

RESOLUTION NO. 2018-002

**RESOLUTION OF THE VILLAGE OF MONTGOMERY, ILLINOIS
ADOPTING FINANCIAL POLICIES**

WHEREAS, the Village of Montgomery (“Village”) and its Village Board recognize the importance of sound financial planning and clear policies and guidelines for financial management; and

WHEREAS, sound accounting practices and policies are necessary for ensuring the integrity of financial records and Village funds; and

WHEREAS, the Village will regularly review existing policies and establish additional policies to promote fiscal responsibility and the efficient transaction of Village business; and

WHEREAS, the Village is an Illinois municipal corporation and a non-home rule unit of government under the Illinois Constitution, Article VII, Section 7, and accordingly, is a public body subject to these provisions; and

WHEREAS, Article 8 of the Illinois Municipal Code (65 ILCS 5/8) states the Village Board may control the finances of the Village; and

WHEREAS, the Village Board finds it in the best interest of the citizens to establish policies to ensure the financial stability of the Village.

NOW, THEREFORE, BE IT RESOLVED by the Village President and the Board of Trustees of the Village of Montgomery, Kane and Kendall Counties, Illinois, as follows:

Section One: Incorporation of Preambles

The Board hereby finds that all of the recitals contained in the preambles to this Resolution are full, true and correct and does incorporate them into this Resolution by this reference.

Section Two:

The Financial Policies attached as Exhibit A to this resolution, incorporated herein by reference, is hereby adopted.

Section Three: General Provisions

REPEALER: All ordinances, resolutions, policies, or portions thereof in conflict with this resolution are hereby repealed.

SEVERABILITY: Should any provision of this Resolution be declared invalid by a court of competent jurisdiction; the remaining provisions will remain in full force and effect the same as if the invalid provision had not been a part of this Resolution.

EFFECTIVE DATE: This Resolution shall be in full force and effect from and after its approval, passage and publication in pamphlet form as provided by law.

PASSED AND APPROVED by the President and Board of Trustees of the Village of Montgomery, Kane and Kendall Counties, Illinois, this 12th day of February, 2018.

Matthew Brolley
President of the Board of Trustees of the Village of Montgomery

ATTEST:

Penny Fitzpatrick
Clerk of the Village of Montgomery



	Aye	Nay	Absent	Abstain
Trustee Stan Bond	✓	—	—	—
Trustee Peter Heinz	—	—	—	✓
Trustee Steve Jungermann	✓	—	—	—
Trustee Dennis Lee	✓	—	—	—
Trustee Douglas Marecek	✓	—	—	—
Trustee Theresa Sperling	✓	—	—	—

Village of Montgomery, Illinois Financial Policies

Purpose

The Village of Montgomery has a tradition of sound municipal financial management. The Village has a responsibility to its citizens to carefully account for public funds, to manage municipal finances wisely, and to plan for the funding of services and facilities required by the public. The main financial goal is to preserve our quality of life by providing and maintaining adequate financial resources necessary to sustain a sufficient level of municipal services, and to respond to changes in the economy, the priorities of governmental and non-governmental organizations, and other changes that may affect our financial well-being.

Financial policies are general statements that ensure a decision will contribute to the attainment of the goal above. Financial policies are central to a strategic, long-term approach to financial management. These policies are intended to establish a framework for providing quality services to the community in an efficient and effective manner within the limitations established in the policies. The policies of the Village are designed to ensure the continued financial health of the Village by meeting the following objectives:

- Promote stability and continuity by institutionalizing good financial management practices.
- Provide financial principles to promote long-term strategic thinking.
- Offer the Board accurate, timely information so that policy decisions can be made in a judicious manner.
- Define boundaries within which staff can innovate to realize the Village's strategic plan.
- Ensure legal compliance with the budget through a system of internal controls.
- Manage risk to financial condition by providing a strategic context for controls.
- Protect and maintain the Village's credit rating.

