online portal provided by the issuing bank in order to view credit card transactions and to print and distribute monthly credit card statements.

The City Credit Card Administrator will track accumulated loyalty or reward points (if applicable). Loyalty or reward points will only be redeemed pursuant to the direction and approval of the Director of Finance.

CARD ELIGIBILITY AND SPENDING RESTRICTIONS

City credit cards will be available only to City employees who, in the opinion of their department director, have job responsibilities which can be more easily facilitated by the use of a City credit card. Non-employees such as contractors or volunteers are not eligible to obtain a City credit card.

Application for a new cardholder may be made by the department director to the City's Credit Card Administrator. New cardholders will be required to sign a City Credit Card User Agreement or other agreement as designated by the City, acknowledging receipt of a City credit card and conditions that govern its use. The new cardholder will take full responsibility for all charges made to the card.

Each City credit card will be limited to a maximum dollar spending limit per month on the basis of expected need as determined by the cardholder's department director in concurrence with the Director of Finance. Requests to increase or decrease spending limits may be made by the department director to the City's Credit Card Administrator. Changes in spending limits will require approval of the Director of Finance.

There may be limitations on acceptable merchant category codes (MCCs). Credit card issuers use merchant category codes to classify merchants by the type of goods or services provided in order to track and restrict transactions. In some instances, a purchase may be declined even though the purchase is in accordance with the City's procurement policy. Cardholders who need assistance with a declined credit card transaction should contact the City's Credit Card Administrator.

The City reserves the right to release and withdraw a City-issued credit card at any time, with or without cause.

LOYALTY OR REWARD POINTS

All loyalty or rewards points associated with use of City credit cards will remain property of the City. Loyalty or reward points may only be redeemed by the City Credit Card Administrator pursuant to the direction and approval of the Director of Finance.

UNAUTHORIZED CHARGES

Under no circumstance will a cardholder use the City credit card for personal purchases with the intent of reimbursing the City at a later date. Where inappropriate charges occur, the value of charges will be recovered from the cardholder and may result in disciplinary action. The following charges are prohibited:

- Cash advances;
- Charitable or political contributions;
- Items or services for personal use;
- Expenses incurred by a spouse, family member, or other person not authorized under the City's policies;
- Items or services that are not within a budgetary allocation or appropriation approved by the City Council;
- Travel and/or training costs that have not been pre-approved or are nonrefundable;
- Alcoholic beverages, cannabis-infused products, tobacco products, controlled substances, weapons, pornography or other charges for adult entertainment (movies, spas, optional conference activities not included in general conference fees, etc.);
- Gasoline purchases when mileage is being reimbursed;
- Repairs to privately owned vehicles;
- Charges made outside of the cardholder's approval authority;
- "Split transactions" in which a cardholder arranges for a vendor to split a large transaction into multiple smaller transactions to circumvent the City's procurement policy, including the requirement to obtain quotes prior to using a City credit card for items that require a Purchase Requisition;
- Purchases that may violate the City's ethics policy (such as purchases from vendor who might pose a conflict of interest for the purchasing employee or official);

- Purchases restricted by other laws, policies or guidelines (such as technology purchases, which may require prior vetting by IT staff); and/or
- Financing or late fees that are the result of a cardholder's failure to reconcile charges and credits against the monthly credit card billing statement in a timely manner.

City purchases are exempt from State retail/occupation taxes by evidence of the City's tax exemption certificate. Cardholders must take steps necessary to provide tax exemption information to vendors so the City is not charged for these taxes.

REQUIRED DOCUMENTATION AND AUTHORIZATION OF CHARGES

Each cardholder will be required to maintain a log of purchases and credits. Original documentation or receipts must be maintained for each entry in the transaction log and must include such standard elements as the date and time of purchase, specific item(s) or service(s) purchased, and related details such as taxes and gratuities (if applicable). Documentation for lodging expenses must include the number of people and specific details for any additional charges (meals or amenities such as the use of an internet connection, etc.). For meals, itemized receipts must be obtained. Cardholders will document the names of everyone in attendance and provide a description of the meal's business purpose.

Cardholders will be required to reconcile charges and credits on the transaction log to the monthly credit card activity statement within 7 business days of the statement date. The transaction log, itemized receipts and evidence supporting preapproval of expenses (if applicable) must be attached to a Purchase Requisition in the City's financial software and routed to the cardholder's department director for review and approval. The Purchase Requisition amount must equal the credit card activity statement less any disputed transaction amount(s).

The department director fiscally responsible for the organizational unit to which expenses will be charged has the primary responsibility for reviewing and approving credit card transactions so only appropriate charges are paid from City funds. Individuals must not authorize their own transactions or approve transactions for employees to whom they report. Expenses of the City Manager must be submitted to the Mayor or Director of Finance for approval.

The department director or his/her designee will be responsible for:

- Reviewing transactions for legitimacy, accuracy and sufficiency of documentation;
- Forwarding credit card activity statements and supporting documentation to the Finance Department for processing within 10 business days of the credit card statement date;
- Promptly reporting a cardholder's departure from approved policies to the Director of Finance;
- Reporting known or suspected misappropriations to the Director of Finance; and
- Obtaining a City-issued credit card from a departing employee and returning it to the City's Credit Card Administrator prior to approving any final payments due to the employee.

RECORD RETENTION

All records will be retained in accordance with the Illinois Local Records Act (50 ILCS 205), federal regulations, grant agreements or bond covenants, whichever is applicable and most restrictive.

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TITLE:	**PETTY CASH**	**POLICY NO.:**	**4**
APPLICABILITY:	All City	**APPROVAL DATE:**	04/15/2014
RESPONSIBILITY:	Department Directors and Authorized Officials	**REVISION DATE:**	06/04/2024

POLICY

When other disbursement methods cannot be used, petty cash funds can provide cash to City departments and offices to cover minor expenses, such as reimbursement of City staff for small expenses like taxi fares, postage and office supplies, generally not to exceed $50. The City requires each petty cash fund to have an approved Custodian who documents expenditures, keeps receipts and safeguards the funds. Wherever possible, City departments and offices should use other disbursement methods (e.g. city-issued credit card).

PETTY CASH FUND

The following criteria will be considered when a petty cash fund is requested:

- The purpose of the petty cash fund;
- Whether or not the petty cash fund requirements can be met in another way, such as through the use of a city-issued credit card, which is the primary method for small, miscellaneous business expenses;
- How often will the petty cash fund turn over (be replenished); and
- The department's ability to properly safeguard petty cash funds.

Petty cash funds may only be established or modified with the approval of the Director of Finance.

PETTY CASH CUSTODIAN

The director of each department or office having a petty cash fund will appoint a petty cash Custodian. The Custodian will be responsible for enforcing petty cash rules and regulations, dispensing funds, replenishing funds and safeguarding cash.

If a petty cash fund is no longer necessary, the Custodian will be responsible for ensuring that the petty cash fund is reconciled and closed.

PETTY CASH RESTRICTIONS

Petty cash will not be used for the following:

- Cash advances;
- Charitable or political contributions;
- Items or services for personal use;
- Expenses incurred by a spouse, family member, or other person not authorized under the City's policies;

- Items or services that are not within a budgetary allocation or appropriation approved by the City Council;
- Travel, meal or conference costs that have not been preapproved;
- Cannabis-infused products, alcoholic beverages, tobacco products, controlled substances, weapons, pornography or other charges for adult entertainment (movies, spas, optional conference activities not included in general conference fees, etc.);
- Gasoline purchases or auto allowance when mileage is being reimbursed;
- Repairs to privately owned vehicles;
- Purchases that may violate the City's ethics policy (such as purchases from vendor who might pose a conflict of interest for the purchasing employee or official);
- Purchases restricted by other laws, policies or guidelines (such as technology purchases, which may require prior vetting by IT staff);
- Expenses subject to IRS reporting or withholding; and
- Purchases in excess of $50.

AUTHORIZATION

The director of the department or office fiscally responsible for the organizational unit to which expenses will be charged has primary responsibility for reviewing and approving all requests for petty cash so that only appropriate expenses are paid from City funds. Individuals may not authorize reimbursement of their own expenses, or approve expenses for employees to whom they report.

The director of the department or office having a petty cash fund is responsible for:

- Reviewing requests for legitimacy, accuracy and sufficiency of documentation;
- Forwarding requests for reimbursement to the petty cash Custodian for processing;
- Conducting unannounced cash counts of the petty cash fund, as frequently as necessary, to ensure proper administration of the fund;
- Promptly reporting an employee's departure from approved policies to the Director of Finance; and
- Reporting known or suspected misappropriations to the Director of Finance.

RECORD RETENTION

All records will be retained in accordance with the Illinois Local Records Act (50 ILCS 205), federal regulations, grant agreements or bond covenants, whichever is applicable and most restrictive.

TITLE:	**ACCOUNTS PAYABLE AND VENDOR DISBURSEMENTS**	**POLICY NO.:**	**5**
APPLICABILITY:	All City	**APPROVAL DATE:**	06/04/2024
RESPONSIBILITY:	All City personnel responsible for initiation, execution and authorization of purchases	**REVISION DATE:**	

POLICY

It is the policy of the City of Crystal Lake to expend funds as efficiently as possible, to track and record such expenditures in the most effective and expedient manner, and to provide timely and accurate payment to all vendors.

City departments and offices with delegated authority to purchase goods and supplies on behalf of the City will develop, implement and maintain necessary procedures and a system of internal controls to facilitate timely payment of invoices and perform appropriate pre-audit procedures including:

- Matching the invoice/billing prices and quantities with amounts authorized on the purchase order;
- Verifying that the quantity invoiced was received per the receiving report;
- Checking invoice math for accuracy; and
- Assuring that all required documents are on hand and approved by the department director.

Approval of payment obligations are part of each department director's fiscal accountability. Approvals by department directors indicate their acknowledgement of satisfactory receipt of goods or services invoiced, agreement with all terms appearing on the vendor invoice, agreement with general ledger account coding, agreement to pay the vendor in full, amounts authorized are within the approved budget, and purchases are in compliance with applicable City policies.

BILLS LIST

Before each regularly scheduled meeting of the City Council, the Director of Finance will prepare a Bills List for the payment of all sums due from the City, listing each item and the account of which it is payable; which Bills List when approved by the Mayor and City Council, and signed by the City Manager, Director of Finance and one Council member will authorize the issuance of payment to vendors, contractors and others who provide supplies, services and/or equipment to the City. Such list will contain the statement of the Director of Finance and of the City Manager to the effect that all items contained therein are proper expenses due from the City for services performed or material furnished to the City. Approval of such list of items to be paid by the City Council on a roll call vote will constitute the City Council's approval of the payment of expenses listed thereon, provided that the Council may, in the motion to approve payment, except specific items from such approval, in which case such items will not be paid.

AUTHORIZED SIGNATORIES

Any two of the following City officials or City staff members or their successors will be authorized to sign checks, or other instruments for the withdrawal of moneys in operating accounts of the City: Mayor, City Clerk, City Manager and Director of Finance. Operating accounts are used for reimbursements, transfers,

employee compensation, benefits and payments to vendors, contractors, government agencies, financial institutions and others who provide supplies, services and/or equipment to the City.

PAYMENT TERMS

Unless otherwise specified, invoices for goods and services will be paid:

- On the date(s) specified in a contract;
- In accordance with discount terms or when discounts are offered and taken; or
- In accordance with the Local Government Prompt Payment Act (50 ILCS 505).

Invoices will be considered paid either on the date that an ACH payment is settled by the Federal Reserve Bank or the date a check for payment is dated. Checks will be mailed within two (2) business days of the check date to the address of record.

PAYMENT DISCOUNTS

Discounts should be taken when economically justified, but only after accepting goods or services. When a purchase discount is taken, payment should be made as close as possible to, but not later than the last day of the discount period.

PAYMENT CYCLE

Payments will be processed on the first and third Wednesday of each month following approval of the Bills List by the City Council. Exceptions may occur as a result of holidays or other special circumstances.

PRE-ISSUE PAYMENTS

Pre-issue payments are payments issued to vendors between payment cycles when an emergency or other extenuating circumstance, as determined by the Director of Finance, makes it impractical or unreasonable to process using a regular payment cycle. Pre-issue payments will not be issued in instances where reasonable means could have been taken to process a payment using regular payment cycles. Pre-issue payments will be subject to the same processes as payments using regular payment cycles except that they will be approved for payment by the City Council retro-actively.

Checks or electronic payments will not be distributed until two of the following City officials or staff members have approved them: City Manager, City Clerk, Director of Finance, and Assistant Director of Finance. Payments issued in amounts exceeding $25,000 will not be distributed without City Council approval and then only with approval of two of the City officials or staff members listed in this subsection. Exceptions to the $25,000 requirement include payments for the following items: utilities, debt service trustee payments and personnel benefits.

FORMS OF PAYMENT

Bills, invoices or other claims will be paid by check or draft on an official depository of the City. Automated Clearing House (ACH) transfers, wire transfers and other payment methods as approved by the City Council will be permitted. Cash payments for goods and services other than those paid from petty cash funds are prohibited.

It is the City's policy to encourage electronic forms of payment for all vendors.

Paper Checks

Paper checks may be issued to suppliers and vendors who do not accept electronic payment. Access to blank check stock will be controlled by the Assistant Finance Director. Blank check stock will include an adequate combination of safety features designed to protect against the possibility of forgery or fraudulent modification of the check once printed and distributed. All checks must be pre-numbered and used in sequence.

Whenever possible, Positive Pay or other bank offered security measures will be used to assist in detecting check fraud. Positive Pay is an automated cash-management service used by financial institutions to match checks issued by the City to checks that are presented for payment. Checks that are considered suspicious must be returned to the City for further examination.

Making checks payable to "cash" and signing or countersigning blank checks in advance is strictly prohibited.

Unless otherwise authorized, all checks will be mailed by the Finance Department. Payments involving special handling, such as overnight shipments or in-person pickup, will require advance approval from the Director of Finance.

Automated Clearing House (ACH)

All ACH payments will be coordinated and submitted by the Finance Department with responsibilities segregated between ACH initiation and authorization to release City funds.

Whenever possible, account validation services or other bank offered security measures for ACH payments will be considered. Account validation services allow the City to verify ownership of an account to which an electronic payment is directed.

Any returned or rejected ACH payment will be investigated and resolved within a time period sufficient to avert loss from fraud or negligence.

Wire Transfers

Wire transfers incur extraordinary bank fees and will be used only in special circumstances, subject to approval by the Director of Finance.

Petty Cash

Petty cash funds are established to pay for infrequent purchases that are generally less than $50 and require immediate payment. Notary fees, postage and emergency purchases of office supplies are traditional expenses that fall into this category. It is the responsibility of employees to know and to comply with the City's Petty Cash policy.

VOIDED OR CANCELED CHECKS

A voided check is a check spoiled in the process of preparation before it is recorded monetarily in the City's financial records. A canceled check is a check recorded monetarily in the City's financial records which is reversed from the City's accounting records and is not paid by the bank.

Voided or canceled checks must be defaced and retained until completion of the external audit for the year in which they were defaced.

A replacement check may be authorized by the Director of Finance for a canceled check upon presentation of the original, canceled check to the Director of Finance.

STALE DATED CHECK

Checks drawn on City bank accounts that remain outstanding after ninety (90) days will be considered stale dated, and should not be honored by the City's bank if presented for payment.

The Accounting Manager will be responsible for requesting a stop payment with the City's depository bank for stale dated checks.

A replacement check may be authorized by the Director of Finance upon presentation of the original, stale dated check to the Director of Finance or confirmation from the bank that the original check has not cleared the account and that a stop payment order is in effect.

LOST, STOLEN AND MISSING CHECKS

The Accounting Manager will be responsible for requesting a stop payment with the City's depository bank for a lost, stolen or otherwise missing check.

A replacement check may be authorized by the Director of Finance upon confirmation from the bank that the original check has not cleared the account and that a stop payment order is in effect.

UNCLAIMED CHECKS

Checks that remain outstanding for six (6) months after the check date will be written off and the funds accounted for as a liability in the City's financial records. Any check that is left unclaimed for a period of three (3) years will be considered abandoned and be escheated to the State in accordance with the Revised Uniform Unclaimed Property Act (765 ILCS 1026).

VENDOR MAINTENANCE

The Finance Analyst will be responsible for the establishment and maintenance of vendor information in the City's financial system. All vendors will be required to submit a complete and accurate Internal Revenue Service (IRS) Form W-9 to the City.

The City reserves the right to withhold payments from vendors failing to meet W-9 filing requirements until such form is filed with the City.

REPORTING

The City will comply with requirements of Public Act 102-0265 for collection and publication of data from all vendors and subcontractors doing business with the City.

The City will comply with requirements of 65 ILCS 5/3.1-35-65 to prepare an account of all moneys paid out by the City where the total amount paid during the fiscal year exceeds $2,500 in the aggregate, giving the name of each person to whom moneys were paid and the total paid to each person, and to publish such account at least once in one or more newspapers having a general circulation within the City.

The City will comply with requirements to report payments as applicable to the Internal Revenue Service (IRS).

FISCAL YEAR END CUT-OFF

All financial and accounting transactions must be recorded in the fiscal year in which they are made to properly report the City's financial position as of December 31st. If services are performed or an item is received by December 31st, then the invoice amount will be charged to the fiscal year ended December 31st regardless of the date of the invoice or when the invoice is actually paid. Invoices for the fiscal year ending December 31st must be received by the City no later than February 15th of the following year.

CREDIT BALANCES

The Accounts Payable Coordinator will monitor outstanding accounts payable for credit balances. Where a credit cannot be matched to an outstanding invoice because there is no expectation of an ongoing relationship with a vendor, the Director of Finance may authorize the Accounts Payable Coordinator to request a refund.

RECONCILIATIONS

Bank statements will be reconciled to accounting records each month. The Director of Finance or his/her designee will be responsible for completing an independent review of the bank statement reconciliation and any accompanying canceled checks.

The Accounting Manager will be responsible for reconciling outstanding accounts payable invoices to the accounts payable control account in the general ledger.

RECORD RETENTION

All records will be retained in accordance with the Illinois Local Records Act (50 ILCS 205), federal regulations, grant agreement or bond covenants, whichever is applicable and most restrictive.

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TITLE:	**ACCOUNTS RECEIVABLE AND COLLECTIONS**	**POLICY NO.:**	**6**
APPLICABILITY:	All City	**APPROVAL DATE:**	04/15/2014
RESPONSIBILITY:	Department Directors and Authorized Agents	**REVISION DATE:**	06/04/2024

POLICY

The City is committed to efficiently and effectively managing the collection of all account receivables. Account receivables include obligations that arise from providing goods and services (e.g. water and sewerage service, emergency services, special police detail, traffic signal maintenance, etc.) in advance of payment.

