governing investment of public funds, and have been approved by the appropriate Board of Trustees.

The policies provide direction and guidance on:

- Investment objectives
- Authorized investments
- Risk and diversification
- Internal controls
- Reporting
- Custody and security

Financial Reserve Policy

Since 1994, the Village Board has had a policy objective to maintain an unreserved fund balance in the General Fund equal to 40% of revenues.

After the independent audit is completed for a fiscal year, staff prepares a report to the Village Board summarizing the results of operations. The report includes a determination of unreserved fund balance and reports the amount (if any) of funds available that exceed the fund balance policy. Historically, the Village Board has used surplus balances for:

- Capital replacement programs
- Retirement of existing debt
- Cash payments for specific capital improvements

DEBT POLICY

The Village faces continuing capital and infrastructure expense to meet the increasing needs of our residents. A key goal is to minimize the annual debt requirements for this purpose while maintaining our capacity to meet financial challenges. Thus, the costs associated with acquiring many of these long-term assets will generally be met with the issuance of debt; normally, general obligation bonds. Under current state statutes, home rule communities do not have a legal limit on the amount of debt which can be issued, thus the Village's general obligation bonded debt issuances are not subject to a legal limitation.

In order to maintain a relatively level or decreasing property tax rate, the Village will make detailed analyses of existing debt structures, current and projected cash flows and potential future debt levels before making a decision to issue each new debt obligation.

Since April 1994, the Village has maintained a Aaa bond rating from Moody's Investors Service. Moody's cites Northbrook's sound economy (including a sizable, diverse tax base and superior economic indices), strong financial position (including strong fund balances and substantial financial flexibility) and sound debt management as the major factors in evaluating the Village's strong credit position. In December 2000, the Village also sought a rating from Standard & Poor's. Standard & Poor's also awarded the Village their highest rating of AAA. Both of these ratings were reaffirmed in January, 2018.

These factors have also helped the Village issue debt to pay for capital improvements without increasing property taxes. Approximately 60% of the property tax associated with these issues is annually abated by the Village by using fund surpluses or dedicated revenue sources, such as water sales, storm water fees, or a portion of the home rule sales tax.

There are three commonly used indices for measuring debt. Net bonded debt per capita measures the Village's net outstanding debt against the Village's population. This measure allows the reader to determine if the Village's debt is growing in proportion to its population. The ratio of net outstanding debt to assessed valuation shows the relationship between the Village's outstanding debt and the value of property within the Village. The ratio of outstanding debt to fund balance reserves compares the Village's outstanding bonded debt against our unobligated cash reserves. The table below shows these indices for the last ten years.

Fiscal	Net G.O.	As a Percentage of		
Year	Bonded Debt	Population	Assessed Value	Fund Reserves
2008	58,273,176	1,693.05	2.42%	294.12%
2009	57,226,523	1,662.64	1.98%	209.63%
2010	55,352,928	1,608.21	1.78%	267.24%
2011	54,336,138	1,638.11	1.74%	268.15%
2012	54,043,519	1,570.17	1.87%	281.24%
2013	55,138,810	1,601.99	2.13%	313.63%
2014	59,265,548	1,721.88	2.46%	326.87%
2015	58,544,630	1,700.94	2.73%	297.19%
2016	65,099,525	1,962.60	2.98%	304.82%
2017	61,808,628	1,863.39	2.98%	279.29%

Until 2016, the Village's debt levels as a percentage of assessed valuation had remained below 3%, even as property values dropped with the economy. Total 2016 assessed valuation is 34% lower than its peak in 2010.

In 2007 & 2008 the Village issued bonds to fund a $20 million infrastructure initiative. Projects included reconstruction and patching of streets within the Sky Harbor Industrial Park, reconstruction of Cherry Lane and Western Avenue, sidewalk construction on arterials, and remodeling of Village Hall and the Public Works Center. A $.25 increase in the home rule sales tax has been dedicated to the debt service of these obligations.