Village of Montgomery, Illinois
Financial Policies

Accounting, Auditing and Reporting Policy

- A. The Village will establish and maintain a high standard of accounting practices in conformance with accounting principles generally accepted in the United States of America (GAAP) for governmental entities as promulgated by the Governmental Accounting Standards Board (GASB).
- B. Governmental funds will be reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred.
- C. The government-wide, proprietary fund, and fiduciary trust fund financial statements will be reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.
- D. Fiduciary agency funds will be reported using the accrual basis of accounting to recognize receivables and payables. However, they do not have a measurement focus since they report only assets and liabilities, and do not report equity or changes in equity.
- E. The Village's financial accounting system will maintain records on a basis consistent with accepted standards for local government accounting (according to GASB).
- F. An audit of the Village's financial statements will be performed annually in accordance with auditing standards generally accepted in the United States of America (GAAS) by an independent firm of certified public accountants, who will publicly issue an opinion that will be incorporated into the financial statements.
- G. As an additional independent confirmation of the quality of the Village's financial reporting, the Village will submit its Comprehensive Annual Financial Report (CAFR) annually to the Government Finance Officers Association (GFOA) for the purpose of obtaining the Certificate of Achievement for Excellence in Financial Reporting.
- H. The Village will promote full disclosures in its financial statements in accordance with, but not limited to, the requirements of the GASB.

Village of Montgomery, Illinois
Financial Policies

Budget Policy

The budget represents one of the most important documents adopted each year in any organization. The budget serves as a policy document, financial plan, operations guide, and communications device. As a policy document, it contains a statement of entity-wide financial and non-financial goals and objectives of the Village. As a financial plan, it serves as the Village's primary instrument regarding the distribution and allocation of available resources. As an operations guide, it articulates the departmental action plans and how each of these plans will be accomplished. As a communications device, it contains information pertaining to key issues facing the Village, priorities for the coming year, and accomplishments of prior years.

A. Budget guidelines

1. Illinois law requires that all general-purpose local governments pass an appropriation ordinance within the first quarter of each fiscal year or an annual budget shall be adopted by the corporate authorities before the beginning of each fiscal year to which it applies. The Village has chosen to adopt sections 5/8-2-9.1 through and including sections 5/8-2-9.10 of Chapter 65 of the Illinois Compiled Statutes (Municipal Code) which provide for a municipality's financial operation under an annual budget in lieu of an appropriation ordinance.
2. The Village establishes annual budgets for all of its funds except the agency funds. The Village prepares its governmental fund budgets on the same basis and its proprietary fund budgets on a different basis as the annual financial statements in accordance with accounting principles generally accepted in the United State of America (GAAP). GAAP are uniform minimum standards and guidelines for financial accounting and reporting. The primary authoritative body on the application of GAAP for state and local governments is the Governmental Accounting Standards Board.
 - a. Governmental fund budgets are reported using the current financial resources measurement focus and the modified accrual basis of accounting.
 - b. Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the budgetary basis of accounting, the receipt of long-term debt proceeds, capital outlays, and debt service principal payments are reported in revenues and expenses, while GAAP excludes those. Allocations for depreciation and amortization expense are included in operations for the financial statement presentation, but excluded for budgetary purposes.
3. The Village's current budgetary control is at the department level. If necessary, the annual budget may be amended by the Village Board during the year.
4. The Village will adopt and maintain a balanced budget in which expenditures will not be allowed to exceed reasonably estimated revenues and other available funds at the same time maintaining recommended fund balances.
5. The budget shall contain:
 - a. Recommended revenues and expenditures for the fiscal year for which the budget is drafted;

Village of Montgomery, Illinois
Financial Policies

Budget Policy (continued)

- b. Budget and estimated revenues and expenditures for the year immediately preceding, as well as actual revenues and expenditures for the second year preceding the fiscal year for which the budget is prepared; and
- c. Development of projected revenues and expenditures for at least 4 years beyond the fiscal year for which the budget is drafted and compare the projected balances to the fund balance policy. This will allow the Village to identify potential problems early enough to correct them.

