

Chapter 3

VILLAGE FINANCES

Article I. GENERAL PROVISIONS

Sec. 1. FISCAL YEAR

The fiscal year of the Village shall commence on the first day of May in each and every year.

Sec. 2. CLAIMS

All bills and claims against the Village of Downs shall be filed in the office of the Village Clerk and the Village Clerk shall present the same to the Trustees at least once each month. Said Clerk may require a statement in writing under oath, as to any fact, matter or thing concerning the justness or correctness of any such account, claim or demand, presented against the Village.

Sec. 3. WARRANTS

The Village Clerk shall keep in a suitable book, an accurate list of all warrants drawn upon the Village treasury, showing the date, number and amount of each, the name of the person in whose favor drawn, and the fund out of which each warrant is payable.

Sec. 4. RECORDS

The Village Clerk shall keep a detailed account of the Village revenues, and of each separate fund, crediting the same with all receipts or appropriations, and charging it with all warrants drawn thereon, and he shall charge each warrant to the fund or appropriation against which it is drawn. The Village Clerk shall also keep an accurate account of all debts due from or owing to the Village and he shall keep a book in which he shall enter a correct list of all bonds, notes or other obligations given by or payable to said Village, with the date thereon, the person to whom payable, the rate of interest, the time and manner in which the principal and interest are payable, and where the same are payable; and such other and when any Village bonds are surrendered, canceled, or paid, said books shall show the fact; and in the annual report to the Trustees, the Clerk shall describe, particularly the bonds sold, exchanged, or redeemed during the fiscal year, and give an itemized statement of the expenses thereof.

Sec. 5. STATEMENTS

The Village Clerk shall require all Officers charged in any manner with the receipt, collection or disbursement of Village revenues, to make monthly statements in writing, under oath, showing in detail, all such receipts, collections, and disbursements and file the same in the office of said Clerk.

Sec. 6. ANNUAL APPROPRIATION

The Village Clerk shall, on or before the fifth day of March in each year, and before the annual appropriations are made by the Trustees, submit to said Trustees a statement of estimates of moneys necessary to defray the expenses of the Village during the current fiscal year. The Clerk shall in said report class the different objects and branches of expenditures giving as near as may be, the amount required for each.

- a. For the purpose of making such report, the Village officers shall at the close of fiscal year make statements to the Village Clerk of the condition and expenses of their respective offices or departments, with any proposed improvements and the probable expense thereof, and of all contracts made and uncompleted and the amount of any and all unexpended appropriations.
- b. The Village Clerk shall make report to the Budget Committee showing the aggregate income of the preceding year from all sources, the amount of liabilities outstanding upon which interest is to be paid, the bonds and debts payable during the year, when due and when payable, and shall give therein such other information to the Trustees as may be deemed necessary, to the end that said Trustees may understand the fiscal demands upon the Village for the current year.

Sec. 7. ANNUAL TAX LEVY

The Village Board shall annually, on or before the third Tuesday in September of each year, estimate the total amount of appropriation for all corporate purposes legally made and to be collected from the tax levy of this fiscal year, and by ordinance, specifying in detail the purposes for which such appropriations are made and the sum or amount appropriated for each purpose, respectively, levy the amount as estimated upon all the property, subject to taxation with the Village as the same is assessed, and equalized for state and county purposes for the current year. A certified copy of such ordinance shall be filed with the County Clerk, whose duty it shall be to ascertain the rate percentum upon the total value of all the property subject to taxation within the Village as the same was assessed and equalized for state and county purposes, and produce a net amount not less than the amount so directed to be levied; and it shall be the duty of the County Clerk to estimate such a tax in a separate column upon the book or books of the Collector or Collectors of the state and county tax within such Village. Provided, the aggregate amount of taxes levied for the payment of bonded indebtedness or the interest thereon, shall not exceed the rate fixed by law upon the aggregate valuation, of all the property within the Village subject to taxation as the same was equalized for state and county taxes of the preceding year.

