

DATE: 1/26/2026

TO: Alderman Frost, Chair
Finance and Personnel Committee

FROM: Carrie Hagerty

RE: **Finance Policies**

The Finance Department regularly reviews best practices, auditor recommendations, and operational needs to determine where policies are needed in our operations. For Council's consideration, we are presenting the following policies for review and approval:

1. Accounting Policy: this is a new policy and effectively memorializes current practice for several general accounting practices
2. Police and Fire Pension Funding Policy: this is also a new policy and one commonly in place in municipalities in Illinois. The policy outlines the City's current practice related to defining and funding required pension contributions.
3. Unclaimed Property Policy: minor updates to an existing policy to incorporate the requirements outside the State of Illinois.
4. Capital Asset Policy: combines our current vehicle replacement policy and surplus property policy with broader capital asset practices to reflect best accounting practice and incorporate some of our current operations.

Please let me know if you have any questions.

ACCOUNTING POLICY
CITY OF ROCKFORD, ILLINOIS
January 2026

I. Policy

It is the policy of the City of Rockford to hold general accounting policies to provide guidelines to support daily operations and sound administrative and policy decision making not already directly addressed in a more detailed policy. The City's accounting policies are the specific principles, guidelines, basis, conventions, rules, regulations and practices applied by the City of Rockford in accounting for the collection and disbursement of financial resources and in preparing and presenting accurate financial statements of fiscal transactions. These policies help ensure that the institutional memory of how and why things were done in the past is not lost and serve as an important tool to capture how things are currently done.

II. Scope

The Accounting Policy applies to all personnel, departments, divisions, and offices of the City government as well as all associated accounting funds under the direct authority of the City of Rockford. These accounting funds include, but are not limited to the General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds, Internal Service Funds, Special Assessment Funds, Enterprise Funds, Trust and Agency Funds, and other funds that may be created from time to time, and shall be administered in accordance with the provisions of this policy.

III. Policies

1. Accounting Standards:

- The annual budget and audited financial statements of the City of Rockford are prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applicable to government entities. GAAP are national accounting standards adopted by the Governmental Accounting Standards Board (GASB). GASB is the nation-wide accepted standards body for establishing governmental accounting and financial reporting principles.

2. General Resolutions:

- The City of Rockford recognizes a January 1 – December 31 fiscal year
- Basis of Accounting:
 - Governmental Funds: modified accrual basis
 - Proprietary Funds: accrual basis
 - Fiduciary Funds: accrual basis
 - The City recognizes revenue when funds are available and measurable. The City considers funds available if they are collected within 60 days of

the end of the current fiscal period for property taxes and 90 days for other taxes and intergovernmental revenues. Grant and reimbursable program revenues differ by the nature of the agreement and are recognized when criteria have been met and the City is entitled to the resources. This includes reasonable assurance that revenues will be received from the awarding agency.

- Property Taxes are recorded in the year they are levied.
- Creation of new funds or elimination of existing funds shall be done by the Finance Department or City Council action. The Finance Department shall conduct an annual review and assess if each fund is needed.
- A major fund is a budgeted fund where revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) represent more than 10% of the corresponding totals for all government or enterprise funds.
- An independent comprehensive financial audit of the City's financial statements will be conducted annually by an independent Certified Public Accounting firm. The City also participates in a number of federal and state assisted grant programs, which are subject to annual financial and compliance audits. The Annual Comprehensive Financial Report will be posted on the City's website within 10 days after it has been presented to Council.
- The Finance Department shall follow the Prompt Payment Act (30 ILCS 540). Any approved invoice received by the City shall be paid within sixty days of receipt of a proper bill or invoice.
- The Finance Department shall compensate employees bi-weekly according to state, federal, City Rules and Regulations, and bargaining agreement guidelines.
- The City staff prepares appropriate monthly financial statements reflecting the operations of certain individual funds and programs. The Accounting official system of record is the same ERP where the General Ledger data is stored, currently Tyler Enterprise ERP (Munis).
- System Access: The highest level of internal controls shall be in place regarding all system access while still being able to perform daily tasks without hinderance.
- Compensated Absences: It is the City's policy to permit employees to accumulate earned (but unused) vacation, sick pay, and compensatory time benefits up to the limits imposed in the City of Rockford Rules and Regulations. For Compensated Absence recording purposes, Benefit Personal Time Off Accruals are recognized as First in First Out and are recorded in the fund that will pay for it.
- Inventory: Inventory is valued at the cost of total available for use, using a weighted average method. The value of the City's office supply inventory is not considered material and is expensed as purchased.
- Interest Earnings: the Finance Department will allocate interest earnings and expenses to the appropriate accounting fund based on available cash balances consistent with generally accepted accounting principles.
- Risk Management: the City evaluates insurance, claims, and loss potential annually and records probable liabilities when they can reasonably be estimated for governmental and proprietary funds.