B. Budget principles

- 1. The Village's annual budget will be developed in accordance with the policies and priorities set forth in the Capital Improvement Program, Pavement Management Report, Strategic Plan, Comprehensive Plan, the Waterworks System Master Plan, the needs of the community, and federal and state laws.
- 2. The Village seeks to maximize the value the public receives through its spending. Accordingly, staff should develop budget tools and methods to maximize value, particularly by critically examining existing spending patterns to make sure they continue to provide value.
- 3. Maintain the quality of existing core services before adding new services unless there is an explicit decision to lower the quality of an existing service in favor of providing a new service.
- 4. It is the intent of the Village to fund the current portion of long-term liabilities in the budget so as to maintain the trust of creditors and to avoid accumulating an unmanageable liability.

C. Budget process

The overall goal of the budget process is to present the Village Board with a budget that best addresses the needs and desires of the Village of Montgomery in the most efficient and effective manner possible. The budget process is an opportunity for the Village to assess and evaluate how it commits its financial resources and make decisions regarding their continued use. The process, if conducted effectively, will result in a clearly spelled out plan for the future of this organization and a general collective understanding of how and where limited fiscal resources will be directed.

The budget process for the Village of Montgomery involves the citizens, the Village President and Village Board, Village Administrator, Department Heads, supervisors and many others throughout the organization. Each person plays a critical role in the development of the budget for the upcoming year. Department Heads are responsible for evaluating the needs of their departments and divisions, soliciting input from supervisors and staff, and compiling those needs and priorities into a cohesive and straightforward budget request. The Village Board is critical in evaluating the budget, asking questions, and eventually approving the budget. Residents and their needs are, of course, the driving force behind the budget process. In addition, residents have opportunities to

**Village of Montgomery, Illinois
Financial Policies**

Budget Policy (continued)

view the budget proposal and attend the Board meetings and public hearing when the budget is addressed.

1. The budget should allow for the implementation of specific goals and objectives as developed by each department.
2. All Departments are required to attend a kickoff meeting and receive a Department Budget Preparation Manual. In addition, separate forms are provided for new personnel (PRF), program (BRF), and capital (CRF) requests. Each operating department is responsible for submitting its own budget requests.
3. The Director of Finance will prepare revenue estimates and consolidate all the information gathered from departments in order to analyze budget requests as a whole.
4. The Village Administrator and Director of Finance will meet with each Department Head individually to discuss each respective budget request and any recommendations.
5. The Village Administrator will review the entire budget to ensure that it is consistent with the priorities and guidance of the Village Board, and fashions a feasible fiscal plan.
6. The tentative annual budget shall be made conveniently available to public inspection prior to the passage of the annual budget. The Village shall hold at least one public hearing on the tentative annual budget prior to final action on the budget.
7. The Director of Finance will revise the proposed budget as directed by the Village Board and submit it to the Village Board for formal approval by ordinance.

D. Budget control

1. The Finance Department will maintain a system for monitoring the Village's budget performance. Interim financial reports comparing actual experience against budgeted revenues and expenditures in the current fiscal period shall be distributed and reviewed with the Village Board on a quarterly basis. The Finance Department will also provide monthly reports comparing actual experience against budgeted revenues and expenditures in the current fiscal period to Department Heads. The Department Heads have primary responsibility for ensuring their departments stay within their annual adopted budget.
2. The annual budget should effectively communicate meaningful and understandable information to the Village residents, Village Board, Village Staff, and other readers. To accomplish this goal the Village will prepare and submit its annual budget to the Government Finance Officers Association's (GFOA) Distinguished Budget Presentation Award Program.

Village of Montgomery, Illinois
Financial Policies

Cash Management Policy

The cash management system is designed to accurately monitor and forecast revenues and expenditures, thus enabling the Village to invest funds to the fullest extent possible.

The essential purpose of Village investments is to maximize interest income while preserving principal and maintaining sufficient liquidity to meet expenditure obligations.

