



ORDINANCE 2025-01

**REGULATING FINANCIAL
CONTROLS**

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Introduction

This manual has been prepared to document the internal accounting procedures for the Byron Park District. Its purpose is to ensure that assets are safeguarded, that financial statements are in conformity with generally accepted accounting principles, and that finances are managed with responsible stewardship.

All personnel with a role in the management of the Byron Park District fiscal operations are expected to uphold the policies in this manual. It is the intention of the Byron Park District that this manual serves as our commitment to proper, accurate financial management and reporting.

Division of Duties

The following is a list of personnel who have responsibilities associated with the fiscal management of the Byron Park District:

- I. Park Board:
 1. Review and approve the annual budget;
 2. Review and approve the monthly Treasurer's Report and other financial reports;
 3. Review and approve the monthly list of expenditures;
 4. Approve and issue bonds, referenda and grants; and
 5. Authorize and approve an annual audit of the District's financial performance.

- II. Board President:
 1. Sign financial documents, authorized contracts and all other such documents that by law or Park Board policy require a signature; and
 2. Is a signatory on the Park District's General Account.

- III. Board Treasurer:
 1. Work with the Executive Director and the Business Manager to develop and monitor the financial policies of the District;
 2. Work with the Executive Director and the Business Manager to develop and maintain the annual budget;
 3. Work with the Auditor to insure compliance with financial related policies and procedures;
 4. Is a signatory on the Park District's General Account;
 5. Sign as needed, all appropriate financial documents; and
 6. With the Executive Director and the Business Manager, submit a monthly Treasurer's Report showing all receipts and expenditures as well as any other financial documents or financial information as requested by the Park Board.

- IV. Executive Director:
 1. With the Business Manager, and input from the program and facility staff, develop the annual budget;
 2. Review and approve financial reports;
 3. Review and approve the monthly list of expenditures;
 4. Authorize all inter-fund transfers;
 5. Is a signatory on the Park District's General Account;
 6. Periodically review the payroll summary for the correct payee, hours worked and check amount; and
 7. Review and approve all wire transfers.

8. Review and reconcile daily cash balance reports with shift deposit and makes periodic bank deposits.

V. Business Manager:

1. Process all disbursements, including wire transfers;
2. Process the payroll, including all payroll taxes, voluntary payroll deductions, and direct deposits;
3. Maintain and reconcile the general ledger monthly;
4. Prepare all financial reports;
5. Reconcile the Park District's General Account;
6. Reconcile monthly deposits;
7. Reconcile the credit card statements;
8. Receives and opens all incoming mail;
9. Disburse invoices to Department Heads and Managers for coding; and,
10. Review and reconcile daily cash balance reports with shift deposit and makes periodic bank deposits.

VI. Facility/Marketing/Program Managers:

1. Review and code all invoices, receipts, purchase orders and check requests;
2. With the Executive Director, develop the annual budget for their respective areas;
3. Approve part-time employees' timecards.

VII. Auditor

1. Audit the District's financial records in accordance with the laws of the State of Illinois using generally accepted auditing and accounting principles and render the appropriate reports to the Park Board; and
2. Submit a Management Letter reporting any deficiencies or concerns with the District's internal controls, accounting policies and procedures or operating policies noted during the audit.

Cash Receipt Procedures

All payer sourced documents (registration forms, invoices, credit card receipts, etc.) must be maintained by the respective collecting area (Administrative Office, Facility, etc.) and used in preparation of the deposit.

I. Administrative Office:

1. Checks received via mail:
 - a. Disburse to respective facility/program manager.
 - b. Deposit in the Park District's General Account on the next business day.
2. Cash:
 - a. Disburse to respective facility/program manager.
 - b. Deposit in the Park District's General Account on the next business day.
3. Wire Transfers (In):
 - a. Review and verify with Executive Director.
 - b. Attach copy of wire transfer notice from the bank to general ledger.

II. Facilities:

1. Payment/Registration fees paid in cash:
 - a. Complete registration requirements in ActiveNet;
 - c. Put cash in cash drawer; and
 - d. Print a receipt and present to the customer.
2. Payment/Registration fees paid by check:
 - a. Complete registration requirements in ActiveNet;
 - b. Endorse check with "Byron Park District Deposit Only" stamp;
 - c. Secure check in the cash drawer; and
 - d. Print a receipt and present to the customer.
3. Payment/Registration fees paid by credit card:
 - a. Complete registration requirements in ActiveNet;
 - b. Print two copies of credit card receipt:
 - One receipt for the customer;
 - One receipt for customer to sign;
 - c. Customer signed receipt goes in cash drawer until end of shift; and
 - d. Signed copy of receipt should be attached to the Daily Cash Balance Report.