- Electronic Signature is acceptable on internal documents

3. Banking, Cash, and Collection:

- All forms requesting City wire or ACH banking information shall be reviewed and approved by the Finance Director or their designee.
- Bank reconciliations shall be completed monthly within 45 days of the close of the month and submitted to the Accounting Manager for approval. Approvals shall be electronic and completed within ten days.
- Bank signatures: two signatures shall be required on all City checks.
- Petty Cash: The City does not keep petty cash funds. All payments must be processed through Accounts Payable or approved PCard transaction under the process set by Finance.
- Cash Receipt, Wire, and ACH Collection: The Finance Department shall record daily cash, wire, and ACH deposit collections within ten business days of receipt of funds. Any transaction that does not have coding pre-identified shall be recorded in a ledger account identified by Accounting, then transferred to the appropriate ledger when identified.
- Remote Deposit: Daily check deposits shall be recorded per the Remote Deposit procedure.
- Cash Collection: All daily in person and mail payment collections shall follow the most recent Internal Controls, Cash Handling, and Fraud policy.
- Accounts where checks are returned unpaid shall be assessed a fee as outlined in the annual fee schedule.
- Check Reissue: Checks issued by the City can be requested to be reissued if still outstanding after 30 days from the original check issue date.
- Check supply: Check stock and toner are locked in a secure cabinet. The key is kept in the Accounting Manager's office and does not leave the floor.
- Creation of new bank accounts or the elimination of existing bank accounts shall be done by the Finance Department or City Council action. The opening of bank accounts is discouraged to track grant or program funds. Funds, including recording allocated program interest, shall be tracked by the City accounting system. Bank accounts will only be opened when absolutely necessary.

IV. Internal Controls

The Finance Director is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits require estimates and judgments by management.

Accordingly, the Finance Director shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures.

V Policy Considerations

1. Exemption

Any policy currently held will provide greater substance on those individual areas and should work in conjunction with this general policy.

2. Amendments

This policy shall be reviewed on an annual basis. Any changes must be approved by the Finance Director and any other appropriate authority, as well as the individuals(s) charged with maintaining internal controls.

Rockford, Illinois

Date: January 26, 2026

COMMITTEE REPORT

TO THE CITY COUNCIL OF THE CITY OF ROCKFORD:

Council Members:

The Committee on Finance and Personnel having received a request hereby begs leave to report recommending **approval** of the Accounting Policy. The Legal Director shall prepare the appropriate ordinance.

Kevin Frost (Chair)

Jonathan Logemann (Vice chair)

Frank Beach

Dawn Granath

Chad Tuneberg

Committee Action Taken:

Frost:	Ayes:___	Nays:___	Absent:___
Logemann:	Ayes:___	Nays:___	Absent:___
Beach:	Ayes:___	Nays:___	Absent:___
Granath:	Ayes:___	Nays:___	Absent:___
Tuneberg:	Ayes:___	Nays:___	Absent:___