Under the guidance of the Director of Finance, each City department or office whose services or functions result in a billable fee, charge or other cash recovery comprising an account receivable will develop, implement and maintain necessary procedures and a system of internal controls to ensure that revenue from all sources is identified, billed and collected in a timely and efficient manner; ensure consistent and equitable treatment to debtors and regular communications on amounts owing; ensure uncollectible accounts receivable are written off under the proper authority, and only after all reasonable and appropriate collection action has been taken.

SEGREGATION OF DUTIES

Efforts must be made for the physical and electronic separation of duties and responsibilities between the following:

- Invoicing customers
- Approval of transactions
- Approval of adjustments
- Receipt of payments
- Accounting oversight

INVOICE STATEMENTS

An account receivable for goods and services provided in advance of payment will be documented by the issuance of an invoice using the City's financial system. Departments that utilize specialized systems to capture and store unique operational data to generate, record and collect accounts receivables will be required to provide periodic reports of such account receivables to the Director of Finance.

No billing activities, including invoices or billing statements, will take place outside approved systems or require payment through any unapproved billing address.

PAYMENT TERMS

With the exception of water and sewerage bills coming due on the 21st day of each month, the City's standard payment terms are 30 days. Payment terms other than 30 days must be approved in writing by the City Manager.

SPECIAL CIRCUMSTANCES

In cases where the account receivable is the result of a recovery for damages caused by accidents, the invoice may be sent to the insurance company involved and not the individual or company responsible for the accident unless the individual or company was uninsured at the time of the accident.

DEPOSITS

Staff are encouraged to request a deposit from customers when an estimate for the service may be reasonably calculated. Once services are provided, the customer will be billed for the total cost of the service and the deposit will be deducted from the invoice. Interest will not be paid on any deposit held by the City unless mandated by statute.

CREDITS AND OTHER ADJUSTMENTS TO ACCOUNTS RECEIVABLE

From time to time, credits against accounts receivable from transactions other than payments and bad debts will occur. Examples of other credits include:

- The customer did not receive the goods or service;
- The invoice was issued in error (e.g. wrong customer, quantity or amount);
- A deposit is held by the City which must be applied to the invoice;
- An invoice payment was received and deposited directly to a department's revenue account in error; or
- Other valid reason (must be documented).

All credits and other adjustments must be properly authorized. Staff will maintain adequate records of credits and other adjustments issued and report monthly to the Director of Finance of all credits and other adjustments issued during the month.

CREDIT BALANCES

Written procedures will be maintained for periodic review of credit balances to determine the underlying cause. Errors will be corrected timely and refunds provided to customers when appropriate. Accounts receivable credit balances resulting from customer overpayments may be applied to future goods or services when there is an expectation of an ongoing relationship with the customer.

REFUNDS

Requests for refunds will only be processed if the amount paid, the source of revenue and the reason for the refund are substantiated. Refunds must be properly authorized and issued within sixty days of the receipt of overpayment or notification from the customer. Interest will not be paid on any proceeds to be refunded unless mandated by statute.

A refund will only be made for an amount equal to or greater than $10, unless mandated by statute. A department director may waive this $10 restriction due to financial hardship.

PAYMENT PLANS

Payment arrangements may be negotiated with the delinquent customer who agrees to pay the debt, but are unable to pay in one immediate lump sum. Customers will be required to sign a Payment Agreement or other form designated by the City as evidence of their acceptance of terms thereof. Payment Agreements will:

- Detail the schedule of payments negotiated with the customer and extend for a period not to exceed (a) the next event/booking/service, (b) 12 months, or (c) payment period approved by the City Manager;
- Require approval of the Director of Finance for amounts that are no greater than $10,000;
- Require approval of the City Manager for amounts greater than $10,000 but which are no greater than $25,000;
- Require approval of the City Council for amounts greater than $25,000; and
- Require approval of the City Manager to extend or renegotiate the Payment Agreement.

Customers should not be provided with more than two (2) Payment Agreements. Subsequent requests should be denied and regular collection procedures will be followed.

Payment Agreements must be properly authorized and adequate records (e.g. compliance with payment terms) be maintained.

AGING RECEIVABLES

The goal of the City is to ensure prompt payment of all amounts due. It shall be the responsibility of each department or office to monitor aged accounts receivables and to provide statements to debtors on a monthly basis, providing meaningful and concise information on the status of their debts.

COLLECTION TECHNIQUES

Acting on a delinquency quickly enhances the probability that the delinquency can be "cured" or the account receivable fully collected. Departments or offices will consider available collection techniques at their disposal after normal collection activities have been exhausted but no earlier than 90-days overdue unless circumstances warrant such action.

Collection techniques may include but are not limited to assessment of late charges, penalties and/or administrative fees, license or permit revocation, referral to private collection agencies and litigation. When determining the appropriate collection technique or tool to use, departments and offices will consider whether the department or office is required by law to use the account receivable collection tool, the size and age of the accounts receivable, the type of account receivable, the availability of the account receivable collection tools, whether one tool can be used concurrently with another tool, the time and resources required to use the collection tool, the feasibility of using each tool, including any legal or contractual constraints and the cost of each tool relative to the size of the account receivable. Use of specific collection techniques for categories of accounts receivable is contingent upon approval of the Director of Finance.

All collection efforts must be undertaken in accordance with applicable federal, state and local laws and all contact with the debt must be documented in account files.

Notices concerning a delinquent account must include the amount and type of account receivable owed, and, where applicable, advise of authorized fees, penalties and/or late charges.

Any and all fees, charges and administrative costs incurred by the City in the collection of the unpaid debt and financial defaults, will be added to amounts subject to collection.

The Director of Finance is authorized to collect delinquent debts on behalf of departments and offices within the City that do not specialize in the collection function.

LIENS

Various provisions in the Illinois Municipal Code (65 ILCS 5/1-1-1 et seq) allow municipalities to record liens against property which generally will be paid when the encumbered property is sold, transferred or foreclosed. A lien is a recorded notice that the party against whom the lien is filed is indebted to the person recording the lien, or the "lien holder". Since liens "attach" to the real property owned by the debtor, any prospective purchaser will ordinarily require the lien be satisfied before agreeing to acquire the property. Once a lien is recorded, the lien holder can also bring a lawsuit to foreclose the lien, much like a defaulted mortgage. The lien remains in effect for 7 years, even if the lien holder does not force a sale. The lien holder can also renew the lien twice, for a total of 21 years.

Illinois statutes specifically provides for the following liens:

- Demolition Liens;
- Water and Sewer Service Liens;
- Weed Cutting Liens;
- Pest Extermination Liens;
- Removal of Infected Trees Liens;
- Garbage, Debris and Graffiti Liens;
- Board Up Costs Liens;
- Municipal Tax Liens; and
- Administrative Adjudication Liens.

Statutory language controls how the lien is created, the operation and priority of a lien. The City Council has delegated the authority to execute and record liens to the Director of Finance.

LOCAL DEBT RECOVERY PROGRAM

Effective January 1, 2012, Public Act 97-0632 established the "Local Debt Recovery Program" to allow units of local government to collect certain types of outstanding debt in coordination with the Illinois Comptroller's office. Pursuant to this program, the City certifies to the Comptroller's office that a debt is owed from a particular individual or organization. In the event that the State owes money to that same person or organization, the State will discount its payment to the individual or organization and redirect proceeds to the City for the benefit of the debtor's account.

The City is statutorily required to follow certain collection procedures before outstanding debts are eligible to be sent to the State of Illinois' Local Debt Recovery program.

LETTERS OF CREDIT & PERFORMANCE GUARANTEES

The Director of Finance may review Letters of Credit or other performance guarantees on hand and in collaboration with the respective department director and City Attorney, determine if letters of credit or other performance guarantees can be utilized to reduce amounts owing to the City.

DISCONTINUATION OF SERVICE

Departments or offices in consultation with the Director of Finance must continually assess the ongoing financial risk to the City of continuing to provide products or services to any delinquent customer. A

determination whether to stop work and/or cease providing services to a customer with unpaid balances should only occur after consultation with the City Manager.

COLLECTION AGENCIES

Collection activities undertaken by outside collection services on the City's behalf must be performed in a manner consistent with requirements of local, state and federal laws as they relate to account receivable collection practices.

Subject to the following paragraph, no settlement of an account receivable will be approved unless the debtor pays the full amount of the account receivable, including any authorized penalties, fees and/or administrative costs, or the debtor agrees in a manner that is documented to pay the full amount of the receivable in installments. The City reserves the right to require references and to seek other information it deems necessary as a condition of any settlement involving installment payments.

All negotiated settlement plans contemplating total payment by a debtor in an amount less than the full amount of the underlying account receivable will require preapproval in accordance with limits established for Write Offs. Amnesty programs may be offered only with the prior written approval of the City Council.

The City will not use collection agencies for debt due from the following:

- Other governmental agencies;
- City employees from whom the City can recover by action: and
- Participants in a current appeal or a court proceeding.

COLLECTION ATTORNEYS

Accounts may be transferred to collection attorneys in cases such as:

- Contractual disputes or situations requiring legal interpretation;
- Customer is insolvent or bankrupt;
- Collection Agency is unsuccessful in collecting funds;
- The Director of Finance deems the referral of the file to a collection attorney will increase the likelihood of collection; or
- Recommended by the City Manager to pursue legal action.

Pertinent documentation must be provided to the collection attorney in a timely manner to allow sufficient time to initiate legal proceedings within the statutory limitation period.

ALLOWANCE FOR DOUBTFUL ACCOUNTS/BAD DEBT EXPENSE

The City of Crystal Lake will maintain a reserve for uncollectible accounts receivable. At the end of each fiscal year, the Accounting Manager will evaluate the collectability of receivables to determine an appropriate allowance for uncollectible amounts. The following factors will be used to determine adjustments to the allowance for doubtful accounts:

- An analysis of outstanding, aged accounts receivable;
- Historical collection and bad debt experience; and
- Evaluations of specific accounts based on discussions with billing departments.

Year-end adjustments to the reserve for uncollectible accounts will be performed with authorization of the Director of Finance. This reserve account will be used in the following year to write off items that are deemed uncollectible after further collection efforts have been exhausted.

WRITE-OFF

Doubtful Accounts will be written off when:

- Listed with a Collection Agency:
    - And identified by the Collection Agency as uncollectable, untraceable, deceased, bankrupt or advises that no assets remain to pursue further collection efforts;
    - Or the account has been with the Collection Agency for more than 2 years;
- Litigation is unsuccessful or deemed unlikely to be successful;
- The City receives notification of bankruptcy from the Trustee in Bankruptcy;
- Payments are negotiated for a reduced amount;
- It is deemed unfeasible to pursue the outstanding amount as the cost to collect would exceed the value of the debt; or
- All collection methods are deemed to have been exhausted.

Write Offs will be applied against the related/appropriate Allowance for Doubtful Accounts, or to the Bad Expense account if no allowance was recorded.

Amounts due the City which are no greater than $1,000 may, after reasonable efforts for the collection or settlement thereof have been exhausted, be authorized by the Director of Finance to be canceled, written off or modified based on written procedures developed by the Director of Finance and approved by the City Manager.

Amounts due the City which are in excess of $1,000 but which are no greater than $5,000 may, after reasonable efforts for the collection and settlement thereof have been exhausted, be authorized by the City Manager or designee to be canceled, written-off or modified in part upon recommendation of the Director of Finance.

Amounts due in excess of $5,000 which are due any department of the City, including its public utilities, from any individual or corporate debtor thereto under provisions of leases, contracts, other instruments or agreements, or under provisions of rate or other ordinances or resolutions, or which are due and legally enforceable from any person, corporation or insurance company as a result of damages to City property, may not be canceled, written-off or otherwise modified without the authorization of the City Council upon recommendation of the City Manager.

Staff will maintain adequate records of any amounts that have been written off and report monthly to the City Council on any write-off action taken during the month.

Restitution cases will not be written off unless the judicial system disposes of the case.

Any monies recovered from the customer subsequent to the Write Off will be posted as a recovery of bad debt.

IRS REPORTING

Whenever possible, the Director of Finance will report write-offs or modifications of six hundred dollars ($600) or more to the internal Revenue Service (IRS), including debts discharged in bankruptcy and without regard to solvency; any amounts modified due to a debtor's inability to pay or the possibility that collecting the full debt would cost more than the debt is worth.

RECONCILIATION

The City will maintain subsidiary accounts for individual debtors in a manner that discloses, at a given point in time, the aggregate amount owed by each debtor as well as individual amounts making up the aggregate amount. City accounting systems will incorporate control accounts, where applicable, to ensure completeness and accuracy of individual accounts. The City's Accounting Manager will be responsible for their reconciliation.

DETECTION OF RED FLAGS

City employees that interact directly with customers will have initial responsibility for monitoring information and documentation provided by the customer and from any third-party service provider in connection with opening of new accounts and modification of or access to existing accounts and the detection of suspicious activities ("Red Flags") that may signal theft of another's identity. Red Flags include:

1. Alerts, notifications or other warnings received from consumer reporting agencies or service providers.
    a. A Consumer Reporting Agency alerts the City of a credit freeze, address disparity or that an account has been noted to have abusive or fraudulent activity.
2. The presentation of suspicious documents.
    a. Documents provided for identification purposes do not appear to be genuine and unaltered.
    b. The photo or physical description is not consistent with the appearance of the application.
    c. Information given to open the account is not consistent with the identification of the applicant.
3. The presentation of suspicious personal identifying information such as a suspicious address change.
    a. Personal identification is of the same type associated with fraudulent activity; fictitious address, mail box drop or prison or phone number is invalid; it is associated with a pager or answering service.
    b. Personal identification provided is associated with known fraudulent activity.
    c. Personal identification is inconsistent with utility records.
    d. The customer fails to provide all needed personal information upon request.
4. The unusual use of, or other suspicious activity related to an account.
    a. The City is notified of unauthorized charges or transactions in connection with a customer's account.
    b. Customers notify the City that they are not receiving their bill.
    c. Mail sent to a customer is repeatedly returned.
    d. Payments are made in a manner associated with fraud. For example, a deposit or initial payment is made and no payments are made thereafter.

5. Notice of possible identify theft.
    a. The City is notified by law enforcement officials or others, that it has opened a fraudulent account for a person engaged in identity theft.

When reasonable doubt exists to the true identity of a customer, no account will be opened or modified and access to an existing account, prohibited. Other appropriate responses include:

- Monitoring a covered account for evidence of identity theft;
- Contacting the customer;
- Changing passwords, security codes or other security devices that permit access to the customer account;
- Closing an existing account;
- Suspending collections on a suspicious account;
- Notifying law enforcement; or
- Determining that no response is warranted.

RECORD RETENTION

All records will be retained in accordance with the Illinois Local Records Act (50 ILCS 205), federal regulations, grant agreements or bond covenants, whichever is applicable and most restrictive.

TITLE:	**CASH RECEIPTS**	**POLICY NO.:**	**7**
APPLICABILITY:	All city	**APPROVAL DATE:**	04/15/2014
RESPONSIBILITY:	Department Directors, Authorized Officials	**REVISION DATE:**	06/04/2024

POLICY

The Three Oaks Recreation Area and Finance Department are the only offices with blanket authority to collect and receipt cash and cash equivalents for the City. To accommodate City customers, the Director of Finance may delegate cash collection authority to employees in other departments. Without this approval, other departments and offices are prohibited from accepting or handling cash belonging to the City and should direct payers to the City's Finance Department.

Cash and cash equivalents include currency, coin, checks, credit and debit card transactions as well as electronic payments.

Under the guidance of the Director of Finance, each department or office collecting money on behalf of the City will develop, implement and maintain necessary procedures and a system of internal controls designed to safeguard City cash.

SEGREGATION OF DUTIES

Efforts must be made for the physical and electronic separation of duties and responsibilities between the following:

- Receipt of payments
- Deposits
- Accounting oversight

Standard cash controls should include:

- Delegating authority to receive and manage change funds to specific persons;
- Restricting access to cash to authorized persons only;
- Immediately recording cash upon receipt using a cash receipting system, cash register or pre-numbered receipts as provided by the Director of Finance;
- Balancing cash drawers at the end of the day or shift to cash receipt records;
- Making daily deposits; and
- Performing unannounced cash counts and periodic reviews of internal controls to ensure controls are sufficient and being followed.

DEPOSITS

Deposits should be made daily to safeguard assets and to maximize cash flow by authorized individuals not responsible for receipting cash. All deposits must be made intact. Cashing of checks from City deposits, borrowing cash for personal use, lapping receipts to cover shortages, withholding checks for

deposit in order to float checks, comingling of personal and City funds and modification of cash records is strictly prohibited. Deposits will be made only into authorized accounts of the City.

No bank account will be opened or closed without explicit authority of the Director of Finance.

COUNTERFEIT CURRENCY

All authorized cash handling personnel will be responsible for exercising reasonable care in screening cash transactions for counterfeit currency. This can include the use of counterfeit detector pens and machines, as well as, a visual check for security indicators such as watermarks, security ribbons, etc. If a questionable bill is received, the cashier must retain possession of the bill and immediately contact law enforcement. The bill must not be returned to the payer.

CHECK ACCEPTANCE

All checks must be written payable to the "City of Crystal Lake"; any other information on the payee line is for the convenience of the department or office and not necessary for proper credit. All restrictive endorsements will be made by the City's depository bank. The following guidelines will apply for check acceptance:

- All checks must be drawn on a U.S. domestic bank written in U.S. dollars;
- Checks must not contain preprinted messages (e.g. "not valid after 90 days", not valid for over $500", etc.) that make them invalid;
- No stale dated (over 90 days, etc.) or postdated checks should be accepted;
- Written amount (on legal line) and numerical amount (in courtesy box) must be the same;
- The check amount must be for the exact amount of payment; and
- The check must be signed by payer.

The cashing of checks is strictly prohibited.

RETURNED CHECKS

All checks returned by the City's depository banks as uncollected must be forwarded to the City's Accounting Manager. Examples of returned checks include: non-sufficient funds (NSF); account closed; payer's signature missing; refer to maker; and postdated or stale dated checks. Payments which are returned will be documented and reinstated as an account receivable. In addition, a returned item service fee may be added. Returned checks will be redeposited one time before a returned item service fee may be assessed.

For items that are returned a second time, it will be the responsibility of the Accounting Manager to notify the check writer and use due diligence to collect the amount of the check and returned item service fee from the payer. Generally, restitution should be in the form of currency, money order, cashier's check or certified check.

If after proper due diligence is performed collection problems exist, the Director of Finance may be consulted regarding returned items which remain uncollected after 90 days from the date of debit to facilitate collection.