An investment policy has been adopted by the Village Board as a separate document, and is incorporated into these financial policies by reference. The investment policy describes the parameters for investing the Village's funds. The major components of the investment policy are as follows:

- A. The Village commingles its cash and investments, excluding those that are legally required to be held separately, to maximize investment earnings and to increase efficiencies with regard to pricing, safekeeping, and administration.
- B. The primary objectives, in order of priority, of all investment activity are: safety, liquidity, and return on investment.
- C. Investments and deposits of public funds shall be made with judgment and care, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs.
- D. The Village will maintain a list of authorized financial institutions including depositories, investment advisors, and broker/dealers.
- E. The amount of collateral provided will not be less than 105% of the market value of the net amount of public funds secured..
- F. State statutes and the investment policy noted above, govern the investment of public funds and provide the general framework for investment activity and fiduciary responsibilities.
- G. To the extent possible, the Village of Montgomery will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Village will not directly invest in securities maturing more than five years from the date of purchase.

Village of Montgomery, Illinois Financial Policies

Capital Planning Policy

Capital investments and their condition are critical to the quality of services provided to Village residents. The Village should assess the issues, challenges, and opportunities affecting the provision of these capital investments, including community needs and priorities; the impact of deferred maintenance; funding issues; changes in development, population, or technology; and any legal or regulatory changes.

A capital asset policy has been adopted by the Village Board as a separate document, and is incorporated into these financial policies by reference. The objective of the capital asset policy is to establish and maintain capital asset records to comply with governmental financial reporting standards, to ensure adequate control and appropriate use of capital assets, and to provide accountability for property control.

Capital planning is an instrument used by the Village to provide funding for strategic investments at a given time and location. This systematic effort ensures all Village decisions and initiatives regarding capital assets are planned and executed to maximize the functionality and value of the Village's capital assets. This effort encompasses a collection of processes that requires effective leadership and the involvement and cooperation of all Village departments. These processes include:

A. Capital Improvement Program

The Village will develop and maintain a five-year Capital Improvement Program (CIP).

1. Capital improvements refer to major, non-recurring physical expenditures such as land, buildings, and public infrastructure.
2. The Village should include a description, timeline, amount required, and financing strategies to be employed. In addition, future operating and maintenance costs associated with the capital improvement should be included.
3. A capital improvement will not be budgeted unless there is a reasonable expectation that funding is available. Funding sources may include, but are not limited to:
 - a. Grants;
 - b. Non-home rule sales tax;
 - c. Utility taxes;
 - d. Water and sewer revenues; and
 - e. Long-term debt, where applicable.
4. The condition of Village infrastructure will be evaluated to appropriately prioritize and schedule maintenance and replacement. Components of the evaluation include, but are not limited to:
 - a. Pavement Management Report;
 - b. Shared Use Path Maintenance Plan;
 - c. Sidewalk Gap Installation Plan; and
 - d. Waterworks System Master Plan.
5. The CIP should be reviewed and updated annually to reflect changing community needs, priorities, and funding opportunities.

**Village of Montgomery, Illinois
Financial Policies**

Capital Planning Policy (Continued)

B. Capital budget

The Village will enact an annual capital budget based on the multi-year Capital Improvement Program.

1. The capital budget outlines specific projects and is the authorization of needed spending for the first year in the Capital Improvement Program as a part of the Village's annual budget.
2. This is the critical link that brings capital planning into reality.
3. Projects and financing sources outlined for subsequent years are not authorized until the annual budget for those years is legally adopted.
4. The out years serve as a guide for future planning and are subject to further review and modification.

C. Equipment replacement

The Village will project its equipment replacement needs as part of its capital planning process.