III. Gift Cards

1. Complete registration requirements in ActiveNet.
2. Input gift certificate information; if necessary leave a credit on customers account.
3. If a physical gift certificate was redeemed, it should be put in the cash drawer until the employee's shift is over and attached to the Daily Closing report.
4. Redemption of gift certificate: A gift certificate must be used for a Park District "service". The certificate may not be redeemed for cash.

IV. Void/Cancel Transactions

1. If the Desk staff has the ability to cancel either part of or a complete transaction in ActiveNet prior to the end of their shift, they should notify the Business Manager in the event of any cancellations.
2. All voids/cancellations will be reviewed by the Business Manager.
3. All cancelled credit card transactions must be processed by the Business Manager.

V. Desk staff will count cash drawer and print a Daily Cash Balance Report to verify that the cash drawer matches the Daily Cash Balance Report. When patrons are present, monies will be counted in a secure location. The Daily Cash Balance Report and all other documents including cash, checks, credit card receipts, and gift certificates will be put in a money bag. The money bag will be inserted in the top of the facility's safe.

VI. Prior to depositing, the reconciliation of the Daily Cash Balance Report shall be performed by two separate individuals (i.e. Desk Staff/ Business Manager).

VII. The Business Manager or Executive Director shall reconcile each shift's Daily Cash Balance Report at minimum every Monday thru Friday. Deposits shall be made daily Monday thru Friday unless approved by the Business Manager or the Executive Director.

VII. The transportation of deposits to the District's bank will be completed by the Business Manager or the Executive Director. A bank identified money bag will be used to transport the deposit. When transporting a deposit, the Courier must go directly to the District's financial institution, not making any unnecessary stops. In addition the money bag must be kept out of view during transport.

Registration Procedures

I. Fitness Pass - Memberships

1. Annual membership
 - a. Patron completes a registration form and makes payment (cash or credit).
2. Monthly membership
 - a. Patron completes a registration form and makes payment (cash or credit).
3. Corporate membership
 - a. All corporate memberships are administered by the Business Manager.

II. Facility Rentals

1. Patrons may call the respective facility to reserve desired space (i.e. court, pool, batting cage, multi-purpose room).
2. Patrons can walk in the respective facility to reserve desired space if available; and
3. An individual's account balance must be current prior to any facility rentals.

III. Programs

1. An individual's account must be current in order to register for any programs.
2. Payment must be made at the time of registration for all programs.

Reconciliation/Banking

The Business Manager shall reconcile bank statements with the general ledger on a monthly basis.

- I. When reconciling, the following items should be including in the procedures:
 1. Compare dates and amounts of daily deposit as shown on the bank statements with the facilities' Daily Cash Balance Report/Deposit Slips;
 2. Review items rejected by the bank (i.e. returned checks, direct deposits);
 3. Compare wire transfers dates received and dates sent;
 4. An accounting for the sequence of checks both from month to month and within a month;
 5. Review direct deposit withdrawals, and
 6. Review Electronic Fund Transfers.

- II. Bank Accounts:
 1. Only the Executive Director, with the authorization of the Park Board may open a new bank account.
 - a. Signature cards must be signed at the financial institution.
 2. Online Access:
 - a. The Executive Director's bank issued log-in will be kept in a secure location.
 - b. The Business Manager's bank issued log-in will be kept in a secure location.

Petty Cash Funds

- I. The determination as to who receives a petty cash float and the amount will be determined by the Business Manager and/or the Executive Director.

Guest Services Desk:

1. Business Manager shall balance petty cash daily when making deposits; and
2. All petty cash shall be kept in a locked safe while not in use.

Administrative Office:

1. All expenditures must be supported by receipts, paid invoices, etc.;
2. No I.O.U.'s of any kind may be paid from the petty cash float;
3. No personal checks may be cashed through the petty cash float;
4. The funds in the petty cash float are for Park District purposes only;
5. The funds in the petty cash float cannot be used for personal use or personal expenses;
6. Petty cash account shall be balanced on a monthly basis; and
7. Petty cash shall be locked in a secure location when not in use.

- II. No employee shall administer/operate any type of petty cash float without the authorization of either the Business Manager or the Executive Director.
- III. The Business Manager shall make periodic unannounced audits of all District petty cash floats.