CREDIT CARD PAYMENTS

Credit card data is high risk confidential information that is protected by state and federal law and the City of Crystal Lake has a legal obligation to protect it by following Payment Card Industry Data Security Standards ("PCI DSS"), aimed to prevent cardholder fraud and identity theft. The risks of non-compliance with security standards include: substantial fines and penalties imposed by credit card associations, liability for all financial losses incurred as a result of security failure and damage to the City's reputation.

To minimize risk associated with acceptance of credit cards, the City will not retain cardholder data, physically or electronically. Online transactions will be processed only through negotiated contracts with payment service providers and in-person transactions will require:

- EMV (chip) cards to be inserted or tapped onto card readers (unless swiping is the only option);
- Customer identification to be confirmed; and
- Receipts to be provided to customers immediately.

No contracts for credit card services will be entered into without the approval of the City's Director of Finance.

PREAUTHORIZED PAYMENTS (PAP)

Pre-authorized payments, also known as direct debits and pre-authorized debits, are amounts that are authorized to be taken from the customer's bank or credit card account on a regular basis to pay for goods or services. Departments and offices interested in establishing PAP services for their area must contact the City's Accounting Manager.

ELECTRONIC PAYMENTS

Prior to the initiation of electronic funds transfers into the City's bank account, the Accounting Manager must be contacted to ensure proper identification/credit of the transaction in a timely manner.

WIRE TRANSFERS

Wire transfers incur extraordinary bank fees and should be used only in special circumstances, subject to approval by the Director of Finance

CASH OVERAGES/SHORTAGES

All cash overages and shortages must be separately accounted for and reported. Department directors will closely monitor cash overages/shortages and identify trends or unusual occurrences of cash overages/shortages and must follow up on instances where shortages appear frequently. Where there is substantial reason to believe that a theft has been committed, the department director will report the incident immediately to law enforcement and provide the Director of Finance with a copy of the investigation report.

REFUNDS AND VOIDS

All requests for refunds and voided cash transactions must be supported by documentation stating the reason for the refund or void. Documentation must also include the signature or initials of the person recording the refund or void and the signature or initials of a supervisor responsible for reviewing refunds and voids.

All refunds must be property authorized and should be generated in the same form of currency as the original cash receipt. If the remittance was originally paid by cash, check or debit card, a written refund request should be processed through the Accounts Payable system. If the remittance was originally made with a credit card, the refund should be processed using only the credit card upon which the original charge was made. If the original credit card used has since become inactive, a written refund request will be processed through the Accounts Payable system.

Interest will not be paid on any proceeds to be refunded unless mandated by statute. Under no circumstance will a cash refund be given for a 3rd party check transaction.

UNIDENTIFIED PAYMENTS

Departments and offices will be responsible for claiming unidentified incoming payments and may be asked to provide supporting documentation.

RECONCILIATION

Bank statements will be reconciled to accounting records each month. The Director of Finance or his/her designee will be responsible for completing an independent review of bank statement reconciliations and any accompanying canceled checks.

RECORD RETENTION

All records will be retained in accordance with the Illinois Local Records Act (50 ILCS 205), federal regulations, grant agreement or bond covenants, whichever is applicable and most restrictive.

TITLE:	**GRANT MANAGEMENT**	**POLICY NO.:**	**8**
APPLICABILITY:	All City	**APPROVAL DATE:**	06/04/2024
RESPONSIBILITY:	City Council, City Manager, Department Directors and Authorized Officials	**REVISION DATE:**	

POLICY

The City of Crystal Lake is committed to its practice of taking advantage of granting opportunities to support operations, programs and capital improvement projects. Major sources of grant awards are federal, state, local agencies and private organizations. A grant's scope is determined by the policy goals of the grantor, and the City will be obligated to provide deliverables based on the terms and conditions of the grant. The City will seek out, apply for and effectively administer grants that are consistent with goals and priorities of the City.

The City generally does not support the use of grant assistance for routine and/or ongoing operational programs which will require additional City funds to continue, in whole or part, once the grant assistance is no longer available, except in uniquely beneficial circumstances. Programs and projects funded by grant assistance must generally be reduced or eliminated when such revenue sources are reduced or eliminated. Operating departments and offices may request continuation of the program or project with City funding as part of their annual budget submission.

PRE-APPLICATION EVALUATION

City staff should identify grants in all functional areas in general but specifically in funding capital projects. City staff must review grant requirements to validate the feasibility of undertaking the responsibility of grant deliverables and the alignment of the scope with the City's and the community's mission.

Special attention must be paid to evaluate if a grant opportunity is viable to the City and that one-time or short-term grant revenues are not adding to the fiscal burden of unprecedented permanent or long-term expenditures (e.g. increase in staffing levels, increase in ongoing operational or maintenance costs, etc.)

Grant opportunities must be evaluated based on required resources versus available resources of the City. This applies to resources such as: staff support, local funding match, or in-kind match. If a funding match is required by the grantor, the funding source must be identified and approved by the City Manager.

GRANT APPLICATION

Department staff are required to follow each grantor's application process. Department staff seeking and administering the grant will be responsible for completing the grant application. Due to the time-sensitive nature of some grant applications, the City Manager may execute grant applications for

funding opportunities that do not bind the City monetarily for more than $24,999 annually, provided that budget funds are available. City Council approval is required for applications that are not within the approval authority of the City Manager or where a budget amendment is necessary. Department staff will be responsible for preparing the City Council agenda item.

INDIRECT COSTS
During the grant application process, City staff should include the cost of administering the grant program when possible and wherever it is allowable by the grantor in the grant terms and conditions.

GRANT AWARD
A grant award is notification that is provided to the applicant upon the acceptance of the grant application. The notification must be in writing and/or it can also be in a grant agreement format.

GRANT SET UP
Department staff are responsible for submitting grant documents to the Assistant Finance Director. The Assistant Finance Director will be responsible for establishing special account strings to fully track activity related to each grant. Required grant documents include:

- Grant Award Letter/Agreement;
- Approved Council Minutes and/or Resolutions; and
- Completed Grant Information Form, or other document designated by the Assistant Finance Director.

GRANT EXECUTION
It will be the Department staff's responsibility to exercise careful examination of costs being incurred, to file for reimbursement (if applicable), generate status reports and to deliver agreed upon deliverables in accordance with terms and conditions of the grant.

CLOSE OUT
Department staff will be responsible for following specified close out procedures required by the grantor.

AUDITS
The Finance department facilitates all financial audits and will reach out to Department staff for assistance if warranted.

RECORD RETENTION
All records will be retained in accordance with the Illinois Local Records Act (50 ILCS 205), federal regulations, grant agreements or bond covenants, whichever is applicable and most restrictive.

TITLE:	**DONATION ACCEPTANCE**	**POLICY NO.:**	**9**
APPLICABILITY:	All City	**APPROVAL DATE:**	10/07/2014
RESPONSIBILITY:	City Council, City Manager	**REVISION DATE:**	06/04/2024

POLICY

The City of Crystal Lake may accept and use donations only for purposes related to powers granted to the City by law. Any donation to the City that is accompanied with any contingency, term or condition on the use of by the City of such donation that is inconsistent with City policies, plans, goals or any other ordinance of the City or contrary to law will be declined.

The City of Crystal Lake does not provide tax or financial advice to donors and will not guarantee funding for repairs, maintenance, use or replacement of donated items.

TYPES OF DONATIONS

Donations may be designated or undesignated and may be offered in the form of cash, real or personal property. Designated donations are those donations that the donor specifies for a particular City department, location or purpose. Undesignated donations are those donations that are given to the City for an unspecified use.

EVALUATION CRITERIA

The City will review conditions of any offers of donations of cash or items to determine if benefits to be derived warrant acceptance of the donation. Evaluation criteria include but is not limited to:

- Consideration of property that is not functionally related to the City's purpose;
- Consideration of possible inherent risks (e.g. environmental hazards);
- Consideration of reputational risks stemming from certain types of donations or controversial donors;
- Consideration of staff resources that may need to be diverted to develop or administer some types of donations;
- Consideration of any immediate or initial expenditure by the City in order to accept the donation; and
- Consideration of potential and extent of the City's obligation to maintain, match or supplement the donation.

AUTHORIZATION

Acceptance of any donation must be properly authorized. The City Manager may authorize acceptance of offers of donations of cash or items valued at less than $10,000. Approval of the City Council is needed for offers of donations of cash or items valued at $10,000 or more.

UNDESIGNATED DONATIONS

Undesignated donations may be used for any municipal purpose approved by the City Manager or City Council.

DONATION AGREEMENTS

A donation agreement will be required for any designated donation where:

- The donation is subject to restrictions that allow the donor control over the future use of the donation;
- The donation will be held, invested or disbursed pursuant to certain agreed-upon terms; or
- The donation will result in naming of a property or project after the donor.

WRITTEN ACKNOWLEDGEMENT

The City Manager will be responsible for providing written acknowledgement of donations to all donors that includes:

- Date of contribution;
- The amount of cash contribution;
- A description (but not the value) of non-cash contributions;
- A statement that no goods or services were provided by the City in return for the contribution; or
- A description and good faith estimate of the value of goods or services, if any, that the City provided in return for the contribution.

DONATION VERSUS GIFT

Donation refers to giving to a charitable cause or organization. It is usually a voluntary act, motivated by a desire to help others or support a cause. On the other hand, a gift is something given to someone as a present or token of appreciation.

City of Crystal Lake employees must not solicit or accept, directly or indirectly, anything of material economic value as a gift, gratuity, favor, entertainment or loan, which appears to be designed to influence office conduct in any manner, particularly from a person who is seeking to obtain contractual or other business or financial arrangements with the City. Employees must abide by the City's Ethics Regulations as detailed in Sections 8.4 (Employee Ethics) and 8.5 (Giving and Acceptance of Gifts) of the City's Personnel Policy Manual.

RECORD RETENTION

All records will be retained in accordance with the Illinois Local Records Act (50 ILCS 205), federal regulations, grant agreements or bond covenants, whichever is applicable and most restrictive.

TITLE:	**ECONOMIC DEVELOPMENT INCENTIVES**	**POLICY NO.:**	**10**
APPLICABILITY:	All City	**APPROVAL DATE:**	06/04/2024
RESPONSIBILITY:	City Council, City Manager	**REVISION DATE:**	

POLICY

The City's economic development efforts are designed to strengthen and diversify the revenue base. The City will actively promote the community as a location for commercial and retail enterprises utilizing available economic incentives to encourage businesses to choose the City of Crystal Lake. The City will emphasize retention as an important part of economic development.

Subsidies or other incentives to encourage private development include: Tax Increment Financing; Special Service Area; Business District Tax; Sales Tax Incentive Program; New Retailer and Manufacturer Job Creation and Investment Programs; Existing Retailer Expansion and Relocation Program; Business Transition Grant Program and fees reduction program.

TAX INCREMENT FINANCING (TIF) DISTRICT

A TIF district is a targeted redevelopment area within the City from which all or a portion of projected future property tax revenue increases are temporarily dedicated to finance infrastructure improvements (or other investments) with the objective of stimulating economic development in the redevelopment area.

SPECIAL SERVICE AREA (SSA) PROGRAM

Special Service Areas are local tax districts that fund expanded services and programs through a localized property tax within contiguous areas. The enhanced services and programs are in addition to those provided through the City. SSA-funded projects can include: infrastructure projects; public way maintenance and beautification; district marketing and advertising; business retention/attraction; special events and promotional activities; auto and bike transit; security; façade improvements and other commercial and economic development initiatives.

BUSINESS DISTRICT RETAILERS' OCCUPATION TAX

The City may approve a business district development or redevelopment plan and elect to impose a Business District Retailers' Occupation and Service Occupation Tax on sales of general merchandise within the business district for purposes of funding development or redevelopment within the business district.

ENHANCED SALES TAX INCENTIVE PROGRAM (ESTIP)

Approval by the City Council of an agreement implementing ESTIP will entitle the successful applicant to share in a percentage of enhanced sales taxes derived from the applicant's property, however, that

applicant may use said amounts only for permitted improvements. Awards will be based on established criteria that include, but are not limited to: annual minimum taxable sales; amounts of enhanced sales taxes, public benefit and added value which are reasonably anticipated to be derived, etc.

NEW RETAILER AND MANUFACTURER JOB CREATION AND INVESTMENT PROGRAMS; EXISTING RETAILER EXPANSION AND RELOCATION PROGRAM; BUSINESS TRANSITION GRANT PROGRAM

Approval by the City Council of a grant agreement may entitle the successful applicant to a matching grant for funds expended on façade improvements; furniture, fixtures and equipment; and new employees. Awards will be based on established criteria that include, but are not limited to: minimum annual taxable sales; percent of expansion, number of new employees, etc.

PLAN REVIEW, PERMIT AND INSPECTION FEES REDUCTION

Properties within designated targeted development zones of the City will be entitled to a 50% reduction of associated City review, permit and inspection fees for commercial improvements valued at $250,000 or greater.

TITLE:	**SURPLUS PERSONAL PROPERTY DISPOSAL**	**POLICY NO.:**	**11**
APPLICABILITY:	All City	**APPROVAL DATE:**	04/15/2014
RESPONSIBILITY:	City Council, City Manager, Department Directors and Authorized Officials	**REVISION DATE:**	06/04/2024

POLICY

City employees must not directly or indirectly use, take or dispose of City property other than in their official duties. This includes, but is not limited to, articles of clothing, supplies, tools and vehicles. Items (including clothing) owned by the City found to be unfit for further service on the job will be declared surplus and disposed pursuant to this policy. No city-owned item will be turned over to an individual (employee or other person) for his/her personal use other than items purchased by employee clothing allotments. Employees or employee and retired employee associated organizations should not request and will not receive any preferential treatment in the disposal or sale of city surplus items. Certain city employees will be excluded from purchasing city surplus items directly. These include those directly involved in declaring items surplus (e.g. elected officials), department directors and those administering the sale.

Surplus personal property of the City must be disposed of in a cost effective and efficient manner that achieves the highest net resale proceeds for the City of Crystal Lake. This includes scrap metal. No surplus personal property will be disposed without City Council approval.

This policy does not address the surplus of real property nor does it apply to items not owned by the City (e.g. leased assets).

SURPLUS PROPERTY PURCHASED WITH GRANT FUNDS

Before disposing of surplus grant-funded property, City staff will consult the award documents and the granting agency to ensure that the sale or disposal is consistent with the granting agency's requirements.

DEBT-FINANCED PROPERTY

Prior to selling or otherwise disposing of any tax-exempt debt financed improvement or asset for which debt remains outstanding, City staff will consult with bond counsel to determine the impact, if any, such sale or disposition would have on the tax status of the City's outstanding tax-exempt debt, as well as whether a remedial action will be required.

FOUND ITEMS

Items found by city employees in the course of their duties and not falling into one of the following areas will be turned in to the department director as a "lost and found" item and disposed of as surplus property. Items found and fitting into one of the following may be disposed of as is reasonable, under the circumstances; those that are perishable; those that would create a health, sanitary or safety

problem if stored; those that would reasonably be considered garbage. Employees will not be allowed to personally keep any property found in the course of employment.

STATUTORY EXCEPTIONS

Certain provisions of Illinois Compiled Statutes impose special conditions for the disposition of municipal property (e.g. public works assets). Where necessary, City officials will comply those laws, treating them as limited exceptions with this policy.

State law allows law enforcement agencies and courts to seize certain real or personal property related to illegal activities. Once the forfeiture process is complete, the seizing agency is typically authorized to dispose of or sell the property, subject to certain restrictions. These statutes detail provisions regarding the seizure and forfeiture processes, property disposition, use of proceeds, recordkeeping and more.

State law provides a process for the sale or disposition of lost or unclaimed property if the owner cannot be located (765 ILCS 1026 et seq.)

RESPONSIBILITY FOR ADMINISTRATION

The City Manager, or such official(s) appointed by the City Manager, will coordinate the disposition of surplus property and will aid the City Council in determining the best method of disposal. The City Manager, or official(s) appointed by the City Manager, will dispose of the property in the manner specified, and will ensure that the proper fund is credited with any resulting proceeds. Any cost incurred in the sale will then be paid from the receiving fund (e.g. auctioneer commission, advertising, etc.) at market value.

METHODS OF DISPOSITION

The City Council will declare property surplus and specify how the property is to be disposed. Disposition methods include:

- Public auction. The City may use a professional auction service or online auction site.
- Sealed bids. Sealed bids may be solicited for the sale of surplus personal property. Surplus personal property disposed of in this manner will be sold to the highest responsible bidder.
- Consignment. Consignment agreements may be considered for specialty equipment, heavy equipment and fire apparatus.
- Negotiated Sale. If the City has been unable to find a buyer for surplus personal property after having used a competitive public process, the City may negotiate to sell the personal property outright if a potential buyer is subsequently found.
- Intergovernmental transfer to the state, any municipality or any political subdivision.
- Trade-in. Personal property declared as surplus may be offered as a trade-in for credit toward the acquisition of a similar item. All trade-in offers must be submitted for review and approval of the City Manager. If surplus personal property is to be applied to a purchase requisition, the trade-in value shall be itemized on the purchase requisition.
- Selling for Scrap. Surplus personal property may be sold as scrap if the City deems that the value of the raw material exceeds the value of the property as a whole.
- Cannibalize or Destruction. Where the department director or office determines that specific supplies or equipment are surplus and of minimal or no value to the City due to spoilage, obsolescence or other cause, or where the cost of disposal of such supplies or equipment would

exceed the recovery value, the City Council may direct the City Manager to dispose of the same in such manner as he or she deems appropriate and in the best interest of the City.

No surplus property will be disposed without City Council approval.

All surplus property will be disposed of “as is” and “where is”, with no warranty, guarantee or representation of any kind, expressed or implied, as to the condition, utility or use-ability of the property offered.

CONFLICTS OF INTEREST

City officials involved in the decision to surplus the property (i.e. department director, City Council, etc.) or those responsible for administering the sale will be prohibited from purchasing surplus property directly from the City. This prohibition also applies to spouses and dependent children.

No employee may acquire for their own personal use or gain, any scrap, valuable or non-valuable waste or salvageable material. This includes used construction materials destine for disposal even if disposal is to be in the City’s waste system.

RECORD RETENTION

All records will be retained in accordance with the Illinois Local Records Act (50 ILCS 205), federal regulations, grant agreement or bond covenants, whichever is applicable and most restrictive.

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TITLE:	**ANNUAL BUDGET**	**POLICY NO.:**	**12**
APPLICABILITY:	All City	**APPROVAL DATE:**	04/15/2014
RESPONSIBILITY:	City Council, City Manager, Department Directors	**REVISION DATE:**	06/04/2024

POLICY

The City of Crystal Lake will prepare a budget for the forthcoming fiscal year as required by Illinois statutes (65 ILCS 5/8-2-9.1 through 5/8-2-9.9). The annual budget will be a performance, financing and spending plan agreed to by the Mayor, City Council and department directors.