1. The Village will establish a fifteen-year vehicle and equipment replacement schedule.
 - a. A report on the replacement of vehicles will be prepared on an annual basis and presented as part of the Village's annual budget.
 - b. Each department shall contribute to the Vehicle and Equipment Replacement Fund (VERF) on an annual basis.
 - c. The VERF provides for the orderly replacement and most cost-effective method to maintain its fleet while minimizing the annual fluctuations in expenditures from the operating funds.
 - d. The Public Works Department will evaluate all vehicles due for replacement on an annual basis and make a recommendation for a change in useful life or replacement. This ensures that the condition of the fleet is at an optimum level, reducing fleet maintenance and service costs.
 - e. Vehicle and equipment replacement is based on several factors including mileage, hours, reliability, maintenance and repair costs, and age.
 - f. The Village will attempt to obtain the highest sale value for its used vehicles and equipment. This may be achieved through trade-in, sale, or auction and any proceeds shall be applied to the VERF.
2. The Village will establish a five-year computer equipment replacement schedule.
 - a. Computer equipment is often below the capitalization threshold, but includes items that are sensitive in nature. Therefore, the Village will maintain an inventory of computer equipment and update it on an annual basis.
 - b. A report on the replacement of computer equipment will prepared on an annual basis and presented as part of the Village's annual budget.
 - c. The cost of computer equipment will be included in the annual operating budget in the applicable department/division who utilizes the equipment.
 - d. The replacement cost and general useful life guidelines of computer equipment will be reviewed on an annual basis.
 - e. Computer equipment replacement is on software technology, economic issues, maintenance costs, and potential downtime.

**Village of Montgomery, Illinois
Financial Policies**

Debt Administration Policy

The debt administration system is designed to obtain financing only when necessary, establish conditions to obtain financing at the lowest cost, retain the highest practical credit rating, and to maintain full and complete financial disclosure and reporting.

A debt management policy has been adopted by the Village Board as a separate document, and is incorporated into these financial policies by reference. The debt management policy provides the parameters for debt financing. The major components of the debt management policy are as follows:

1. The Village will abide by applicable Federal law, U.S. Securities and Exchange Commission (SEC) regulations, and Illinois Compiled Statutes (ILCS).
2. As a non-home rule community, the statutory limit on the amount of general obligation debt outstanding cannot exceed 8.625% of equalized assessed valuation. The legal debt limit specifically excludes general obligation alternate revenue bonds and other debt which is being repaid by a revenue source other than property taxes. Maintaining significantly lower debt levels provides for greater flexibility in issuing additional bonds should the need arise.
3. The Village will not use long-term debt financing to fund operating expenditures.
4. The Village will analyze market conditions, and long-term capital needs assessments, prior to debt issuance to determine the most advantageous average life. The debt structure may be lengthened during low interest rates and shortened during high rates.
5. The Village will confine long-term borrowing to those capital improvements or one-time obligations that cannot be financed from current financial resources.
6. Capital projects financed through the issuance of bonds shall be financed for a period not to exceed the reasonably expected useful life of the improvement.
7. The Village will maintain communications with bond rating agencies about its financial condition. The Village will follow a policy of full disclosure on every financial report and bond prospectus.
8. The Village will consider the refunding of outstanding debt when at least a 2% present value savings can be obtained for a current refunding and at least a 3% present value savings can be obtained for an advance refunding, as long as it is beneficial to the Village.
9. Continuing disclosures will be filed annually as required by the Village's outstanding debt in accordance with Securities and Exchange Commission (SEC) Rule 15c2-12.

Village of Montgomery, Illinois Financial Policies

Reserve Policy

Reserves are the cornerstone of financial flexibility. This policy establishes a minimum level (target) at which reserves should be maintained to provide financial stability, cash flow for operations, and the assurance that the Village will be able to respond to emergencies with fiscal strength. In addition, it is the Village'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 reserves to not only provide a government with options to respond, but also mitigate unexpected issues and other forms of current and future risks. Reserves are a crucial consideration in long-term financial planning which credit rating agencies carefully monitor to evaluate the Village's continued creditworthiness.