Purchases

I. Set up an account:

1. The Business Manager will set up all new accounts including the completion of all required documents and the submission of the Park District's tax exemption letter.
2. Verification of all new suppliers/vendors may be required by the Business Manager or the Executive Director.

II. To prompt a purchase:

1. When a single item or service or group of like items costs between \$5,000 and \$24,999, unless approved by the Executive Director, a minimum of two quotations will be required prior to the purchase.
2. All purchases, whether a single item or service or group of like items (i.e. overall project expense/overall travel expense), over \$5,000 must be approved via a Purchase Order by either the Business Manager or the Executive Director. The purchase order requirement may be waived in an emergency and if approved by the Executive Director. Any budgeted expenditure in excess of \$5,000 and any non-budgeted expenditure must be approved by the Executive Director. Any capital item or any non-budgeted expenditure in excess of \$30,000 must be approved by the Park Board.
3. A purchase order is not required for utility bills (electric, gas, water/sewer, etc.), services (attorney, I.T., engineer, etc.), and entry fee requests.
4. The Byron Park District is tax exempt and as such, sales tax should not be assessed on any purchase.
5. Out of pocket purchases will only be reimbursed when supporting documentation has been presented for approved expenses.

III. Check Request

1. Any staff member may request a check via Accounts Payable Voucher Form.
2. The request will be submitted to the Executive Director for approval.
3. The Executive Director will then submit the approved Accounts Payable Voucher Form to the Business Manager for payment.
4. If the Business Manager completes an Accounts Payable Voucher Form, it must be approved by the Executive Director.

IV. Credit Cards:

1. Credit cards are available to certain full-time management level employees and certain part-time employees as authorized by the Executive Director.

2. Credit limits will be established as appropriate and as determined by the Executive Director. The maximum established credit limit for each issued card will not be exceeded.
3. The credit card can only be used for those activities that are directly related to the employee's function within the Park District and under no circumstances will the card be used for personal reasons even with the intent to reimburse the Park District at a later date. Examples of other prohibited uses of the credit card include:
 - a. Cash withdrawals;
 - b. Purchasing of alcohol; and
 - c. Any other type of expenditure which is prohibited by Park District procedures/policies or prohibited by local, State or Federal laws/regulations.
4. Credit cards may be used for internet/over-the-phone purchases only if the supplier does not extend credit. Exceptions include airfare, accommodations, locally approved suppliers, certain recurring transactions where use of the credit card in a more efficient and cost-effective way to pay for the service and emergency purchases approved by the Business Manager or the Executive Director.
5. Credit cards shall only be used by the cardholder. The cardholder is responsible for the resolution of all transactions on their credit card.
6. In the event it becomes necessary to allow an employee who is not a cardholder to use a Park District credit card, with the approval of the Executive Director, the supervisor's card or the Executive Director's card may be temporarily used by the employee.
7. Credit card receipts must be compiled and submitted on a weekly basis to the Business Manager.
8. Use of the Park District credit card does not nullify the purchasing provisions as outlined in this manual. Under no circumstances is the use of a Park District credit card intended to enable the cardholder to circumvent any Park District policy or procedure.
9. Every Park District employee who has or may use a Park District credit card is required to sign a Credit Card Compliance Agreement which outlines the terms and procedures for the cards use. A signed agreement must be on file with the Business Manager prior to its use.

V. Capital Expenditures:

1. Contracts/Bidding:
 - a. All contracts, except as otherwise permitted by law, in excess of \$30,000 (labor) or \$60,000 (supplies & materials) shall be awarded to the lowest

responsible bidder (conformity with the bid specifications, terms of delivery and serviceability shall be considered), after due advertisement. "Due Advertisement" is defined to include, but not limited to, at least one notice a minimum of ten days before the bid date in the newspaper published in the township.

2. Construction Projects-Bonding Requirements:
 - a. Any formally bid construction project that has an anticipated cost of more than \$60,000 will require both a Bid Bond and a Performance Bond.

VI. Leasing:

1. All leases must be approved by the Executive Director and/or the Park Board;
2. All leases must clearly delineate the terms and conditions in the agreement;
and
3. The Executive Director will keep a copy of all leases on file.

Fixed Assets Management

- I. The Business Manager shall keep a database for all fixed assets purchased by the Byron Park District with a unit cost of \$5,000 or more and a useful life of more than one year.