The annual budget will incorporate policies and management strategies to achieve the City's long-term goals and link performance measurements and spending plans to these goals. Budget decisions will focus on results and outcomes. Financial performance relative to the adopted budget and stakeholder satisfaction with programs and services will be monitored and adjusted as needed. The budget process will be transparent, providing opportunities for public discussion and deliberation on the budget.

The City will seek to prepare its budget document based on the requirements of the Government Finance Officers' Association's (GFOA) Distinguished Budget Presentation Award program.

The adopted budget will be integrated into the accounting system as a control device during the year.

BUDGET OFFICER

Statutory provisions establish parameters for the preparation of the budget and also establish the position of a Budget Officer, to be designated by the City Manager. The City Manager will serve as ex officio until the position is filled by a separate appointment.

The Budget Officer has the following powers and duties:

- To permit, encourage and establish the use of efficient planning, budgeting, auditing, reporting, accounting and other fiscal management procedures in all municipal departments, commissions and boards;
- To compile an annual budget, which shall contain estimates of revenues available to the City for the fiscal year for which the budget is drafted, together with recommended expenditures for the City and all departments, commissions and boards. Such estimates shall be presented in the manner provided by the Illinois Compiled Statutes;
- To examine all books and records of all City departments, commissions and boards, which relate to moneys received or paid out, or any amounts owed by or to the City or any departments, board or commission thereof;
- To obtain such additional information from the City or any department, board or commission of the City, as may be helpful in the preparation of the budget. Such information will be supplied in the form required by the Budget Officer; and
- To establish and maintain such procedures to ensure that no expenditures are made by the City, City departments, commissions or board except as authorized by the budget.

BUDGET CALENDAR

The City will publish a comprehensive budget calendar each year that specifies when budget tasks are to be completed and that identifies timelines for those tasks. City department directors are expected to meet these deadlines.

Pursuant to statutory provisions, the City will adopt its annual budget before the beginning of the fiscal year to which it applies. The City budgets resources on a fiscal year basis, beginning January 1st and ending December 31st.

BASIS OF BUDGETING

The budget will be prepared using the current financial measurement focus for all funds, using the modified accrual basis of accounting.

BUDGETARY BALANCE

The City will adopt a balanced operating budget, where recurring revenues are equal to, or exceed, recurring expenditures. Any increase in expenses, decrease in revenues or a combination of the two, that would result in a budget imbalance will require a budget revision, and only in the most unusual cases depletion of fund reserves to support recurring operations. Any year end operating surplus will be kept in fund balance as a reserve.

For the purposes of restrictions listed in this section, the term “operating budget” does not include the budgets of certain capital funds maintained by the City on a continuing basis. From time to time the City may utilize capital project fund reserves to finance the reconstruction or replacement of significant City facilities and other public improvements.

RESERVES

To protect against unforeseen events or to accumulate money for future purposes, the City will maintain the following reserves:

- At a minimum, the target unassigned fund balance of the City’s General Fund will be three (3) months of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits (excluding pension contributions to be paid from ad valorem property tax receipts), office, travel, program and ongoing professional services.
- At a minimum, the target unrestricted assets of the City’s Water and Sewer Fund will be two (2) months of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits (excluding pension contributions to be paid from ad valorem property tax receipts), office, travel, program and ongoing professional services.

Withdrawal of any amount of unassigned General fund balance or unrestricted Water and Sewer net assets that reduces the balance to less than the minimum amount will require replenishment of unassigned fund balance or unrestricted net assets as soon as economic conditions allow but in no case more than three years. Replenishment may be accomplished through the control of operating expenditures, one-time revenues, year-end budget surpluses or specific sources of revenue designated by the City Council.

As part of the annual budget process, the Director of Finance will prepare a projection of year-end balances for all City funds subject to annual appropriation. Any anticipated balance in excess of the minimum unassigned General fund balance or unrestricted Water and Sewer net assets may be used as appropriate (and approved by the City Council) under sound management practices. For example, balances in excess of six (6) months of average operating costs may be transferred to a capital project fund to support future capital projects. Amounts reserved for the purpose or purposes of specific capital improvements, repairs and/or replacements of specific types of municipal equipment or other tangible property, both real and personal will not exceed 3% of the equalized assessed value of property subject to taxation by the City (65 ILCS 5/8-2-9.5).

Unassigned fund balance or unrestricted net assets will not be used to replace a permanent loss of funds or eliminate an ongoing budget gap.

Special Revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The entire ending balance of each special revenue fund will be used exclusively to the purpose for which the fund was created.

Debt Service Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest. The entire ending balance of each debt service fund will be used exclusively for the future payment of principal and interest.

Capital Projects Funds are used 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 (Water and Sewer) funds. The entire ending balance of each capital project fund will be used exclusively for future capital projects.

Internal Service Funds are used to account for any activities that provide goods or services to other funds, departments or agencies on a cost-reimbursement basis. The entire ending balance of Internal Service Funds will be used exclusively for the purpose for which the fund was created.

Pension Funds are used to account for resources that are required to be held in trust for members and beneficiaries of defined benefit pension plans, defined contribution pension plans, other post-employment benefit plans and other employee benefit plans. The entire ending balance of each pension fund will be used exclusively for plan members and beneficiaries.

Special Assessment Funds are used to account for and report financial transactions that are restricted, committed or assigned to expenditure made for the benefit of those parties taxed via the special assessment. The entire ending balance of each Special Assessment Fund will be used exclusively for the purpose for which the fund was created.

FUND BALANCE CLASSIFICATIONS

The City implemented the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The Statement specifies five (5) classifications of fund balance that describe the strength of spending constraints:

1. Nonspendable – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
2. Restricted – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
3. Committed – amounts constrained to specific purposes by formal action of the Council (the highest level of decision-making authority). These actions are generally enacted through Council ordinance. To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest-level action to remove the constraint.
4. Assigned – amounts the City intends to use for specific purposes as determined by the Council. It is assumed that creation of a fund automatically assigns fund balance.
5. Unassigned – amounts that are available for any purpose. These amounts are only reported in the General Fund.

Fund balance is displayed in the order of relative strength of the spending constraints placed on the purposes for which resources can be used.

The City's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending, the City considers committed funds to be expended first followed by assigned and unassigned funds.

The City Council will adopt an ordinance to establish a committed fund balance as needed. This is done through the adoption or amendment of the budget. The City Council will establish assigned fund balance through the adoption or amendment of the budget as intended for a specific purpose.

REVENUES

The City will maintain a diversified and stable revenue base to shelter its finances from short-run fluctuations in any one revenue source.

The City will monitor closely the more volatile revenue sources including sales taxes, home rule sales taxes, telecommunications taxes, and hotel taxes.

The City's level of services will always be tied back to the more stable revenue sources such as property taxes, water sales, electric utility taxes, income taxes, licenses and permits, fines and forfeitures and sales and services. During economic downturns, the expansion of core services will be limited to the increase (if any) of these stable revenue sources.

The City will estimate annual revenues by utilizing an objective, analytical process consisting of trend, judgmental and statistical analysis as appropriate.

The City will keep ad valorem property taxes as low as possible. The following components will be followed in priority order each year when establishing the City's tax levy:

a. Levy for general obligation (GO) bond principal and interest less abatements;
b. Levy for Police, Fire and IMRF pensions per actuary calculations. If the actuarial report indicates a higher employer contribution is needed, said increase will be added to the City's

prior year levy request to avoid underfunding;
c. Levy to cover the employer payroll portion of Social Security and Medicare (FICA) taxes imposed by the federal government;
d. Levy to cover City share of school crossing guard services; and
e. Levy to support Fire Rescue operations.

The City will explore the award of various local, state and/or federal grants to support one-time capital or non-recurring expenditures. Prior to application and again prior to acceptance, the City will review the grant agreement to ensure matching requirements are reasonable and attainable and to ensure compliance with regulatory requirements.

The City will use one-time or special purpose revenue for capital expenditures or for expenditures required by the revenue and not to subsidize recurring operations.

The City will establish and periodically re-evaluate, all user charges, will set fees at a level related to the cost of providing the service and will establish new fees when necessary.

Enterprise funds to be established by the City will rely on standard operating revenues (user fees and connection charges, etc.) to support the full direct and indirect costs of the funds, including costs of operation, maintenance and debt service.

EXPENDITURES

The City of Crystal Lake endeavors to connect expenditures to a fundamental level of stewardship by committing to a level of expenditures that are sufficient to ensure the on-going health, safety and welfare of its residents.

Expenditures will be within the confines of generated revenues, while reserves may be used from time to time to supplement during a financial downturn.

Maintenance and replacement funding will be prioritized each year to ensure that capital facilities and equipment are sufficiently maintained to avoid service interruptions.

The City will maintain compensation packages which are competitive with other public sector employers and that are sufficient to attract and retain quality employees. Any changes to staffing and resource levels will be consistent with the overall goals and priorities of the City Council.

The City aims to provide high quality employee health benefits, while attempting to conserve costs wherever possible. The following strategies will be used to manage employee health-care benefit costs effectively:

- Pooling risk by participating in the Intergovernmental Personnel Benefit Cooperative (IPBC);
- Setting appropriate levels of cost sharing with employees; and
- Encouraging healthy behavior.

The City will provide for the responsible and timely funding of required employee pension plans in accordance with accepted actuarial standards and practices.

Debt service payments will be made in accordance with amortization schedules.

FIVE-YEAR FORECAST

The City will compose a Five-Year forecast to project the City's financial condition beyond the operating budget year. The Five-Year forecast will be prepared upon the current level of services. The Five-Year forecast will be presented to City Council during budget meetings. The Five-Year forecast will identify possible deficits before they transpire so practical steps may be taken to correct future financial challenges.

CAPITAL IMPROVEMENT PLAN

The City will annually review the needs for capital improvements including: equipment replacement, upgrading infrastructure, facility renovations and potential new projects. The City will develop a multi-year Capital Improvement Plan (the "CIP"), and improvements will be made in accordance with the CIP. Projects will be prioritized using criteria that include physical condition, performance, regulatory impacts, reliability, financial considerations including operational and maintenance costs and other categories focused on customer impacts and experiences in addition to the City's fiscal capacity to fund the improvement. The CIP shall serve as a long-range planning tool, where only the dollars included in the first year of the CIP are actually allocated through the adoption of the annual budget by the City Council.

CAPITAL EXPENDITURE FINANCING

The City recognizes that there are three (3) basic methods of financing its capital requirements: using the current revenue stream, using fund balance/retained earnings or through issuance of debt. Guidelines for fund balance levels are included in Reserves section of this policy. Guidelines for assuming debt are set forth in the City's Debt Management Policy.

MONTORING OF BUDGETS

Department directors will be responsible for reviewing actual expenditures against their budgets on a monthly basis and investigating/reporting unusual variances to the Director of Finance. The Director of Finance will be responsible for monitoring revenues, reviewing departmental spending requests for conformity with the budget and recommending transfers across funds, departments or accounts.

BUDGET FLEXIBILITY

The authority for budget revisions for a municipality under the budget law is contained within the Illinois Statutes (65 ILCS 5/8-2-9.6), and provides for the following:

- By a two-thirds vote of members of the City Council then holding office, the Council may delegate to the Budget Officer and through the Budget Officer to the other department directors, the authority to delete, add to, change or create sub-classes previously budgeted, but not increase the overall expenditure level of any fund within the approved budget.
- By a two-thirds vote of members of the City Council then holding office, the Council itself may delete, add to, change or create subclasses with object classes and object classes themselves previously budgeted (budget transfers), while not increasing the overall expenditure level of any fund within the approved budget.
- By a two-thirds vote of members of the City Council then holding office, the Council may increase the level of overall expenditure in a fund or in the overall budget, but only to the level in which funds are available.

UNSPENT FUNDS
All annual appropriations lapse at the end of the fiscal year to the extent that they have not been expended or lawfully encumbered.

UNFORSEEN AND UNAVOIDABLE EXPENDITURE
In the case of an emergency or any other exceptional circumstances the Mayor may authorize any possible and unavoidable expenditure for which no provision was made in an approved budget only if the delay that will be caused pending approval of an additional appropriation by the City Council will:

- Result in significant financial loss for the City;
- Cause a disruption, a suspension or a serious threat to the continuation of a basic municipal service;
- Lead to loss of life or serious injury or significant change to property; or
- Obstruct the City from instituting or defending legal proceedings on an urgent basis.

The Mayor will report such expenditure to the Council at its next meeting and pass a budget amendment within sixty (60) days after the expenditure was incurred.

UNAUTHORIZED EXPENDITURE
Any unauthorized expenditure (overspending of the total amount appropriated in the City's budget or expenditure of money otherwise than appropriated for a specific purpose) may be reported by the Director of Finance to the City Council where after the unauthorized expenditure will be considered for approval, recovery of cost, write-off with or without disciplinary and/or criminal proceedings.

RECORD RETENTION
All records will be retained in accordance with the Illinois Local Records Act (50 ILCS 205), federal regulations, grant agreement or bond covenants, whichever is applicable and most restrictive.

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TITLE:	**DEBT MANAGEMENT**	**POLICY NO.:**	**13**
APPLICABILITY:	All City	**APPROVAL DATE:**	04/15/2014
RESPONSIBILITY:	City Council, City Manager, Director of Finance and Authorized Officials	**REVISION DATE:**	06/04/2024

POLICY

The City will use an objective, analytical approach to determine whether it can afford to assume new debt beyond what it retires each year. This process will compare generally accepted standards of affordability to current values for the City. The decision on whether or not to assume new debt will be based on examinations of direct costs and benefits of improvements or assets being financed, current conditions of the municipal bond market as well as the City's ability to afford new debt. The City Council will have final authority over any debt issuance of the City.

Objectives of the City in the issuance of debt include:

- To be reasonable and equitable to current and future taxpayers when distributing the cost of government by issuing debt and using appropriate revenue sources for repayment;
- To act responsibly and appropriately when issuing debt, maintaining or enhancing the City's credit worthiness and reputation and to ensure the trust of those who have or will purchase the City's debt;
- To maintain the City's ability to choose financing options that optimize the changing municipal financial markets and to achieve objectives at the best possible cost consistent with long-term interests of the City; and
- To adhere to and comply with all agreements, laws, contracts, covenants, policies and obligations that relate to this policy.

The City will follow a policy of full disclosure in reporting relevant information about City operations in its financial statements, disclosure documents and all other required filings pursuant to the issuance of debt by the City.

LEGAL AUTHORIZATION AND DEBT LIMITS

In the issuance and management of debt, the City will comply with all legal requirements imposed by federal, state and local rules and regulations, as applicable.

- The laws of the State of Illinois authorize the issuance of debt by the City. The Illinois Municipal Code (65 ILCS 5/8 *et seq*.) confers upon municipalities the power and authority to contract debt, borrow money, and issue bonds for public improvement projects. Under these provisions, the City may contract debt to pay for the cost of acquiring, constructing, reconstructing, improving, extending, enlarging and equipping such projects or to refund bonds.
- Under Illinois Compiled Statutes, municipalities of less than 500,000, unless they are a home rule unit, are limited to the amount of general obligation bonded debt they can incur at any one time to no more than 8.625% of the total assessed value of real estate property. Since the City is

a home rule community, the City is not subject to these limitations. However, the City will impose the non-home rule limit upon itself.

- The City will issue and manage debt in accordance with limitations and constraints imposed by federal rules and regulations including the Internal Revenue Code, Treasury regulations thereunder and the Securities Acts of 1933 and 1934.
- The City will issue and manage debt in accordance with any limitations and constraints imposed by local rules and regulations.

PURPOSES AND USES OF DEBT

Debt and other long-term financial obligations will be issued in accordance with applicable laws and regulations, and if required, will be approved by registered, qualified voters of the City. Debt will only be incurred for financing capital improvements or assets that, because of their long-term nature or because of budgetary restraints, cannot be acquired from current revenues or budgeted resources. Debt is issued only after exhausting all possible resources, such as grants and pay-as-you-go funding. Any debt issued will not have a maturity date beyond the economic life of the improvement being constructed or asset being acquired using debt proceeds. Issuance of debt will not be used to finance recurring operating expenses. There must also be sufficient revenues available to meet ongoing debt service payments.

TYPES OF DEBT

The City may use several types of municipal debt obligations to finance capital improvements and assets. Subject to the approval of the City Council, the City is authorized to use the following instruments:

General Obligation Debt is backed by the full faith and credit of the City of which is empowered to levy ad valorem property taxes upon all taxable property in the City without limitation as to the rate or amount.

Revenue Obligations are used to finance construction or improvements to facilities of enterprise systems operated by the City in accordance with a system and plan of improvements. The enterprise systems must be an established system legally authorized for operation by the City. There are no legal limits to the amount of revenue bonds the City can issue, but there are practical limits to the City's ability to repay obligations.

Revenue bonds are generally subject to certain tests and requirements, including rates and charges must provide net revenue after payment of operating expenses equal to the debt service requirement. The City will not incur Revenue Obligations without first ensuring the ability of an enterprise system to meet any pledges and covenants customarily required by investors in such obligations, during the term of the obligation.

Alternate (or double-barreled) bonds are so named to describe the dual nature of the security that provides for their payment. Typically, they are payable from a primary revenue source, such as enterprise revenues, sales tax or state aid. The second level of security is a full faith and credit tax levy that is available to provide payment in the event the primary revenue source is insufficient to pay the bonds. The intent is that the revenue source will be sufficient to pay the bonds so that the taxes levied for their payment will not in fact be extended.

In Illinois, a governmental unit may issue alternate bonds for a lawful corporate purpose. They are

payable from an identified revenue source that is expected to be sufficient to provide, in each year, not less than 1.25 times (1.10 times if the revenue source is certain governmental funds) debt service on all outstanding alternate bonds payable from the revenue source and the alternate bonds proposed to be issued.

The issuance of alternate bonds is subject to approval by referendum if the requisite number of voters in the governmental unit files a lawful petition objecting to the issuance of bonds within thirty days following publication of the governmental unit's intent to issue them. Alternate bonds do not constitute debt for the purpose of any statutory provision or limitation, unless the full faith and credit property tax levy is extended for their payment. Alternate bonds are intended to reduce the risk to the bondholders and offer low interest rates.

Assessment-backed obligations are used to finance projects that will provide special benefit to certain property owners. The benefiting property are charged an assessment based upon a formula developed to fairly reflect the benefit received by each property owner in the assessment area. There are detailed statutes for the formation of assessment areas and assessing property, which contain specific timeframes for notice and conducting public hearings.