Sec. 8. DEPOSITARY FOR MUNICIPAL FUNDS

1. The Village Treasurer shall be required to keep all funds and money in the Treasurer's custody belonging to the Village deposited at Heartland Bank and Trust Company, Bloomington, Illinois.
2. The corporate authorities shall notify the sureties of the Treasurer of that fact in writing at least 5 days before the transfer of funds.
3. The Treasurer shall be discharged from responsibility for all funds or money that the Treasurer deposits in Heartland Bank and Trust Company, Bloomington, Illinois.
4. That Heartland Bank and Trust Company, Bloomington, Illinois, shall not receive any municipal funds without furnishing the corporate authorities with copies of the last two sworn statements of resources and liabilities which they are required to furnish to the Commissioner of Banks and Real Estate or the Comptroller of the Currency under 30 ILCS 235/6 (Public Funds Investment Act).
5. The Treasurer may enter into agreements of any definite or indefinite term regarding the deposit, redeposit, investment, reinvestment, or withdrawal of municipal funds.
6. The following individuals shall have the authority to sign warrants:
President, Treasurer and Chairperson of Finance.

CHAPTER 3

Article II. INVESTMENT POLICY

Sec. 1. SCOPE

This investment policy applies to all financial assets of the Village of Downs. These funds are accounted for in the Village of Downs' annual financial report and include the General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds, Proprietary Enterprise Funds, and any other funds that may be created from time to time. All transactions involving the financial assets and related activity of the foregoing funds shall be administered in accordance with the provisions of this policy.

Sec 2. OBJECTIVES

1. **Safety of Capital** - Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
2. **Liquidity** - The Village of Downs investment portfolio shall remain sufficiently liquid to enable the Village of Downs to meet all operating requirements, which may be reasonably anticipated in any Village of Downs fund. Maturities of investment of all funds except as noted below shall not exceed two (2) years, unless a temporary extension of maturities is approved by the Village of Downs Board of Trustees. Maturities of investment of Capital Project funds shall not exceed three (3) years.
3. **Return of Investments** - The investment portfolio of the Village of Downs shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the Village portfolio and of Downs risk constraints, the cash flow characteristics of the legal restrictions for return on investment.
4. **Maintaining the Public's Trust** - All participants in the investment process shall seek to act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the Village of Downs.
5. **Prudence** - Investment shall be made with judgment and care under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of prudence to be used by investment officials shall be the "prudent person" and shall be applied in the context of managing an overall portfolio.
6. **Local Consideration** - The Village of Downs seeks to promote economic development in McLean County. Under the Village of Downs competitive certificate of deposit purchase program, The Village of Downs will seek the most competitive rate from financial institutes within McLean County.

Sec. 3. INVESTMENT INSTRUMENTS

The Village of Downs may invest in any type of security allowed by Illinois law, notably 30 Illinois Compiled Statutes 23.5. A summary of the allowable instruments are:

1. Passbook savings account
2. Now, Super Now and Money Market Accounts
3. Commercial Paper - issuer must be a U.S. Corporation with more than \$500 million in assets, rating must be within three (3) highest classifications by two standards rating services, must mature with 180 days of purchase, and such purchase cannot exceed 10% of the corporations' outstanding obligations.
4. State Treasurer's Investment Pool
5. Money Market Mutual Funds, - registered under the Investment Company' Act of 1940, provided the portfolio is limited to bonds, notes, certificates, treasury bills, or other securities which are guaranteed by the federal government as to principal and interest.
6. Repurchase Agreements - collateralized by full faith and credit U.S. Treasury securities.
7. Certificates of Deposit and Time Deposits.
8. Constituting direct obligations of any bank as defined by the Illinois Banking Act and only those insured by the FDIC.
9. Legally issuable by savings and loan associations incorporated under the laws of the State of Illinois or any other state or under the laws of the United States and only in those savings and loan associations insured by SAIF.
10. Bonds, notes, certificates of indebtedness, Treasury bills or other securities which are guaranteed by the full faith and credit of the United States of America as to principal and interest.
11. Obligations of U.S. Government agencies which are guaranteed by the full faith and credit of the United States Government.
12. Short term discount obligations of the Federal National Mortgage Association.
13. Insured accounts of credit unions whose principal office is in Illinois.
14. Various tax-exempt securities.