Each individual entry in the database should contain the following information:

1. Date of purchase;
 2. Description of item purchased;
 3. Received by donation or purchased;
 4. Cost of fair market value on the date receipt;
 5. Donor or funding source (if applicable);
 6. Identification/serial number (if applicable);
 7. Vendor name and address; and,
 8. Inventory tag number.
- II. On an annual basis, a random physical inspection of the Park District's fixed assets should be undertaken by the Business Manager.
 - III. The Business Manager should be forwarded all pertinent information relating to any material changes in the status of property and equipment. This should include changes in location, sale of, scrapping of and/or obsolescence of items, and purchases of property or equipment over \$5,000.
 - IV. Assets are capitalized at the time of acquisition. To be considered a capital asset for financial reporting purposes an item must be at or above the capitalization threshold (see the following schedule) and have a useful life of at least one year. Capital assets below the capitalization threshold on a unit basis but warranting "control" shall be inventoried at the department level.

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

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

Capital Assets include the following major classes of assets:

Land and Inexhaustible Land Improvements – Capitalized value is to include the purchases price plus costs such as legal fees and filing fees; improvements such as excavation work, preparation of land for construction, landscaping.

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

Building and Building Improvements – Costs include purchase price plus costs such as legal fees and filing fees; improvements include structures and all other property permanently attached to, or an integral part of the structure.

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

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

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

Capital Assets Useful Lives Schedule:

	Useful <u>Life</u>
Land (and Inexhaustible Land Improvements)	N/A
Land Improvements	20
Buildings	45
Building Improvements	20
Vehicles	
Vehicles – General	7
Large Trucks	10
Recreation Equipment	20
Furniture & Fixtures	10
Office Furniture	20
Office Equipment	5
Infrastructure	50

Payroll

I. Personnel:

1. The Business Manager is responsible for maintaining the personnel files of all part-time employees.
2. The Executive Director is responsible for maintaining the personnel files of all full-time employees.
3. Each personnel file should contain, at a minimum the following information:
 - a. Employment application and a resume if required;
 - b. A record of background investigation;
 - c. Date of employment;
 - d. Position, pay rates and subsequent changes therein (Employee Master Record);
 - e. Authorization of payroll deductions;
 - f. W-4 Form, withholding authorization;
 - g. I-9 Immigration Form (which will be kept in a separate file);
 - h. Termination data, when applicable; and
 - i. Medical information (which will be kept in a separate file).
4. All personnel records are to be kept in a secure location.
5. Employees wishing to review their personnel files should put their request in writing to the Business Manager or Executive Director.

II. Payroll Preparation and Timekeeping:

1. Timecards in the Accupay Time System are to be approved by all supervisors bi-weekly. Supervisors should verify the hours worked, GL code, and verify the hours worked with each employee's work schedule.
2. All timecards should be approved including any additional requirements by 5:00 P.M. the Monday of payroll.
3. The Business Manager will process the timecards and import the information to the accounting software. The information imported will include:
 - a. Hours worked, by fund;
 - b. GL Code;
 - c. Pay rate; and
 - d. Vacation, sick or personal hours used.
4. The Executive Director will periodically review the payroll summary pages for inappropriate payees or unusual hours.
5. Direct Deposits and pay checks should be distributed by the Business Manager on the Friday of payroll no later than 12:00 P.M.
6. No salary advancements will be given under any circumstances.

III. Payroll Taxes:

1. The Business Manager will prepare and transmit the payroll tax reports, W-2 Forms and 1099 Forms.
2. The Executive Director will periodically verify the preparation of the payroll tax and related reports.

Accounts Payable

I. Payment Made by Checks:

1. All invoices and receipts must be forwarded to the Business Manager, properly coded;
2. Generally checks will be processed on a weekly basis;
3. Checks will be mailed directly to the vendor;
4. The Park District's General Account checks must be imprinted by computer and not hand written;
5. All Park District checks require authorized signatures including one of the following: the Executive Director, the Park Board Treasurer or the Park Board President;
6. All checks must be numbered in sequential order; and
7. The practice of drafting checks to "cash or "bearer" is prohibited.

II. Voided Checks:

1. Unused, pre-numbered checks should be defaced by marking "void" and cutting of the signature lines on the check.
2. Voided checks are filed for verification for the year-end audit.