Tax Increment Financing (TIF) is based on the theory that development can pay for itself. The basic idea is that public investment in an area, often in the form of infrastructure, induces property value growth which increases property tax revenue. The revenue increase is, in turn, used to pay for the initial investment. This results in TIF being labeled as "self-financing" due to the use of future revenue to pay current costs.

Developer Notes are promises to reimburse a developer for eligible, predetermined costs from specified revenues that may be available in the future.

Illinois EPA State Revolving Fund (SRF) Program includes two low-interest loan programs: the Water Pollution Control Loan Program (WPCLP) which funds both wastewater and storm water projects and the Public Water Supply Loan Program (PWSLP) for drinking water projects. These programs are annually the recipients of federal capitalization funding which is combined with state matching funds, interest earnings, repayment money and the sale of bonds to form a source of financing for infrastructure projects.

Other State Funded Programs.

Private Activity Bonds (PABs) are municipal bonds that are used to attract private investment for projects that have some public benefit (e.g. hospitals, airports, etc.). States and cities, through private activity bonds, are able to borrow on behalf of private companies and nonprofits, lowering borrowing costs for entities that might otherwise turn to corporate bonds or bank loans. If the bonds meet specific criteria the interest earned by investors may be tax-exempt. This type of financing is most often for projects of a private user and the government does not pledge its credit. Private activity bonds are sometimes referred to as conduit bonds. The City reserves the right to approve the borrower's creditworthiness, including a minimum credit rating and the purpose of the borrowing issue, particularly if there is a contingent impact on the general revenues of the City or marketability of the City's own direct debt.

Industrial Revenue Bonds (IRBs) are a form of government-backed loans with a sovereign guarantee from

a local county or government. Industrial revenue bonds are backed by taxes the local government collects. Municipal governments issue industrial revenue bonds to attract investment and to create jobs. The maximum amount allowable under U.S. law is ten million U.S. dollars and the maximum amount for bond issuance costs is two percent. The City reserves the right to approve the borrower's creditworthiness, including a minimum credit rating and the purpose of the borrowing issue, particularly if there is a contingent impact on the general revenues of the City or marketability of the City's own direct debt.

Lease purchase or financing contracts are payment obligations that represent principal and interest components which are obligations of the City. Leases may be issued as general obligations or revenue obligations. If general obligations, the principal component plus any accrued interest may be counted against the City's debt capacity.

Alternative Types of Debt: No variable-rate debt or derivative products will be issued by the City.

Short-Term borrowing will only be used to meet the immediate financing needs of a project for which long-term financing has been secured but not yet received. The City may issue interfund loans rather than outside debt instruments to meet short-term cash flow needs. Interfund loans will be permitted only if an analysis of the affected fund indicates excess funds are available and the use of the funds will not impact the fund's current operations. All interfund loans will be subject to City Council approval and will bear interest based upon prevailing rates. Loans should be repaid within 3 years.

DEBT STRUCTURE

The following terms will be applied to the City's various debt transactions, as appropriate. Individual terms may change as dictated by the marketplace or the unique qualities of the transaction.

- Unless otherwise justified and deemed necessary, the City will issue its debt on a tax-exempt basis.
- The final maturity of a debt issuance should not exceed the economic life of the financed improvement or asset and cannot exceed forty (40 years).
- In general, debt should be structured to produce a level annual debt service.
- The City's long-term debt may include par, discount and premium bonds. Discount and premium bonds must be demonstrated to be advantageous relative to par bond structures, given market conditions.
- For each transaction, the City will evaluate costs and benefits of call provisions. In general, the City will opt for the shortest possible call consistent with optimal pricing.
- Interest on debt should be payable on a semiannual basis. Alternate payment frequencies may be used after consultation with the City's municipal advisor.
- Interest on bonds or other evidences of indebtedness will not exceed the greater of 9% per annum or 125% of the rate for the most recent date shown in the 20 G.O. Bonds Index of average municipal bond yields as published in the most recent edition of The Bond Buyer (or any successor publication or index, or if such publication or index is no longer published, then any index of long term municipal tax-exempt bond yields then selected by the City).
- Capitalized interest should only be used for projects where revenues are expected to offset debt service once an improvement or asset is brought into operation. Capitalized interest will be used in accordance with applicable laws and upon a finding by the City that capitalizing interest is in the City's overall best financial interest.

- For long-term financing, costs incurred by the City, such as bond counsel and municipal advisor fees, printing, and project design and construction costs, will be charged to the bond issue to the extent allowable by law. For short-term financing, bond issuance costs may either be charged to the bond issue or funded through the operating budget.
- When undertaking capital projects, the City will work with Bond Counsel to ensure that proper resolutions are in place so that any applicable expenses can be reimbursed from bond proceeds in accordance with Federal tax law.

CREDIT ENHANCEMENT

Credit enhancements, such as bond insurance and letters of credit, will only be used when the anticipated present value savings in terms of reduced interest expense exceeds the cost of the enhancement and the covenants are acceptable to the City or when required by industry standards.

CREDIT RATINGS

The City will manage its debt portfolio and financing position to obtain and maintain the highest credit ratings possible. The City recognizes that strong credit ratings are necessary to ensure the lowest possible borrowing costs which will factor into maintaining low interest costs for the City budget and taxpayers.

The Director of Finance will be responsible for maintaining relationships with rating agencies that assign ratings to the City's various debt obligations. This will include responsibility for coordinating meetings and presentations in conjunction with the issuance of debt. Full disclosure of operations and open lines of communication will be maintained with rating agencies used by the City throughout the life of debt obligations.

USE OF RATING AGENCIES

In consultation with the municipal advisor, the City will determine whether or not a rating will be requested on a particular financing and which of the major rating agencies will be asked to provide such a rating. The City will consider the following factors in evaluating the need for a credit rating:

- Cost of credit rating. The City will evaluate the potential economic benefit from a credit rating in the form of lower bond yields compared to the cost of obtaining and maintaining the rating.
- Administrative burden. The City will consider the administrative burden placed on staff for obtaining a credit rating and maintaining a credit rating throughout the life of the bonds. Once a rating is requested, the formal credit rating process itself may take as long as 4-6 weeks to complete. The process may include in-person meetings, calls with rating analysts and project site visits.
- Information required. The City will consider the amount of information required by the rating agency, which may include (1) history of the City; (2) management and governance structure; (3) multi-year budget documents; (4) financial policies and procedures; (5) bond documents and (6) audited financial statements.
- Size of issuance. In general, a debt issue with a lower par amount may not benefit from a credit rating as much as one with a larger par amount.
- Frequency of issuance. In general, the more frequently the City plans to issue debt, the greater the potential benefit will be from obtaining a credit rating. Frequent debt issuers may benefit from expanding its investor base in order to successfully finance a large debt program and a credit rating may help attract a greater number of investors to a particular debt issue.

- Method of sale. A debt issue sold in a public offering (via negotiated or competitive sale) may benefit from obtaining a credit rating, while a rating may not be required or necessary for a private placement or direct purchase.

REFUNDING OF CITY INDEBTENESS

The City may issue current refunding bonds (as defined for federal law tax purposes) when advantageous, legally permissible and prudent. The City may choose to refund outstanding indebtedness when existing bond covenants or other financial structures impinge on prudent and sound financial management, or as a remedial action legally necessary in order to comply with applicable tax laws for the underlying bond issue.

The City will not refinance debt for the purpose of deferring scheduled debt service.

In the case of advance refunding issues (if permitted by law) the City will be mindful of the impact of "negative arbitrage" in refunding escrow accounts since a significant amount may dilute the potential savings of a refinancing plan. Negative arbitrage is how much of potential debt service savings are lost in funding the escrow to the call date of the debt being refunded. The net present value savings, as expressed as a percentage of the par amount of the refunded bonds should be approximately 5% or more. In addition, for any advance refunding bond, the negative arbitrage as a percent of present value savings should be no more than 40%.

Savings requirements for current or advance refundings undertaken to restructure debt may be waived by the City upon a finding that such a restructuring is in the City's overall best financial interest.

SELECTING AND MANAGING SALE OF BONDS

The City will select a method of sale based on a thorough analysis of the relevant rating, security, structure and other factors that are most likely to achieve the lowest cost of borrowing, while considering both short-range and long-range implications for taxpayers and ratepayers. Prior to any bond sale, the City will consult with its municipal advisor.

Competitive Bid Method. The City will generally issue its debt through a competitive process. For any competitive sale of debt, the City will award the issue to the underwriter offering to buy the bonds at a price and interest rate that provides the lowest True Interest Cost (TIC). TIC is the total interest paid plus underwriters cost in present value.

The presence of the following factors may favor the use of a competitive sale:

- The rating of the bonds, either credit-enhanced or unenhanced, is in the single-A category or higher;
- The bonds are general obligation bonds (full faith and credit obligations of the issuer) or are secured by a strong, known and long-standing revenue stream;
- The structure of the bonds does not include innovative or new financing features that require extensive explanation to the bond market; and
- The issuer is well known and regularly in the market, although infrequent issuers issuing debt that meet the above three factors may also successfully issue debt through a competitive sale.

The City will work with its municipal advisor to ensure that information related to, and notice of, the competitive sale is widely distributed in order to acquire multiple competitive bids.

Negotiated Bid Method. When a negotiated sale is deemed advisable the City will work to negotiate the most competitive pricing on debt issues and broker commissions in order to ensure the best value for the City.

If debt is sold on a negotiated basis, the negotiations of terms and conditions may include, but not be limited to, prices, interest rates, underwriting or remarketing fees and commissions. The City, with the assistance of its municipal advisor, will evaluate the terms offered by the underwriting team. Evaluations of prices, interest rates, fees and commissions will include prevailing terms and conditions in the marketplace for comparable issuers.

The presence of the following factors may favor the use of a negotiated sale:

- The rating of the bonds, either credit-enhanced or unenhanced, is lower than the single-A category;
- Bond insurance or other credit enhancement is unavailable or not cost-effective;
- The structure of the bonds has features, such as a pooled bond program, deferred interest bonds or other unique or innovative structure, that may be better suited to negotiation;
- The sale of debt is occurring during or shortly after events that led to any market disruption, in which the negotiated sale process provides more market information and timing flexibility;
- The issuer desires to target underwriting participation to include disadvantaged business enterprises (DBEs) or local firms;
- The issuer desires to maintain a long-standing relationship with an underwriter that will contribute relevant experience from previous issuance with the issuer to the success of the transaction;
- Refunding transactions, which are often dependent on market conditions and/or other structure considerations; and
- Other factors that the issuer, in consultation with its municipal advisor, believes favor the use of a negotiated sale process.

Direct Placement is when the debt is sold directly to investors and not reoffered to the public. Bank loans are sometime included in direct placement. The following factors may favor the use of direct placement:

- Bond insurance or other credit enhancement is needed for a public sale but is unavailable or not cost-effective;
- Elimination of exposure to the public bond rating process;
- Elimination of the cost of issuance associated with rating agencies, underwriters and preparation of an offering document (However, there may be a placement agent fee and an offering memorandum will be prepared for potential investors);
- Securing bank lines of credit for on-demand interim borrowing and short-term liquidity needs;
- Subsidized state and federal loan programs, in which private placement is solely for the security issued to evidence repayment of such loans; and
- Other factors that the issuer, in consultation with its municipal advisor, believes favor the use of private placement process.

SELECTION AND USE OF BOND COUNSEL

The City will retain external bond counsel for all debt issues. All debt issued by the City will include a written opinion by bond counsel which determines, among other things, the debt issue's federal and State income tax status and affirms that the City is authorized to issue the debt and has met all state constitutional and statutory requirements necessary for issuance.

Selection of the Bond Counsel will be based on, but not limited to, factors such as: experience with financings of comparable issuers; similar size, types and structures; knowledge and experience in public finance tax law; experience with and approach to applicable state and federal securities laws and regulations; and fees and expenses. Bond counsel will be selected following the City's purchasing policies.

The City will consult bond counsel and other legal counselors and advisors as necessary following issuance of bonds to ensure that applicable post-issue requirements are met, so that interest on tax-exempt bond issues will be excluded from gross income for federal income tax reporting purposes so long as any tax-exempt bonds remain outstanding.

SELECTION AND USE OF MUNICIPAL ADVISOR

The City will retain an external, independent municipal advisor which is appropriately registered with the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB) as a municipal advisor for all debt issues. For each City bond sale, the municipal advisor will provide the City with, among other things, advice concerning unsolicited proposals, bond structure, issuance modality, information on pricing and underwriting fees for comparable sales by other issuers. During debt issuance planning, the municipal advisor will advise the City whether or not credit enhancement is cost effective under the circumstances and what type of credit enhancement, if any, should be purchased.

Selection of the municipal advisor(s) will be based on, but not limited to, the following factors: experience in providing consulting services to similar issuers; knowledge and experience in structuring and analyzing complex issues; ability to conduct competitive selection processes to obtain investment products and financial services; experience and reputation of assigned personnel; and fees and expenses. Municipal advisor(s) will be selected following the City's purchasing policies.

SELECTION AND USE OF UNDERWRITER

In consultation with the City's municipal advisor, the Director of Finance will coordinate a process to select an underwriter for any negotiated sale of bonds. The process will take into account the type of issue, experience offered and other relevant criteria, and will provide for competitive, written proposals. An Underwriter will be selected following the City's purchasing policies.

OTHER SERVICE PROVIDERS

Professional services such as verification agent, escrow agent or rebate analyst may be appointed by the City Council in consultation with the City's municipal advisor and are considered incidental to undertaking the issuance of debt.

POST-ISSUANCE BOND COMPLIANCE

The Director of Finance will be responsible for developing and maintaining a system of internal controls and post-issuance compliance procedures to ensure compliance with applicable laws, rules, regulations and covenants associated with outstanding debt.

USE OF PROCEEDS

No deviation will be made from the expected use of bond proceeds without the approval of the City Council.

INVESTMENT OF BOND PROCEEDS

Bond proceeds will be invested in accordance with the provisions of prevailing state statutes, the bond indenture and the City's investment policy.

ARBITRAGE AND TAX LAW REQUIREMENTS

The City will comply with all arbitrage rebate requirements as established by the Internal Revenue Service. Federal arbitrage law is intended to discourage entities from issuing tax exempt obligations unnecessarily or to exclusively gain investment interest on borrowed funds. In compliance with this law, the City will not issue obligations except for identifiable projects to be timely initiated. Borrowings will be issued as closely as feasible to the date expenses are expected to be incurred to enable bond proceeds to be spent in accordance with applicable Federal tax requirements.

The Director of Finance will be responsible for maintaining a system of record keeping and reporting to meet arbitrage rebate compliance requirements and may retain the services of a qualified arbitrage service providers to assist with the City's compliance of arbitrage regulations. Rebateable earnings, if any, will be filed and paid when due to the Internal Revenue Service in order to preserve the tax-exempt status of outstanding debt.

CONTINUING DISCLOSURE

The Director of Finance will be responsible for ensuring compliance with a contractual undertaking, pursuant to Securities and Exchange Commission (SEC) Rule 15c2-12, to provide for the timely filing of annual information, general purpose financial statements, and significant event notices.

In addition to required continuing disclosure, the City may post voluntary notices on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") System in order to make bondholders and other interest parties aware of financial and operational events that are not required to be disclosed by the Rule. The Director of Finance will determine when an event will be voluntarily disclosed on EMMA, and may consult with bond counsel, municipal advisors and the City Manager to determine whether to post the voluntary notice.

PRIVATE USE ACTIVITY

The City will not knowingly take or permit to be taken any action which would cause any of its outstanding tax-exempt debt issuances to become taxable private activity bonds. In the event a violation of tax law is identified, the Director of Finance must consult with bond counsel to determine the best corrective action.

SALES OF DEBT-FINANCED PROPERTY

The City will use debt proceeds to finance improvements and assets that the City intends to own for the entire term of the debt issue used to finance them. Prior to selling or otherwise disposing of any tax-exempt debt financed improvement or asset for which debt remains outstanding, the Director of Finance will consult with bond counsel to determine the impact, if any, such sale or disposition would have on the tax status of the City's outstanding tax-exempt debt, as well as whether remedial action will be required.

RECORD RETENTION

The City has ongoing recordkeeping responsibilities associated with its tax-exempt debt issuances. Each Tax Certificate and Agreement prepared on behalf of the City for a tax-exempt debt issuance will provide for a description of records to be maintained by or on behalf of the City and the period of time such records must be maintained.

TITLE:	**INVESTMENTS**	**POLICY NO.:**	**14**
APPLICABILITY:	All City	**APPROVAL DATE:**	04/15/2014
RESPONSIBILITY:	City Council, City Manager, Director of Finance and Authorized Officials	**REVISION DATE:**	06/04/2024

POLICY

It is the policy of the City of Crystal Lake to invest all monies and securities of the City in a manner that will provide safety to the principal investment, meet the City's daily cash flow demands and seek the highest risk-adjusted investment return, using authorized instruments in accordance with state statutes and local ordinances governing the investment of public funds.

DELEGATION OF AUTHORITY

The Director of Finance will be responsible for the management of the City's investment program. The Director of Finance will be responsible for establishing and maintaining an internal control structure designed to ensure that funds of the City are protected from loss, theft or misuse. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the Director of Finance will establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures. Internal controls will address the following points at a minimum:

- Control of collusion;
- Separation of transaction authority from accounting and recordkeeping;
- Custodial safekeeping;
- Avoidance of physical-delivery securities;
- Clear delegation of authority to subordinate staff members;
- Written confirmation of transactions for investments and wire transfers;
- Dual authorizations of wire transfers;
- Staff training; and
- Review, maintenance and monitoring of security procedures, both manual and automated.

This policy applies to any investment under the stewardship of the Director of Finance for which no other specific investment policy exists. The Director of Finance or anyone else deemed appropriate by the City Council who bears responsibility for the administration, planning, development and implementation of financial investment strategies per the direction of the Director of Finance may assist the Director of Finance in executing the duties and activities of the City's investment program.

INVESTMENT MANAGER

The City reserves the right to engage the services of a professional investment manager to assist with investment strategies, asset allocation and monitoring of investments in a manner that is consistent

with the City's objectives and this policy. Investment managers must be registered as an investment advisor under the federal Investment Advisors Act of 1940 or registered as an investment advisor under the Illinois Securities Law of 1953 and must act in a non-discretionary capacity.

GENERAL OBJECTIVES

All funds will be invested in a manner that is in conformance with federal, state and other legal requirements governing the investment of public funds. Primary objectives of the City's investment activities, in order of priority, are safety, liquidity and return on investment.