Sec. 4. DIVERSIFICATION

It is the policy of the Village of Downs to look to diversify its investment portfolio. Investments may be diversified to eliminate the risk of loss resulting in over concentration of specific maturity, issuer, or class of securities. Diversification strategies shall be determined and revised periodically by the Finance Officer and approved by the Treasurer.

Sec. 5. COLLATERALIZATION

1. It is the policy of the Village of Downs to require that time deposits in excess of FDIC or SAIF insurable limits be secured by some form of collateral to protect public deposits in a single financial institution if it were to default due to poor management or economic factors.

2. Eligible collateral instruments and collateral ratios (market value divided by deposit) are as follows:
 - a) U.S. Government Securities = 110%
 - b) Obligations of Federal Agencies = 110%
 - c) Obligations of Federal Instrumentalities = 110%
 - d) Obligations of State of Illinois = 110%
 - e) General Obligation Bonds of A, A+ or AA rated municipalities = 110%

The ratio of fair market value of collateral to the amount of funds secured shall be reviewed annually, except Obligation of State and General Obligation Bonds which are reviewed quarterly, and additional collateral will be requested when the ratio declines below the level required and or Bond ratings fall below the level required.

3. Safekeeping of Collateral
 - a) Third party safekeeping is required for all collateral. To accomplish this, the securities can be held at the following locations:
 1. A Federal Reserve Bank or its branch office.
 2. At another custodial facility - generally in a trust department through book-entry at the Federal Reserve, unless physical securities are involved.
 3. By an escrow agent of the pledging institution.
 - b) Safekeeping will be documented by an approved written agreement. This may be in the form of a safekeeping agreement, trust agreement, escrow agreement or custody agreement.
 - c) Substitution or exchange of securities held in safekeeping can be done without prior written notice of the Village of Downs provided the market value of the replacement securities are equal or greater than the market value of the securities being replaced. The Village of Downs will be notified in writing of all substitutions.

Sec. 6. SAFEKEEPING OF SECURITIES

1. Third party safekeeping is required for all securities. To accomplish this, the securities can be held at the following locations:
 - a) A Federal Reserve Bank or its branch office.
 - b) At another custodial facility - generally in a trust department through book-entry at the Federal Reserve, unless physical securities are involved.
 - c) By an escrow agent of the pledging institution.
 - d) A financial institution of the Illinois State Treasurer's approved list of safekeeping banks.
2. Safekeeping will be documented by an approved written agreement. This may be in the form of a safekeeping agreement, trust agreement, escrow agreement or custody agreement.

Sec. 7. QUALIFIED FINANCIAL INSTITUTIONS

1. Depositories - Demand Deposits
 - a) Any financial institution selected by the Village of Downs shall provide normal banking services, including, but not limited to: checking accounts, wire transfers, purchase and sale of U.S. Treasury securities and safekeeping services.
 - b) The Village of Downs will not maintain funds in any financial institution that is not a member of the FDIC or SAIF system. In addition, the Village of Downs will not maintain funds in any institution not willing or capable of posting required collateral for funds in excess of FDIC or SAIF insurable limits.
 - c) To qualify as a depository, a financial institution must furnish the Treasurer or the Treasurer's Agent with copies of the latest two statements of condition which it is required to furnish to the Director of Financial Institutions or to the comptroller of Currency as the case may be. While acting as a depository, a financial institution must continue to furnish such statement to the Treasurer or the Treasurer's Agent within 45 days of the end of the depository institutions Fiscal Year.
 - d) All financial institutions acting as a depository for the Village of Downs must enter into a "Depository Agreement."
2. Banks and Savings and Loans - Certificates of Deposit
Any financial institution selected to be eligible for the Village of Downs' competitive Certificate of Deposit purchase program must meet the following requirements:
 - a) Shall provide wire transfer and safekeeping services.
 - b) Shall be a member of the FDIC and SAIF system and shall be willing and capable of posting required collateral for funds in excess of FDIC and SAIF insurable limits.
 - c) To qualify as a depository, a financial institution must furnish the Treasurer or the Treasurer's Agent with copies of the latest two statements of condition which it is required to furnish to the Director of Financial Institutions or to the Comptroller of Currency as the case may be. Acting as a depository, a financial institution must continue to furnish such statements to the Treasurer or the Treasurer's Agent within 45 days of the end of the depository institutions Fiscal Year.
3. Sixty-Five Percent Rule
The amount of funds deposited and/or invested in a financial institution shall not exceed 65% of the capital stock and surplus of such institution unless collateral security has been pledged, in which case the amount of such deposits and/or investment shall not exceed 75%.