Governmental

Governmental funds are used to account for and report all or most of the Village's general activities, which are primarily supported by taxes, grants, and similar revenue sources. All governmental funds utilize a current financial resources measurement focus where only current financial assets and liabilities are generally included on their balance sheets (no capital assets or long-term debt). Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. Fund balance is defined as the difference between assets and liabilities in a governmental fund. Reserves typically comprise a portion of total fund balance in governmental funds. The Village will spend the most restricted dollars before less restricted, in the following order:

- Nonspendable (if funds become spendable) – inherently nonspendable, such as prepaid items, inventories, and the long-term portion of a receivable;
- Restricted – subject to external enforceable legal restrictions;
- Committed – self-imposed limitations imposed by the Village Board;
- Assigned – denotes an intended use of resources; and
- Unassigned – resources not subject to restrictions noted above.

A. General fund

1. Governmental fund type used to account for and report all financial resources not accounted for in some other fund. The general fund serves as the chief operating fund of the Village.
2. The Village will strive to maintain a minimum unrestricted fund balance (committed, assigned, or unassigned) in the General Fund to fund operations for a period of at least three months. The General Fund reserve is adjusted with the adoption of the annual budget and is calculated as three months (25%) of current year expenditures.

Village of Montgomery, Illinois
Financial Policies

Reserve Policy (continued)

3. The Village desires to maintain a prudent level of financial reserves to guard its citizens against service disruption in the event of unexpected temporary revenue shortfalls or unpredicted one-time expenditures. The fund equity has been accumulated to meet this purpose, enhance long-term financial planning, maintain good standing with rating agencies, and provide stability and flexibility to respond to unexpected adversity or opportunities.
 4. The Village will avoid the use of fund balance for recurring operating expenditures. If the utilization of fund balance is necessary to maintain the quality or level of current services, an explanation of the circumstances and strategy to address the future use will be brought to the Village Board. If the fund balance is anticipated to fall below 25%, a plan will be developed and implemented to restore the fund balance to an acceptable level within a reasonable period of time.
- B. Special revenue funds
1. Governmental fund type used to account for and report the proceeds of specific revenue sources that are restricted, committed, or assigned to expenditure for specified purposes other than debt service or capital projects. Financing is provided by property tax, fees, intergovernmental receipts, fines and forfeitures, and other restricted, committed, or assigned revenues.
 2. Special revenue funds are designed to help determine and demonstrate that resources have been spent for their intended purpose. Therefore, a reserve is not needed.
- C. Debt service funds
1. Governmental fund type used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest (excluding debt related inflows and outflows by proprietary funds). Financing is provided by transfers from the Capital Improvement Fund.
 2. The Village budgets an amount equal to the principal and interest to be paid and any fund balance accumulation should be minimal. Therefore, a reserve is not needed.
- D. Capital projects funds
1. Governmental fund type used to account for and report the financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of facilities, infrastructure, and other capital assets (excluding capital related outflows by proprietary funds). Financing is provided by non-home rule sales tax, utility taxes, grants, contributions, and debt financing.
 2. Capital projects funds can be a valuable management tool for multi-year projects where all the fund resources eventually will be expended. Therefore, a reserve is not needed.

**Village of Montgomery, Illinois
Financial Policies**

Reserve Policy (continued)

Proprietary

Proprietary funds are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost of providing goods or services on a continuing basis be financed or recovered primarily through user fees and charges. All proprietary funds utilize an economic resources measurement focus where all assets and liabilities associated with their activities are reported (including capital assets and long-term debt). The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. Net position is defined as the difference between proprietary fund assets and liabilities, is not equivalent to the fund balance reported in governmental funds, and does not have the same role in a reserve policy as fund balance does for governmental funds. In addition, proprietary funds categorize net position based on the accessibility of the underlying resources. The Village will spend the most restricted dollars before less restricted, in the following order:

- Net investment in capital assets – wholly inaccessible because it represents capital assets less outstanding debt related to said assets;
- Restricted – expendable, but subject to external enforceable legal restrictions; and
- Unrestricted – resources not subject to restrictions noted above.