Safety

Safety of principal is the primary investment objective of the City. Investments must be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. To obtain this objective, the City will attempt to diversify its investments by type and maturity; investments will be limited to securities authorized by this policy; and all funds be insured or collateralized with securities held by an independent third-party custodian in the City's name.

Preservation of capital may also be interpreted to structure the portfolio in a manner that minimizes the potential risk of inflation eroding principal over time.

Liquidity

The investment portfolio will remain sufficiently liquid to meet operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets. Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

Return on Investment

The investment portfolio will be structured with the objective of attaining the highest available risk-adjusted return, given the objectives of safety of principal and liquidity during all budgetary and economic cycles.

Securities will generally be held until maturity with the following exceptions:

- A security with declining credit may be sold early to minimize the loss of principal;
- Selling a security and reinvesting the proceeds to improve the quality, yield or target duration in the portfolio; and
- Unanticipated liquidity needs of the portfolio requiring that a security to be sold

The rate of return achieved on the City investment portfolio will be measured at regular intervals against relevant industry benchmarks in order to determine investment decision effectiveness toward meeting investment goals. The benchmarks will be reviewed a minimum of every two (2) years to ensure accuracy and relevance.

SUSTAINABILITY

The Director of Finance will consider material sustainability risks relevant to particular financial products, investment funds, companies and government bodies. Sustainability risks include:

- Corporate governance and leadership factors, such as the independence of boards and auditors,

the expertise and competence of corporate boards and executives, systemic risk management practices, executive compensation structures, transparency and reporting, leadership diversity, regulatory and legal compliance, shareholder rights and ethical conduct.

- Environmental factors that may have an adverse or positive financial impact on investment performance, such as greenhouse gas emissions, air quality, energy management, water and wastewater management, waste and hazardous materials management and ecological impacts.
- Social capital factors that may have an adverse or positive impact on customers, local communities, the public and/or government, which may impact investment performance. Social capital factors may include human rights, customer welfare, customer privacy, data security, access and affordability, selling practices and product labeling, community reinvestments and community relations.
- Human capital factors that recognize that the workforce is an important asset to delivering long-term value, including factors such as labor practices, responsible contractor and responsible bidder policies, employee health and safety, employee engagement, diversity and inclusion and incentives and compensation.
- Business model and innovation factors that reflect an ability to plan and forecast opportunities and risks and whether a company can create long-term shareholder value, including factors such as supply chain management, materials sourcing and efficiency, business model resilience, product design and life cycle management as well as physical impacts of climate change.

STANDARDS OF CARE

The standard of care to be used by authorized investment officers will be the "uniform prudent investor act (UPIA)," which allows fiduciaries to utilize modern portfolio theory to guide investment decisions. Therefore, a fiduciary's performance is measured on the performance of the entire portfolio, rather than individual investments.

Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence will be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

Transactions must be executed on a competitive basis and documented. Competitive prices should be provided from at least three separate brokers, financial institutions or through a nationally electronic trading platform. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities as the same original issue price. If an Investment Manager handles trade executions then they must provide the competitive documentation as requested.

ETHICS AND CONFLICTS OF INTEREST

It is the policy of the City of Crystal Lake that its employees conduct affairs of the City in accordance with the highest ethical, legal and moral standards. An employee must not be in a position to make a decision for the City if his or her personal, professional or economic interests (or those of his or her immediate and extended family members) may be directly influenced or affected by the outcome without proper disclosure. Such disclosure must be provided in writing and directed to the attention of the City's Procurement Officer.

City of Crystal Lake employees must not solicit or accept, directly or indirectly, anything of material economic value as a gift, gratuity, favor, entertainment or loan, which appears to be designed to influence office conduct in any manner, particularly from a person who is seeking to obtain contractual or other business or financial arrangements with the City.
Employees must abide by the City's Ethics Regulations as detailed in Sections 8.4 (Employee Ethics) and 8.5 (Giving and Acceptance of Gifts) of the City's Personnel Policy Manual.

Authorized investment officers and employees involved in the investment process must refrain from personal business activity that could (a) conflict, or give the appearance of a conflict, with proper execution of the investment program or (b) impair their ability to make impartial investment decisions. Such individuals must disclose to the City Council any material and financial interests in financial institutions that conduct business with the City. They must further disclose any personal financial or investment positions that could be related to the performance of the City's investment portfolio. In addition, such individuals will be expected to subordinate their personal investment transactions to those of the City's investment portfolio, particularly with regard to the time of purchases and sales.

AUTHORIZED FINANCIAL INSTITUTIONS, DEPOSITORIES AND BROKER/DEALERS

The Director of Finance will maintain a list of all authorized financial institutions and broker/dealers that are approved to transact with the City for investment purposes. Any firm is eligible to make an application to the City. Authorized broker/dealers will be selected by creditworthiness (e.g., a minimum capital requirement of $10,000,000 and at least five years of operation). These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the following as appropriate:

- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines;
- Proof of Financial Industry Regulatory Authority (FINRA) Certification (not applicable to Certificate of Deposit counterparties);
- Proof of state registration;
- Completed broker/dealer questionnaire (not applicable to Certificate of Deposit counterparties);
- Certification of have read and understood and agreeing to comply with the City's investment policy; and
- Evidence of adequate insurance coverage.

If approved, a broker/dealer will be placed on a list of qualified parties for investment transactions. An annual review of the financial condition and registration of qualified parties will be conducted by the Director of Finance. More frequent reviews may be conducted if warranted.

The Director of Finance will review a financial institution's Community Reinvestment Act ("CRA") rating, record and current level of financial commitment to the community prior to making a decision to utilize or determine the eligibility of such financial institution. No City funds may be deposited in any financial institution unless the institution has a current satisfactory or outstanding rating under the CRA. All financial institutions in which any money is deposited will be required to pay interest.

AUTHORIZED AND SUITABLE INVESTMENTS

Except as modified herein all investments purchased under this policy will be guided by the Public Funds Investment Act (30 ILCS 235) and all revisions thereto, as may be made by the Illinois Legislature. Below is a summary of acceptable investments as determined by the Director of Finance in compliance with the applicable statute:

- U.S. Treasury obligations which carry the full faith and credit guarantee of the United States government;
- U.S. government agency and instrumentality obligations which have a liquid market with a readily determinable market value;
- Certificates of deposit and other evidences of deposit at financial institutions;
- Bankers' acceptances of banks whose senior obligations are rated in the top two (2) rating categories by two (2) nationally recognized rating agencies and maintain that rating during the term of the investment;
- Commercial paper rated in the three (3) highest tiers (e.g. A-1, P-1, D-1 or F-1 or higher) by a nationally recognized rating agency:
- Investment-grade obligations (rated A or better by a nationally recognized ratings agency) of state, provincial and local governments and public authorities;
- Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities;
- Local government investment pools either state-administered or developed through joint powers statutes and other intergovernmental agreement legislation; and
- Other investment types or asset classes as approved by the Crystal Lake City Council.

INVESTMENT RESTRICTIONS

The following investment restrictions apply to the City Investments portfolio:

- Any investments not authorized by this, or any other investment policy or applicable law are prohibited;
- Investments in derivative products and leveraging of assets through reverse repurchase agreements are prohibited;
- Commercial paper with a credit rating or evaluation that is derived from any factor other than the full faith and credit of the issuing institution and/or the guarantee of the parent company is prohibited;
- Obligations may not be purchased from a corporation or limited liability company that has been placed on the list of restricted companies by the Illinois Investment Policy Board under Section 1-110.16 of the Illinois Pension Code (40 ILCS 5/1-110); and
- Asset-backed securities and mortgage-backed securities of any kind are prohibited.

INVESTMENT DIVERSIFICATION

The investment portfolio will be diversified by:

- Limiting investments to avoid over concentration in securities from a specific issuer or business section (excluding U.S. Treasury securities);
- Limiting investment in securities that have higher credit risks;
- Investing in securities with varying maturities; and
- Investing a portion of the portfolio in readily available funds such as local government investment pools (e.g. Illinois Funds) and money market funds to ensure that appropriate liquidity is maintained to meet ongoing obligations.

The City's Director of Finance will establish strategies and guidelines for the percentage of the total portfolio that may be invested in securities other than U.S. government obligations or collateralized certificates of deposit.

MAXIMUM MATURITIES

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements as follows:

- Investments will be purchased with maturities to match current expenditures; future anticipated costs and liability requirements, so that the City will have sufficient cash available for operating purposes;
- Reserve funds and other funds with longer-term investment horizons may be invested in longer-term securities if the maturity of such investments is made to coincide as practicable with the expected need for use of the funds; and
- Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds and money market funds to ensure that appropriate liquidity is maintained to meet ongoing obligations.

For operating and limited maturity funds, the weighted average maturity of the portfolio will be no more than 2 years. The maximum maturity of any investment is limited to 3 years from the date of purchase.

Reserve funds will be invested in a well-diversified portfolio of investment grade securities. The portfolio should have an intermediate weighted average duration. The maximum maturity of any single investment is limited to ten years from the date of purchase unless otherwise approved by the City Council.

COLLATERALIZATION

Monies held in depository accounts, time deposit accounts, or money market mutual funds, or invested in the certificates of deposit of financial institutions (banks, savings and loan associations, or credit unions) in excess of FDIC insurance must be secured by some form of collateral with securities held by an independent third party custodian, in the City's name. The City will accept the following assets as collateral:

- U.S. Government securities.
- Obligations of federal agencies.
- Obligations of federal instrumentalities.
- General obligation bonds of any United States state or local government rated "A" or better (e.g. at least upper medium quality) by Moody's Investors Service, Standard & Poor's Rating Service, or Fitch Investors Service.

The amount of the collateral provided by a financial institution will not be less than 105% of the market value of the net amount of deposits and investments to be secured. The ratio of market value of collateral to the amount of funds to be secured will be reviewed monthly by the City's Director of Finance. Additional collateral will be requested of a financial institution when the ratio declines below the required level. Collateral may not be released without the signature of the City's Director of Finance. Pledged collateral will be held in safekeeping, by an independent third-party depository, or

the Federal Reserve Bank, as designated by the City's Director of Finance and evidenced by a safekeeping receipt.

The market value of collateral will be determined based upon quotations reflected in the edition of *The Wall Street Journal* published on the first business day following the quarter concerned. (This edition will report the market value of securities as of the last day of the quarter concerned.) If a security provided as collateral is not listed in *The Wall Street Journal*, its market value will be determined using a comparable source acceptable to the City's Director of Finance.

Financial institutions pledging collateral will sign a collateral agreement that meets the requirements of the Financial Institution Resource Recovery Enforcement Act (FIRREA) acceptable to the Director of Finance.

The Director of Finance reserves the right to reject any form of collateral at any time.

CUSTODY AND SAFEKEEPING

The City's Director of Finance will designate all safekeeping arrangements. Financial institutions selected by the City's Director of Finance to perform custody and safekeeping services will be required to enter into a contractual agreement with the City.

The safekeeping institution must annually provide a copy of their most recent report on internal controls (Statement on Standards for Attestation Engagements, or SSAE 16) to the City.

All trades of marketable securities will be executed (cleared and settled) by delivery-versus-payment (DVP) or receipt-versus-payment ("RVP") basis to ensure that securities are deposited with an eligible City custodian prior to the release of funds. Securities will be held by a safekeeping agent designated and evidenced by safekeeping receipts or a statement of holdings.

REPORTING

The Director of Finance will provide a written quarterly investment report, including a management summary that provides an analysis of the status of the current investment portfolio and transactions executed over the last quarter. This management summary will be prepared in a manner which will allow the City Manager to determine whether investment activities during the reporting period have conformed to this investment policy in addition to overall portfolio performance. The report must include information regarding securities in the portfolio by class or type, book value, income earned and market value as of the date of the report. In defining market value, consideration should be given to the GASB Statement No. 31 pronouncement. All quarterly reports will be provided to the Mayor and City Council within 30 days following the end of the calendar quarter.

RECORD RETENTION

All records will be retained in accordance with the Illinois Local Records Act (50 ILCS 205), federal regulations, grant agreements or bond covenants, whichever is applicable and most restrictive

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TITLE:	**FRAUD REPORTING**	**POLICY NO.:**	**15**
APPLICABILITY:	All city	**APPROVAL DATE:**	06/04/2024
RESPONSIBILITY:	City Manager, Department Directors	**REVISION DATE:**	

POLICY

The City upholds a zero-tolerance approach regarding fraud and corruption. The City will identify and promptly investigate any suspected fraudulent or related dishonest activity against the City or other parties with whom the City has dealings. The City will take appropriate disciplinary and legal actions that may include termination of employment, restitution and prosecution.

DEFINITIONS

Fraud is any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain. Dishonest or fraudulent activities include, but are not limited to, the following:

- Forgery or alteration of documents (checks, bank draft, time sheets, invoices, agreements, etc.) or bank accounts belonging to the City;
- Misrepresentation of information on documents;
- Misappropriation of funds, supplies or assets;
- Theft, disappearance or destruction of assets;
- Improprieties in handling or reporting of money or financial transactions;
- Authorizing or receiving payments for goods not received or services not performed;
- Authorizing or receiving payment for hours not worked; or
- Inappropriate use of City records and disclosing confidential and proprietary information to outside parties.

Corruption is defined as the offering, giving, soliciting or acceptance of an inducement or reward that may improperly influence the action of a person or entity. Some examples of corruption include:

- Bribery;
- Conspiracy; or
- Extortion

RESPONSIBILITIES

It is the responsibility of the City Manager and each department director for the detection and prevention of fraud and misappropriation.

Each department director should be familiar with types of improprieties that might occur within their area of responsibility. Department directors must take appropriate corrective actions to ensure adequate controls exist and be alert for any indication of irregularity.

REPORTING

Any person who has a reasonable basis for believing fraudulent or corrupt acts have occurred has a responsibility to report the suspected act to the City Manager, immediately. Failure to report suspected fraudulent or corrupt activity in a timely manner may also be subject to disciplinary action. The procedures for doing so anonymously are laid out in Section 2.13 (Establishing Procedures for Reporting Improper Governmental Conduct and Prohibiting Retaliation against Whistleblowers) of the City's Personnel Policy Manual.

The reporting employee must refrain from further investigation of the incident, confrontation of the alleged violator, or further discussion of the incident with any party unless requested to do so by the City Manager or law enforcement.

Retaliation or retribution will not be tolerated against any person who reports suspected fraudulent or corrupt activities. However, if an employee is determined to have acted maliciously or with deceit, the employee will be subject to disciplinary action.

TITLE:	**ACCOUNTING AND FINANCIAL REPORTING**	**POLICY NO.:**	**16**
APPLICABILITY:	All City	**APPROVAL DATE:**	06/04/2024
RESPONSIBILITY:	Director of Finance	**REVISION DATE:**	

POLICY

The City will establish and maintain a high standard of internal controls and accounting practices. Accounting standards will conform to Generally Accepted Accounting Principles (GAAP) as outlined by the Government Accounting Standards Board (GASB) and reflect Best Practices recommended by the Government Finance Officers' Association (GFOA).

The Director of Finance will be responsible for the design, implementation and maintenance of internal controls and systems and for the timely preparation and fair presentation of City financial statements that are free from material misstatement.

REPORTING ENTITY

The City is a home-rule community operating under a Council-Manager form of government and provides services that include police, fire, water and sewer utility, street maintenance, community development and general administrative services.

As defined by GAAP and established by GASB, the financial reporting entity consists of the City, as well as its component units, which are legally separate organizations for which elected officials of the City are financially accountable including the Police Pension Employees Retirement System, Firefighters' Pension Employees Retirement System and the Crystal Lake Public Library.

FUND ACCOUNTING

The accounts of the City will be organized on the basis of funds and account groups, each considered to be a separate set of self-balancing accounts comprising assets, liabilities, fund balance or equity, revenue and expenditures or expenses as appropriate. Resources will be allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Funds will be grouped as follows:

- Governmental funds will be used to account for all or most of the City's general activities, including the collection and disbursement of restricted or committed monies (special revenue funds), the funds committed, restricted or assigned for the acquisition or construction of capital assets (capital projects funds) and the fund committed, restricted or assigned for the servicing of long-term debt (debt service funds). The General Fund will be used to account for all activities of the City not accounted for in some other fund.
- Proprietary funds will be used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties

(enterprise funds) or to other departments or agencies primarily within the City (internal service funds).

- Fiduciary funds will be used to account for fiduciary activities that meet the definition contained in GASB Statement No. 84, *Fiduciary Activities*. The City utilizes pension trust funds (for its Police and Firefighter's Pension Funds) and custodial funds (for its Special Service Area debt service funds), which are generally used to account for assets that the City holds in a fiduciary capacity.

Funds may be created or eliminated as needed by ordinance or through the budget ordinance.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Governmental fund financial statements will be reported using the current financial resources measurement focus and the modified basis of accounting. Revenues will be recognized as soon as they are both measurable and available. Revenues will be considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City will consider revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for sales taxes and telecommunications taxes which will use a 90-day period.

Expenditures generally will be recorded when a fund liability is incurred. However, debt service expenditures will be recorded only when payment is due.

Property taxes, sales taxes and telecommunications taxes owed to the state by others at year end, franchise taxes, licenses, charges for services and interest associated with the current fiscal period will all be considered susceptible to accrual and will be recognized as revenues of the current fiscal period. Fines and permit revenue will be considered to be measurable and available only when cash is received by the City.

The government-wide financial statements will be reported using the economic resources measurement focus and the accrual basis of accounting, as will the proprietary fund and fiduciary fund financial statements. Revenues and additions will be recorded when earned and expenses and deductions will be recorded when a liability is incurred. Property taxes will be recognized as revenues in the year for which they are levied (i.e. intended to finance). Grants and similar items will be recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Operating revenues/expenses will include all revenues/expenses directly related to providing proprietary fund services. Incidental revenues/expenses will be reported as non-operating.

The City will report unearned revenue and deferred revenue on its financial statements. Unearned revenue and deferred revenue arises when a potential revenue does not meet both the measurable and available or earned criteria for recognition in the current period. Unearned revenue also arises when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability or deferred inflow of resources for unearned revenue or deferred revenue will be removed from the financial statements and revenue will be recognized.

AUDIT REQUIREMENT

All funds and accounts of the City will be audited each year in accordance with the Illinois Municipal Auditing Law (65 ILCS 5/8) by a qualified, independent public accounting firm employed by the City. Preparation of financial statements and their accompanying notes will be the responsibility of the City.

SELECTION OF AN INDEPENDENT AUDITOR

Although it is not required by state statute, the City will secure the best audit proposal through the RFP process. Auditor independence is enhanced by rotating the audit firm when possible.