III. Outstanding Checks

1. When a check is outstanding for more than 6 months, the Business Manager shall notify the payee by phone, email, or mail that the check is outstanding. The correspondence shall indicate the check number, date, and amount. The payee may request a reissued check.
2. At the end of the fiscal year, the Business Manager shall prepare a listing of all checks that have been outstanding for more than 6 months in which the payee was notified and the check has not cleared or been voided and reissued. Any vendor check that is 3 years or older and any payroll check that is 1 year or older will be sent to the State of Illinois Unclaimed Property Division, per State Statute.

IV. Wire Transfer Payments:

1. Wire transfer requests are emailed to the District's financial institution by the Business Manager with the authorization of the Executive Director;
2. The financial institution will contact the Executive Director to verify account information and receive authorization;
3. A verification of wire transfer is forwarded to the District; and,
4. The verification is attached to the monthly general ledger.

V. Registration Fee Percentage Paid to an Employee:

1. Any employee, whom is paid a percentage of a registration/program fee, will only be paid based upon those fees received by the District.

Audit

I. External Audit:

1. A Certified Public Accountant will be responsible for conducting an audit of all District funds on an annual basis and after completing the audit will provide the Park Board with a summary letter and audited financial statements in accordance with generally accepted auditing and accounting principles.

II. Internal Audit:

1. The Business Manager will make periodic audits of cash registers, including a reconciliation of cash to receipts. The Business Manager shall also make periodic audits of the Districts inventory including, but not limited to, goods sold, equipment, tools, etc., as well as any petty cash floats

III. Segregation of Business Manager's Duties:

1. In lieu of additional staff, which although would ensure an ongoing segregation of the Business Manager's duties, but at a high financial expense, the Executive Director or other current full-time staff members to be crossed trained in some of the financial duties of the position. Then on a random basis, when directed; those staff members will undertake some of those duties. This will create a periodic internal audit of the Business Manager's financial responsibilities.

Financial Reporting

I. Budget:

1. The Budget and Appropriation Ordinance shall be approved by a majority of the Park Board within the first quarter of each fiscal year. Prior to the adoption of the Budget Ordinance, the budget shall be available for public inspection for at least thirty (30) days and at least one (1) public hearing will be held prior to budget adoption.

II. Monthly Reports:

1. The Business Manager will prepare a set of monthly financial reports for distribution to the Park Board, Executive Director, and program/facility staff. The reports will include a statement of income and expenses for each fund, a consolidated financial statement, list of monthly expenditures, transfers and fund balances.
2. The monthly statements will be reviewed by the Executive Director prior to distribution to the Park Board and program/facility staff. The monthly statements will be finalized by the conclusion of the month following the statement period.

III. Transfer of Funds:

1. All non-budgeted transfers in excess of \$10,000 between funds must be formally approved by the Park Board.

Inventory

I. Inventory Control:

1. Physical inventories of goods sold should be performed at minimum on a monthly basis.

Fund Balance

I. Overview

This purpose of this policy is to establish the principles and parameters to which a Fund Balance target will be defined at the beginning of each budget period. This policy is established to provide financial stability, cash flow for operations, and the assurance that the District will be able to respond to emergencies with fiscal strength. In the event that unexpected situations may cause the District to fall below the minimum level, certain steps will be followed to correct the deficiency, as outlined in the section below “Minimum Target Balances”.

II. Definitions

Governmental Funds – are used to account for all or most of the District’s general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general capital assets (capital projects fund/department), and the servicing of long-term debt (debt service funds). The General Fund is used to account for all activities of the District not accounted for in some other Fund.

Fund Balance – the difference between assets and liabilities in a Governmental Fund

Operating Expenditures – total expenditures minus capital and debt service.

Governmental Funds – Fund Balance will be composed of three primary categories:

1. Nonspendable Fund Balance – the portion of a Governmental Fund’s net assets that are not available to be spent, whether short or long-term, in either form or through legal restrictions (inventories, prepaid items, land held for resale and endowments).
2. Restricted Fund Balance – the portion of a Governmental Fund’s net asset that is subject to external enforceable legal restricts, (grants, debt proceeds, tax levies).
3. Unrestricted Fund Balance – (three categories)
 - a. Committed Fund Balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
 - b. Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
 - c. Unassigned Fund Balance – available expendable resources that are not the object of a tentative management plan.

- III. It is the District's philosophy to support long-term financial strategies, where fiscal sustainability is its first priority, while also building funds for future growth. It is essential to maintain adequate levels of fund balance to mitigate current and future risks and to ensure stable tax rates. Credit rating agencies carefully monitor levels of fund balance to evaluate the District's credit worthiness.