A. Enterprise funds

Proprietary fund type used to account for and report operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services (including capital costs) be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

1. Water fund

- a. The Village will strive to maintain working capital in the water fund to fund operations for a period of at least three months. The water fund reserve is adjusted with the adoption of the annual budget and is calculated as three months (25%) of water operating budget expenses.
- b. Working capital is defined as current assets less current liabilities, and indicates the relatively liquid portion of assets available in the water fund.
- c. If the water fund reserve is anticipated to fall below 25%, a plan will be developed and implemented to restore the working capital to an acceptable level within a reasonable period of time.

Village of Montgomery, Illinois
Financial Policies

Revenue Policy

- A. The Village endeavors to maintain a broad-based, well-diversified, and stable portfolio of revenues to reduce the impacts of short-term fluctuations in any one revenue source. The revenue mix combines elastic and inelastic revenue sources to minimize the effects of an economic downturn.
- B. The Village will fund current expenditures with current revenues, avoiding procedures that balance current budgets by postponing needed expenditures or accruing future revenues.
- C. Each existing and potential revenue source will be examined annually on an objective, reasonable, and conservative basis. The Village will project each revenue source for at least the next five years and will update this projection through a financial forecast process.
- D. The Village will maintain a revenue monitoring system to assist in trend analysis and revenue forecasting.
- E. All charges for services, fees, licenses, permits, etc. will be reviewed regularly to ensure that rates are maintained at a level that correlates to the cost of providing such services and are competitive with others providing similar services in the area. In implementing this goal, a comprehensive analysis of Village costs and fees should be made at least every three years.
- F. Enterprise fund fees and user charges shall be set at a level that fully supports the cost of providing the services, providing for debt service, and maintaining the capital structure of the systems. Water, sewer, and refuse rates will be reviewed annually and set at levels adequate to meet expenditures for the next five years.
- G. One-time revenues will not be used to support operating expenditures, except in emergency situations. The identification of new, one-time revenue opportunities will be used to fund capital projects.
- H. The Village will strive to strengthen its revenue base by bringing in additional commercial and industrial development with the assistance of the Montgomery Economic Development Corporation.
- I. The Village will actively seek out, apply for, and effectively administer federal, state, and other grants that address the Village's priorities and policy objectives and provide a positive benefit to the Village. Prior to application and acceptance, the Village will review the grant agreement to ensure matching requirements are attainable and regulatory compliance is possible.

**Village of Montgomery, Illinois
Financial Policies**

Expenditure Policy

- A. The Village will maintain a level of expenditures which will provide for the public well-being and safety of the residents and businesses of the community.
- B. Methods to increase efficiency and effectiveness of the delivery of Village services through technology improvements should receive priority funding.
- C. Funding for new programs and services in operating funds should be limited to the extent that they can be reasonably funded long-term.
- D. Expenditures will be within the confines of generated revenue and/or reserve balances. Services will parallel and adjust to the Village's elastic and inelastic revenue sources in order to maintain the highest level of service.
- E. The Village will project expenditures for at least the next five years and will update this projection through a financial forecast process. This forecast will take into account anticipated increases in operating expenditures, significant changes in operating and staffing needs, and future capital projects and improvements that have been identified as needed for the community.
- F. The annual operating budget will include the corresponding capital projects identified in the five-year Capital Improvement Program (CIP).
- G. Personnel
 - 1. The Village strives to provide excellent service to the community at all times, and supports this standard by promoting organizational value including customer service, productivity, accountability, innovation, initiative, and ethics.
 - 2. To achieve our service standards, the Village must attract and retain highly qualified employees who exemplify our organizational values.
 - 3. The Village is committed to providing a competitive compensation package as part of an overall strategy of attracting and retaining highly qualified employees. The compensation package will be consistent with sound economic policies and is based on both internal and external considerations including, but not limited to, internal relationships and responsibilities, other communities comparable to the Village, and the overall fiscal health of the Village.
- H. The Village will project the replacement of vehicle, equipment, and computer needs for a minimum of five years and will update the projection each year.
- I. The Village will contract with an independent actuary to determine the annual contribution to the police pension fund and utilize the independent actuary selected by IMRF. The Village will contribute the full recommended amount based on the application of a generally accepted actuarial method of funding its pension systems.