SINGLE AUDIT

Federal and state grants and other financial assistance programs provide moneys to support city programs. In the past, individual federal and state agencies providing these moneys would audit the City's expenditure of them to verify that the moneys were spent for the purposes intended and in accordance with prescribed procedures. However, since the mid-1980s the federal government has required local governments to have a *combined financial and compliance audit*, or single audit of all federal assistance programs that meet certain expenditure thresholds. When necessary, this single audit should be completed in conjunction with the annual audit of the City's finances by the independent audit firm hired by the City.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The GFOA established the Certificate of Achievement for Excellence in Finance Reporting Program to encourage and assist state and local governments to go beyond the minimum requirements of generally accepted accounting principles to prepare annual comprehensive finance reports that evidence the spirit of transparency and full disclosure and then to recognize individual governments that succeed in achieving that goal. The goal of the program is not to assess the financial health of participating governments, but rather to ensure that users of their financial statements have information they need to do so themselves. Annually, the City will seek the GFOA Certificate of Achievement for Excellence in Financial Reporting.

RECORD RETENTION

All records will be retained in accordance with the Illinois Local Records Act (50 ILCS 205), federal regulations, grant agreement or bond covenants, whichever is applicable and most restrictive.

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TITLE:	**CAPITAL ASSETS**	**POLICY NO.:**	**17**
APPLICABILITY:	All City	**APPROVAL DATE:**	04/15/2014
RESPONSIBILITY:	Department Directors	**REVISION DATE:**	06/04/2024

POLICY

Capital assets will be purchased, constructed or otherwise acquired in accordance with the City of Crystal Lake Purchase policy; authorized in accordance with approved budgets; recorded at historical cost (or estimated historical cost) and depreciated over their useful lives; recorded in proprietary or government-wide financial statements, as appropriate, in accordance with Generally Accepted Accounting Principles (GAAP); inventoried and disposed of properly with authorized sale proceeds (if any) returned to the City.

CAPITAL ASSET ACQUISITIONS, CONSTRUCTION AND IMPROVEMENTS

Capital assets may be tangible (land, buildings, building improvements) or intangible (software, water rights, easements, or other ancillary charges necessary to place the asset into service). The qualifying criteria for capital assets include:

- Cost of the individual item is greater than $25,000;
- Item is used in operations; and
- Item has an initial useful life over 2 years.

All titled property (land, vehicles, boats, etc.) will be considered capital assets regardless of cost.

Individual assets that cost less than $25,000 but operate as part of a network system may be capitalized in the aggregate, using the grouping method, if the estimated average useful life of the individual asset is at least two years. A network is determined to be where individual components may be below $25,000 but are interdependent and the overriding value to the City is on the entire network and not the individual assets (e.g. alarm monitoring equipment).

City resources expended on existing capital assets that either 1) increase capacity or serviceability, or 2) extend the asset's total estimated useful life will be classified as a capital expense. Such improvements add value: therefore, their cost will be capitalized as part of the cost of the underlying asset. Significant additions or improvements will be capitalized if:

- Cost of the improvement is greater than $25,000;
- Useful life of the asset is increased significantly;
- Quantity of units produced from the asset are increased; or
- Quality of the units produced are enhanced.

City resources expended on existing capital assets that do nothing more than return a capital asset to its original condition, regardless of amount, will be classified as maintenance and repairs. Since maintenance and repairs provide no additional value, their costs will be recognized as an expense when incurred.

Assets acquired for the purpose of sale (foreclosure properties, etc.) or investment do not qualify as capital assets, regardless of their form, because they are not used in operations.

Donated assets will be recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential or the amount at which a liability could be liquidated. Operating departments or offices must notify the Director of Finance when an asset is donated to the organization and provide supporting documentation of the donation. Guidelines for the acceptance of donations are set forth in the City's Donation Acceptance policy.

Capital assets acquired with grant funds must comply with state, federal and grantor requirements (including thresholds for capitalization) and be identified as grant funded assets in the City's capital asset accounting system.

LEASES

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the lease contract for a period of time in an exchange or exchange-like transaction. All leases subject to the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, and having a cost (or estimated cost) of $25,000 or greater will be classified as Lease Assets and recorded in the City's capital asset accounting system.

Leasehold improvements to non-City leases will be capitalized and amortized over the lesser of, the estimated life of the asset or the life of the lease.

ESTIMATED USEFUL LIVES

The Assistant Finance Director will be responsible for determining the estimated useful life of assets purchased, constructed or otherwise acquired. The best source for determining the estimated useful life of a capital asset will be the City's own experience with similar assets. The following factors should be considered when determining an asset's estimated useful life:

- Quality – similar assets (roads, bridges) sometimes have substantially different useful lives because of differences in materials, design and workmanship (asphalt vs concrete);
- Application – how an asset is used may significantly affect its useful life;
- Environment – environmental differences may affect an asset's useful life;
- Industry Standard – GAAP, GASB and best practices by the GFOA may provide a recommended useful life by capital asset type.

The following ranges are guidelines in setting estimated useful lives for depreciating assets.

- Buildings and building improvements – 25 to 50 years
- Improvements other than buildings – 10 to 30 years
- Depreciable Infrastructure – 20 to 50 years
- Machinery and Equipment – 3 to 20 years
- Intangible assets with definite useful lives – actual life of intangible asset
- Leasehold improvements – lesser of life expectancy or actual term of lease

Capital assets still in service, but fully depreciated, will remain on the books until disposed. Actual useful life may prove to be longer than estimated useful life and can generally be justified on the basis of

immateriality. A significant number of fully depreciated capital assets may suggest the need to reassess average estimated useful life categories and be adjusted to reflect the City's actual experience.

DEPRECIATION OF CAPITAL ASSETS

The useful life of an asset is the period of time over which the asset will be depreciated. Salvage value of an asset is the estimated value it will have when it reaches the end of its useful life.

The City depreciates capital assets using the straight-line method over an estimated useful life with zero salvage value. All assets will be depreciated with a full year of depreciation recorded in the year the asset is placed in service. No depreciation will be recorded in the year of disposal.

DISPOSAL OF CAPITAL ASSETS

Capital assets, including those to be auctioned, will be disposed of according to the City's Surplus Personal Property Disposal policy and procedures. The Assistant Finance Director will be responsible for removing capital assets from the City's capital asset accounting system. Any proceeds from sales or insurance recoveries will be recorded as revenue in the appropriate fund.

A gain or loss will be recorded in the City's financial system when a capital asset is sold or traded for an amount that is different than its net book value.

This policy is not applicable to capital assets acquired using federal funds or property seized by the City's Police Department.

IMPAIRMENT OF A CAPITAL ASSET

Asset impairment is a significant, unexpected decline in the service utility of a capital asset. Governments generally hold capital assets because of the services the capital assets provide; consequently, capital asset impairments affect the service utility of the assets. The events or changes in circumstances that lead to impairments are not considered normal and ordinary. That is, at the time the capital asset was acquired, the event or change in circumstance would not have been expected to occur during the useful life of the capital asset. Common indicators of impairment include:

- Evidence of physical damage, such as for a building damaged by fire or flood, when the level of damage is such that restoration efforts are needed to restore service utility;
- Enactment or approval of laws or regulations or other changes in environmental factors, such a new water quality standards that a water treatment plant does not meet (and cannot be modified to meet);
- Technological development or evidence of obsolescence, such as that related to a major piece of diagnostic or research equipment (for example, a magnetic resonance imaging machine or a scanning electron microscope) that is rarely used because newer equipment provides better service;
- A change in the manner or expected duration of use of a capital asset, such as closure of a school prior to the end of its useful life; or
- Construction stoppage, such as stoppage of construction of a building due to lack of funding.

A temporary decline in service utility, decline in appraised value, change in estimated useful life or unanticipated increases in construction costs are not considered to be impairments.

Any impaired asset must be reported to the Assistant Finance Director for review, appropriate accounting entries and financial statement disclosure requirements. The Assistant Finance Director is responsible for ensuring compliance with Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*.

PHYSICAL INVENTORY

City departments and offices will conduct a physical inventory of capital assets to verify their existence, location and physical condition. The Assistant Finance Director should provide a list of assets to each department director or office for verification annually. The Assistant Finance Director will be responsible for adjusting the City's capital asset records based on the results of each department director or office's inventory validations and for following up on missing items.

CAPITAL ASSET ACTIVITY REPORTING

Capital asset records will be summarized for inclusion in the Annual Comprehensive Financial Report (ACFR) footnotes, based on generally accepted accounting principles (GAAP). The Assistant Finance Director will maintain separate schedules for each proprietary fund and for all governmental fund capital assets. Schedules will include beginning balances, additions, deletions and ending fund balances. Interest incurred during the construction of capital assets utilized by the enterprise fund will be capitalized.

RECORD RETENTION

All records will be retained in accordance with the Illinois Local Records Act (50 ILCS 205), federal regulations, grant agreement or bond covenants, whichever is applicable and most restrictive.

DEFINITIONS

Accounts Payable (AP) – the money the City owes to its vendors for goods or services purchased on credit.

Accounts Receivable (AR) – an amount due for goods and/or services provided but not yet paid.

Accrual Basis of Accounting – requires that revenues be reported when they are earned and become measurable even if they have not actually been collected. Likewise, expenses are recorded during the accounting period when they are incurred as long as they are measurable.

Ad Valorem Property Tax – tax based on the assessed value of real estate.

Advanced Refunding - a strategy that allows the City to refinance its existing debt by issuing new bonds. The refunded bonds are redeemed more than 90 days from the date the refunding bonds are issued.

Aged Accounts Receivables – accounts receivables that are categorized according to the length of time that an invoice has been outstanding or not paid.

Aging Report – a report that lists unpaid customer invoices by date ranges used to determine which invoices are overdue for payment.

Amnesty Program – a program by which pardon is granted to a large group of individuals.

Amortization – the accounting process of reducing the value of an intangible asset (i.e. right to use) in a lease over the course of the agreement.

Annual Comprehensive Financial Report (ACFR) – a set of government financial statements that complies with accounting requirements established by the Governmental Accounting Standards Board (GASB).

Appropriation – a sum of money or total of assets devoted to a special purpose.

Arbitrage - is purchasing a security in one market and simultaneously investing it in another market, such as a savings or money market account, and profiting from the temporary difference in prices.

Arbitrage Rebate Requirement – certain arbitrage earnings must be paid or “rebated” to the U.S. Treasury.

Assessed Value- dollar value assigned to a home or piece of property for property tax purposes.

Asset – anything that has current or future economic value to the City.

Asset-Backed Securities – bonds or notes backed by financial assets consisting of receivables other than mortgage loans, such as credit card receivables, auto loans, manufactured-housing contracts and home-equity loans.

Audited Financial Statements- any financial statement that a certified public accountant (CPA) has audited.

Authorized – having official permission or approval.

Automated Clearing House (ACH) – a direct payment method that can electronically transfer money between banking networks in the United States.

Award – notice from the grantor that the City has been approved for grant funding from the grantor.

Bad Debt – an accounts receivable that is unlikely to be paid, which is treated as a loss and expensed on the income statement.

Balanced Operating Budget – a financial plan where the estimate of recurring revenues equal or exceed the estimate of recurring expenditures.

Banker's Acceptance – a negotiable piece of paper that functions like a post-dated check. A bank, rather than an account holder, guarantees the payment.

Bankruptcy – a legal proceeding initiated when a person or organization is unable to pay outstanding debts or obligations. Chapter 7 Bankruptcy allows the applicant to dispose of unsecured debts after liquidating nonexempt assets such as family heirlooms, second homes or investments like stocks or bonds. Businesses often file for Chapter 11 bankruptcy with the goal of reorganizing and remaining in business. Individuals who make too much money to qualify for Chapter 7 bankruptcy may file under Chapter 13, also known as a wage earner's plan. It allows individuals, as well as businesses, with consistent income to create workable debt repayment plans.

Broker – a person or organization that acts as an intermediary between an investor and a securities exchange. A broker helps perform financial transactions on behalf of a client, such as buying or selling stocks, bonds or other assets.

Budget – a financial plan used to estimate revenues and expenditures for a specific period of time.

Budget Cycle – represents the timeframe covered by the budget.

Budgetary Allocation – amount of funding designated to an item or program.

Blanket Authority – direct authority to act without having to gain approval for each transaction.

Bond – a fixed-income instrument that represents a loan made by an investor to a borrower (typically corporate or governmental).

Bond Counsel – an attorney or team of attorneys that specialize in local government debt financing.

Bond Covenants – legally binding terms of agreement between a bond issuer and a bondholder or investor. They are designed to protect the interests of both parties by restricting or requiring certain actions from the issuer.

Bond Insurance – a type of insurance policy that a bond issuer purchases that guarantees the repayment of the principal and all associated interest payments to the bondholders (investors) in the event of a default.

Bond Issuance Cost – fees associated with the issuance of bonds by an issuer to investors.

Bond Rating – a letter-based credit scoring scheme used to judge the quality and creditworthiness of a bond. Investment grade bonds are assigned "AAA" to "BBB-" ratings from Standard & Poor's and Fitch, and "Aaa" to "Baa3" ratings from Moodys.

Bond Yield – the return an investor realizes on an investment in a bond.

Brooks Act – federal law that requires the U.S. government to select engineering and architecture firms based upon their competency, qualifications and experience rather than by price.

Cannibalize – to take salvageable parts from something, such as a disabled machine for use in repairing another machine.

Capital Assets – assets used in operations and have an initial useful life in excess of two (2) years. Assets include, but are not limited to:

- Land, land improvements, easements
- Buildings, building improvements
- Equipment, vehicles, machinery, works of art and historical treasurers
- Various intangible assets (software)
- Infrastructure (roads, bridges, trails, tunnels, drainage systems, lighting systems)

Capitalize – to record an expenditure as an asset. The cost of this asset is then allocated to expense over its useful life.

Capitalized Interest – the unpaid amount of interest that is added to the principal balance.

Cardholders – City of Crystal Lake employees who are issued a City credit card and make purchases on behalf of the City.

Cash Receipts – cash, checks, money orders, credit/debit card payments, Electronic Fund Transfers (EFTs) or other acceptable payment types.

City Council – the legislative body of the City.

Code of Federal Regulations (CFR) – general and permanent regulations promulgated by executive departments and agencies of the federal government.

Collateral – an item of value pledged as security.

Collection Agency – an entity used by the City to recover funds that are past due.

Commercial Paper – an unsecured, short-term debt instrument issued by corporations.

Community Reinvestment Act (CRA) Rating – a performance rating that reflects how well a depository institution is meeting its responsibilities to meet the credit needs of the communities where they are chartered.

Competitive Bid Process – a form of solicitation that is used in the procurement of goods and services.

Competitive Sale – a method of offering municipal bonds where the bonds are advertised for sale. The advertisement, by way of a notice of sale, includes both the terms of the sale and the terms of the bond issue. Any broker dealer or dealer bank may bid on the bonds at the designated date and time. The bonds are awarded to the bidder offering the lowest interest cost.

Component Unit – a legally separate organization for which the elected officials of the City are financially accountable. A component unit may also include an organization that has a significant relationship with the City, such that excluding it from the financial statements would be misleading.

Consignment – an arrangement in which goods are left in the possession of an authorized third party to sell.

Contract – any written legal document or documents signed by both parties in which terms and conditions are clearly stated.

Contractor – a person or company that undertakes a contract to provide materials or labor to perform a service or do a job.

Control Account - an account used to record the balance of subsidiary accounts.

Corporate Authorities – the governing body of the City.

Counterfeit – made in exact imitation of something valuable or important with the intention to deceive or defraud.

Credit – a balance in a person's favor in an account.

Credit Card Administrator – a staff member in the Finance Department who administers the City's credit card program.

Credit Enhancement – a strategy for improving the credit risk profile of an organization usually to obtain better terms for repaying debt.

Current Financial Measurement Focus – cash and/or assets that are expected to be converted to cash within the accounting period, or shortly thereafter. This measurement looks at whether the financial resources obtained during the accounting period are enough to cover all claims made against the fund during the same period. Long-term capital assets and obligations are not reported.

Current Refunding - a strategy that allows the City to refinance its existing debt by issuing new bonds. The refunded bonds are redeemed within 90 days from the date the refunding bonds are issued.

Custodian – a person or organization that has custody, care or legal responsibility for a variety of assets, including financial assets.

Customer – a person or organization that purchases goods or services from the City.

Debt – something, typically money, that is owed or due.

Debt Structure – features of debt such as maturity, principal repayment terms and prepayment provisions.

Debtor – a person or organization that owes money to the City.

Defaced – to spoil the surface or appearance of (something), for example by drawing or writing on it.

Deferred Inflow of Resources – acquisition of net assets by the City that are applicable to a future reporting period.

Deferred Outflow of Resources – consumption of net assets by the City that are applicable to a future reporting period.

Deferred Revenue – revenue that has not yet been earned, but represents goods or services owed to the customer.

Delinquent – being overdue in payment

Deliverable – an accomplishment achieved through an awarded grant. Deliverables are typically reported back to the grantor as proof of the City's effective use of funds.

Delivery-Versus-Payment (DVP) – a securities industry settlement method that guarantees the transfer of securities only happens after payment has been made.

Deposit – a sum payable as a first installment on the purchase of something or as a pledge for a contract, the balance being payable later or a sum of money placed or kept in a bank account, usually to gain interest.

Depository – a facility or institution that holds and safeguards money or securities.

Depreciation – an accounting practice used to spread the cost of a tangible or physical asset over its useful life. Depreciation represents how much of the asset's value has been used up in any given time period.

Derivative Products – a type of financial contract whose value is dependent on an underlying asset, group of assets or benchmark.

Direct Debit – a financial transaction in which the City withdrawals funds from a payer's bank account.

Direct Placement – sale of an issue of debt securities to a single buyer or to a limited number of buyers without a public offering.

Disbursement – the payment of money from a fund.

Discount Bond – a bond that is purchased for less than its face value.

Donation – a charitable gift that is given to the City. It can be in the form of cash, kind, property or services.

Donation Agreement – a contract between the City and a donor that establishes proof of a donation. It outlines the donation terms, such as how much money will be given and the intended use for the donation.

Due Diligence – reasonable steps taken by a person in order to satisfy a legal requirement, especially in buying or selling something.

Economic Financial Measurement Focus – all assets that are available to the City, not only cash or soon to be cash assets. Both long-term assets and long-term liabilities are measured and depreciation is recorded as a cost of operations.

Electronic Funds Transfer (EFT) – the electronic transfer of money between people, banks and organizations.

Employees – this term refers to all City of Crystal Lake employees including elected and appointed officials.

Economic Cycle – the fluctuating state of an economy.

Encumbrance – an accounting term that refers to a portion of the budget that is set aside for spending required by contract, but has not yet been paid out.