The following parameters will be used as part of the budget process to establish targets for the following funds:

Corporate Fund – the unrestricted fund balance target should represent a minimum of six months of operating expenditures. Balances above the six month target may be transferred to the capital projects department.

Recreation Fund – the unrestricted fund balance target should represent one half of the annual property tax levy. Any funds in excess of the target will be used to fund future recreation needs.

Capital Improvements Fund – Amounts in this fund will be considered restricted, committed or assigned for future capital improvement projects.

Debt Service Fund – no target is established for this fund. The District levies an annual amount to pay annual debt principal and interest. All funds maintained in the fund are restricted for the purpose of paying debt service.

Paving & Lighting Fund – the unrestricted fund balance target should represent a minimum of six months of operating expenditures. Expenditures are restricted for the purpose of paving and lighting improvements.

Unemployment Fund – the unrestricted fund balance target should represent a minimum of fifteen percent of the total budgeted employee wages per budget year.

Social Security, IMRF, Liability, and Audit Funds – these funds have a targeted fund balance between three and six months of expenditures. These funds will be monitored and the taxes levied to support them will be adjusted to ensure they operate within the target range. It may take more than one levy cycle to ensure the funds are operating within the proper range.

- IV. Some projects (funds) are funded by a variety of resources, including both restricted and unrestricted (committed, assigned and unassigned). When restricted funds exist, those funds are used first, then unrestricted. For unrestricted funds, committed funds are used first, then assigned, then unassigned.

- V. Staff will prepare and include in the budget document a schedule that shows the status of the District's balances compared to the Targets outlined in this policy. The

Executive Director of the Byron Park District is given authority within this policy to assign fund balance to specific projects/expenditures.

- VI. Management will monitor the major revenue collections and the amount of cash available by reviewing the monthly financial reports. During the year, if revenue projections suggest that revenue will not meet expectations and the fund target(s) will not be met by year-end, the Executive Director will take the following actions to reach the goals established in the adopted budget:
- Review expenses with staff,
 - Reduce capital asset expenditures,
 - Reduce operational expenditures, where appropriate, while maintaining the adopted budget goals,
 - Present to the Board of Park Commissioners other expenditure control options, including those that might modify the goals established in the adopted budget.
- VII. If the Board of Park Commissioners adopts a budget that does not meet the parameters of this policy, then the budget will include a plan for adhering to this Policy within a five-year period.

Investment Policy

I. Governing Authority

The investment program shall be operated in conformance with governing legislation and other legal requirements.

II. Scope

This policy applies to the investment of all funds, excluding the investment of employees' retirement funds. Except for cash in certain restricted and special funds, the Byron Park District will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Also, per SEC Rule 15B (Municipal Advisor Rule), the policy must clearly state whether or not the cash being pooled/invested includes municipal bond proceeds or not. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

III. General Objectives

The primary objectives of investment activities shall be safety, liquidity, and return:

1. *Safety*

Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

a. Credit Risk

The Byron Park District will minimize credit risk, which is the risk of loss of all or part of the investment due to the failure of the security issuer or backer, by:

- Limiting investments to the types of securities listed in Section VII of this Investment Policy
- Pre-qualifying and conducting ongoing due diligence of the financial institutions, broker/dealers, intermediaries, and advisers with which the Byron Park District will do business in accordance with Section V
- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

b. Interest Rate Risk

The Byron Park District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

- Structuring the investment portfolio so that security maturities match cash

requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity

- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting individual security maturity as well as the average maturity of the portfolio in accordance with this policy (see section VIII).

2. *Liquidity*

The investment portfolio shall remain sufficiently liquid to meet all 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 (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). 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.

3. *Return*

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity with the following exceptions:

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

IV. Standards of Care

1. *Prudence*

The standard of prudence to be used by investment officials shall be the "uniform prudent investor act" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall 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.

2. *Ethics and Conflicts of Interest*

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business, in accordance with applicable laws. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Byron Park District.

3. *Delegation of Authority*

Authority to manage the investment program is granted to the Executive Director, hereinafter referred to as investment officer. Responsibility for the operation of the investment program is hereby delegated to the investment officer, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. At a minimum, procedures should include references to the following: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the investment officer. The investment officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

V. Authorized Financial Institutions, Depositories, and Broker/Dealers

A list will be maintained of financial institutions and depositories authorized to provide investment services. In addition, a list will be maintained of approved security broker/dealers selected by creditworthiness and/or other factors, such as FINRA broker check.