Sec. 8. MANAGEMENT PROGRAM

1. The following individuals are authorized to purchase and sell investment, authorize wire transfers, authorize the release of pledged collateral, and to execute any documents required under this policy:
 - a) Treasurer
 - b) Finance Office - in his/her capacity as Chief Deputy Treasurer
 - c) President (Mayor)

These documents include:

 - i) Master Repurchase Agreement
 - ii) Wire Transfer Agreement
 - iii) Depository Agreement
 - iv) Safekeeping Agreement
 - v) Custody Agreement

2. Management responsibility for the investment program is hereby delegated to the Finance Officer, who shall establish written procedures for the investment program, consistent with this policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in any investment transaction except as provided under the terms of this policy and the procedures established by the Finance Officer. The Finance Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinates.

3. The wording of agreements necessary to fulfill the investment responsibility of the Finance Officer who shall periodically review them for the consistency with the Village of Downs policy and State law and who shall be assisted in this function by the Village of Downs' legal counsel. These agreements include, but are not limited to:
 - a) Master Repurchase Agreement
 - b) Wire Transfer Agreement
 - c) Depository Agreement
 - d) Safekeeping Agreement
 - e) Custody Agreement

Sec. 9. INVESTMENT POLICY

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 of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Village Board of Trustees any material financial interest in financial institutions that conduct business with the Village of Downs, and they shall further disclose any large personal financial or investment positions that could be related to the performance of the Village of Downs' portfolio. Employees and officers shall subordinate their personal investment transactions to those of the Village of Downs particularly with regard to the timing of purchase and sales.

Indemnification

Investment officers and employees of the Village of Downs acting in accordance with this Investment Policy and written procedures as have been or may be established and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market changes.

Reporting

The Treasurer shall submit to the Finance Officer quarterly an investment report which shall describe the portfolio in terms of investment securities, maturities and cost by fund, and earnings for the current period and year to date. The report shall indicate any areas of policy concern and planned revision of investment strategies.

The Treasurer shall submit to the Finance Officer a comprehensive annual report on the investment program and activity. The report shall include a review of the year's overall performances as well as a projections of what may be anticipated in the future.

Miscellaneous

Administrative Help - The Village of Downs shall provide and pay for the professional and administrative help staff, and equipment necessary to carry out the duties and responsibility contained in this investment policy and the procedures established for the operation of the program. This includes arbitrage rebate monitoring and reporting.

Amendment

This policy shall be reviewed from time to time and revisions shall be presented to the Village of Downs Board of Trustees for their approval.

Conflict

All Village of Downs Ordinance and parts of Ordinances and all Resolutions or part thereof in conflict with this Policy, or any parts thereof, are hereby repealed. In the event of any conflict between this Policy and the Illinois Compiled Statutes or case decisions of the State of Illinois, then the Statutes and case law compiled decisions shall control.

Captions and Headings

The captions and headings used herein for convenience of reference only and do not define or limit the contents.

Adoption

Adopted by the President and Village of Downs Board of Trustees, this 2nd day of December, 1999 by Ordinance # 99-26, in McLean County, Downs, IL.