Enterprise Fund – a type of fund used in governmental accounting to account for activities that provide goods or services to the public for a fee such as the City's Water and Sewerage Fund. The fund is self-supporting and uses the same accounting framework followed by private sector entities.

Enterprise System – public services such as water and sewerage works that generates sufficient revenues to pay for its cost.

Environmental Protection Agency (EPA) – the primary body concerned with the protection of the environment for the state of Illinois.

Escrow Agent – a third party, a person or entity, which holds an asset or funds before they are transferred from one party to another.

Fair Presentation – the requirement that the City's financial statements should be presented in a fair way to all relevant users of these statements. In other words, these statements should not be misleading.

Federal Deposit Insurance Corporation (FDIC) – a United States government corporation that insures deposits in U.S. banks and thrifts in the event of bank failures.

Fiduciary – a person or organization that acts on behalf of another person or persons, putting their clients' interests ahead of their own, with a duty to preserve good faith and trust.

Fiduciary Funds - used to account for funds held in the interest of a third party. These aren't reported in government-wide financial statements since they're not government-owned assets (i.e. pension funds).

Financial Assets - liquid assets that get their value from a contractual right or ownership claim. Cash, stocks, bonds, mutual funds and bank deposits are all examples of financial assets. Unlike land, property, commodities or other tangible physical assets, financial assets do not necessarily have inherent physical worth or even a physical form. Rather, their value reflects factors of supply and demand in the marketplace in which they trade, as well as the degree of risk they carry.

Financial Industry Regulatory Authority (FINRA) – a government-authorized not-for-profit organization that oversees U.S. broker-dealers and works to ensure fair and honest financial markets.

Financial Institution – an entity that offers financial services to customers, such as individuals or organizations.

Financial Risk – the possibility of losing money.

Fiscal Year – a period of time lasting one year but not necessarily starting at the beginning of the calendar year.

Float – refers to money that is double counted due to delays in the process of deducting funds from the payer and the depositing of funds to the payee.

Forfeiture – a legal process that involves the removal of ownership of an asset from individuals who used it illegally, received or derived it from illicit activity, or employed it to facilitate a crime.

Fraud – deliberate deception to secure unfair or unlawful gain including monetary gain or other benefits. An illegal act committed intentionally.

Full Disclosure – a principle stating that all information should be included in the City's financial statements that would affect a reader's understanding of those statements. It is customary to disclose information about events that are likely to have a material impact on the City's financial position or financial results.

Fund – a self-balancing set of accounts recording cash and other financial resources, together will all related liabilities and residual equities or balances, and changes therein.

Fund Balance – the difference between assets and liabilities.

Non-spendable fund balance – amounts cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted fund balance – amounts are restricted by external parties (i.e. creditors, grantors contributors) or laws or regulations of other governments, or restricted by law through constitutional provisions or enabling legislation, such as an ordinance.

Committed fund balance – amounts that can only be used for a specific purpose pursuant to constraints imposed by formal action of the City Council.

Assigned fund balance – amounts constrained by the City's intent to be used for specific purposes that are neither restricted nor committed. The intent can be expressed by 1) the City Council or 2) a body or official to whom the City has delegated authority.

Unassigned fund balance – the total fund balance in the General Fund in excess of non-spendable, restricted, committed and assigned fund balance.

General Fund – the primary fund used by the City to account for ordinary operations and is financed from taxes (income tax, sales tax, use tax, etc.) as well as other general revenues (fines, fees, interest, etc.). The General Fund covers core administrative and operational tasks of the City such as police, community development and public works.

General Ledger – a complete record of all the City's financial transactions.

Generally Accepted Accounting Principles (GAAP) – a set of accounting rules, standards and procedures widely used in governmental accounting.

General Obligation (GO) Bonds – bonds that are backed by the full faith and credit of the City.

Gift – something given to someone, without payment, as a present or token of appreciation.

Governmental Accounting Standards Board (GASB) – the organization that determines and updates generally accepted accounting principles (GAAP) for government entities.

Governmental Funds – used by the City to provide services whose expenditures aren't met by the fees that are charged for those services.

Governmental Joint Purchasing Act (30 ILCS 525) – authorizes certain governmental units to purchase personal property, supplies and services jointly with one or more other governmental units.

Government Finance Officers' Association (GFOA) – a professional association that represents public finance officials throughout the United States and Canada. The GFOA's mission is to advance excellence in public finance.

Government-wide Financial Statements – financial statements which incorporate all of a government's governmental and business-type activities, as well as it non-fiduciary component units. There are two basic government-wide financial statements: the statement of net position and the statement of activities.

Grant – an amount of money given by a person or organization for a specific purpose linked to public benefit.

Grant Agreement – a contract between a grantor and the City that sets the terms and conditions of a grant, including what it can be used for.

Grantor – the external entity awarding a grant.

Historical Cost – all costs required to place a capital asset in service.

Home Rule – a system that allows local government units a certain amount of autonomy or self-government.

Identity Theft – the fraudulent acquisition and use of a person's private identifying information, usually for financial gain.

Illinois Municipal Retirement Fund (IMRF) – a multi-employer public pension fund that administers a program of disability, retirement and death benefits for employees of local government in Illinois.

Illinois Pension Code – a set of laws that determines how various pension plans operate and provide benefits to eligible employees and their dependents in the state of Illinois.

Illinois Records Act – a law that regulates the preservation and disposal of public records for all units of government in the state of Illinois.

Immateriality – unimportant under the circumstances; irrelevant.

Impairment – an accounting principle that describes a sudden and permanent reduction in the value of an existing capital asset.

Incidental Expenses – minor expenditures.

Indirect Costs – represents the expenses of doing business that are not readily identified with a particular grant, contract, project function, or activity, but are necessary for the general operation of the City and the conduct of activities the City performs.

Intact – not damaged or impaired in any way; complete.

Interest – money that is earned from keeping funds in an account in a bank or other financial organization.

Interfund Loan – borrowings or advances from one fund to another fund.

Intergovernmental Cooperation Act (5 ILCS 220) – authorizes governmental units to enter into agreements with other governmental units.

Intergovernmental Personnel Benefit Cooperative (IPBC) – a partnership of local government entities in Illinois that are committed to the philosophy of risk pooling and working together to provide cost-effective health and related benefits to employees.

Internal Controls - procedures used to make sure that assets of the City are protected and its financial and accounting records are accurate and reliable.

Internal Revenue Code (IRC) – part of federal law that covers all types of taxes in the United States.

Internal Revenue Service (IRS) – a U.S. government agency that operates under the Department of the Treasury and is responsible for the collection of taxes and enforcement of tax laws.

Investment Advisor – a person or organizations who are paid for providing advice about securities to their clients. Investment advisors are registered with the government and are authorized to choose, manage and recommend investments for clients. They work with clients to determine the best investments for their portfolio based on their financial situation and investment goals.

Investment Grade Securities – government and private fixed income securities, such as bonds and notes, having a low risk of default. Investment grade is determined based on a relative scale by credit rating agencies such as Standard & Poor's (S&P), Moody's and Fitch.

Invoice – a document that lists the goods purchased or services performed, and reflects how much money is owed.

Lapping Receipts – a fraudulent practice that involves altering accounts receivables to hide stolen cash. The method involves diverting a payment from one customer, and the hiding the theft by diverting cash from another customer to offset from the first customer.

Lease – a contract by which one party conveys land, property, services, etc. to another for a specified time, usually in return for a periodic payment.

Letter of Credit – a letter issued by a bank to serve as a guarantee for payments to a specified person under specified conditions.

Liability – something a person or company owes, usually a sum of money.

Lien – a right to keep possession of property belonging to another person until a debt owed by that person is discharged.

Local Government Investment Pool – a voluntary investment vehicle that combines the cash of participating local governments to purchase securities allows under the state's laws.

Local Government Professional Services Selection Act – mandates non-home rule units of local government to select architectural, engineering and land surveying services on the basis of demonstrated competence and professional qualifications and at fair and reasonable compensation.

Local Government Prompt Payment Act – a statute that applies to any purchase of construction services by the City. The act was created to ensure prompt payment to contractors who enter into an agreement with local government entities for construction services.

Lodging – a place someone pays to stay while they are away from home.

Loyalty Points – a rewards system where customers earn points based on specific actions or purchase amounts. These points can later be redeemed for discounts, products or other incentives.

Material Misstatement – information in the financial statements that is sufficiently incorrect that it may impact the economic decisions of someone relying on those statements. For example, a material misstatement of revenue could trigger a decision to buy a company's stock, causing losses for the investor when the misstatement is later corrected and the price of the stock declines.

Merchant Category Code (MCC) – These codes specify the type of business the vendor engages in (i.e. airlines, medical services, retail stores, restaurants, etc.)

Misappropriation – the unauthorized use of another's property or funds, especially by someone who has a duty to protect them, for one's own benefit or other improper use. It is a fraudulent and illegal act that can result in harm to the owner of the property or funds.

Modified Accrual Basis of Accounting – requires that revenues be reported when they actually become available and measurable. Revenues can be reported as collected if they are expected to be collected soon enough after the current accounting period to be available to pay current year liabilities.

Money Market Mutual Funds – a kind of mutual fund that invests in highly liquid, near-term instruments. These instruments include cash, cash equivalent securities and high-credit-rating, debt-based securities with a short-term maturity (such as U.S. Treasuries).

Mortgage-Backed Security – a type of investment that is made up of a bundle of home loans bought from bank that issued them.

Municipal Advisor – a professional financial consultant that works directly with the City and in the City's best interests.

Municipal Code – laws that are enacted and enforced by the City of Crystal Lake.

Municipal Securities Rulemaking Board (MSRB) – a regulating body that creates rules and policies for investment firms and banks in the issuing and sale of municipal bonds, notes and other municipal securities.

Mutual Fund – a financial vehicle that pools assets from shareholders to invest in securities like stocks, bonds, money market instruments and other assets.

Negative Arbitrage – a situation where the issuer pays more interest on its debt than it earns on the money that will be used to repay the debt. This can happen when the issuer holds the debt proceeds in escrow until a project can be funded or outstanding bonds redeemed, and the prevailing interest rates fall during this period.

Negotiated Sale – a method of offering municipal bonds where the issuing entity and a selected underwriter negotiate the terms of the issue. In a negotiated sale, an underwriter is selected to purchase the bonds, and the terms of the bonds are tailored to meet the demands of the underwriter's investor clients, as well as the needs of the issuer.

Net Book Value – the net worth or the carrying value of an asset reported in the City's financial statements. It is calculated by subtracting an asset's accumulated depreciation from its purchase price.

Net Present Value – the value of future cash flows over the life of an investment discounted to the present.

Non-mandatory Training – training that is not required. It is voluntary, and employees can choose whether to participate or not. Non-mandatory training might include topics like leadership development or professional development. While non-mandatory training isn't required, it may be encouraged as a way for employees to further their skills and development.

Outstanding – remaining to be paid, done or dealt with.

Par Amount – face value of a bond.

Past Due – an amount for which payment has not been received by the payment due date.

Pay-as-you-go – the use of current financial resources to fund capital projects, including current revenues, fund balances, grants and donations.

Payment Card Industry Data Security Standards (PCI DSS) – set of requirements intended to ensure that all organizations that process, store or transmit payment card information maintain a secure environment to protect the payment card information provided by cardholders.

Petty Cash – money that the City keeps on hand to make small purchases and reimbursements.

Portfolio – a person's or organization's entire collection of investments or financial assets, including stocks, bonds, real estate, mutual funds and other securities.

Premium Bond – a bond that is purchased for more than its face value.

Primary Dealer – a firm that buys government securities directly from a government, with the intention of reselling them to others, thus acting as a market maker of government securities.

Principal – face value or par value of a bond.

Private Activity Bond – a bond that primarily benefits a private entity.

Procedure – a series of actions conducted in a certain order or manner.

Procurement Officer – the person responsible for overseeing operations related to purchasing.

Proprietary Funds – used to account for "business-type" activities, where the services are completely paid for by charges to the customer (i.e. water and sewerage services).

Public Act (P.A.) 102-0265 – an act that mandates the City to make a good faith effort to collect and publish certain demographic information provided by vendors and subcontractors doing business with the City. Specifically, the City must make a good faith effort to collection information as to whether the vendor or subcontractor is a minority-, women-, or veteran-owned business.

Public Funds – funds controlled by the City.

Public Funds Investment Act (30 ILCS 235) – an act that governs the investment of government funds in Illinois. The Act requires the City to adopt an investment policy and limits the types of investments that the City may authorize under its investment policy. The Act requires the City to invest public funds under its control with the same prudence and discretion as private persons would manage their own affairs.

Qualification-Based Selection (QBS) – a procurement process established by the United States Congress as part of the Brooks Act and further developed as a process for public agencies to use for the selection of architectural and engineering services for public construction projects.

Rating Agency – an organization such as Standard & Poor's (S&P), Moody's and Fitch that calculates the risk that a bond or other debt will not be paid back. The rating agency uses a system of letters or symbols to show the level of risk.

Reasonableness – this term refers to the amount that would ordinarily be paid for like services by like organizations in like circumstances. The *Reasonableness Test* includes:

Amount test – focuses on the reasonableness of the total amount paid.
Purpose test – examines the services for which compensation was paid.

Recurring Expenditures – normal, ongoing expenses required for operating the City.

Recurring Revenue – the portion of the City's revenue that is expected to continue in the future.

Reconciliation – the action of making financial accounts consistent.

Red Flags Rule – a regulation established by the U.S. Federal Trade Commission (FTC) to help prevent identity theft.

Referendum – a general vote by the electorate on a single political question that has been referred to them for a direct decision.

Refunding – the act of refinancing outstanding bonds by issuing new bonds.

Repurchase Agreement – a short-term lending mechanism that involves a bank selling securities, usually government bonds or other debt instruments with steady values, to an investor and then buying them back a short time after at a slightly higher price.

Reserve – to retain for future use.

Restitution – compensation or reward given for loss or harm suffered.

Restrictive Endorsement – an endorsement signature or stamp on the back of a check that restricts the further negotiation of an instrument (i.e. “for deposit only”).

Risk-Adjusted Return – a calculation of the profit or potential profit from an investment that takes into account the degree of risk that must be accepted in order to achieve it.

Revised Uniform Unclaimed Property Act (RUUPA) – a law that requires holders of unclaimed property to turn it over to the state unclaimed property administrator after a suitable dormancy period so the administrator can attempt to reunite the property with its rightful owner.

Safekeeping – the storage of assets or other items of value in a protected area like a bank or brokerage firm. Financial institutions are custodians and are therefore legally responsible for any items in safekeeping.

Salvage value – the estimated value of an asset at the end of its useful life.

Secondary Market – where bonds are bought and sold between investors typically through a broker.

Securities – financial instruments traded by investors.

Securities and Exchange Commission (SEC) – an independent federal government agency that regulates the securities industry and protects investors from fraud and unfair business practices.

Settlement – an official agreement intended to resolve a dispute or conflict.

Single Audit – a rigorous, organization-wide audit or examination of the City when it expends $750,000 or more in federal assistance funds.

Solvency – quality or state of being able to pay debts or meet financial obligations.

Stale Dated Check – a check presented at the paying bank after a certain period (typically 90 days) of its payment date.

Statement on Standards for Attestation Engagements No. 16 (SSAE 16) – a set of standards developed specifically for certified public accountants (CPAs) to evaluate an organization’s internal controls and how service companies report on these controls.

Statute – a written law passed by a legislative body.

Straight Line Depreciation – a commonly used and straightforward method of allocating the cost of a capital asset. It is calculated by dividing the cost of an asset, less its salvage value, by the useful life of the asset.

Subordinate – to become secondary.

Subsidiary Accounts – accounts used to track information at a very detailed level for certain types of transactions such as accounts receivable.

Surplus Personal Property – property the City does not need. Personal property includes assets ranging from office equipment and furniture to equipment, heavy machinery, vessels and vehicles.

Taxpayer Identification Number (TIN) – an employer identification number (EIN) or a social security number (SSN), depending on the entity type that is registered with the Internal Revenue Service.

Time Deposit – a deposit in a bank account that cannot be withdrawn before a set date or for which a notice of withdrawal is required.

Time Value of Money (TVM) – a concept that a sum of money is worth more now than the same sum will be at a future date due to its earnings potential in the interim.

Travel Advance - a sum of money paid to an employee traveler prior to a business trip. The advance is meant to cover reimbursable expenses such as meals, transportation, lodging and incidental items.

True Interest Cost (TIC) – the real total cost of debt that includes all subsidiary costs like discount costs, prepaid interest and finance charges along with other factors that are related to the time value of money (TVM).

Uncollectible – not capable of or suitable for being collected.

Undertaking – a written promise offered as security for the performance of a particular act required in a legal action.

Underwriter – a middleman who buys securities at a discount from the bond issuer and then resells them to potential investors.

U.S. General Services Administration (GSA) – a federal agency that provides management best practices for the United States government and military organizations.

U.S. Government Agency Obligation – debt obligations issued by government-sponsored enterprises (GSEs) or U.S. government agencies. GSEs include the Federal Home Loan Banks (FHLB) and Federal Farm Credit Banks (FFCB). The Federal National Mortgage Association (FNMA or Fannie Mae) and the Federal Home Mortgage Corporation (FHLMC or Freddie Mac) are privately owned corporations created by the federal government to provide liquidity and increase available credit in mortgage markets. Federal agencies like the Government National Mortgage Association (GNMA or Ginnie Mae) are backed by the full faith and credit of the U.S. government.

U.S. Treasury Obligation – federally guaranteed obligations offered by the U.S. Treasury. The best-known forms of these obligations are: U.S. Treasury bonds, Treasury notes and Treasury bills (T-bills). Treasury bills are short-term obligations that mature anywhere between a few days to 52 weeks. Treasury notes are medium-term securities that take between two and 10 years to mature. Treasury bonds have the longest lifetime and mature in 30 years.

Useful Life – the estimated life of a capital asset for financial reporting purposes.

Vendor – a contractor or supplier of goods and services.

Verification Agent – a person or organization who is responsible for independently confirming that investments purchased for an escrow fund will be sufficient to fund debt service payments on refunded bonds, up to and including the date the refunded bonds are redeemed.

W-9 Form – an Internal Revenue Service form used to obtain a vendor's taxpayer identification number (TIN) and legal name.

Weighted Average Maturity – a measure of the average time until securities in a portfolio mature, with each security's weight in the averaging process being proportional to its market value.

Write-Off – a transaction that removes an amount which management has determined to be uncollectible. Writing off the debt for accounting purposes does not discharge the debt. The debt is still owed to the City but is no longer reported on the City's books as a receivable.

Yield Restriction – a general requirement under the Internal Revenue Code (IRC) that limits the amount of interest that may be earned by the City on idle bond proceeds.