An annual review of the financial condition and registration of all qualified financial institutions and broker/dealers will be conducted by the investment officer.

VI. Safekeeping and Custody

1. *Delivery vs. Payment*

All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible custody account prior to the release of funds.

2. *Safekeeping*

Securities will be held by a independent third-party custodian selected by the entity as with all securities held in the Byron Park District's name. The safekeeping institution shall annually provide a copy of their most recent report on internal controls (Statement of Auditing Standards No. 70, or SAS 70).

3. *Internal Controls*

The investment officer shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed annually with the independent auditor. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, mis-representation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the Byron Park District.

VII. Suitable and Authorized Investments

1. *Investment Types*

Consistent with the GFOA Policy Statement on State and Local Laws Concerning Investment Practices¹ and other binding documents, the following investments will be permitted by this policy:

- U.S. Treasury obligations which carry the full faith and credit guarantee of the United States government;
- U.S. government agency and instrumentality obligations that have a liquid market with a readily determinable market value;
- Canadian government obligations (payable in base currency);
- Certificates of deposit and other evidences of deposit at financial institutions,
- Bankers' acceptances;
- Commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, or D-1 or higher) by a nationally recognized rating agency;
- Corporate Bonds;
- Obligations of state, provincial and local governments and public authorities rated A or better;
- Repurchase agreements whose underlying purchased securities consist of the aforementioned instruments;
- Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities; and
- Local government investment pools either state-administered or developed

through joint powers statutes and other intergovernmental agreement legislation;

- Other investment types or asset classes as approved by the governing authority. Investment in derivatives of the above instruments shall require authorization by the appropriate governing authority.

2. *Collateralization*

Where allowed by governing legislation and in accordance with the GFOA Recommended Practices on the Collateralization of Public Deposits, full collateralization will be required on all demand deposit accounts, including checking accounts and non-negotiable certificates of deposit

3. *Repurchase Agreements*

Repurchase agreements shall be consistent with GFOA Recommended Practices on Repurchase Agreements.

VIII. Investment Diversification & Constraints

1. *Diversification*

It is the policy of the Byron Park District to diversify its investment portfolios. To eliminate risk of loss resulting from the overconcentration of assets in a specific maturity, issuer, or class of securities, all cash and cash equivalent assets in all Byron Park District funds shall be diversified by maturity, issuer, and security type. Diversification strategies shall be determined and revised periodically by the investment committee/investment officer for all funds except for the employee retirement fund.

In establishing specific diversification strategies, the following general policies and constraints shall apply: Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector. Maturities selected shall provide for stability of income and reasonable liquidity.

- Liquidity shall be assured through practices ensuring that the next disbursement date and payroll date are covered through maturing investments or marketable U.S. Treasury bills.
- Positions in securities having potential default risk (e.g., commercial paper) shall be limited in size so that in case of default, the portfolio's annual investment income will exceed a loss on a single issuer's securities.
- Risks of market price volatility shall be controlled through maturity diversification and duration management.
- The investment officer shall establish strategies and guidelines for the

percentage of the total portfolio that may be invested in securities other than repurchase agreements, Treasury bills or collateralized certificates of deposit.

The following diversification limitations shall be imposed on the portfolio:

- Maturity: No more than 25 percent of the portfolio may be invested beyond 24 months, and the weighted average maturity of the portfolio shall never exceed 3 years.
- Default risk: No more than 5 percent of the overall portfolio may be invested in the securities of a single issuer, except for securities of the U.S. Treasury. No more than 35 percent of the portfolio may be invested in each of the following categories of securities:
 - a) Commercial paper,
 - b) Negotiable certificates of deposit,
 - c) Bankers' acceptances,
 - d) Any other obligation that does not bear the full faith and credit of the United States government or which is not fully collateralized or insured and
- Liquidity risk: Based on liquidity needs, at least 10 percent of the overall portfolio shall be invested in overnight instruments or in marketable securities which can be converted to cash within one day.

2. *Maximum Maturities*

To the extent possible, the Byron Park District shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Byron Park District will not directly invest in securities maturing more than five (5) years from the date of purchase or in accordance with governing legislation. The Byron Park District shall adopt weighted average maturity limitations consistent with the investment objectives.

Reserve funds and other funds with longer-term investment horizons may be segregated into a long-term "core" investment portfolio and invested in securities exceeding five (5) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the legislative body.

3. *Competitive Bids*

The investment officer shall obtain competitive bids from at least three brokers or financial institutions on all purchases and sales of investment instruments transacted on the secondary market.

IX. Reporting

1. *Methods*

The investment officer shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and the individual transactions executed over the last quarter. This management summary will be prepared in a manner which will allow the Byron Park District to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the Board of Commissioners. The report will include the following:

- Listing of individual securities held at the end of the reporting period including type, acquisition cost, book cost, and market value.
- Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration that are not intended to be held until maturity (in accordance with Governmental Accounting Standards Board (GASB) requirements).
- Average weighted return on investments as compared to applicable benchmarks.
- Percentage of the total portfolio which each type of investment represents.
- A statement that the investment portfolio is in compliance with the investment policy and is meeting the investment policy objectives

2. *Performance Standards*

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks shall be established against which portfolio performance shall be compared on a regular basis. The benchmarks shall be reflective of the actual securities being purchased and risks undertaken, and the benchmarks shall have a similar weighted average maturity as the portfolio.

3. *Marking to Market*

The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed consistent with the GFOA Recommended Practice on "Mark-to-Market Practices for State and Local Government Investment Portfolios and Investment Pools."

X. Approval of Investment Policy

The investment policy shall be formally approved and adopted by the governing body of the Byron Park District and reviewed annually. Any changes or amendments must be submitted by the investment officer and approved by the Board of Commissioners.

XI. Authorized Personnel

Byron Park District Executive Director

Byron Park District Business Manager

XII. Authorized broker/dealers and financial institutions

Byron Bank, PO Box 901, 200 N. Walnut St., Byron, IL 61010

PTMA Financial Solutions, 2135 CityGate Lane, 7th Floor, Naperville, IL 60563

Other

Donations:

1. Specific items may be given for prizes, giveaways, raffles and auctions to raise funds for non-profit, tax-exempt 501(c)(3) organizations and governmental bodies residing in or serving the greater Byron area.
2. All donations must be approved by the Executive Director.

Give-a-Ways/Freebies

1. No gifts, give-a-ways, freebies, discounts or deviations from approved fees will be given to any individual, including a District employee; organization; or business unless approved by the Park Board, Executive Director or their designee(s).

Gifts:

1. Park District employees may not solicit or accept any gifts, gratuity or other award from any person, business or entity that is doing business with the Park District or is attempting to secure business from the Park District without the approval of the Executive Director.
2. This policy does not apply to nominal non-cash items that have a monetary value of less than \$25.

Disposal of Records:

1. All ordinances and other legal documents will be stored indefinitely.
2. All financial, voting and other pertinent documents will be stored for a minimum legally allowable time period in accordance with the Illinois Local Records Act.

Disposal of Park District Personal Property:

1. The Park District may sell personal property that the Park Board determines is no longer useful or is in the best interest to keep.
2. The Park District may convey such property in any manner with or without advertising the sale.
3. Such sale may take place upon a 3/5 vote of the Park Board.

Computer Backup:

1. All District computer systems will be backed up on a regular basis per the District's Computer Backup Policy using Barracuda Backup Software.

Cash Reserve Level:

1. The Park District shall maintain a minimum of \$375,000 in cash reserves at the end of each fiscal year. The cash reserves will be funded with surplus unrestricted operating funds.
2. The target reserve minimum shall be between three (3) to nine (9) months of operating costs.

Investments of Funds:

1. Investments of funds are to be made in a manner that provides the highest investment return using authorized instruments while meeting the Park District's daily cash flow demands and in conformance of all state statutes that govern the investment of public funds.

Collateralization of Funds:

1. All cash accounts owned by Park District will be held in financial institutions which are federally insured, backed by the US Government, or held in the Illinois Public Reserves Investment Management Trust (iPrime Fund). Any funds above the federally insured limit will be collateralized by the financial institution holding the funds.

Borrowing:

1. The Park Board must approve any borrowing, lines of credit or issuance of any Tax Anticipation Warrants.

Past Due Accounts:

1. On the 15th of each month a statement of accounts is mailed to all patrons with a balance due of 30 days or more.
2. When an account is more than 60 days old anyone associated with that account can no longer participate in any Park District programs or use any Park District facility until the account balance is paid in full. The Business Manager will contact the patron for payment.

Employee Travel:

1. All employee travel must be approved by the Executive Director prior to any travel arrangements, plans or commitments being made.

Board President Signature

Board Secretary Signature